

New Incentives for Northeast Asian Integration

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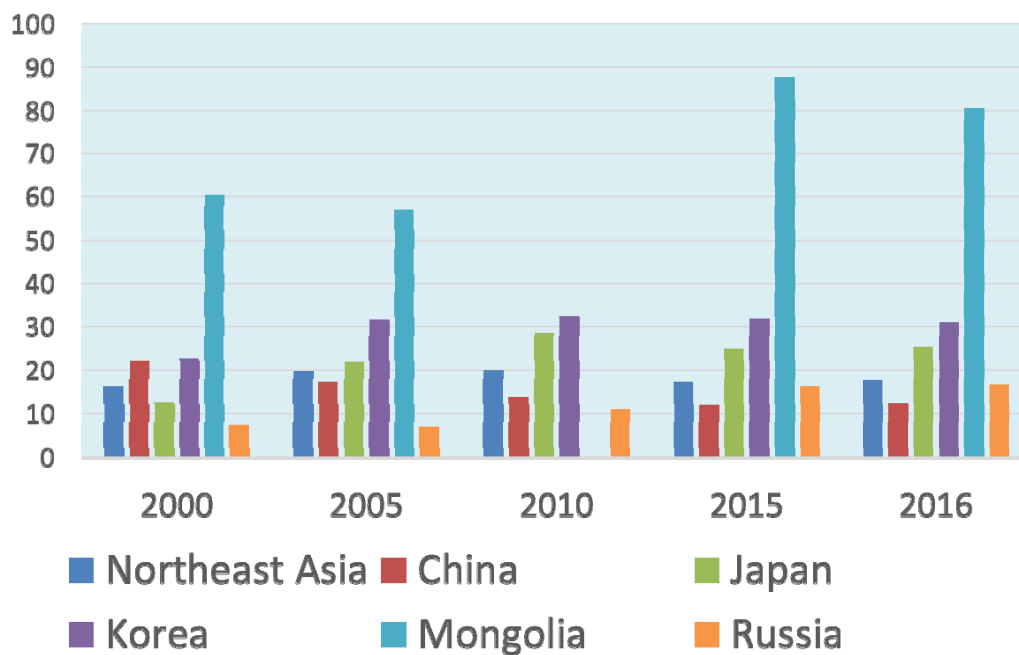
Brandeis University, Brookings Institution

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Why Northeast Asian integration?

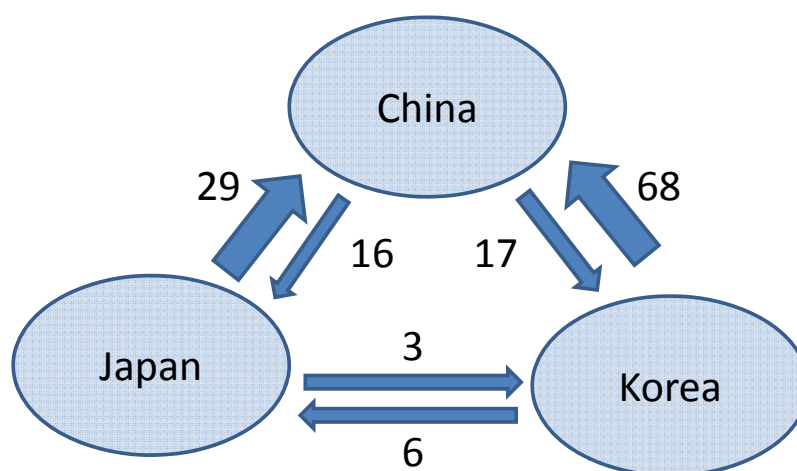
- Globally significant countries
 - Economic might: China, Japan, Korea
 - Security threats: Russia, North Korea
- Underdeveloped regional relationships
 - Longstanding regional tensions
 - Strong extra-regional ties
- New incentives: external economic threats
 - Threats to individual countries
 - Threats to world trading system
 - Threats to global supply chains
- Signs of political detente

NEA interdependence (1) Changing dependence on exports to NEA



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NEA interdependence (3) Trade in electronics intermediate goods (USD billions 2016)



From: Y. Fukagawa, 2018.

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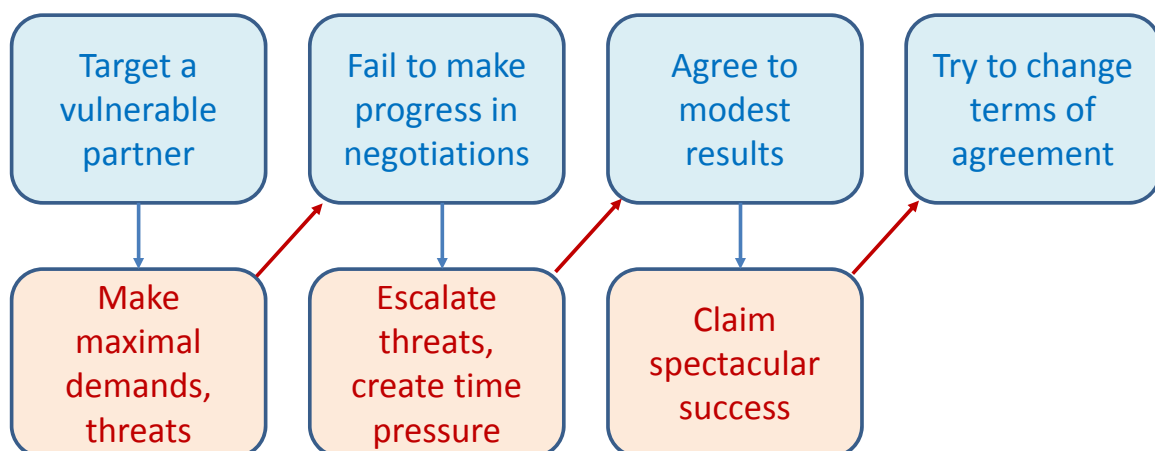
US trade policy under Trump (1) Effects

- Multiple trade wars
- Little interest in economics, mixes in politics
- Bad outcomes
 - Agreements create distortions that harm both sides
 - Partners are forced to choose “least bad” option
- Implications for Northeast Asia
 - US market will be protected, uncertain
 - Supply chains may shrink
 - Rent seeking is returning

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US trade policy under Trump (2) Negotiating model

Technocratic channel



Twitter channel

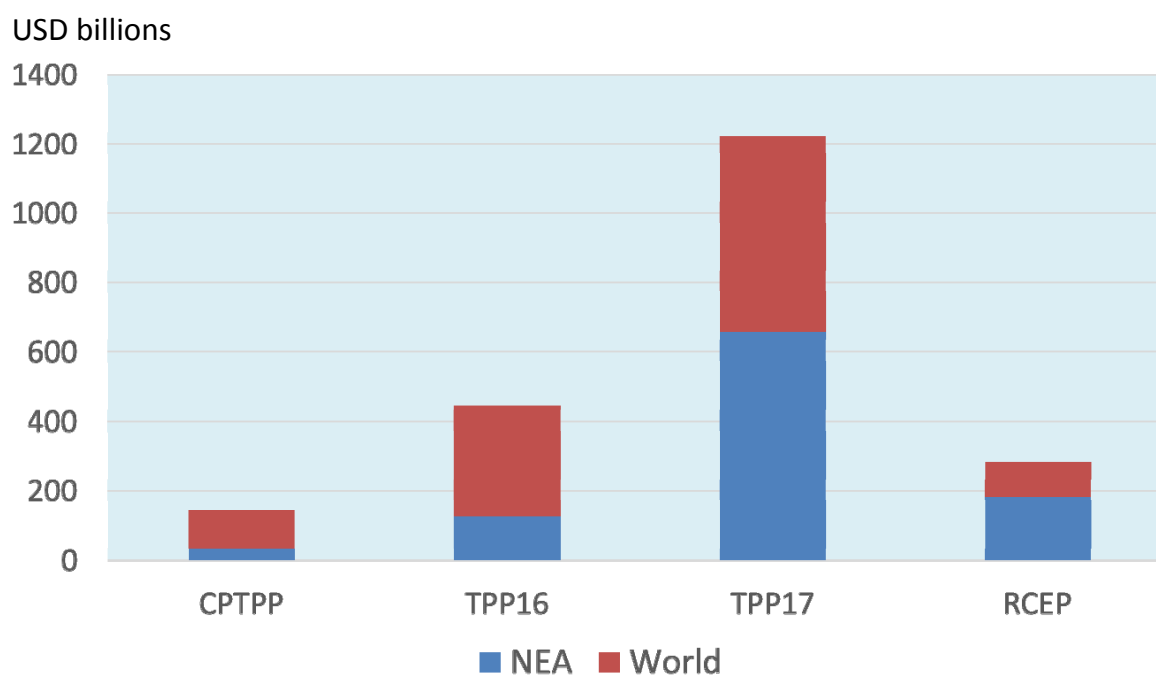
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Regional responses

- **CPTPP (2018)**
Rigorous agreement: Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, Vietnam
- **TPP16**
CPTPP plus Indonesia, Korea, Philippines, Taiwan, Thailand
- **TPP17**
TPP16 plus China
- **RCEP**
Large but less rigorous agreement: Australia, Brunei, Cambodia, China, India, Indonesia, Japan, Korea, Laos, Malaysia, Myanmar, New Zealand, Philippines, Singapore, Thailand, Vietnam

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NEA and rest-of-world income gains from regional initiatives, 2030



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