Institutions for Deepening Asian Regional Economic Integration

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Bilateral FTAs have had minimal impact

- Lack of evidence of trade creation and diversion
- Low utilization and lots of exclusions
- Already low barriers from unilateral liberalization in Asia

- Australia:
Game changer: TPP

• Completion but domestic ratification hurdles
• Limits on strengthening IPR: zero or negative sum of wealth transfers to IP producers and inhibits innovation
• Problems of bilaterals within TPP
  – Makes accession harder
  – Does not simplify commerce and supply chains
• Designed to hurt non-members (eg yarn forward) as incentive to join
• Questions around accession of new members: China, India and Indonesia
Potential for RCEP

• Binding Asian cooperation
• At best strengthening *and* expanding AEC
• Ambitious targets and capacity building, not hurdles and punishment
• Potential to negate diversionary impacts of TPP
• Challenge of expanding membership
Can’t negotiate development

• Trade and investment liberalization alone won’t deliver deeper economic integration
• Binding rules help governments from going backwards but won’t deliver investment or development
  – Institution building, human capital development
  – Physical and institutional connectivity
• Need capacity building and frameworks for cooperation
Embracing and shaping new initiatives

• AIIB: China’s provision of a regional public good
  – Unilateral options still open; inviting participation
  – Interest of region to see AIIB succeed; also to shape it

• OBOR: Potential to connect
  – Want to ensure trade costs lowered, not just transit trade
  – Cooperation through positive sum economic interests

• Enfold in ASEAN +6 agenda: gains from Asian regional cooperation that embraces and furthers new initiatives
  – That strengthen institutional and physical connectivity