

Comments on Regional Integration in the Americas

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World Bank

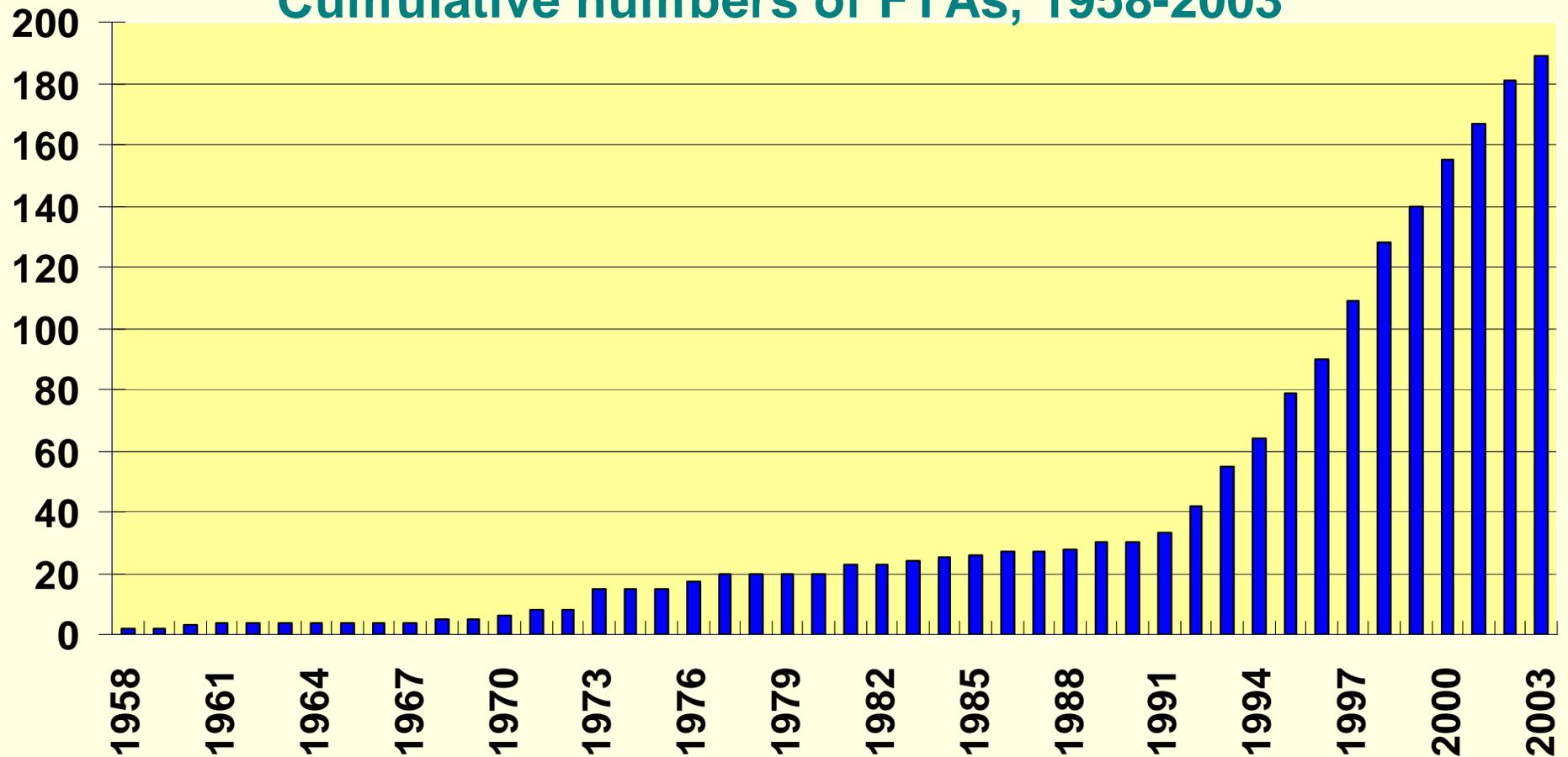
Contents

- 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

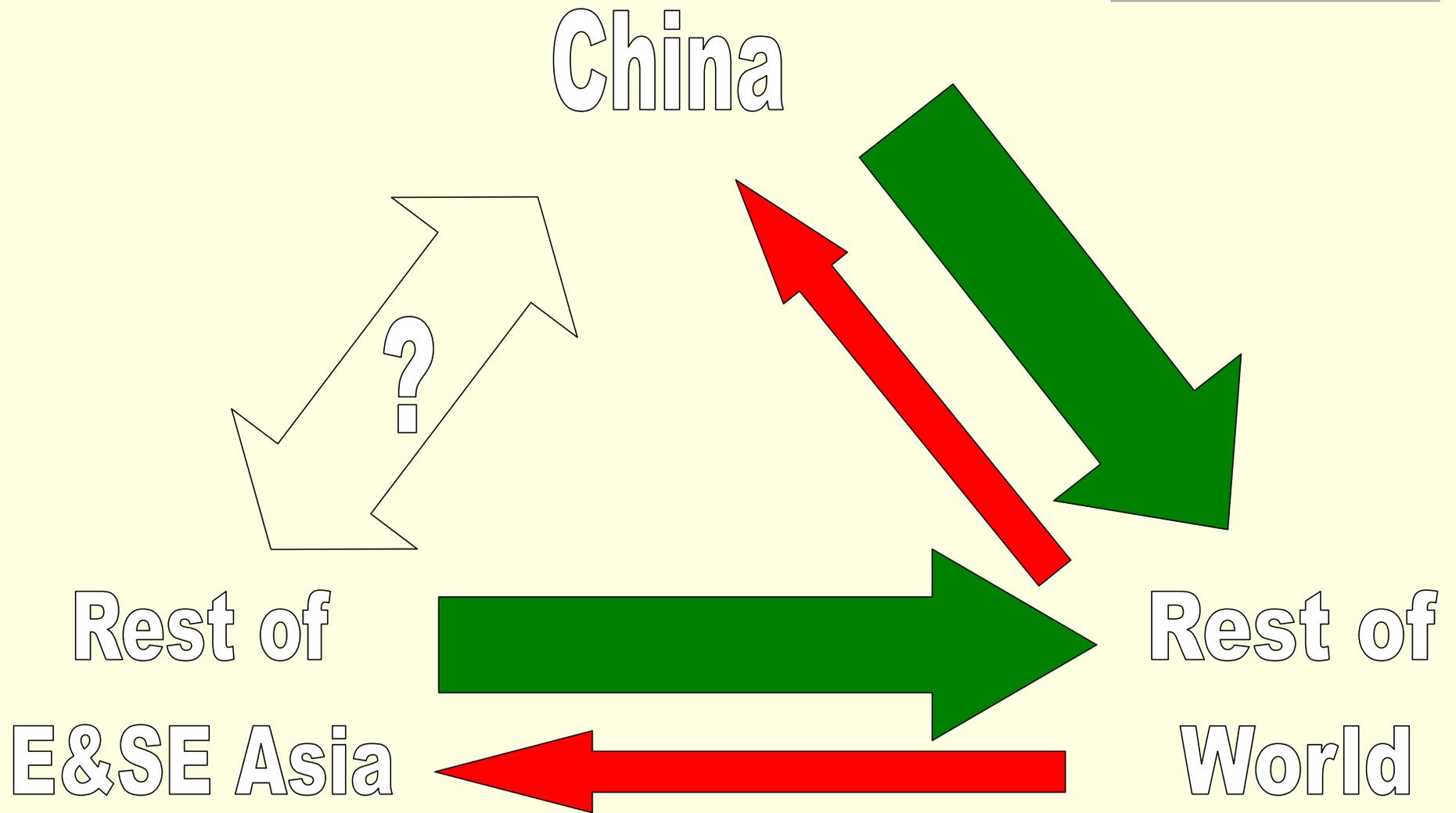
Four emergent areas that deserve more empirical attention:

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

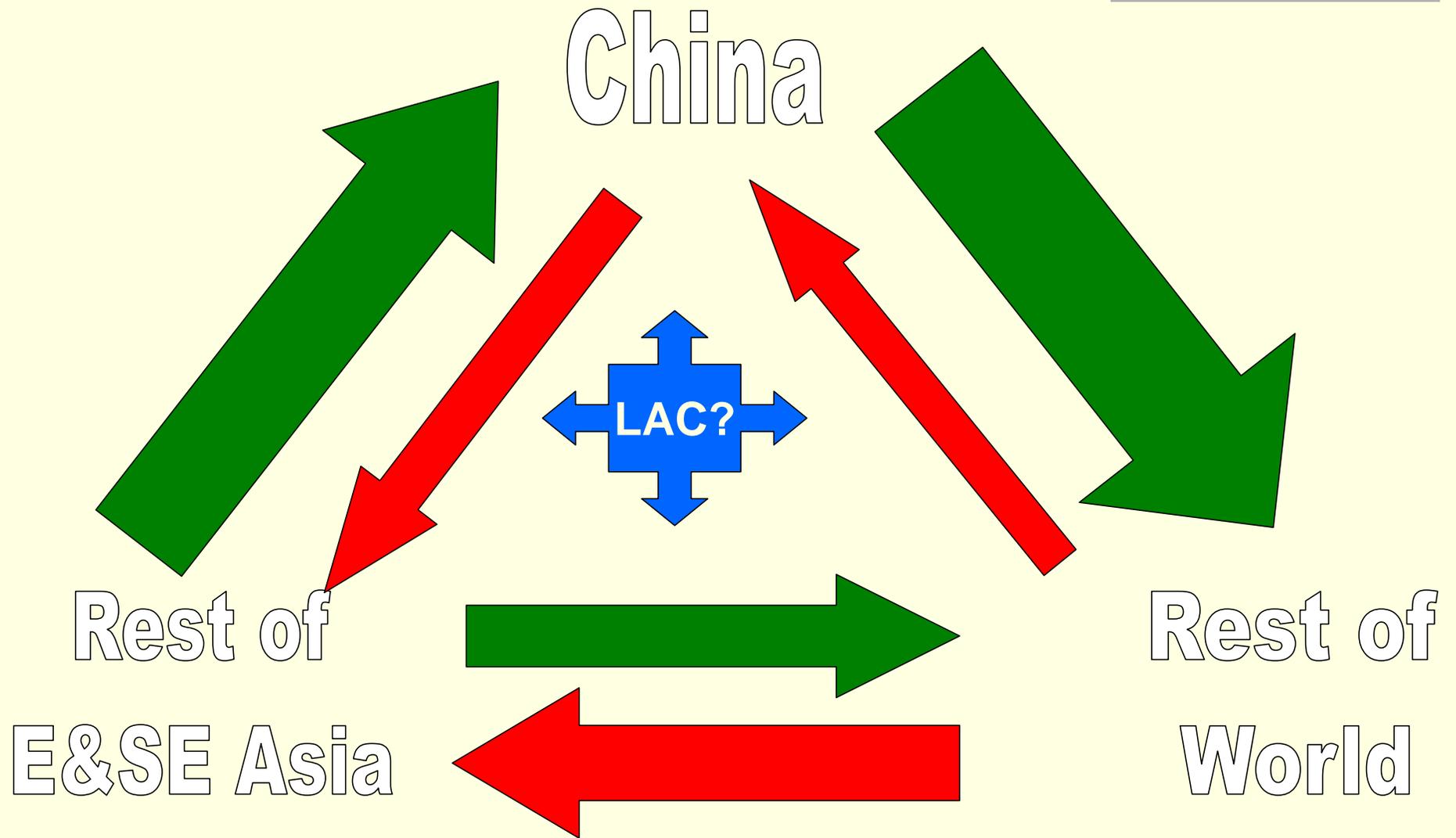
Looking Ahead: Where does LAC fit in?

- 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



FTAs involving East Asian and Latin American Countries

Signed or ratified	Under negotiation
AFTA (1992)	China-ASEAN
Singapore-New Zealand (2001)	Japan-ASEAN
Japan-Singapore (2002)	Korea-ASEAN
U.S.-Singapore (2003)	Japan-Korea
Korea-Chile (2004)	Japan-Chile
Japan-Mexico (2004)	Korea-Mexico
	Korea-Singapore
	Singapore-Mexico
	Singapore-Chile, etc.

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