

East Asia FTA: Feasibility Perspective

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I. Why East Asia FTA

- East Asia FTAs have developed in a multilayered structure: AFTA, 10+1s, the bilateral. FTAs help to open the market and to make rules and standards among the partners, but create the so called “spaghetti bowl” effects.
- The production network in East Asia needs an integrated market. The WTO and unilateral liberalizing policy created an open market environment in the region, but FTAs make new barriers due to different arrangements and rules.

Why East Asia FTA (2)

- Leaders realized this new problem and decided to promote the integrated regional market: EAFTA joint expert group was set up in 2005 according to “10+3” ministers and leaders’ agreement. This group finished two phase studies and worked out two reports reporting to “10+3” economic ministers and leaders. Another proposed study on CEPEA was also conducted since 2007 and two reports recommended to EAS ministers and leaders.

II. Recommendation Points(1)

- EAFTA reports:
- Phase 1 report: East Asia urgently needs an integrated FTA; EAFTA should be a comprehensive, high level and single package agreement. EAFTA process should start with “10+3” and open to other EAS members later.
- Phase II report: EAFTA should base on consolidation of 3 existing “10+1” FTAs; Gradual and realistic approach: unified ROO, service and investment agreement, trade and investment facilitation arrangement; take the action now and launch negotiation from 2012.

Recommendation Points(2)

- CEPEA reports:
- Phase 1 report: CEPEA helps EAS to promote economic integration and development by enhancing economic cooperation, facilitation and liberalization.
- Phase II: Immediate steps to realize CEPEA supported by institutional development; set up study group to discuss the practical issues, like harmonization of ROOs and make out timeframe on negotiations and implementation of economic cooperation, facilitation and liberalization.

III. Strategy and Approach(1)

- The reports of the two expert groups shared lots of points in their recommendations. The key issue is the strategy and approach for realizing an integrated regional FTA. Since the two groups led by China (Korea) and Japan separately, some people see them as China and Japan competing for leadership though all countries belong to APT and EAS have sent their experts to two groups.
- The key issue is not competing for leadership, but the real feasibility for making progress. It seems that many experts (in both groups) realized a region wide FTA should start the process in a smaller group. However, EAFTA should not be exclusive. As recommended by EAFTA group, it should open to other EAS members.
- EAS is a strategic dialogue framework. It may open membership to other countries, like the US (signed TAC, not apply EAS member yet), Russia (signed TAC, applied to join). A FTA starting from such large group is very difficult.

Strategy and Approach(2)

- Option one: Setting up expert groups on ROOs and facilitation first (agreed this year, starting work in 2010), setting up official expert group (track I) on EAFTA in 2011, and negotiation starts in 2012 as recommended by EAFTA expert group; while CEPEA starts with economic cooperation and facilitation programs first, and then EAS FTA (may by joining EAFTA)

Strategy and Approach(3)

- Option two: both expert groups on ROOs and facilitation and an EAFTA official study group setting up based on “10+3”, and other EAS members are invited to join. The groups may be chaired by ASEAN. By this doing, EAFTA and CEPEA studies are integrated. Or as a alternative choice, ASEAN may instead to start with voluntary participation of “10+1” FTA integration for 2,3,4 or 5 “10+1” FTAs.

Strategy and Approach(4)

- Option three: CJK FTA starts before EAFTA and CEPEA (EASFTA) since it has 7 years study and intends to upgrade the study level. To encourage this years' CJK trilateral summit in China to put this on the agenda. If CJK could move ahead, it should be a strong push to a larger regional FTA.

Strategy and Approach(5)

- ASEAN is still a key factor on how to lead East Asia towards a larger regional FTA.
- China and Japan should consolidate their strategies on moving toward an East Asia FTA.
- China hopes to adopt a gradual approach toward East Asia FTA. I think that China does not reject CEPEA since a larger regional integration meets its interests, but considers EAS FTA less feasible now and in the near future.
- An integrated FTA approach needs the wisdom of leaders of the region. They should discuss this issue during this year's summit.