

# New Incentives for Northeast Asian Integration

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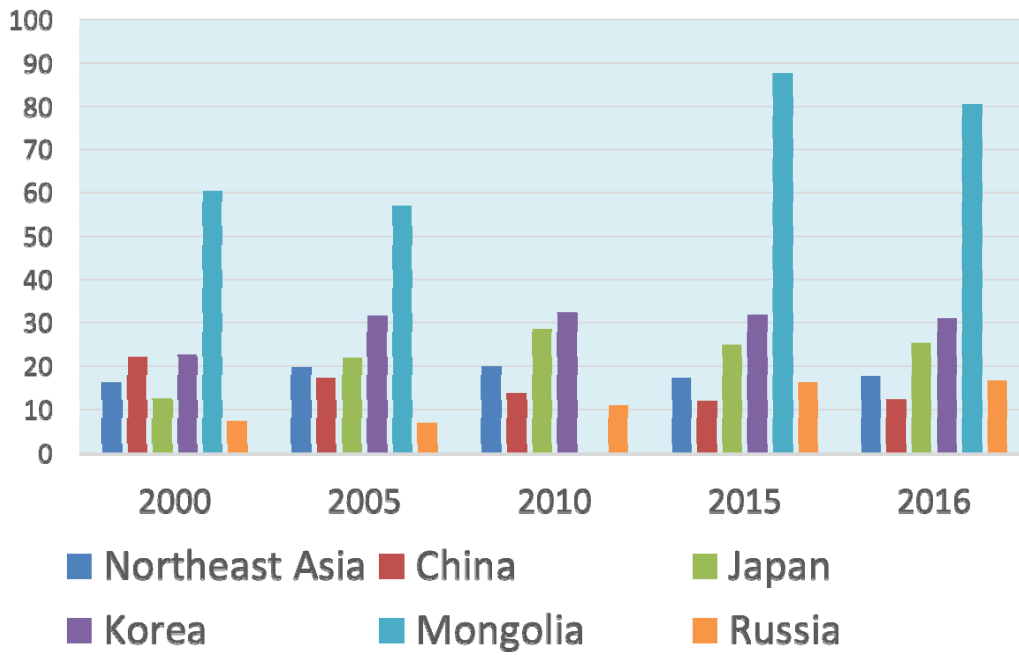
Brandeis University, Brookings Institution

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## Why Northeast Asian integration?

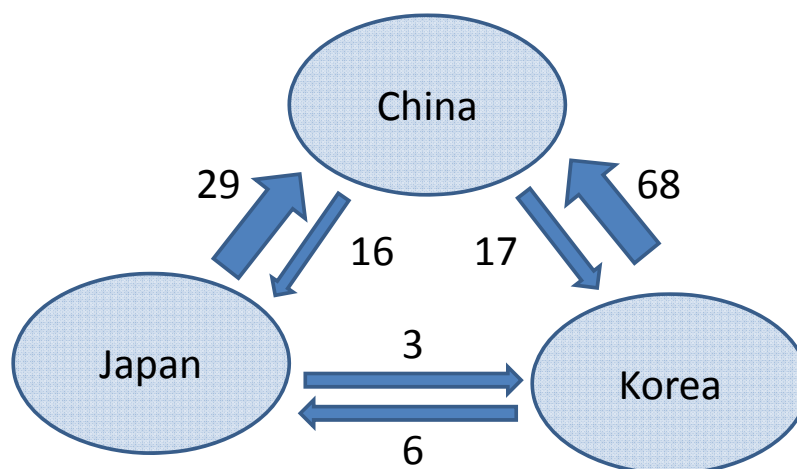
- **Globally significant countries**
  - Economic might: China, Japan, Korea
  - Security threats: Russia, North Korea
- **Underdeveloped regional relationships**
  - Longstanding regional tensions
  - Strong extra-regional ties
- **New incentives: external economic threats**
  - Threats to individual 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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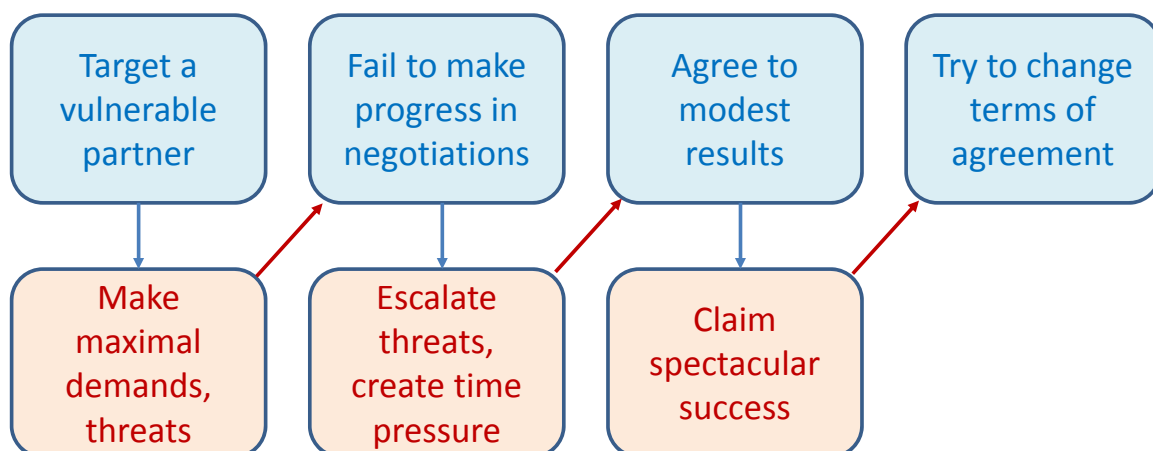
## US trade policy under Trump (1) Effects

- 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

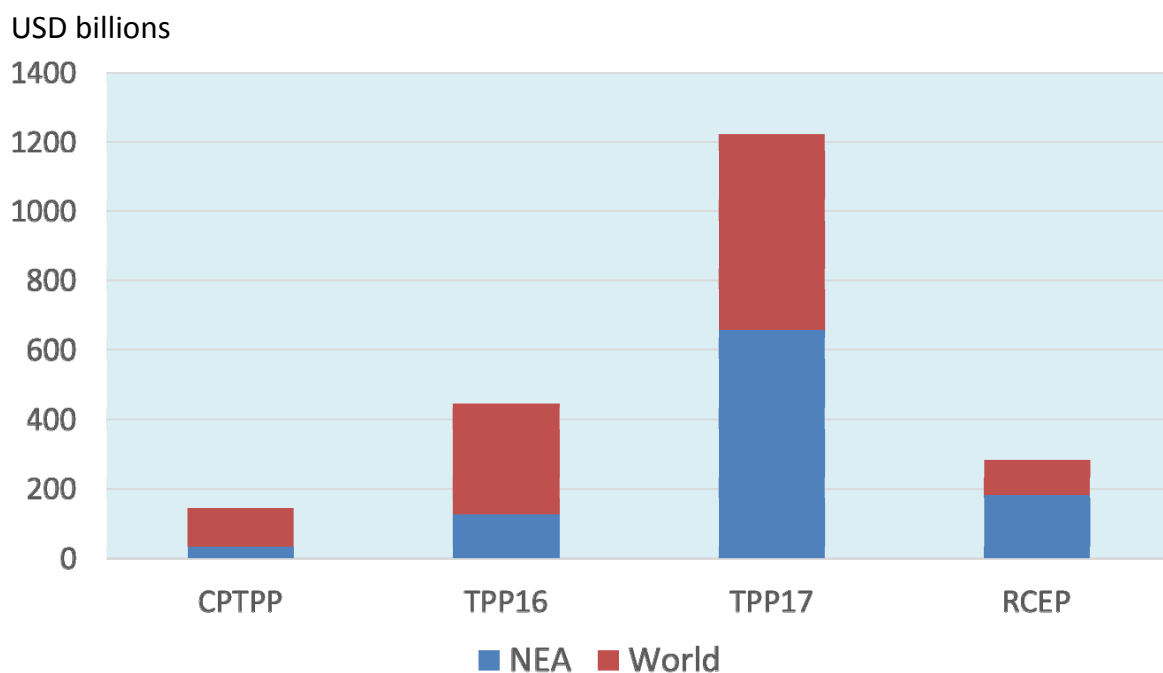
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## Regional responses

- **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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