



# Status of Regional FTAs

## Findings from ERIA's Studies

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International Symposium “FTAs as a Growth Strategy for Asia”

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Executive Director

Hidetoshi Nishimura

ERIA: Economic Research Institute for ASEAN and East Asia

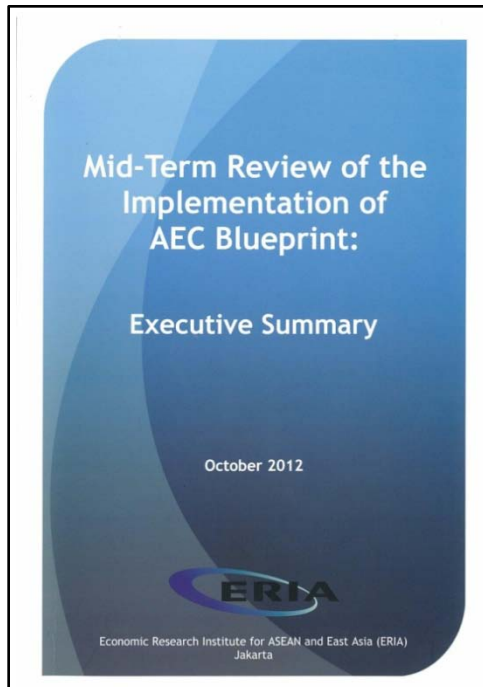
# ASEAN Economic Community (AEC) and AEC Blueprint

- ASEAN Community comprises three pillars, namely Political-Security Community, Economic Community, and Socio-Cultural Community. AEC is the core of the ASEAN Community.
- Originally AEC was targeted year 2020, but in consideration of accelerated globalization of the economy and the rise of emerging countries such as China and India, it was re-targeted with the year of 2015 at the 12th ASEAN Summit in January 2007.
- Signed by the ASEAN leaders at the 13<sup>th</sup> ASEAN Summit in November 2007, the AEC Blueprint provides a roadmap towards the establishment of the AEC. The AEC is characterized by the following four pillars, 17 core elements and 176 priority projects.

<b>Pillar 1 Toward a Single Market and Production Base</b>	<b>Pillar 2 Toward a Highly Competitive Region</b>	<b>Pillar 3 Towards a Region of Equitable Economic Development</b>	<b>Pillar 4 Towards Full Integration into the Global Economy</b>
<ul style="list-style-type: none"><li>* Tariff</li><li>* Non-Tariff Barriers</li><li>* Trade Facilitation</li><li>* Standards &amp; Conformance</li><li>* Services</li><li>* Investment</li><li>* Labor</li><li>* Agriculture</li></ul>	<ul style="list-style-type: none"><li>* Competition Policy</li><li>* Intellectual Property Rights (IPR)</li><li>* Transport</li><li>* Information and Communication Technology (ICT)</li><li>* Energy</li><li>* Priority Integration Sectors (PIS)</li></ul>	<ul style="list-style-type: none"><li>* Small &amp; Medium Enterprises (SME)</li><li>* Initiative for ASEAN Integration (IAI)</li></ul>	<ul style="list-style-type: none"><li>* FTA (Free Trade Agreement)</li></ul>

# ERIA/AEC Scorecard and Midterm Review of AEC Blueprint

- In addition to the formal assessment by ASEAN Secretariat, ASEAN Economic Ministers requested ERIA to improve the AEC Scorecard so that it reflects the impact of the AEC measures on the real economy and to convey the perceptions of the private sector .
- ERIA conducted its own scoring through phase I (2009-2010) and phase II (2010-2011) and presented a concrete plan for improvement.
- Based on these research, Project on the Midterm Review of the AEC Blueprint was launched. Mid-term Review conducted an analysis of the results of implementation and economic effects of the AEC Blueprint, while the scorecard project was mainly focused on the presence or absence of implementation.
- ERIA's support for its undertaking of the both projects was highly appreciated at the 19<sup>th</sup> ASEAN Summit in November 2011 and 21<sup>st</sup> ASEAN Summit in November 2012.



## Key Objectives of MTR Review (TOR)

1

- Assess the implementation and effectiveness of AEC measures

2

- Examine AEC Blueprint's contribution to economic growth, employment, competitiveness and social welfare within ASEAN

3

- Recommend measures to enhance the implementation of the AEC Blueprint

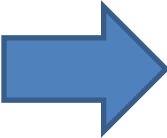
# ERIA's Proposal: Priority Measures for 2015

- Tariffs (*almost done*)
- NTMs/NTBs
- Trade Facilitation
- Services Liberalization
- Investment Liberalization
- Investment Facilitation
- Transport Facilitation



*Central and foundational elements* of ASEAN economic integration and connectivity

- IAI (Initiative for ASEAN Integration)
- SMEs



Leaders' initiatives for equitable development

- **RCEP (*negotiations*)**



“Open regionalism”. ASEAN benefits more from East Asia integration



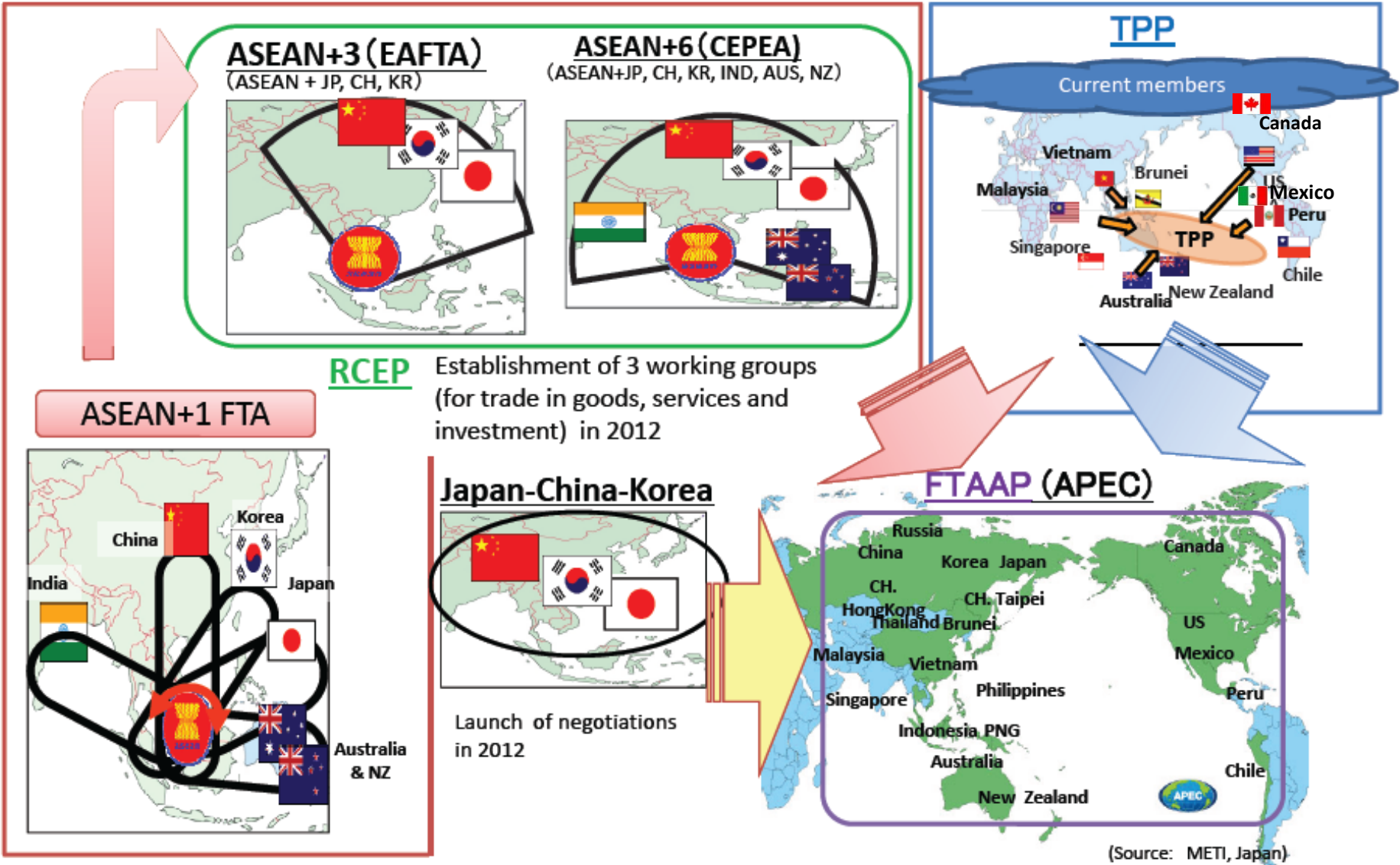
RCEP negotiation should be concluded by 2015 as one of priority AEC actions.

# What is RCEP?

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- ❑ “New” FTA negotiation among the ASEAN+6 countries.
  - ASEAN10, Australia, China, India, Japan, Korea and New Zealand
- ❑ “a modern, comprehensive, high-quality and mutually beneficial economic partnership agreement”
- ❑ “The RCEP will have broader and deeper engagement with significant improvements over the existing ASEAN+1 FTAs ...”
- ❑ Negotiation starts in 2013. Conclusion in 2015 is aimed.
- ❑ Three official documents have been issued:
  - 1) “ASEAN Framework for Regional Comprehensive Economic Partnership” (November 2011)
  - 2) “Guiding Principles and Objectives for Negotiating the Regional Comprehensive Economic Partnership” (August 2012)
  - 3) “Joint Declaration on the Launch of Negotiations for the Regional Comprehensive Economic Partnership” (November 2012)

Efforts under various frameworks



(Source: METI, Japan)

RCEP = “consolidation” of ASEAN+1 FTAs.  
 = a pathway toward FTAAP

# Why RCEP?

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- ❑ Consistent and consolidated region-wide FTA will create a business-friendly environment across East Asia to enhance regional production networks.
- ❑ For the Dialogue Partners, the RCEP will practically mean a new FTA with the other Dialogue Partners (such as...)
  - China-Japan; China-Korea, and Japan-Korea
  - China-India; India-New Zealand, Korea-New Zealand,
  - Australia-Japan, Australia-India, etc.
- ❑ But, why ASEAN wants the RCEP on the top of ASEAN+1 FTAs?

# Why RCEP for ASEAN?

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For ASEAN member states, despite the existence of ASEAN+1 FTAs, the RCEP can be beneficial mainly for four reasons:

1. Liberalization level of ASEAN+1 FTAs is not sufficient: tariff, services
2. FTA is under-utilized partly due to “noodle-bowl” situation in ROO
3. Economic gains of current situation are smaller as compared to one regional FTA
4. Development in TPP & CJK-FTA put pressure to the “ASEAN Centrality”



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# Tariff Elimination

❑ Some ASEAN+1 FTAs do not provide sufficient (e.g., 90%) level of tariff elimination.

	<b>AANZFTA</b>	<b>ACFTA</b>	<b>AIFTA</b>	<b>AJCEP</b>	<b>AKFTA</b>	<b>Average</b>
<b>BRN</b>	99.2%	98.3%	85.3%	97.7%	99.2%	95.9%
<b>CAM</b>	89.1%	89.9%	88.4%	85.7%	97.1%	90.0%
<b>IDN</b>	93.7%	92.3%	48.7%	91.2%	91.2%	<b>83.4%</b>
<b>LAO</b>	91.9%	97.6%	80.1%	86.9%	90.0%	<b>89.3%</b>
<b>MLS</b>	97.4%	93.4%	79.8%	94.1%	95.5%	92.0%
<b>MYA</b>	88.1%	94.5%	76.6%	85.2%	92.2%	<b>87.3%</b>
<b>PHI</b>	95.1%	93.0%	80.9%	97.4%	99.0%	93.1%
<b>SGP</b>	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
<b>THA</b>	98.9%	93.5%	78.1%	96.8%	95.6%	92.6%
<b>VTN</b>	94.8%	n.a.	79.5%	94.4%	89.4%	<b>89.5%</b>
<b>AUS</b>	100.0%					
<b>CHN</b>		94.1%				
<b>IND</b>			<b>78.8%</b>			
<b>JPN</b>				91.9%		
<b>KOR</b>					90.5%	
<b>NZ</b>	100.0%					
<b>Average</b>	<b>95.7%</b>	<b>94.7%</b>	<b>79.6%</b>	<b>92.8%</b>	<b>94.5%</b>	

Notes: HS2007 version, HS 6-digit base. Data on Viet Nam under the ASEAN-China are missing. Data on Myanmar under the ASEAN-China FTA are also missing for HS01-HS08.

Source: ERIA FTA Mapping Study

# Services Liberalization

❑ Some ASEAN+1 FTAs provide only small “WTO plus” contents.

	AFAS(7)		AANZFTA		ACFTA		AKFTA	
	Total	WTO+	Total	WTO+	Total	WTO+	Total	WTO+
Brunei	0.23	0.20	0.18	0.15	0.05	0.02	0.08	0.06
Cambodia	0.41	0.04	0.51	0.14	0.38	0.01	0.38	0.01
Indonesia	0.36	0.30	0.29	0.22	0.09	0.03	0.18	0.11
Lao PDR	0.34	NA	0.24	NA	0.02	NA	0.07	NA
Malaysia	0.34	0.24	0.31	0.21	0.11	0.01	0.20	0.10
Myanmar	0.36	0.33	0.26	0.23	0.04	0.01	0.06	0.03
Philippines	0.33	0.23	0.26	0.17	0.11	0.02	0.17	0.08
Singapore	0.39	0.28	0.44	0.33	0.30	0.19	0.33	0.22
Thailand	0.50	0.26	0.36	0.12	0.25	0.02	NA	NA
Viet Nam	0.38	0.11	0.46	0.19	0.34	0.07	0.32	0.05
<b>ASEAN Average</b>	<b>0.36</b>	<b>0.22</b>	<b>0.33</b>	<b>0.20</b>	<b>0.17</b>	<b>0.04</b>	<b>0.20</b>	<b>0.08</b>
Australia			0.52	0.18				
New Zealand			0.51	0.26				
China					0.28	0.04		
Korea							0.31	0.09

*Notes:* The higher the figure, the more liberal commitments are (min. 0; max. 1). ACFTA does not cover the second package.

*Source:* ERIA FTA Mapping Study

# Why RCEP for ASEAN?

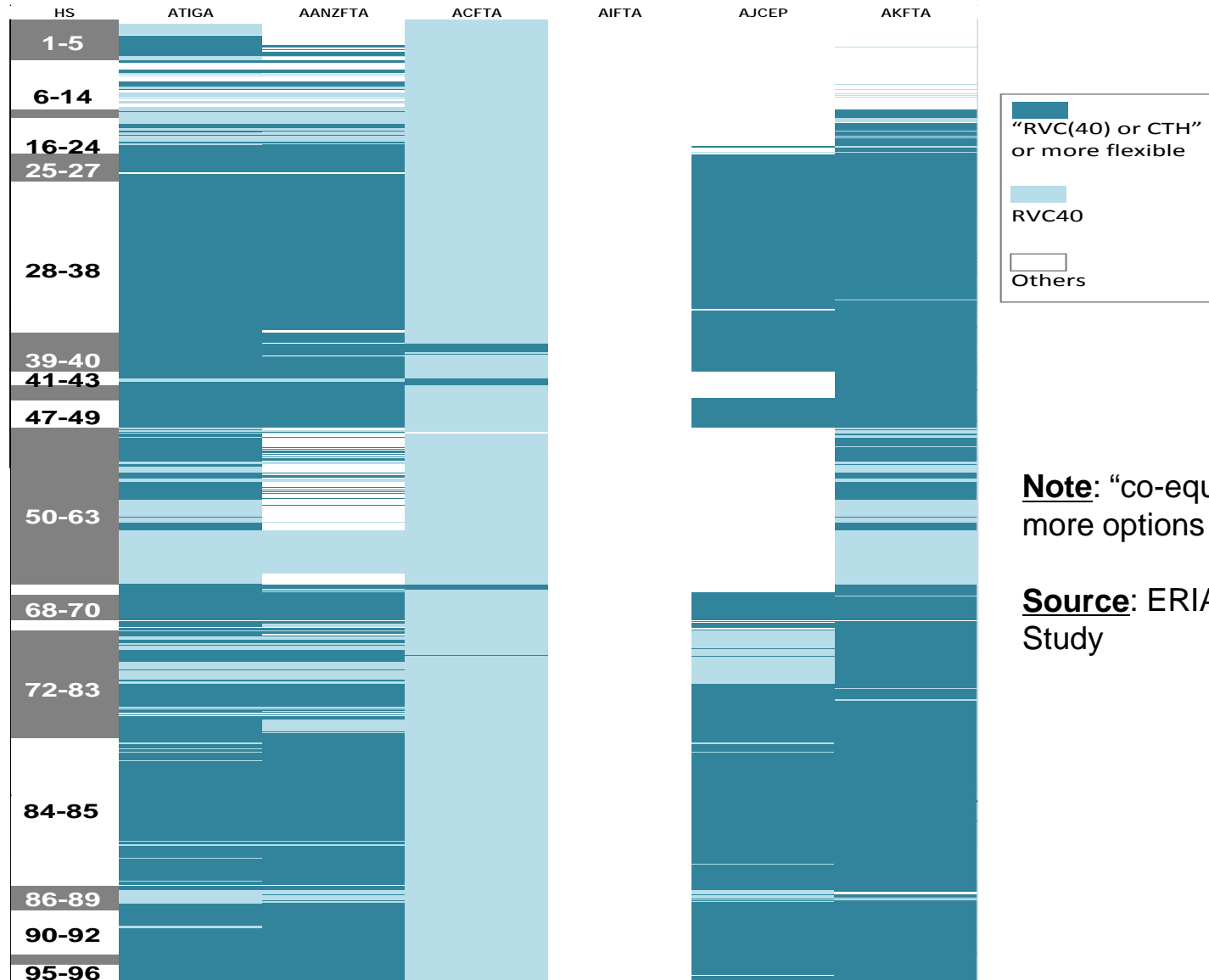
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# Rules of Origin

Most common ROO is “RVC40 or CTH”, but some ASEAN+1 FTAs do not use it much/at all.



**Note:** “co-equal” rules give more options for business.

**Source:** ERIA FTA Mapping Study

# Why RCEP for ASEAN?

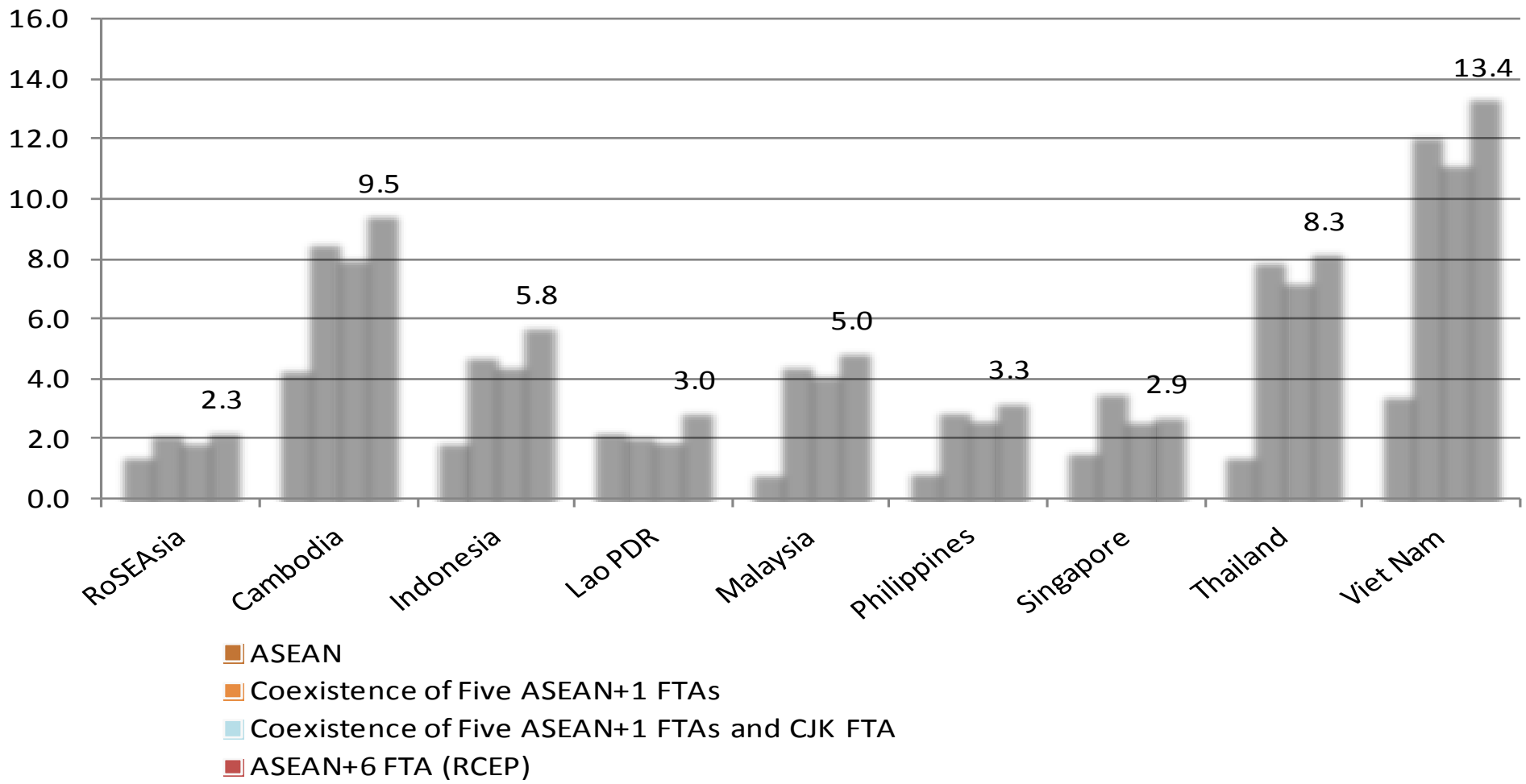
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- 3. Economic gains of current situation are smaller as compared to one regional FTA (RCEP brings the largest benefits to ASEAN)**
4. Development in TPP & CJK-FTA put pressure to the “ASEAN Centrality”

# Potential Economic Impact of RCEP

☐ RCEP will have the largest positive economic impacts on ASEAN.



Note: Percentage Point, Accumulated from 2011 to 2015. Assumptions are: (a) complete elimination of the tariffs over the specified period of time, (b) reduction of ad valorem equivalents of service trade barriers, and (c) improvements in logistics cutting the ad valorem time.

Source: Itakura for ERIA's AEC Mid-term Review Study

- ❑ The RECP will contribute to the enhancement of production networks and the economic development in ASEAN and East Asia.
- ❑ To make the RCEP meaningful, however, we should aim at substantive improvements over the existing ASEAN+1 FTAs (more liberal commitments and more consolidated rules).



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***Thank You***

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