

Up Front**“Toward a Free Trade Area of the Asia Pacific”**

Policy Briefs in International Economics, No.PB07-2, February 2007, pp1-13
<http://www.iie.com/publications/interstitial.cfm?ResearchID=710>

This paper by C. Fred Bergsten, Director of the Peter G. Peterson Institute for International Economics, considers the implications of the agreement by APEC leaders at their most recent annual summit to seriously consider the creation of a Free Trade Area of the Asia Pacific (FTAAP). Given that the APEC member nations and regions account for over half of world trade and approximately half of the world economy, a free trade agreement between them would be larger in scope than the EU or NAFTA. The APEC Business Advisory Council (ABAC) has promoted the concept of an FTAAP since 2004 as the only way that the region can achieve its goal, adopted at Bogor in 1993, of “free and open trade and investment.” Policy shifts by major member nations have now brought the concept into official consideration. There are a number of reasons for these shifts, according to the author: The problems in the Doha Round have generated doubts regarding worldwide liberalization; the movement towards trade liberalization in Asia produces fears of a “three-bloc world”; the increasing proliferation of bilateral and subregional trade agreements will negatively impact the multilateral system; even if skeptical of the FTAAP, Asian nations welcome the active involvement of the US in the region; and APEC has been unsuccessful in promoting liberalization.

The case for an FTAAP is very convincing. A study conducted for ABAC indicates that all the APEC economies would benefit more from such an arrangement than from non discriminatory liberalization of Trade by APEC, the only alternative mechanism for the achievement of the Bogor goals throughout the region, and the benefits would also be greater than those generated by an ASEAN Plus 3 or East Asia FTA. The elimination of barriers between APEC economies would also generate greater global benefits than any potential result of the Doha Round of WTO negotiations. The promotion of an Asia-Pacific FTA may also function to restart the Doha talks, but even if the Doha Round fails, the concept would provide the APEC economies with an alternative means of generating movement towards trade liberalization. A further benefit of an Asia-Pacific FTA is its potential to bring together the large number of preferential trade agreements in the region, and eliminate the discrimination that they are producing. The FTAAP process could also revitalize APEC, which has declined in importance as an actor in the formulation of trade policy. As the author points out, this decline in APEC represents a concern, because the development of economic tensions between the US and China and the risk of a line being drawn down the middle of the Pacific with potential Asia-only and Americas-only trade agreements makes transpacific ties essential from the economic and security perspectives. An FTAAP would potentially reduce the economic conflict between the US and China, and would maintain US involvement in Asian trade relations. The author believes that it may represent the next major step in the evolution of the system of global trade and the architecture of the Asia-Pacific.

“The UN and the Use of Force: A Marriage Against Nature”

Thierry Tardy (Geneva Centre for Security Policy; GCSP, Switzerland)
International Peace Research Institute, Oslo (PRIO)
Security Dialogue, 2007, v38 (1), pp49-70, <http://sdi.sagepub.com/content/vol38/issue1/>

This paper, published in the March issue of *Security Dialogue*, considers the relationship of the UN with the concept of the use of force. The author argues that since the establishment of the UN, there has been a gap between the theoretical considerations of the organization regarding the use of force and the reality of international relations. The first part of the paper considers the UN as the product of a combination of liberal and realist approaches to international relations. The liberal foundations of the UN stress the substitution of peaceful settlement of disputes for the use of force, and the organization acts to limit the ability of states to resort to force. At the same time, from a realist perspective, the UN relies on states and their military capacity in order to implement collective security, and its dominance by the members of the Security Council is a perpetuation of the dominance achieved by the same states in the Second World War. In some ways, the UN functions to maintain this dominance, and the institution is therefore not on principle opposed to a traditional concept of power. The author indicates that, as the UN attempts to respond to contemporary changes in the nature of conflicts, it generally does not succeed in achieving a balance between its mandate to maintain peace and its reliance on states.

The second part of the paper goes on to consider peacekeeping operations, which display a particular ambiguity in their relationship to the use of force. While some of the UN’s peacekeeping operations have to some extent integrated the use of force, the conceptual basis of this use of force has not been clarified and organized. This has led to an “improvisatory” approach in peacekeeping operations, in which the actions of UN forces are not clearly guided by consistent directives. This is also the result of the “intergovernmental” nature of the UN. States define the way in which the forces they make available can be used, but in general, like the UN, have not conceptualized the changes implied by the new use of military force that characterizes peacekeeping operations. The third part of the paper considers more recent developments, focusing on the implications of the UN’s adoption of the “responsibility to protect.” The adoption of this concept indicates the acceptance of a human security perspective, but the author contends that the implementation of the concept is problematic in terms of reconciling the ethical considerations on which it is based with the actual motives that prompt the actions of states. The author further considers the case of Iraq as an example of the difficulty the UN faces in reconciling its Charter with the demands of contemporary international relations.

“The Beginner’s Guide to Nation-Building”

James Dobbins, Seth G. Jones, Keith Crane, Beth Cole DeGrasse
The RAND Corporation, USA, *Monographs* (Rand), 2007, MG557, pp.1-330
<http://www.rand.org/pubs/monographs/MG557/>

This monograph published by the RAND Corporation represents a contribution towards the systematization of the elements of nation-building operations. The pace of US military interventions and UN peacekeeping missions has increased since the end of the Cold War. The objectives of these operations has also changed, expanding to take in the reunification of societies, the disarmament of combatants, the organization of elections and the promotion of democratization and economic growth. The authors indicate that these international military operations have been the only reliable means of preventing conflict from breaking out again following civil

wars. However, the US is only now putting in place arrangements to ensure a more professional approach to nation-building in the future. This publication contributes to that process by summarizing the constituent elements of nation-building missions based on case studies that RAND has either already published or is currently preparing.

The authors propose a hierarchy of priorities for nation-building operations. In descending order of priority, these are as follows:

- **Security:** Peacekeeping, enforcement of laws, establishment of rule of law, and reform of security sector.
- **Humanitarian relief:** Return of refugees, measures against epidemics, prevention of hunger and provision of shelter.
- **Governance:** Resumption of public services and restoration of public administration.
- **Economic stabilization:** Stabilization of currency, provision of legal and regulatory framework.
- **Democratization:** Establishment of political parties, a free press, civil society and legitimate framework for elections.
- **Development:** Promotion of economic growth, establishment of infrastructure, etc.

The authors indicate that security is the key to the achievement of peace in a post-conflict society. Democratization and economic development are essential to ensuring that conflict will not break out again when peacekeepers leave, but cannot ensure peace and may, if pushed as goals, exacerbate the tendency towards conflict. The restoration of security is necessary for the achievement of these goals.

“The EU and Japan: a Partnership in the Making”

Axel Berkofsky, European Policy Center (The EPC), Belgium
Issue Paper (EPC), 200702, n 52, pp.1-29

<http://www.epc.eu/en/pub.asp?TYP=TEWN&LV=187&see=y&t=&PG=TEWN/EN/detailpub&l=12&AI=555>

This paper published by the European Policy Centre considers the scope of political, economic and security cooperation between Japan and the EU. The EU and Japan together account for approximately 40% of the world's GDP, and bilateral trade ties between the two are expanding. Nevertheless, European companies face obstacles to investing and conducting business in Japan, despite former Prime Minister Koizumi's commitment to increasing European FDI in Japan by 100% by the end of the decade. Market access issues will need to be addressed by the Japanese government in order to enhance its economic ties with the EU.

Japan and the EU also seek closer cooperation in other areas, and in December 2001 formulated the Joint Action Plan for EU-Japan Cooperation, which outlined an ambitious program of cooperation. The Action Plan covers more than one hundred areas in which there is scope for increased cooperation between Japan and the EU, including many key international security issues. However, the process of implementation of the Action Plan is slow, and reality has yet to match rhetoric. The author considers the plan to address too many issues, and recommends that the two sides focus their cooperation efforts on a limited number of issues until the end of the decade. He believes that the promotion of peace and security should be the main focus of cooperation between the two sides.

In general, the author considers that cooperation between the EU and Japan has not yet reached its full potential, but that both sides possess the resources required to change that situation if they so choose.

Focus Topic

"2007 Top 10 Global Economic Challenges

--- An Assessment of Global Risks and Priorities"

Brookings Global Economy and Development
The Brookings Institution, USA, *Reports* (Brookings), 200702, pp.1-28
http://www.brookings.edu/global/200702_globaltopten.htm

This is the inaugural publication of Brookings Global Economy and Development and represents an attempt to focus attention on what Brookings considers to be the most important long-term economic challenges facing the world.

The publication commences by considering **energy and environmental security**, which it considers the primary issue on the global agenda. The authors of this brief paper see the mitigation of climate change as the most effective means of achieving energy security. The Kyoto Protocol process has failed to obtain cooperation from the US, the largest emitter of greenhouse gases, and China and India, the fastest-growing emitters. An effective climate policy must satisfy three requirements: It should be widely adopted, remain in force over the long-term, and provide incentives to encourage investments to reduce emissions.

Conflict and poverty represent the number two global challenge. This paper views the fight against global poverty as a fight for global security, and claims that US policymakers are beginning to focus on the link between poverty and conflict. The link is clear, with more than two-thirds of the world's poorest countries involved in conflict in 2002. The US, however, is ineffective in the provision of assistance to poor countries. The effectiveness of US assistance must be increased by reducing the number of aid objectives and agencies, streamlining the system to produce a unified framework that integrates national security and development agendas. It will also be necessary for the US and other donor nations to adopt an increased focus on countries that are at risk of conflict and state failure. The paper also suggests a focus on youth as an essential aspect of addressing the link between poverty and conflict, given that young people make up almost 60% of the world's poor.

Competition in an era of globalization is the next subject considered. China's growth as a major manufacturer is making it difficult for higher wage economies to compete. India's emergence into the global economy has exacerbated this situation. The US response to this increased competition will in part determine future living standards for the US middle class. The authors therefore recommend investment in the foundations of future prosperity, the provision of social insurance that promotes mobility by ensuring that workers do not lose benefits when they change jobs, and the negotiation and enforcement of favorable rules for international trade.

Global imbalances are considered next. In 2004, 75% of the combined current account surplus of Germany, Japan, China and other countries was invested in the US. The US trade and current account deficits are now the highest in the nation's history, and around half of all treasury securities are held overseas. The authors recommend correction of these global imbalances sooner rather than later, and indicate that the best way to do so is to improve the US fiscal balance while encouraging increased private saving, strengthening of the yuan with further appreciation of other Asian currencies, and the adoption of measures to promote growth in Europe and Japan.

The rise of new powers is the next challenge considered. Brazil, Russia, India, China, South Africa, Mexico and other nations are growing more quickly than other countries, and their rise is changing the global economy and the global balance of power. The BRICS, with their large populations and land masses, and diversified economies, have the greatest potential to affect the global economy. It is believed that the BRICs will

enter the top ten economies by 2040. The BRICs themselves face challenges stemming from their growth. They must attempt to maintain political stability as they develop and attempt to modernize politically, increase their level of environmental sustainability, and build institutions to respond to crises. The G7 economies must also respond to the challenge of the rise of the BRICs, and the authors make a variety of recommendations in this area. These include the promotion of balanced and sustainable growth, involving the BRICs in existing institutions such as the IMF, the World Bank, and the International Energy Agency, and the adoption of policies that promote growth in new sectors while providing insurance for workers who are displaced by globalization.

Economic exclusion in the Middle East is considered next. People aged between 15 and 24 presently account for 22 percent of the population of the Middle East, a situation that, handled correctly, could promote stability and growth. However, youth unemployment in the Middle East is high, meaning that many Middle Eastern youths are excluded from effective participation in economic, social and political life. This is causing youth in the Middle East to delay marriage, and the region presently has the lowest rate of marriage among the developing nations. This situation exacerbates the seriousness of youth exclusion in the region. Estimates indicate that more than 100 million jobs would need to be created in the next 20 years to employ the region's youth population. This will require significant economic reforms on the part of regional nations.

The next challenge considered is **the impact of global corporations**, which are becoming significant actors in the shaping of global economic agendas. Some multinational corporations are promoting market-based approaches and public-private partnerships to deal with issues that have to date been public sector issues. These new approaches enable the resources, networks and problem-solving skills of the private sector to be put to work, but also generate new risks and challenges in terms of governance and accountability. The authors recommend an increase in collective efforts with other companies, governments and development partners, analysis of initiatives that have gone to scale in dealing with specific challenges at a national or global level, and active engagement of multinational companies based in developing countries.

Global health crises are considered next. Poor countries are characterized by inadequate public health systems and their citizens lack access to basic health services, resulting in high levels of preventable disease. Estimates indicate that an additional figure of between 30 and 70 billion dollars per year will be required to deal with global health challenges. Numerous innovative financing proposals have been made, but there is little evidence to indicate which will be most effective. The authors indicate that what is required is a close examination of current problems with health aid and financing. The Brookings Global Health Financing Initiative has been developed to enable this.

The next challenge taken into consideration is **global governance issues**. The authors of this paper see the expansion of the G8 to include other major economies, in order to involve them in the resolution of issues that the present members cannot solve by themselves, as the best way to get past the current stalemate in global governance. The G8 could be expanded quickly and effectively, without the requirement for fundamental changes, as would be the case if the UN or international financial institutions were reformed. The expansion of the G8 to the G13 has been suggested by means of the inclusion of Brazil, China, India, Mexico and South Africa. However, this would exclude the Middle East, and therefore a further expansion to create a G20 has also been proposed. A G20, including Argentina, Australia, Indonesia, Korea, Russia, Saudi Arabia and Turkey in addition to the countries suggested above, would represent approximately 90% of the global economy. This would make it a more legitimate forum for debating global issues than the present G8. The authors also suggest that such an expanded forum could

result in reform of other global institutions.

The final issue to be addressed is **global poverty**. The governments of poor countries often themselves represent an impediment to poverty alleviation, and because bilateral donors and multilateral development banks deal directly with these governments, they are not necessarily the most efficient actors in reducing poverty. Private sector actors are now entering the field, and there is increasing competition among aid providers. This private sector involvement is making an increasing number of innovative financing schemes available to entrepreneurs. Microcredit has enabled millions of poor people to start small businesses. When such businesses grow to become SMEs, they require increased capital, which is either difficult to obtain, or involves high repayments. This area also represents a fertile area for new financing initiatives. The agenda for the future will be to bring new actors in poverty reduction together with the traditional actors in the field in order to develop new approaches, evaluate their effectiveness, and attempt to expand successful ventures.

Policy Proposals by Japanese Think Tanks

“Policy Perspectives on Agricultural Internationalization”

Motoshige Itoh, National Institute for Research Advancement (NIRA), Japan,
NIRA Policy Review, 200706, pp.1-2
<http://www.nira.go.jp/newse/policyr/pdf/200706.pdf>

This policy brief written by Prof. Motoshige Itoh, President of NIRA proposes that the future of Japan’s agricultural industry and of the nation’s food supply cannot be considered without bringing in the perspective of internationalization. Limits on the amount of available land mean that Japan must depend on food imports from foreign countries. The viability of continuing a policy of import restrictions in the global trade framework centering on the WTO is limited.

Japan’s agricultural policy focus is being transferred from protecting weak farmers to fostering strong agricultural producers. A number of policies are to be implemented to this end, including promotion of farmland mobilization and larger-scale agricultural enterprises, the introduction of new types of farm management including management by private companies, establishment of a high value-added food distribution system that prioritizes food safety, and expansion of agricultural exports to other Asian countries.

The critical obstacle is that the pace of these changes is excessively slow. If Japan maintains its present pace, the situation as regards its agricultural industry and food supply will become increasingly severe. Japan now has to decide whether to continue its protectionist stance or to actively proceed with the strengthening of its agricultural industry and food supply with liberalization as a precondition.

A number of proposals have been made with regard to the appropriate direction for Japan’s food and agricultural policies. A consideration of agricultural and food issues raises various questions that go beyond the discussion of agriculture as an industry in the narrow sense; questions of food security, environmental protection, the safety of foodstuffs and the sustainability of local communities. Each of these issues is vitally important. It is precisely because of their importance that an effective response requires more than a short-sighted conclusion to the effect that agriculture should be subject to protection. Security, the environment, safety and the future of local communities are too important to be reliant on how agriculture is handed.

< Articles and Papers Relating to this Issue's Keywords >

(Please refer also to the URLs for the papers discussed above.)

< Asia / Pacific >

"Offshoring, Outsourcing, and Production Relocation-Labor-Market Effects in the OECD Countries and Developing Asia ", Jacob Funk Kirkegaard, Peterson Institute, *Institute for International Economics* (IIE), USA
Working Papers (IIE), 200704, WP07-2, pp.1-51,

<http://www.iie.com/publications/interstitial.cfm?ResearchID=730>

China and Economic Integration in East Asia: Implications for the United States

C. Fred Bergsten, Peterson Institute, Institute for International Economics (IIE), USA, *International Economic Policy Briefs*, 200703, PB07-03, pp.1-10, <http://www.iie.com/publications/interstitial.cfm?ResearchID=714>

The Asian Way of Regional Integration: Are There Lessons from Europe? (cf. [Policy Research Index No.4](#))

Rolf J. Langhammer, Kiel Institute of World Economics (IfW), Germany, *Kiel Economic Policy Papers*

200701, n7, pp.1-23, <http://www.ifw-kiel.de/pub/kepp/2007/kepp07.pdf>

Progress toward a Common Currency Basket System in East Asia, Eiji Ogawaa, Junko Shimizub

Research Institute of Economy, Trade and Industry (RIETI), Japan, *Discussion Papers* (RIETI), 200701, 07-E-002, pp.1-23, <http://www.rieti.go.jp/en/publications/summary/07010002.html>

Global Imbalance and its Implications on East Asian Economies, Doo Yong Yang (eds.)

Korea Institute for International Economic Policy (KIEP), South Korea, *Policy Analysis*, 200612, 06-02, pp.1-232

http://www.kiep.go.kr/eng/std_data_view.asp?num=177173&sCate=013001&sSubCate=&Tp=rp&nowPage=1&listCnt=15

< The United Nations >

Laying the Foundations of Democracy? Reconsidering Security Sector Reform Under UN Auspices in Kosovo

Irene Bernabeu, International Peace Research Institute, Oslo (PRIO), Norway

Security Dialogue, 200703, v38 n1, pp.71-92, <http://sdi.sagepub.com/content/vol38/issue1/>

Time for a New United Nations Peacekeeping Organization

Brett D. Schaefer, The Heritage Foundation, USA, *Backgrounders*, 200702, #2006, pp.1-24

<http://www.heritage.org/Research/InternationalOrganizations/bg2006.cfm>

Intelligence at the United Nations for Peace Operations

Gustavo Diaz, Research Unit on Security and International Cooperation (UNISCI), Spain

UNISCI Discussion Papers, 200701, 13, pp.25-41, <http://www.ucm.es/info/unisci/UNISCI-Review13.htm>

< Top 10 Global Economic Challenges >

Global Imbalances: Time for Action, Alan Ahearne, William R. Cline, et al.

Institute for International Economics (IIE), USA, *International Economic Policy Briefs*, 200703, PB07-04, pp.1-8

<http://www.iie.com/publications/interstitial.cfm?ResearchID=720>

Why the U.S. External Imbalance Matters

William R. Cline, The Cato Institute, USA, *The Cato Journal*, 200701, v27 n1, pp.53-58

<http://www.cato.org/pubs/journal/cj27n1/cj27n1-4.pdf>

The impact of China and India on the developing world / China and India

Raphael Kaplinsky, Ifo Institute for Economic Research (Ifo), Germany, *CES ifo Forum*, 200704, v8 n1, pp.15-21

http://www.cesifo-group.de/portal/page/portal/ifoHome/b-publ/b2journal/30pubforum/pubforum?item_link=forumindex1-07.htm

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Korea Institute for International Economic Policy (KIEP), South Korea, *Policy Analysis*, 200612, 06-02, pp.1-232

http://www.kiep.go.kr/eng/std_data_view.asp?num=177173&sCate=013001&sSubCate=&Tp=rp&nowPage=1&listCnt=15

USAID's Health Challenge: Improving US Foreign Assistance

Roger Bate, The American Enterprise Institute for Public Policy Research (AEI), USA

Papers & Studies (AEI), 200701, pp.1-5, http://www.aei.org/publications/pubID.25274/pub_detail.asp

* Data listed -----

Article or paper title / Name of think tank / Series title or journal name, publishing data, vol. no., pages; a URL indicates that the full text (or an abstract) of the paper is available on the Internet

NEWS from NIRA

The National Institute for Research Advancement (NIRA) is an independent policy research institution established under the NIRA Act in 1974. At the end of June this year, the Japanese Diet passed an Act which will discontinue NIRA's status as a quasi-governmental organization. In accordance with this Act, NIRA will transform itself into an incorporated foundation by the end of March 2008.

This organizational transformation will increase the independence of NIRA's research and policy activities. The institute intends to develop its role as the core of a multi-disciplinary knowledge network, functioning as an intellectual hub that will encourage broad-rang of policy discussion. The institute timely disseminates its policy findings available to the policy community not only the policy specialists but also to the public who are the non-specialists.

Advancing these missions, NIRA will significantly contribute to the policy-making process. The major research areas of the newly organized institute will be 1) national politics, 2) international relations and 3) Japanese regional issues.

In line with its new missions, NIRA will renovate its research framework in a number of ways. The institute will:

- 1) Expand its role as the core of a multi-disciplinary knowledge network, collaborating with outside researchers and policy specialists.
- 2) Disseminate its research outputs promptly and timely, and widely available to the public.
- 3) Accumulate its research outputs as "policy resources", and
- 4) Enhance its regional research networks in Japan.

Policy Research Watch (PRW), a bibliographic database of the publications of think tanks worldwide, is a web-based project that has grown out of NIRA's World Directory of Think Tanks. One of NIRA's missions is to contribute as a "clearing house" for information on policy analysis and research conducted by policy research institutes. The Policy Research Index is designed to be a fundamental tool for policy researchers, particularly those with a global perspective. Please contact us at prwinfo@nira.go.jp for the registration to receive email newsletter regularly.

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