REGIONAL ECONOMIC INTEGRATION:
EVOLUTION, CHALLENGES & ROLE OF APEC

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Evolution

- Support of multilateral system (WTO)
- Extension of cooperation (liberalization & sense of community promotion)
- Proliferation of FTAs. Two major tracks:
  - ASEAN integration & AEC, ASEAN +1 FTAs, RCEP
  - TPP: driven by US pivot toward Asia (a high quality FTA)
- Connectivity for a more effective integration: MPAC; APEC ACB; countries’ initiatives (China’s OBOR; Japan Fund Initiative...)

**Key aspects/dimensions**

- On & behind the border issues
  - Tariffs & ROOs; NTBs; SOEs; competition; PRs; procurement;...
- New trade issues
  - E-commerce; data transaction; L-& environmental standards,..
- Connectivity
  - Physical
  - Institutional
  - People-to-people
- Cooperation
  - Human resource dev’t
  - Best practice sharing
  - MSMEs dev’t
Main ideas

- Trade, investment, and services liberalization (Business opportunities with a level playing field)
- Facilitation & connectivity (Easier access to new opportunities & Reduction of business transaction costs)
- Cooperation (Improvement of institutional and human capacity for exploiting efficiently new opportunities & being more resilient to various shocks/“non-traditional security issues”)
- Purposes: Prosperity + Inclusive, sustainable growth + Narrowing dev’t gap
Issues/Challenges
(despite many factors supporting new/mega FTAs such as open regionalism, market forces,...)

- Political will & leadership? (direction: populism, nationalism, anti-trade liberalization & protectionism)
- Inappropriate way in dealing with regional geo-political problems
- Benefit & income distribution? (between economies & within economy)
- New (4th) technology revolution & impacts (on services; income gap & production networks/GVCs)
- Industrialization/Modernization & getting out of “low cost labour trap” and overcoming “middle-income trap”?
Role of APEC

- APEC is about liberalization of trade and investment (3 pillars: trade & investment liberalization; business facilitation; ECOTECH)

- Even with the key principles: consensus + non-binding (V-APEC), APEC can play a crucial role for promoting regional integration and sustainable development. There are some important institutional mechanisms:
  - APEC Summit (Leaders of 21 economies)
  - Pathfinders/Initiative Groups
  - The way of building up multi-year programs (e.g. structural reform; ACB 2015-2025; inclusive growth)

- APEC Vision beyond 2020? APEC support of FTAAP?
### Mega-trends over next 20 years (MPI&WB, VN 2035)

1. Multi polar world; geo-political and middle-class pressure
2. Aging population; urbanization ("green" and "smart" city)
3. Artificial brain; 3-D printing; production upon request; new energy; SMAC; biotechnology.
4. Super FTAs (TPP, TIIP, RCEP, FTAAP); regional & global institutional reforms
5. Resource competition (water, energy) and climate change
6. Arising Asia (China, India)
7. USD dominates then gradually decreases (Optimal currency group?)

### Vision of ASEAN integration

**By 2015**

- **4 pillars:**
  1. Common prod base & single market
  2. Competitive regional economy
  3. Equitable dev’t
  4. Integration into the global economy

**By 2025**

- **5 pillars:**
  1. A highly integrated & cohesive economy
  2. A competitive, innovative & dynamic ASEAN
  3. Enhanced connectivity & sectoral cooperation
  4. A resilient, inclusive & people-oriented, people-centred ASEAN
  5. A global ASEAN
Thank you!