

FIRST EAST ASIA CONGRESS

EXPLORING FREER TRADING ARRANGEMENTS



Prof. Hank Lim of Singapore focused on the kind of agreement East Asia should have.



Prof. Hadi Soesastro of Indonesia called for an agreement on the process to move closer to a comprehensive economic partnership.

A free trade agreement (FTA) is basically an agreement among countries to reduce trade tariffs among the respective countries. The agreement can be between two coun-

Dr Narongchai Akrasanee, former Minister of Commerce of Thailand, once said: "Free Trade Agreement is like heaven. Everybody wants to go there, but just not yet." He was part of the team that drafted the Asean Free Trade Agreement (Afta), so it would seem that he knew what he was talking about. There have been a number of discussions to promote free trade agreements (FTAs) in East Asia, but the fact is East Asia still lags behind other parts of the globe in this area. By 2002, there were 143 FTAs in the world. East Asia contributed only four. What type of FTA do we want for East Asia? What are the potential processes to get there? Nico Lieke reports on Session Two – "Exploring Freer Trading Arrangements" – held on 4 August 2003.

tries (bilateral), among countries in one region (regional trade agreement or RTA), or among many countries (multilateral). The overarching objective of FTAs is to promote more economic transactions among the countries involved.

Type of East Asia RTA

East Asia should look beyond a traditional FTA, said first speak-

er, Prof. Hank Lim, Director of Research at the Singapore Institute of International Affairs. The region should consider a comprehensive economic partnership (CEP) which covers not only the traditional FTA but also two important issues in international trade: (1) standardisation, and (2) general co-operation elements.

Under standardisation, customs procedures could be har-



Prof. Zhang Yunling of China proposed several ways progress on convergence could be achieved.



Prof. Ippei Yamazawa of Japan elaborated on Japan's initiative in forging an Asean-Japan comprehensive economic partnership.

monised. Such harmonisation is important because, often labelled “non-tariff barriers,” customs and transportation requirements and the like can prohibit export-import more than tariffs. For example, cargo entering Malaysia from Thailand cannot cross the border without changing trucks, thus potentially costing businesses both money and time.

As for general co-operation elements, they can be in the form of economic and technology assistance (Ecotec). In this regard, Japan has been a good patron to the other East Asia countries, including to Malaysia. Through the Look East Policy, Japan provided Malaysia with technology transfers, which benefited Malaysia's manufacturing sector and at the same time provided Japan with higher quality products which were only marginally higher in price. This kind of partnership is beneficial if each country can look into its comparative advantage and contribute to the pool.

Process

Second speaker Prof. Hadi Soesastro, Executive Assistant Director-General of the Center for Strategic and International Studies, Indonesia, supported the points made by Prof. Lim and called for an agreement on the process to move closer to CEP. Prof. Hadi proposed four

models: (1) the Asia Pacific Economic Cooperation (Apec) model, a non-binding agreement; (2) the Association of Southeast Asian Nations (Asean) and Asean Free Trade Area (Afta) model, a more binding agreement monitored by a formal association (Asean); (3) the North Atlantic Free Trade Agreement (Nafta) model, a binding agreement (in fact, from its initiation, the involved countries had agreed to negotiate and to produce a binding blueprint); and (4) the new-age partnership (multi-layered), a binding agreement whereby the countries involved are free to conduct various types of economic partnerships; thus the resultant agreements can be slightly haphazard with several bilateral agreements overlapping or even contradicting one another. This type of partnership is common in the Latin American continent.

Presently, East Asia is undergoing a multi-layered process. Various agreements are being put in place (see chart). The agreements include both sub-regional (such as Afta and China-Asean) and bilateral (Japan-Singapore).

The third presenter, Prof. Zhang Yunling, Director of the Institute of Asia-Pacific, Chinese Academy of Social Sciences, viewed the current various multi-layered agreements as unavoidable. He sup-

ported the conclusion of a number of meaningful agreements within the next five years so as to enable the region to proceed to a common “convergence process” on its way to an integrated East Asia agreement. Prof. Zhang added that the East Asian countries ought to also agree on convergence progress and proposed three options for progress to be achieved: (1) encourage three “10 plus 1” FTA formulas and merge the three into one Eafta; (2) allow Northeast countries to develop their own FTAs and then integrate these into an Eafta; or (3) launch Eafta early, in

tandem with other multi-layered arrangements that are in their early stages.

Progress

Prof. Ipeei Yamazawa, President of the Institute of Developing Economies (IDE-Jetro) in Japan was the final speaker. He picked up the thread of argument where Prof. Zhang left off and highlighted that Japan had embarked on the first option (three “10-plus-1” FTA formulas) last year. In January 2002, Prime Minister Junichiro Koizumi had proposed an Asean-Japan Comprehensive

Economic Partnership. In September 2002, Asean Economic ministers had gathered in Brunei and agreed on guiding principles to push the idea forward. By March 2003, a committee of senior economic officials of Asean and Japan were established to build a framework. The aim, according to Prof. Yamazawa, is to realise the partnership within 10 years.

The road to a Comprehensive Economic Partnership among the 13 East Asian countries is long and bumpy. During the conference, all seem to be determined to walk the long road hand-in-hand. ●

Agreements by East Asian Countries	
<p>Concluded</p> <ul style="list-style-type: none"> • Singapore-US • Singapore-Japan • Singapore-Australia • Singapore-New Zealand • US-Chile • Korea-Chile • Afta 	<p>Under Negotiation</p> <ul style="list-style-type: none"> • Asean-China • Asean-Japan • Australia-US • Singapore-Canada • Singapore-Korea • Singapore-Mexico • Korea-Mexico • Japan-Mexico • Thailand-Japan • Thailand-Australia • Singapore-Chile-New Zealand • China-Hong Kong