

Regional Integration in
East Asia and the Pacific
-Is FTAAP a Catalyst for Success?

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APEC in 1990s

- ❑ **Economies in this region have long supported multilateral trading system.**

- ❑ **Forming FTAs/RTAs was not popular except**
 - ANZCERTA (Australia New Zealand Closer Economic Relations Trade Agreement), 1983
 - CUSFTA (Canada United States Free Trade Agreement), 1989
 - NAFTA (North American Free Trade Agreement), 1994
 - AFTA (ASEAN Free Trade Area), 1992

Proliferation of FTAs/RTAs in Asia Pacific Region

□ Reasons

- Slow progress in multilateral trade liberalization under the WTO
- Rapid expansion of FTAs in other parts of the world promoting East Asia to form their own, resulting in proliferation of sub-regionalism
- Political Factors

Proliferation of FTAs/RTAs in Asia Pacific Region

□ Positive Impacts on APEC

- Reinforcing the progress of trade liberalization.
- Development of FTAs is useful for APEC in reaching agreements.
- Ease of APEC's task in achieving multilateral free trade.
- Promoting more domestic reforms in APEC members' economies.

Proliferation of FTAs/RTAs in Asia Pacific Region

□ Negative Impacts on APEC

- Reinforcing the burden of trade liberalization
- The Spaghetti bowl effects
- Diverting efforts and resources allocated for implementing APEC agenda
- Increase in fragmentation within APEC

EAFTA: East Asia Free Trade Agreement

□ Background

- Asian financial crisis of 1997
- First ASEAN+3 Summit Meeting
- East Asia Vision Group (EAVG)
- East Asia Study Group (EASG)
- The Joint Expert Group on the feasibility of an EAFTA

Rationale for EAFTA

□ Rationale for Forming EAFTA

- Defensive Reaction to the Worldwide Rise of Regionalism
- To Prevent the “Spaghetti Bowl Effect”
- Deepening Interdependence
- Vision of an East Asian Community

FTAAP: Free Trade Area of Asia-Pacific

□ Background

- Challenges achieving Bogor Goals and WTO/DDA
- Pressures from rise of Asian regionalism
- 2004 APEC Business Advisory Council meeting
- 2006 APEC Economic Leaders Meeting

“To undertake further studies on ways and means to promote regional economic integration, including a Free Trade Area of the Asia-Pacific as a long-term prospect, and report to the 2007 APEC Economic Leaders’ Meeting in Australia”

How to Institutionalize Regional Integration?

–Strategies for Deeper Integration–

□ **EAFTA as a Platform to FTAAP**

- If EAFTA is pursued and successfully accomplished, there is room to expand EAFTA to a bigger integration, which is “FTAAP” in the future.

□ **FTAAP toward the Global Free Trade**

How to Institutionalize Regional Integration?

-Key Issues to be Resolved-

- ❑ How to Harmonize with Existing FTAs/RTAs
- ❑ Who will Participate: Membership Issue
- ❑ When to Implement: Timing Issue

Is FTAAP a Catalyst for the Success?

□ Challenges

- Need strong political will and leadership
- Compatibility with APEC's existing agenda and principles: Bogor Goals, open regionalism, expansion of membership and etc.
- Institutional changes in APEC: e.g non-binding nature
- Diversity in Approaches to FTAs

Proposed Mid Term Agenda for APEC

- **Harmonizing Existing RTAs/FTAs**
 - Developing model measures and strengthening the implementation: high quality RTAs/FTAs
- **Promoting Business Friendly Environment**
 - Improving the *behind the border* Issues
 - Help capacity building for domestic reforms
- **In-depth Analysis for Regional Integration**
 - Readiness
 - Awareness
 - Willingness
 - Obstacles