

**INTEGRATION
PROCESSES
IN ASIA-PACIFIC
REGION**

In recent years integration processes in East Asia have gained strength. For nearly 30 years the Association of Southeast Asian Nations (ASEAN) which includes one of the four Asian «dragons» – Singapore, as well as NIC (the new industrial countries) of «new wave» – Malaysia, Indonesia, Thailand, Brunei and the Philippines most successfully works. The success of the mutual cooperation within this group is closely associated with the rapid economic growth of the majority of the ASEAN countries, a comparable level of development, mutual trade relations well-established and with long historical tradition, and the adjusted form of cooperation.

The attention to the region is defined by the fact that in the last quarter of the century it steadily remained most dynamically developing region of the world. Let's remind that in the late forties experts of the UN met that «Asian stagnation» caused by World War II results will drag on for years. However, in the fifties Japan began to develop rapidly. In the late sixties – the early seventies sharp jump in development rates of Taiwan, Hong Kong, Singapore and South Korea was recorded.

Then two new concepts in relation to these states were appeared: the scientific – «the new industrial countries» (NIC) and publicistic – «Asian tigers». In the 80-s the world witnessed rapid economic growth of the ASEAN countries – Indonesia, the Philippines, Thailand, Malaysia and Brunei, which became known as the «Asian dragons». In the late 80-s a way of rapid economic development were followed by Vietnam. And certainly China. From the middle of the 80-s economists and politicians in this country were looking for ways to reduce the rate of growth of the economy. However and in 1993 as it was noted at the XIV congress of Communist party of China, industrial production grew by 21%, and the total gross national product was more than 9% [1].

The high achievements of the Chinese economy provided a dramatic improvement of more than the milliard population life have huge impact on all countries of Asia, and not only on them. The report of World Bank entitled as «East Asian miracle» in 1993 said that East Asia became «the center of technological civilizations» – great historical shift in the mankind history which, probably, will define shape of the world at the beginning of the XXI century. It said also that in the last 30 years the East Asian countries developed twice

quicker, than the countries of Latin America. In 1993 the aggregate product of Japan, «four tigers», four dragons and China significantly surpassed the aggregate product of the USA. Especially «tigers» and «dragons» export rapidly developed: their share in world trade by finished products increased from 9 to 25 % from 1965 to 1990. The East Asian countries very efficiently used «fruits» of its economic growth to relieve social tensions, and therefore, to ensure political stability. So, for example, on Taiwan the income of the richest 20% of the population is 5,8 times higher than the income of the poorest 20%. In South Korea the same index is 8. Especially impressive is the fight against poverty, poverty elimination carried out in the region.

Let's remind that Engel's index – a food's specific gravity in a consumer basket – defines a condition «beyond poverty» as a condition in which more than 90 % of the income goes to food. So, in Malaysia for the last thirty years the share of the population living «beyond poverty» was reduced from 37 to 5% and in Indonesia from 60 to 15%. In Singapore and in Taiwan, the people having the income less than 300 US dollars a month, practically did not remain. These countries came to the West European level of an average salary. The reasons that served as the basis for the dramatic changes in the economic and social spheres are different.

Prospects for the development of economic integration in East Asia are largely associated with the creation of the Asia-Pacific Economic Cooperation (APEC). The Asia-Pacific cooperation (APEC) is the intergovernmental organization uniting 21 states of the region [2].

APEC was established in 1989 by the suggestion of Australia with the aim of developing economic cooperation in the Pacific Ocean. Originally it included 12 countries: Australia, Brunei, Canada, Indonesia, Japan, Malaysia, New Zealand, Philippines, Singapore, South Korea, Thailand and the USA. In the subsequent years China, Hong Kong, Taiwan, Mexico, Chile, New Guinea joined them, and in 1998 – Vietnam, Peru and Russia.

The main features of integration processes in APR:

1) integration processes in the APEC organizations go by the leading role of the multinational corporations creating the soil for interstate cooperation

2) process of integration covers the countries with significantly different levels of the economic development, different cultures and socio-political systems

3) integration in APR scales includes the subregional economic unions (ASEAN, NAFTA ,

the South Pacific Forum, etc.), i.e. it allows different levels of integration, for example by extent of foreign trade liberalization

4) ideology of Pacific «open regionalism», developed in PECC (Pacific Economic Cooperation Council) and PEC (Pacific Economic Council), considers regional integration as an element of an economic globalism.

Prospects of APEC development and integration processes:

1. APEC development will take place according to the scenario accepted at meeting in Bagor (1994, Indonesia). According to it the free trade zone and liberalization of the investment sphere in 2020 (for industrialized countries – to 2010) will be created. Decrease in customs tariffs will happen according to the agreements reached within the GATT/the WTO.

2. There is «growth triangle» – the southern Chinese economic zone (China, Hong Kong, Taiwan); «golden growth triangle» (Indonesia, Malaysia, Singapore); economic zone of the Sea of Japan countries; Indo-Chinese economic zone.

According to some estimates, average annual rates of an economic growth of APEC till 2000 was 3–3,5%. And the Asian countries advanced industrially in this regard more developed western partners.

The Asian region is influenced by multiple integration organizations , in particular:

- The Intergovernmental Forum «Asia-Pacific Economic Cooperation» (APEC);
- The Pacific Economic Council (PEC);
- The Pacific Economic Cooperation Council (PECC);
- The Pacific Conference on Trade and Development (PCTD);
- The Russian National Committee for Pacific Economic Cooperation (RNCPEC);
- The Association of North East Asia Regional Governments (NEAR);
- The Association of South-East Asian Nations (ASEAN);
- The summit of the East Asian Community (EAC);
- The Eurasian Economic Community (EEC);
- The Shanghai Cooperation Organization (SCO);
- The Asian Development Bank (ADB);

So, each of these organizations has particular influence in the Asia-Pacific region.

Meetings in Seattle and in the suburban residence of Indonesian presidents – Bogor, were full of talks and meetings of experts. The main attention was paid to a problem of terms and procedure of creation of the ATR free trade zone.

The meeting participants assumed the obligation «to set free and open trade in ATR through a program of liberalization on the basis of the principles of open, multilateral trade». The original plan of action to create a free trade zone to 2020 in ATR was decided to prepare for the following meeting of the APEC participating countries which took place in 1995 in Osaka (Japan). The agreement that the different countries became the free trade zone participants at different times was reached. The industrially developed states came first to a goal in 2010. Then, with a break of five years the customs duties of the country with medium developed economy NIC will be cancelled – and in five years – the developing states.

The summit of APEC member countries held 2-9 September 2012 in the Far East city of Russia – Vladivostok, gave rise to a new stage. Such meetings are held annually. Vladivostok summit has caused an increased interest of global political circles. And it is not unreasonable. The purposes that this organization put before, and tendencies observed today in world geopolitics even more actualized the Vladivostok meeting.

The Asia-Pacific trade is important because it is huge, has innovative character and very dynamically develops. The liberal environment of global trade stimulated development of Asia, having made huge flows of goods and services within Asia and between developed economies of the whole world. Production networks of the region, in turn, set new standards of industrial production effectiveness. All these connections become more important in the future as the share of the Asia-Pacific region in the global economy grows. Considering a region role in world economy, there is nothing surprising that development of trade negotiations is displaced from global forums in favor of agreements within the Asia-Pacific region.

14,3 trillion dollars of 4,7 trillion dollars of global trade in 2010 accounted for APEC countries, serving both as an exporter and importer, and in both forms. In APR zone trade structure, intra regional trade is about a half, or 4,9 trillion dollars. This trade is divided further into trade within North and South America (1 trillion dollars), within Asia and Oceania (2,3 trillion dollars), and also into the transpacific trade (1,6 trillion dollars). These figures show the scale of integration of the Asia-Pacific region and its importance for the global economy.

Besides, trade in the Asia-Pacific region is very dynamic. The region is characterized by the considerable variety in a resource distribution and a development level that allows the countries to use the considerable opportunities for the growth, caused

these distinctions. The trade allowed the rich labor and resource-poor countries to trade manufactured goods for raw materials; developed and fast growing economies – to exchange hi-tech and laborious products and services; and the fast-growth countries – to make a breakthrough in the new industry, having begun transfer of old industries to new «rising stars». Vietnam and China became two last Asian countries which have joined WTO; it was necessary to go on the considerable concessions, and both of these countries considerably gained from it.

Trade flows, most likely, remain very dynamic in the future; in the next fifteen years the APEC region, as expected, will even more increase its share in world gross domestic product from 53% to 56%. The share of North and South America, which now provides 54 % of the regional GDP in 2030 will be only 45%.

Meanwhile, the rules which regulate the vital commercial relations between APR countries become more and more worn-out. After a decade of work the Doha Development Agenda crashes. The agreement had to be concluded in 2007 within the accelerated negotiation process under the leadership of the USA, and then to the middle of 2011 to avoid influence of selective cycle policy in the USA and other countries. These and many other terms were broken. In 2011 even modest efforts to achieve a number of the minor agreement (agreements on market access for the least developed economy, support of eco-friendly goods and services, and also trade support) failed. In reply between many countries of the world, including between the APR countries, bilateral and multilateral (regional) agreements on creation of free trade zones were signed.

Among APEC economy till 2000 there were only four large agreements: ASEAN free trade zone, Canada-USA free trade zone, the North American free trade zone, the Agreement on Closer Economic Relations between Australia and New Zealand. Today there are 34 similar agreements, and more is under discussion.

Up to 2004 all new regional agreements among the APEC countries assumed creation of regional groups or pairs of countries including agreements with ASEAN participation. About two thirds of trades in the Asia-Pacific region really occur within subregions, such as North and South America or Asia. It is not surprising that the first wave of trade agreements in the region was aimed at these relations [3].

Nevertheless a remaining one third of the Asia-Pacific trade assuming crossing of the ocean,

includes especially important types of trade – those communications which allow to provide an exchange between the countries significantly differing in a development level, resource endowments, technologies and indexes of a and capital-labor. The last wave of trade agreements in the Asia-Pacific regions, started to rise in the middle of the 2000s, was focused only on transoceanic trade flows between the largest east and western APR subregions.

As regional trade agreements started filling the vacuum formed as a result of global negotiations stagnation, they created new opportunities and uncertainty sources for the Asia-Pacific trade. More complete and complex regional or global system could offer essential benefits to the parties, and any of the ways mentioned above, could lead to similar more deep integration [4].

However the determination of whether and how, «Asian» and «Trans Pacific» paths of integration can provide a basis for really complete system of regional trade remains a challenge for both the scientific community and for the political and diplomatic circles of the Asia-Pacific region.

Since 2007 leaders of APEC repeatedly noted benefits of the trade system including the entire Asia-Pacific region, recognizing that both «Asian» and «Trans Pacific» negotiation processes could become possible ways of building the system. In this case, there are many debates concerning the purposes of each of these ways, as well as about what the desired speed and limit their progress are conducted. Really, some observers have even suggested that these ways are more likely to lead to region split, than to its integration. As a whole it is natural because both ways of integration arose in various political contexts therefore various approaches to integration were chosen. Nevertheless, it appears that both these ways in the fundamental plan are interdependent. They have already started to influence each other. Parallel progress in both directions and their interaction, most likely, will be a bright sign of development of regional trade system for some time.

«Asian path» of integration. The modern APR trade institutes are founded by initiatives of the Association of Southeast Asian Nations (ASEAN), instead of communications between huge economy of the of Northeast Asia nations. This feature leaves a noticeable mark on the «Asian» path of integration which shows now quite good results, mainly because China plays the central role in region economy.

Since then the economy has become the dominating sphere of interests of association. The ASEAN did impressive work, having created a network of agreements on the free trade in the region and beyond, and also having created a platform

for carrying out the regular regional summits. This central role was considerably strengthened thanks to the agreement on the free trade which was initiated by China in 2002 that led to signing of the agreement on the free trade between all ASEAN members and China in 2010. The Chinese initiative was soon added with similar agreements with Japan and Korea, and then with agreements «ASEAN plus one» with India, Australia and New Zealand. Now there are negotiations with the European Union [3, 7].

«Trans-Pacific» path of integration. The modern vision of Asia-Pacific (or Trans-Pacific) economic integration also has its roots in the 1960s. In 1968 economists from the entire Asia Pacific region based the Pacific Trade and Development Forum, PAFTAD which began the conference on trade liberalization in the Pacific region. PAFTAD eventually contributed to the emergence of quasi-governmental Pacific Economic Cooperation Council, PECC in 1980.

Negotiations on TPP received new incentive thanks to the decision of Administration of the President of the USA George Bush to enter negotiations with members of «the quadrilateral agreement» in February, 2008. Later in 2008, Australia, Peru and Vietnam have also announced their intention to take part in the negotiation process. Rates of activity in this area were considerably accelerated in 2009 when Obama made TPP the central element of new trade policy.

Malaysia joined negotiations in October, 2010, and at the APEC summit in 2011 negotiators determined key parameters of the agreement. Canada, Japan and Mexico also expressed the intention to join. Thus, at least nine, and maybe thirteen economies (it is expected that Korea will join) can be included today in this agreement.

The achievement of this purpose complicated by increase in number of negotiation participants is very challenging. Each round of negotiations on the planned Agreement on creation of the Trans Pacific partnership assumes participation of more than 400 negotiators, and during the period from March, 2010 to November, 2011 (the APEC summit in Honolulu) nine rounds took place. Three more rounds are planned for 2012. The prime minister of Malaysia Razak at the beginning of 2012 declared that participants of negotiation process intended to finish preparation of the Agreement text in July, however but in light of the outstanding unresolved problems these terms were not able to keep.

It is very important that TPP has unified rules to determine countries of goods' origin in the region, having allowed accumulation of cost in TPP member countries. Rules determining the country of

origin that are distinct with each other are especially problematic component of existing trade agreements as they generate additional costs for their realization and create incentives in favor of decrease, instead of increases in economic results.

Agreements within two paths of integration seem approaching by its contents. The last trade agreements within Asian or Trans Pacific paths of integration contain more similar provisions, than earlier analogs, and both groups of agreements extend captured more areas with similar provisions. Sometimes for the sake of efforts economy, authors of agreements borrow provisions from similar agreements [5].

It is supposed that in 2015 progress in both directions will lead to achievement of ASEAN and TPP agreements which will be realized by 2020. Finally, these processes development result should be the conclusion of the common regional agreement on building the Free trade zone of the Asia-Pacific region in 2020 (this target date, is really provided by APEC leaders), which has to be realized in 2025.

Empirical results confirm the value of integration of the Asia-Pacific region within both directions of negotiation process. Analysts of the East-West Center have identified four main results.

First, integration of the Asia-Pacific region promises the considerable benefits. The income growth associated with liberalization is likely to exceed 1 trillion dollars, or about 1,5% of world gross domestic product in 2025. The Asia-Pacific agreements are the project of scale of the Doha negotiation round. These scale benefits reflect the fact that even though the region provides only part of world trade, the scenarios provided within this research, offer the considerable liberalization that they can introduce more value, than it is possible within such global agreements as Doha – by giving the new forces to global negotiations.

Second, benefits increase in proportion to the scale and ambitions of the integration project. With the TPP expansion from nine member countries to thirteen (through inclusion of Canada, Japan,

Korea and Mexico), the total amount of benefits has to grow from 16 billion dollars in 2015 to 104 billion dollars in 2025. Within the Asian way of integration, authors of research reveal similar economic incentives of driving from the tripartite agreement between China, Japan and Korea to the EAFTA block with thirteen members.

This path will bring the benefits estimated at 44 billion dollars in 2015 and to 215 billion dollars in 2025 that is higher than the expected benefits within the TPP as initial barriers (especially between three largest economy of the region) are rather high to trade; on the contrary, the considerable part of trade between the TPP countries is already captured by efficient trade agreements.

Third, although almost all of the economy will benefit in the implementation of any of the scenarios, the countries that systematically will benefit (in relative terms) are small countries, initially protected by high barriers and involved from the early stages in each of the paths of integration. Taking part in both processes, Vietnam, for example, would be in a particularly good position, having caught the industries which China leaves, passing to more high-tech stage of development. However such economies as Malaysia and Peru, also will receive the considerable benefits. In absolute expression, certainly, the main beneficiaries will be bound to the largest economy in the region, namely China, the U.S. and Japan.

Fourth, the benefits of the two paths of integration will be formed as a result of the establishment of new trade links – deeper integration made possible by the reduction of barriers instead of redirecting existing trade flows to the new direction, which would be provided at the expense of those countries which do not use preferences of participants of the agreement. For example, Europe will also benefit from the formation of Asia-Pacific region free trade zone, mainly due to higher production efficiency, as the deepening integration of the APR will improve the terms of the Europe trade with the region countries.

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