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# **OPEN** Regionalism and **TRADE** Liberalization

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**OPEN**  
Regionalism  
and **TRADE**  
**Liberalization**

*An Asia-Pacific Contribution to the World Trade System*

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INSTITUTE OF SOUTHEAST ASIAN STUDIES

Singapore

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# PREFACE

The concept of *open regionalism* has deep roots in the experience and discussion of economic growth and trade expansion in the Asia-Pacific region. It has more recently entered the mainstream debate about the future of the world trading system as two ASEAN states prepare to host major meetings in 1996: the APEC Leaders' meeting in Manila in November; and the inaugural ministerial meeting of the World Trade Organization in Singapore in December.

This book presents an introduction to the idea of *open regionalism*. It brings together nine papers that have been presented to conferences in recent years in Singapore, Indonesia, Malaysia, Australia and the United States. A number of these papers have been published elsewhere in various international journals and books and a few are published here for the first time. They are brought into this one volume to provide convenient access to one author's contribution to the evolution of one important dimension of *open regionalism* — its application to trade liberalization.

Three chapters (Three, Four and Five) provide a taste of the development of *open regionalism* as an operational concept in the debates leading to Asia-Pacific Economic Co-operation's (APEC's) commitment at Bogor in November 1994 to free and open trade by 2010 (developed countries) or 2020 (newly industrialized and developing economies). In several of these debates, colleagues in ASEAN thrust upon me the responsibility of providing an alternative vision of APEC regionalism, based on *open regionalism*, to that being expounded at the time by some in North America.

Chapter One outlines the concept *open regionalism*, and makes a few introductory remarks about its origins.

Chapter Two defines *open regionalism* and suggests a rationale for it in economics and political economy. Chapter Two was first presented at a joint meeting of the American Economics Association and American Council of Asian Economic Studies in Anaheim, California, in January 1993. This paper is reproduced with the permission of the *Journal of Asian Economics*.

Chapter Three explains that “closed” or discriminatory approaches to regional free trade — the conventional “free trade area” — are not feasible in the Asia-Pacific, at least at this time in history. This chapter was first presented to a meeting of the Pacific Economic Co-operation Council in Kuala Lumpur in March 1994. Chapter Four outlines an approach to regional trade liberalization based on an old strand of thought about *open regionalism* in the Asia-Pacific. This chapter was first presented at a seminar on Asia-Pacific Economic Co-operation at the Institute of Southeast Asian Studies in Singapore in June 1994. Chapter Five was presented at a conference organized by the Centre for Strategic and International Studies in Jakarta literally on the eve of the Bogor Summit. It foreshadows the APEC Leaders’ commitment to free trade, and explains that such a commitment could be implemented in practice only within a framework of *open regionalism*. The original paper, like Chapter Three, was first presented within a two person debate with Fred Bergsten, then Chairman of APEC’s Eminent Persons Group, that came to focus on the relative merits of open and discriminatory regionalism. Chapter Five is reproduced with the permission of the Centre for Strategic and International Studies in Indonesia.

Chapter Six was first presented to the World Trade Congress in Singapore in April 1996, preparatory to the inaugural Ministerial Meeting of the World Trade Organization in November. It is

reproduced with the permission of the Singapore Trade and Development Board.

Chapter Seven was first presented at the International Monetary Conference in Sydney in June 1996.

Chapters Eight and Nine reach back to earlier times and provide some historical perspective. Eight, with my colleague Peter Drysdale, was presented in the early stages of the United States renewal of interest in discriminatory free trade, at a conference at the Institute for International Economics in Washington D.C. in September 1988. It is reproduced with permission of Peter Drysdale and the Institute of International Economics.

Chapter Nine was first presented at a meeting of the Victorian Economic Society in Melbourne in August 1980. It argues that Western Pacific trade expansion can be promoted by regional negotiations to reduce trade barriers on a most-favoured-nation basis. It was amongst the background papers at the inaugural Pacific Economic Co-operation Council (then the Pacific Community Seminar) meeting at the Australian National University in Canberra in September 1980. Some echo of this discussion is seen in Professor Sir John Crawford's influential summing up of discussion at that historic event (Crawford and Seow 1981).

All chapters are as originally presented, with a few abridgements and corrections of infelicities in expression.

The papers form part of the larger research contributions of economists based at the Australian National University, and of the wider community of economists interested in Asia-Pacific Economic Co-operation on both sides of the Pacific Ocean.

I have been working with Peter Drysdale at the Australian National University on Asia-Pacific economic co-operation since the late 1960s. Peter's energy and faith was the fuel of much of the scholarly as well as official interest in organized forms of Asia-Pacific economic co-operation, in the two decades before

the formation of APEC in November 1989 brought it to centre stage in the international affairs of our region. Other important intellectual interaction in the developments of my own thoughts on these matters were with Sir John Crawford, Nancy Viviani and Heinz Arndt from the early days, and Stuart Harris, Andrew Elek, Hal Hill, Christopher Findlay, David Vines, Kym Anderson, Peter Lloyd and Richard Snape over the past decade or two, all in Australia. Amongst overseas colleagues, my thoughts on these matters have developed in interaction over long periods with, amongst others, Hugh Patrick, Larry Krause, Jagdish Bhagwati, Saburo Okita, Kiyoshi Kojima, Ippei Yamazawa, Narongchai Akrasanee, Mohamed Ariff, Noordin Sopie, Hadi Soesastro, Mari Pangestu, Frank Holmes, Jesus Estanislao, Soogil Young, Victor Fung, Chia Siow Yue and Lee Tsao Yuan. When Fred Bergsten entered the discussion from the late 1980s, his different view based on contemporary United States political economy, was helpful in sharpening the argument. Helen Hughes was always a sceptic at home base about all regional co-operation, keeping all of us on our toes.

All of us, and others with whom we have laboured in these fields, have been seeking to make sense of the growth of production and trade that has been flourishing in East Asia and the Pacific over several decades. The reality guided the ideas that explained them, *open regionalism* amongst them. And the ideas can make some contribution to shaping the reality that continues to unfold.

Observation of the practice of international economic policy in ASEAN was always an important inspiration of the intellectual developments reflected in this book. ASEAN has now moved into a central role in giving the concepts operational form, with the APEC Leaders' meeting in Manila in November 1996, and the first ministerial meeting of the World Trade Organization in December the same year.

I am grateful for the contact that I have had with the Institute of Southeast Asian Studies which has provided a major forum for research and publication on foreign economic policy and relations in Southeast Asia and the wider Asia-Pacific region over the past quarter century.

I am grateful as well for the assistance that I have received in preparation of the manuscript from Hilda Heidemanns, Maree Tait, Carol Kavanagh, Iain Rowe, Sonya Bodger and Carolyn Sweeney.

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