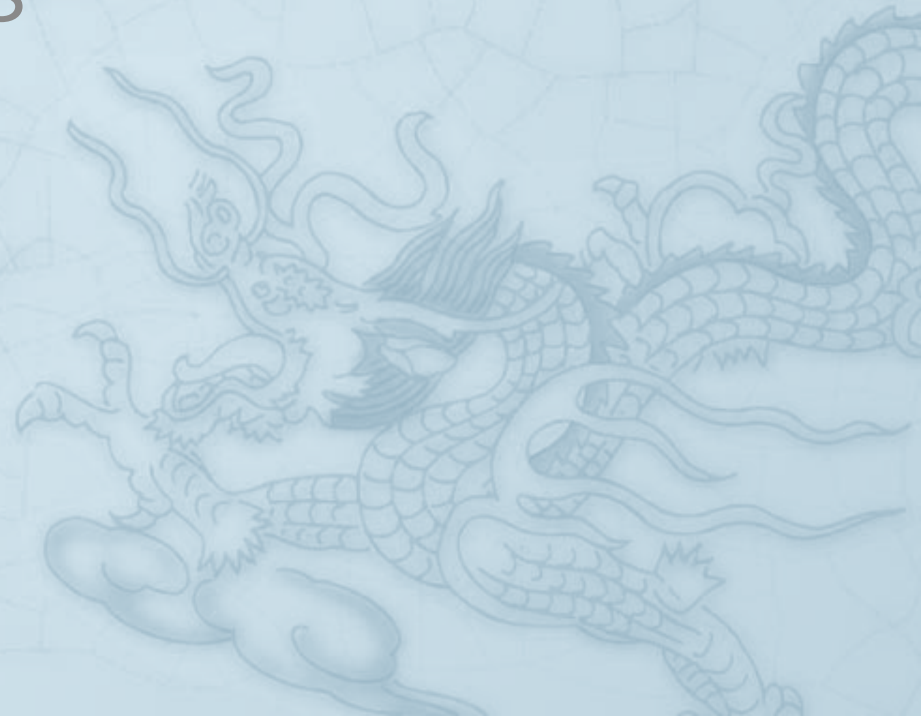


# Moving toward a Greater Market Integration

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# I. Facts vs. Rationale

- ◆ There seem two contradicted trends:
- ◆ -- close economic interconnections based on increasing trade, investment and service among economies in the Asia-Pacific region and in East Asia, that need an integrated institutional support
- ◆ -- FTAs by different bilateral, sub-regional arrangements have created new barriers featured by the “noodle bowl” effects
- ◆ Regional cooperation frameworks seem not helpful to create the “strategic consensus”

# TPP

- ◆ East Asian economy has its own production framework on the one hand and closely relations with North America on the other hand. Thus, a greater pan Asia-Pacific economic integration, FTAAP, is more beneficial than any other sub-regional arrangements
- ◆ However, it is a long way to go to realize such greater market integration in the Asia-Pacific though many efforts have been made, such as soft approach by APEC Bogor Goal,
- ◆ TPP is considered as a hard approach, but few economies are involved, it is not clear whether it is a right way to FTAAP

# TPP vs. EAFTA

- ◆ East Asia still needs an early market integration by two major reasons:
- ◆ --to overcome the market fragmentation created by multilayered FTAs
- ◆ --to facilitate restructuring the economic growth model by joint efforts of the regional members
- ◆ The pragmatic approach is to let TPP and EAFTA (CEPEA) go simultaneously, and further go to an integrated Asia-Pacific FTA

# Business Concern

- ◆ Case studies initiated by ADB and conducted by several country teams have shown the results:
- ◆ -- low usage rates on FTAs by the companies, showing that the roles of FTAs in facilitating FTAs are limited
- ◆ --Business community complained the new cost by fragmentation of the markets and new rules by FTAs
- ◆ --Companies urge the governments to take big steps to reduce the new barriers by facilitating greater market integration

## II. Forward Strategy

- ◆ China is active on promoting a large FTA by participating all regional efforts
- ◆ Due to the complex factors, the bilateral FTAs with its major trade partners seem not easy
- ◆ The restructuring of the economy needs forward looking strategy for China to make the “second phase” open policy



# New Initiatives

- ◆ Working groups led by ASEAN on facilitation (ROO, tariff nomenclature etc) agreed by EA leaders; but the progress slow
- ◆ New time table for CJK FTA, negotiation is set to start by next year, it has critical importance, but the process seems still uncertain
- ◆ Joint proposal by China and Japan on setting up working groups for practical approach on either EAFTA or CEPEA, a big step for the two having a shared strategy

# Options

- ◆ Leaders in East Asia should adopt China-Japan joint proposal to set three working groups on how to realize EAFTA or CEPEA
- ◆ Considering the great difficulty on realizing a greater FTA for 16 economies, the approach should be flexible, for example, negotiation opening for all members, but starting with ASEAN+(6-)
- ◆ Considering the time cost of negotiation on the FTA, working groups for facilitation recommended by EAFTA and CEPEA study reports and led by ASEAN should make faster steps
- ◆ To encourage CJK FTA process go faster as a facilitator to realize a greater market integration in East Asia
- ◆ It is time for ASEAN to play a more active role in leading the process toward a greater market integration