Is the United States Decoupling from Asia’s Economic Architecture?

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Data source: FactSet Revere

Asia-Pacific Economic Integration

Yasuyuki Todo
Waseda University
Who am I?

- International and development economist
- Focusing on roles of social and economic networks in economic growth and resilience

3 concerns on Asia-Pacific economic integration

1. Propagation of economic shocks through international supply chains
2. Insufficient knowledge integration
3. Excessive protectionism
Asia-Pacific has been well integrated through supply chains/production networks.

Intraregional Trade Share (%)

Propagation of production reduction due to 2011 Japan earthquake

Reduction in production:
- **80-100%**
- **60-80%**
- **40-60%**  
  Inoue and Todo (2019), SSRN.

Propagation can be mitigated when firms are linked with diverse partners.

Effects of supply-chain links with a firm damaged by Hurricane Sandy on sales growth

Implications and suggestions

• An economic shock can indirectly affect firms in the entire economy through supply chains.
  – Regulations on Huawei’s production may lead to large indirect effects on whole Asia-Pacific.

• Diversifying partners in production networks can promote economic resilience.
  – Too much reliance on limited partners incurs risks.
The Asia-Pacific region is creating a lot of knowledge.

Source: WIPO statistics database
But the Asia-Pacific region is not integrated much in terms of production of knowledge.

Research collaboration networks of firms (2011-13)

Research collaboration is identified by co-ownership of patents. The figure is created using Gephi.

International research collaboration is effective to promote innovation and economic growth.

Implications and suggestions

• **Knowledge networks should be promoted more in Asia-Pacific.**
  – China benefits a lot from links with the US, but the US also benefits from foreign knowledge.
  – Research collaboration, technology transfer through supply chains, overseas studies

• **But, rules should be clearly set.**
  – Strengthen IPR protection.
  – No “requirement” of R&D by FDI in the host country.
  – No unfair contract between multinationals and local SMEs in research collaboration
Protectionist sentiment has been rising in developed countries.

Economic loss from globalization alone cannot explain the rise of protectionism.

Demonstration of 4,000 medical workers against TPP
https://www.cbnews.jp/news entry/38343

“Stop TPP”

Demonstration of 3,000 farmers against TPP
https://www.ja-minami-alps-city.or.jp/wp/topics/2070/

“Protect our lives”

May Day in Tokyo in 2012

“No to tax increase, TPP, nuclear plants …”
We started from here.

Our ancestors formed small groups to fight against other groups and species.

We may be intrinsically closed.
Behavioral economics approach needed

Importance of non-cognitive skills (Heckman. 2001. AER)
• Education is effective particularly to children.

Average of those who played a team sport, participated in community activities, and conducted group works in childhood.

Non-cognitive skill (1-5)
- Pro-group works
- Pro-competition
- Reciprocity
- Trust in others

Support TPP (1-5)

Yamamura et al. (2018). Rev Int Econ.
Implications and suggestions

• Excessive protectionism may stem from intrinsically closed nature of human beings.
  – Claiming only economic benefits may not lead to a consensus.

• Social interactions should be promoted to alleviate protectionism.
  – Overseas experiences of politicians, bureaucrats, businesspersons, and students
Final remark: We can learn from our history.

Yamazawa (1973), Keizai Kenkyu, Hitotsubashi University.