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# Assessment of East and Southeast Asian PTAs

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# Outline

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- Features of PTAs in East and Southeast Asia
- Focus on ASEAN: Multi-speed Economic Bilateralism
- Experience of ASEAN: AFTA and Agriculture Liberalization
- Other Non-tariff problems

# PTAs involving East and Southeast Asia

## Preferential Trading Arrangements

	Number
WTO Notification (1948-2005)	180
WTO Notification (2000-2005)	89
PTAs in Southeast and East Asia (2000-2005)	23
Percentage Share to Total WTO Notification (2000-2005)	25.84
Notification for Southeast and East Asia (1990-2005)	22
Under Negotiation for Southeast and East Asia	17
<i>---of which bilateral</i>	15

Sources:

Regional Trade Agreement Gateway, [www.wto.org](http://www.wto.org) and RTA-BTA Database, UN ESCAP

# PTAs do not have the same coverage

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*Of 18 PTAs that were examined*

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## Provisions for:

Services	18
Investment	16
Labor mobility	10
Dispute settlement	11
Rules of Origin	14

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# PTAs also vary in other substantial issues:

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- Coverage and approach
- Contingency measures
- SPS measures

# Coverage of RTAs

Agreement	Listing Concessions	Tariff Lines not Fully Liberalised	Tariff Lines Excluded
AFTA (ASEAN6)	Negative List	158	0
ASEAN-China	Negative List	0	0
Japan-Singapore	Positive List	1657	1657
Korea-Chile	Comprehensive List	79	55

Source: OECD

# Contingency Protection in RTAs

Agreement	Antidumping	Countervailing Actions	Safeguards	Transitional Safeguards
AFTA (ASEAN6)	Yes	Yes	No	Yes
ASEAN- China	Yes	Yes	Yes	Yes
Japan- Singapore	Yes	Yes	Yes	Yes
Korea-Chile	Yes	Yes	Yes	Yes

Source: OECD

# SPS in RTAs

Agreement	Harmonisation	Equivalence	Mutual Recognition	Help or SDT
AFTA (ASEAN6)	Yes	Yes	Yes	Yes
ASEAN-China	No	No	No	TBD
Japan-Singapore	No	No	No	No
Korea-Chile	Yes	Yes	No	Institutional

Source: OECD

# But similar in not addressing Subsidy Provisions and Domestic Support

Agreement	Domestic Support	Harmonised Support	In Export Subsidies
AFTA (ASEAN6)	No	No	No
ASEAN-China	TBD	No	No
Japan-Singapore	No	No	No
Korea-Chile	No	No	No

Source: OECD

## ■ Different pace of industry vs agriculture

*e.g. Korea-Chile*

**Korea's Tariff Limitation Schedule**  
(Unit : Korea's 10-digit HS codes, %)

Category	Total	Industrial Products	Farm Products	Forest Products	Marine Products	Main Description
Year 0	9,740(87.2)	9,101(99.9)	224(15.6)	138(58.2)	277(69.5)	Mixed feeds, pure-bred breeding animals, silk fabrics, coffee
Year 5	701(6.3)	-	545(38.1)	70(29.5)	86(21.5)	Bracken, roses, bean curd, wine, almonds
Year 7	41(0.4)	1(0.01)	40(2.8)	-	-	Fruit juice, prepared fruit, meat of poultry or heading, soup, potatoes
Year 9	1(0.01)	-	1(0.07)	-	-	Other fruit juices
Year 10	262(2.3)	-	197(13.8)	29(12.3)	36(9.0)	Tomatoes, pork, cucumbers, kiwis
10S*	1(0.01)	-	1(0.07)	-	-	Grapes
Year 16	12(0.1)	-	12(0.8)	-	-	Prepared dry milk
TRQ**+ DDA***	18(0.15)	-	18(1.26)	-	-	Beef, chicken, mandarins
DDA	373(3.3)	-	373(26)	-	-	Garlic, onions, red peppers, dairy products
E****	21(0.2)	-	21 (1.5)	-	-	Rice, apples, pears
<b>Total</b>	<b>11,170</b>	<b>9,102</b>	<b>1,432</b>	<b>237</b>	<b>399</b>	

Source: Chung (2003)

Notes:

\* liberalization over a transitional period of 10 years on a seasonal basis

\*\* Liberalization with tariff quota

\*\*\* Tariff elimination schedule shall be negotiated after the end of the Doha Development Agendas of the WTO

\*\*\*\* Customs duty applied shall not be eliminated.

# Focus on ASEAN: different levels of enthusiasm for bilateral agreements

## ASEAN Bilateral Agreements

	Total	In force	Under Negotiation	Partner countries	
				In force	Under Negotiations
Singapore	11	7	4	India; Jordan; US EFTA; Australia Canada; Japan	Kuwait; Qatar Panama; Mexico
Thailand	6	4	2	NZ; Australia; India; Bahrain	Japan; US
Malaysia	5	1	4	US*	Australia; NZ Pakistan; Japan
Indonesia	1	0	1		Japan
RP	1	0	1		Japan

Source: UN ESCAP RTA Database, 2005

\*Trade and Investment Framework

# Tale of two ASEAN economic philosophies

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- **Region- convergent bilateralism**
  - Latticed foundation and the domino effect
  - Provides initial momentum for regionalism
- **Region-divergent bilateralism**
  - Competitive bilateralism vs. regional cohesion
  - Subverts ASEAN as collective mechanism for negotiating with non-ASEAN
  - Development divide

# Aggressive bilateralism – pragmatic response to foot-dragging in ASEAN

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- “catch up with the faster, not be dragged down by the slower”
- Performance of AFTA in increasing trade volumes within region lacked luster
- Case of Agriculture

# Experience of FTA : AFTA Agriculture

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- Even as protection structure had rapidly declined...
- Trade flows showed lukewarm improvement

# Effect of AFTA on Trade

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- Past studies show that AFTA is a building block, not a stumbling block for multilateral liberalization
- Both intra- and extra-ASEAN trade grew over the period
- Increase in intra-ASEAN trade came mostly from industry, not from agriculture
- Agriculture exports are mostly due to extra-ASEAN agriculture trade

# Direction and percent share of ASEAN 10 trade: 1995, 2000 and 2003

	Imports			Exports			% Share to Total ASEAN Trade		
	1995	2000	2003	1995	2000	2003	1995	2000	2003
<b>A. ASEAN 10 Trade (in million US \$)</b>									
ASEAN 10	60,376	81,650	87,168	76,649	96,773	100,252	22.11	31.11	31.49
Non-ASEAN	246,940	323,891	353,991	283,716	276,512	293,880	77.89	68.89	68.51
<b>B. ASEAN 10 Agricultural Trade (in million US \$)</b>									
ASEAN 10	4,739	4,149	5,426	5,763	5,266	6,430	1.69	1.64	1.99
Non-ASEAN	20,897	19,720	26,787	13,127	13,889	15,327	5.49	5.86	7.08
<b>C. ASEAN 10 Agricultural Trade (Average Growth Rate in %)</b>									
	1995-1997	2000-2003		1995-1997	2000-2003		Intra/Extra ASEAN Trade		
ASEAN 10	2.17	9.97		2.78	9.76		1995	2000	2003
Non-ASEAN	13.56	4.93		4.83	19.22		0.31	0.28	0.28

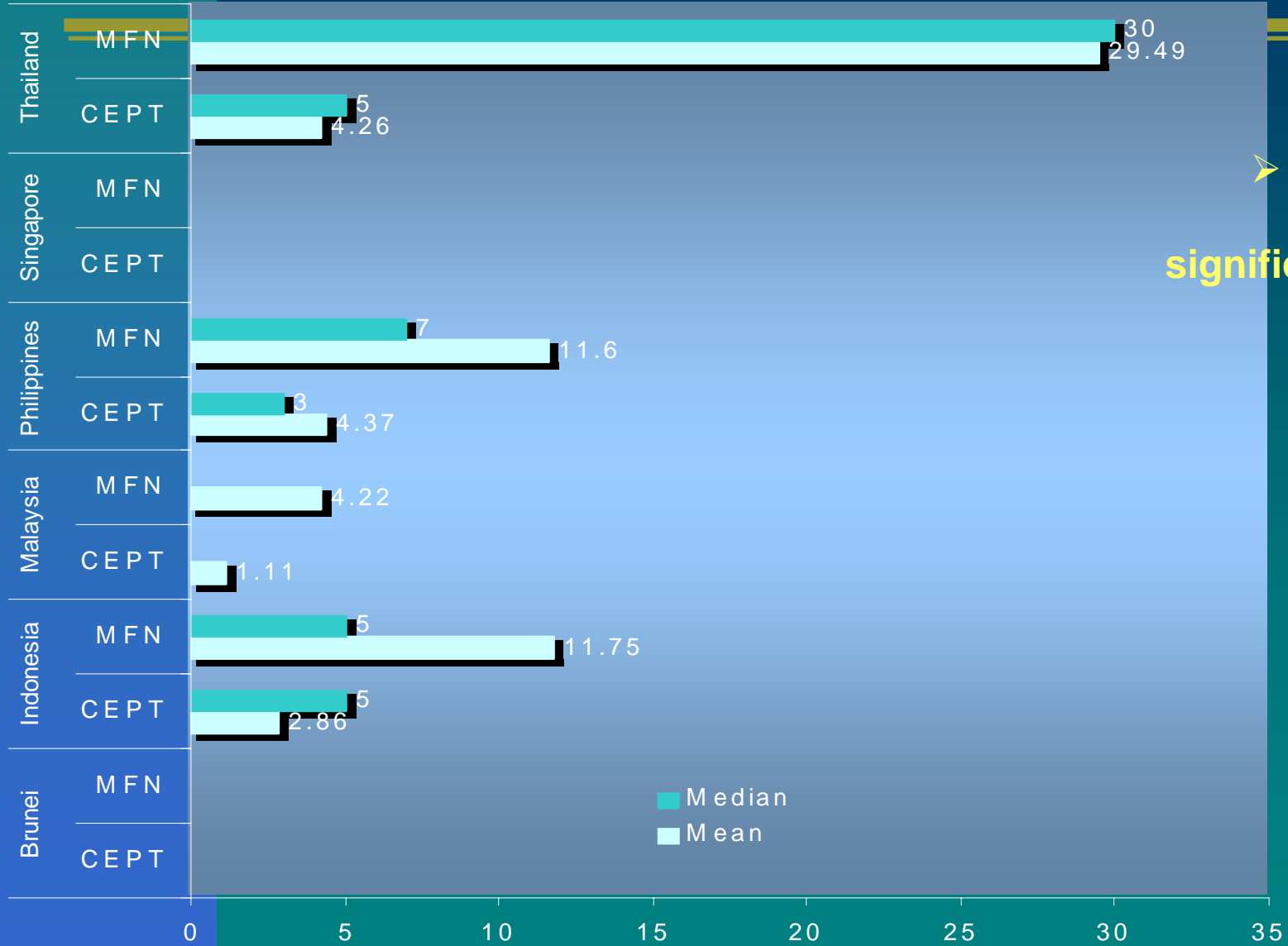
Source: PC-TAS from UNCTAD

# Effect of AFTA on Protection Structure

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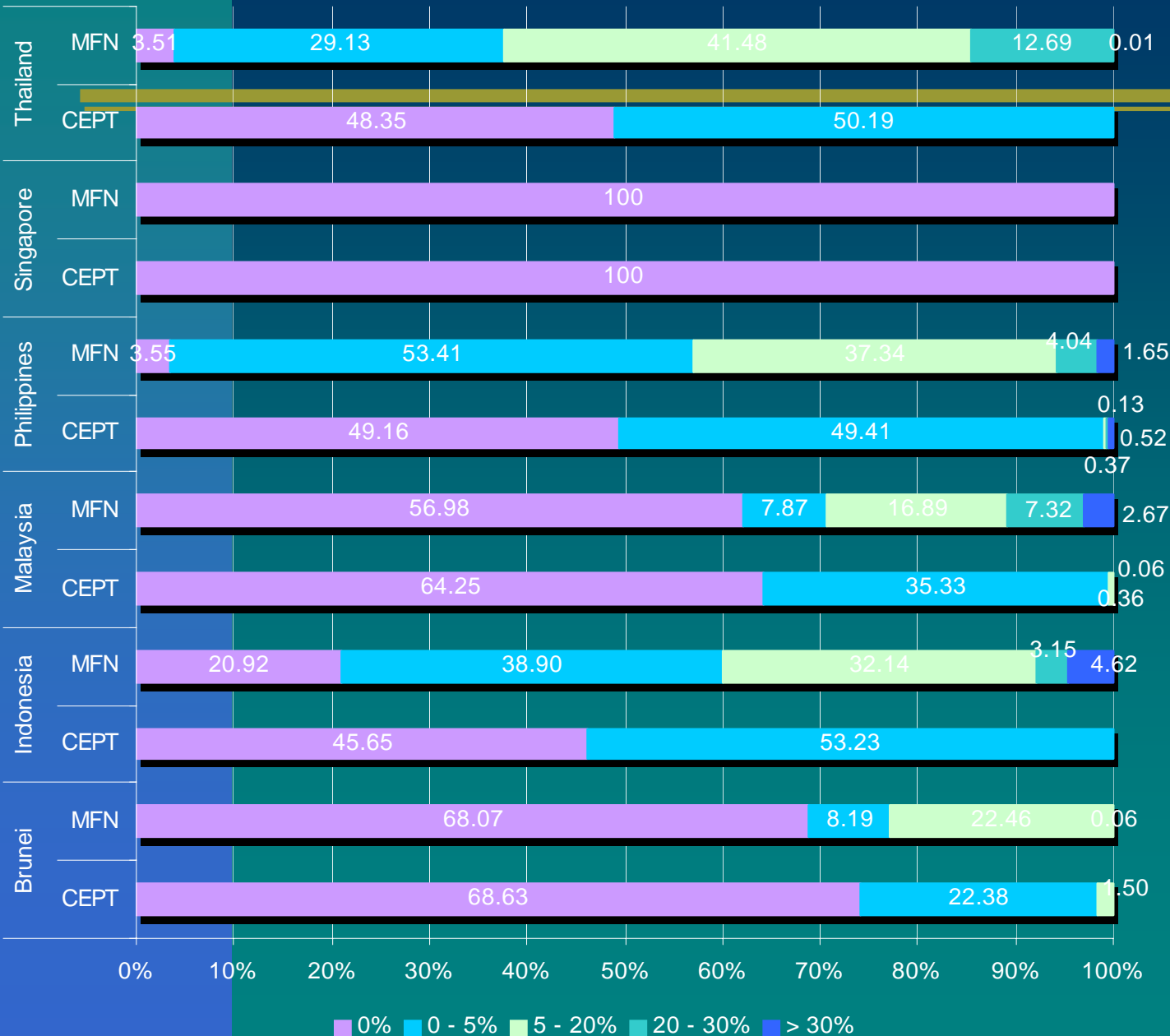
- Mean CEPT tariffs are significantly lower than MFN
- Concentration of 0-5% tariff rates for CEPT and 5-20% tariff rates for MFN
- Low tariff concentration is greater in industry than in agriculture

# Comparative tariff structure of ASEAN 6 in agriculture based on MFN and CEPT rates at HS 8 digit level



➤ Mean CEPT tariffs are significantly lower than MFN

# Percent distribution of CEPT and MFN tariff rates, ASEAN



➤ **Concentration of 0-5% tariff rates for CEPT and 5-20% tariff rates for MFN**

# Bringing down tariffs does not necessarily translate to much higher trade flows

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- Margin of preference
- NTMS

# Margin of Preference by type of commodities (in %)

Margin of Preference* (in %)	
<b>Agricultural Commodities</b>	
Brunei	0
Indonesia	1.53
Malaysia	1.99
Philippines	6.71
Singapore	0
Thailand	26.05
<b>Industrial Commodities</b>	
Brunei	3
Indonesia	3.8
Malaysia	7.08
Philippines	4.68
Singapore	0
Thailand	11.6
<b>All Commodities</b>	
Brunei	1
Indonesia	2.1
Malaysia	4.35
Philippines	5.68
Singapore	0
Thailand	14.2

Source: Author's Calculation. [www.asean.org](http://www.asean.org)

\*The average difference between MFN and CEPT rate

Note: For Malaysia and Thailand, 2003 MFN rates were used

# Non-Tariff Measures in ASEAN

	Number of Tariff Line (1)	Number of Agricultural Tariff Line (2)	% (2)/(1)
<b>Brunei (2004)</b>			
Price Control Measure	34	18	52.9
Automatic Licensing Measure	3	3	100
Quantity Control Measure	205	118	57.6
Monopolistic Measures	4	4	100
Technical Measures	49	44	89.8
<b>Indonesia (2003)</b>			
Price Control Measure	35	1	2.9
Quantity Control Measure	259	81	31.3
Monopolistic Measures	62	25	40.3
Technical Measures	486	411	84.6
<b>Malaysia (2003)</b>			
Price Control Measure	8	0	0
Finance Licensing	2	0	0
Automatic Licensing Measure	16	1	6.3
Quantity Control Measure	412	138	33.5
Monopolistic Measures	6	6	100
Technical Measures	215	167	77.7
<b>Philippines (2001)</b>			
Price Control Measure	18	0	0
Automatic Licensing Measure	26	18	69.2
Quantity Control Measure	264	168	63.6
Technical Measures	339	284	83.8
<b>Singapore (2001)</b>			
Price Control Measure	16	0	0
Automatic Licensing Measure	24	18	75.0
Quantity Control Measure	212	97	45.8
Monopolistic Measures	1	1	100
Technical Measures	264	182	68.9
<b>Thailand (2003)</b>			
Price Control Measure	13	0	0
Finance Licensing	1	0	0
Quantity Control Measure	127	66	52.0
Technical Measures	600	449	74.8

Source: WITS.

# Liberalization Measurement Index

## Rank for measures covering:

	All trade	Agriculture	Industry
Singapore-NZ	1	1	1
EU	2	6	2
ANZCERTA	3	2	4
Chile-MERCOSUR	4	4	3
Chile-Mexico	5	3	6
NAFTA	6	11	10
EU-Poland	7	7	13
ANDEAN	8	5	5
MERCOSUR	9	8	7
Chile-Columbia	10	13	9
<b>ASEAN-FTA</b>	<b>11</b>	<b>16</b>	<b>14</b>
PATCRA	13	10	12
Israel-US	14	17	15
EU-Switz	15	18	11
EU-Egypt	16	14	17
SPARTECA	17	12	16
LAIA	18	15	18

Source: Adams, 2003

# Summary and Conclusion

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- Varied types of PTAs in East and Southeast Asia
- Multi-speed bilateralism in Asia may lead to either region-divergent or region-convergent bilateralism
- ASEAN experience had not been all that encouraging – poor utilization
- Lesson: PTAs must also focus on issues other than tariffs – trade facilitation capacity and NTMs

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Thank You!