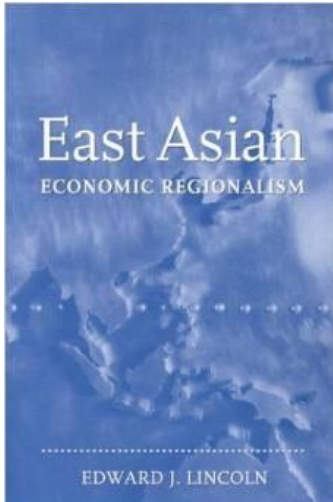


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Teaching Notes

East Asian Economic Regionalism

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This book primarily examines economic regionalism in East Asia and its implications for U.S. policy in the region, but it also addresses several important themes relevant to university level economic, political economy, international relations or regional studies courses. These teaching notes provide summaries of four major related themes, as well as suggested talking points for each theme. Depending on the degree of specialization of the class, instructors may wish to use these talking points as the basis for in-class discussion or debate, or may assign them as topics for more detailed out of class assignments such as essays or longer written assignments. A list of additional reading material accompanies each theme. Links to relevant online economic data sources is also included.

1) Multilateralism vs. Regionalism

One of the major arguments of this book is that regional economic groupings are undesirable because they create distortions in trade and investment, impose unnecessary economic costs, detract attention away from multilateral negotiations, or may even create racial or ethnic divides between one region and the rest of the world. In short, while preferential liberalization at the bilateral or regional level may be better than no liberalization at all, these agreements are only a second best solution.

Critics of this view insist that free trade agreements need not be limited to the global level and that regional or bilateral trade groupings are overall beneficial. As suggested by the example of Japan's losing out to the North American Free Trade Agreement, preferential trade agreements may prompt an outsider to attempt to gain insider status through the negotiation of additional free trade agreements with other insiders. An outsider may also seek status as a member of an existing agreement. Politically, these groupings also have the potential to create constructive relationships or dialogues that can contribute to increased regional security and cooperation, even if their economic impacts are minimal.

Suggested Talking Points:

1. Discuss the pros and cons of global multilateral and regional or other preferential trade agreements. What are the economic arguments for each? Can any non-economic justifications for these agreements be made?
2. Is the author's argument against economic regionalism convincing?
3. Defenders of preferential trade agreements often argue that these agreements can act as building blocs to free trade by pressuring other states to join in order to gain access to larger markets at lower tariff levels. What are some of the likely arguments for and against such expansion? How does the economic trade-off differ for existing and new members?

Additional Readings:

1. Jagdish Bhagwati, [Testimony](#) before U.S. House Subcommittee on Domestic and International Monetary Policy, Trade and Technology, Tuesday, April 1, 2003.

2) U.S. Trade Policy

Since taking office, the Bush administration has followed a trade policy of "competitive liberalization," simultaneously pursuing trade agreements at the global, regional, and bilateral levels. While declaring the realization of the Doha Development Round Agenda goals as a top priority, the administration has also increased the number of countries with which the United States has signed free trade agreements from three to twelve.

In East Asia the United States has completed Free Trade Agreements with Australia and Singapore, and is currently negotiating an agreement with Thailand. At the global level, it has worked to add Cambodia and China as new members of the WTO. Outside the region, the United States recently completed a free trade area with five Central American Nations and the Dominican Republic (CAFTA-DR), which it hopes to eventually expand to the hemispheric level through the Free Trade Area of the Americas (FTAA). President Bush has also announced his desire to build upon existing FTAs with Jordan and Israel, aiming to create a Middle East Free Trade Area (MEFTA) by 2013.

Suggested Talking Points:

1. Has competitive liberalization been a successful strategy for the United States? Do you think that preferential trade agreements have contributed to or hindered progress of global level trade talks in the WTO?
2. The Bush administration has often linked its trade strategy with democracy promotion, arguing benefits such as increased transparency and openness in partner country governments, the enactment of market-based reforms, and the establishment of the rule of law. Do you agree that there are any correlations between free trade and democracy? Is promoting free trade the best way to encourage democracy?

Additional Readings:

1. C. Fred Bergsten, "[America's Two-Front Economic Conflict](#)," *Foreign Affairs*, March/April 2001
2. Bernard K. Gordon, "[A High-Risk Trade Policy](#)," *Foreign Affairs*, July/August 2003.

3. Joseph T. Siegle, Michael M. Weinstein, and Morton H. Halperin, "[Why Democracies Excel](#)," *Foreign Affairs*, September/October 2004.

3) Japanese Trade Policy

Until negotiations formally began in 2001 on the Japan Singapore Economic Partnership Agreement (JSEPA), Japanese trade policy had followed a multilateral path under the GATT and WTO framework(s). With the signing into effect of the JSEPA on January 14, 2002, Japan joined the growing ranks of countries to have entered preferential trading agreements. Since then Japan has completed a second economic partnership agreement with Mexico, and has completed various stages of negotiating agreements with a number of other countries.

Suggested Talking Points:

1. What are some possible political and economic motivations or pressures for the Japanese government in attempting to form free trade agreements at the bilateral and regional level? Why is this a relatively new policy development for Japan?
2. What are some of the potential economic and political problems standing in the way of such agreements?
3. Given Japan's continued overall reluctance to liberalize sensitive sectors such as agriculture (which was excluded from the JSEPA), do such agreements represent a fundamental policy shift and desire to change the direction of Japanese trade policy?

Additional Readings:

1. Edward J. Lincoln, [Arthritic Japan: The Slow Pace of Economic Reform](#), 2001.
2. Naoko Munakata, "[Evolution of Japan's Policy Toward Economic Integration](#)" *CNAPS Working Paper*, December 2001

4) Regionalism and Future Leadership in the Region

On the issue of regional leadership, the book concludes that although Japan is the obvious candidate, a number of problems, including economic and historical difficulties with its neighbors, as well as Japan's unwillingness to sacrifice its strong ties to the United States are likely to prevent Japan's rise as a leader. The possibility of China's accession to regional leader is hampered by a similar series of problems, such as its increasing military activities in the region and its neighbors' fears of being dominated economically. Because of mutual mistrust along these lines between Japan and China, it is equally unlikely that a joint-leadership shared by these two powers will develop in the near future.

Suggested Talking Points:

1. How active a role should the United States play in regional integration efforts? Should the United States be concerned about attempts to create regional institutions such as the East Asian Economic Caucus or the Asian Monetary Fund, from which the United States itself is excluded?
2. China describes its overall long-term strategy as a "Peaceful Rise," in which it does not disturb the international order or give other nations reason to ally against it. Do you think such a peaceful

ascension is a realistic goal for China? How might other actors in the region, including the United States, view this "Peaceful Rise?"

3. Since the publication of the book, economic ties between Japan and China have continued to grow, while political relations have continued to sour. What recommendations would you make to improve relations between these two countries?

Additional Readings:

1. "[China and Japan: So Hard to be Friends](#)," *The Economist*, May 23, 2005.
2. Evan S. Medeiros and M. Taylor Fravel , "[China 's New Diplomacy](#)," *Foreign Affairs* , November/December 2003.
3. Zheng Bijian, "[China 's "Peaceful Rise" to Great-Power Status](#)," *Foreign Affairs*, September/October 2005.