

# Foundations of East Asian and Pacific Economic Integration

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# **Justification for Domestic Regulation**

- **Economic regulation: monopoly (e.g. regulation of prices, profit and entry)**
- **Social regulation: imperfect information and externalities (e.g. pollution control, products standards)**

# **Distortions Created by Regulation**

- **Domestic: unnecessary costs, unjust distribution of wealth**
- **International: discrimination against foreign products, foreign firms not allowed entry (leading to economic domestic inefficiency)**

# **Key Elements of Regulatory Reform**

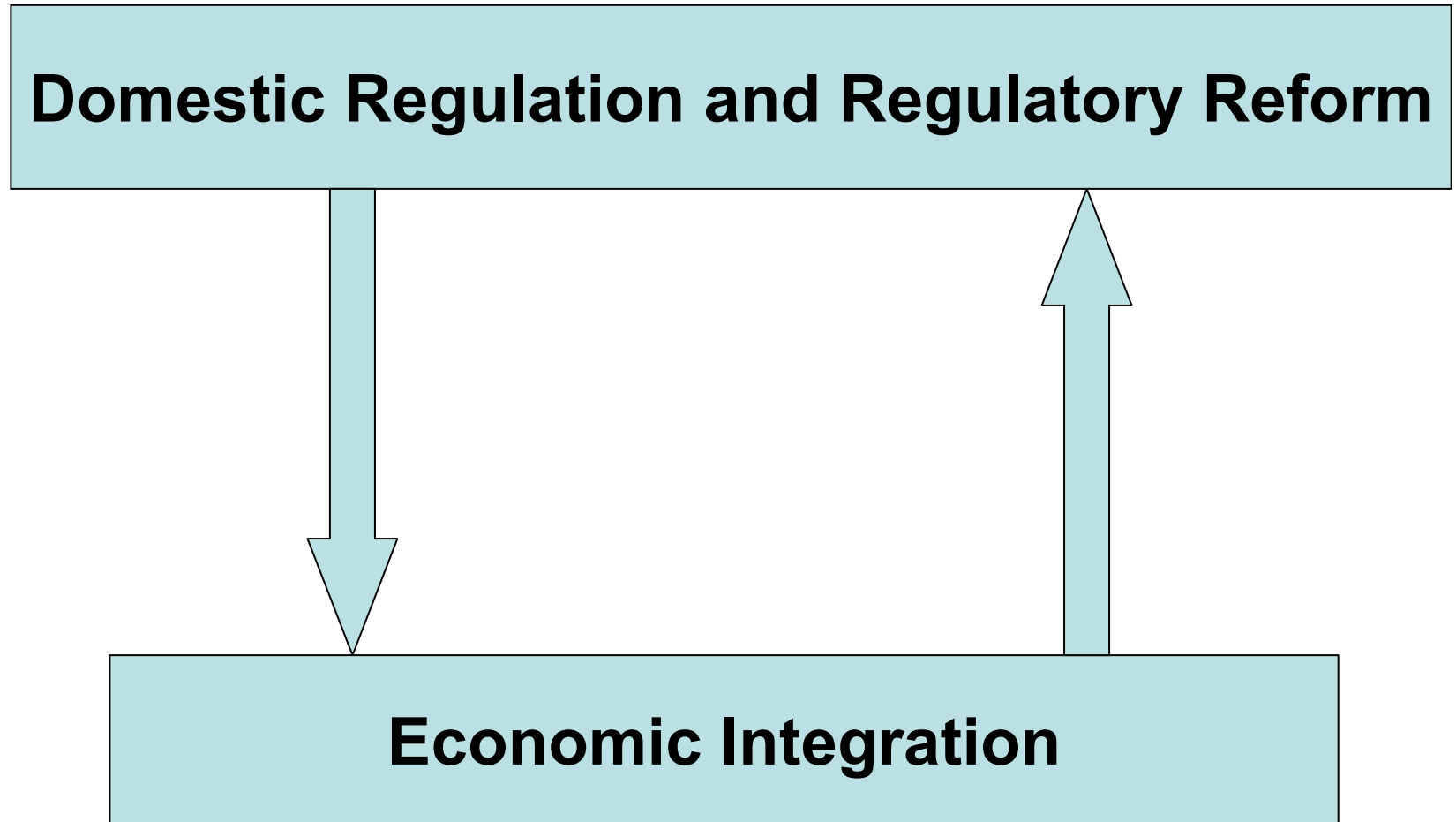
- **Competition Policy**
- **Procedural requirements such as mandatory cost-benefit analysis**
- **Internationalization of reform (the link between domestic regulatory reform and regional/global economic integration)**

# Internationalization of Reform

- **Agenda (Promoting Law of One Price)**

- Full national treatment with respect to taxes and other state charges and regulations.
- Harmonization of standards, laws and regulations across nations that prevent a single price from ruling across countries. In goods markets, these include standards for industrial products, health and safety of persons, and the environment, policies relating to particular sectors such as industry or transport, and business laws that differentiate between foreign and domestic suppliers. In goods, investment, and service markets they include business laws.
- Equal tax rates and other tax provisions throughout the region.

# Regional Economic Integration and Domestic Regulation and Regulatory Reform



# **How Internationalization Affects Pace of Regulatory Reform**

- Provides additional leverage to policymakers**
- Broader attention and participation, reduces influence of narrow vested interests**
- Exposes policymakers to best practices**
- Mutuality in regulatory reform**

# Challenges and Constraints to Internationalization

- **Large disparity in economic development**
- **Political and cultural diversity**
- **“Nationalist” argument—sovereignty is threatened (can be addressed partly by establishing credible dispute settlement mechanism)**

**ISSUE: What is optimal regional grouping?  
ASEAN? ASEAN+3? APEC? WTO?**

당신을 감사하십시오  
Thank You!!!

Terima Kasih

ขอบคุณครับ

ありがとう

Cảm ơn rất nhiều

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謝謝你。

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