

Strategic Importance of Regional Economic Integration in the Asia Pacific Region

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	Unilateral	Bilateral		Plurilateral		Under Consideration
		Inter-Regional	Intra-Regional	Inter-Regional	Intra-Regional	
R E G I O N A L A R R A N G E M E N T S	Various trade liberalization measures taken by Individual Economies	IMPLEMENTED Australia-PNG(1977) Australia-New Zealand(1983) Chile-Canada(1996) Mexico-Chile(1998) Singapore-Japan(2002) China-Hong Kong(2004) Chile-US(2004) Singapore-Korea(2006) Japan-Malaysia(2006) Japan-Thailand(2007) Japan-Indonesia(2008)	IMPLEMENTED Singapore-New Zealand(2001) Singapore-Australia(2003) Chile-Korea(2004) US-Australia(2005) Chile-China(2005) Singapore-US(2005) Malaysia-Australia(2005) Mexico-Japan(2005) Thailand-New Zealand(2005) Thailand-Australia(2005) Japan-Chile(2007) China-New Zealand(2008) Australia-Chile(2009) Singapore-Peru(2009) Peru-China(2010)	IMPLEMENTED AFTA (1993) ASEAN-China(2005) ASEAN-Korea(2007) ASEAN-Japan(2008) NAFTA(1994)	IMPLEMENTED P4(2006) Australia-ASEAN-New Zealand (2010) UNDER NEGO TPP	Bilateral and Intra-Regional China-Thailand ASEAN-US Bilateral and Inter-Regional Thailand-Chile Indonesia-Australia Plurilateral and Intra-Regional ASEAN+3 ASEAN+6 ASEAN-Chinese Taipei Plurilateral and Inter-Regional FTAAP ASEAN-USA ASEAN+3 ASEAN+6
	APEC Individual Action Plans (IAPs)	Japan-Brunei(2008) Japan-Philippines(2008) China-Singapore(2009) US-Peru(2009) Chile-Peru(2009) Canada-Peru(2009) Japan-Vietnam(2009)	SIGNED Thailand-Peru (2005) Korea-US (2007) Hong Kong-New Zealand (2010) Korea-Peru (2010) Korea-EU (2010)			
Unilateral use of force	UNDER NEGO Korea-Japan	UNDER NEGO Singapore-Mexico Canada-Singapore Thailand-US Australia-Malaysia China-Australia Korea-Malaysia Korea-Canada Korea-Mexico Malaysia-Chile US-Indonesia US-Philippines Japan-Australia Japan-Peru New Zealand-Korea Australia-Korea				

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Features of FTAs/RTAs in Asia-Pacific

- **Currently, 40 RTAs have been implemented, 5 RTAs have been signed, and more than two dozen RTAs are being negotiated or considered by APEC economies.**

Fact 1

- After East Asian financial crisis in 1997, the Northeast Asian members have changed their policy stance from favoring a global approach to favoring a regional approach
- 35 RTAs have been implemented after the crisis.

Fact 2

- Most of RTAs in the Asia-Pacific region have taken a form of bilateral negotiation similar to the world-wide trend of seeking a lower and easier negotiation cost even though the gains from the freer trade are limited

Fact 3

- No distinction between intra- and inter-regional partnerships

Fact 4

- Most of sub-regional RTAs within APEC have been making a complicated web of hub-and-spoke type of overlapping RTAs which may cause a spaghetti bowl phenomenon.

Fact 5

- Progress has been slow in taking an expansionary path of RTAs

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General Characteristics and Drawbacks

- **Major objective is to liberalize trade and investment**
 - More emphasis has been placed to lowering trade and investment barriers among key trading partners than to seeking broad economic integration
- **Incorporate a variety of commitments to economic cooperation in a number of areas**
 - However, some agreements have no feasible work plan
- **A comprehensive scope and more sophisticated type of FTAs/RTAs.**
 - However, there are not many FTAs/RTAs in the APEC region containing chapters on next generation issues including E-commerce, labor and environment
- **Complex and inconsistent provisions in Rules of Origin**
 - Increased transaction cost may disrupt supply chain
 - May lead to hamper the process of production networking

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Challenges Facing the Asia Pacific Region

- **Asia-Pacific economies need to build on FTAs by improving the business environment through further liberalization/facilitation and closer cooperation.**
 - The heterogeneity of economic interests and political stances in the region and challenges facing the region make it very difficult to envisage a proper architecture for the region as a whole
 - There is no “top-level management” to substitute for WTO discipline, to ensure that bilateral trade tensions—tensions that are inevitable in East Asia—do not spill over into region-wide problems due to lack of cooperation and communication (Baldwin 2007)

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Concerns Regarding Cooperation Mechanisms

- **The possible conflicts in interests between different cooperation mechanisms such as the APEC and APT, EAS and G-20 have alarmed non-member economies in the Asia Pacific region**
 - Existing regional institutions in Asia Pacific and East Asia (APEC, APT, EAS) are not adequately equipped to deal with global issues to support the G20. Then how to harmonize global and regional economic governance and who will deliver non-member’s interests: **Proper regional and global Institutional Architecture**
 - The emergence of regional cooperation mechanisms in East Asia only such as APT and EAS have caused considerable concern and criticism has often been made in the context of nationalism and protectionist regionalism which emphasizes “Asian Only”: **Potential intra-regional conflict of Interests**

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Conditions for Proper Regional and Global Architecture

- **Conditions for Proper Architecture**
 - The capacity to respond to the challenges and changes facing the region
 - Inclusiveness of interests and agenda
 - The capacity for harmonizing the roles of other groups in the region
 - Should involve the pursuit of multilateralism and consistency with the WTO.
- **Any single regional cooperation mechanism alone cannot function perfectly in isolation.**

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To Move toward a Prosperous A-P Community

- **Synergy with G20**
 - APEC and G20 have common long-term goal of ensuring strong, sustainable and balanced growth
 - In this respect, APEC and G20 may optimize their synergy: design and implement progressively better policies for economic management and structural adjustment
 - APEC may take initiative to address urgent regional issues but need global solutions
 - rebalancing economic growth, green growth and climate change, reform and restructure

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To Move toward a Prosperous A-P Community

- **We need to understand 1) Why East-Asian cooperation mechanisms have been formed 2) How to harmonize several mechanisms in the region**
 - APT, EAS and APEC should not be viewed as conflicting mechanisms.
 - Rather, they can be complementary.
 - As APEC strongly supports the WTO process, regional mechanisms in East-Asia can also function in this supportive role.
 - East-Asian cooperation and an East Asian community can be viewed as the stops to be reached on the way to arrive at the farther destination, “Asia-Pacific community.”
 - A strengthened APEC with strong regional supporters such as APT and EAS will eventually form the strong architecture that the Asia-Pacific region needs.

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To Move toward a Prosperous A-P Community

- **Utilize Regional Cooperation Mechanisms as platform**
 - If economic integrations being pursued by RCM are successfully accomplished, there is room to expand them to a bigger integration, which can be an ‘FTAAP’ in the future.
 - RCM, such as the APT, EAS and TPP will not only serve the members but also for non members
 - Forming an East Asian Community should not be viewed as a move against the Asia-Pacific Community

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To Move toward a Prosperous A-P Community

- APEC must strengthen its role in the world as a platform to set best practices to address global issues as well as becoming a catalyst to promote such global cooperative approaches.
- APEC must take full advantage of its dynamism (e.g. diversified membership & broad scope of agenda) to become the pathfinder who provides best practices to global issues. Simultaneously, APEC should forward consensus reached agenda to global forum for an early and effective implementation.

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Concluding Remarks

- APEC's sustainable development lies in the successful establishment of unique role in overflowing international cooperative mechanisms
 - *Deepen regional economic integration* by a successful incorporation of **Behind the Border Issues, Next Generation Issues, Structural Reforms, Climate Changes**
- Become a Pathfinder for internationally applicable agenda via **introducing Soft Law in operational mechanism of APEC**
 - APEC Single Voice on the consensus-reached agenda
 - Influential catalyst to encourage initiatives from various international fora

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