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Regional integration

A way out of preferential deals

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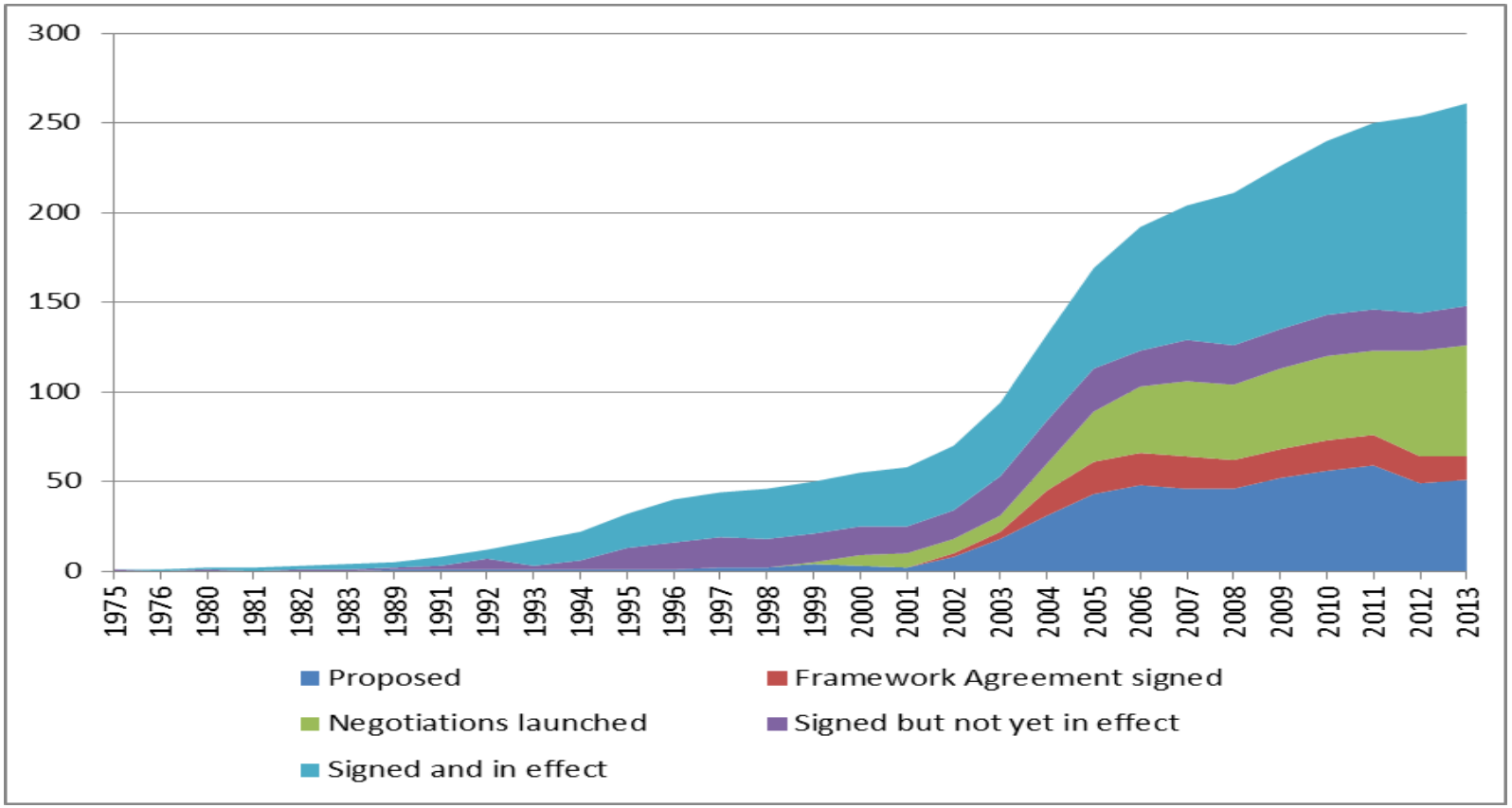
Outline

- State of Play- FTAs proliferation
- How much trade is, or will, be covered?
- How much trade travels preferentially?
- FTAs and NTBs - the right instrument?
- The Way Forward

State of Play - FTAs proliferation

- Asia-Pacific party to 113 ratified FTAs, with more being negotiated
- How many FTAs do we need?
- Most bilateral, with 2 mega proposals
- Most involve ASEAN+6 countries

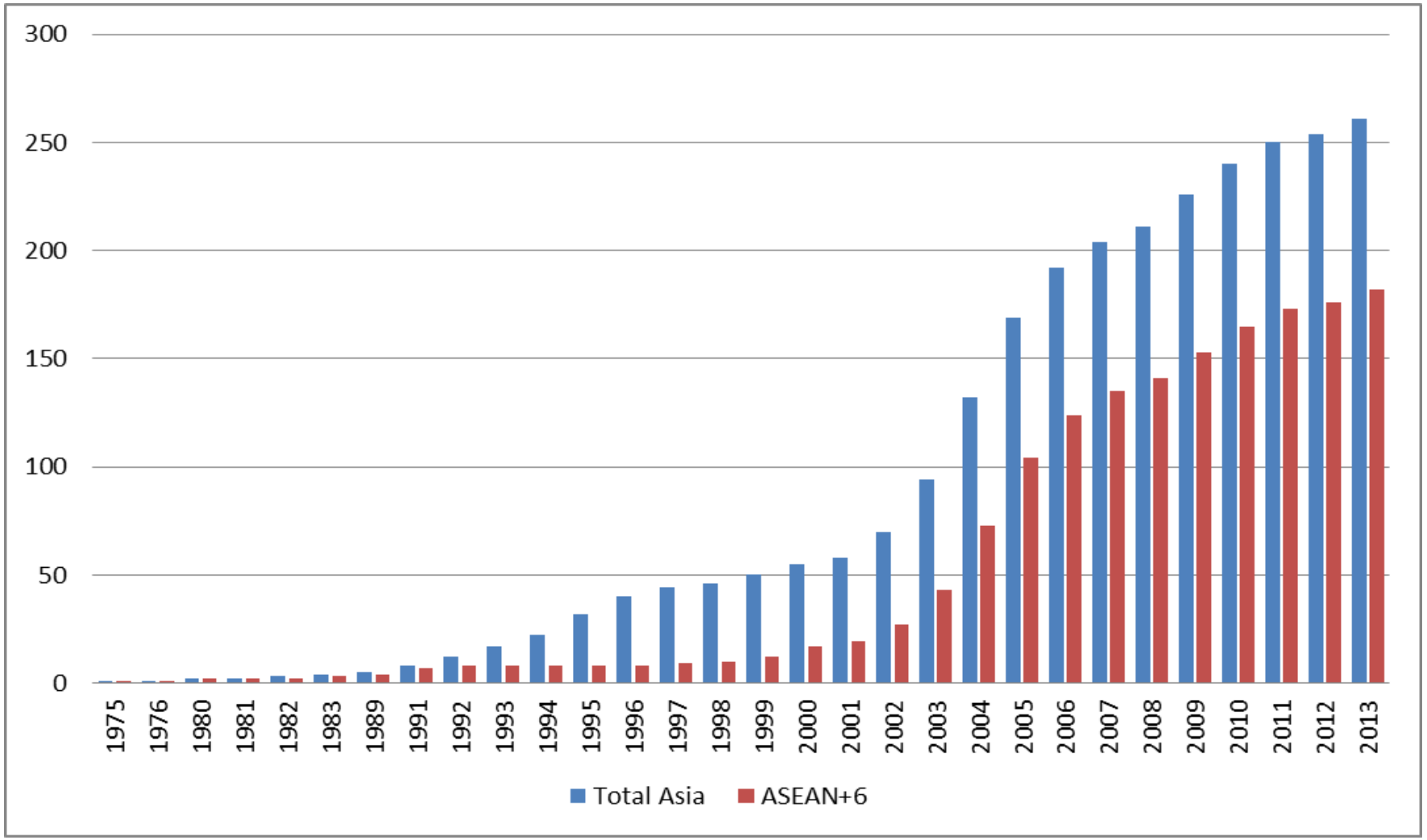
FTAs by Status—Total Asia (cumulative), selected years



Proposed: Parties consider an FTA, with the governments or relevant ministries issuing a joint statement on its desirability or establishment of a joint study group/joint task force for the conduct of feasibility studies. **Framework Agreement signed:** The parties initially negotiate the contents of a framework agreement (FA) , which serves as a framework for future negotiations. **Negotiations launched:** The parties, through the relevant ministries, declare the official launch of negotiations or set the date for such, or start the first round of negotiations. **Signed but not yet in effect:** Parties sign the agreement after negotiations have been completed. However, the agreement has yet to be implemented. **Signed and in effect:** Provisions of FTA come into force, after legislative or executive ratification.

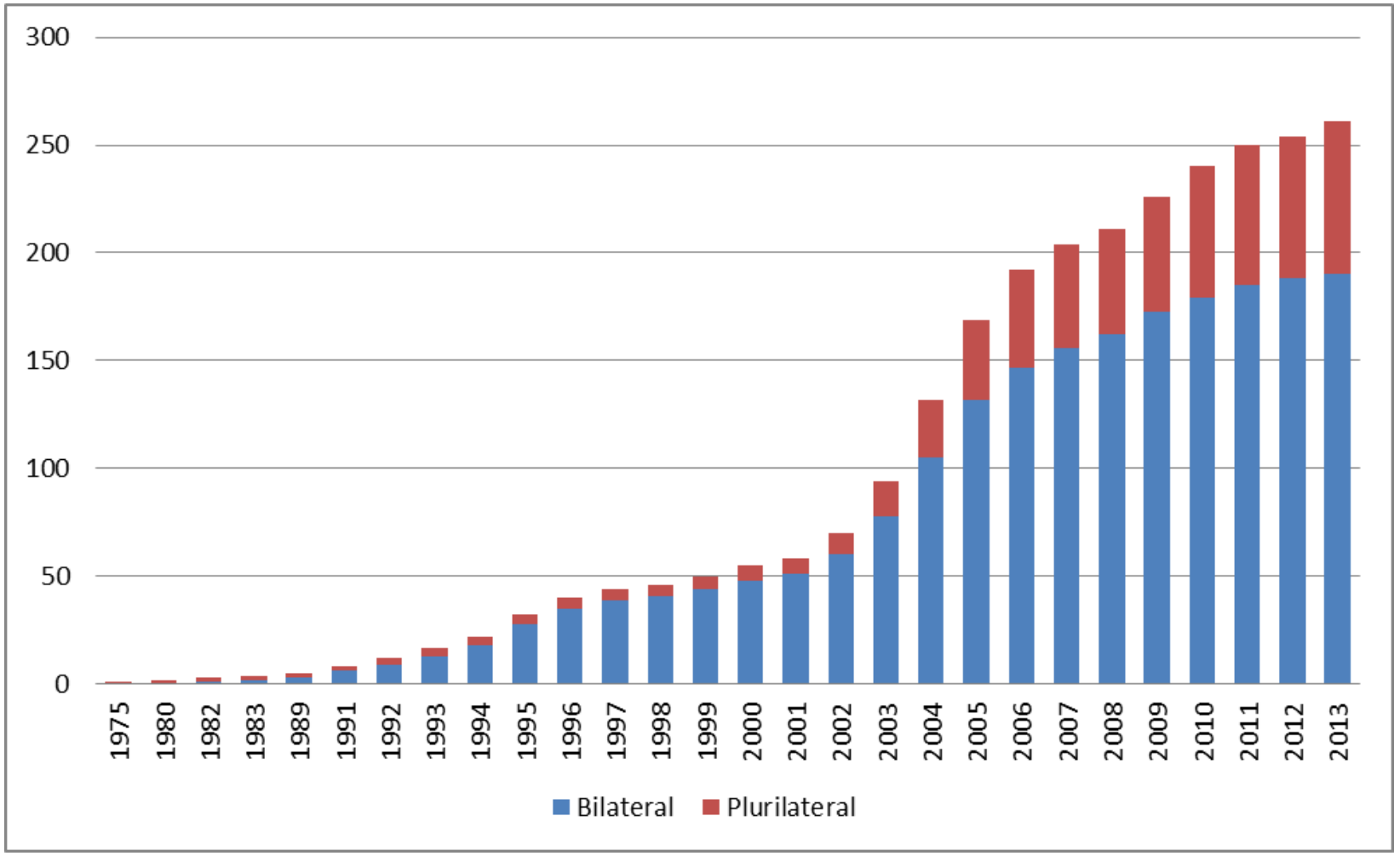
Source: ARIC FTA database (as of July 2013), Asian Development Bank.

FTAs—Total Asia and ASEAN+6 (cumulative), selected years



Source: ARIC FTA database (as of July 2013), Asian Development Bank.

FTAs by Scope—Total Asia (cumulative), selected years



Source: ARIC FTA database (as of July 2013), Asian Development Bank.

Bilateral FTAs within ASEAN+6

Country	Proposed	Under Negotiation or Signed but not yet in effect	Signed and in effect	Total Number of FTAs
Australia (AUS)		JPN; IND; INO; KOR; PRC	NZ; MAL; SIN; THA	**9**
Brunei Darussalam (BRU)			JPN	**1**
China, P.R. (PRC)	IND	AUS, KOR	NZ; SIN; THA	**6**
India (IND)	PRC	AUS; INO; NZ; THA	JPN; KOR; MAL; SIN	**9**
Indonesia (INO)		AUS; IND; KOR	JPN	**4**
Japan (JPN)	KOR; NZ	AUS	BRU; IND; INO; MAL; PHI; SIN; THA; VIE	**11**
Korea, Rep. (KOR)	JPN; MAL; THA	AUS; INO; NZ; PRC; VIE	IND; SIN	**10**
Lao PDR (LAO)			THA	**1**
Malaysia (MAL)	KOR		AUS; IND; JPN; NZ	**5**
New Zealand (NZ)	JPN	IND; KOR	AUS; MAL; PRC; SIN; THA	**8**
Philippines (PHI)			JPN	**1**
Singapore (SIN)			AUS; IND; JPN; KOR; PRC; NZ	**6**
Thailand (THA)	KOR	IND	AUS; JPN; LAO; PRC; NZ	**7**
Viet Nam (VIE)		KOR	JPN	**2**
Total # of FTAs	**5***	**12***	**23***	**40***

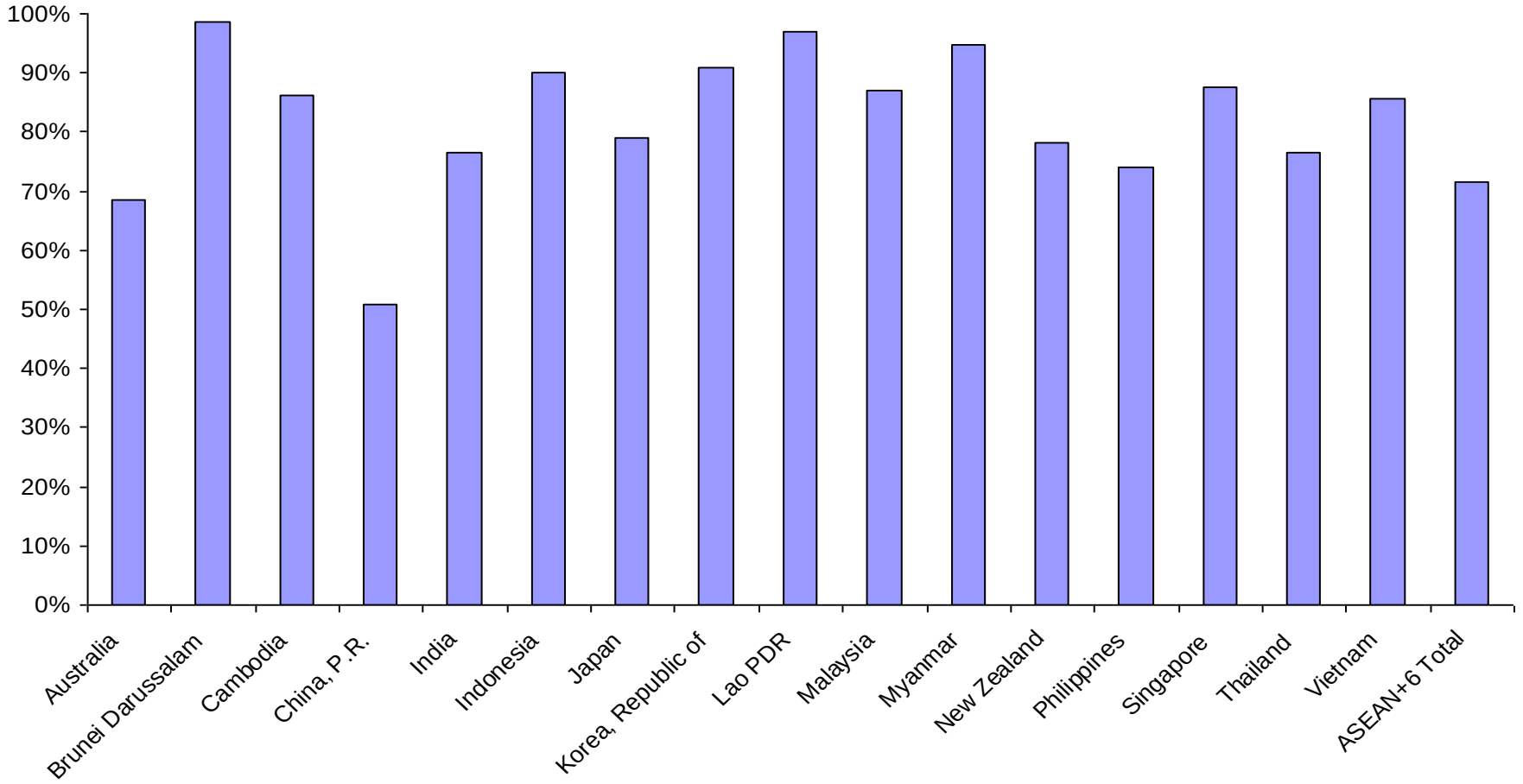
* Unique FTAs (to avoid double counting). Cambodia and Myanmar have no bilateral FTAs.

Source: ADB ARIC FTA database

How much trade is or will be covered

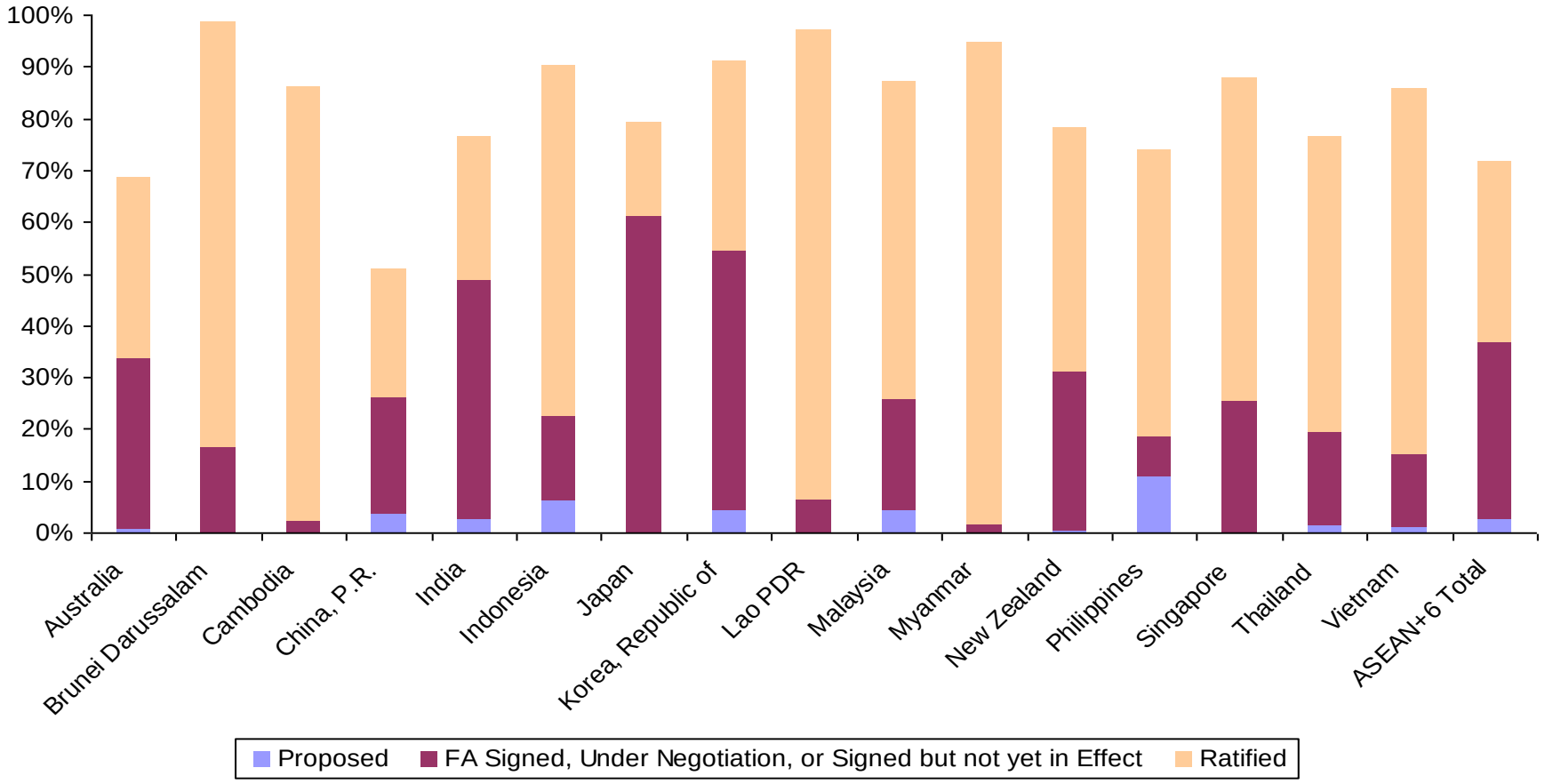
- Apart from China and Australia, ¾ of imports covered or about to be covered
- For ASEAN+6 as a group, more than 1/3 of imports already covered by FTAs, with another 1/3 about to be
- Similar patterns for exports

ASEAN+6 Imports from FTA partners as % of Total Imports, 2011



Source: IMF Direction of Trade Statistics, data downloaded May 2013

ASEAN+6 Imports from FTA Partners as % of Total Imports—by FTA Status, 2011



Source: IMF Direction of Trade Statistics, data downloaded May 2013

Goods, Value of Imports from FTA Partners ($ million) and Share in Total Imports, 2011				
Country	**Proposed**	**Under Negotiation or Signed but not yet in effect**	**Ratified**	**Total Imports from FTA partners**
Australia	2,073.5	85,313.3	91,051.7	178,438.5
	0.8%	32.8%	35.0%	68.6%
Brunei Darussalam		1,051.8	5,267.9	6,319.7
	0.0%	16.4%	82.3%	98.7%
Cambodia	19.4	285.9	10,568.0	10,873.3
	0.2%	2.3%	83.7%	86.1%
China, P.R.	61,403.0	393,988.8	428,091.6	883,483.4
	3.5%	22.6%	24.6%	50.7%
India	11,643.6	215,069.2	128,698.3	355,411.1
	2.5%	46.2%	27.7%	76.4%
Indonesia	11,206.3	28,483.0	119,985.7	159,675.0
	6.3%	16.1%	67.6%	90.0%
Japan	516.3	520,084.7	155,639.9	676,240.9
	0.1%	60.8%	18.2%	79.1%
Korea, Republic of	23,301.3	261,776.9	191,875.3	476,953.5
	4.4%	49.9%	36.6%	90.9%
Lao PDR	0.3	292.5	4,198.5	4,491.2
	0.0%	6.3%	90.6%	96.9%
Malaysia	8,199.9	40,083.8	114,938.2	163,222.0
	4.4%	21.4%	61.3%	87.0%
Myanmar	8.8	206.7	12,756.1	12,971.6
	0.1%	1.5%	93.2%	94.8%
New Zealand	176.3	11,247.1	17,244.7	28,668.0
	0.5%	30.6%	47.0%	78.1%
Philippines	6,586.1	4,447.1	33,452.5	44,485.7
	10.9%	7.4%	55.6%	74.0%
Singapore	141.6	92,555.1	228,260.1	320,956.8
	0.0%	25.3%	62.4%	87.7%
Thailand	3,061.9	41,233.9	131,155.0	175,450.9
	1.3%	18.0%	57.2%	76.6%
Vietnam	1,061.7	14,638.9	73,933.8	89,634.4
	1.0%	14.0%	70.7%	85.8%
ASEAN+6 Total	**129,400.1**	**1,710,758.8**	**1,747,117.4**	**3,587,276.3**
	2.6%	**34.2%**	**34.9%**	**71.6%**

Source: IMF Direction of Trade Statistics, data downloaded May 2013

Goods, Value of Exports to FTA Partners ($ million) and Share in Total Exports, 2011				
Country	**Proposed**	**Under Negotiation or Signed but not yet in effect**	**Ratified**	**Total Exports to FTA partners**
Australia	1,221.8	171,807.1	49,213.9	222,242.8
	0.5%	63.4%	18.2%	82.0%
Brunei Darussalam		45.1	11,332.0	11,377.1
	0.0%	0.4%	98.7%	99.1%
Cambodia	0.2	1,683.6	1,371.6	3,055.4
	0.0%	25.8%	21.1%	46.9%
China, P.R.	65,252.7	250,016.5	612,477.6	927,746.8
	3.4%	13.1%	32.2%	48.8%
India	6,470.5	121,151.0	85,943.5	213,565.0
	2.1%	39.4%	28.0%	69.5%
Indonesia	16,711.6	31,688.3	134,433.4	182,833.3
	8.2%	15.6%	66.1%	89.8%
Japan	3,073.6	373,812.0	156,778.2	533,663.8
	0.4%	45.3%	19.0%	64.7%
Korea, Republic of	32,854.3	213,653.9	213,020.0	459,528.1
	5.8%	38.0%	37.9%	81.7%
Lao PDR	0.05	282.1	2,342.4	2,624.6
	0.0%	9.0%	75.1%	84.1%
Malaysia	6,451.9	48,901.1	143,227.3	198,580.4
	2.8%	21.4%	62.7%	87.0%
Myanmar	55.4	361.5	7,115.7	7,532.6
	0.7%	4.3%	85.6%	90.6%
New Zealand	350.6	9,409.4	17,925.1	27,685.1
	0.9%	25.0%	47.6%	73.5%
Philippines	7,154.2	5,950.6	26,617.5	39,722.2
	14.8%	12.3%	55.2%	82.4%
Singapore	1,332.9	52,044.1	272,857.4	326,234.4
	0.3%	12.6%	66.2%	79.1%
Thailand	3,976.0	52,744.6	121,767.4	178,488.1
	1.8%	24.0%	55.3%	81.0%
Vietnam	1,455.7	34,888.9	44,429.3	80,773.9
	1.6%	37.6%	47.8%	87.0%
ASEAN+6 Total	**146,361.5**	**1,368,439.8**	**1,900,852.3**	**3,415,653.5**
	2.9%	**26.8%**	**37.3%**	**67.0%**

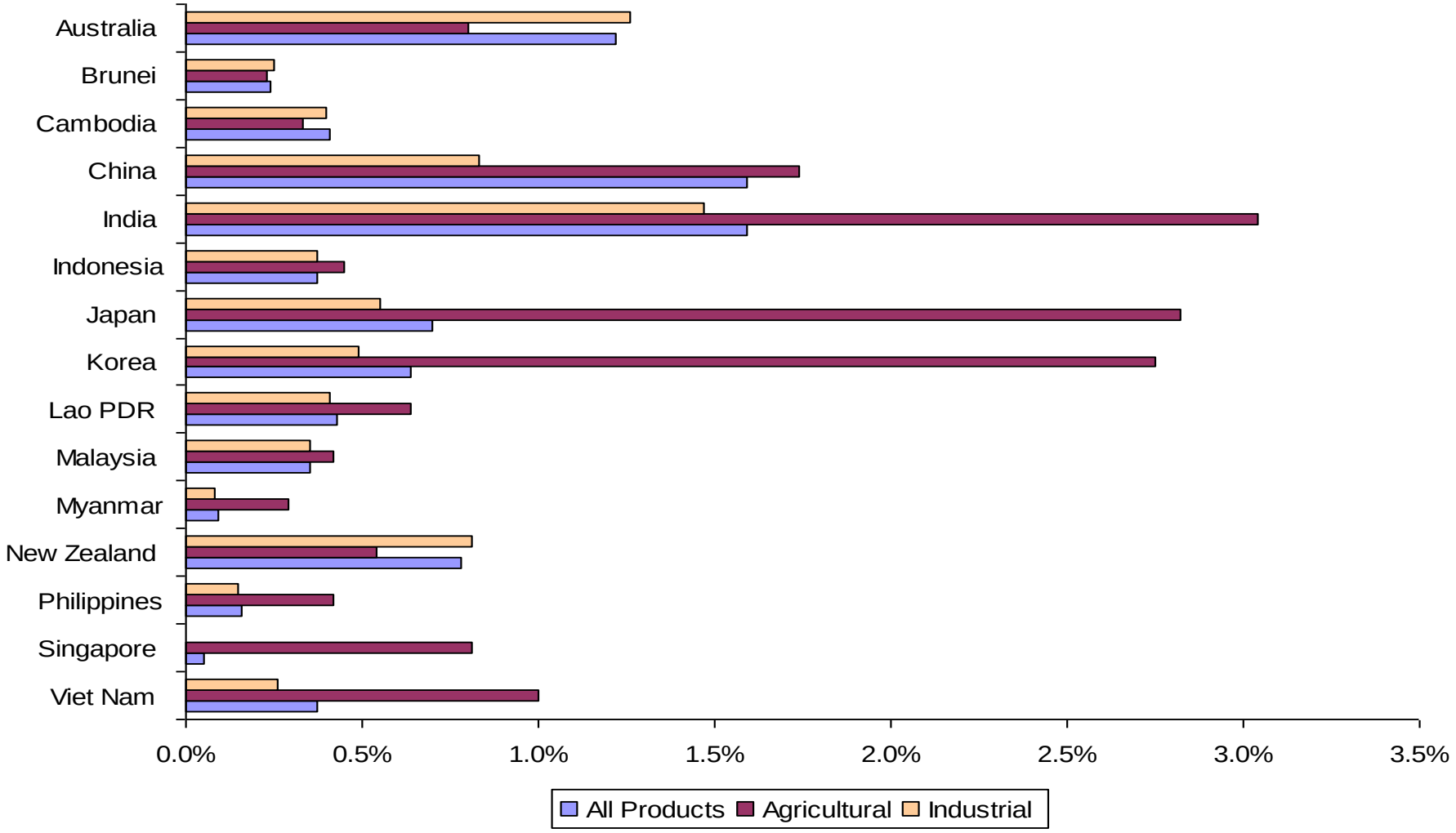
Source: IMF Direction of Trade Statistics, data downloaded May 2013

Volume of Trade with FTA Partners ($ million), and Shares in Total Trade, 2011				
Country	**Proposed**	**Under Negotiation or Signed but not yet in effect**	**Ratified**	**Total Trade with FTA Partners**
Australia	3,295.3	257,120.5	140,265.5	400,681.3
	0.6%	48.4%	26.4%	75.4%
Brunei Darussalam		1,096.9	16,599.9	17,696.8
	0.0%	6.1%	92.8%	99.0%
Cambodia	19.5	1,969.5	11,939.6	13,928.7
	0.1%	10.3%	62.4%	72.8%
China, P.R.	126,655.8	644,005.3	1,040,569.2	1,811,230.3
	3.5%	17.7%	28.6%	49.7%
India	18,114.1	336,220.3	214,641.8	568,976.1
	2.3%	43.5%	27.8%	73.7%
Indonesia	27,917.9	60,171.3	254,419.1	342,508.3
	7.3%	15.8%	66.8%	89.9%
Japan	3,589.9	893,896.6	312,418.2	1,209,904.7
	0.2%	53.2%	18.6%	72.1%
Korea, Republic of	56,155.6	475,430.8	404,895.2	936,481.6
	5.2%	43.7%	37.3%	86.2%
Lao PDR	0.3	574.6	6,540.9	7,115.8
	0.0%	7.4%	84.3%	91.8%
Malaysia	14,651.8	88,984.9	258,165.6	361,802.3
	3.5%	21.4%	62.1%	87.0%
Myanmar	64.3	568.2	19,871.8	20,504.2
	0.3%	2.6%	90.3%	93.2%
New Zealand	526.9	20,656.5	35,169.7	56,353.1
	0.7%	27.8%	47.3%	75.7%
Philippines	13,740.2	10,397.7	60,070.0	84,208.0
	12.7%	9.6%	55.4%	77.7%
Singapore	1,474.5	144,599.2	501,117.6	647,191.3
	0.2%	18.6%	64.4%	83.2%
Thailand	7,038.0	93,978.5	252,922.4	353,939.0
	1.6%	20.9%	56.3%	78.8%
Vietnam	2,517.5	49,527.8	118,363.1	170,408.3
	1.3%	25.1%	60.0%	86.3%
ASEAN+6 Total	**275,761.6**	**3,079,198.6**	**3,647,969.7**	**7,002,929.8**
	2.7%	30.5%	36.1%	69.3%

How much travels preferentially?

- Margins of preference (MoPs) are small
- Highest for agri, in Japan, Korea and India, but still small overall
- 20% of intra-ASEAN trade preferential
- 73% of intra-ASEAN trade at MFN zero, with more than 90% for some bilaterals
- High share of product fragmentation trade

Margins of Preference (ITC May 2013 data)



Note: Data unavailable for Thailand. In the calculation of MFN tariff averages, general tariffs (for non-WTO members) and non-MFN tariffs are included.

Source: ITC Market Access Map Country Tariff Averages, downloaded May 2013

Preferential trade by agreement/type of regime, 2008, selected regimes

Regime	Share of trade by preferential margin (PM) and MFN rate (in per cent of total trade)								
	Preferential Trade						Total Non-Preferential, >0	Total MFN Zero	Trade weighted pref. margin (percentage points)
	Total Preferential	PM>20%	PM 10.1% to 20%	PM 5.1% to 10%	PM 2.6% to 5%	PM 0.1% to 2.5%			
Intra-ASEAN	20.1	2.0	2.0	2.6	4.7	8.7	3.6	72.9	1.7
Singapore-USA	7.2	0.2	0.2	0.6	4.8	1.4	0.0	92.7	0.3
Japan-Singapore	3.1	0.0	0.0	0.1	2.4	0.6	1.9	94.0	0.1
Australia-Singapore	6.4	0.0	0.0	0.2	6.1	0.0	0.0	93.6	0.4
India-Singapore	20.0	0.0	0.0	8.7	6.6	4.6	16.2	59.6	1.0

Source: WTO World Trade Report, 2011

FTAs and NTBs-the right instrument?

- Many studies (eg WTO, 2011) confirm the failure of most Asian FTAs to deepen coverage to deal with trade facilitation and behind the border issues
- Even if they deepen, the need to be discriminatory in the exchange of concessions suggests problems
- Unlike tariffs, costly or impractical to remove NTBs or NTMs preferentially

The Way Forward

- Bali has shown that multilateral deals are still possible, sector-wise at least
- Single undertaking unlikely, and maybe even less so now, but still may not be enough
- It would dilute preferences but not remove them
- Regionalism has remained, indeed thrived, despite many successful GATT Rounds

The Way Forward

- Time is ripe to seriously consider multilateralization of preferences as a way out of current mess of preferential deals- with or without more multilateralism
- History supports viability of unilateralism
- Very small share of trade travels preferentially at a high cost of implementing FTAs
- For NTBs, incumbency issue requires national reforms

Thank you!

For inquiry or comments, please contact:

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