

SUMMARY OF PRESENTATION AND Q&A SESSION

Organizer	Global Institute for Asian Regional Integration (GIARI), Waseda University
Title	Look West: The Evolution of U.S. Trade Policy Toward East Asia
Presenters and Discussants	Vinod K. AGGARWAL, Professor and Director, Berkeley APEC Study Center, University of California, Berkeley
Date	December 8, 2008
Location	Graduate School of Asia-Pacific Studies, Building No. 19, Waseda University, Nishi-Waseda, Tokyo
Participants	In total about 30 participants including Shujiro URATA (Professor, Waseda University), Tsuneo AKAHA (Professor, Monterrey Institute of International Studies, visiting Professor, Waseda University), Chikako UEKI (Professor, Waseda University), Takashi TERADA (Professor, Waseda University), Masato KAMIKUBO, (Research Fellow, GIARI), GIARI Research Assistants, and Students of Waseda University

Opening Remarks:

Professor Shujiro URATA welcomes the speaker, Professor AGGARWAL, and the participants.

Presentation: 'Look West: The Evolution of US Trade Policy Toward East Asia'

In order to assess US trade policies toward East Asia, Professor Aggarwal proposes a new categorization mode of trade arrangements which is more suitable for scientific analysis than the one stipulated in Article 24 of the GATT agreement. He classifies trade arrangements along three dimensions: actor scope, product scope and geographical distribution.

In the following, Professor Aggarwal looks at the evolution of US trade policies toward East Asia over four periods of time: multiproduct multilateralism in the early post World War II period; liberal protectionism from the mid-1950s until the early 1980s; building blocs, regionalism from the 1980s until mid-1990s, and competitive liberalization from

the mid-1990s to 2007. Each of these period's policies is analyzed with regard to three sets of determinants: systemic, domestic and ideology/leadership.

Professor Aggarwal concludes that:

- regionalism consists of a variety of different types of trading arrangements that may have very different implications;
- an open sectoral approach may look tempting, but it may undermine the coalition for free trade;
- bilateralism is on the rise and poses dangers to the WTO and inter-regionalism;
- an FTAAP at this point is a non-starter.

Question and Answer Session, MC: Shujiro URATA

Question (Professor URATA): Some scholars, for instance Bergsten, argue that APEC helped to conclude the Uruguay round since the US could use it to pressure the EU to give up their resistance. Could it have been used to pressure parties to consent, threatening to negotiate with other partners and prioritize other regions instead?

Answer: There is no evidence to Bergsten's claim. I did not hear from any Europeans who confirmed this claim. I rather think that the EU had an interregional strategy. However, it failed and the resulting rise of bilateralism, while in the interest of big multinational corporations, is harming small and medium-sized enterprises (SME).

Question (Professor TERADA): You mentioned the weak institutional structures of APEC. Do you think that APEC will be strengthened in the course of the next three years, when its meetings will be held in Singapore, Japan and the US?

Answer: In view of the current economic situation, say for instance the connection of the Korean-US FTA with the crisis of the US car industry, free-trade is not high in demand. APEC might need to address salient questions such as those related to the financial crisis instead. It is desirable that APEC gets more capacity, for instance to make its own macro-economic analyses and conduct research on issues other than FTAAP.

Question (Professor TERADA): The political structures of East Asian states are different from North American and European ones. In Southeast Asia, for instance,

governments seem to be less exposed to domestic lobbying against free-trade. We should therefore see more enthusiasm to promote free-trade. What do you think about this?

Answer: The natures of East Asian states are quite diverse. It is therefore difficult to make a general statement.

Question (Professor AKAHA): How do you judge the fall-out of the US financial crisis? Is there a consensus that the financial sector should be less privileged in the future?

Answer: As we see with the debate about financial support for the car industry, the question is currently being discussed. However, this is an old problem and should be solved through anticipatory regulation of the markets.

Question (Professor AKAHA): Does the financial crisis and its consequences weaken US leadership in the Asia-Pacific?

Answer: Yes, it shows that the US model of liberalization does not work. This reduces the credibility of US economic policies.

Question (Professor UEKI): Assuming that the US economy continues to stay weak, what could the US do, if there was an East Asian regional agreement to emerge?

Answer: The FTAAP could be useful. However, it does not make sense for the US to prevent the emergence East Asian institutions such as ASEAN+3, since the US is strongly connected to the markets in East Asia, China in particular. It would even be odd to see APEC as an instrument for this purpose.

Question (Mr. Lee): How do you see the correlation between free-trade and the growing disparity in income distribution? It seems that free-trade has the effect that authorities wield less control and are made less responsible for social inequalities. How should this issue be managed?

Answer: Domestic compensation of negative effects of free-trade is necessary to advance trade liberalization (embedded liberalism). Otherwise trade liberalization will

lose its domestic support.

Question (Ms. Mohammad): Taking the example of the Malaysian car industry, how far should the protection of domestic industries go, and when should ISI policies be abolished?

Answer: It is one thing to subsidize an industry for some time; however, it needs to become internationally competitive at some point. This seems to be particularly difficult with regard to the automotive industry since global competition is very strong. Thailand chose a better strategy when it invited foreign automakers to invest in the country.

Closing Remarks by Professor Shujiro URATA

Summary by Christian WIRTH, PhD Candidate, GSAPS, Research Assistant, GIARI, Waseda University