

IMPACT OF NEW FTAs AND POSSIBLE FTAs ON THE ASEAN ECONOMIC INTEGRATION AND OTHER ASIAN FTAs

PART 2: IMPACT AND PROSPECT

The proliferation of FTAs is the result of a number of factors, from the economic to the political. East Asia is with no exception involved in the process and witnessing the establishment of multi-layered FTAs.

As a result, “Asian noodle-bowl “ syndrome of overlapping and duplication of rules and regulations of regional, sub-regional and bilateral FTAs occur that might reduce the benefits of regional trade and economic growth.

Therefore, East Asia needs to progress from the proliferation of multi-layered FTAs to a region-wide FTA with wider participation and broader coverage. The critical question is how best to do it?

At this point, ASEAN has been the default hub of this regional-wide integration. ASEAN Free Trade Area (AFTA) has progressed to **ASEAN Economic Community (AEC)** which is scheduled to be completed by 2015 and ASEAN Plus One country in one form or another has been completed with all East Asia Summit (EAS) members.

With a view to maintain ASEAN's centrality in regional economic integration, ASEAN is preparing a draft on Regional Architecture that will be initiated at the ASEAN and East Asia Summits in November 2011 in Bali.

The draft will cover Trade in Goods, Special Treatment, Quantitative Measures and Non-Tariff Measures, Rules of Origin, Trade in services and Investment and Trade facilitation

Trans Pacific Partnership (TPP) agreement that has gone to its 8th Round of Negotiations. While making continued progress on the texts across all the nine negotiating groups, further progress was made on the accompanying commitments on access to each other's markets for goods, services and government procurement and on product specific rules of origin and find a common ground on the regulatory coherence.

On labour laws, intellectual property rights and environment, the negotiations have not reached a common ground to negotiate.

Due to time constraint, it is possible that by the time of APEC Summit in November in Honolulu, a concrete agreement would not be achieved, except a declaration of “substantive progress” has been made.

The impact on ASEAN economic integration would be negligible, unless, China, Japan and Indonesia join in the TPP negotiations. Although the TPP negotiation aims for a high-level FTA, the ultimate form and scope would be much lower than its original intent and purpose.

Korea US Free Trade Agreement (pending the US Congressional approval). Under the KORUS FTA, nearly 95 percent of bilateral trade in consumer and industrial products would become duty free within three years of the date the FTA enters into force, and most remaining tariffs would be eliminated within 10 years.

Potentially, KORUS FTA would have important implications on Japan's, Taiwan's and China's trade with the US and in turn, these three countries FTA strategy with the US and also on TPP and the ongoing feasibility FTA study among China, Japan and Korea.

Economic Cooperation Framework Agreement (ECFA) is a preferential trade agreement between China and Taiwan signed on 29 June, 2010 that aims to reduce tariffs and commercial barriers between the two sides. It will boost the current USD110 billion bilateral trade.

ECFA has made possible the bilateral FTA negotiations between Taiwan and Singapore and other ASEAN countries and other Taiwan's trade initiatives with other East Asian countries with potentially no explicit China's opposition as long as the FTA is negotiated on the basis of Customs Territories principle of the WTO.

Comprehensive Economic Partnership for East Asia (CEPEA). By August 2010, working groups involving the EAS members to study the issue of Economic Cooperation, Rules of Origin, Customs Procedures, Tariff nomenclatures had been established.

These 4 working groups have facilitated ASEAN in formulating its ASEAN Plus One FTA and in drafting the proposed Bali Declaration on Regional Architecture on trade facilitation.

East Asia Free Trade Agreement (EAFTA). ASEAN has signed FTA with the ASEAN Plus Three members.

The two processes of CEPEA and EAFTA are not alternatives and both are being pursued simultaneously by ASEAN and have benefited AFTA and AEC in:

- facilitating trade and investment (regional production networking)
- functional cooperation on food and energy
- natural disaster relief and prevention
- transportation and connectivity
- financial cooperation (e.g. AMRO establishment in Singapore in May 2011).