

# **Asian FTAs under Study: EAFTA and CEPEA**

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# EAFTA ▪ CEPEA

- EAFTA: East Asia Free Trade Area
  - Members: ASEAN, China, Japan, Korea
- CEPEA: Comprehensive Economic Partnership in East Asia
  - Members: ASEAN, China, Japan, Korea, India, Australia, New Zealand
- Contents: Trade and Investment Liberalization, Trade and Investment Facilitation, Economic Cooperation

# EFTA

- Background:

- An idea of ASEAN+3 FTA was launched by East Asia Vision Group in November 2001.

- ASEAN+3 Leaders welcomed the decision by the Economic Ministers to set up an expert group (Joint Expert Group) to conduct a feasibility study in November 2004. China took an initiative.

- Feasibility Study by Joint Expert Group
- Phase I (4/2005 ~ 7/2006) Report “Towards an East Asia FTA: Modality and Road Map”
- Phase II ( 8/2006 ~ 6/2009) Report “Desirable and Feasible Option for an East Asian FTA”
- Recommendations from Phase II Study
  - Gradual and realistic strategy
  - 1: Consolidation of the existing three ASEAN+1 FTAs (create a unified ROO regime)
  - 2: Feasible politically and administratively
  - 3: Friendly to less developed countries

- Recommendations:
  - Set up 2 working groups: (1) to design a unified regime of ROOs, (2) to look into tariff nomenclature and other customs related issues, in order to harmonize tariff commitments.
  - The overall EAFTA negotiations should be launched at the latest by 2012.

# CEPEA

- Background
  - Japan proposed CEPEA in 2006
  - East Asian Summit Leaders agreed the establishment of Track Two Study Group on CEPEA in January 2007

- Feasibility Study
- Phase I ( 6/2007 ~ 8/2008 )
- Phase II ( 11/2008 ~ 8/2009)
- Objectives:
  - (1) deepening economic integration
  - (2) narrowing development gaps
  - (3) achieving sustainable development.

- Recommendations

- Leaders should reaffirm CEPEA's objectives and structure for promoting economic development

- Discussions be commenced immediately on concrete steps to realize CEPEA, which include an institutional aspect (institutional development is regarded as very important, ERIA (Economic Research Institute for ASEAN and East Asia) may provide technical support, stable institutional foundation should be constructed in the long run)



- Discussions should include the followings
  - \* Stocktaking and streamlining of cooperation measures
  - \* Streamlining procedures and harmonization of ROOs
  - \* Concrete timeframe for future governmental negotiation and implementation of cooperation, facilitation and liberalization measures.

# Response from Economic Ministers

- ASEAN+3 and ASEAN+6 Economic Ministers' Meeting on 15 August 2009
- The Ministers agreed to submit EAFTA and CEPEA Phase II Reports to the Leaders at ASEAN Plus Three and EAS Meetings
- The Ministers tasked Senior Officials to start discussions on (1) rules of origin, (2) tariff nomenclature, (3) customs-related issues, and (4) economic cooperation

## Assessment of EAFTA and CEPEA (% change in GDP)

	<b>EAFTA</b>	<b>CEPEA</b>	<b>Difference</b>
<b>Japan</b>	<b>0.63</b>	<b>0.64</b>	<b>0.01</b>
<b>China</b>	<b>4.49</b>	<b>4.65</b>	<b>0.16</b>
<b>Korea</b>	<b>2.64</b>	<b>2.67</b>	<b>0.03</b>
<b>Indonesia</b>	<b>4.15</b>	<b>4.35</b>	<b>0.20</b>
<b>Malaysia</b>	<b>9.24</b>	<b>9.53</b>	<b>0.29</b>
<b>Philippines</b>	<b>5.77</b>	<b>5.95</b>	<b>0.18</b>
<b>Singapore</b>	<b>3.63</b>	<b>3.83</b>	<b>0.20</b>
<b>Thailand</b>	<b>7.21</b>	<b>7.46</b>	<b>0.25</b>
<b>Vietnam</b>	<b>10.79</b>	<b>11.04</b>	<b>0.25</b>
<b>Cambodia</b>	<b>8.38</b>	<b>8.59</b>	<b>0.21</b>
<b>Myanmar</b>	<b>6.00</b>	<b>6.15</b>	<b>0.15</b>
<b>Lao PDR</b>	<b>5.94</b>	<b>5.99</b>	<b>0.05</b>
<b>Brunei</b>	<b>6.92</b>	<b>6.98</b>	<b>0.06</b>
<b>Australia</b>	<b>-0.03</b>	<b>1.27</b>	<b>1.30</b>
<b>New Zealand</b>	<b>-0.02</b>	<b>1.94</b>	<b>1.96</b>
<b>India</b>	<b>-0.07</b>	<b>3.40</b>	<b>3.47</b>

# Additional Assessment

- Many similarities but some differences:
- EAFTA focuses on the formulation of FTA by consolidating ASEAN+1 FTAs → realistic approach, shallow (low-level) FTA, gradual and time-consuming process
- CEPEA focuses on institutional development with an emphasis on economic cooperation → quick outcome, building mutual trust

# Concluding Remarks

- EAFTA and CEPEA: Parallel development, move forward in tandem
- EAFTA focuses on FTA, while CEPEA on institutional building and economic cooperation
- Both EAFTA and CEPEA emphasize facilitation → joint activities are required