Comments on Regional Integration in the Americas

David Roland-Holst
UC Berkeley, Mills College, and RDRC

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Contents

- Lessons from Experience (if not from theory)
- Looking Ahead
Regionalism vs. Globalism? 
A moot point

Regional agreements have grown exponentially 
Cumulative numbers of FTAs, 1958-2003
Rules of thumb for Regionalism

- The more inclusive, the better
- The more diverse, the better
- Stay on the path to globalism
- Capital account – gradualism
- Exchange rates – no consensus
Looking Ahead

Four emergent areas that deserve more empirical attention:

1. Where does LAC fit into the global activity matrix?
2. Regime change: From export competition to import competition
3. Making trade-based growth sustainable: climbing the value-added ladder
Looking Ahead: Where does LAC fit in?

- Our forecasts indicate the emergence of a systematic pattern of triangular trade between China, the Rest of East and Southeast Asia, and the Rest of the World.

- This Trade Triangle reveals that China’s growth offers significant growth leverage to many trading partners.

- Chinese absorption is already the primary driver of regional growth. How far will this extend?
Trade Triangle 2000
Trade Triangle 2020

China

Rest of

E&SE Asia

Rest of

World

LAC?
FTAs involving East Asian and Latin American Countries

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<th>Signed or ratified</th>
<th>Under negotiation</th>
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<tr>
<td>AFTA (1992)</td>
<td>China-ASEAN</td>
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<td>Singapore-New Zealand (2001)</td>
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<td>Japan-Singapore (2002)</td>
<td>Korea-ASEAN</td>
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<td>U.S.-Singapore (2003)</td>
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<td>Korea-Chile (2004)</td>
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<td>Singapore-Chile, etc.</td>
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Looking Ahead 2: From export competition to competition for imports

A tectonic regime shift in Global Trade
China’s export position is now well established, but the pace of absorption is forcing it onto more intense competition for resources and other intermediate goods.

- Resource seeking integration/partnerships
- Upstream FDI
- Value added shifting/transfer pricing
Looking Ahead 3: Making trade-based growth sustainable

- Export success for LAC has been a mixed blessing in the past
- Follow Asia’s example and make the transition from resource booms to human-capital based development