

Date	Wednesday, October 24, 2007, 15:00-16:30
Place	Building 19, Room 711
Presenter	Peter Drysdale, Emeritus Professor of Economics, the Crawford School of Economics and Government, The Australian National University
Title	The Future of East Asian Integration
Moderator	Professor Takashi Terada, Organisation for Asian Studies, Waseda University
Participants	Professors Satoshi Amako, Shigeto Sonoda, and Shujiro Urata from the Global Institute for Asian Regional Integration; 40 PhD and MA students from the Graduate School of Asia Pacific Studies

Professor Drysdale spoke on the future of East Asian integration and the nature of its process from an economic perspective. Questions addressed were: 1) how should economic integration be measured? , 2) what are the drivers of integration in East Asia? , and 3) how can integration in the region be further developed?

The process of integration is traditionally defined and measured by the share of trade between countries. There is no question that trade is increasing in East Asia, but this alone is an inadequate measure of economic integration, which at its core is about increasing the contestability of national markets. For example, by looking at trade shares, one might imagine integration between North Korea and China to be very high, when actually the interaction between the North Korean and the Chinese economy is quite small.

The main drivers of integration in East Asia are the success of growth in the scale of the East Asian economies, the region's commitment at various stages to openness to trade and investment, and the close proximity of its economies.

The process of regional integration involves the commitment to three generations of reforms and progress with the second and third generation of reforms will be crucial to the future of East Asian integration.

The first generation required commitment to trade and investment openness. This commitment from the end of the 1970s in China continues to fundamentally transform its economy over a short period of time.

The second generation involves managing reform of national institutions and regulations that opens up domestic markets of the whole range of services. Without confronting these reforms, the benefits of a global involvement are limited. Second generation reforms are currently the top priority in the region. Indeed, at the last APEC

Summit in Sydney, a commitment was made to foster this process and deepen regional integration through support for structural reform processes such as these.

The third generation of regional reform involves creating institutional frameworks for regional cooperation. East Asia is currently at the very initial stage of making third generation reforms, but two main strategies can already be seen: across the Pacific and within East Asia. Both processes were initially focused of the first generation of reforms.

A major change in the share of East Asian share (currently third) of world output relative to that of North America (currently first), the EU (currently second) is forecast. Deepening integration in this way requires liberalization of national markets in East Asia and their participation in the global market; the broader the trade agreement, the more beneficial it is likely to be.

Questions from the audience

Does China have a commitment to structural reforms?

When China joined the WTO, it made many institutional and structural reforms that were instrumental to its recent high rate of growth. Future economic success will require that the state in China be transparent in its dealings with, and separate from, Chinese enterprise.

What provides the basis for integration?

Economies must have the commitment to interact with each other. This is implicitly or explicitly a political process. The Atlantic Charter provided a global set of such commitments after the Second World War. The growth of the East Asian economy will have a big impact on, and generate significant response in the rest of the world. There is currently little regional cooperation in managing this process which is now a top priority.

How is the contestability of regional markets different from global integration?

For example, the USA and the EU are integrated, but they do not have a set of formal economic institutional arrangements. This distinguishes trans-Atlantic integration from European integration.

Regarding the competition between China and Japan for the initiative in regional integration, will Australia also take part in this initiative?

Competition for initiative is unproductive. There is a commonality of interests in this region, and these points need to be emphasized over points of contestation. The time is right for a Japan-China initiative. Australia will be supportive of that.

How serious is Australia's commitment to integration in East Asia?

Australia has the most East Asian centered economy in the world. Australia's economic and political priorities are in this region. Australia's leaders want to be a part of institutions like ASEAN+3 although it was difficult for them to say so half a decade ago.

Is there a difference between Asian integration and forming an Asian community?

Integration is a policy objective to promote the benefits of regionalism. An economic community is one instrument that might be used to achieve that objective.

(Troy Knudson, PhD Program – GSAPS, Research Assistant – GIARI)