



one vision
one identity
one community

ASEAN and Strategic FTAs

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ASSOCIATION OF SOUTHEAST ASIA NATIONS (ASEAN)



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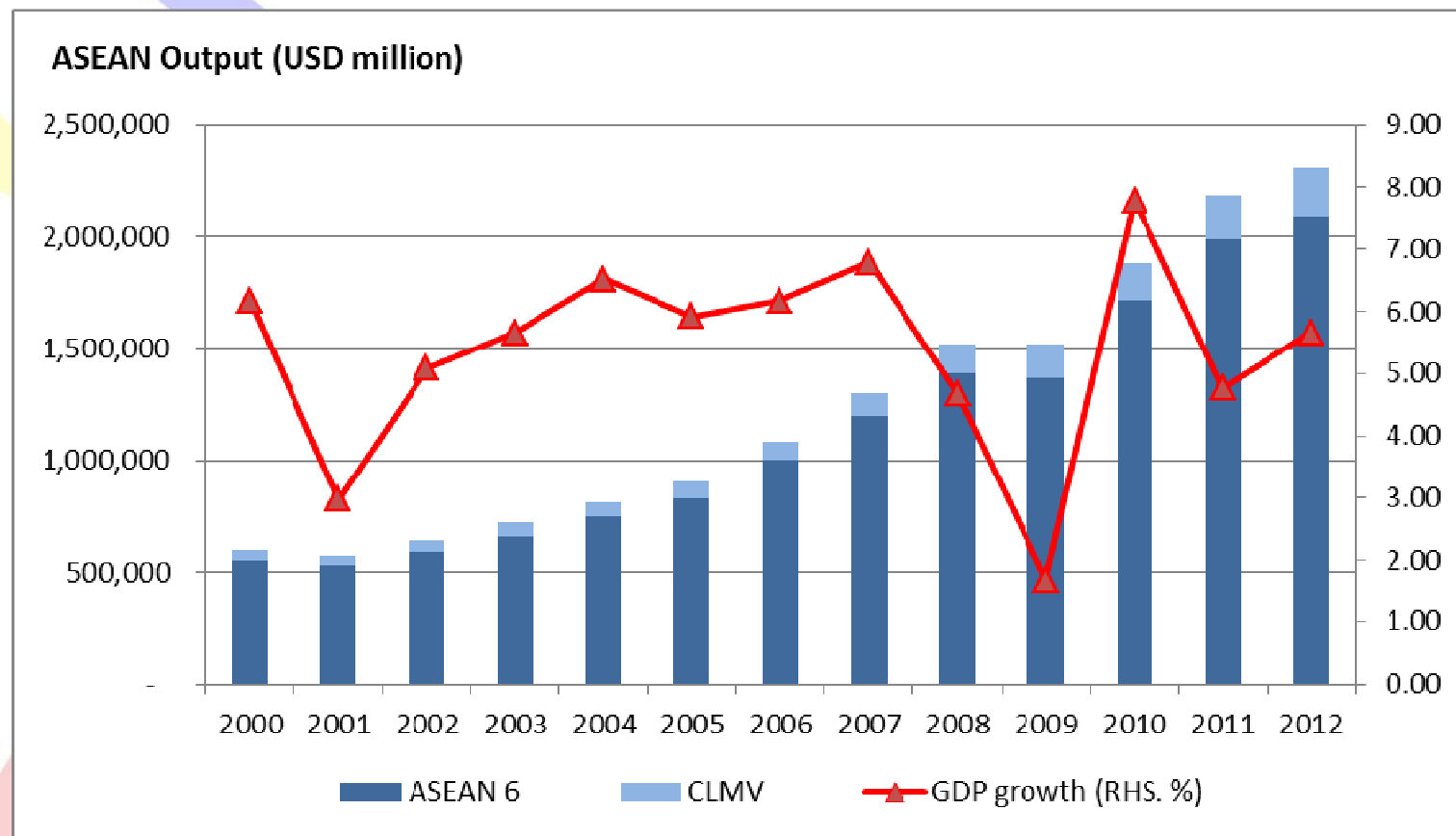


ASEAN Trade and Economic Performance

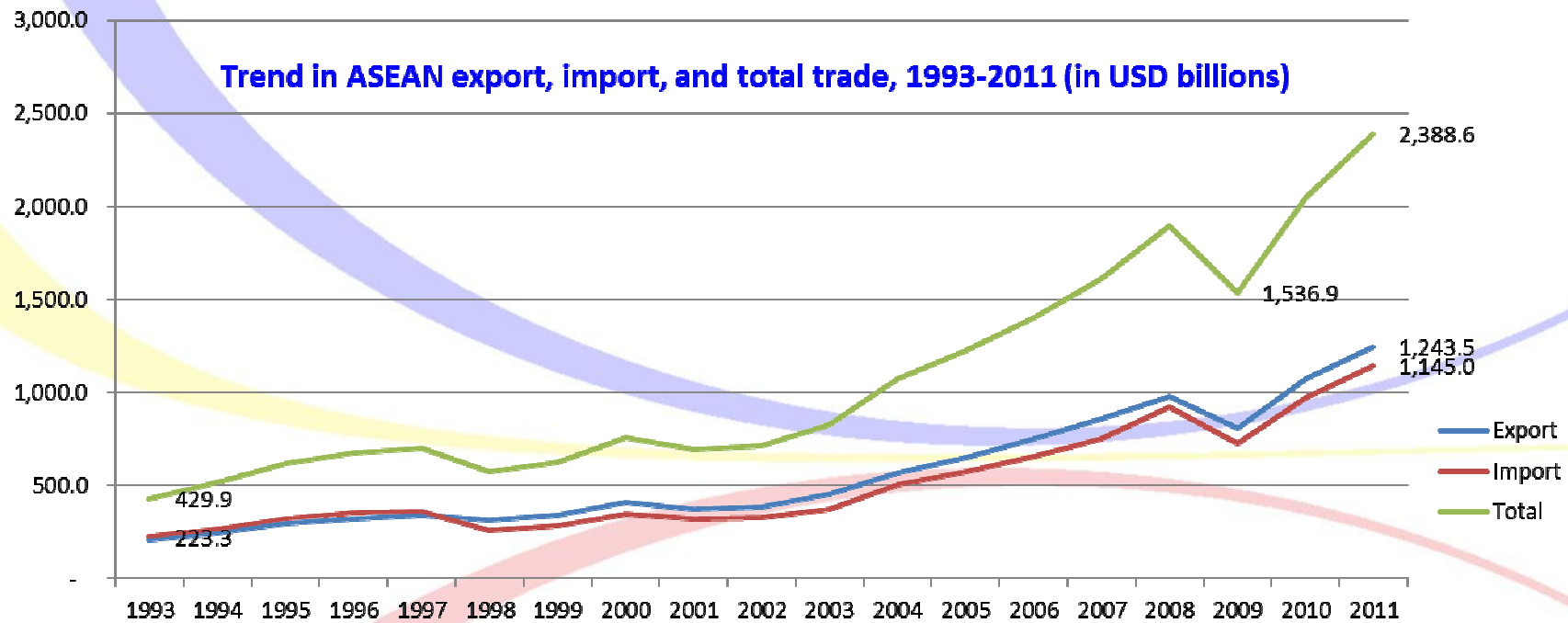


ASEAN Economic Performance

ASEAN GDP since the adoption of AEC Blueprint 2015



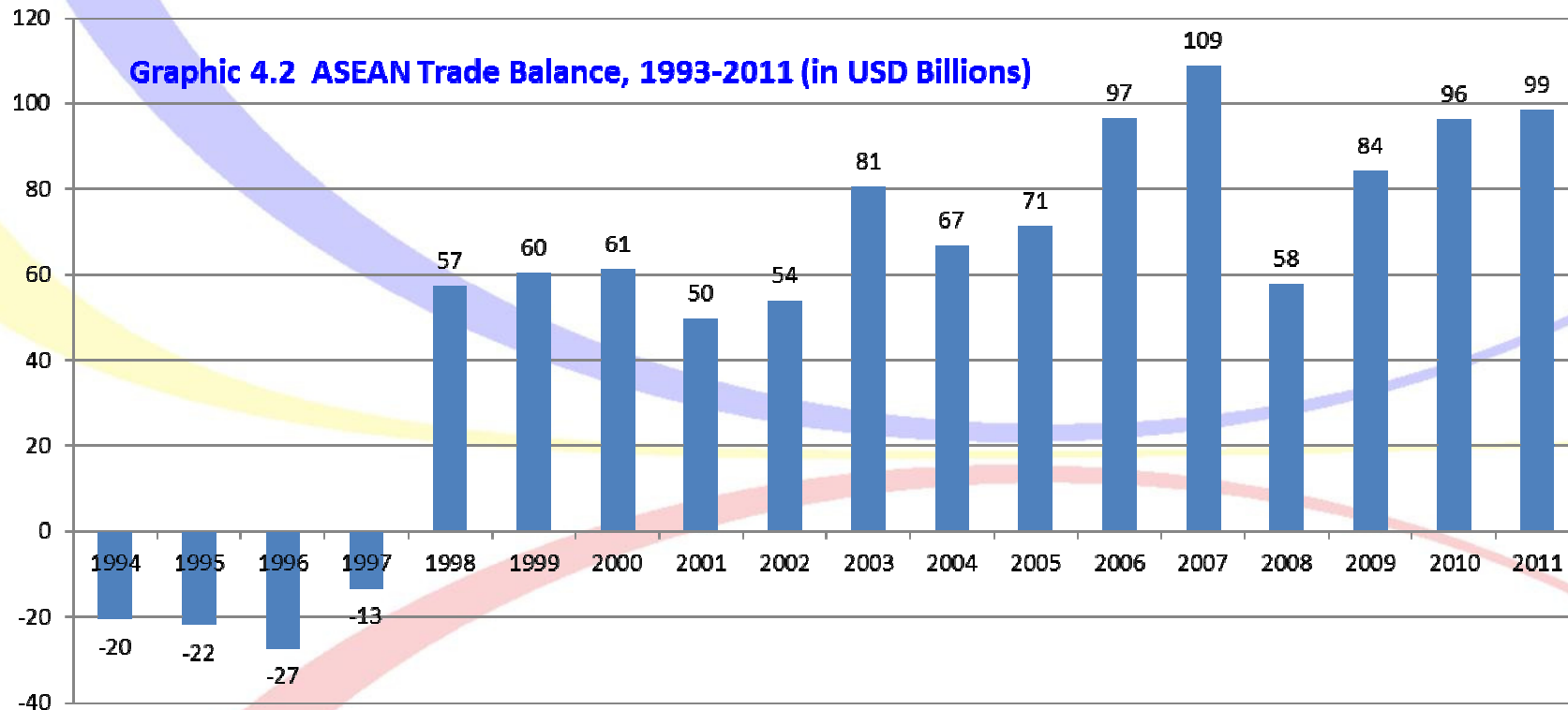
Trend: Export, Import, and Total Trade



ASEAN trade increased significantly from USD 430 Billion in 1993 to USD 2.4 Trillion in 2011. Likewise, exports and imports also increased remarkably, both from USD 223.3 billion and USD 429.9 to USD 1,243.5 billion and USD 1,145 billion respectively for the same period.



Trend in ASEAN Trade Balance

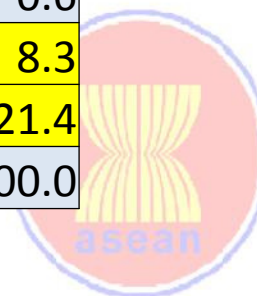


Since 1998 ASEAN has been recording trade surplus, peaking at USD 109 Billion in 2007, declined in 2008 (global economic crisis) and has picked up to reach the second highest recording in 2011 at USD99 billion.

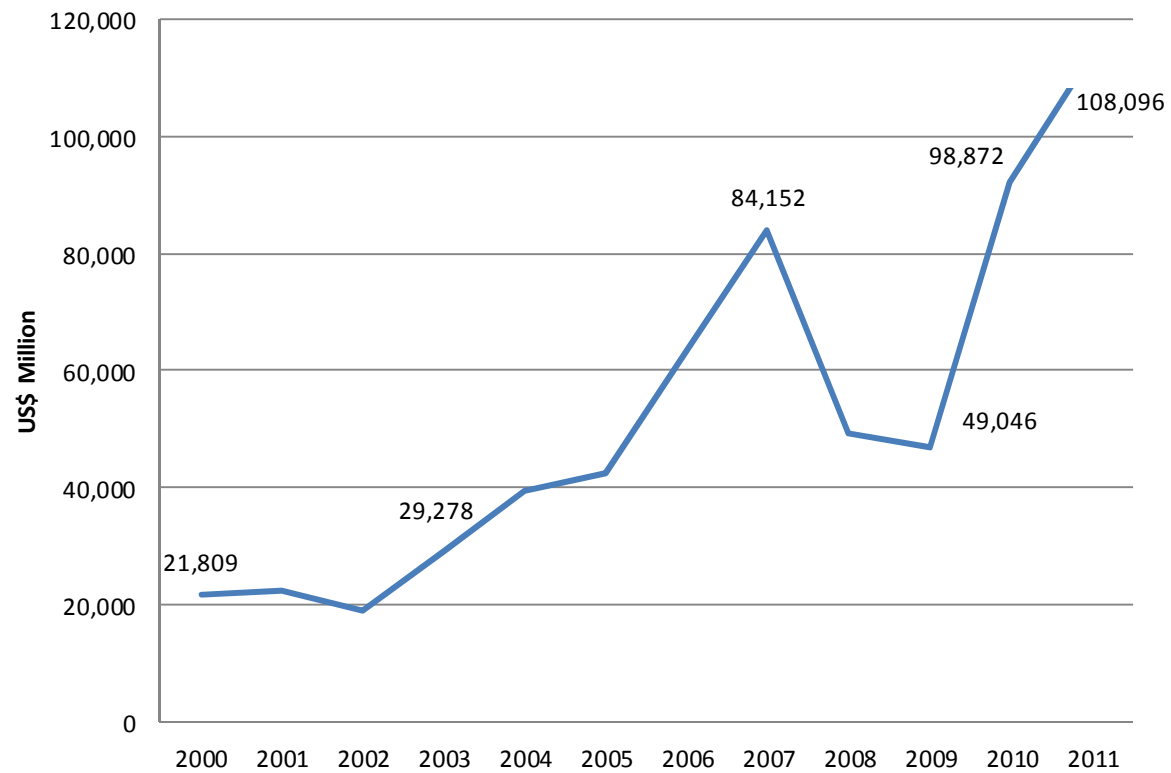


Share of ASEAN Trade with Dialogue Partners

Trade Partners	Share of ASEAN Trade (%)		
	1993	2000	2011
Intra ASEAN	19.2	22.0	25.0
Australia	2.1	2.3	2.5
Canada	0.8	0.6	0.5
China	2.1	4.3	11.7
EU-27	14.7	13.5	9.8
India	0.7	1.3	2.9
Japan	20.2	15.3	11.4
Korea, Republic of	3.1	3.9	5.2
New Zealand	0.3	0.3	0.3
Pakistan	0.2	0.5	0.3
Russia	0.1	0.2	0.6
USA	17.6	16.1	8.3
Others	19.0	19.8	21.4
<i>TOTAL</i>	100.0	100.0	100.0

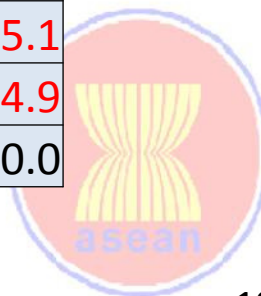


FDI Into ASEAN, US\$ Million



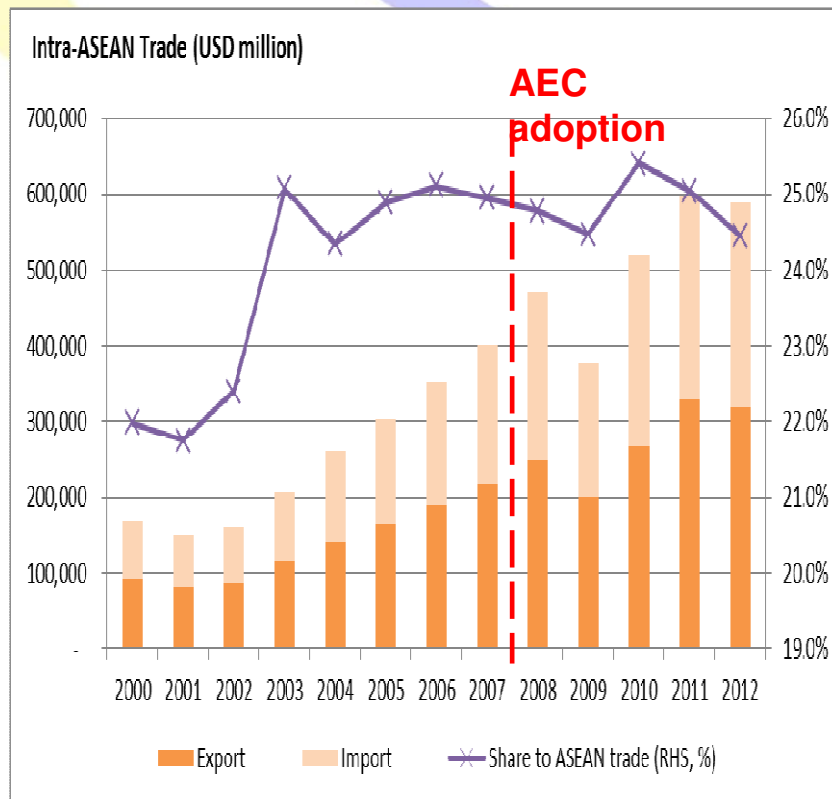
Share of ASEAN FDI with Dialogue Partners

FDI Sources	Share of ASEAN FDI (%)		
	1999	2000	2011
Intra ASEAN	16.5	3.9	23
Australia	(3.4)	(1.7)	1.2
Canada	(0.1)	(3.6)	0.9
China	0.2	(0.7)	5.3
EU-27	35.8 (1)	59.6 (1)	16.0 (1)
India	0.2	0.4	(1.6)
Japan	6.2	2.5	13.2
Korea, Republic of	1.9	(0.2)	1.9
New Zealand	0.3	0.2	0.0
Pakistan	0.0	0.0	0.0
Russia	0.0	0.0	0.0
USA	21.5	34.3	5.1
Others	30.9	5.1	34.9
<i>TOTAL</i>	100.0	100.0	100.0

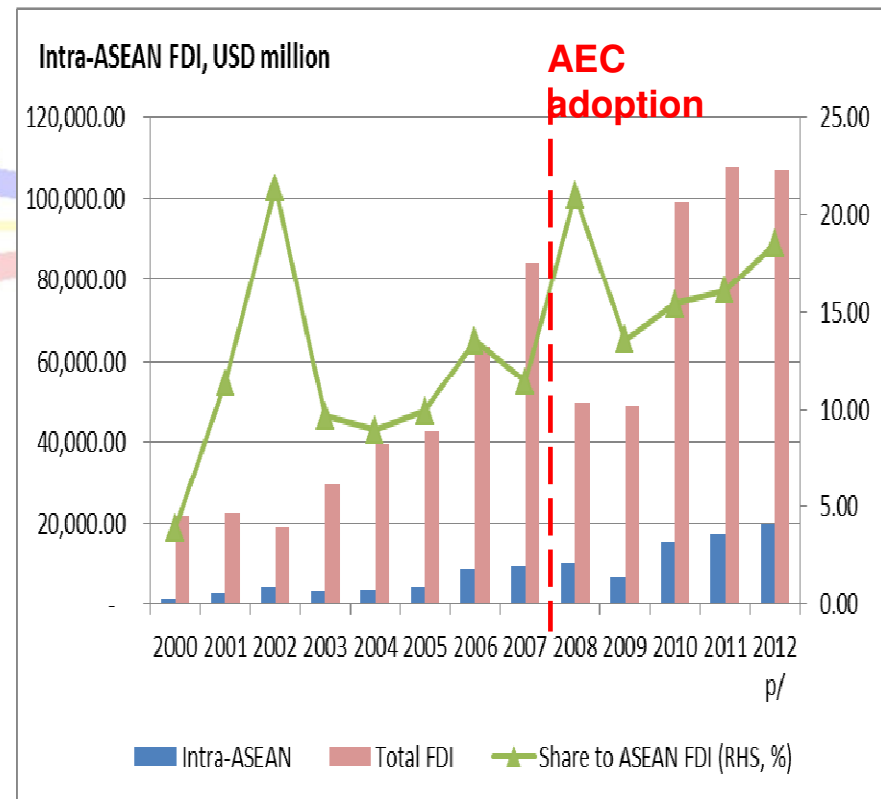


ASEAN Economic Performance

Intra-ASEAN Trade



Intra-ASEAN FDI

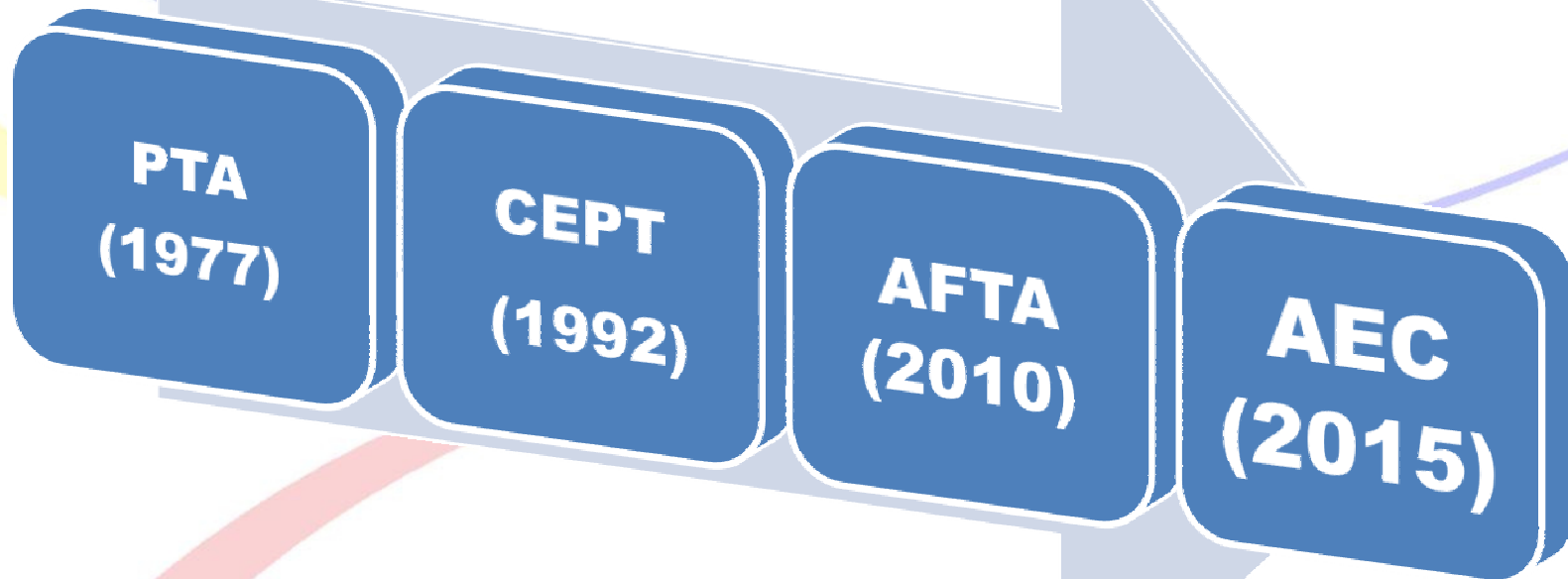




ASEAN ECONOMIC COMMUNITY (AEC)



Stages Towards an ASEAN Economic Community



Why ASEAN Economic Community?

- Recognise the need to not only build resilience to cushion ASEAN from the adverse impact of any internal and/or external shocks but also sustainable growth
- Emerging regional economic architecture - rise of China, India and other emerging economies underscores the importance of creating a stronger, more united and cohesive ASEAN



STEPS Towards ASEAN Integration

- AEC is a natural progression towards the next level of economic integration as ASEAN matures after 40 years
- Traditional approach of tariff and non-tariff barriers insufficient – need a comprehensive strategy to upgrade competitiveness of ASEAN
- Creation of ASEAN Economic Community (AEC) through: **“a single and coherent blueprint for advancing the AEC”**



Foundation of the ASEAN Economic Community

- An AEC Blueprint to provide ASEAN Member Countries a strategic plan for the short to medium-term towards 2015
- Strategic Schedule includes key milestones for a comprehensive and deeper economic integration by 2015
- Four-phase approach (2008-09, 2010-11, 2012-13, and 2014-15)



ASEAN Economic Integration Framework

- **Internal Integration – ASEAN Economic Community**
 - Single market and production base
 - Competitive economic region
 - Equitable economic development
- **External – FTAs and CEPs**
 - Integration into the global economy
 - ✓ Enhance market access
 - ✓ To remain competitive vis-à-vis countries/blocs directly competing with ASEAN
 - ✓ ASEAN Centrality



4 PILLARS OF THE AEC

ASEAN Economic Community

Strategic Schedule of the AEC Blueprint (2008-2015)

AEC Pillar 1

Single Market & Production Base

- Free flow of goods
- Free flow of services
- Free flow of investment
- Freer flow of capital
- Free flow of skilled labor
- Priority Integration Sectors
- Food, agriculture and forestry

AEC Pillar 2

Competitive Economic Region

- Competition policy
- Consumer protection
- Intellectual property rights
- Infrastructure development
- Taxation
- E-Commerce

AEC Pillar 3

Equitable Economic Development

- SME development
- Initiative for ASEAN Integration

AEC Pillar 4

Integration into the Global Economy

- Coherent approach towards external economic relations
- Enhanced participation in global supply networks

ASEAN's FTAs are part of ASEAN's Community-building efforts

HUMAN RESOURCE DEVELOPMENT

RESEARCH AND DEVELOPMENT



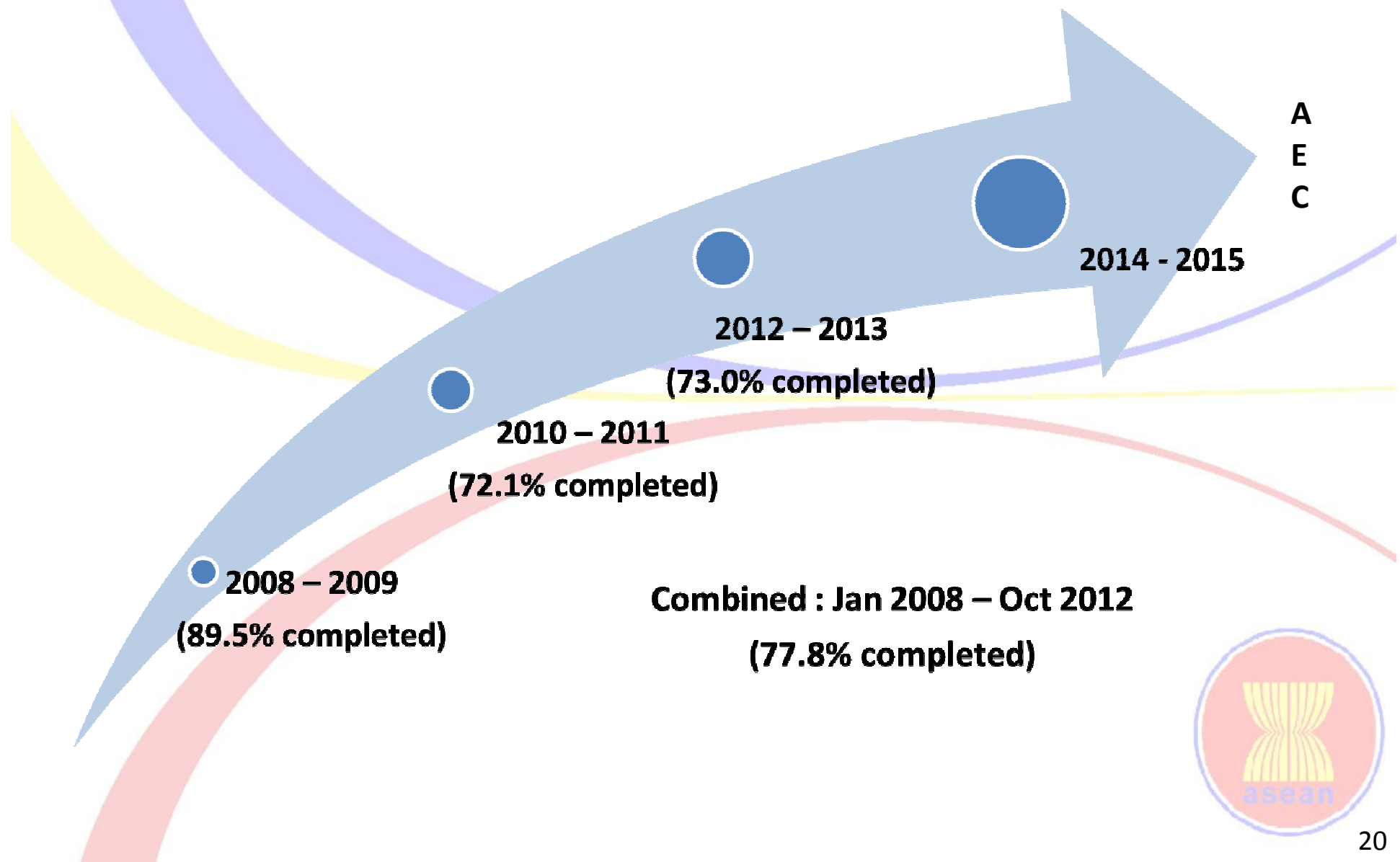
ASEAN ECONOMIC COMMUNITY

- Status



Four-Phase Approach on Implementation of AEC Blueprint

- As of May 2013



AEC 2015 CHALLENGES



Key Challenges in AEC 2015

- ❑ The overall implementation rate of AEC Blueprint for the period of January 2008 – March 2013 stands at **77.8 %**
- ❑ Short-falls are mainly as a result of delays in the ratification of signed ASEAN-wide agreements and their alignments into domestic laws as well as delays in the implementation of initiatives
- ❑ Intensifying efforts both at country and regional level on the implementation of AEC Blueprint, especially putting in additional effort to complete overdue measures
- ❑ Developing a more effective monitoring system in by setting up an AEC monitoring body at national level and be linked to regional network through ASEAN Integration Monitoring Office at the ASEAN Secretariat



AEC PILLAR 4
INTEGRATION INTO THE GLOBAL ECONOMY
- AFTA



Strategy of ASEAN Agreements & Regional FTAs

Main ASEAN Agreements



ACIA
(Investment)

AFAS
(Services)

ATIGA
(Goods)

Regional FTAs



China, ROK, Japan, India,
Australia & New Zealand

- Opening up economies to greater trade & investment
- Providing stability, predictability & transparency in the business environment



ASEAN Free Trade Area

- Established in 1992, realised on 1 January 2010 (ASEAN-6) as 99% of total tariff lines eliminated for intra-ASEAN trade
- Average tariff for ASEAN-6 is now 0.95% from 12% in 1992
- AFTA for CLMV will be realised as early as 1 January 2015 (part of the S&D given to CLMV as new ASEAN members and as least developed ASEAN Members)
- Ultimate goal is free flow of goods in 2015 as ASEAN realises the ASEAN Economic Community



ASEAN Trade in Goods Agreement (ATIGA)

- Signed in Thailand on 26 February 2009 and entered into force on 17 May 2010
- Supersedes the 1993 Agreement on Common Effective Preferential Tariff Scheme (CEPT)
- Provides the legal framework to realise free flow of goods in the ASEAN Economic Community
- Covers more than tariff liberalisation - includes substantive chapters on enhanced ROO, trade facilitation, customs procedures, STRACAP (standards, technical regulations and conformity assessment procedures) and SPS



ASEAN Framework Agreement in Services (AFAS)

- **8th Package of Commitments**
 - Completed; two more packages
- **Mutual Recognition of Arrangement**
 - Roadmaps/Implementation Plan to operationalise the 7 MRAs being considered by the MRA committees
- **ASEAN Agreement on Movement of Natural Person**
 - Endorsed by 44th AEM Meeting in August 2012 and signed in the sidelines of the 21st ASEAN Summit in November 2012



ASEAN Comprehensive Investment Agreement (ACIA)

- ASEAN Comprehensive Investment Agreement (ACIA)
 - view to creating a free, open and transparent investment environment in line with ASEAN's economic integration goals
 - took effect on 29 March 2012
 - includes provisions for promotion, facilitation, protection and liberalisation
- Modality for Elimination/Improvement of Investment Restrictions and Impediments in ASEAN Member States



AEC PILLAR 4
INTEGRATION INTO THE GLOBAL ECONOMY
- Plus One FTAs



ASEAN's Plus One FTAs

- **Compelling Reasons:**
 - ASEAN has been dependent on its major trading partners for trade and investment - create stability and predictability
 - Pause at WTO: With the growing trend towards free trade and comprehensive economic partnership arrangements, ASEAN has to **enhance its level of competitiveness, expand its market access opportunities through bilateral FTAs**
- **Target/Strategy:** ASEAN's FTAs with its major trading/dialogue partners within the region has become ASEAN's main economic strategy for integrating the region into the global economy



ASEAN's Plus One FTAs

- **Approach/Strategy:** Two pronged approach:
 - Create a single market and production base
 - Integrating into Regional and Global Economies
- **Role:** Playing special role in the next steps – a central role – in the emerging regional architecture in East Asia/Asia Pacific Region



Approach to FTA Negotiations

Sequential

- Framework Agreement
- Trade in Goods
- Trade in Services
- Investment

Single Undertaking

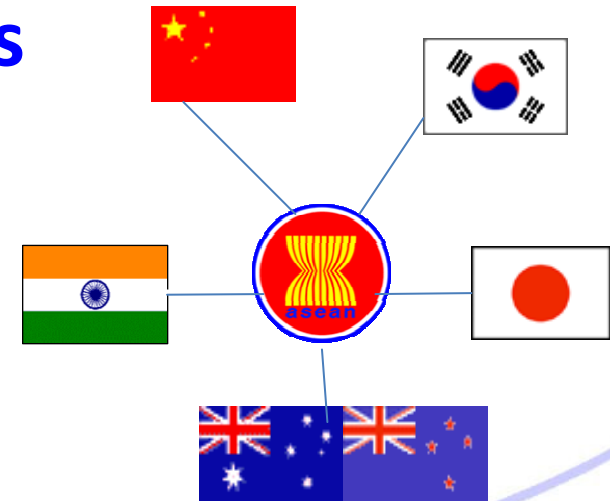
- Comprehensive agreement covering goods, services, investment, economic cooperation, other related disciplines

**F
T
A**



ASEAN Plus FTAs - Status

- **ASEAN + China and ASEAN + Korea**
 - Goods, services and investment agreements signed
- **ASEAN + India**
 - Goods completed; Negotiations Completed: services and investment
- **ASEAN + Japan**
 - Goods completed; still to conclude services and investment
- **ASEAN + Australia + New Zealand**
 - Comprehensive agreement implemented
1 January 2010



ASEAN-China FTA

**ASEAN-CHINA
FTA**
(Framework
Agreement, 2002)

INVESTMENT
- Agreement signed in 2009

GOODS
- EHP in 2004;
- Agreement signed in 2004
and implemented in 2005

SERVICES
- Agreement signed in 2007
- 2nd package of specific
commitments completed and
signed in November 2012



ASEAN-Korea FTA

**ASEAN-KOREA
FTA**
(Framework
Agreement, 2005)

INVESTMENT
- Agreement signed in 2009

TIG
- Agreement implemented in
2007
- FTA to be realized in 2010
- Thailand accession, 2009

TIS
- Agreement signed in 2007
- Entry into force, 2009
- Thailand accession, 2009



ASEAN-Japan CEP

TIG

- Bilateral vs regional commitments
- Regional cumulation
- Trade facilitation, including customs, SPS and standards
- FTA to be realized within 10 years from EIF

TIS

- Specific details and regional commitments part of built-in agenda

ASEAN-JAPAN CEP

- Signed April 2008
- Entry into force Dec 2008

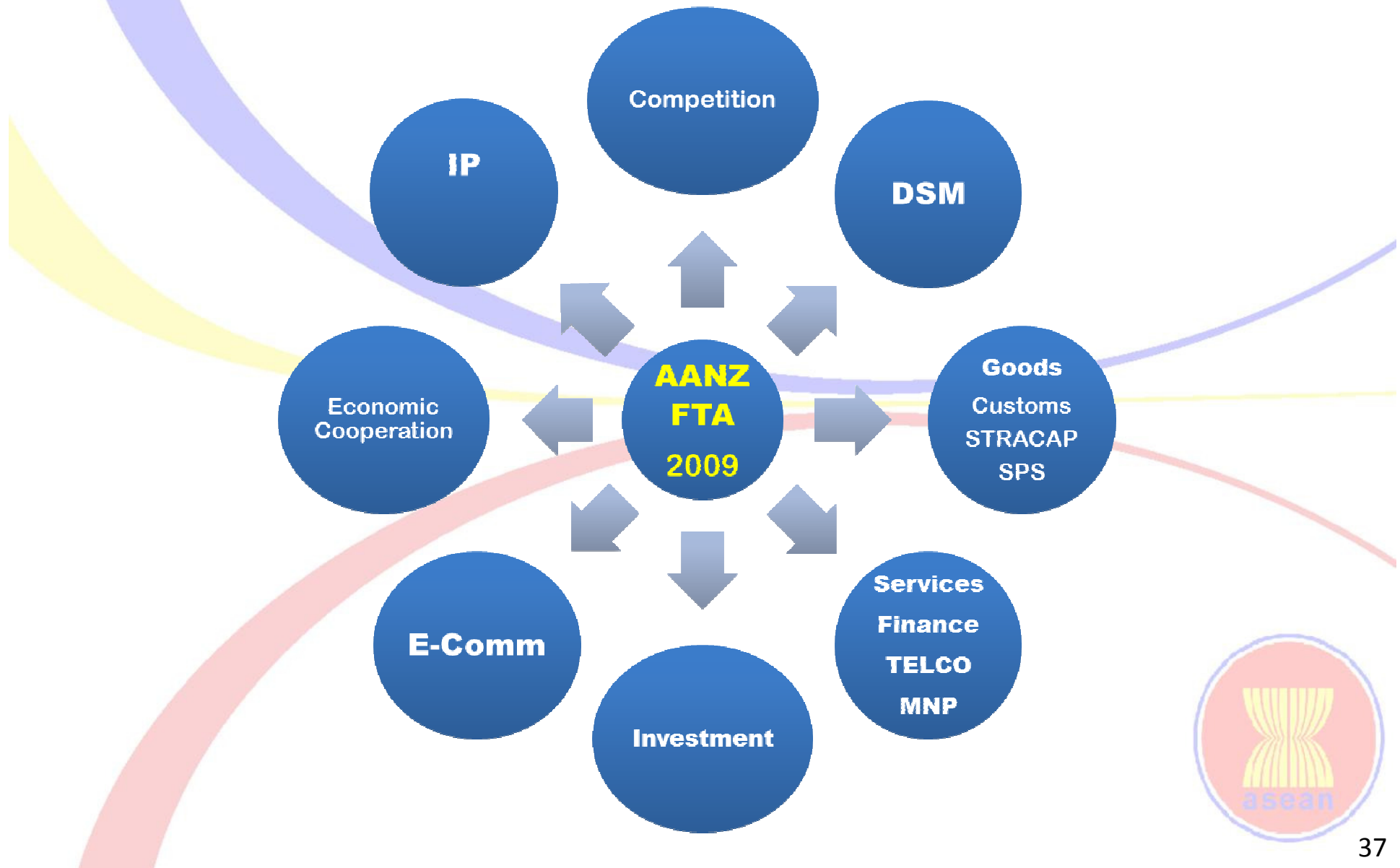
ECONOMIC COOPERATION

- Identified areas including intellectual property

INVESTMENT

- built-in agenda

ASEAN-Australia-New Zealand FTA



ASEAN-India FTA

ASEAN-INDIA FTA
(Framework Agreement, 2003)

INVESTMENT

- Negotiations completed
- Target date for signing 2013

TIG

- Negotiations completed in 2008
- Signed in 2009
- Level of ambition different from ASEAN's other FTAs

TIS

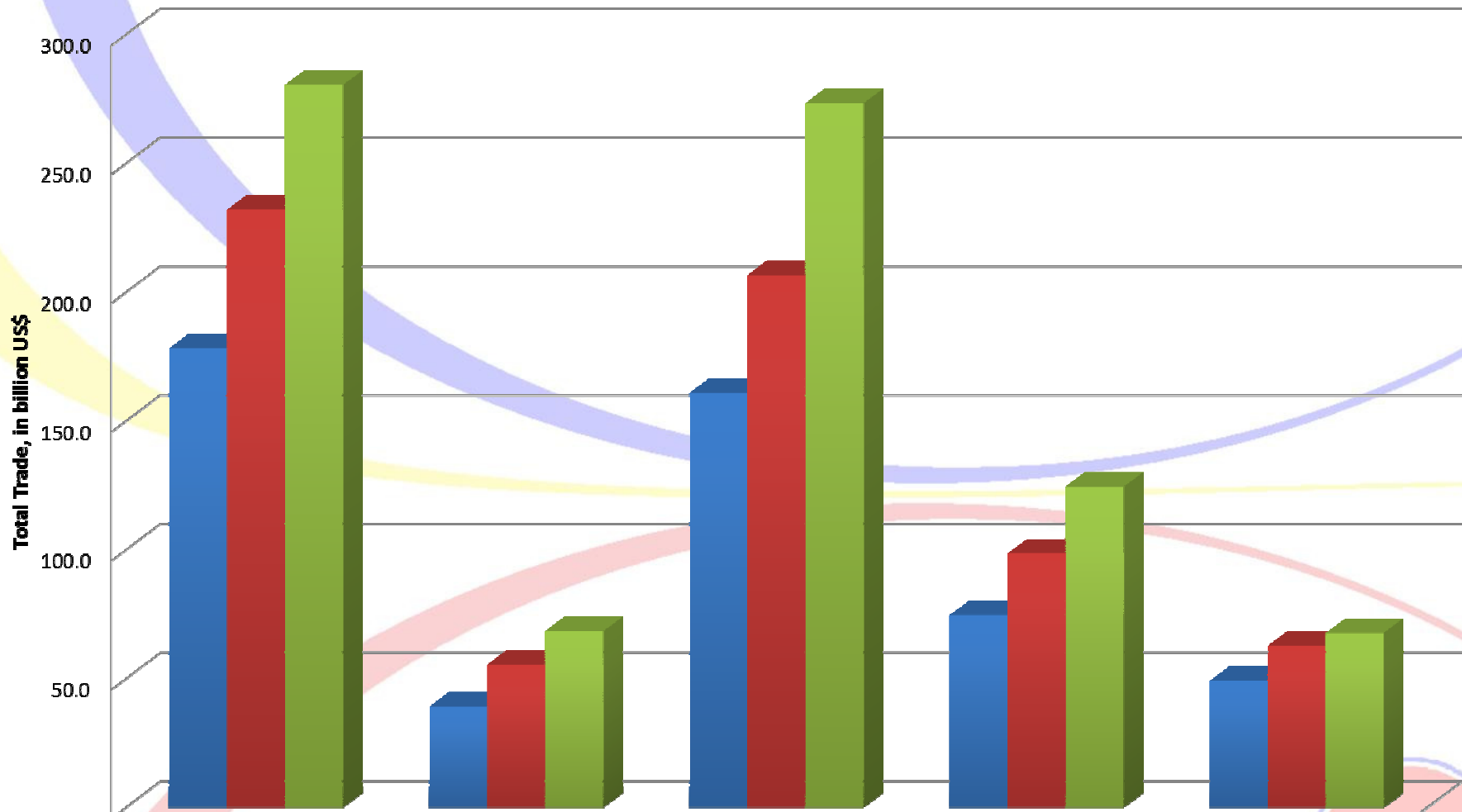
- Negotiations completed
- Target date for signing 2013



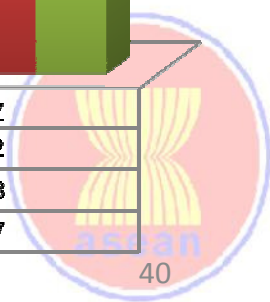
ASEAN PLUS ONE FTAs CONSOLIDATION



ASEAN Trade with FTA Partners



	China	India	Japan	Korea	ANZ
■ 2009	178.2	39.1	160.9	74.7	49.2
■ 2010	232.0	55.4	206.6	98.6	62.8
■ 2011	280.4	68.4	273.3	124.5	67.7



ASEAN's Total Trade

(US\$ Million)

300,000
250,000
200,000
150,000
100,000
50,000
-

■ 1993 ■ 2003 ■ 2011

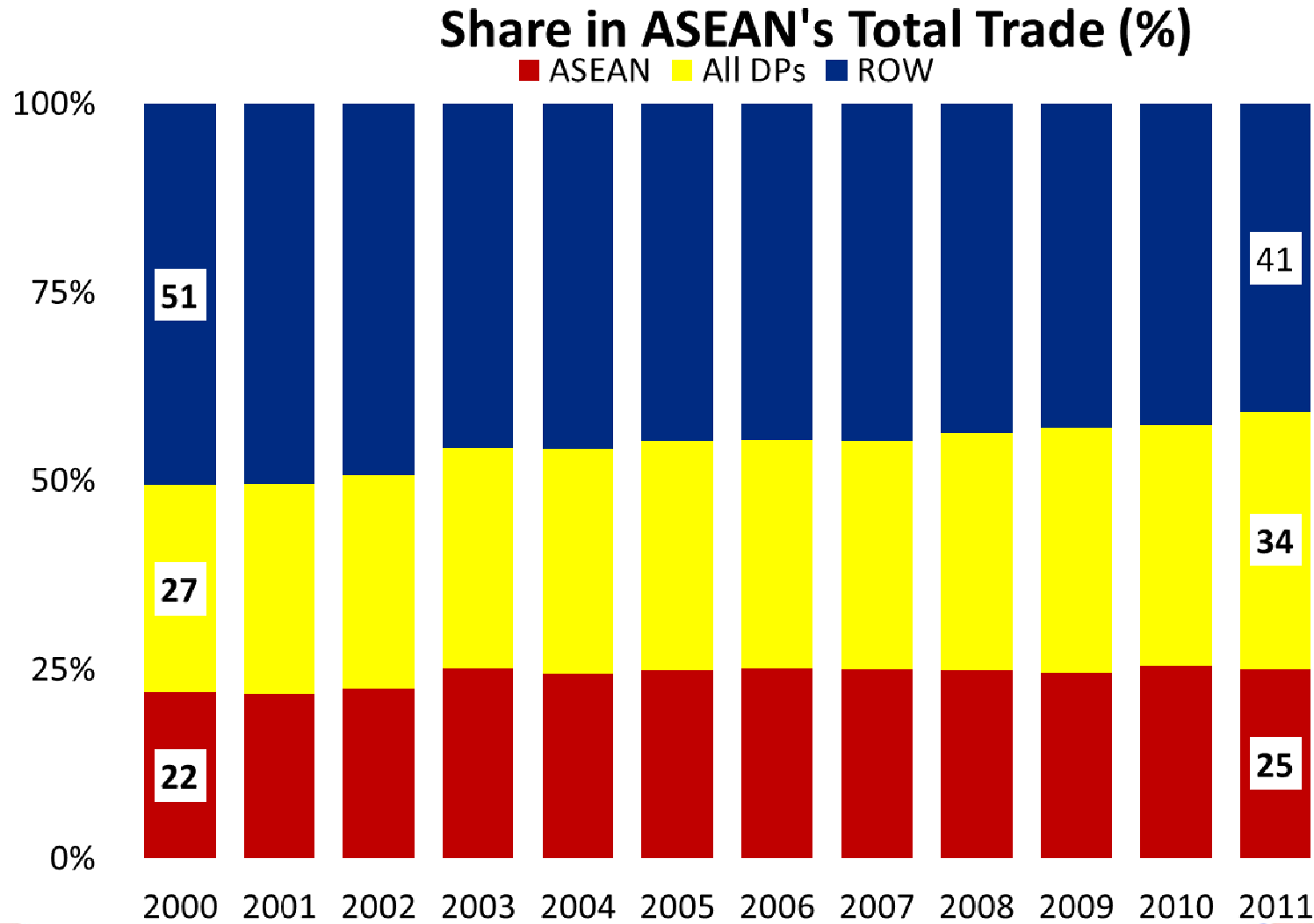
Intra ASEAN
Australia
Canada
China
EU-27
India
Japan
Korea, Republic of
New Zealand
Pakistan
Russia
USA
Others

Note:

1993 (US\$ 429 billion) 2003 (US\$ 825 billion) 2011 (US\$ 2.39 trillion)

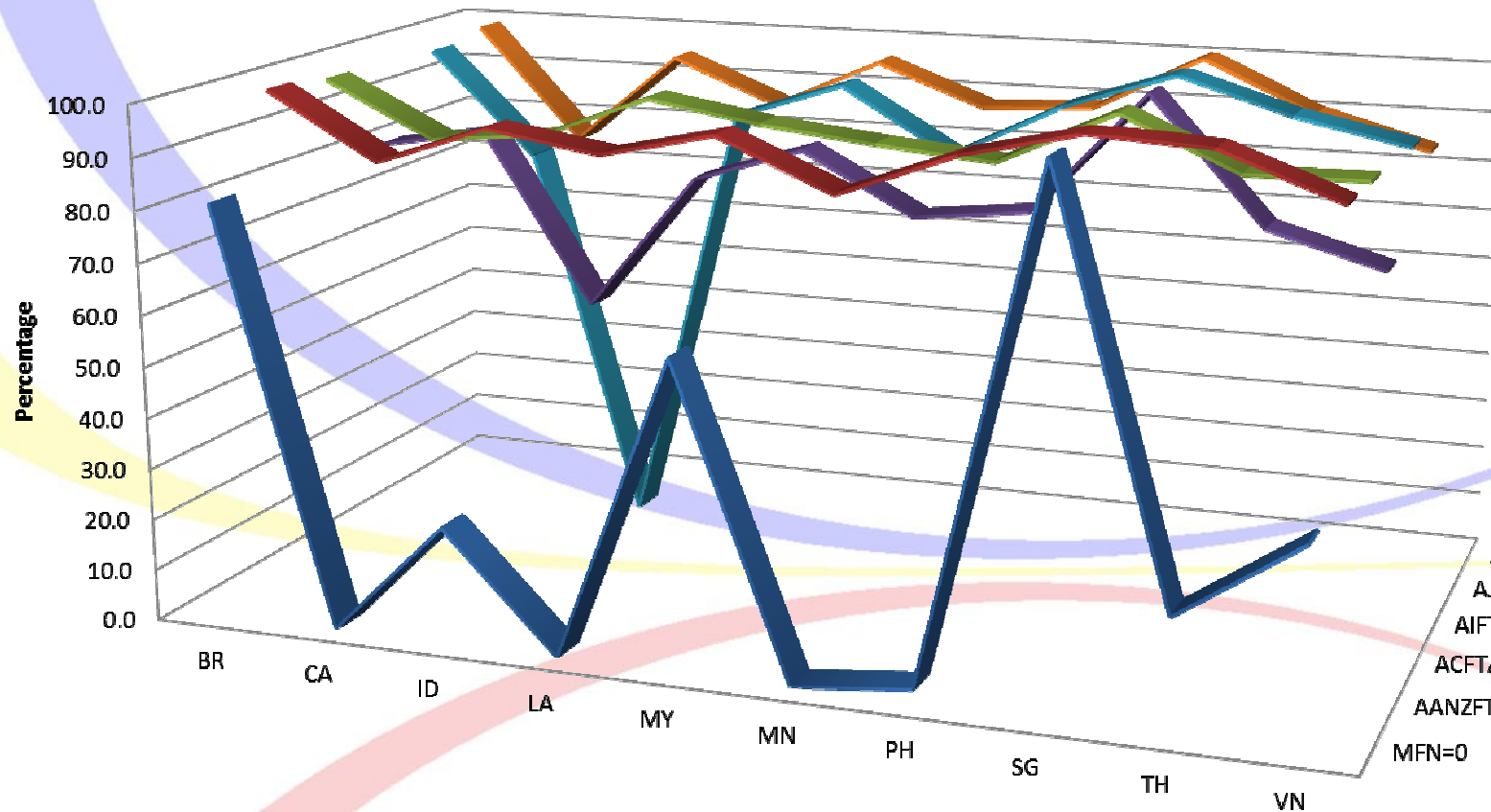


ASEAN's Total Trade



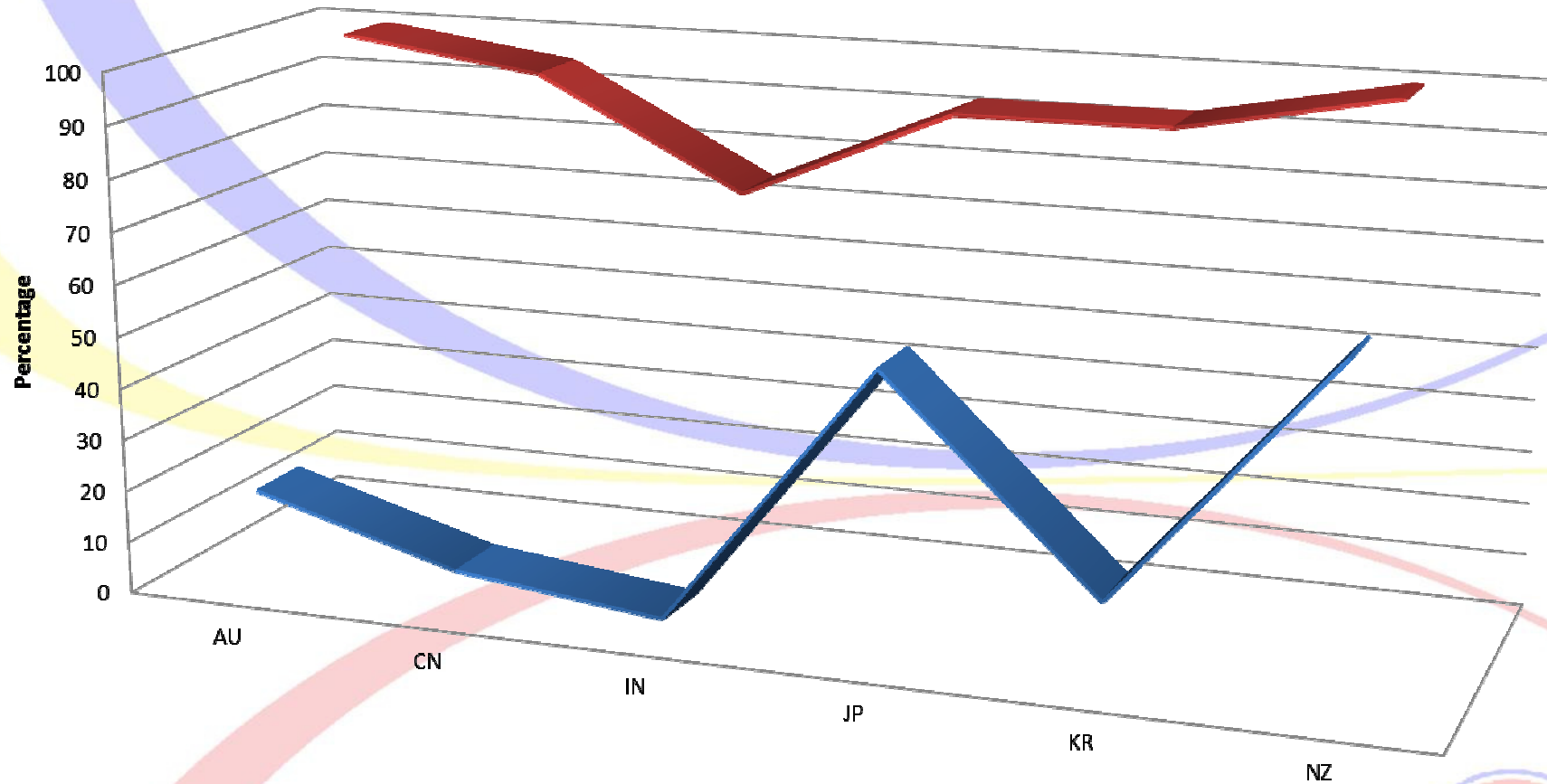
DPs = Australia, China, India, Japan, Korea and New Zealand. ROW = Rest of the World

Summary of Tariff Outcomes: ASEAN

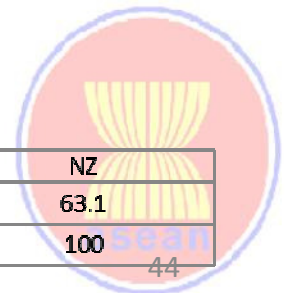


	BR	CA	ID	LA	MY	MN	PH	SG	TH	VN
MFN=0	81.0	0.0	22.5	0.0	59.2	0.0	2.4	100.0	21.6	37.1
AANZFTA	98.7	86.2	93.9	90.5	95.5	86.1	94.7	100.0	98.8	90.6
ACFTA	97.3	86.7	88.7	97.3	93.7	91.3	89.4	99.9	90.1	90.4
AIFTA	80.4	84.1	50.1	77.5	84.8	73.0	75.6	100.0	75.6	69.3
AJCEP	96.5	75.4	0.0	86.6	94.1	81.2	92.4	100.0	93.2	88.6
AKFTA	98.5	75.4	94.1	85.4	95.5	87.3	88.5	100.0	89.9	83.8

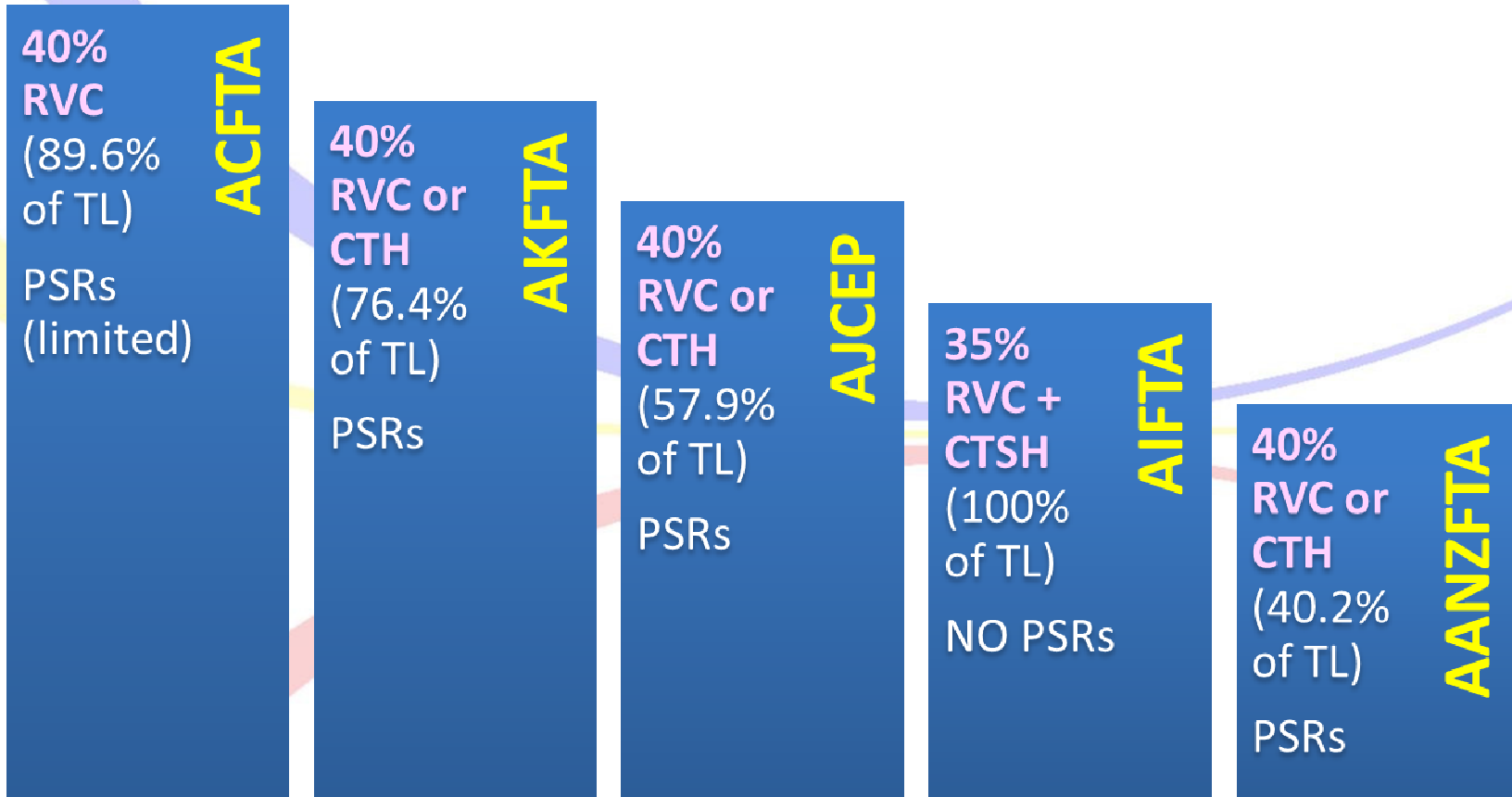
Summary of Tariff Outcomes: AFPs



	AU	CN	IN	JP	KR	NZ
MFN=0	18.8	7.4	2.8	53.8	15.6	63.1
ASEAN+1 FTA	100	94.6	74.2	91.9	92.1	100



ROO in ASEAN's FTAs



ASEAN's FTA Network

	AFTA	ACFTA	AKFTA	AJCEP	AIFTA	AANZFTA
Entry into force	1993	2005	2007	2008	2010	2010
Market size (million)	605	1,953	654	733	1,812	637
Econ size (US\$, trillion)	2.2	9.5	3.3	7.1	3.9	3.8
Coverage	Goods Services Investment	Goods Services Investment	Goods Services Investment	Goods (services & investment in bilateral EPAs)	Goods Services Investment	Goods Services Investment, etc.
Duty phase out date (A6+DP/CLMV)	2010/ 2015 (2018)	2012 2018	2012 2018 [VN] 2020 [CLM]	10-15 years from EIF 2026 [CLM]	2017 2020 [PH] 2022 [CLMV]	2020 2022 [VN] 2025 [CMLV]
ROO	40% or CTH PSRs	40% Limited PSRs	40% or CTH PSRs	40% or CTH PSRs	35%+CTSH	40% or CTH PSRs
Total trade (US\$, billion)	2,388.6	6,030.5	3,468.2	4,066.2	3,155.8	2,977.5

ASEAN PLUS ONE FTAs

-Convergence/Divergence



ASEAN FTAs: Key Convergence/Divergence

Element	AFTA	ACFTA	AKFTA	AJCEP	AANZFTA	AIFTA
Realisation	01.01.10	01.01.10	01.01.10	<i>within 10 yrs</i>	2015	2016
Tariffs <ul style="list-style-type: none"> • elimination • standstill • exclusion • special prods • max tariffs 	more than 99% none none rice and sugar 5% (UAP)	at least 90% yes (tech) none (tech) none 20% (SL) 50% (HSL)	at least 90% None 40 TL none	at least 90% none 1% (total trade) none	90%, 100% None Yes None	at least 80% None About 500 TLs Coffee, tea, pepper and palm oil
Rules of Origin	RVC (40) or CTC; PSRs	RVC (40); limited PSRs	RVC (40) or CTC; PSRs	RVC (40) or CTC; PSRs	RVC (40) or CTC; PSRs	RVC 35% +CTSH
SPS/TBT	yes	yes	minimal	yes	yes	None
Services and Investment	AFAS and ACIA	Yes (only protection for investment)	Yes (liberalisation for investment in built-in agenda)	Built-in agenda Being negotiated	Yes	Yes



REGIONAL COMPREHENSIVE ECONOMIC PARTNERSHIP (RCEP)



EAFTA, CEPEA Road to RCEP

EAFTA (ASEAN+3)	CEPEA (ASEAN+6)
Phase I: 2004-06	Phase I: 2006-08
Phase II: 2007-09	Phase II: 2008-09



ASEAN Plus Working Groups (2009-11)
(1) Rules of Origin (2) Tariff Nomenclature (3) Customs Procedure (4) Economic Cooperation



RCEP Working Groups (2012-present)
(1) Trade in Goods (2) Trade in Services (3) Investment



Source: Modified from ERIA – RCEP Work Shop 5 May 2013

RCEP Guiding Principles and Objectives for Negotiating

- 8 Principles of RCEP

- WTO consistency
- Significant improvements over the existing ASEAN+1 FTAs
- Facilitation of trade and investment and transparency enhancement
- Consideration of the different levels of development (e.g. special and differential treatment)
- Continued existence of the ASEAN+1 FTAs
- Open accession
- Technical assistance and capacity building
- Comprehensiveness (parallel negotiation of trade in goods, trade in services, investment and other areas)



Guiding Principles and Objectives for Negotiating

- 8 Negotiation Areas

- Trade in Goods
- Trade in Services
- Investment
- Economic and Technical Cooperation
- Intellectual Property
- Competition
- Dispute Settlement
- Other Issues



Regional Comprehensive Economic Partnership

Estimated benefits¹

A total income gain of about
US\$649 billion in 2025 for RCEP participating
countries

Recognizes ASEAN
Centrality and the
interest of ASEAN's
FTA partners

Commit to achieve a
modern,
comprehensive, high-
quality and mutually
beneficial economic
partnership agreement

Boost economic
growth and equitable
economic
development
Broaden and deepen
integration in the
region building upon
existing economic
linkages

¹ Petri, Peter A., Michael G. Plummer and Fan Zhai (2012), *The Trans-Pacific Partnership and Asia Pacific Integration: A Quantitative Assessment* (www.asiapacifictrade.com)

Regional Comprehensive Economic Partnership

Nov 2011

ASEAN Framework Agreement on Regional Comprehensive Economic Cooperation

Aug 2012

Guiding Principles and Objectives for Negotiating Regional Comprehensive Economic Cooperation

Nov 2012

Joint Declaration on the Launching of Regional Comprehensive Economic Cooperation

May 2013

First round of Regional Comprehensive Economic Cooperation Negotiation

Second round will start in Sep 2013

Dec 2015

Conclude negotiation on Regional Comprehensive Economic Cooperation



Emerging Regionalism

- Economic Regional Architecture

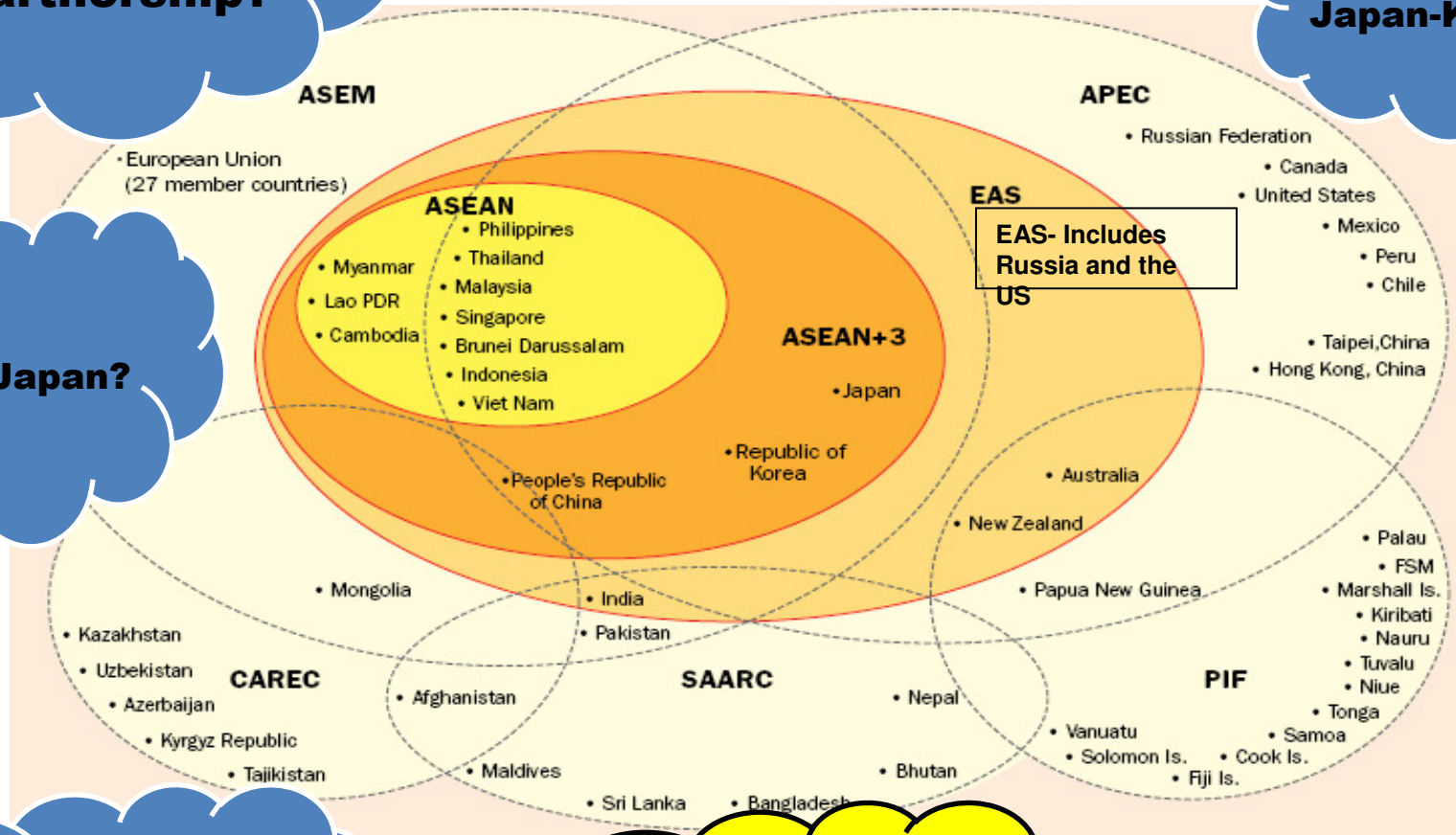
Trans Pacific Partnership?

Trilateral Agreement China-Japan-Korea?

EU-Japan?

Transatlantic Trade & Investment Partnership?

ASEAN REGIONAL COMPREHENSIVE ECONOMIC PARTNERSHIP?



THANK YOU



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