



Institutions for Deepening Asian Regional Economic Integration

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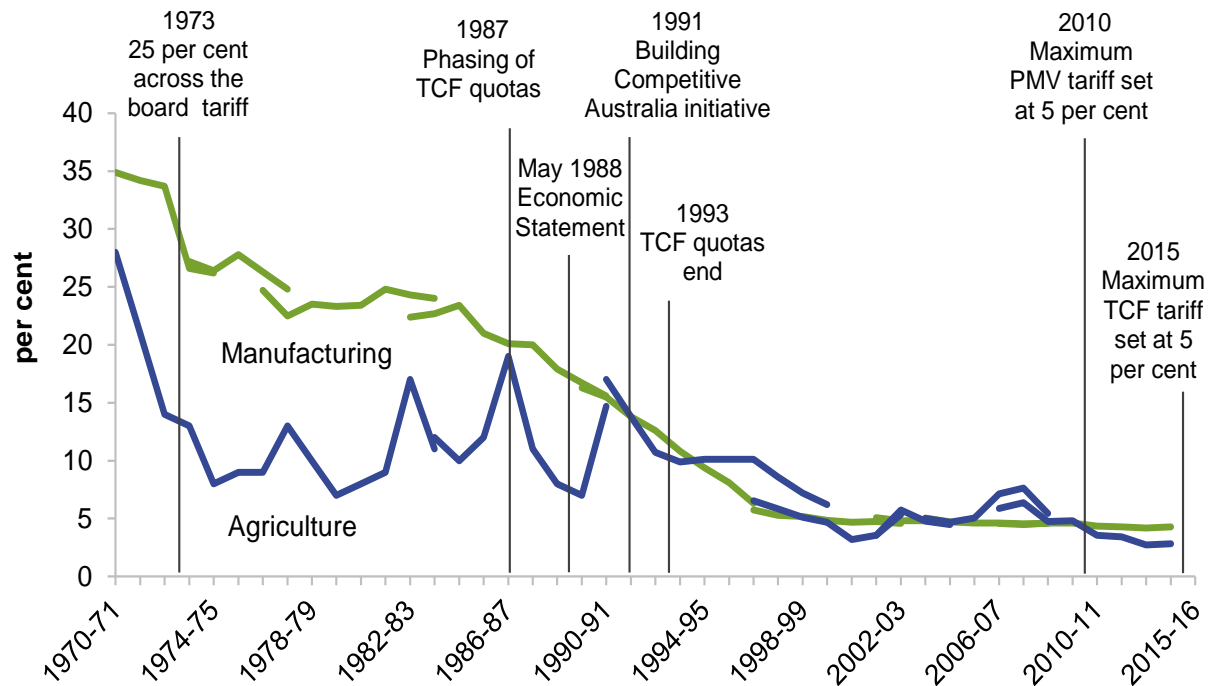
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Bilateral FTAs have had minimal impact

- 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