ASEAN'S FREE TRADE AGREEMENTS

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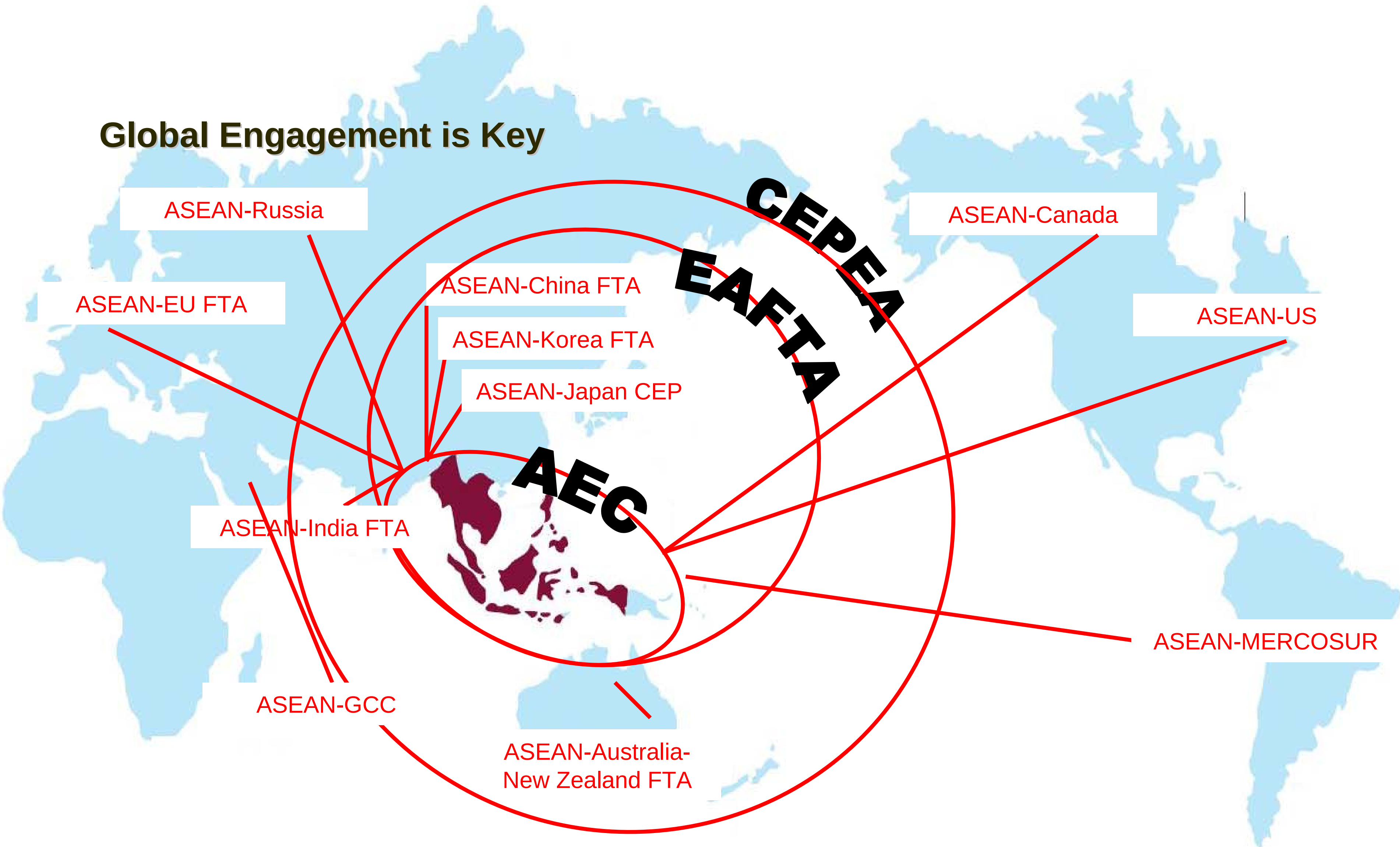
ASEAN ECONOMIC INTEGRATION FRAMEWORK

- **Internal Integration – ASEAN Economic Community**
  - Single market and production base
  - Competitive economic region
  - Equitable economic development
  - Integration into the global economy
- **External – FTAs and CEPs**
  - Enhance market access
  - To remain competitive vis-à-vis countries/blocs directly competing with ASEAN
  - ASEAN Centrality

ASEAN EXTERNAL ECONOMIC RELATIONS



APPROACH TO FTA NEGOTIATIONS

Sequential

- Framework Agreement
- Trade in Goods
- Trade in Services
- Investment

Single Undertaking

- Comprehensive agreement covering goods, services, investment, economic cooperation, other related disciplines

FTA

FTAS IN ASEAN

- ASEAN Free Trade Agreement (AFTA) – 1993
- ASEAN-China Free Trade Agreement (ACFTA) – 2005
- ASEAN-Korea Free Trade Agreement (AKFTA) – 2007
- ASEAN-Japan Comprehensive Economic Partnership (AJCEP) – 2008
- ASEAN-Australia-New Zealand Free Trade Agreement (AANZFTA) – 2010
- ASEAN-India Free Trade Agreement (AIFTA) – 2010

ASEAN FREE TRADE AREA

- **Established in 1992, realised on 1 January 2010 (ASEAN-6) as 99% of total tariff lines eliminated for intra-ASEAN trade**
- **Average tariff for ASEAN-6 is now 0.95% from 12% in 1992**
- **AFTA for CLMV will be realised as early as 1 January 2015 (part of the S&D given to CLMV as new ASEAN members and as least developed ASEAN Members)**
- **Ultimate goal is free flow of goods in 2015 as ASEAN realises the ASEAN Economic Community**

ASEAN TRADE IN GOODS AGREEMENT (ATIGA)

- **Signed in Thailand on 26 February 2009 and entered into force on 17 May 2010**
- **Supersedes the 1993 Agreement on Common Effective Preferential Tariff Scheme (CEPT)**
- **Provides the legal framework to realise free flow of goods in the ASEAN Economic Community**
- **Covers more than tariff liberalisation; includes substantive Chapters on enhanced ROO, trade facilitation work programme, Customs procedures, STRACAP (standards, technical regulations and conformity assessment procedures) and SPS**

ASEAN-CHINA FREE TRADE AGREEMENT

- Negotiated using a "sequential approach"
- ASEAN's only FTA that provided for an Early Harvest Programme, implemented in 2004
- Trade in Goods Agreement signed in 2004 and implemented in 2005; ROO enhanced in 2011
- Trade in Services Agreement signed 2007; 2nd Package of Specific Commitments to be signed in August 2011
- Investment Agreement signed in 2009
- ACFTA realised on 1 January 2010
- Total population of 1.91 billion with a combined GDP of US$7.6 trillion (2010)

ASEAN-KOREA FREE TRADE AGREEMENT

- Negotiated using a "sequential approach"
- Introduced the concept of Product Specific Rules
- Trade in Goods Agreement implemented in 2007, without Thailand
- Trade in Services Agreement signed 2007, without Thailand
- Thailand acceded to both the Goods and Services Agreements in 2009
- Investment Agreement signed in 2009
- AKFTA realised on 1 January 2010
- Total population of 632.1 million with a combined GDP of US$2.8 trillion (2010)

ASEAN-JAPAN COMPREHENSIVE ECONOMIC PARTNERSHIP

- Negotiated as a single undertaking although services and investment part of a built-in agenda
- Unique: bilateral EPAs (7) vis-à-vis regional CEP
- AJCEP Agreement signed in April 2008 and entered into force in December 2008
- First FTA to have an elaborate section on trade facilitation, SPS, STRACAP and economic cooperation, among others
- Agreements on Services and Investment being negotiated
- Total population of 711.2 million with a combined GDP of US$ 6.56 trillion (2010)
- FTA to be realised 10 years upon entry into force

ASEAN-AUSTRALIA NEW ZEALAND FREE TRADE AGREEMENT

- Negotiated as a single undertaking
- Agreement establishing the AANZFTA signed in Feb 2009 and entry into force on 1 Jan 2010
- Considered the most comprehensive, most ambitious FTA ASEAN has to-date
- Includes chapters not in any of ASEAN's FTAs: IP, MNP, electronic commerce and competition
- FTA to be realised in 2015
- Total population of 626.2 million with combined GDP of US$3.2 trillion (2010)

ASEAN-INDIA FREE TRADE AREA

- **Negotiated using a "sequential approach" similar to ACFTA and AKFTA**
- **Trade in Goods Agreement signed in August 2009 and entry into force on 1 January 2010**
- **General ROO: 35% + CTSH**
- **Agreement on Services and Investment currently being negotiated**
- **FTA to be realised by 2016**
- **Total population of 1.8 billion with combined GDP of US$3.3 trillion (2010)**

CHARACTERISTICS OF ASEAN FTAs

- Enhancement in features, scope and depth
- Strive for harmonisation to avoid spaghetti bowl effect
- No “one template fits all”
- Economic cooperation element

ASEAN FTAs: key convergence/divergence

Element	AFTA	ACFTA	AKFTA	AJCEP	AANZFTA	AIFTA
Realisation	01.01.10	01.01.10	01.01.10	within 10 yrs	2015	2016
Tariffs • elimination • standstill • exclusion • special prods • max tariffs	 more than 99% none none rice and sugar 5% (UAP)	 at least 90% yes (tech) none (tech) none 20% (SL) 50% (HSL)	 at least 90% None 40 TL none	 at least 90% none 1% (total trade) none	 90%, 100% None Yes None	 at least 80% None About 500 TLs Coffee, tea, pepper and palm oil
Rules of Origin	RVC (40) or CTC; PSRs	RVC (40); limited PSRs	RVC (40) or CTC; PSRs	RVC (40) or CTC; PSRs	RVC (40) or CTC; PSRs	RVC 35% +CTSH
SPS/TBT	yes	negotiating	minimal	yes	yes	None
Services and Investment	AFAS and ACIA	Yes (only protection for investment)	Yes (liberalisation for investment in built-in agenda)	Built-in agenda Being negotiated	Yes	Being negotiated

IMPACT OF ASEAN-CHINA FTA

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- **As of 1 Jan 2010, more than 89% of ASEAN-6 and China's tariff lines were at 0%. Remaining 3% of tariff lines in NT will be eliminated by 1 Jan 2012.**
- **For CLMV, tariff elimination will be completed by 1 Jan 2015.**
- **Trade in Services Agreement and Investment Agreements under the ACFTA Framework have been ratified by all Parties.**

IMPACT OF ASEAN-CHINA FTA

The first 5 years (2005-2010):

- **Total trade between ASEAN-China increased at an average of 19.9% per annum**
- **Investments from China into ASEAN increased four-fold from US$0.54 billion to US$2.7 billion**
- **In 2009 and 2010, China was ASEAN's largest trading partner accounting approx 11.5% of ASEAN's total trade**

IMPACT OF ASEAN-CHINA FTA

Border Trade

- Dynamic business activities at the border of ASEAN and China such as the Guangxi Province and Viet Nam
- Guangxi-Zhuang autonomous region generated US$5.4 billion trade volume with ASEAN during the first 11 months of 2010, a rise of 29.4% over the same period last year and accounted for 35.2% of the autonomous region's total trade volume

IMPACT OF ASEAN-CHINA FTA

Findings of ERIA and ADB studies

- **High integration of production network between China and ASEAN**
- **More intra-regional export for intermediate products and raw materials than finished products**
- **Trade creation vs trade diversion: ASEAN's trade with non-ACFTA members increased average of 17.5% between 2005-2010 vs 19.9% for ASEAN-China**

IMPACT OF ASEAN-CHINA FTA

Continuous Enhancement:

- **Second Protocol to Amend the Agreement on Trade in Goods – improved Operational Certification Procedures (OCP) signed on 29 October 2010**
- **Drafting of Chapters on SPS and TBT, Customs Procedures and Trade Facilitation**
- **Regional infrastructure development - ASEAN Highway Network and Singapore-Kunming Rail Link**

ASEAN FTAs - CHALLENGES

- **Creativity during negotiation**
- **Selling FTAs to stakeholders**
- **Timely implementation**
- **Implementation issues – interpretation on the ground; cooperation between negotiating and implementing agencies**
- **Impediments behind the border**
- **Private sector engagement for feedback on impact, effectiveness and actual implementation**

EMERGING REGIONAL ARCHITECTURE

- Next step: EAFTA (?)
- Rapid regional and global developments
- Ministerial decision: pragmatic and ASEAN Plus FTAs as building blocks
- Consolidation exercise – priority given to ROO; Customs-related matters; tariff nomenclature and economic cooperation
- Narrowing the development gap critical to ensure less-developed countries benefit from economic integration

Thank you