

Regionalism and the Asia-Pacific Economy: Perspectives and Challenges

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The current trends of regional initiatives for economic cooperation in the Asia-Pacific seem favorable, but there remain some problems, such as trade imbalances, that make us uncertain about whether such cooperation will lead to the harmonization of national interests of the diverse economies in the region. It is necessary, therefore, for the Asia-Pacific countries to think seriously about harmonization and coordination of their policies and pinpoint guidelines and initiatives to achieve a better policy to improve upon the current situation. Of particular important is the common interest these countries share in keeping international trade as open as possible, within the framework of the GATT principle. (JEL Classifications: O18, O53)

I. The Asia-Pacific Economy at a Cross Road

The economies that make up the Asia-Pacific are among the most dynamic in the world. The Asia-Pacific is a diverse region with an assortment of economies that differ in structure, orientation and stage of development, and which are comprised of three distinct development typologies: industrialized economies, Asian newly-industrialized economies (ANIEs) and lesser developed economies, such as ASEAN and China.

The remarkable past economic performance of Japan and the ANIEs has had a major impact on global trade and has led to the reexamination of economic policies as a major factor in the successful development of nations. The outward looking, trade oriented strategies adopted by the ANIEs have encouraged other developing economies, including those in the ASEAN and more recently China, to adopt more open

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TABLE 1
MAJOR ECONOMIC INDICATORS OF APEC MEMBER COUNTRIES (1991)
 (Unit: \$ million)

		GNP	Exports	Imports	Total Trade
ANIEs	Korea	274,464	71,246	81,508	152,754
	Singapore	39,249	59,188	66,257	125,445
	Hong Kong	77,302	98,579	100,274	198,853
	Taiwan	182,432	67,214	54,716	121,930
ASEAN	Indonesia	111,409	29,135	25,863	54,998
	Thailand	89,548	28,811	37,925	66,736
	Malaysia	45,787	34,405	36,749	71,154
	Philippines	46,138	8,840	12,945	21,785
	Brunei	-	2,538	1,779	4,317
China		424,012	71,986	63,957	135,943
Industrial Countries	U.S.	5,686,038	421,755	509,300	931,055
	Japan	3,337,191	314,892	236,633	551,525
	Canada	568,765	126,160	120,410	246,570
	Australia	287,765	42,044	38,625	80,669
	New Zealand	41,626	9,585	8,392	17,977
APEC Total		11,211,726 (51.7)	1,386,378 (40.2)	1,395,333 (39.1)	2,781,711 (39.06)
World Total		21,671,000	3,448,700	3,570,800	7,019,500

economic policies. In the 1980s, economic success in the region was further facilitated by the continuous expansion of the United States economy during this period.

The economic dynamism of the Asia-Pacific arises from two basic characteristics: (a) the economic complementarity among the countries supported by the diversity of the region including differing socio-economic systems and levels of development and (b) the growing linkages and interdependence of the regional economies in terms of trade, investment, finance and technology.

Vigorous expansion in trade, investment and other economic ties within the Asia-Pacific economy has been essential to the region's high growth in recent decades. Especially during the 1980s, the world's economic center of gravity has shifted from the Atlantic to the Asia-Pacific region. In 1980, the trade volume of the U.S. in the Pacific region surpassed that of the Atlantic region for the first time. Furthermore, the proportion of the U.S. trade volume in the Pacific region to that of the

TABLE 2
AVERAGE ANNUAL GDP GROWTH RATES OF APEC MEMBER COUNTRIES (%)

Years		1971-1980	1981-1990	1991-1995 ¹⁾
ANIEs	Korea	9.1	9.6	7.8
	Singapore	8.5	6.3	6.2
	Hong Kong	9.2	6.8	3.7
	Taiwan	9.4	7.9	7.5
ASEAN	Indonesia	7.8	5.2	7.0
	Thailand	7.1	7.4	9.8
	Malaysia	7.9	5.4	8.8
	Philippines	6.4	0.9	3.2
China		5.5	9.5	8.4
Industrial Countries	U.S.	2.8	3.3	2.2
	Japan	4.4	4.3	4.0
	Canada	4.7	3.2	2.1
	Australia	3.0	4.3	2.6
	New Zealand	1.4	1.6	2.4
All Industrial Countries of the World		3.1	3.1	2.5

Note: 1) WEFA forecasts.

Sources: IMF, International Financial Statistics, April 1992.

ADB, Key Indicators of Developing Member Countries, July 1991

WEFA, World Economic Outlook, January 1992.

Atlantic region became 7:5 in 1988. Thus, during the 1980s, the share of the Asia-Pacific in world export volume rose from 29% to 40%. The share of the Asia-Pacific in world GNP also has risen from 41% to 52%.

Especially, East Asian economies have grown more rapidly and for a longer time period than any economy before. The total production volume of East Asia has, in the last three decades, grown from less than one quarter of to roughly that of North America, which accounts for almost one quarter of the world's total volume. In this time, East Asia has been a major source of dynamism in international trade. It has also become the most important source of world savings and the largest source of surplus savings for international investments.

In the 1990s, as shown in Table 2, although growth rates of Asia-Pacific economies are anticipated to be somewhat lower than those of the 1980s (with the exception of ASEAN), the region is expected to continue to play a central role in the world economic growth. However, prospects for the Asia-Pacific economy in the 1990s cannot be viewed

solely with optimism, since some of the advantages benefitting countries in the Asia-Pacific in the 1980s are rapidly diminishing. The very dynamism of the region has created a number of structural imbalances that now threaten to undermine international economic relations within the region.

First, trade imbalances within the region have been a source of considerable friction. Most of the export-oriented countries of the region are heavily dependent upon the U.S. market. Consequently, these countries have contributed to the current U.S. trade imbalance. Even though the U.S.' trade deficit has improved since the late 1980s, the deficit was still US\$ 85 billion in 1992, of which more than 90% resulted from trade with East Asian countries (Japan's share was 58.5% while that of China, Taiwan and Korea was 21.6%, 11.1% and 2.5%, respectively). If the U.S. cannot improve its trade deficit, more protectionist pressure will be placed on its trading partners by the U.S., and therefore, economic conflicts between the U.S. and Asian countries will continue to last.

Second, in the 1980s, the world economy experienced rapid technological developments and changes in the exchange rate regime, which resulted in fundamental changes in the comparative advantage framework of industries in the Asia-Pacific countries. Recently, the ANIEs and ASEAN have become increasingly competitive in many labor-intensive industries, and the ANIEs and Japan are in a competitive position in some final goods markets.

An industrial restructuring is in order in this region. However, the adjustment process will prove costly and may not be smooth. As a result of higher labor costs and increased maturity of industrial sectors, the developing countries of the region, especially the ANIEs, have to encourage a shift into more sophisticated lines of production. It has been possible to raise wages because productivity growth has also been high. In the future, however, this will not be the case if they insist on adhering to the same product and manufacturing processes. Much attention will, therefore, need to be given to moving toward higher value-added manufacturing, and to enhancing research and development efforts. Especially in the Asia-Pacific region, because of the diverse economic structures of the respective countries and differences in their stages of economic development, the adjustment issue will continue to be a high priority policy concern in each country during the 1990s.

Third, the developing countries of the Asia-Pacific are heavily depen-

dent upon exports, and thus, their economies are extremely susceptible to changes in the world economy. The share of exports to GNP, for the case of ANIEs, is 63% while the average for developed countries is 14%. ASEAN also exhibited a relatively high 27% in exports to GNP. These figures contrast Japan's share of exports to GNP, which was only about 10%, even while Japan's economy grew rapidly through its expansion of exports during the 1960s. In this light it is clear that promoting the liberalization of world trade based on GATT principles is vital for continued growth of the region.

However, efforts to develop a multilateral free trading regime, symbolized by UR negotiations, which have ensued for seven years, are still in a stalemate, creating uncertainty in world trade, as well as growth prospects for the world economy. Should the UR languish or conclude without achieving any significant headway, all countries of the world would have to reassess current bilateral and regional arrangements to safeguard their interests. In such circumstances, they would view regional initiatives as defensive moves. This in turn, would increase the potential for trade conflicts. An outcome along these lines would pose serious risks for the world trading system and for the future growth and prosperity of the Asia-Pacific.

II. Regionalism in the World Economy

The world economy in recent years can be characterized by a mixture of large macroeconomic imbalances, growing trade protectionism and regionalism. The question of regionalism has emerged with the developments of EC 1992 and the North American Free Trade Agreement (NAFTA). In response to these developments, a number of regional or sub-regional initiatives have also surfaced in the Asia-Pacific for trade and investment cooperations. Some examples are: the Asia Pacific Economic Cooperation (APEC) ministerial meetings, East Asian Economic Caucus (EAEC), ASEAN Free Trade Agreement (AFTA), and Northeast Asian Economic Cooperation meetings.

In Europe, as a response to the decline in productivity during the 1970s and the early 1980s, the EC launched a program to complete a single internal market by 1992. This was done by removing essentially all intra-Community barriers to the movement of goods, services, capital, and labor via 282 directives based on the 1985 Single European Act. By the end of 1993, 85%-90% of the agenda will have been completed at the Commission level. At the national level, the legislative

progress has varied from 90% in Denmark to 62% in Greece.

Two more developments will deepen European regionalism. One is the planned creation of the European Economic and Monetary Union (EMU) and eventually a single European currency. The other is the enlargement of the community membership, which will widen to include Central and Eastern Europe (CEE). As a result, the European economic bloc, which will emerge in the 1990s, will be the world's largest market and largest trader.

The completion of EC 1992, the prospective enlargement of the EC, and the possible extension of trade preferences to East European countries have all raised concerns among the EC's trading partners. The net impact of these movements on non-member countries is an empirical question which depends on whether the trade diversion, owing to the reduction in costs and prices arising from the removal of trade barriers within the EC, would be outweighed by positive dynamic effects on economic activity and import growth.

In the Asia-Pacific, both scholars and policymakers have frequently moved between fears of "Fortress Europe" and hopes of "Opportunity Europe". However, there have been fears of, at least in the short-run, diversion of trade and investment to the detriment of non-European third countries. With the beginning of year one of the Single Market, however, new fears have gained momentum.

First, the EC suffers from an explosive mixture of high unemployment, low growth, monetary instability and exogenous shocks which have hit individual EC member states differently. It is argued, in this respect, that the Community, shaken both by structural imbalances and recession, would hardly be likely to open itself to the world outside.

Second, political and economic pressure from the Eastern border of the Community has supported initiatives to accelerate trade integration between CEE countries and the Community. Consequently, this has triggered fears that capital-intensive goods and labor-intensive goods in the future may be imported from CEE countries rather than from Asia due to sluggish demand in the EC.

NAFTA and the prospects for a free trade area in the Western Hemisphere have raised similar questions concerning greater trade diversion in regional arrangements. The recent development of NAFTA has shaken the world economy, which has already been startled by the emergence of the EC, and is signalling to the rest of the world of the possibility of NAFTA developing into another trading bloc.

U.S. officials assert that NAFTA objectives are to open markets, to

expand trade and not to divert it from other markets, and to conform with GATT. They emphasize that it is fully consistent with the GATT criteria of free trade. Many of the concerned in the rest of the world, however, have doubts about the U.S. assertion and view NAFTA as a potential trade barrier; for instance, very tightly drawn rules of origin and content requirements would have a trade diversion effect on the major trading partners of the U.S., Canada, and Mexico.

Without any doubt, the issues concerning NAFTA are one of the most controversial economic issues. Such controversy is largely attributed to the involvement of the largest single market in the world, the U.S.. The U.S. argues that the launch of NAFTA will have a positive economic impact on the rest of the world in such a way that it would boost the demand for imported intermediate goods from the rest of the world due to more active production activities in the North American Continent; with the increment in income in the region, a rise in the aggregate demand for imports is expected. Furthermore, the U.S. asserts that since they also pursue FTA with other countries, unlike the EC, this will contribute to the expansion as well as to the globalization of free trade.

However, these arguments cannot invalidate the concerns of other countries. It is doubtful that the positive economic spill-over effect argued by the U.S. would override the negative trade diversion effect which concerns the rest of the world, especially the Asia-Pacific developing countries. Moreover, whatever the long-term goal of the U.S. FTA policy is, it cannot deny the reality that the rest of the world will face NAFTA as a trade barrier to the North American Continent, in one aspect or another, at least in the short-run. The Asia-Pacific developing countries are especially concerned with Mexico's proximity to the U.S. market in addition to its lower wages and preferential access. Mexico can gain significant advantages over third country suppliers with the eventual reduction in barriers to trade in the heavily protected industries such as footwear, textiles and garments, auto parts, and consumer electronics.

It is still too premature to predict whether these regional trade arrangements will support the open, multilateral trading system or will facilitate the world economy fragmenting into trading blocs. Those member countries of regional or bilateral trade arrangements such as the EC and NAFTA believe that the benefits of regionally-limited liberalization could be pursued parallel with multilateral negotiations. However, while recognizing the potential benefits of GATT-consistent arrange-

ments, the other non-member countries, particularly those in the Asia-Pacific region, believe that an increased shift toward regionalism could potentially risk the multilateral trading system and could marginalize many of the developing countries that would fall outside the regional blocs. In any event, if the EC evolves into a "Fortress Europe" and the U.S. relies more on unilateral and bilateral approaches, the Asia-Pacific economies would surely come under political pressure to adopt defensive countermeasures.

III. Asia-Pacific Economic Cooperation (APEC) Initiatives

There have been various calls to establish forums for closer economic cooperation in the Asia-Pacific. Until very recently, however, no official mechanism was established. The Asia-Pacific Economic Cooperation (APEC) ministerial forum, initiated in 1989, is a vital step forward.

At the first APEC ministerial meeting held in Australia, ministers from 12 member countries of the Asia-Pacific region (APEC now has 15 member countries with the inclusion of China, Taiwan, and Hong Kong) noted the potential threat of regional imbalances against further growth of the region and addressed the importance of continuing efforts to undertake structural changes within the region and joint actions to liberalize trade. In particular, they agreed that the APEC will make a common effort to strengthen the multilateral trading system and enhance the prospects for success of the UR negotiations.

The initiatives of APEC cannot solely be attributed to the recent changes of the world economic environment. De facto economic integration in the Asia-Pacific region, which has been promoted for more than 20 years through active and increasing trade and investment flows, has played a more important role in APEC's initiation. Though APEC is often criticized for its potential to exacerbate problems related to regional economic confrontation, it is important to note that APEC does not primarily intend to counter EC 1992 or the NAFTA. The basic purpose of APEC is to identify and eliminate barriers to regional economic cooperation by working with and through the governments of member countries. Certainly, it was hoped that APEC would become a building block, rather than a stumbling block, to wider forms of multilateral trading forums such as GATT.

Although it only has a history of four years, APEC has accomplished significant achievements in its work programs and institution building. Since its first Ministerial Meeting in Canberra in 1989, APEC has

attempted to develop a framework for closer economic relations among its members. In the beginning, APEC was a loose consultative body with a Ministerial Meeting (MM) and a Senior official's Meeting (SOM). APEC also had seven Working Groups (WGs) for trade and investment data review, trade promotion, investment and technology transfer, human resource development, energy cooperation, preservation of marine resource, and fisheries.

However, at the Third Ministerial Meeting in Seoul, an ad hoc group for economic trends and issues (ETI) and an informal group for regional trade liberalization (RTL) were launched, and three Working Groups for transportation, telecommunications and tourism were added. Other important results of the Seoul Meeting included the participation of the so-called "Three-Chinas". At the Fourth Ministerial Meeting in Bangkok, an Eminent Persons Group and the APEC Secretariat were established. At the upcoming Fifth Ministerial Meeting in Seattle, a Trade and Investment Committee (TIC) will be initiated. In connection with the Seattle APEC Meeting, the Asia-Pacific Leader's Meeting is scheduled, which is the first historic event of its kind in this region, and is gaining much attention with the hope that it will provide a new momentum for APEC's future.

It is certain that the progress of APEC will not only contribute to the economic dynamism in the region but also serve to strengthen the resilience of the regional economies against shocks from the outside. APEC could also hinder separation of the Asian and North American regions and contribute to the establishment of stronger relations between the two regions. This bridge will eventually bring the world economic system into a bipolar structure of the EC and the Asia-Pacific, instead of a tripolar division consisting of the EC, Asia, and North America.

However, it is too early to predict the future course of APEC development precisely. Cooperation among the countries is still progressing at a surface level. However, the Asia-Pacific, which already includes the two largest economies in the world as well as the leading dynamic Asian economies, is quite capable of influencing the world trade system. Such a super-bloc would send a message to existing regional groups, since it would force them to reconsider their current policy stances.

As a long-term perspective of APEC, it is expected that APEC will ultimately focus on a few key issues: a) promotion of trade liberalization and the strengthening of a multilateral free trading system; b) alle-

violation of economic conflicts between the U.S. and its trading partners in Asia; c) regional response to the progress of the EC and NAFTA; and d) harmonization of the region's diverse economies, e.g., by supporting the expansion of economic capabilities of the ANIEs, ASEAN and China and their subsequent industrial restructuring.

In the short-run, however, APEC's future will be predominantly affected by the outcome of the UR. If the UR fails, then the existing UR issues may be transferred and discussed in APEC. As a result, regional trade liberalization will become increasingly important, and the Trade and Investment Committee of the APEC will have a similar function as that of the Trade Negotiation Committee of the UR. Since more emphasis will be placed on trade liberalization, the promotion of investment flow and technology transfer will be less important, and other APEC projects will be promoted with less enthusiasm. Since APEC negotiations will involve fewer players than in the UR negotiations, trade liberalization within the region will have an increased possibility for success.

If the UR succeeds, on the other hand, APEC's trade liberalization will focus on issues related to post-UR negotiations. Sectors, which did not achieve expected results and which were not addressed in the UR, such as environmental issues, will be discussed among APEC members. However, the importance of regional trade liberalization will relatively diminish and work projects enhancing closer economic relations in this region will receive increased attention. APEC will be increasingly characterized by a regional cooperative body, which harmonizes the diversity of member countries and also incorporates *de facto* economic integration.

IV. Issues and Challenges

The current trends of regional initiatives for economic cooperation in the Asia-Pacific seem favorable, but there also remain problems that question whether such cooperation will lead to the harmonization of national interests of the diverse economies of the region and, therefore, to a smooth transition.

First, observing the current economic conditions and structure of the economies, the trade imbalances within the Asia-Pacific region will continue to exist in the 1990s. The big question is how to resolve their frictions and disputes and how to enhance economic cooperation in the region to achieve this goal. In this regard, it is clear that smooth Japan-

U.S. relations, political and economic, are vital to the region's continued growth and dynamism.

In the U.S., the solution to the deficit lies in correcting macro-economic imbalances, enhancing industrial competitiveness at the micro level, and improving productivity growth. Just as the U.S. needs to address its domestic macroeconomic imbalances and problems, Japan must also adopt and follow policies leading to stability. For Japan, this means a structural adjustment that is different from that required of the U.S.. The changes involve efforts to reduce Japan's external surplus by internationalizing its economy and reducing barriers to imports, as well as measures to stimulate domestic demand.

Japan's imports from the Asia-Pacific countries is now steadily increasing. The share of imports from the Asia-Pacific grew from 50.9% in 1980 to 59.2% in 1990. The share of Japan's imports from the U.S. and the Asia-Pacific developing countries also grew from 17.3% and 26.3% to 22.5% and 32.1%, respectively, during the same period. Nevertheless, more needs to be done for Japan to contribute to reduce trade imbalances and to support the growth of developing countries in the region. Despite the rising share of Japan's imports from the Asia-Pacific developing countries, this is still lower than the comparative figures for the United States.

In addition, developing countries in the Asia-Pacific would like to see the U.S.-Japan Framework Talks bear fruit. The U.S. should vitalize its own efforts to reduce its budget deficit, increase domestic savings, improve productivity, and expand corporate planning horizons. At the same time, Japan needs to devote more efforts to open its markets by eliminating such structural impediments as the rigid distribution system, balancing the savings-consumption relation, and building adequate SOCs. This would not only help reduce the U.S. trade deficit vis-a-vis Japan but would also contribute to reducing the U.S. deficit with ANIEs as well as ANIEs' deficit with Japan, since Japan would absorb more imports from these nations.

Second, it is the unanimous view that the completion of the UR is the best means of strengthening the multilateral trading system and restraining the world economy from developing into trade blocs. An open, multilateral trading system is of great importance, particularly to the developing countries as they undertake structural reforms and seek greater integration with the world economy by liberalizing their trade and foreign investment regimes.

However, there has been rising concern over the UR's progress. The

difficulty of concluding trade talks can be largely attributed to the lack of leadership displayed by the major negotiating countries. The shift in U.S. trade policy to a multi-track approach has created a leadership void and neither the EC nor Japan seem willing to assume the responsibility for strengthening the multilateral trading system.

The deadline of the UR negotiations is only a month away and the result is yet uncertain. For this reason, the Fifth APEC Meeting in Seattle, together with the APEC Leaders Meeting, are gaining special attention. Since APEC has continually expressed its support for a successful UR, the upcoming Seattle meetings are expected to become critical occasion for reopening an avenue for the multilateral trading system of GATT. The successful completion of the UR is utmost importance, not only for the future growth of the global economy, but also for the smooth transition of the Asia-Pacific economy.

Third, we have great hope that APEC will become a building block to wider forms of multilateral trading forums, such as GATT. However, the worst case scenarios for the UR and prevailing regionalism would lead the Asia-Pacific countries to reconsider its commitment to APEC. One implication of the aforementioned analysis is that the Asia-Pacific developing countries would counter European and North American regionalism with strong efforts.

Already there have been other regional arrangements suggested by political leaders involved in recent trade negotiations. Examples of these include former U.S. Trade Representative William Brock's 1983 proposal for a U.S.-ASEAN FTA, former U.S. Ambassador to Japan Mike Mansfield's long-standing advocacy of a U.S.-Japan FTA, and more recently, Malaysian Prime Minister Dr. Mahatir's proposal for the East Asian Economic Caucus (EAEC).

However, considering the diversity of the Asia-Pacific economy, further fragmentation of the region will create a considerable risk for conflict, which may even spill over from the economic sphere to create or intensify political rivalries between the countries. It is necessary, therefore, for the Asia-Pacific countries to think seriously about harmonization and coordination of their policies and pinpoint common guidelines and initiatives to achieve a better policy with viable alternatives to improve the current situation. However, the transition towards more liberal trade and the establishment of new internationally competitive lines need both coordinated economic policies, as well as strong political will and administrative skills of the member countries. Of particular importance is the common interest those participating countries

should share in keeping the system of international trade as open as possible, within the framework of the GATT principle.

Lastly, the Asia-Pacific region has a vital stake in the continued success of China's modernization policies. An isolated, impoverished and unstable China would be troublesome. Therefore, it is an important question to ask whether or not China can modernize successfully and whether or not Hong Kong and Taiwan can retain their current free market dynamism whatever their political status may be.

It should be emphasized that regional cooperation is easier said than done. Unless there is a sincere willingness on the part of each government to compromise to achieve immediate gains for longer and more sustaining benefits, regional cooperation will remain elusive.

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Comment

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This paper argues that the Asia-Pacific economies are at a cross-road. The economies can become fully open not only among themselves, but also vis a vis other non Asia-Pacific economies. Or the economies can become fully open only among themselves, but indifferent or hostile to other regional economies. Or they can even become hostile to each other. The last outcome is least likely. Whether the region can become a stronghold for a world wide free trade ideal or for a stronghold for fortified regionalism will depend partly on what happens to both the NAFTA and the EC, and partly on each member country's degree of commitment to the ideal. If either the NAFTA and the EC becomes a fortified regional economy hostile to nonmembers, the Asia-Pacific economies would most likely form an independent regional block prepared to fight back. However, if both the NAFTA and the EC evolve into regional economies fully open not only among themselves, but also toward others, the Asia-Pacific region will also evolve into an open regional economy. Of course the outcome will also depend on what kind of world views each country has.

The author seems to be unsure of where the NAFTA and the EC move to in terms of free trade. Therefore, he is equally unsure of how the economies in the Asia-Pacific region should react. He sees that the worst possible scenario would be both the NAFTA and the EC to degenerate into economic blocks fighting each other and with outsiders. Indeed one cannot exclude this possibility from the beginning. Especially in the short run both of them would more likely than not emphasize enhancing their group interests rather than promoting a freer world trade regime. But in the long run as the economies in the regional blocks revive and grow, their relationships with each other and with the nonmember countries could become more favorable. The problem is how the nonmember countries should behave in the interim period during which they will most certainly be experiencing hardships

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dealing with the newly fortified EC and the NAFTA blocks. Should they form another economic block of their own? Or should they idealistically play to the tune of the free trade songs? This is the second topic Dr. Suh deals with. I just hope he could be more specific on this point.

The author then discusses various aspects of the APEC. He argues that the APEC's primary goal is not to counter the EC or the NAFTA. Its basic purpose is to identify and eliminate barriers to regional economic cooperation. He also notes that the APEC could prohibit the U.S. economy from being separated from the Asian economies. The author seems to accept the inevitableness of the APEC and its desirability. However, it seems that he is not completely sure of whether the APEC will evolve into a building block for a freer world trade environment or a stumbling block by emphasizing its group interests. Of course, Dr. Suh strongly argues for the former course. He correctly identifies challenges lying ahead in the path of making the APEC an organization to be fully compatible with the GATT principles.

Dr. Suh's presentation is very timely and illuminating. The Asia-Pacific countries have just concluded its fifth ministerial meeting held in Seattle. The fifth meeting was an unusual one in that the national head's meeting was concurrently held with the ministerial meeting. The meeting, though, does not seem to have produced any appreciable result. In any case, Dr. Suh provides us with a clear view of what these all mean and it helps us to understand the issues involved in regionalism.

Dr. Suh's point that the regional economic blocks should be stepping stones to create a freer world trade environment and should not be stumbling blocks is very well taken. However, it is not clear whether all participating members in fact share this ideal. It seems to me more likely than not most of them do not completely share this view.

First of all, the main concern of the U.S. does not seem to be lie in acting as a leader in building a freer and orderly world trade system. Rather her behaviors so far seem to suggest that she act primarily to enhance her own interests. Indeed the U.S. is in very ambivalent position. It wants to be a strong power both in EC, the NAFTA, and in the APEC. In short the U.S. wants to maintain its hegemony. That is why it is promoting the NAFTA and the APEC, and courting the EC. At the same time it even envisages the All American Free Trade Agreement encompassing both the north, central and south Americas. Clearly U.S.' main concern lies in her national interests as she should be. The U.S. is trying to maintain its influence on Asian economies, is trying to

make Asian countries open their markets to the U.S. firms, and is using the APEC as a means to counter the EC. At the same time it actively promote the NAFTA, which may endanger some of the Asian economies.

Japan's attitude toward APEC is likewise ambivalent. As she wants to be the dominant economic power in the region, it does not actively encourage the participation of the U.S. in this matter. That is why she keeps sending overtures to Malaysian proposal of an Asian economic organization excluding the U.S.. At the same time, she recognizes that she cannot disregard the U.S.'s presence in the Asian markets. She is also fully aware that by committing to APEC she has to open up her domestic market. Thus Japan is more willing to have bilateral economic relationships, because she believes the latter can better serve her national interests.

Other Asian and Oceanian country's views on the APEC are not clear, either. In this regard Dr. Suh's paper is not of much help. Dr. Suh's presentation does not make it clear what the Korea's position in APEC, either, because he does not discuss that issue. Does she want to make it a forum for a regional and eventually global free trade regime? Or does she want to use it as a means to counter the emerging forces of the EC and The NAFTA? If so, she could lose more than she gains. Or does she want to use it as a means to further penetrate into other Asia-Pacific markets? How about her relationships with other countries in the Latin America, in the middle east, in Africa, and in the Russian continent? I wish Dr. Suh can make this point clearer. What are our aims?

The international economic relation is an area where it is difficult to come up with a single desirable course of action. It is so because often the national interests and international interests can become mutually conflicting. Thus even though we all agree on the desirability of a freer and orderly international economic relationship, we become very hesitant to take actions if the actions might hinder the national interests. This would be so even though the sacrifice of the national interests is only temporary. In this latter situation, as scholars we should try to persuade our fellow citizens that it is much better for all of us if we aim for the long term goal of making this world more peaceful, freer, and more open place to live. Dr. Suh tries to do this in his paper, and I applaud his efforts. In closing, I would like to add one more point. I wish Dr. Suh's paper to have included a positive analysis of the benefits and costs of the regional economic blocks. It would have been much easier to follow his arguments.