

DUAL-TRACK FREE TRADE AGREEMENT IN ASEAN : A STUDY OF JAPAN AND THAILAND

Suteera Sitong

18th July 2012

FREE TRADE AGREEMENTS IN ASEAN

Free Trade Agreements

Regional Trade Agreements (RTAs)

- 2005** ASEAN-People's Republic of China Comprehensive Economic Cooperation Agreement
- 2007** ASEAN-Korea Comprehensive Economic Cooperation Agreement
- 2008** **ASEAN-Japan Comprehensive Economic Partnership**
- 2010** ASEAN-Australia and New Zealand Free Trade Agreement
- 2010** ASEAN-India Comprehensive Economic Cooperation Agreement

Bilateral Trade Agreements

- 1991 Thailand - Lao
- 2004 Singapore - USA
- 2005 Singapore - Jordan
- 2006 Singapore - Panama
- 2008 Malaysia - Malaysia
- 2009 Singapore - Peru
- 2011 Thailand - Peru

FREE TRADE AGREEMENTS IN ASEAN

Free Trade Agreements

Bilateral Trade Agreements

- Brunei
 - Japan 2008
- Indonesia
 - Japan 2008
- Malaysia
 - Japan 2006
 - Pakistan 2008
 - India 2011
 - New Zealand 2010
- Philippines
 - Japan 2008

FREE TRADE AGREEMENTS IN ASEAN

Free Trade
Agreements

Bilateral Trade Agreements

- Singapore
 - Japan 2002
 - EU 2003
 - India 2005
 - Korea 2006
 - NZ 2001
 - China 2009
 - Jordan 2005
 - Panama 2006
 - Peru 2009
 - USA 2004

FREE TRADE AGREEMENTS IN ASEAN

Free Trade Agreements

Bilateral Trade Agreements

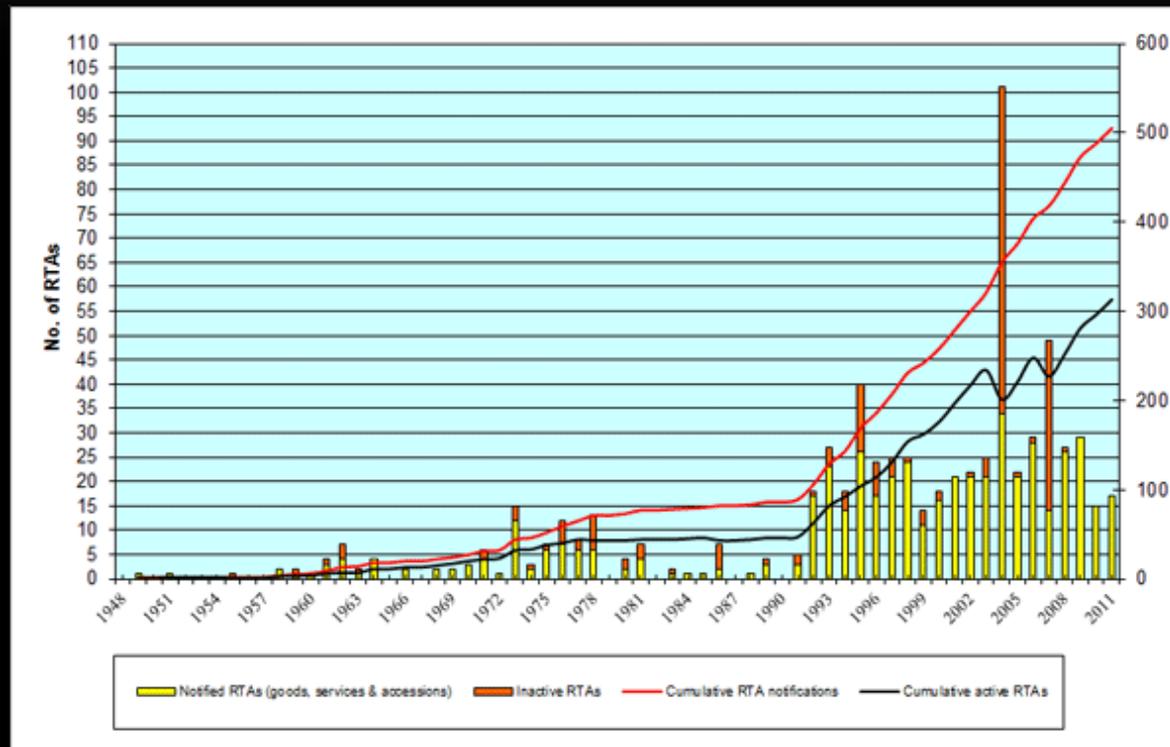
- Thailand
 - Japan 2007
 - NZ 2005
 - China 2003
 - Peru 2011
 - Laos 1991
 - Australia 2005
- Vietnam
 - Japan 2009
- Lao PDR
 - Thailand 1991

FTA STATUS BY COUNTRY

Country	Under negotiation			Concluded		Total
	Proposed	Framework agreement signed	Under negotiation	Signed but not yet in effect	Signed and in effect	
Singapore	5	1	9	3	18	36
Thailand	6	3	4	0	12	25
Malaysia	8	1	5	2	10	26
Brunei	5	2	1	0	8	16
Laos	3	0	1	0	8	12
Indonesia	6	1	4	2	7	20
Philippines	5	0	1	0	7	13
Vietnam	7	1	1	1	7	17
Cambodia	3	0	1	0	6	10
Myanmar	3	1	1	0	6	11

Source: ADB

EVOLUTION OF RTAS IN THE WORLD, 1948-2011



TRADE DEPENDENCY IN 2009

Country	(%) Ratio Exports to GDP	(%) Ratio Imports to GDP	(%) Ratio of Total Trade to GDP
Brunei Darussalam	66.6	22.3	88.9
Cambodia	48.1	37.7	85.8
Indonesia	21.3	17.7	39.0
Lao PDR	22.2	30.9	53.1
Malaysia	81.2	63.9	145.1
Myanmar	25.4	15.4	40.8
The Philippines	23.8	28.2	52.0
Singapore	147.7	134.5	282.2
Thailand	57.7	50.6	108.3
Viet Nam	58.9	71.9	130.7
ASEAN	54.2	48.5	102.7

Source: ASEAN Trade Statistics Database (as of 15 Feb 2011)

ASEAN FREE TRADE AGREEMENTS

1 Jan 1993

- ASEAN Free Trade Area

1 July 2005

- ASEAN-**People's Republic of China** Comprehensive Economic Cooperation Agreement

1 Jun 2007

- ASEAN-**Korea** Comprehensive Economic Cooperation Agreement

1 Dec 2008

- ASEAN-**Japan** Comprehensive Economic Partnership

1 Jan 2010

- ASEAN-**Australia and New Zealand** Free Trade Agreement

1 Jan 2010

- ASEAN-**India** Comprehensive Economic Cooperation Agreement

Under Negotiation:
May 2007

5

- ASEAN-**EU** Free Trade Agreement

Proposed: 13 Aug 2009

- ASEAN-**Pakistan** Free Trade Agreement

2 TRACKS OF FTAS

	(1) Region <-> Country 1 Dec 2008	(2) Country <-> Country	Signed and in effect
Singapore	•ASEAN-Japan Comprehensive Economic Partnership	• Japan-Singapore Economic Agreement for a New-Age Partnership	30 Nov 2002
Malaysia		•Japan-Malaysia Economic Partnership Agreement	13 July 2006
Thailand		• Japan-Thailand Economic Partnership Agreement	1 Nov 2007
Indonesia		• Japan-Indonesia Economic Partnership Agreement	1 July 2008
Brunei		• Japan-Brunei Free Trade Agreement	31 July 2008
Philippines		•Japan-Philippines Economic Partnership Agreement	11 Dec 2008
Vietnam		• Japan-Viet Nam Economic Partnership Agreement	1 Aug 2009

WHY DO COUNTRIES SEEK REGIONAL TRADE AGREEMENTS? (WHALLY, 1996)

- Country objectives underlying regional trade agreements
 1. Traditional trade gains
 2. Strengthening domestic policy reform
 3. Increased multilateral bargaining power
 4. Guarantees of access
 5. Strategic linkage
 6. Multilateral and regional interplay
- Author reports the previous model based results, suggesting that some objectives seem to quantitatively dominate others for particular agreements.

ACCESSING THE IMPORTANCE OF COUNTRY OBJECTIVES

Country Objectives	Regional Trade Agreement			
	EC	NAFTA	Canada-U.S.	Mercosur
1. Traditional Trade Gains	W			W
2. Strengthening Domestic Policy Reform		S (Mexico)		
3. Increased Multilateral Bargaining Power	W			W (Bargaining Power in NAFTA)
4. Access Guarantees		W	S (Canada)	
5. Strategic Linkage	S			
6. Multilateral and Regional Interplay		W (U.S.)	W (Canada, U.S.)	S

S denoted strong objective

W denoted weaker objectives

BTAS IN ASEAN

- Mikic (2009) analyzed the role of BTA of ASEAN member countries and the trade bloc Agreement of ASEAN.
- ASEAN's lack of regional coordination in building the RTA makes ASEAN state members have many overlapping BTAs.
- This lack of common approach towards negotiating trade agreements resulted in a noodle bowl syndrome, which brought RTA to the lower utilization of negotiated concessions.
- The AECB will be a step forward in consolidating these agreements because the member states have to consider the interests of ASEAN in the BTA which is a part of external economic relations.

JTEPA

- Maki (2008) analyzed the Economic Partnership Agreement (EPA) between Japan and Thai to examine the relation of two countries by scrutinizing the features of EPA and reviewing the negotiations to describe the building of Japan-Thailand Economic Partnership Agreement (JTEPA).
- JTEPA is the apex of the Japan-Thai relation, and designed to be ready for the future integration with CLMV and other ASEAN state members. Besides, EPA contains the cooperation part which is the assistance for capacity-building in the host country and is a part of Japanese's Official Development Assistance (ODA).

HYPOTHESIS

- Question : What is the reason for 2-track FTAs (RTAs and Bilateral Agreements) in ASEAN?
- H_0 : the content in AJCEP (RTA) \neq the content in JTEPA (BTA)
- Country made dual-track FTAs through Regional Trade Agreements for the benefits, which are not included in the Bilateral Trade Agreements.
- Compare the AJCEP and JTEPA

FRAMEWORK

DV

- Regional Trade Agreements

IV (RTAs)

- ASEAN's Interest from the RTA
 - Economic tool
 - Diplomatic tool
- ASEAN's External Relation Strategy

CASE STUDY: DUAL-TRACK FTAS OF JAPAN-THAILAND

	Agreement	Signed and in effect
• Country <-> Country	• Japan-Thailand Economic Partnership Agreement	1 Nov 2007
• Region <-> Country	• ASEAN-Japan Comprehensive Economic Partnership	1 Dec 2008

COMPARING RTAs TO RTAs

	AJCEP	JTEPA
Principles	<p>(a) the AJCEP shall involve Japan and all ASEAN member States</p> <p>(b) the integrity, solidarity and integration of ASEAN shall be maintained in the realization of the AJCEP</p> <p>(c) special and differential treatment is accorded to ASEAN Member States, especially the newer ASEAN Member States, in recognition of their different levels of economic development; additional flexibility is accorded to the newer ASEAN Member States</p> <p>(d) recognition shall be given to the provisions of the ministerial declarations of the World Trade Organization on measures in favour of least-developed countries</p> <p>(e) flexibility should also be given to address the sensitive sectors in Japan and each ASEAN Member State and</p> <p>(f) technical assistance and capacity building are important elements of economic cooperation provided under this Agreement.</p>	-

COMPARING RTAG TO RTAG

	AJCEP	JTEPA
Objectives	<p>Article 3</p> <p>The objectives of this Agreement are to</p> <p>(a) progressively liberalise and facilitate trade in goods and services among the Parties:</p> <p>(b) improve investment opportunities and ensure protection for investments and investment activities in the Parties</p> <p>(c) establish a framework for the enhancement of economic cooperation among the Parties with a view to supporting ASEAN economic integration, bridging the development gap among ASEAN Member States, and enhancing trade and investment among the Parties.</p>	<p>Article 1</p> <p>(a) liberalise and facilitate trade in goods and services between the Parties</p> <p>(b) realize and promote paperless trading between the Parties</p> <p>(c) facilitate the mutual recognition of the results of conformity assessment procedures for products or processes</p> <p>(d) encourage and promote investment and ensure protection for investments and investment activities in the Parties</p> <p>(e) facilitate the movement of natural persons</p> <p>(f) ensure and enhance adequate, effective and non-discriminatory protection of intellectual property to promote trade and investment between the Parties</p> <p>(g) enhance cooperation for mutual benefit of the Parties in the field of government procurement</p> <p>(h) promote fair and free competition by proscribing anti-competitive activities and cooperate in the field thereof</p> <p>(j) promote transparency in the implementation of laws and regulations respecting matters covered by this Agreement.</p>

COMPARING BTAS TO RTAS

AJCEP

JTEPA

- Tariff elimination/reduction of 70% goods are in effect faster than JTEPA.
- Allow accumulation of Rules of Origin from more than two ASEAN States.
- Cooperation
 - Transportation and Logistics
 - Competition

- Allow accumulation of Rules of Origin from Japan and Thailand.
- Cooperation
 - Education
 - Financial Services
 - Science, Technology
 - Trade and Investment

- Business Environment
- Energy
- Information Communication Technology
- Human Resource Development
- Small and Medium Enterprises

COMPARING RTAs TO RTAs

Content	BTA (ASEAN-Japan)	RTA (AJCEP)
Cooperation	<ul style="list-style-type: none"> • Cooperation (a) agriculture, forestry and fisheries; (b) education and human resource development; (c) enhancement of business environment; (d) financial services; (e) information and communication technology; (f) science, technology, energy and environment; (g) small and medium enterprises; (h) tourism; (i) trade and investment promotion; and 110 (j) other fields of cooperation as may be agreed upon. <p>Article</p>	<ul style="list-style-type: none"> • Economic Cooperation (a) Trade-Related Procedures; (b) Business Environment; (c) Intellectual Property; (d) Energy; (e) Information and Communications Technology; (f) Human Resource Development; (g) Small and Medium Enterprises; (h) Tourism and Hospitality; (i) Transportation and Logistics; (j) Agriculture, Fisheries and Forestry; (k) Environment; (l) Competition Policy; and (m) Other fields as may be mutually agreed upon among the Parties.

	AJCEP	JTEPA
Type of Cooperation	Economic cooperation	Cooperation
Basic Principles	Liberalise and facilitate trade and investment among the Parties, taking into account the different levels of economic development among ASEAN Member States.	Facilitate and expand trade and investment, enhance tourism between the Parties and promote sustainable development and enhancement of better quality of life for the peoples of the Parties.
Fields of Cooperation	<ul style="list-style-type: none"> (a) trade-related procedures (b) business environment (c) intellectual property (d) energy (e) information and communications technology (f) human resource development (g) small and medium enterprises (h) tourism and hospitality (i) transportation and logistics (j) agriculture, fisheries and forestry (k) environment (l) competition policy (m) other fields as may be mutually agreed upon among the Parties 	<ul style="list-style-type: none"> (a) agriculture, forestry and fisheries (b) education and human resource development (c) enhancement of business environment (d) financial services (e) information and communication technology (f) science, technology, energy and environment (g) small and medium enterprises (h) tourism (i) trade and investment promotion (j) other fields of cooperation as may be agreed upon

	AJCEP	JTEPA
Implementation of Cooperation	Activities shall involve Japan and at least two ASEAN Member States, It may also involve Japan and one ASEAN Member State providing the aim of narrowing the gaps of economic development among ASEAN Member States or promote the well-being of the people in ASEAN towards further integration of ASEAN.	Cooperation shall be conducted in accordance with the laws and regulations of each Party. The costs of cooperation shall be shared by the Parties.

DETERMINANT OF RTAS

- Economic and Cooperation Measures
 - a multi-layer policy approach in building the FTAs with some ASEAN Member States, but it also design both AJCEP and JTEPA as a dual-function Agreements by acting both as economic policy tool and diplomatic policy tool.
 - AJCEP allows the Parties to utilize the benefit from regional economic integration in ASEAN, which results in improving the exports of ASEAN to Japan through lower production cost

DETERMINANT OF RTAS

- Economic and Cooperation Measures
 - the economic cooperation work programs, as indicated in Annex 5 of AJCEP, are limited to the Intellectual Property, and Agriculture Fisheries and Forestry
 - JTEPA is therefore a more efficient way of Japanese ODA compared to AJCEP and a way to prepare sensitive sector for the further liberalization.

CONCLUSIONS

- In the proliferation of Free Trade Agreements, Japan and ASEAN Member States run dual-track FTAs through forming both a Country-Regional Trade Agreement and a Bilateral Trade Agreement.
- Japan and Thailand also follow the same steps by pursuing Japan-Thailand Economic Partnership Agreements (JTEPA) and Asian-Japan Cooperation Economic Partnership (AJCEP).
- Through comparing AJCEP to JTEPA, it is found that AJCEP has an additional content of (1) Cooperation in the fields of the trade-related procedures, transportation and logistics, and competition policy, and (2) the Rules of Origin, where as JTEPA has cooperation differences in the areas of education, financial services, and science and technology, and trade and investment promotion.
- This supports the hypothesis that RTA or AJCEP includes the different content

CONCLUSION

- The determinant of ASEAN for regional acting in FTA is the cooperation in the Japan and ASEAN member states towards the future economic integration in ASEAN or Asian Economic Community and the external relation strategy of ASEAN.
- The cooperation in JTEPA is viewed as a more efficient way of providing Official Development Aid than AJCEP, and a result of failure in negotiation as it is the sensitive area of another Party.
- AJCEP and JTEPA reflect the Japanese's fast approach in deepening the ASEAN Member States by a diplomatic tool and a trade policy tool in one agreement.

THANK YOU