

# What would be the Future Shape for Regional Integration in East Asia?

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Along with the facto integration, de jure integration has evolved in East Asia.

ASEAN countries are covered by AFTA. The non-ASEAN countries in East Asia have been concluding FTA/EPAs with both individual ASEAN member and other non-ASEAN countries.





## Background

Further efforts taken by East Asian countries toward economic integration have resulted in the progress of "ASEAN + 1" FTA/EPAs, of which Leaders of East Asia encouraged expeditious conclusions at the third East Asia Summit in November 2007 in Singapore.

At the same time, ASEAN has also adopted the ASEAN Economic Community (AEC) Blueprint, with the goal of turning ASEAN into a single market and production base, a highly competitive economic region, a region of equitable economic development, and a region fully integrated into the global economy.

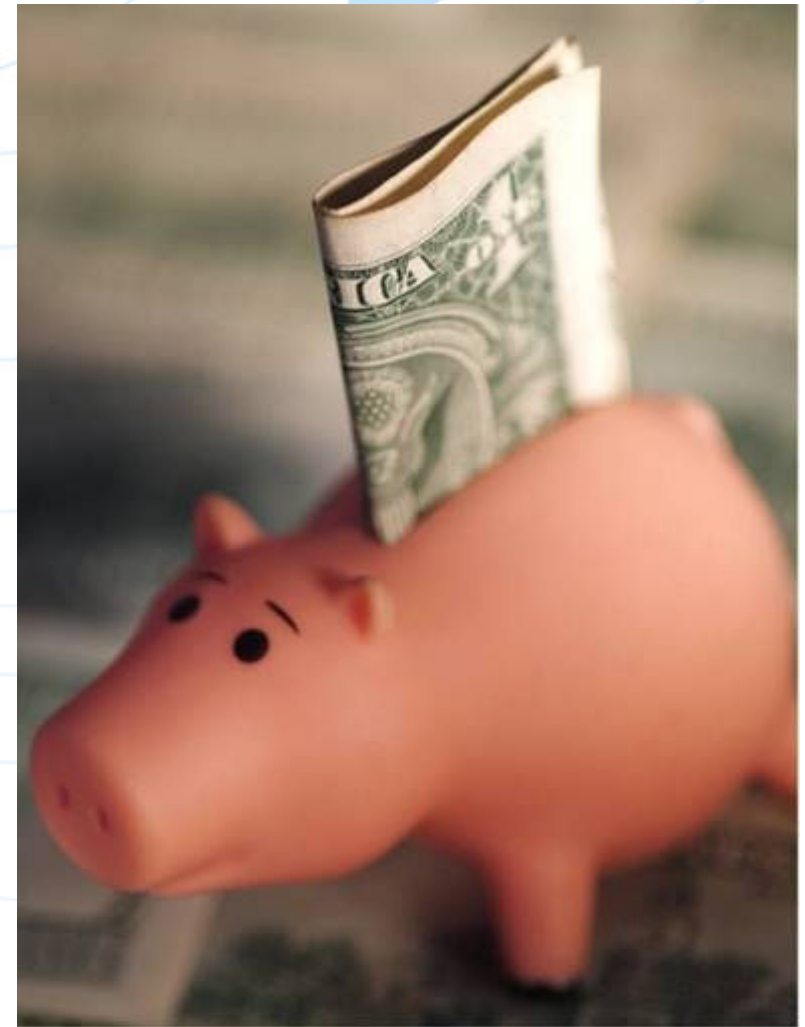
## Background

The current severe global economic crisis has adversely affected the region, especially economies that are export-dependent and externally driven. East Asia has higher intra-regional trade than NAFTA in 2007 but trade among the regional countries is mostly in intermediate inputs, rather than in final products.

Therefore, East Asia countries must re-balance their development strategy by increasing aggregate regional final demand and to promote intra-regional investment.



In addition, the region has enormous savings and accumulated foreign exchange reserves which can be used to promote investment opportunities in the region through more effective monetary and financial cooperation as embodied in the Chiang Mai Initiative (CMI) and beyond.







## Background

East Asia is confronted with enormous opportunities and challenges to become an engine for growth for the world economy.

The future and evolving shape of East Asia integration would determine how much of that economic potential could become an economic reality.

# Framework, Scope and Mechanism for Regional Integration

Theoretically, an effective RTA should create a significant enough positive welfare effect on all participating member countries and should result in equitably distributed gains from free trade between members.



# Framework, Scope and Mechanism for Regional Integration

Next, what is the sufficient condition for sustainability?

An RTA should create enough static and dynamic effects on world welfare to ensure **non-discriminatory global free trade.**

**So far, quantitative studies on RTAs in East Asia have not examined whether those existing RTAs will be viable in the long run in a globalizing world.**





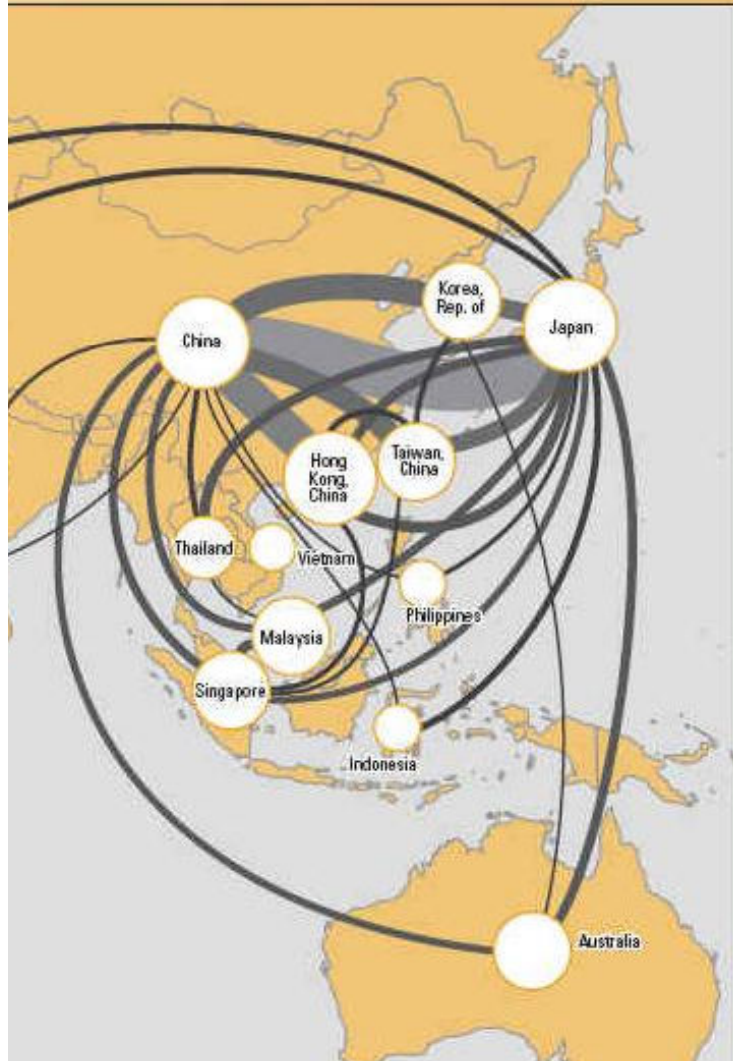
# Framework, Scope and Mechanism for Regional Integration

At the 12th Consultation between the ASEAN Economic Ministers and Ministers from China, Japan and Korea on 15 August 2009 in Bangkok, **they re-affirmed the importance of these ASEAN Plus One arrangements' contribution to the realization of the overall objective of integrating the economies in Southeast and Northeast Asia.**

The ASEAN Plus Three Ministers agreed to recommend to the Leaders that Senior Officials **discuss and consider the recommendations of Phase I and Phase II EAFTA Study** and to **submit their recommendations** on when and how to establish working groups on Rules of Origin, Tariff nomenclature, customs-related issues and economic cooperation.

# Framework, Scope and Mechanism for Regional Integration

## Knit Region



The Ministers also agreed that the crisis should be turned into an opportunity for expanding intra-regional trade and investment by providing trade facilitation and liberalization among ASEAN Plus Three countries, raising the competitiveness of the region as a whole and providing strong support for the development of SMEs to instill vigour into the regional economy.

## Framework, Scope and Mechanism for Regional Integration

There has been a noted continuing progress in the implementation of economic cooperation projects which covered a wide range of areas including standards and quality conformance, information and communication technology (ICT) and customs cooperation.



# Framework, Scope and Mechanism for Regional Integration

The track two Study Group on CEPEA has also completed its study on 20 June 2008 and submitted to EAS Economic Ministers and the Leaders.

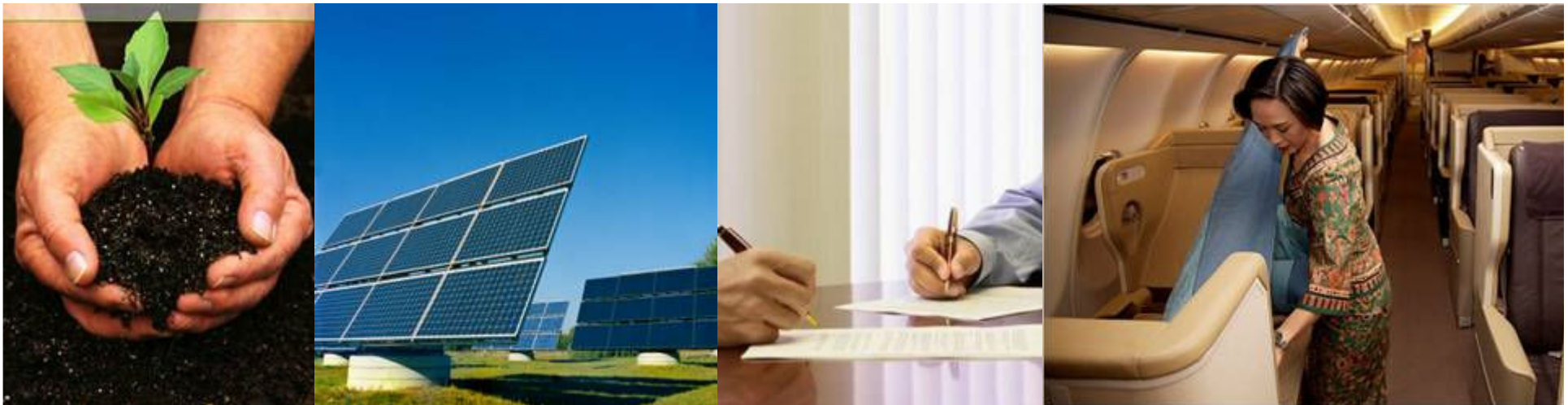
The objectives of CEPEA are deepening of economic integration, narrowing development gaps and achieving sustainable development, and the structure of CEPEA consists of the three pillars of *economic cooperation, facilitation of trade and investment* and *liberalization of trade and investment*.





## Framework, Scope and Mechanism for Regional Integration

Specific collective actions are in the areas such as environment, energy, logistics and facilitation issues covered by the AEC Blueprint. Institutions such as the ASEAN Secretariat, ERIA (Economic Research Institutes for ASEAN and East Asia) and ADB should assume an important role in this process.





# Framework, Scope and Mechanism for Regional Integration


Further CEPEA track two study can cover measures to narrow development gaps, a mechanism for enhancing the opportunity for regional business leaders to contribute to the CEPEA realization process, establishing an effective score card/monitoring mechanism.



## Framework, Scope and Mechanism for Regional Integration

The future shape of regional integration in East Asia would continue to evolve on the multi-level framework and the parallel process of ASEAN Plus Three and EAS.

The APT and EAS would propel the regional dynamism, energizing and complementing in different aspects of regional integration but progressing towards the common goal. A gradual and realistic strategy would be pursued to achieve feasible EAFTA. Towards this end, an important first step is to create a unified ROO regime, to incorporate trade in services and investment and to start the overall EAFTA negotiations by 2012.



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Thank You!  
Questions?