

Multilateralization of FTAs: An Asian Perspective

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I. Introduction

- Regional Trade Agreements (RTAs) began to increase sharply around 1990 globally
- Asia was a late comer in RTA race, as the number of RTAs(FTAs) in Asia began to increase in the 21st century.
- Free Trade Agreements (FTAs) in Asia are bilateral and plurilateral, not region-wide, currently 5 ASEAN+1 FTAs
- Negotiations for a Region-wide FTA (RCEP) will start in 2013
- RCEP: Consolidation of 5 ASEAN+1 FTAs?
- Multilateralization of RCEP?

II. Proliferation of FTAs in East Asia

Table 1 FTAs in Asia (cumulative as of January 2013)									
	Framework Agreement		Under Negotiation	Signed	In effect	Total	Types of FTAs		
	Proposed	Signed/ Under neg					Bilateral	Plurilateral	
	1989	1	0	0	1	3	5	3	2
1995	1	0	0	12	19	32	28	4	
2000	3	0	6	16	30	55	48	7	
2005	43	18	28	24	56	169	132	37	
2010	57	17	47	23	97	241	180	61	
2013	50	14	61	23	109	257	189	68	

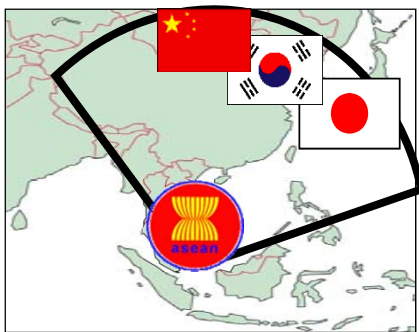
Note: Asia in this table include the Asian Development Bank members.

Source: Asian Development Bank, Asian Regional Integration Center website, accessed on March 2, 2013.

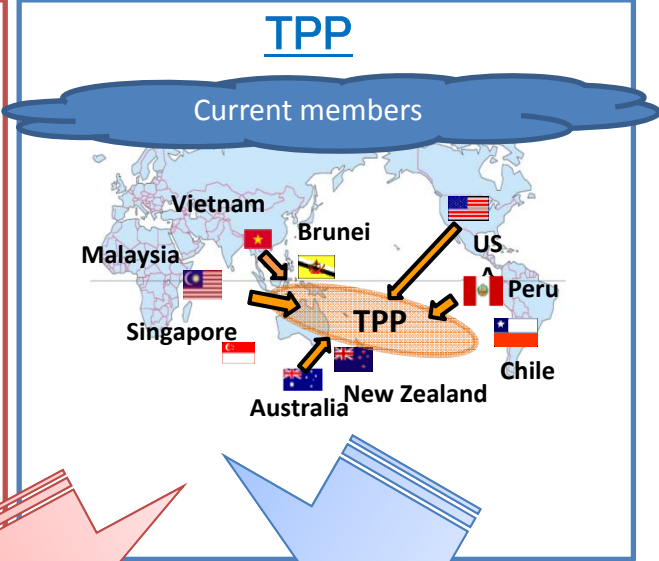
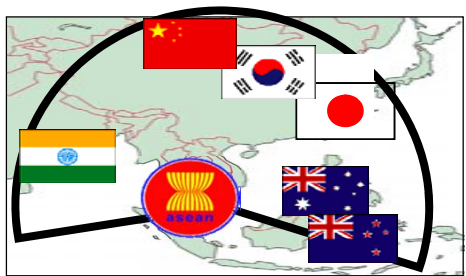
FTAAP: Free Trade Area of the Asia-Pacific

Efforts under various frameworks

ASEAN+3 (EAFTA)
(ASEAN + JP, CH, KR)

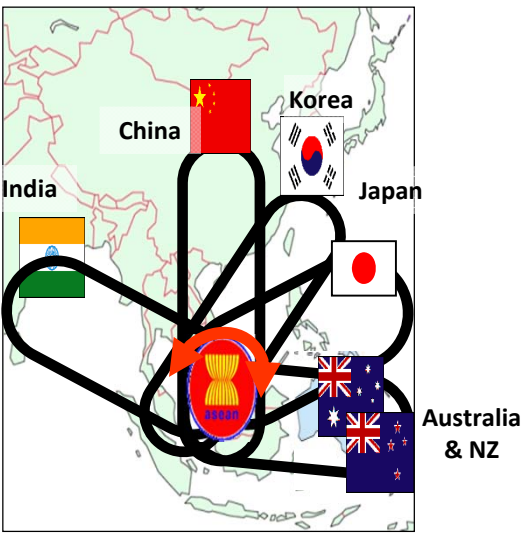


ASEAN+6 (CEPEA)
(ASEAN+JP, CH, KR, IND, AUS, NZ)

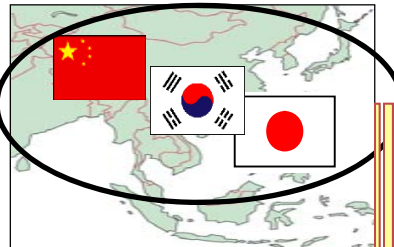


RCEP Establishment of 3 working groups (for trade in goods, services and investment) in 2012

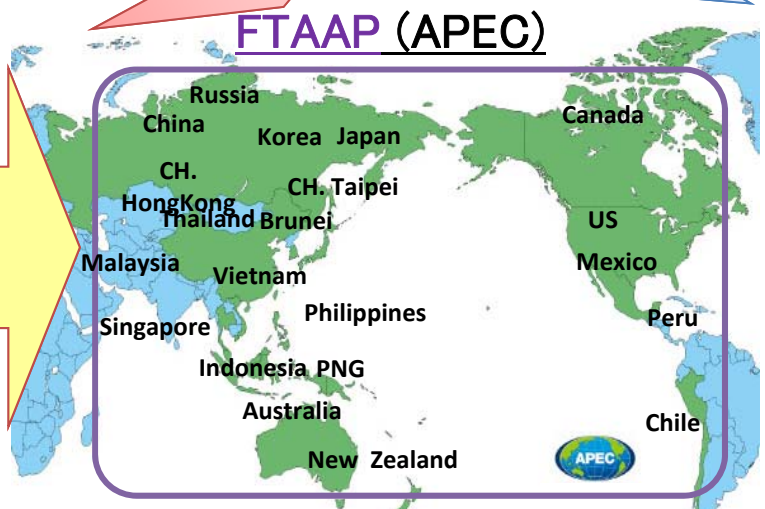
ASEAN+1 FTA



Japan-China-Korea



Launch of negotiations in 2012



(Source: METI, Japan)

III. Characteristics and Motives of FTAs in East Asia

Characteristics

- Comprehensive contents including not only trade and investment liberalization/facilitation but also cooperation

Motives

- Expand exports
- Promote domestic reform
- Rivalry among the countries
- Region-wide FTAs: Asian financial crisis, Global Financial Crisis

IV. Comparison and Evaluation of ASEAN+1 FTAs from the GATT/WTO Perspectives

Transparency: Notification of FTA's entry into force,
submission of data (poor performance)

Trade liberalization

- Goods: Elimination of import duties on substantially all the trade: trade liberalization rate (not high enough)
- Services: Eliminate "substantially all discrimination" with "substantial sectoral coverage.": Hoekman index (poor performance)

Implementation of agreement: within a reasonable length of time – 10 years (poor performance)

Table 3 Transparency in ASEAN+1 FTAs				
	Date of notification	Date of entry into force	End of implementation period	Factual abstract
ASEAN-China (G)	21-Sep-05	1-Jan-05	2020	yes
(S)	26-Jun-08	1-Jul-07		no
ASEAN-Korea (G)	15-Jun-10	1-Jan-10	2024	no
(S)	15-Jun-10	1-May-09		no
ASEAN-Japan	23-Nov-09	1-Dec-08	2026	no
ASEAN-India	19-Aug-10	1-Jan-10	not specified	no
ASEAN-ANZ	8-Apr-10	1-Jan-10	2025	no
Note: G and S denote goods and services, respectively.				
Source: WTO, RTA Database on WTO website.				

	AANZFTA	ACFTA	AIFTA	AJCEP	AKFTA	Average
Brunei	99.2	98.3	85.3	97.7	99.2	95.9
Cambodia	89.1	89.9	88.4	85.7	97.1	90
Indonesia	93.7	92.3	48.7	91.2	91.2	83.4
Lao PDR	91.9	97.6	80.1	86.9	90	89.3
Malaysia	97.4	93.4	79.8	94.1	95.5	92
Myanmar	88.1	94.5	76.6	85.2	92.2	87.3
Philippines	95.1	93	80.9	97.4	99	93.1
Singapore	100	100	100	100	100	100
Thailand	98.9	93.5	78.1	96.8	95.6	92.6
Vietnam	94.8	n.a.	79.5	94.4	89.4	89.5
Australia	100					
China		94.1				
India			78.8			
Japan				91.9		
Korea					90.5	
New Zealand	100					
Average	95.7	94.7	79.6	92.8	94.5	

Liberalization of Trade in Services

	AANZFTA		ACFTA		AKFTA		Average	
	Total	WTO+	Total	WTO+	Total	WTO+	Total	WTO+
Brunei	0.18	0.15	0.05	0.02	0.08	0.06	0.10	0.08
Cambodia	0.51	0.14	0.38	0.01	0.38	0.01	0.42	0.05
Indonesia	0.29	0.22	0.09	0.03	0.18	0.11	0.19	0.12
Lao PDR	0.24	NA	0.02	NA	0.07	NA	0.11	NA
Malaysia	0.31	0.21	0.11	0.01	0.20	0.10	0.21	0.11
Myanmar	0.26	0.23	0.04	0.01	0.06	0.03	0.12	0.09
Philippines	0.26	0.17	0.11	0.02	0.17	0.08	0.18	0.09
Singapore	0.44	0.33	0.30	0.19	0.33	0.22	0.36	0.25
Thailand	0.36	0.12	0.25	0.02	NA	NA	NA	NA
Viet Nam	0.46	0.19	0.34	0.07	0.32	0.05	0.37	0.10
ASEAN Average	0.33	0.20	0.17	0.04	0.20	0.08	0.23	0.11
Australia	0.52	0.18						
New Zealand	0.51	0.26						
China			0.28	0.04				
Korea					0.31	0.09		

Table 5 Tariff Elimination Schedule for ASEAN+1 FTAs							
		ASEAN6		CLMV countries		FTA Partners	
	Year of enactment	Elimination (Normal Track or SL)	Other reduction (SL or HSL)	Elimination (Normal Track or SL)	Other reduction (SL or HSL)	Elimination (Normal Track or SL)	Other reduction (SL or HSL)
AANZFTA	2010	2020-2025	2020-2025	2020-2024	2025	2020	-
ACFTA	2005	2012 ^{*1}	2018	2018 ^{*1}	2018	2012 ^{*1}	2018
AIFTA ^{*2}	2010	2017-2020 ^{*3}	2017-2020	2022 ^{*3}	2022	2017 ^{*3} (2020 ^{*4})	2020
AJCEP	2008	2018	2018-2024	2023-2026	2026	2018	2018
AKFTA	2010	2012 ^{*5} (2017 ^{*6})	2016	2018-2020 ^{*5}	2021-2024	2010	2016

Table 6 Frequency by Type of ROOs used in ASEAN+1 FTAs

ROO type	AANZFTA	ACFTA	AIFTA	AJCEP	AKFTA
Single Rule or stricter					
WO	294	8		3	458
CC	248	1		735	61
CTH	107			137	4
CTSH				8	
RVC(<40)					36
RVC(40)	68	4659		219	22
RVC(>40)					6
RVC(35)+CTSH			5224		
CC with exception*	3			258	
CTH with exception*	10			20	
Various**	43				3
Sub-total	773	4668	5224	1380	590
% share in total	14.80%	89.40%	100.00%	26.40%	11.30%
"RVC(40) or CTH" or more flexible					
RVC(40) or CTH	2204	122		3057	4076
RVC(40) or CTH or Specific	24				
RCV(40) or CTSH	1072			33	61
RVC(40) or CTH or	195				
RVC(40) or CTH or Textile	6				
Sub-total	3501	122	0	3090	4137
% share in total	67.00%	2.30%	0.00%	59.20%	79.20%
Other "or" rules					
RVC(40) or CC or Textile Rule					
RVC(40) or CC	583	7		126	487
Various***	367	427		628	10
Sub-total	950	434	0	754	487
% share in total	18.20%	8.30%	0.00%	14.40%	9.30%
Total # of 6-digit HS(2002)	5224	5224	5224	5224	5224

V. Moves toward the Establishment of a Region-wide FTTA

- Examine similarities and differences of the contents among 5 ASEAN+1 FTAs, in order to see if consolidation is possible

Trade in goods:

- Tariff elimination: low level
- Rules of Origin: quite different but

Trade in services: similar but not necessarily high level

Table 8 Distribution of Tariff Lines by Liberalization Status

	% of "eliminated to all" products	% of "depends on FTA" products	% of "protected to all" products
Brunei	84.1	15.9	0.0
Cambodia	64.3	35.3	0.4
Indonesia	46.0	52.8	1.2
Lao PDR	68.0	31.6	0.4
Malaysia	76.0	22.9	1.1
Myanmar	66.6	31.8	1.6
Philippines	74.6	24.4	1.0
Singapore	100.0	0.0	0.0
Thailand	75.6	24.3	0.1
Viet Nam	78.1	19.1	2.8
Average	73.3	25.8	0.9

Source: Kuno (forthcoming)

Table 9 Commonality of ROOs across 5 ASEAN+1 FTAs

				Frequency distribution of HS lines (6-digit HS2002)	
Degree of commonality			No.	%	
At least one common ROO in all 5 FTAs			3318	64.0	
in only 4 FTAs			766	14.8	
in only 3 FTAs			825	15.9	
in only 2 FTAs			255	4.9	
No common ROOs			23	0.4	
Source: Meddala (2011)					

Table 10 Correlation Coefficients of Service Trade Liberalization Commitments among ASEAN+1 FTAs				
	AFAS	AANZFTA	ACFTA	AKFTA
AFAS	1			
AANZFTA	0.718	1		
ACFTA	0.615	0.826	1	
AKFTA	0.704	0.87	0.83	1

Note: AFAS: ASEAN Framework Agreement on Services
AANAFTA: ASEAN-Australia/New Zealand FTA
ACFTA: ASEAN-China FTA
AKFTA: ASEAN-Korea FTA

VI. Multilateralization of FTAs (RCEP)

- Multilateralization of regionalism
- Non-discriminatory extension of preferential arrangements to non-FTA members
- Specific methods: inclusion of new members in existing agreements, replacing existing agreements with new ones that extend to new members
- Include accession clause: RCEP open to ASEAN's FTA partners (conditional open accession)
- Need to expand membership

- ROOs: establish common ROO for the product for ASEAN+1, or adopt co-equal for the products for which setting a common ROO is difficult
- Lenient cumulation rule

VII. Concluding Remarks

- Consolidation of ASEAN+1 FTAs into RCEP is not easy.
- Gradual approach a la AFTA may be adopted.
- Should establish common ROO for the product
- Or adopt co-equal approach
- RCEP and TPP should use APEC's best practice for RTAs/FTAs as guiding principle to establish FTAAP