

Rebuilding Economic Dynamism and Integration in the Asia-Pacific

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I. Retrospective: dynamism & integration (1)

- Evolution of economic dynamism and integration in the Asia-Pacific:
- Catching up and market led integration process (1960-80s)
- --Strong US economic growth, open market, FDI outflow or FTT (foreign technology transfer) to overseas
- --Emergence of economies of Japan, “four dragons”-miracle
- The result:
- --Significant increase of business transaction between the North America and the West Pacific market economies
- --Emergence of ideas for regional economic cooperation and regional cooperation mechanism (mainly driven by the West Pacific(like PECC, APEC) aiming at confirming the cross Pacific integrated structure

Retrospective: dynamism and integration (2)

- Integration of the East Asian economies, developing the multilayered regional institutions (1980s-2008)
- --Due to Yen's rise, industrial transfer from Japan (later also from "four dragons ") to ASEAN and China
- Result:
- --Boom of East Asia economy and deepening of production network ,with especially the rise of China as a reprocessing and assembling center
- --The Asia-Pacific economic integration was further enhance based on the interaction between the production network in East Asia and import market of the America, but gradually the imbalance worsened
- 1997 financial crisis nurtured the regional cooperation frameworks in East Asia
- APEC failed to be a main platform to develop the integrated institution in the Asia-Pacific, FTAs with multilayered character in both sides of the Asia-Pacific prevailing (bilateral FTAs, 10+1 FTAs.....)

Retrospective: dynamism & integration (3)

- Restructuring the economic growth engine and the integration structure (2008-)
- --The US sub-prime credit crisis led to the US and global financial crisis, the developed economies lost growth dynamism, the West Pacific economies also suffer, but keeping reasonable growth dynamism
- -- Call for restructure of the demand-supply paradigm between the America and the West Pacific
- --East Asia economies find their internal need for change-- to domestic consumption led and sustainable development model.....
- --"Competitively driven efforts" on regional integration institutions: US led TPP, as well as CJK FTA and RCEP (10+6) initiated by ASEAN

II. New dynamism and Rationalizing the Institutions (1)

- How to regain the dynamism in the Asia-Pacific?
- US economic recovery slower than expected, budget deficit problem, monetary stimulus, rising trade protectionism--uncertainty prevailing,
- As uncertainty still shadows the world market, while keeping open multilateral system work, enhancing global governance etc. , more efforts need to keep the regional market open and integrated
- As diversified processes of FTAs prevail, APEC should redefine its medium role to facilitation and cooperation agendas

New dynamism and Rationalizing the Institutions (2)

- The key for rebalancing is East Asia, especially China, needs to make more efforts to generate the new growth engine , including mobilizing the domestic consumption and developing the basic social safety net, reducing the role of export on growth, supporting the transition toward energy efficiency, green economy
- The regional production network in East Asia is experiencing restructure with newly emerging reprocessing centers. The new reallocation and restructure of the production network should help to develop the new structure.

New dynamism and Rationalizing the Institutions (3)

- Regional integration processes now witness two major trends in the Asia-Pacific:
 - --TPP led by the US covering 12 economies (may be more)—aiming at new rule making and rebuilding the competitive balance in the region and also global level
 - -- RCEP just initiated led by ASEAN covering 16 economies in East Asia—aiming at creating the new dynamism and new space
- TPP and RCEP seem driven by the competitive strategies, may be complimentary—but need coordination to reduce the negative impact and be positive the cross Asia-Pacific integration

New dynamism and Rationalizing the Institutions (4)

- Chinese economy is experiencing the restructure and rebalance-moving toward domestic led and sustainable development model.
- China needs a open global market system and strongly supports the progress of the multilateral agenda under DDA, for example, a facilitation agreement, ITA2 etc.
- China pays high interests to participate and promote CJK FTA and RCEP, though not in TPP and will continue to play an active role in constructing the infrastructure network (through connectivity initiative) and new production network (through reallocation)