

Future Prospect of FTAs for the Asia-Pacific Region

Dr. Mignonne Man-jung Chan

Senior Advisor
Chinese Taipei APEC Study Center

2013.02.04.

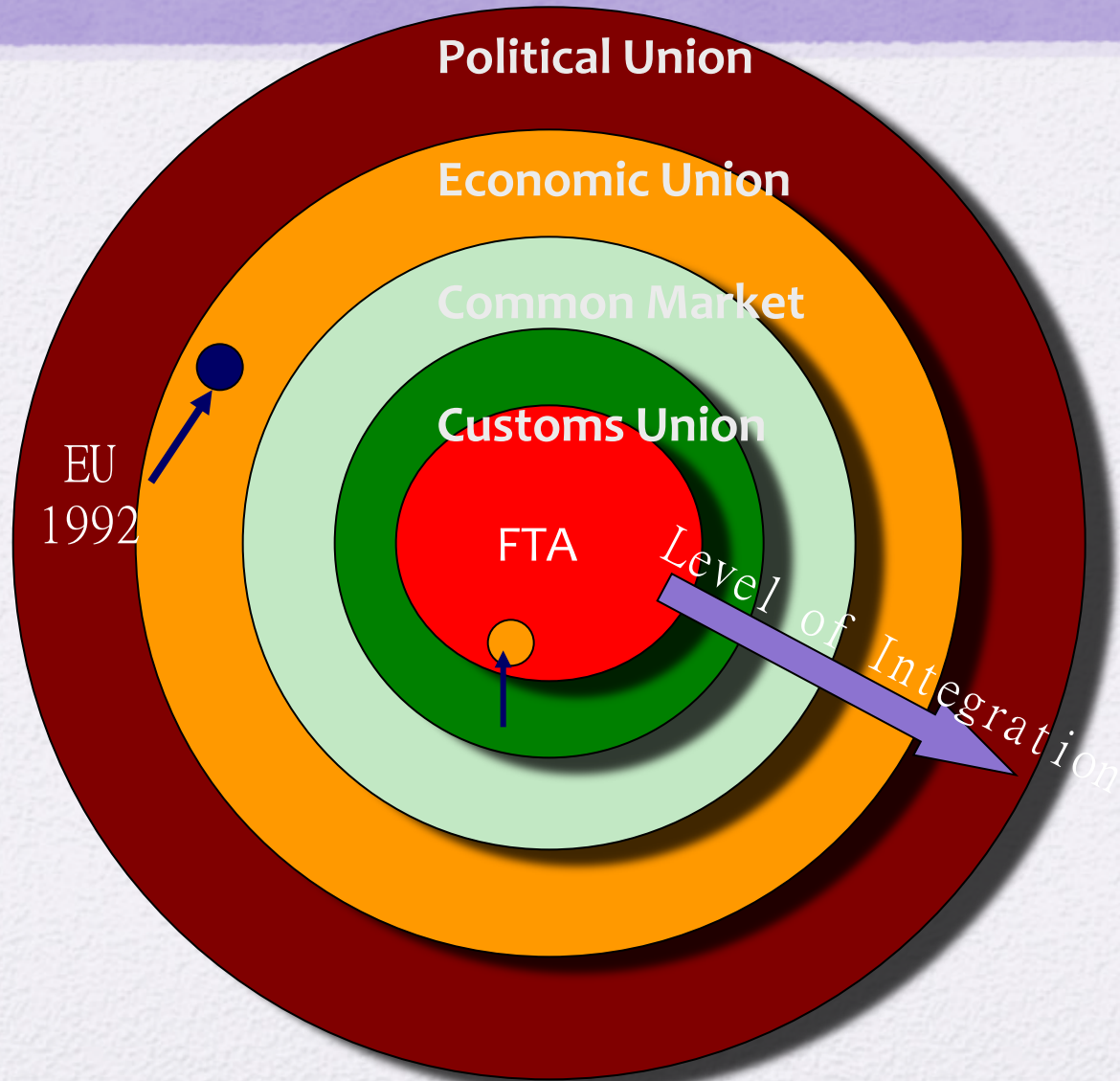
Contents

- Regional Integration: Revisited
 - Rationale
 - Functional Utilities
 - Sequence of Integration
 - Cases: Mirrors of the Past
 - The Case of Asian Regional Integration
- Taiwan's Prospect for Joining Regional Integration Schemes
- Implications for MNCs

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



Regional Integration: Functional Utilities

- Economics

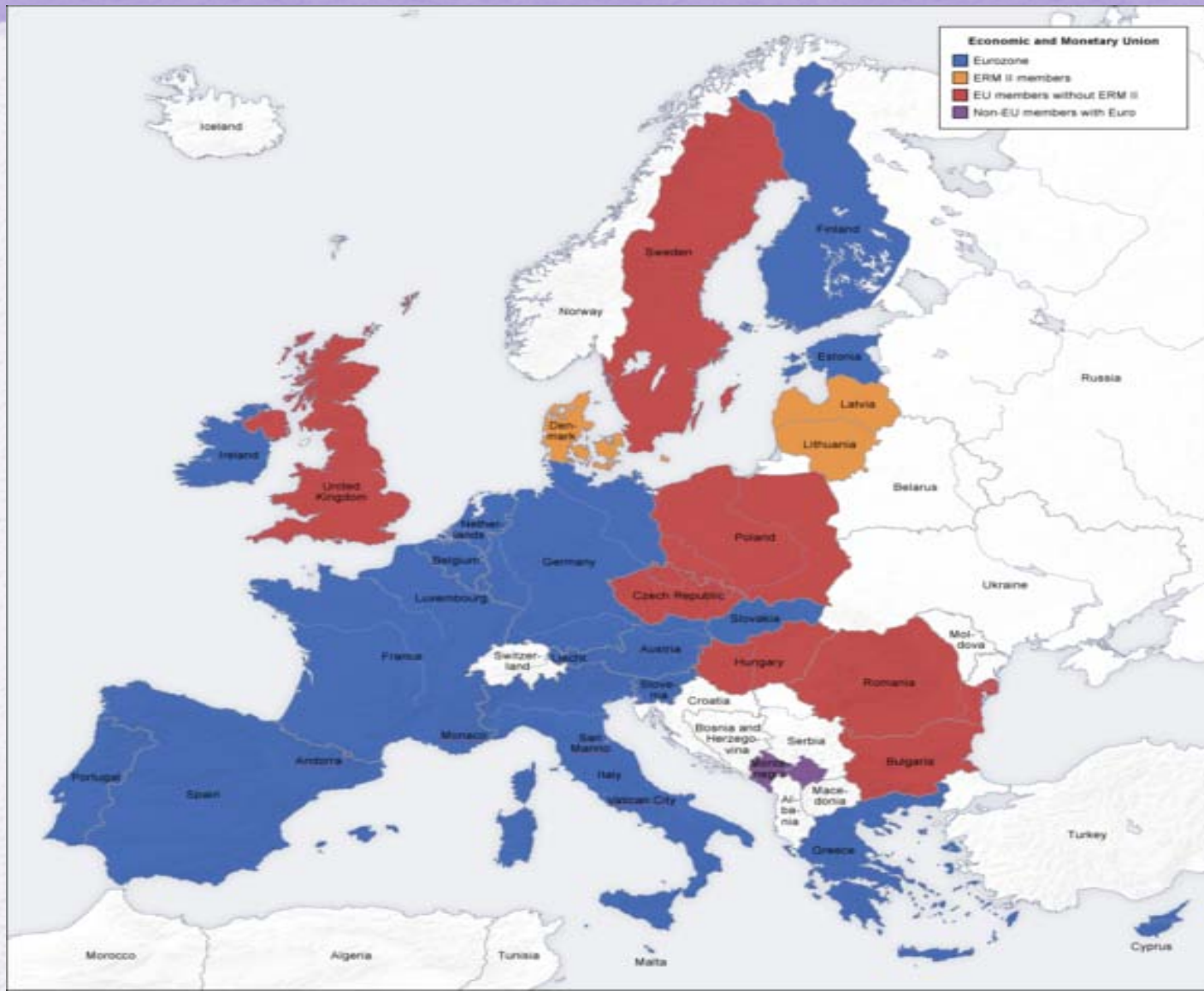
- Production specialization & efficient growth
- Path-finder for globalization
- Supply chain connectivity
- Benefit of Technological innovation
- Standardization & mutual recognition

- Politics/Military

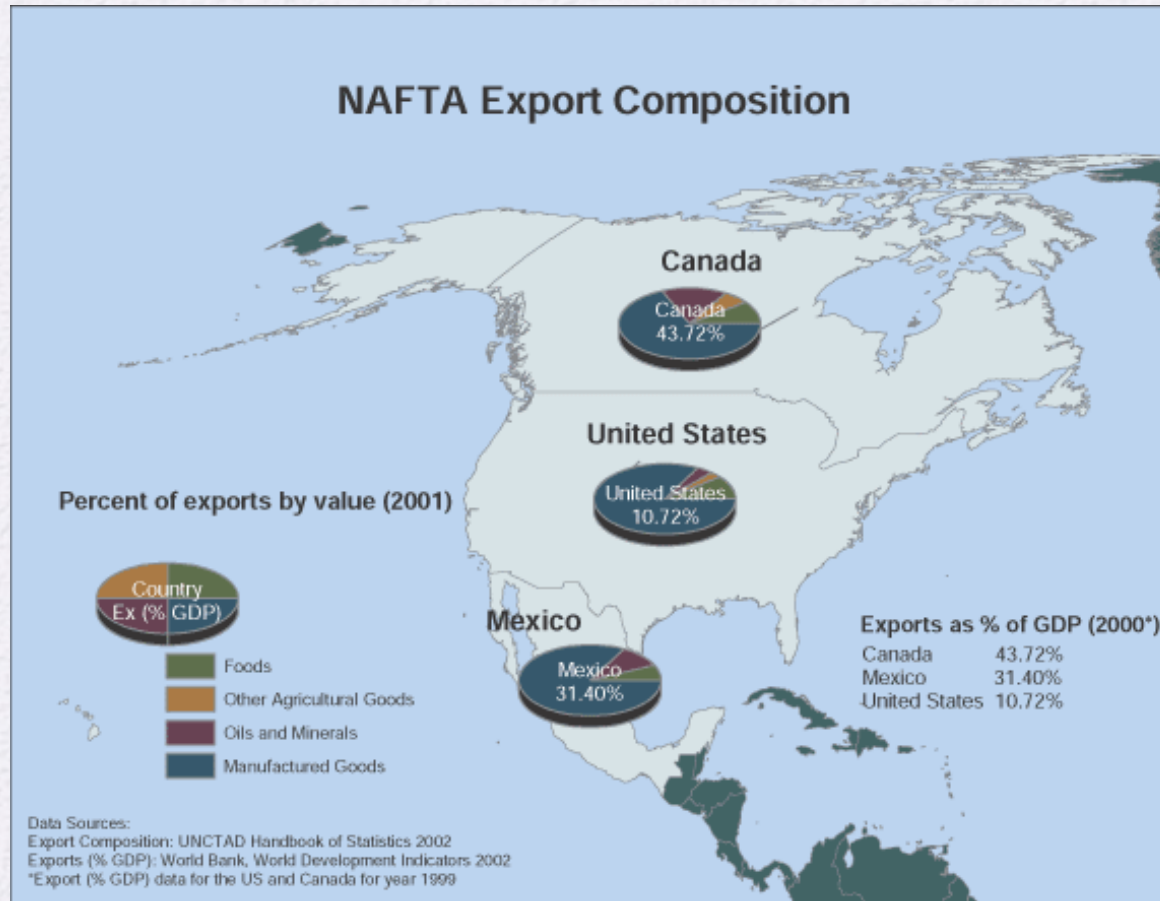
- Incentive for political cooperation
- Mitigate potential confrontation
- Upgrade bargaining skills
- Regulatory convergence
- Technological exchange
- Stage preview for dispute settlement

NATO: Yes, but...
TAFTA: No?...Perhaps

“Fortress Europe”: a Nightmare for the U.S. in 1992



NAFTA: a Safety Net?



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
- Promoting APEC's Growth Strategy (2010 Yokohama Leaders Statement):
Balanced, Inclusive, Sustainable,
innovative & Secure Growth
- Toward a “Blue Economy” in APEC?

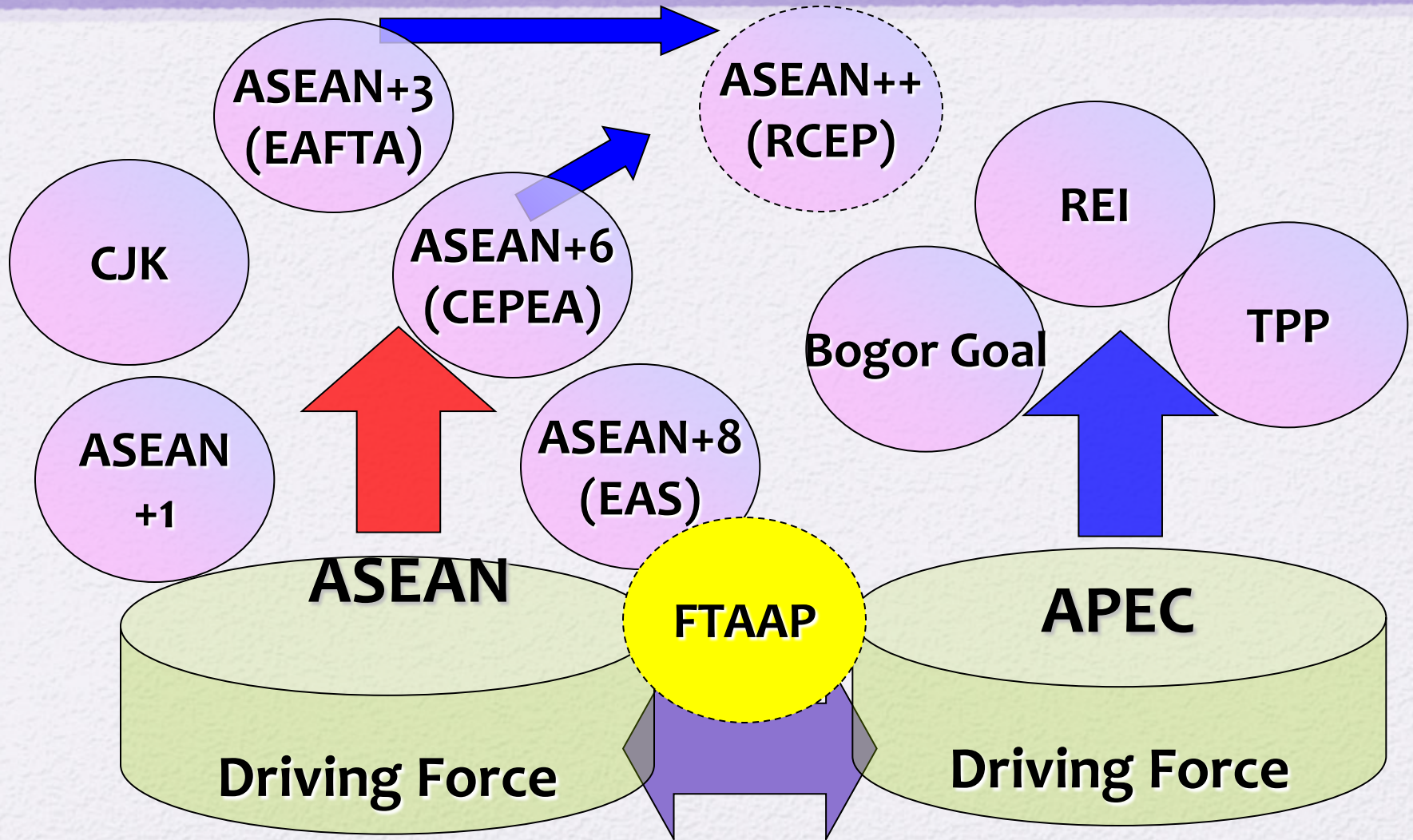
- Balanced Growth
- Inclusive Growth
- Innovative Growth
- Secured Growth
- Sustainable Growth

ASEAN: Hub or Spoke?



RCEP vs. TPP:

ever Achievable FTAAP?



TPP:

Invitation vis-à-vis Application

BRIC: Potential Markets

The More, the Merrier: BRICS, CIVITS, & What Not?

US & EU: Sinking Together (2009~2012?)

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

Reality: Bleak Outlook

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?

Joseph Stiglitz

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 !

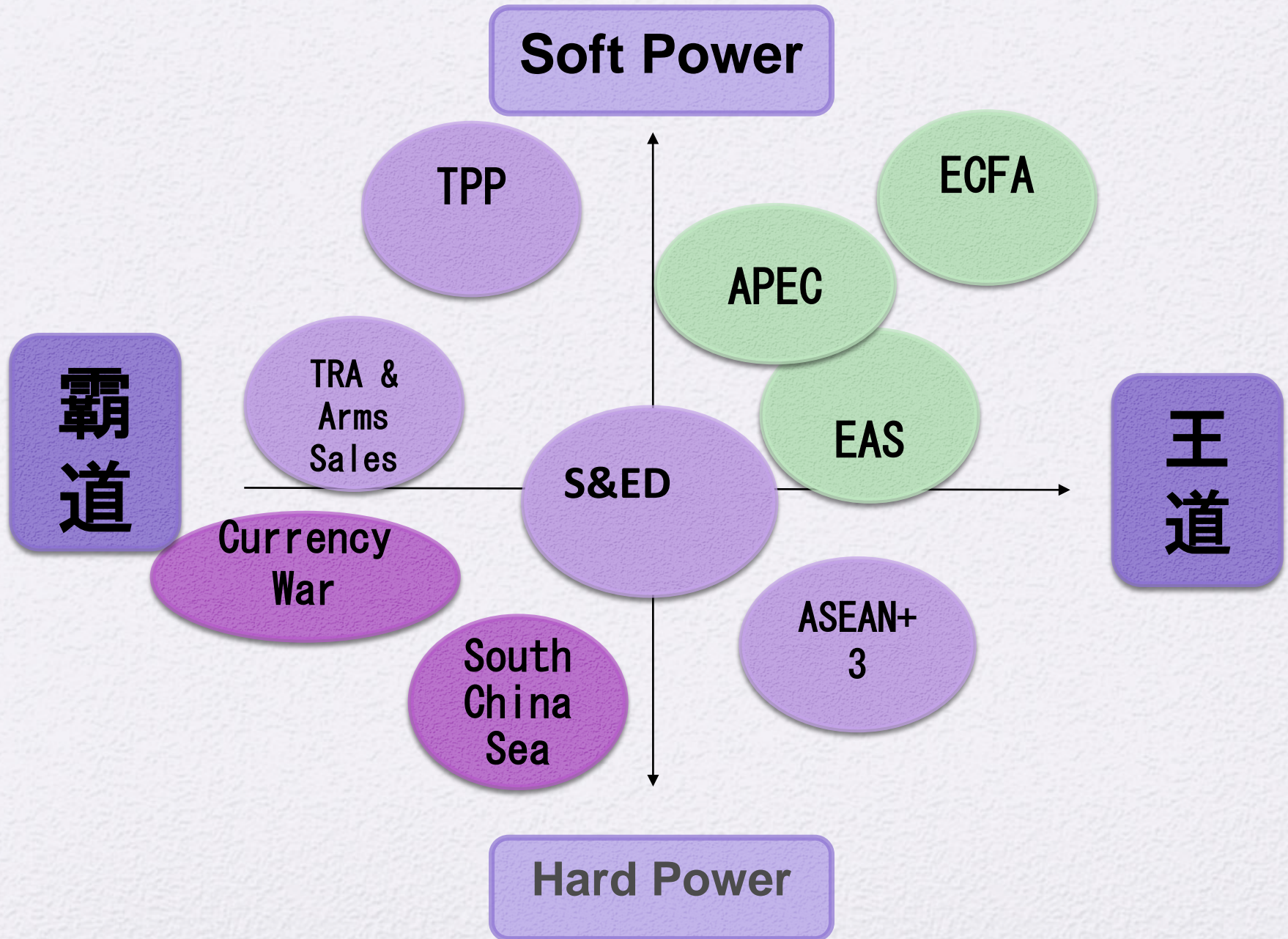
The “Tribute System” in Ming & Ching Dynasties:

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



Challenges:

A Possible Dream of
a Body-Mind-Soul Trilogy?

Body: Institutional Arrangements



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!

- Regional Integration: Revisited
 - Rationale
 - Functional Utilities
 - Sequence of Integration
 - Cases: Mirrors of the Past
 - The Case of Asian Regional Integration
- Taiwan's Prospect for Joining Regional Integration Schemes
- Implications for MNCs