Future Prospect of FTAs for the Asia-Pacific Region

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Regional Integration: Rationale

- Legal Foundation: Article 24 of GATT & Article 5 of GATS;

- Building Block vs. Stumbling Block

- Competitive Liberalization
  - Catalyst for Globalization;
  - Maximize bargaining chips
  - Minimize negative effects of being-Marginalized

- Leadership Contention: the invincible & the inevitable?
Sequence of Integration

- FTA
- Customs Union
- Common Market
- Economic Union
- Political Union
Regional Integration: Functional Utilities

- **Economics**
  - Production specialization & efficient growth
  - Path-finder for globalization
  - Supply chain connectivity
  - Benefit of Technological innovation
  - Standardization & mutual recognition

- **Politics/Military**
  - Incentive for political cooperation
  - Mitigate potential confrontation
  - Upgrade bargaining skills
  - Regulatory convergence
  - Technological exchange
  - Stage preview for dispute settlement
NATO: Yes, but...
TAFTA: No?...Perhaps
“Fortress Europe”: a Nightmare for the U.S. in 1992
NAFTA: a Safety Net?

NAFTA Export Composition

Percent of exports by value (2001)

Exports as % of GDP (2000*)
- Canada: 43.72%
- Mexico: 31.40%
- United States: 10.72%

Data Sources:
- Export Composition: UNCTAD Handbook of Statistics 2002
- Exports (% GDP): World Bank, World Development Indicators 2002
- *Export (% GDP) data for the US and Canada for year 1999
Asia’s Bottom-Up Approach to Integration

(ADB in 2008)

• Asia’s Formal Economic Cooperation Lagged behind Market-Driven Integration: the “flying geese” development relies on policies that welcome foreign companies, encourage technological upgrading, and build strong connectivity with world markets, as well as on their proximity to Asian neighbors following similar strategies;

• Market-Friendly, Multi-Track, and Multi-Speed Open Regionalism;

• The Resurgence of the PRC Has Given Impetus to Asian Integration: WTO membership & FDI with Technological Spill-over Effects
APEC: Hit or Miss?
Current Regional Economic Challenges

- Competitive Liberalization at Play:
  - TPP, RCEP, ECFA, etc.

- Supply Chain connectivity


- Toward a “Blue Economy” in APEC?
• Balanced Growth
• Inclusive Growth
• Innovative Growth
• Secured Growth
• Sustainable Growth
ASEAN: Hub or Spoke?
RCEP vs. TPP: ever Achievable FTAAP?

Driving Force

ASEAN+3 (EAFTA)

ASEAN+6 (CEPEA)

ASEAN++ (RCEP)

ASEAN+8 (EAS)

ASEAN+1

ASEAN

ASEAN+3

ASEAN+6

ASEAN++

ASEAN+8

Driving Force

FTAAP

Driving Force

APEC

TPP

REI

Bogor Goal

CJK
TPP: Invitation vis-à-vis Application
BRIC: Potential Markets
The More, the Merrier: BRICS, CIVITS, & What Not?
Declining Empire of Pax America?
After QE1 & QE2

: Things will get back to normal before long

What goes down, must come up. While no one knows how long it will take the economy to rebound, a major economy like the US is “too big to fail” and we should be able to count on the Fed to make sure the recession is not unduly prolonged.
PIIGS: Domino Effect of Euro
The outlook for the US looks bleak. Avoiding a double dip scenario is not as straightforward as creating growth & output. The US economy needs to create 187,000 jobs a month, growing at a rate of 3.3% to achieve a healthy 5% unemployment rate by the year 2020. However, with the current rate of growth, it is not surprising that McKinsey estimates that it would take 5 years to recover from the current recession.
Risky Gambles: QE3
Currency Wars: Punishing Appreciation Thy Neighbors
Japan’s Export Slump on EU Decline
Reshaping International Economic Order?

- IMF: Impotent on Shaping Nations’ Responsible Monetary Policies
- WTO: Impasse of DDA
- UNFCCC: No Consensus on Managing GHG Emission
Discredited System, Dwindling Influence?!
Declining Empire?
The U.S. & Europe are bound for failure if they undertake “another costly experiment with ideas that fail repeatedly”.
Death of Liberal Market Economics?
State Market Economy: An Inspiration?
A Resurgent China: Done That, Been There!
The “Tribute System” in Ming & Ching Dynasties:
Give-more-than-Take International Order
Sino-U.S. Strategic & Economic Dialogue
➔ Chimerica?
Leadership Transition in China: Tough on the U.S.?
Axis of all Possibilities

Soft Power
- TPP
- ECFA
- APEC
- ASEAN+
- S&ED

Hard Power
- TRA & Arms Sales
- Currency War
- South China Sea
- ASEAN+ 3
Challenges:
A Possible Dream of a Body-Mind-Soul Trilogy?
Body: Institutional Arrangements

- Association of South East Asian Nations (ASEAN) Secretariat
  - Pacific Economic Cooperation Council (PECC)
  - Pacific Islands Forum (PIF)
Mind: Goal Setting, Modus Operandi & Initiatives

- Bogor Goals
- Osaka Action Plan
- Open Regionalism
- Concerted Unilateralism/Cr
- EVSL
- Pathfinder
- Blue Economy
Soul: Balanced Approach to Non-Zero-Sum Game

- Flexible, voluntary, non-binding;
- Various paces of change;
- Mutual Respect, Mutual Benefit;
- 2010/2020;
- Managing Crises on the Same Boat
Implications for MNCs

• Barriers to Integration:
  • At the border
  • Cross the Border
  • Behind the Border

• Contributing to Growth with CSR:
  • Balanced Growth;
  • Inclusive Growth;
  • Innovative Growth;
  • Secured Growth;
  • Sustainable Growth
Thank You!

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