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Analysis

What Business Wants from Regional Cooperation

Christopher Findlay *

Emerging trends in international business are dramatically changing the demands industry is making of domestic policy makers. Paying attention to 'at the border' policies alone no longer meets the demands of the region's growing number of trans-national entities. There is widespread interest amongst these groups in both behind and across border policy, and an interest in how that policy operates and how it is applied.

As a result, policy priorities are shifting to measures, both domestically and in foreign markets, which focus on a variety of domestic regulatory practices – which are now generally referred to as 'behind the border' reforms.

Is there a case for extending the various forms of international collective action related to trade and investment policy to these behind the border or domestic regulatory matters? The answer is an unequivocal, yes.

Contributions of regional cooperation on behind the border reforms can arise from each of the three 'C's. The additional capacity to undertake and implement the recommendations of domestic policy reviews; the option to commit to the new policies and avoid backsliding; and the value of developing methods to capture the spill-overs in policy making in different countries.

Questions still remain about how and where to take forward this collaborative policy reform

agenda. There are some relevant international organisations already and the interest in behind the border matters has contributed to their proliferation of preferential trading arrangements. The WTO already offers significant capacity. Consider the case for establishing minimum standards to deal with problems of non-enforcement of cartel policy. This is an example of policy within the 'behind the border' portfolio. Commitments on competition policy might also be made within the WTO. However, it will be important to consider the possibility of inappropriate enforcement of that policy. Cooperation between national agencies will be important to secure the evidence to prosecute cross-border cartels so that 'foreign firms are aware of their legal obligations, of their procedural rights, and that they will be treated on a comparable basis as domestic firms' (Clarke and Evenett 2003:44). For these types of minimum standards to be effective, 'other multilateral disciplines on voluntary cooperation and core principles (transparency, non-discrimination and procedural fairness) are required'.

No one institution, however, is likely to provide all the forms of international cooperation required for all purposes. These contributions could be made in a variety of institutions. Each institution has different advantages through its membership (and therefore the ability to capture policy spillovers for example), its rules of operation and the capacity of its bureaucracy.

APEC has strengths in capacity building work and is not impeded by the ways in which it devolves responsibility for work to groups of members. For other cooperative work, a stronger secretariat may be important; attention

Paper of the Month

The paper of the month for January 2008 was **Bailout and Conglomeration** by Se-Jik Kim.

Latest News

The next phase of work on Institutional Foundations for Microeconomic and Structural Reform in Asia and the Pacific began with a workshop in Sydney 28-29 January, with expert participation from EABER Institutes around the region and APEC officials responsible for hosting the special APEC Ministerial Meeting on Structural Reform in Melbourne in August 2008.

CALL FOR PAPERS

How Globalisation is Shaping the Asia-Pacific: Multi-disciplinary Perspectives, held at Bond University on the Gold Coast, Queensland, Australia, September 26-27, 2008. LINK: http://www.bond.edu.au/about/faculties/bus/gdc/conference_2008_gdc.html.

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is now also being given within APEC to strengthen the capacity of its own Secretariat.

The development and negotiation of binding commitments, on the other hand, is better made in organisations more used to and equipped to manage often difficult negotiating processes. The WTO is a case in point.

Size and the distribution of size among members also matters. Larger organisations offer greater benefits but also higher costs of operations so that the 'optimal club size' of regional forums will vary. What is clear is that the presence of larger countries in these forums provides a considerable incentive for smaller countries to participate in the process. This suggests that a portfolio approach to regional cooperation is valuable. The result in the short-term may not be neat, as institutions emerge with overlapping memberships and overlapping functions, leading to much debate about the appropriate function for a particular structure. This is evident in the current discussion of various 'ASEAN+n' models of cooperation.

The allocation of functions to organisations will likely evolve as the effectiveness of different constellations becomes clear from experience and as budget constraints on participation bind. There might also be incentives to reduce the costs of this selection process by using 'structured sequences' in which one organisation offers (or is created) to look for opportunities for coordination and consolidation across the work of other international bodies (Fратиanni and Pattison, 2001: 354).

This, of course, assumes that the component organisations can reach a common view to take to the next level of negotiations. Successful cooperation among member countries might lead to an efficient institutional structure and policy mix but that is more likely, or more likely to happen faster, when there is a common understanding

of interests and therefore purpose. Members of a regional structure have to be clear about their interests and be capable of explaining and projecting it to others. Drysdale (2008) has argued recently that within the portfolio of current and emerging institutional structures in East Asia an important stumbling block is the absence of this capacity.

This brings the conversation back to our starting point. An understanding of these new trends and aspects of international business, how they affect integration in the region and how that integration generates benefits within each participating country will accelerate the resolution of the matters of institutional design. This depends on working on new forms of doing business internationally and confronting new impediments to those new forms of doing business, especially those operating behind the border. This work will help communities within each economy appreciate the gains from integration and help define what the 'state of the region' could really be like with free and open trade and investment.

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References

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