

Nationalism, Regionalism, and Economic Liberalization

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OUTLINE

Part 1. Balancing between domestic interests and trade liberalization

Part 2. Nationalism and Regionalism

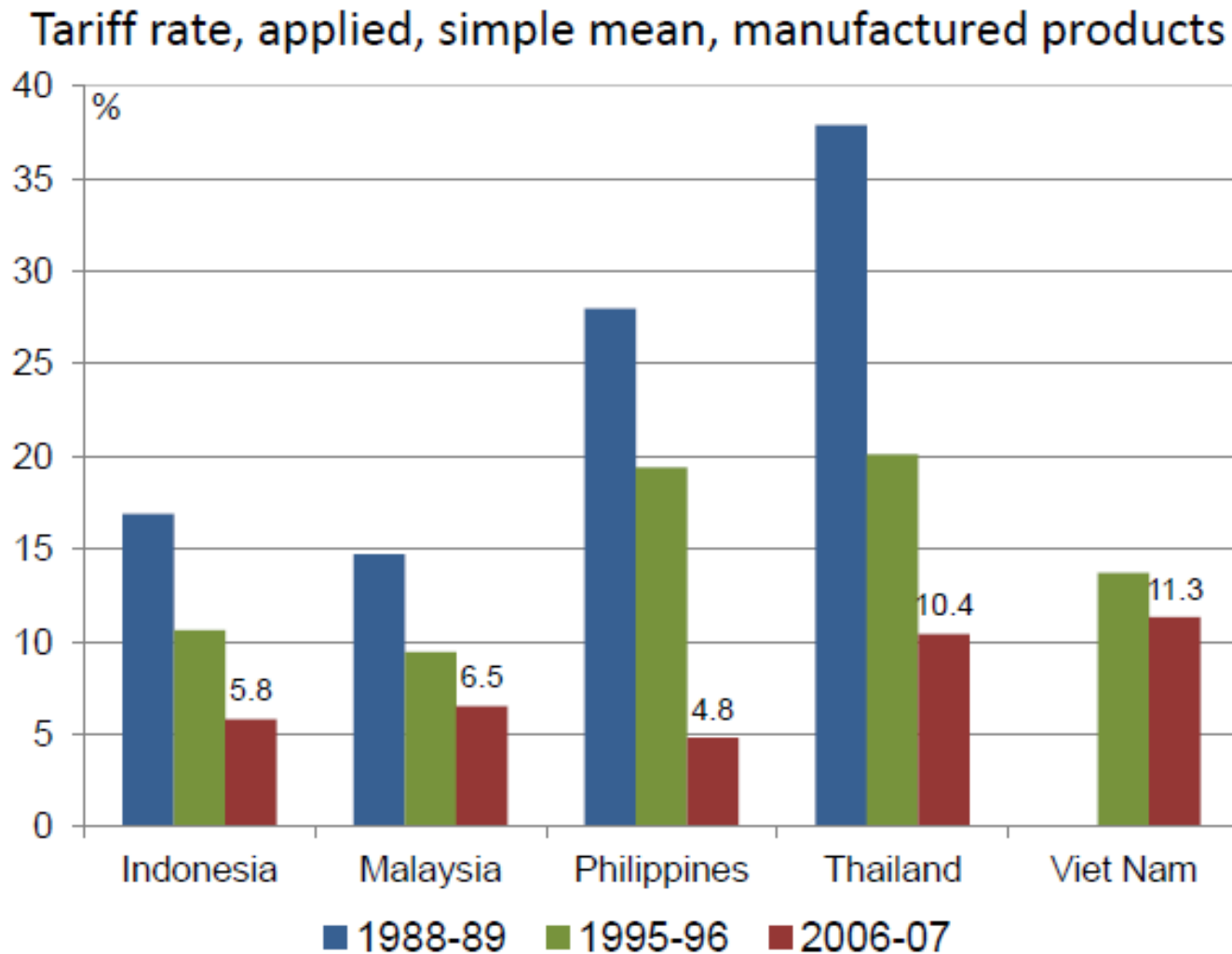
Achieving the balance: Industrial Policy

Industrial policies are those that address market failure and at the same time promote diversification of production activities into new areas, facilitate restructuring of existing activities, and foster coordination between public and private entities to make all of this happen (Memiş, E. and M. F. Montes (2008): “Who’s Afraid of Industrial Policy?”; Rodrik (2004):“Industrial Policy for the Twenty-First Century”)

Elements of Industrial Policy

- Nurturing vs Protection
- Close coordination between public and private sector
- Improvement of technological capability as the main goal
- Transparency, especially measures of performance
- Clear exit strategy

The Philippines may have protected too long and liberalized too fast....



**...and this was one factor
for missing out on the wave
of FDI that led to
establishment of Regional
Production Networks**

PH has high participation rate in Regional Production Networks/Global Value Chains

Export Structure of Selected Countries			
	GVC participation rate (%), 2010	Domestic Value Added Embodied in Gross Exports (%), 2000	Domestic Value Added Embodied in Gross Exports (%), 2009
China	59	81.2	67.4
Hong Kong, China	72	67.4	71.5
India	36	87.2	78.1
Indonesia	44	80.6	85.6
Malaysia	68	57.0	62.1
Korea	63	67.0	59.3
Philippines	56	54.1	61.6
Singapore	82	49.3	50.1
Thailand	52	65.2	65.5
Viet Nam	48	70.4	63.3

Notes:

GVC participation rate indicates the share of a country's exports that is part of a multi-stage process by adding to the foreign value added used in a country's own exports also the value added supplied to other countries' exports.

Domestic value added is the part of exports created in-country, i.e. the part of exports that contributes to GDP.

Sources of data:

GVC participation rate was obtained from Table IV.13 of UNCTAD (2013)

Domestic value added was obtained from OECD.Stat.Extracts

http://stats.oecd.org/Index.aspx?DataSetCode=TIVA_OECD_WTO. Accessed on December 2, 2013.

...but scope is not wide as seen from FDI...

FDI Inward Stock (million US\$), ASEAN and China				
	FDI inward stock (million US\$)			
	1990	2000	2010	2012
Indonesia	8,732	25,060	154,158	205,656
Malaysia	10,318	52,747	101,510	132,400
Philippines	4,528	18,156	26,319	31,027
Singapore	30,468	110,570	461,417	682,396
Thailand	8,242	29,915	137,191	159,125
Viet Nam	1,650	20,596	65,348	72,530
China	20,691	193,348	587,817	832,882

Source: UNCTAD, FDI/TNC database (www.unctad.org/fdistatistics), accessed on 6 October

...and Exports

Export of Goods and Services (in million US dollars)				
	1995	2000	2005	2012
Japan	441,538	479,323	595,697	798,937
Korea	125,058	172,268	284,419	547,870
Indonesia	45,418	62,124	85,660	190,032
Taipei, China	111,405	151,458	198,168	300,533
Philippines	17,447	38,078	41,255	51,995
Malaysia	73,865	98,229	141,595	227,334
Thailand	56,444	69,152	110,360	228,141
China	148,780	249,203	761,953	2,048,900
Hongkong	173,753	201,855	289,325	442,775
Viet Nam	5,449	14,483	32,447	114,573

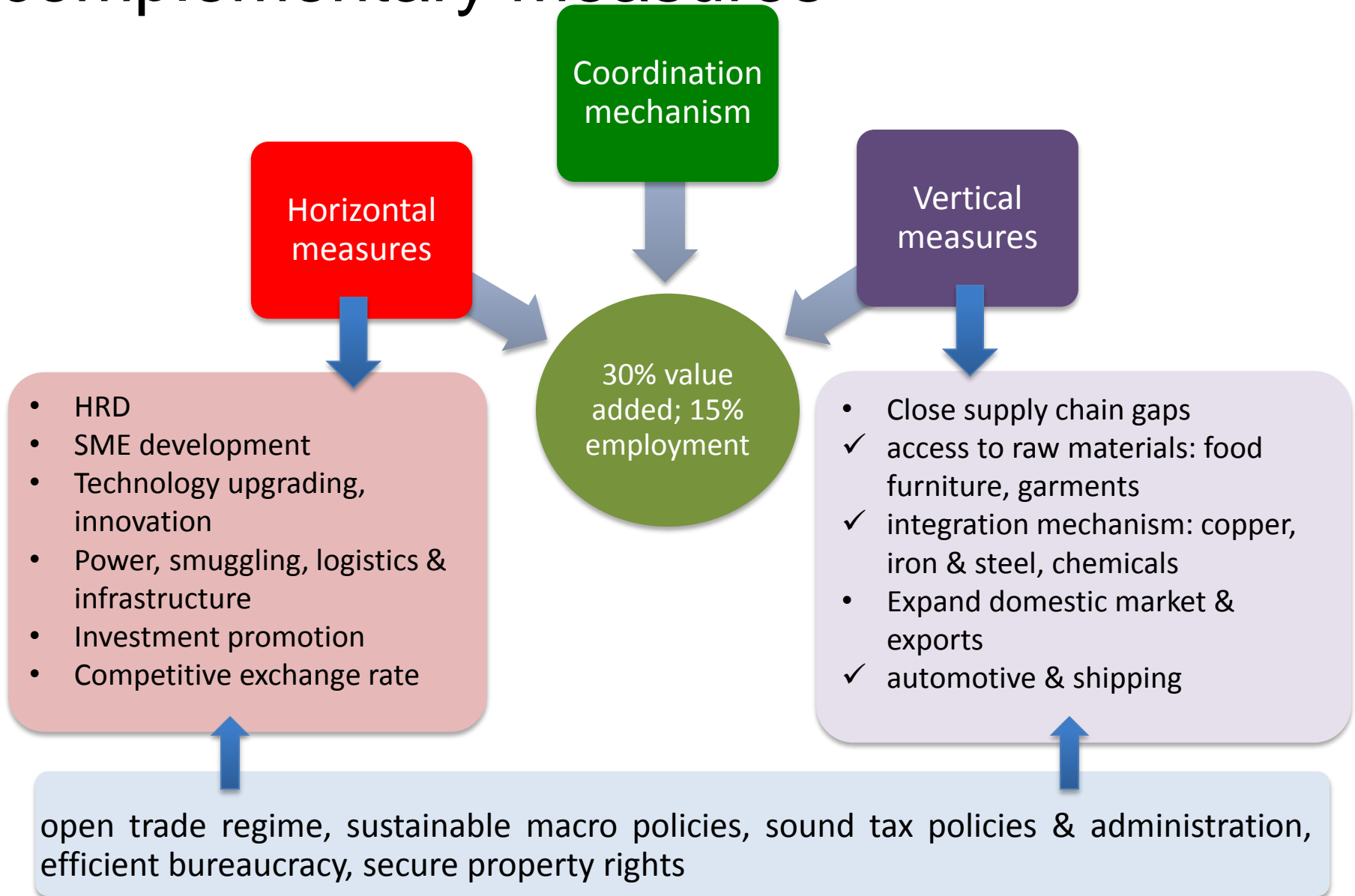
Source: ADB Key Indicators for Asia and the Pacific 2013

Main Outcome: Lack of Economic Transformation

Share of Manufacturing in GDP (%)					
	1980	1990	2000	2006	2011
China	43.9	36.5	40.4	32.9	32.2
Indonesia	13.5	23.0	27.7	27.5	24.3
Malaysia	21.6	22.7	29.9	28.8	24.6
Philippines	27.7	26.8	24.5	23.6	21.1
Thailand	21.5	24.9	33.6	35.0	29.9
Viet Nam	16.1	12.3	18.6	21.2	19.4

Source: UN Statistics Division [<http://unstats.un.org/unsd/dnList.asp>; accessed, 6 October 2013]

Roadmap: Targets, Strategic actions, complementary measures



Importance of regional economic integration to the Philippines: Increased FDI to ASEAN as a result of AEC should expand scale (or volume) of participation of Philippine firms, especially SMEs, in Regional Production Networks

What constrains regional cooperation in Asia?

- After World War II, as countries in the region gained independence, national rather than regional identity was paramount. This explains why Asia has always maintained the doctrine of noninterference and remains cautious over creating strong supranational institutions for economic and political integration.

But market-driven economic integration is progressing: e.g. intra-regional trade (also RPNs)

INTRA-REGIONAL TRADE AS SHARE OF TOTAL TRADE (%)		
	EAST ASIA 15	EU 15
1990	41.1	65.6
2000	50.5	60.0
2013	49.9	54.2

How to promote regional cooperation and Asia's interests?

- Andrew Crockett (2009): *... influence depends on the perceived value of the intellectual contribution to the discussion. So it will be important for Asian countries to be represented by respected technical experts, with the latitude to participate in discussions without being bound too restrictively to a 'party line'*
- In other words: Expand the role of Track 2 organizations, e.g. ERIA

감사합니다

Maraming Salamat!!!

Terima Kasih

ขอบคุณครับ

ありがとう

Cảm ơn rất nhiều

ຂອບໃຈຫລາຍໆ

謝謝你。

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ကျေးဇူးတင်ပါတယ်။

THANK YOU !!!