Some Questions on Regional Economic Integration and APEC's Role

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Like previous APEC years, Viet Nam's APEC year also takes regional economic integration as one of the priority agenda. This shows that APEC's relevance lies in the REI as its soul of unfading theme, and when we note recent development around the world, the REI is all the more important to the APEC and to our region's future. Recently, people asked a lot of questions about REI, my presentation tries to answer some of them.

1. From global economic perspective, what is the unshirkable responsibility for the Asia Pacific region?

The responsibility is to play a role as a major engine for world economic growth for the 21st Century. This is the region's most important responsibility. We have the ability to play such a role as today's Asia-Pacific accounts for 40% of the world population, 57% of the world economy and 48% of the world trade. As the fastest growing region with the greatest potential and most vibrant cooperation in the world, our region should take this responsibility. However, we should not be complacent about these figures and our current position in the world economy, because we have some major drawbacks which will hinder this engine to function sustainably for the whole 21st Century.

2. What are the drawbacks of this economic engine?

There are many. At least there are three major ones.

Firstly, the world economy is now in profound adjustments and moving along a twisted path of recovery. It stands at a crucial juncture where new growth drivers are taking the place of old ones. The dynamism provided by the last round of scientific and industrial revolution is waning while new impetus for growth is still in the making. Asia-Pacific is no exception. That’s why we should boost reform and innovation to create more internal driving force.

Secondly, connectivity remains the bottleneck for our region’s economic development and cooperation. We are faced with such problems as the lack of connectivity, de facto unconnectedness between economies despite of connectivity measures and under-performance of existing connectivity between economies. That’s why we should enhance connectivity to build a multi-dimensional connectivity network that covers the Asia-Pacific by 2025.

Last but not the least, there are different directions and priorities in accelerating the regional economic integration process and various FTAs keep emerging. The fragmentation makes it difficult for many to make a choice. That's why we should endeavor to bring regional economic integration to a higher level and build FTAAP.
To my mind, connectivity serves as the basis, reform and innovation as the driving force and FTAAP as the direction for our region to continue to be a major engine for world economic growth. These three are an integral whole, interconnected and complementary to each other.

3. **How serious is the impact of anti-globalization to the REI?**

Nowadays, there is heated debate about economic globalization. Objectively speaking, economic globalization is in keeping with the law of economics and delivers benefits to all. On the other hand, it’s a double-edged sword, while driving global development, it has also created new problems and challenges that need to be dealt with. It is rather sweeping to say that Brexit and the result of U.S. election demonstrate the world trend of anti-globalization. We have a saying in China that concrete conditions require concrete analysis. Some people regard free trade and REI as parts of globalization, which therefore should be resisted. In my view, free trade and REI are the driver of economic growth rather than obstacles. What happened in Europe and the U.S. tells us that free trade is not the problem, rather problems lie in the lack of fair and justifiable distribution.

Globally, a new round of scientific, technological and industrial revolution is in the making, change in international division of labor is accelerating and global value chains are being reshaped. All these development have added new dimension to economic globalization. Globalization is not the dust bin into which anyone could throw things they dislike. The correct attitude is to actively guide globalization, promote equality and justice and make globalization more resilient, inclusive and sustainable.

4. **Will TPP in difficulty and RCEP under negotiation constitute obstacles to the building of FTAAP?**

According to Beijing Roadmap of FTAAP, both TPP and RCEP are possible pathways to the FTAAP. Now the incoming US new administration claimed that it will withdraw from TPP. It will cause difficulty for TPP to come into effect and make this possible pathway impossible. It will have negative impact on the eventual realization of the FTAAP. However, it is not the end of the REI, nor is it the reason to put on a halt the FTAAP process. I still hope that TPP will come into effect. Even if it could not, I think many of reasonable parts of TPP which serve the best interests of regional economic integration should be used and incorporated in the future FTAAP. And RCEP parties should make their efforts to accelerate towards the completion of the negotiations. At the same time, we should also welcome other regional integration undertakings to make meaningful contributions to FTAAP.

5. **Is the Lima Declaration of FTAAP strong enough to promote the FTAAP process?**

After the Lima Declaration of FTAAP was issued, a group of businessmen made the following comments on it. They said it’s good that the process is still going but is in a slow motion. It seems it took 10 years for APEC to sleep on it, it is taking another 10 years to have collective strategic study, examination, discussion, consideration and stock take, and it will take
additional 10 years to negotiate it and if possible conclude it. So it might take 30 years to have a FTAAP. It is too long. That means we businessmen have to live in an increasingly messy spaghetti bowl for another 20 some years. Unfortunately, there have been already 160 FTAs including more than 60 RTAs among APEC economies.

They also said FTAAP should be high-quality. But if you want to make it too high, it will be difficult for people to reach, taking into consideration the diversity with different levels of economic development. We should not forget our original vision of FTAAP. FTAAP is destined to be phased over a period of time, so that all could benefit from it. These are the comments by some businessmen.

In October last year, CNCPEC held a symposium on FTAAP. The participants recommended, among other things, that FTAAP should be pursued with some urgency. I think it is a sensible idea.

6. Taking into consideration recent developments in the U.K. and the U.S., what should a FTA like FTAAP which may include 20-30 economies pay attention to?

Firstly, we should pursue the FTAAP as an institutional mechanism to ensure an open economy in the Asia-Pacific. Through this mechanism, we could energize trade and investment to drive growth, make free trade arrangement more open and uphold the multilateral trade regime.

Secondly, FTAAP should be a framework for regional cooperation featuring joint participation, equal consultation and shared benefit.

Thirdly, FTAAP should be pursued in a spirit of inclusiveness for the purpose of common development. It should be promoted with a step-by-step and flexible approach. Common but differentiated treatment should be practiced for developed and developing partners, the ambition should differ across issues, and there should be comfortable room for transition, so that all the parties will get a fair share of its benefits and will see that they have a stake in it.

7. What's the role for APEC in deepening REI?

APEC should be a strong champion for free trade, REI and economic globalization in the face with populism, protectionism and anti-globalization; It should play a leading role in promoting FTAAP as a core item of agenda of APEC and the driving force to further advance REI beyond 2020; It should be an action team to implement the recommendations embodied in the Lima Declaration on FTAAP in a proactive and earnest way despite of disturbances; It should be a strong supporter to capacity-building and information-sharing, and it should also encourage business sector and think-tanks to participate in the process.
Introduction

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2. What are the drawbacks of this economic engine?

- Firstly, the world economy is now in profound adjustments and moving along a twisted path of recovery. Asia-Pacific is no exception. That’s why we should boost reform and innovation to create more internal driving force.

- Secondly, connectivity remains the bottleneck for our region’s economic development and cooperation. That’s why we should enhance connectivity to build a multi-dimensional connectivity network that covers the Asia-Pacific by 2025.
2. What are the drawbacks of this economic engine? (Continued)

- Last but not the least, there are different directions and priorities in accelerating the regional economic integration process and various FTAs keep emerging. That’s why we should endeavor to bring regional economic integration to a higher level and build FTAAP.

- To my mind, these three are an integral whole, connectivity serves as the basis, reform and innovation as the driving force and FTAAP as the direction for our region to continue to be a major engine for world economic growth. They are interconnected and complementary to each other.

3. How serious is the impact of anti-globalization to the REI?

- Objectively speaking, economic globalization is in keeping with the law of economics and delivers benefits to all. On the other hand, it’s a double-edged sword, while driving global development, it has also created new problems and challenges that need to be dealt with.

- Globalization is not the dust bin into which anyone could throw things they dislike. The correct attitude is to actively guide globalization, promote equality and justice and make globalization more resilient, inclusive and sustainable.
4. Will TPP in difficulty and RCEP under negotiation constitute obstacles to the building of FTAAP?

- According to Beijing Roadmap of FTAAP, both TPP and RCEP are possible pathways to the FTAAP. TPP in difficulty will have negative impact on the eventual realization of the FTAAP. However, it is not the end of the REI, nor is it the reason to put on a halt the FTAAP process.

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7. What’s the role for APEC in deepening REI?

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- It should play a leading role in promoting FTAAP as a core item of agenda of APEC and the driving force to further advance REI beyond 2020;
7. What’s the role for APEC in deepening REI? (Continued)

- It should be an action team to implement the recommendations embodied in the Lima Declaration on FTAAP in a proactive and earnest way despite of disturbances;

- It should be a strong supporter to capacity-building and information-sharing; and

- It should also encourage business sector and think-tanks to participate in the process.

- Thank you!