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Inclusive Regional Trade and Integration Policies and the
Role of Monitoring Systems:
Asia-Pacific in a Comparative Perspective

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**ARTNeT 5th Anniversary Conference: *Trade - Led Growth in Times of
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I. Introduction

Monitoring:

- **What?**

“all relevant processes of information gathering, processing and dissemination, performed by different kinds of actors in different moments and lapses of time, **in order to control, evaluate, correct and/or influence the regional trade and integration policies and the functioning of the regional institutions**” (Costea et al., 2008)

- **By whom? (actors)...**

- public or private
- regional, extra-regional, or international

- **Why?...**



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The importance of monitoring

- a paradigm shift in (regional) trade policy-making: the traditional diplomatic → the scenario of policy-making in general.
- RTAs presents the difficulties related to their coexistence, compatibility and interaction.
- The increasing number of issue areas and the number of players can render the entire implementation process hostage to political imperatives and weakest links, and multiplies the demands of inter-agency coordination.
- a well-delineated governmental monitoring system provides a single window for private sector actors to resort to in the face of inadequate or inconsistent implementation, and, as such, greases trouble-shooting in the monitoring system.
- from a policy-making perspective, better monitoring has the capacity to make integration policies more effective and integration processes more transparent, involving higher degrees of participation and legitimacy, and therefore, making the processes more sustainable.
- monitoring can also engender positive externalities beyond the process of implementing the regional agreements, induce trust among the partners, and come to include activities aimed at propelling the development of new strategies and initiatives that guide regional integration project in the right directions.
- good RTA monitoring can contribute to good regional governance practices, such as accountability, participation, and effectiveness.
- From the perspective of the non-European partners there is a need to complement these with monitoring systems for their respective RTAs and/or to integrate these in systems with a wider scope.



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II. Monitoring of Regional Trade and Integration Policies

- **Monitoring Practises worldwide:**
IDB/UNU-CRIS stocktaking exercise
- **Monitoring Practises in Asia-Pacific**
 - ASEAN
 - the Pacific Islands Forum



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Lessons from the IDB/UNU-CRIS stocktaking exercise:

- Complexity of monitoring
 - (complexity of integration process: various issues, various actors)
- Scope
 - From pre-agreement-signed stage to post-agreement-implemented stage
- Built-in agendas
 - the odds of successful monitoring are vastly improved when the RTA carries a clear, built-in agenda and processes for its administration and implementation.
- National/regional interaction
 - monitoring of RTAs starts at the national level. *Especially in the less institutionalized RTAs, regional organizations can play only a limited role in guaranteeing high-quality monitoring.*
- From the perspective of a regional organization, coordination costs and informational demands are high
- Regional monitoring mechanisms may not just perform technically sophisticated monitoring tasks.
 - It can play a more independent and political role when the regional integration process is deepened and accompanied by the building of relatively autonomous supranational institutions. (the EU)
- Role of third country/international actors
 - in developing country RTAs, the role of external donors—third countries or international organizations—in monitoring can be crucial.



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III. Indicator-based Monitoring of Regional Trade and Integration Policies

The use of indicator-systems worldwide :

- There are very few sustained efforts, which is not very encouraging for the new initiatives currently being developed in the Asia-Pacific region.
- The political role of monitoring does not seem to be crucial for the regional integration process.
- Few actors are usually involved in monitoring.
- Different logical components of regional integration are targeted (De Lombaerde and Van Langenhove, 2006).
- Monitoring in practice seems to have a wide array of objectives (including: measurement of the level of regional integration, measurement of pre-conditions, assessment of the contribution of individual countries to regional integration, evaluation of regional integration policies, comparison, evaluation of donor-financed support programs, strategic use in the context of interregional negotiation processes).
- Monitoring systems are often characterized by underdeveloped conceptual frameworks and poor selection criteria for the indicators.
- The size of the indicator-systems varies considerably. A recent review of several systems revealed that indicator systems cover between less than ten and close to 150 variables.
- The same review revealed that one third of the included variables does not necessarily inform us about the regional integration processes!



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- **Indicator systems for Asia&Pacific:**
 - ASEAN: REPSF/Dennis & Yusof (2003)
 - East Asia/ASEAN: ADB/Capannelli et al. (2009)
 - PIF: ACP/Landell Mills/ADE (2009)



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Table 1: ASEAN Key indicators in the Dennis and Yusof proposal (2003)

1. CEPT Usage Index
2. Intra-regional X index
3. Intra-regional M index
4. Intra-regional trade index
5. Intra industry trade index
6. Regional FDI index
7. Intra-regional FDI index
8. Regional transnationality index
9. Foreign assets and liabilities indicator
10. Portfolio equity and FDI indicator
11. Regional economic integration index



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From a comparative perspective, the Dennis and Yusof proposal can be characterized as an indicator system:

- mainly covering the economic and monetary policy areas;
- based on a conceptual framework where integration, openness and interdependence are distinguished and reference is made to the Balassa framework;
- having a large number of available (at least in its full version);
- one of the few systems covering practically all logical variable categories
- strongly biased towards indicators of policy implementation, on the one hand, and interdependence, on the other.
- being the only one where indicators are selected on the basis of explicit criteria (policy relevance, simplicity, statistical consistency, validity, data availability, and indicator coverage);
- having a weighting procedure for the indicators based on simple unweighted arithmetic averages.
- These logical categories include: (i) the behavior of actors, (ii) structural factors, (iii) institutionalization, (iv) implementation, (v) effects, and (vi) interdependence (De Lombaerde and Van Langenhove, 2006:24-31).



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Table 2: Indicators in the Capannelli et al. proposal (2009)

Category	Sub-category	Indicators
Market integration	Globalization	1 regional trade/GDP ratio
	Trade integration	2 intra-regional trade share 3 intra-regional trade intensity
	FDI	4 intra-regional FDI shares (based on BoP data from UNCTAD)
	Financial integration	5 intra-regional pairwise equity prices correlations 6 intra-regional portfolio investment
	Macro-economic interdependence	7 intra-regional output correlation
	People-to-people exchange	8 intra-regional shares of tourism
	Intra-regional income gap	9 highest/lowest GDP pc ratio (GAP I) 10 largest/average GDP pc ratio (GAP II) 11 largest 3/lowest 3 GDP pc ratio (GAP III) 12 largest 3/average GDP pc ratio (GAP IV)
Regional Policy Coordination		13 FTA density indicator 14 Coverage of regional policy forums (qualitative assessment)
Political and Cultural Similarity	Similarity of political interests	15 affinity of nations index (based on UN vote portfolios, see Signorino and Ritter, 1999)
	Similarity of political institutions	16 political regimes index (based on Polity IV database) ¹
	Similarity of religion	17 measure of religious similarity

Source: Capannelli et al. (2009).



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PIF: ACP/Landell Mills/ADE (2009)

- In contrast with the Dennis and Yusof proposal for ASEAN, the scope is wider here and includes also indicators for regional governance, social policies, security, and functional cooperation in a number of policy areas.
- The challenges:
 - technically in nature (how to select a common list of comparable indicators for regional organizations with different mandates and goals?)
 - politically (will the top-down approach lead to actual ownership of the system by the regional organizations?, how will political leadership react to the comparative component?)
 - serious statistical data constraints exist in the Pacific Islands region (Sikivou, 2009)
 - the interference, compatibility and/or complementarity between the quantitative and qualitative monitoring systems should be carefully looked at.



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Table 3: Dimensions, domains and number of indicators in Landell Mills & ADE proposal (2009)

Dimension	Domain	Number of indicators/domain GMRI	Number of indicators/domain CSRI
Regional Governance	Community resources	16	7
	Institutional organization and coordination	15	6
Economic integration	Trade integration	48	9
	Monetary and financial integration	15	4
	Production and economic cohesion	20	6
Functional cooperation	Transport	24	4
	Communication and energy	18	4
	Natural resources and environment	9	2
Social integration and regional stability	Social integration	17	4
	Collective security and democracy	21	4
<i>Total</i>		205	50

Source: Salmon (2009).



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Conclusions

- Regional trade and integration policies in Asia-Pacific and elsewhere are in need of better monitoring tools.
- ASEAN developed its internal monitoring system in the framework of the Vientiane Action Program, which meant a significant step forward.
- The monitoring mechanism in the Pacific Islands region was characterized as “recent, limited and soft”, although a qualitative step forward was set in the framework of the Pacific Plan. It is also a case of ‘internal’ monitoring with scope for further development.
- Although it is not necessarily easy to build indicator systems in policy-making processes, they have the potential to clarify the implementation and effects of policies and the direction and speed of integration processes, to increase transparency and participation in policy-making, and -by consequence- to positively influence policy-making.



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What did indicators tell us about Asia

Capannelli et al. (2009)

- Asian levels of economic interdependence have generally been rising and are approaching EU levels;
- This growing interdependence can be observed in different dimensions and is not limited to ASEAN but comprises a wider group of 16 Asian economies;
- Levels of inter-governmental cooperation and regional institution building remain relatively low in the Asian region, possibly to be explained by relatively low levels of political and cultural proximity;
- The monitoring system should be expanded by including additional variables, data problems being the major constraint.



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Thank you

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