FTA in Asia-Pacific Region

Oct 11, 2010
Makoto SHIOTA, METI, Japan
1. Factors to call for economic integration

(1) Supply Side

Emerging countries are estimated to achieve high GDP growth in 2010.

World GDP Shares in 2009 and Outlook for 2010

GDP growth

Source: IMF "World Economic Outlook April 2010"
Asia and other emerging countries will lead world’s economic growth in the years ahead.

Emerging countries' contribution to world GDP growth: 43%

Advanced countries' contribution to world GDP growth: 58%

Source: IMF "World Economic Outlook, April 2010"
Shares of Major Countries/Regions in the World’s Nominal GDP

<table>
<thead>
<tr>
<th></th>
<th>2005</th>
<th>2009 (partly estimated)</th>
<th>2015 (estimated)</th>
</tr>
</thead>
<tbody>
<tr>
<td>EU</td>
<td>30.3%</td>
<td>28.4%</td>
<td>23.8%</td>
</tr>
<tr>
<td>United States</td>
<td>27.8%</td>
<td>24.6%</td>
<td>22.3%</td>
</tr>
<tr>
<td>Japan</td>
<td>10.0%</td>
<td>8.7%</td>
<td>7.6%</td>
</tr>
<tr>
<td>Emerging countries</td>
<td>23.7%</td>
<td>30.9%</td>
<td>38.8%</td>
</tr>
<tr>
<td>China</td>
<td>4.9%</td>
<td>8.5%</td>
<td>11.5%</td>
</tr>
<tr>
<td>Other Asian countries</td>
<td>3.9%</td>
<td>5.0%</td>
<td>6.3%</td>
</tr>
<tr>
<td>Brazil</td>
<td>1.9%</td>
<td>2.7%</td>
<td>3.2%</td>
</tr>
<tr>
<td>Russia</td>
<td>1.7%</td>
<td>2.1%</td>
<td>3.7%</td>
</tr>
</tbody>
</table>

Note: Converted into real GDP based on Year 2000.
Source: IMF “World Economic Outlook, April 2010.”
Value added by Manufacturing Sectors (Asia, EU, NAFTA) and Intra-Asia Trade

Note: Asia denotes ASEAN+6.

Source: the United Nations, "National Accounts Main Aggregates Database."
Intra-regional Trade in the EU, NAFTA, and Asia

Note: Asia denotes ASEAN+6
Source: IMF "DOT", Board of Foreign Trade, Taiwan, Chinese Taipei "Trade Statistics"
Changes in Values of Trade (Parts/Components) Between Japan, China, and ASEAN4

**1998**

<table>
<thead>
<tr>
<th>Country</th>
<th>Value ($ billion)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan</td>
<td>28.5</td>
</tr>
<tr>
<td>China</td>
<td>9.2</td>
</tr>
<tr>
<td>ASEAN4</td>
<td>6.2</td>
</tr>
</tbody>
</table>

**2008**

<table>
<thead>
<tr>
<th>Country</th>
<th>Value ($ billion)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan</td>
<td>50.4</td>
</tr>
<tr>
<td>China</td>
<td>10.1</td>
</tr>
<tr>
<td>ASEAN4</td>
<td>54.6</td>
</tr>
</tbody>
</table>

Note: “NIES” denotes South Korea, Taiwan, Hong Kong, and Singapore.
Source: RIETI, "RIETI-TID 2009."
The fragmentation theory: Production blocks and service links

Fukunari Kimura, So Umezaki (2010) "Comprehensive Asia Development Plan"

Before fragmentation

After fragmentation

PB: production blocks
SL: service links
Expanding regional production network: The US-Mexico nexus versus East Asia

Prospects for Personal Consumption in Asian Countries/Regions

(2) Demand side

Note: On a nominal basis. Converted into dollars.
Asia's middle-income segment denotes the segment with household disposable income of $5,000 or more and less than $35,000.

Asia's high-income segment denotes the segment with household disposable income of $35,000 or more.

Notes: Number of households by household disposable income. "Asia" denotes China, Hong Kong, Taiwan, India, Indonesia, Thailand, Vietnam, Singapore, Malaysia, and the Philippines. Figures for 2010, 2015, and 2020 are estimates by Euromonitor.

Notes: Number of households by household disposable income. "Asia" denotes China, Hong Kong, Taiwan, India, Indonesia, Thailand, Vietnam, Singapore, Malaysia, and the Philippines. Calculated by multiplying the percentage of households of each income segment by the population.

2. Existing initiatives and priorities

(1) China, Japan, Korea (CJK)


Source: RIETI-TID2009
AFTA (ASEAN Free Trade Area) - '93: came into force

India-ASEAN
- Jan. '10: agreement on trade in goods came into force

Japan-India
- May '05: negotiation started
- Sep.'10: concluded

Korea-India
- Jan. '10: came into force

India-Australia
- May '05: negotiation started

India-NZ
- Jan. '10: negotiation started
- May, '10: joint feasibility study concluded

Australia, NZ-ASEAN
- Jan. '10: came into force

China-ASEAN
- '05: agreement on trade in goods came into force
- Jul. '07: agreement on trade in service came into force
- Jan. '10: agreement on investment came into force

China-Australia
- May '09: negotiation started

China-NZ
- Jun. '09: negotiation started

A+6

China-Australia: '09: joint feasibility study concluded

A+3 or A+6
Complete set of A+1 FTA

Japan-India
- May '05: negotiation started
- Sep.'10: concluded

China-ASEAN: '09: negotiation started

Korea-ASEAN
- Dec. '04: negotiation suspended
- 1st Dec.'08: came into force

Japan-China-S.Korea
- May '10: discussion among government officials, business and academic participants started

China-ASEAN: Jul. '07: agreement on trade in service came into force
- Jan. '10: agreement on investment came into force

Japan-S.Korea
- Dec. '04: negotiation suspended

Korea-India
- Jan. '10: came into force

Korea-Australia
- May '09: negotiation started

Korea-NZ
- Jun. '09: negotiation started

Japan-Australia
- Apr. '07: negotiation started
- 1st Dec.'08: came into force

Australia, NZ-ASEAN
- Jan. '10: came into force

Japan-ASEAN
- Apr. '07: negotiation started
- 1st Dec.'08: came into force

CEPEA(ASEAN+6)/EAFTA(ASEAN+3)
- Oct. '09: Agreed to commence discussion between Senior Economic Officials

Japan-China-S.Korea
- May '10: discussion among government officials, business and academic participants started
A+3: ASEAN CJK combined
A+6: Better fit regional production networks

Toward Asia-wide FTAs

ASEAN-centered FTAs

Asia-centered FTAs

ASEAN+3 (EAFTA)
(ASEAN, Japan, China, South Korea)

ASEAN + 6 (CEPEA)
(ASEAN, Japan, Korea, China, India, Australia, NZ)

APEC (FTAAP)

United States
Canada
Mexico
Peru
Chile
Hong Kong, China
Chinese Taipei
Russia
Papua New Guinea

Among the ten ASEAN countries, Myanmar, Cambodia, and Laos are not APEC members.
3. Way forward

- CJK, EAFTA(+3), CEPEA(+6), FTAAP, TPP and others
- “ASEAN plus WG”
  - 1) ROO, 2) Tariff nomenclature, 3) Customs procedures and 4) Economic cooperation
- Japanese proposal “Initial Steps towards Regional Economic Integration: A Gradual Approach”
- Development of soft- and hard-infrastructures
  - Bilateral cooperation and sub-regional initiatives
  - Comprehensive Asia Development Plan
  - ASEAN Connectivity Master Plan
Comprehensive Asia Development Plan

- Delhi-Mumbai Industrial Corridor
- Mekong-India Industrial Corridor
- Mekong-Japan Economic and Industrial Cooperation Initiative
- BIMP East ASEAN Growth Area
- IMT Growth Triangle
- Indonesia Economic Development Corridor
- Chennai
- Delhi
- Mumbai
- Ho Chi Minh
- Indonesia
- Malaysia