

FTA Movements in the Asia-Pacific Region

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Free trade agreements (FTAs) have been proliferating since the 1990s. After the setback of the World Trade Organization (WTO) Ministerial meeting in Cancún, Mexico, FTAs are now in full bloom, including those in the Asia-Pacific region. In this region, there are six star players in the FTA games, namely Singapore, Thailand, China, India, Australia and the United States.

Singapore has been the most aggressive player in formulating FTAs in this region. Singapore is a member of the ASEAN Free Trade Area (AFTA), and has also concluded FTAs with New Zealand, Japan, the European Free Trade Association (EFTA), Australia and the United States. In addition, Singapore has been negotiating FTAs with Mexico, Canada and India, and has been studying the feasibility of FTAs with South Korea and Sri Lanka. Singapore already has FTAs with 22 countries if the member countries of AFTA and EFTA are counted one by one. If the ongoing negotiations and studies are concluded, Singapore would have a total of 27 FTAs. Mexico has FTAs with 32 countries, and in this regard, Singapore may be viewed as a "Mexico in Asia" in terms of FTAs. It is quite understandable for such a metropolitan state as Singapore to try to become a hub in this region.

Thailand has suddenly become very enthusiastic about FTAs under the strong leadership of Prime Minister Thaksin Shinawatra. Of course Thailand is an important member of AFTA, and has had an FTA with Laos since 1991. Thailand also concluded an FTA with Australia recently, has made framework agreements for FTAs with Bahrain, Peru and India, and has been negotiating with them. Thailand will enter FTA negotiations with the United States soon, and is studying an FTA with New Zealand. Thailand seems to want to play a central role in this region as a parts and components supplier and assembler for neighboring countries with hardly any trade barriers between them.

China was not interested in FTAs until it was stimulated by the fact that Japan and Singapore agreed to launch a study on a possible FTA in December 1999. In

November 2000, the then Premier of China, Zhu Rongji, proposed studying an FTA between ASEAN as a whole and China. His apparent intention was to expose Chinese industries to international competition in order to reform them. He wielded strong leadership in this regard, and China was quick enough to agree with ASEAN in November 2002 on a rather ambitious framework agreement for an FTA between them.

According to this framework agreement, an FTA between China and ASEAN will come into force for trade in goods from June this year. The tariffs of both economies will be reduced on the basis of the schedules they have agreed upon. In 2010 this process will be completed by substantially eliminating all the mutual tariffs between China and the six advanced countries in ASEAN. Vietnam, Cambodia, Laos and Myanmar will be given another five-year grace period until 2015. Since Japan is supposed to complete an FTA with ASEAN as a whole in 2017, China is two years ahead of Japan.

India is a latecomer in this area, but it surprised everybody in October last year by concluding a framework agreement for an FTA with ASEAN. It is said that an Indian representative told his ASEAN colleague that India was ready to do everything that China had done to open its market. As a matter of fact, India already has two FTAs with Nepal and Sri Lanka. India is an important member of the South Asian Free Trade Agreement (SAFTA) whose framework was concluded in January this year. India is negotiating FTAs with Singapore, MERCOSUR* and Thailand, and is also engaged in a study for an FTA with Mexico. India's positive attitude towards FTAs is in sharp contrast with its rather negative attitudes towards the WTO.

Australia is also trying hard to conclude FTAs with many countries. This is also quite a change from its position several years ago. When I started promoting FTAs, including efforts to conclude one with Singapore, a famous Australian professor criticized me as follows: "Australia and Japan are committed loyally to multi-

lateralism in our trade policies. If Japan signs FTAs with Asian countries, Australia would be forced to have one with the United States." He was right. Australia signed an FTA with the United States this February. Australia concluded an FTA with Thailand in October last year. It is now conducting a feasibility study on an FTA with China. If these Australian FTAs come into force, some Japanese might feel that Japan is surrounded by countries with FTAs with Australia. Even then, however, Japan cannot complain because Australia kept asking Japan to negotiate an FTA, and Japan has been unable to respond positively.

U.S. President George W. Bush announced the "Enterprise for ASEAN Initiative" in October 2002, trying to start FTA negotiations with ASEAN countries. The United States signed an FTA with Singapore in May 2003 which took effect in January this year. One of the characteristics of the U.S. FTA policy is its political motivation. For example, the United States recently concluded an FTA with Australia, but did not even negotiate with New Zealand, which has close links with the Australian economy. The United States is trying to reward Australian Prime Minister John Howard for his cooperative security policy with the United States, while expressing its displeasure with New Zealand for its security policy.

I am sorry to say that Japan is not a star player for FTAs in this region. Although Japan recently agreed to conclude an FTA with Mexico in principle, the process has already taken more than one year. The Japan External Trade Organization (JETRO) and the Korea Institute for International Economic Policy (KIEP) completed their studies for a Japan-South Korea FTA in May 2000, but these two countries did not enter the negotiations until December 2003. In order to become a star FTA player, Japan needs to change its sluggish attitude. Japan has also started FTA negotiations with Thailand, the Philippines and Malaysia. I strongly hope that Japan will accelerate these processes.

J.S.

* *Note:* MERCOSUR (Mercado Común del Cono Sur, which includes Argentina, Brazil, Paraguay and Uruguay)