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**ENHANCING EAST ASIA'S ROLE  
IN THE GLOBAL ECONOMY**

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# STRUCTURE

- **Protectionism and reaction**
- **Integration – multilateral system**
- **Building blocs**
- **Long-term gains**



**Scotland**

# NEO-PROTECTIONISM

- **Economic 'nationalism' (blocking foreign takeovers of domestic firms)**
- **Resurged after the credit crunch 2007-08**
- **Buy-domestic campaigns**
- **Excessive subsidies to car manufacturers**

# RESPONSES

- 1. Closer and deeper regional integration**
- 2. Converge regulation to increase productivity, innovation and competitiveness**
- 3. 1 and 2 are desirable provided that they do not discriminate against third parties**

# ASIA-PACIFIC ECONOMIES

- **Trade is the lifeblood in the region**
- **US Democrats and trade: Asia is cautious**
- **ASEAN + China, Japan, Korea (10+3)**
- **Drawing line in the centre of the Pacific?**

# BUILDING BLOCS...

- **Internal RIA pressure works in favour of external liberalisation as firms gain competitiveness due to reduced costs, specialisation and innovation (examples: EU, ASEAN)**
- ***The more* the countries have RTAs with principal trading partners, *the less* they worry about negative integration effects, *the more* they can gain from the removal of overlapping ROO**

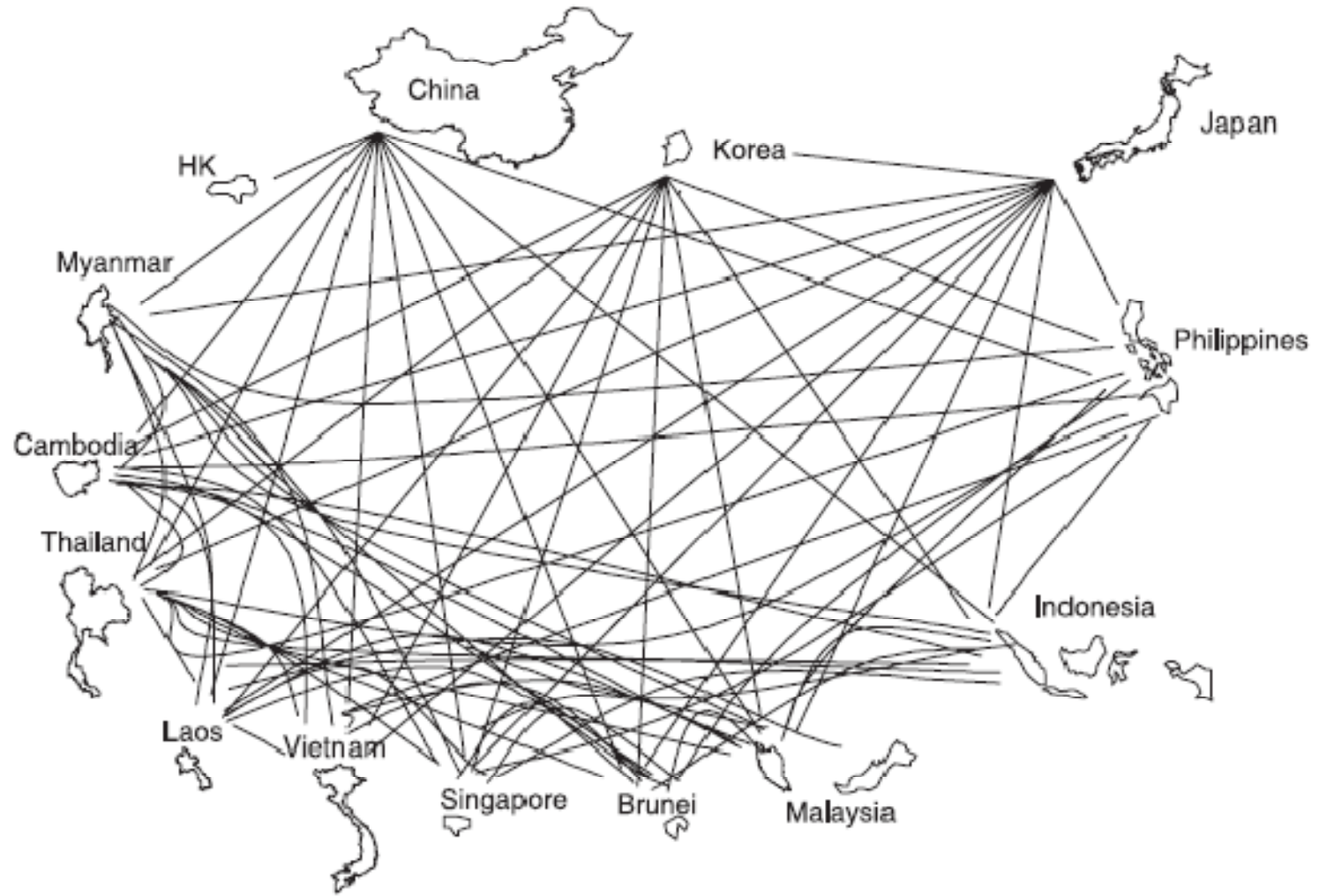
# ...BUILDING BLOCS...

- **EU and EFTA pioneered deals in NTBs**
- **NAFTA pioneered deals in services and FDI**
- **These served as templates for multilateral agreements**
- **Countries left out of RTAs want to be included in multilateral deals**



# The East Asian 'Noodle Bowl' Syndrome

Noodle bowl syndrome



# ...BUILDING BLOCS

- **Overlapping ROO and administrative costs reduce gains from trade – multilateral rules offer solutions**
- **Most RTAs are willing to engage in more open commerce**
- **If Doha success depends on the agreement among 153 countries, then RTAs are irrelevant**
- **If the Doha deal is difficult (153 countries), RTAs are the second best solution**

# RULES OF ORIGIN

- **Simple (avoid EU or US examples)**
- **Let relatively high external value content**
- **Minimise compliance/administrative costs**

# COMMON GROUND

- **Bridge for a successful Doha Round**
- **Food and product safety**
- **Environment: scrap tariffs on climate-friendly products (solar panels, windmill turbines,...)**
- **Promote 'green' technology**

# US AND EU - ASEAN

- **US – fragmented approach**
  - Uses FTAs to reward allies
  - Offers FTAs to weaken other blocs
- **EU – seeks a FTA with the 10 ASEAN countries as a group**

# GAIN OR LOSS?

- **Losers of today are by definition winners of yesterday**
- **More dynamic players live to live another day**

# CONCLUSION

**Increases in living standards over the long time come mainly from innovations in new products, processes and forms of organisation, rather than from increasing static efficiency, no matter how desirable the latter may be.**

*Schumpeter*