

# *Economic partnerships in East Asia: globalisation or trading blocs?*

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- **In the long run – NO**
- **But, for the next decade or more:**
  - trading blocs will be important,
  - perhaps even dominant, features of the international economy.

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- **A political desire to ‘get closer’ to some other nation.**
- **Closer integration of economies is seen as a spur to greater efficiency and competitiveness.**
- **New partnerships can deal with new issues;**
  - **beyond those addressed by the WTO**
- **They can promote ‘competitive liberalisation’, which encourage a general trend of openness.**

## ***Many, many new partnerships***

**Many economies are considering new partnerships:**

**lots of pairings and groupings are being proposed**

**- many are being negotiated.**

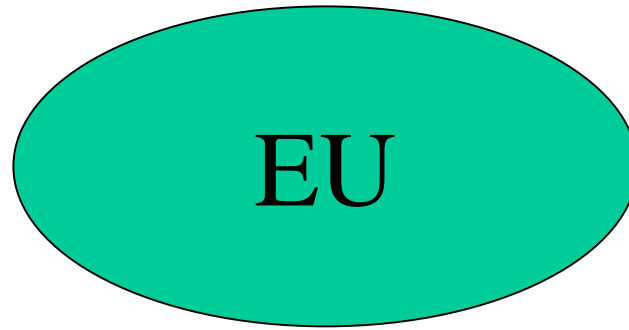
**Will these new partnerships deliver the expected benefits?**

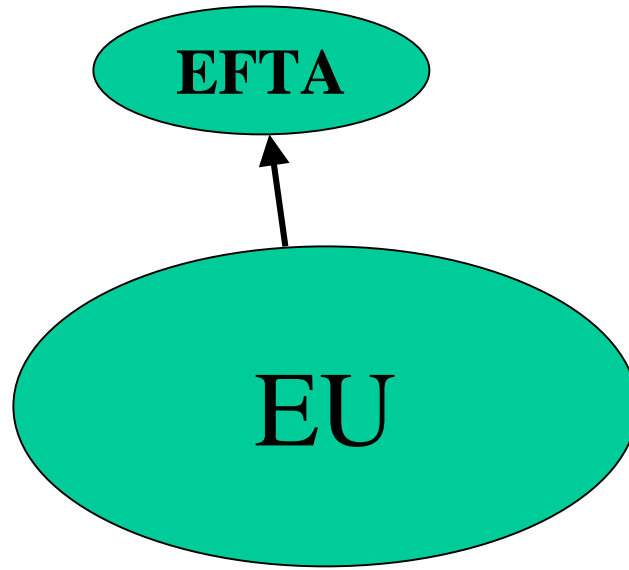
**and are there some risks to think about?**

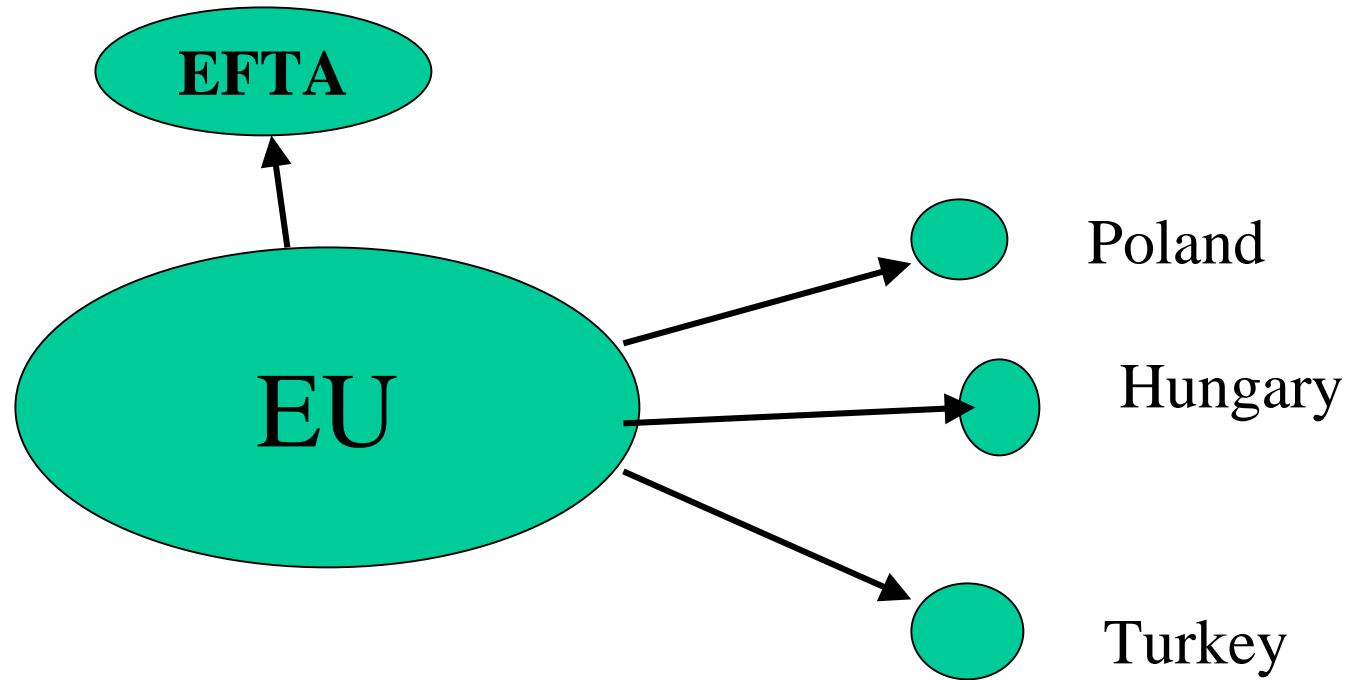


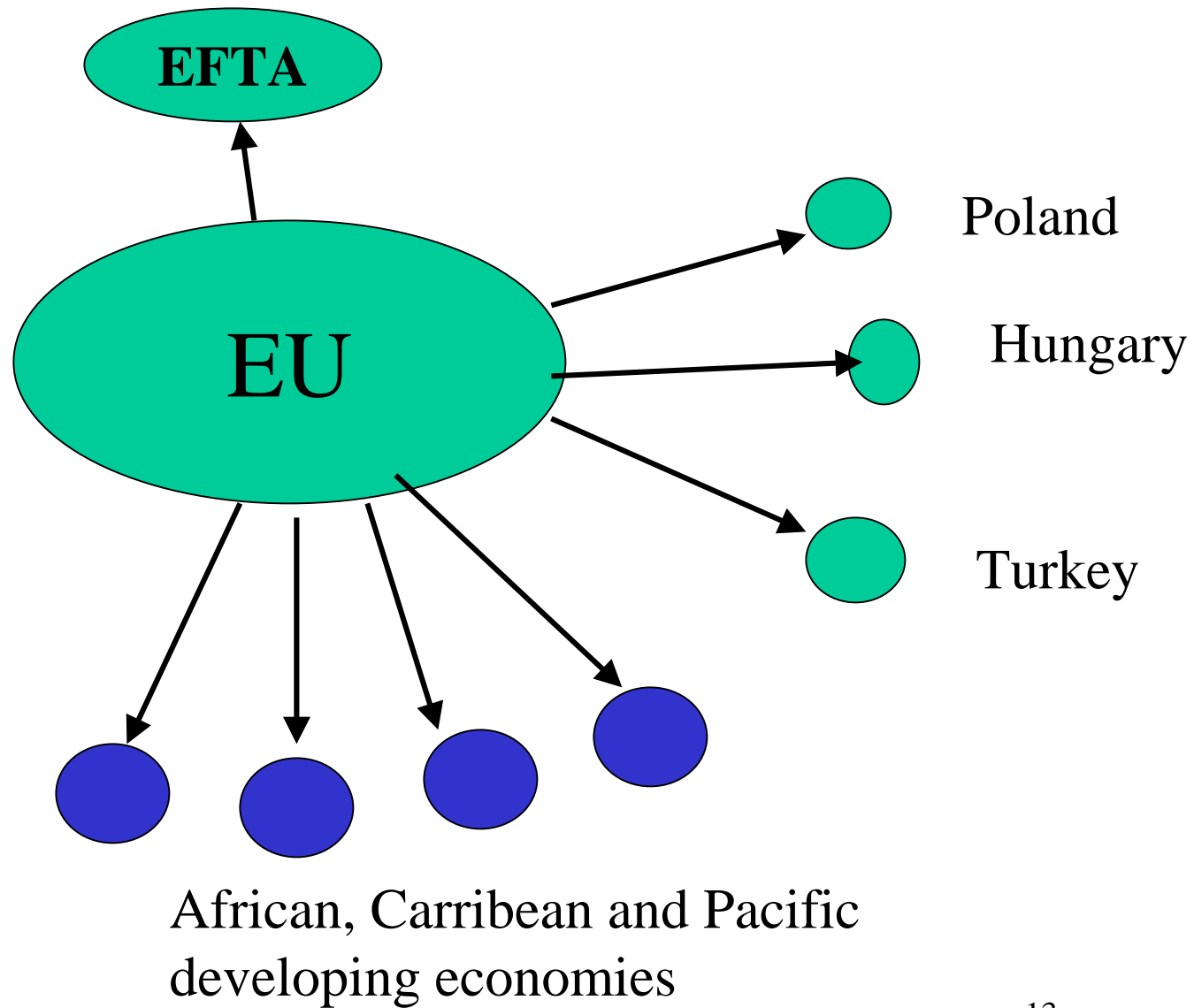
## *What kind of new partnerships?*

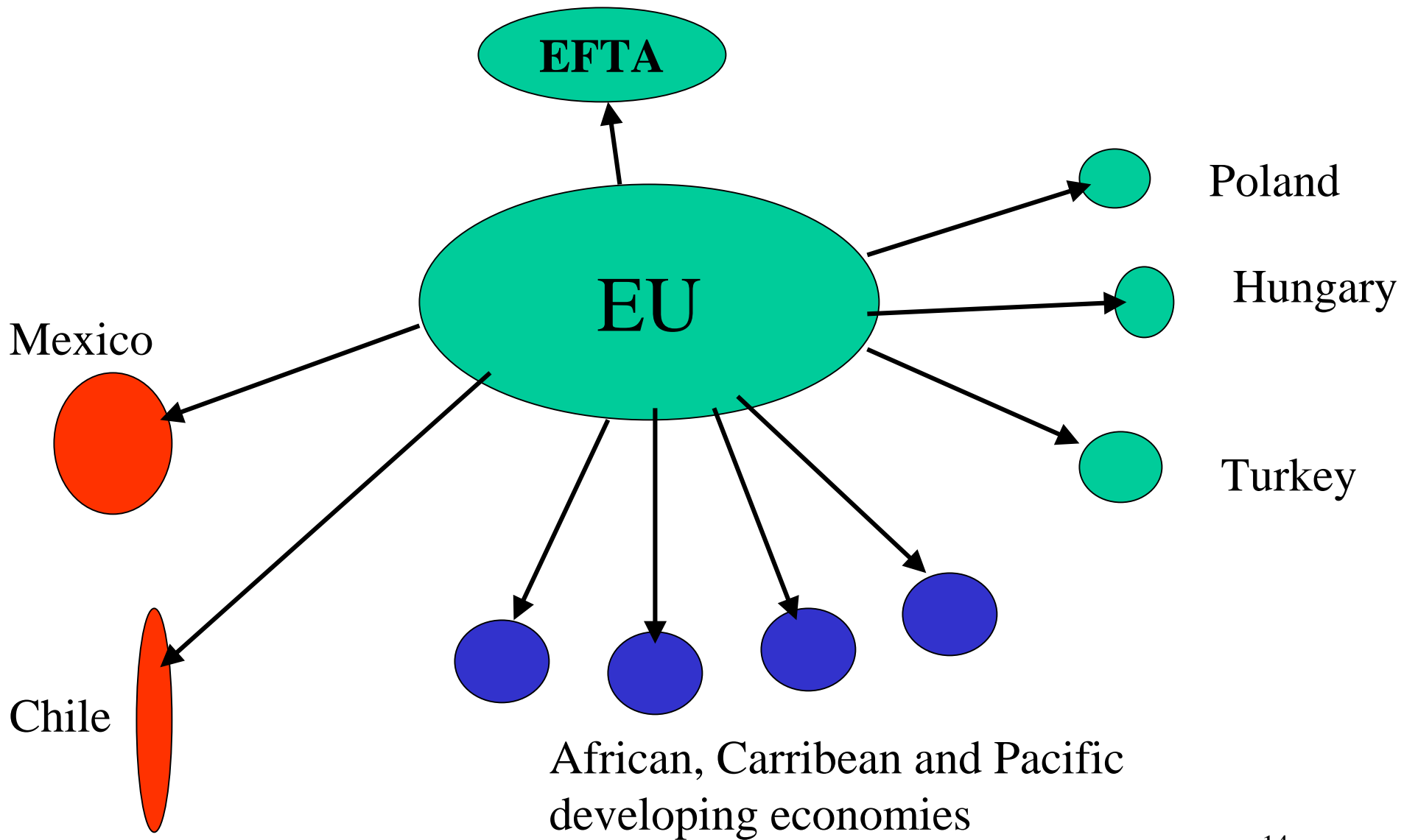
- Most new economic partnerships are built around a core of a Preferential Trading Arrangement (PTA)
- They also deal with matters such as customs procedures, contingent protection, dispute settlement, factor mobility, competition policy, e-commerce and more ...

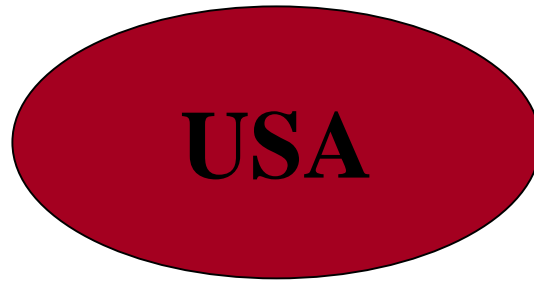


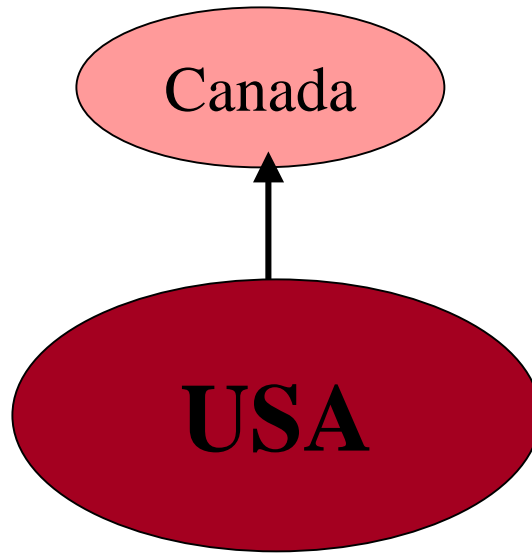




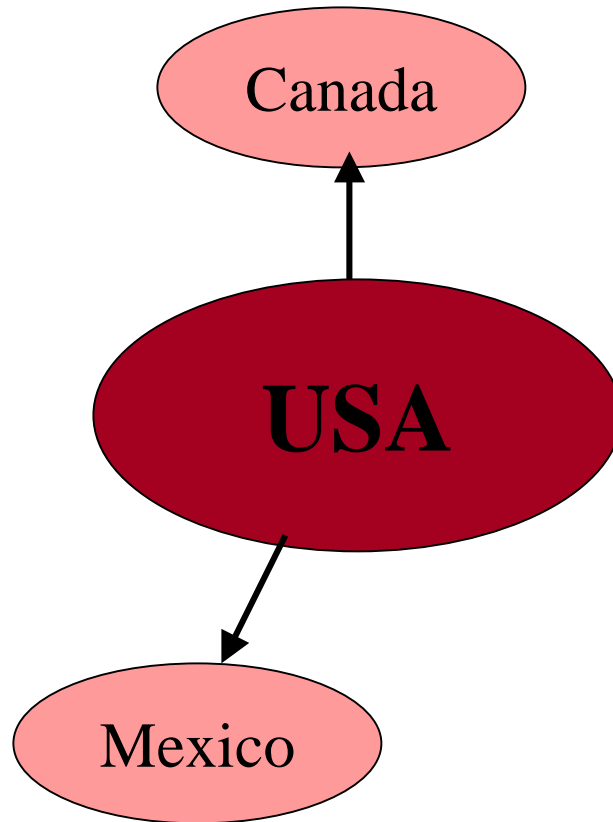


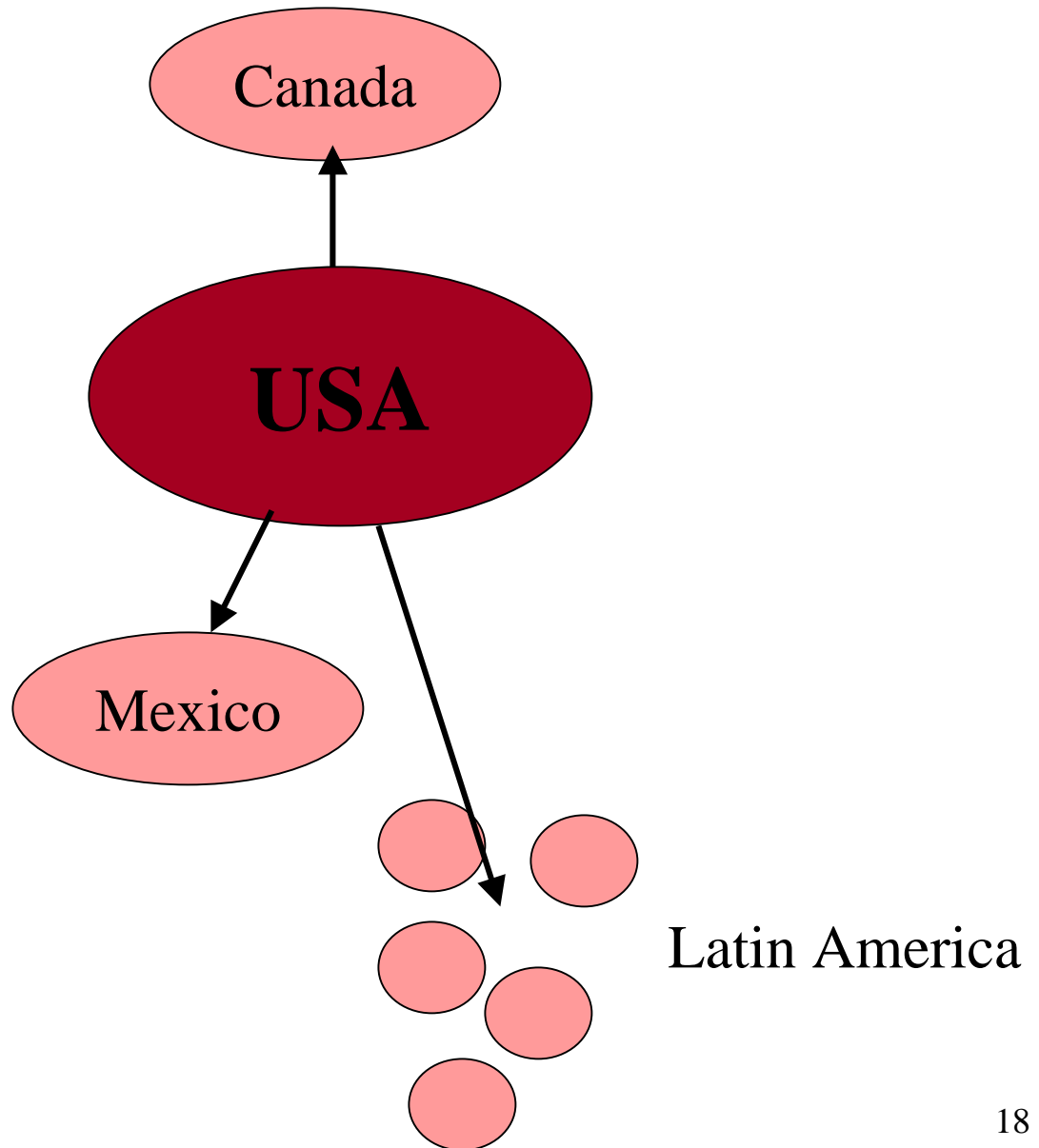


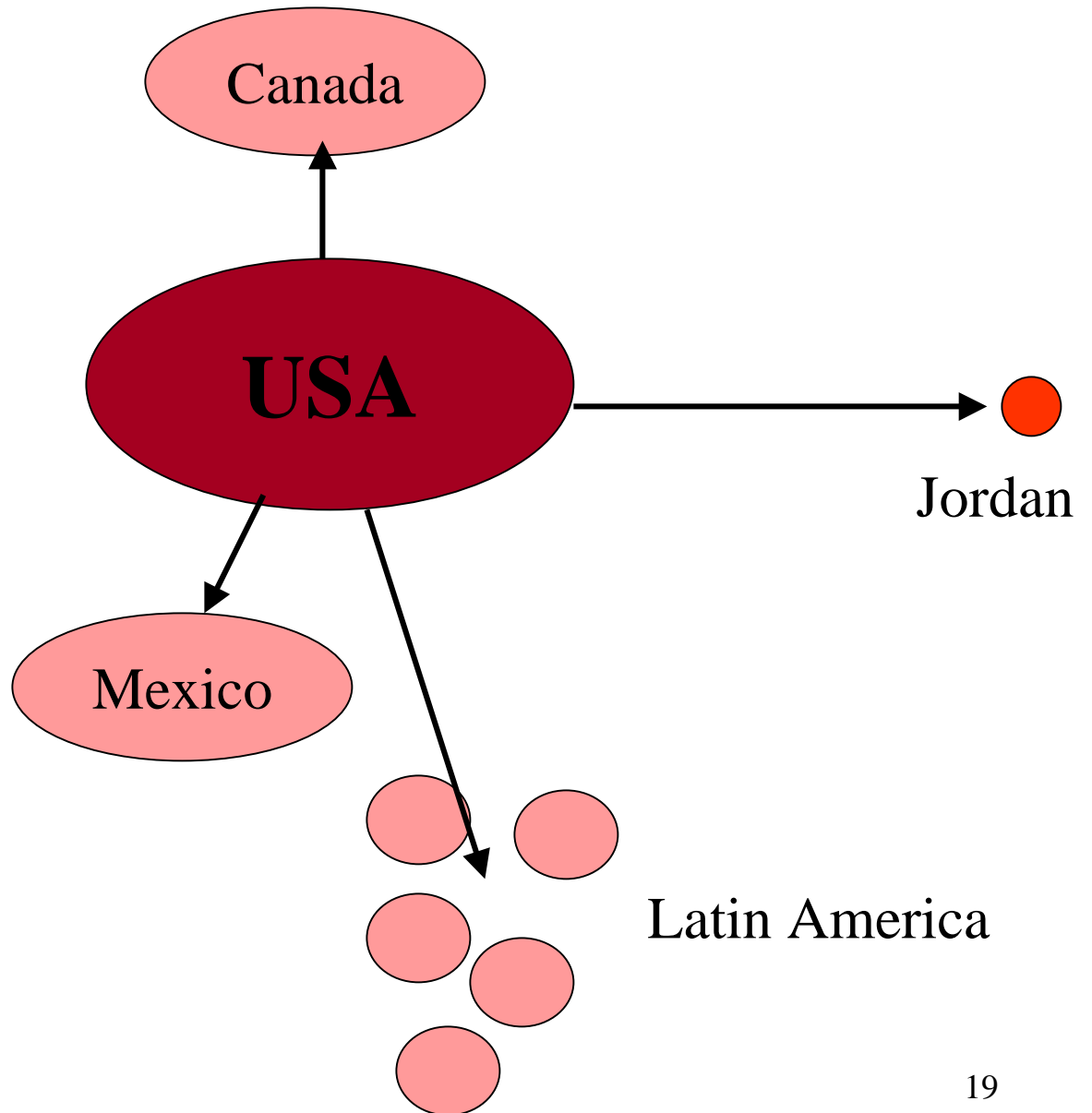












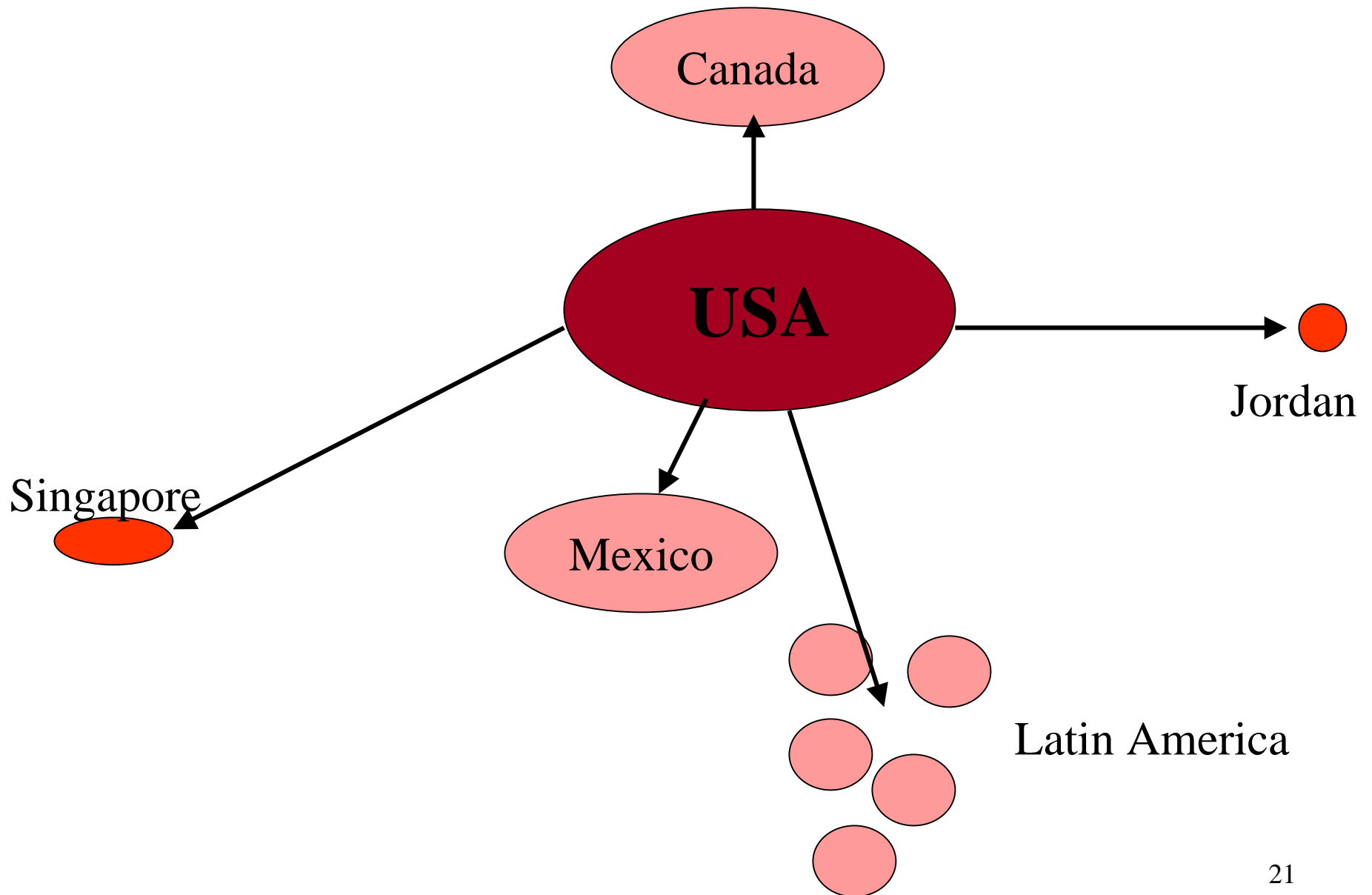
## *Hubs and spokes*

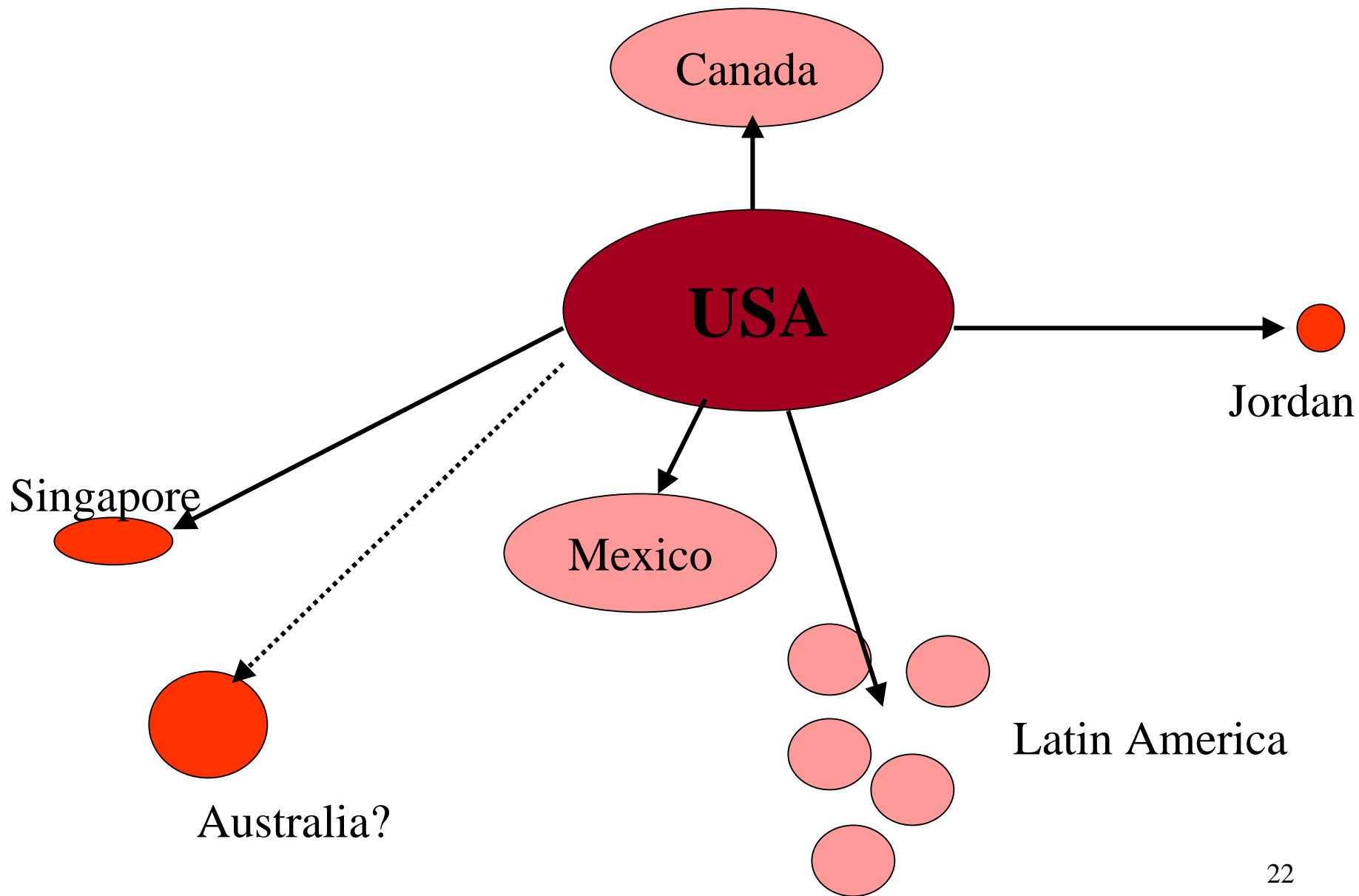
**A pattern is emerging:**

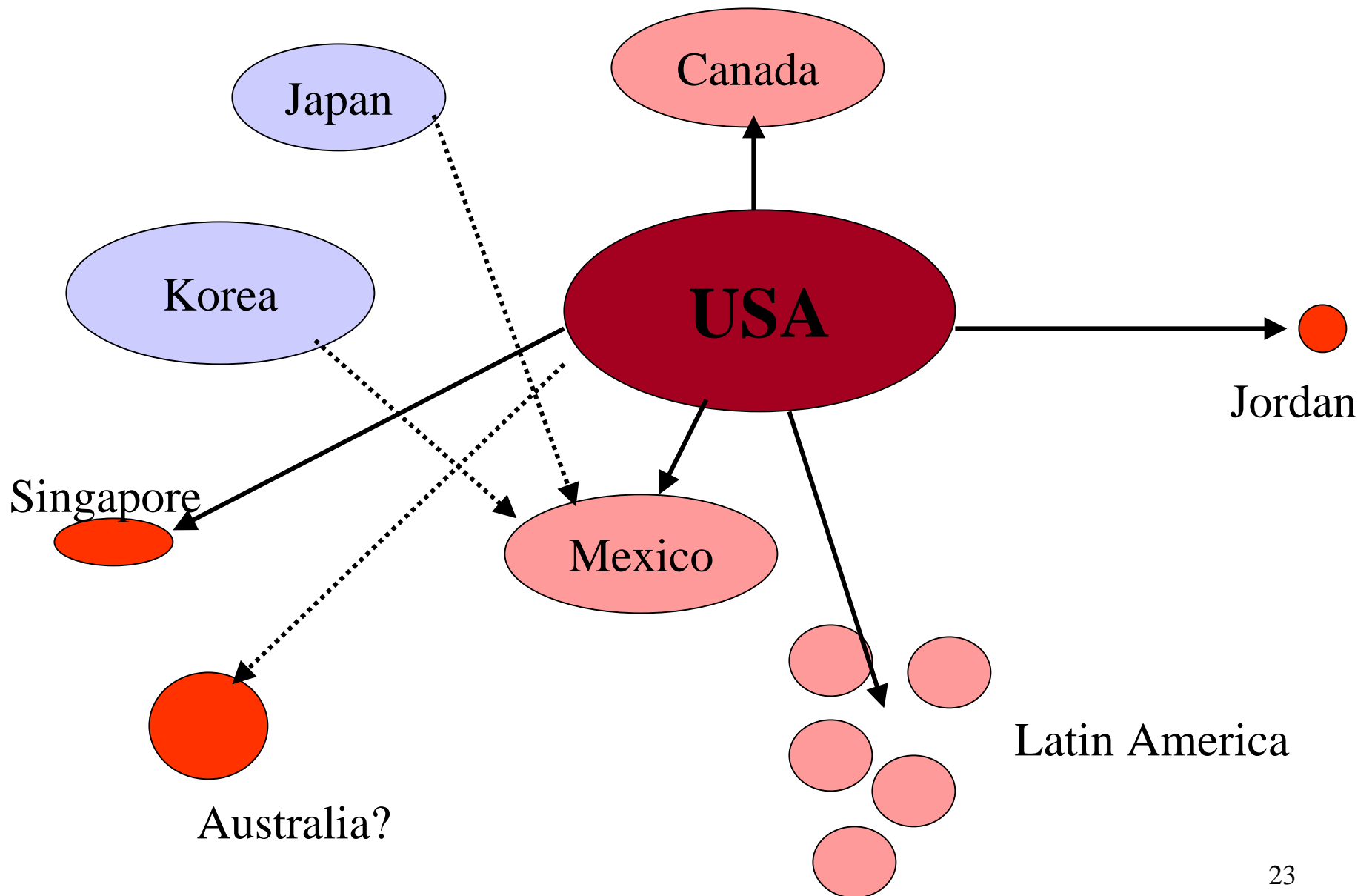
**two big hubs, the EU and the US,**  
with lots of spokes

What is rest of the world going to do?

**In particular, what is East Asia going to do?**







## *Where does China fit?*

China will not be prepared to be a spoke to anyone else's hub.

The rest of East Asia needs to think of a way to engage China

which is realistic

and recognises that China will soon be the world's biggest economy.



# *Accommodating China*

**The need to deal with the rapid growth of China's economy and influence is a vital issue for East Asia:**

The expansion of the Chinese economy is potentially of great benefit to all other economies:

**BUT**

**every economy needs to cope with the short-term strains this creates.**

## **Accommodating China**

**China's neighbours need to adjust to the short-term strains created by:**

- rapidly changing comparative advantage,
- changing shares of growing international markets and
- the accompanying changes in relative political influence.

**ASEAN+3 does need some practical expression.**

**But ...**

**Is an East Asian FTA a good option?**

# *Who would be the East Asian hub?*

Two 'hub-and-spokes' trading blocs have emerged around the United States and the European Union.

**A third grouping could emerge in East Asia.**

The most probable hub among such arrangements in East Asia would be China.

**That is an outcome which China does not want**

**and an outcome which would be detrimental to the interests of all others in East Asia..**

## *East Asia against the rest?*

An East Asian trading bloc :

- could be an obvious target for the protectionist forces which are still strong in the US and the EU; and
- would also introduce an unwanted racial aspect into a potential 3-bloc trading system.

## *Potential benefits of East Asian economic integration:*

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- Closer, results-oriented communications and understanding of the policies of regional trading partners;
- Dealing with new issues for international commerce, especially non-border issues;
- Enhancing the will to undertake reforms and expose domestic producers to new competition;
- Setting precedents for subsequent regional or global liberalisation of trade and investment;
  - for example, by preparing the way for achieving APEC's Bogor goal of free and open trade and investment.

## ***Closer cooperation and communications***

**East Asian economies do need to find a way to talk to each other,**

including about the trading blocs being nurtured by the US and the EU.

## *Dealing with new issues*

East Asia can work together to deal with issues not covered by the WTO;  
their governments can launch new initiatives for trade and investment facilitation.



## *Enhancing the prospects for reform*

Pressure for domestic reform is best generated by effective engagement in the Doha Round.

The WTO process has been designed to optimise the likelihood of domestic support for reform:

the benefits of 'opening to the outside world' are substantially increased if all WTO members are involved.

## *Stepping stones towards APEC's Bogor goal?*

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If we are serious, then any FTAs **WOULD**  
need to meet some tough criteria.

need a strategy for linking them

What does that require?

at least four principles ...

## *APEC-friendly FTAs?*

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**If FTAs are to be stepping stones towards the Bogor targets, they would need to :**

1. Have timetables consistent with the 2010/2020 deadlines.
2. Be genuinely open to new members.
3. Raise no new, or hidden, barriers.
4. Include all goods and services.

## *A new East Asian Caucus*

**NOT** the Mahathir dream of taking on the rest of the world.

But a new cooperative group,  
which identifies practical ways for East Asian  
economies to become more effectively  
integrated for mutual benefit

**What are the opportunities?**

# *Opportunities for cooperation in East Asia*

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1. Capacity-building: help each other design and implement policies to realise our potential for sustained growth;
2. Trade and investment facilitation: finding practical way to reduce the costs and risks of doing business with each other;
3. Working together in the WTO to meet the 2010/2020 targets for free and open trade and investment;
4. Negotiate with the two giants, EU and US, in a collective and constructive way.

**Thank you for your attention**

**Questions and comments  
welcome:**

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