



one vision
one identity
one community

ASEAN'S Free Trade Agreements

Tokyo
6 March 2013

ASEAN Secretariat



ASSOCIATION OF SOUTHEAST ASIA NATIONS (ASEAN)

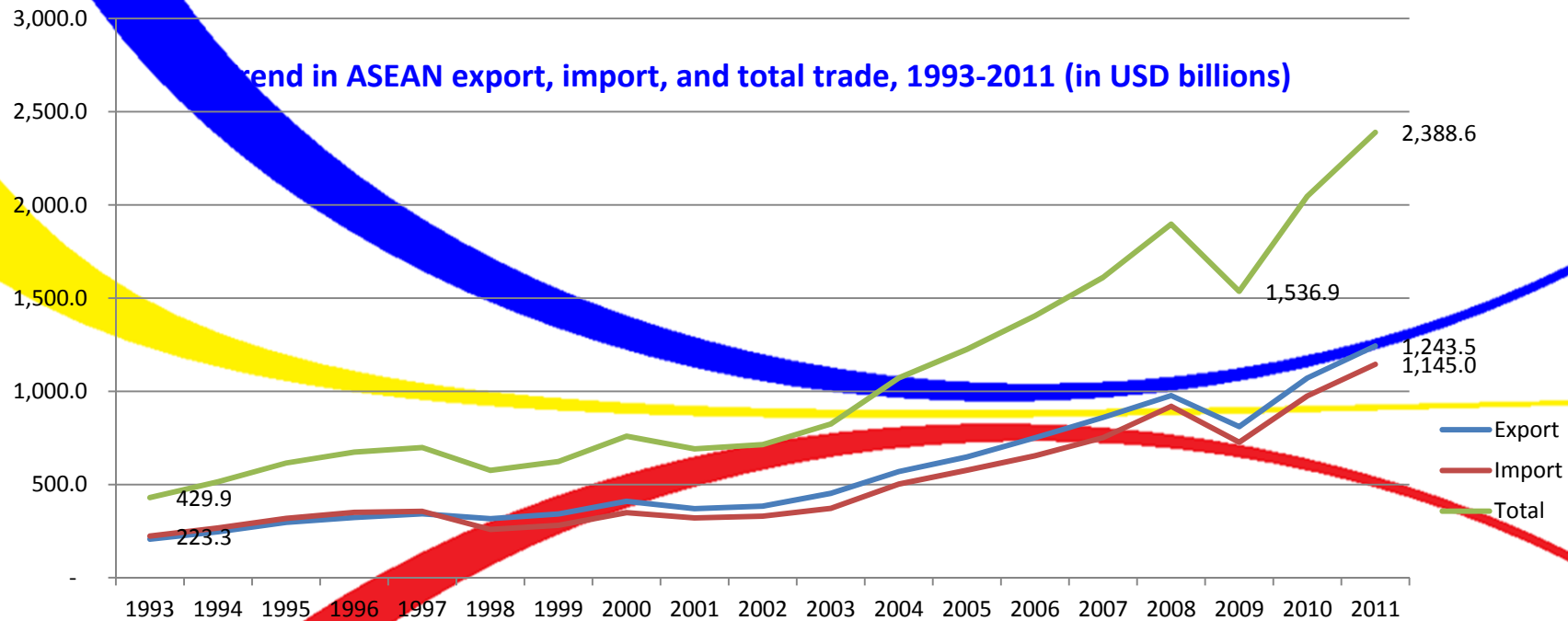




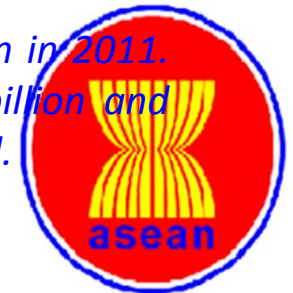
ASEAN Trade and Economic Performance



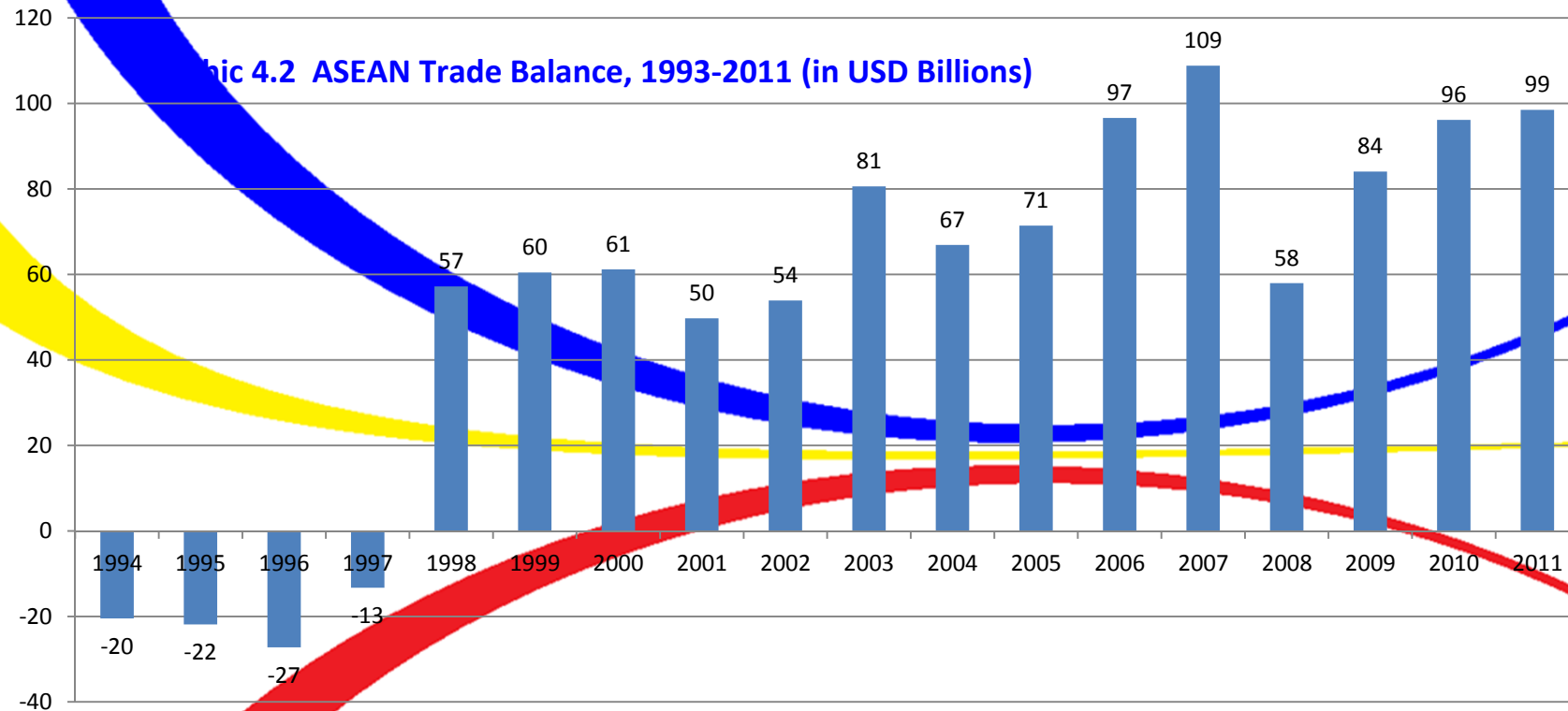
Trend: Export, Import, and Total Trade



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

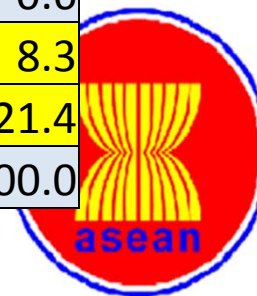


Since 1998 ASEAN has been recording trade surplus, peaking at USD 109 Billion in 2007, declined in 2008 (global economic crisis) and has picked up to reach the second highest recording in 2011 at USD99 billion.

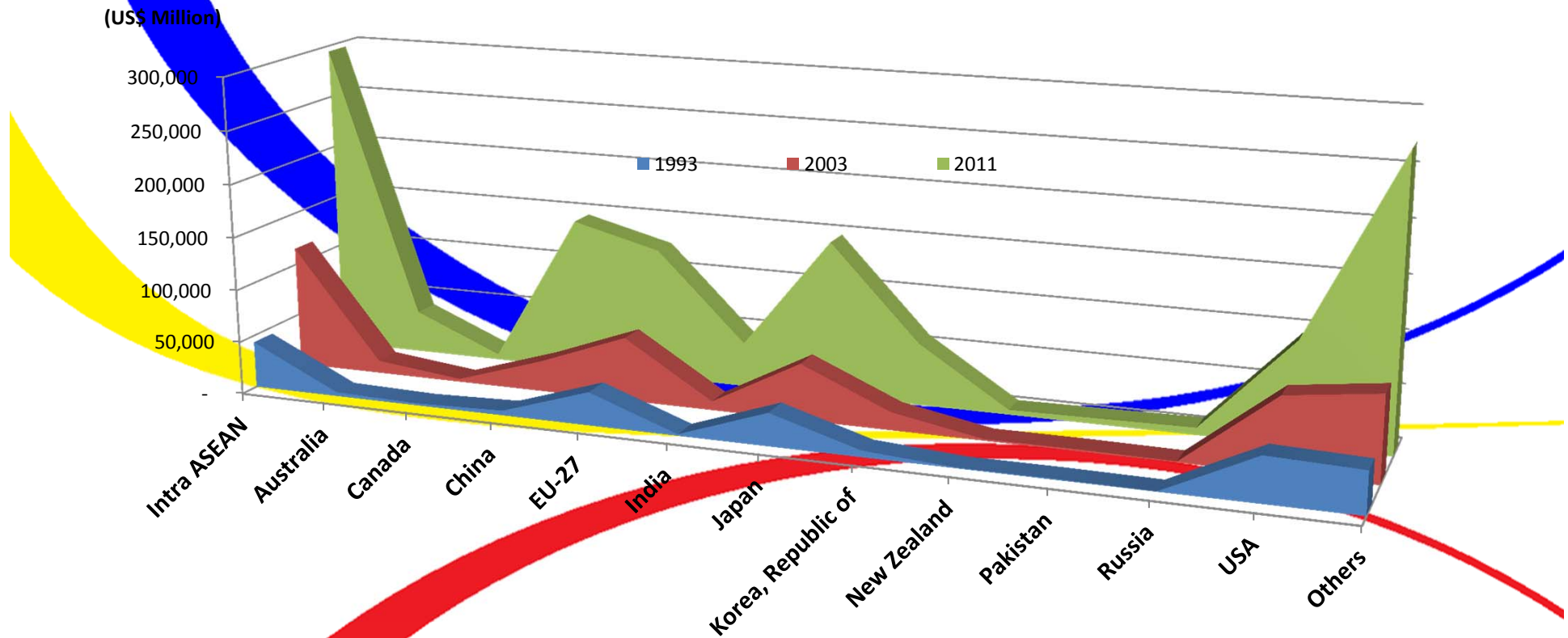


Share of ASEAN Trade with Dialogue Partners

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



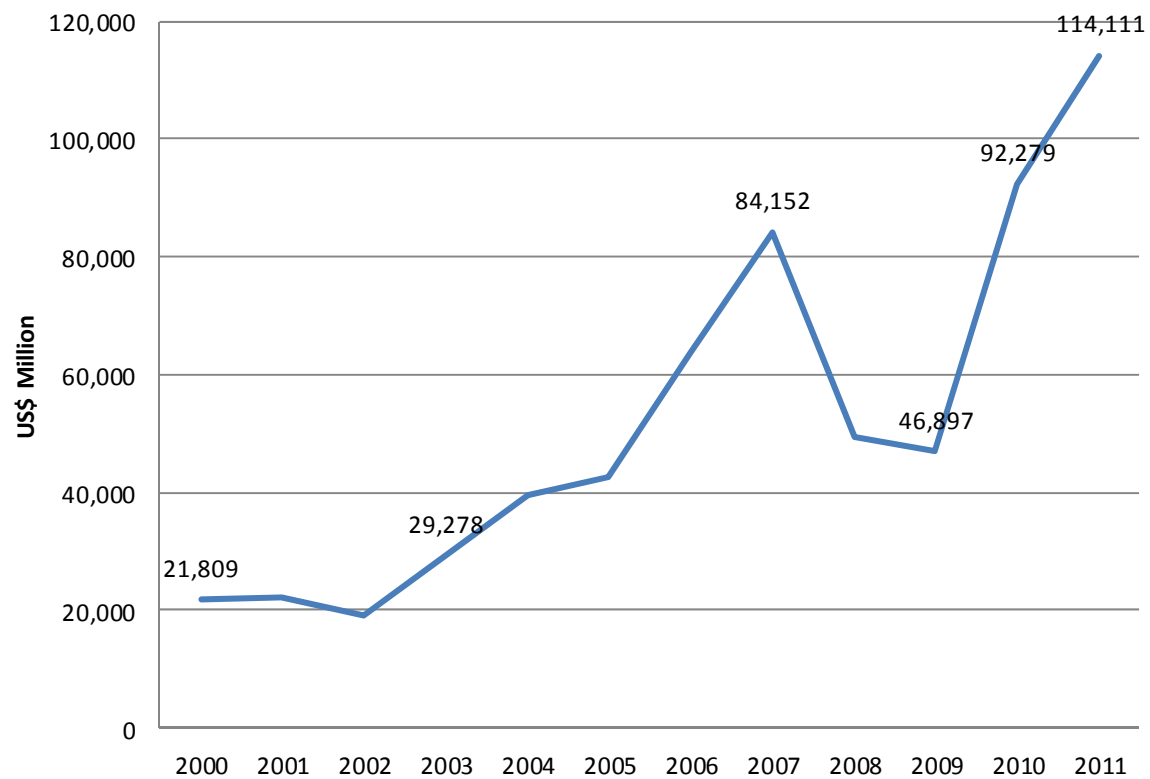
ASEAN Trade: Selected Partners



Intra-ASEAN trade is the largest contributor; China has become ASEAN's largest trading Partner since 2009

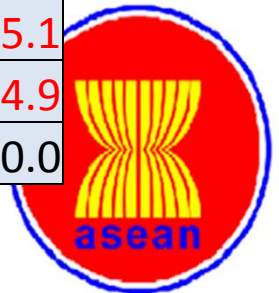


FDI Into ASEAN, US\$ Million



Share of ASEAN FDI with Dialogue Partners

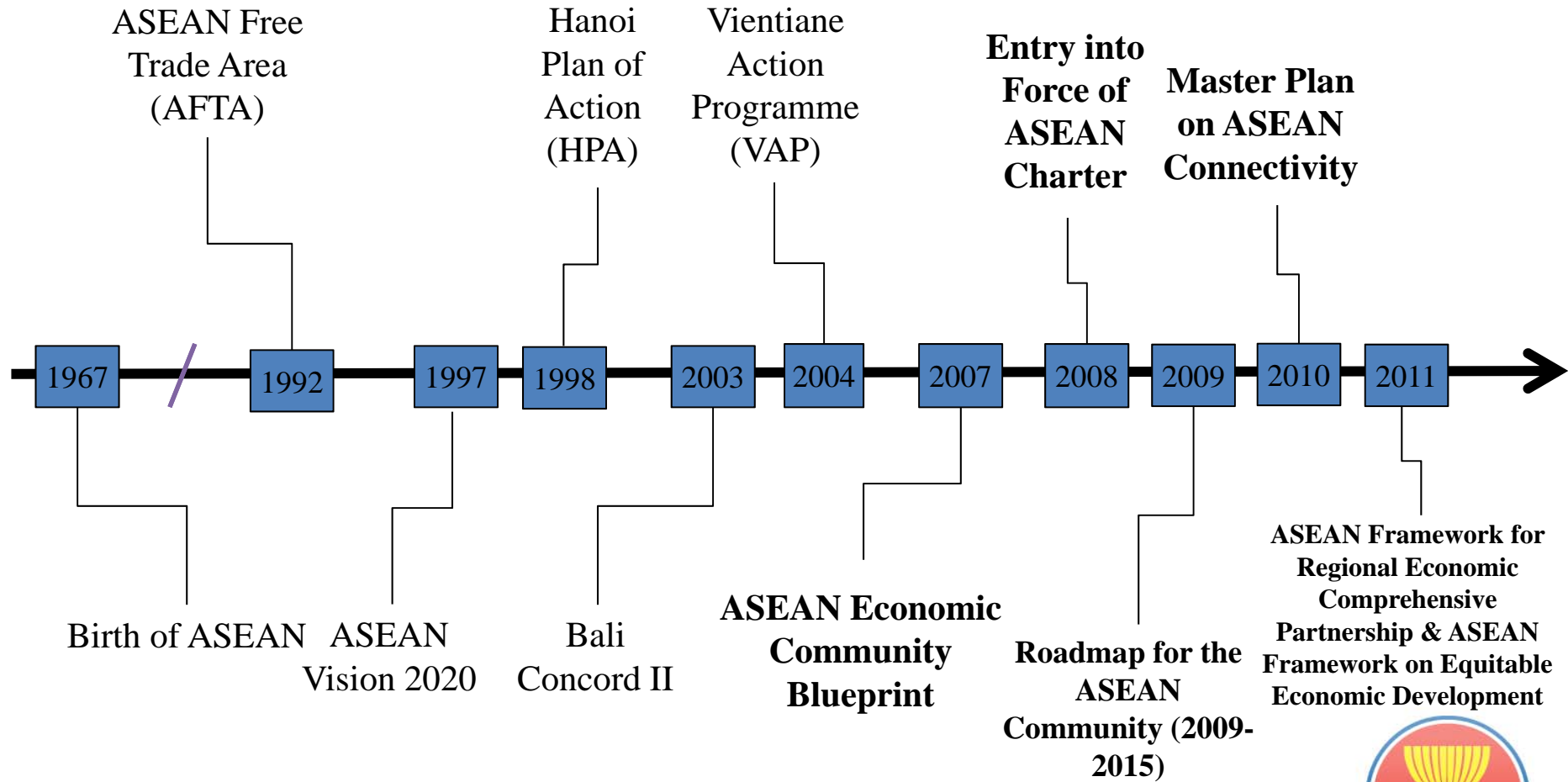
FDI Sources	Share of ASEAN FDI (%)		
	1999	2000	2011
Intra ASEAN	16.5	3.9	23
Australia	(3.4)	(1.7)	1.2
Canada	(0.1)	(3.6)	0.9
China	0.2	(0.7)	5.3
EU-27	35.8 (1)	59.6 (1)	16.0 (1)
India	0.2	0.4	(1.6)
Japan	6.2	2.5	13.2
Korea, Republic of	1.9	(0.2)	1.9
New Zealand	0.3	0.2	0.0
Pakistan	0.0	0.0	0.0
Russia	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 COMMUNITY (AEC)



A Historical Account of AEC



Stages Towards an ASEAN Economic Community

PTA

**AFTA
(2010)**

**AEC
(2015)**



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
 - Integration into the global economy
- **External – FTAs and CEPs**
 - 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

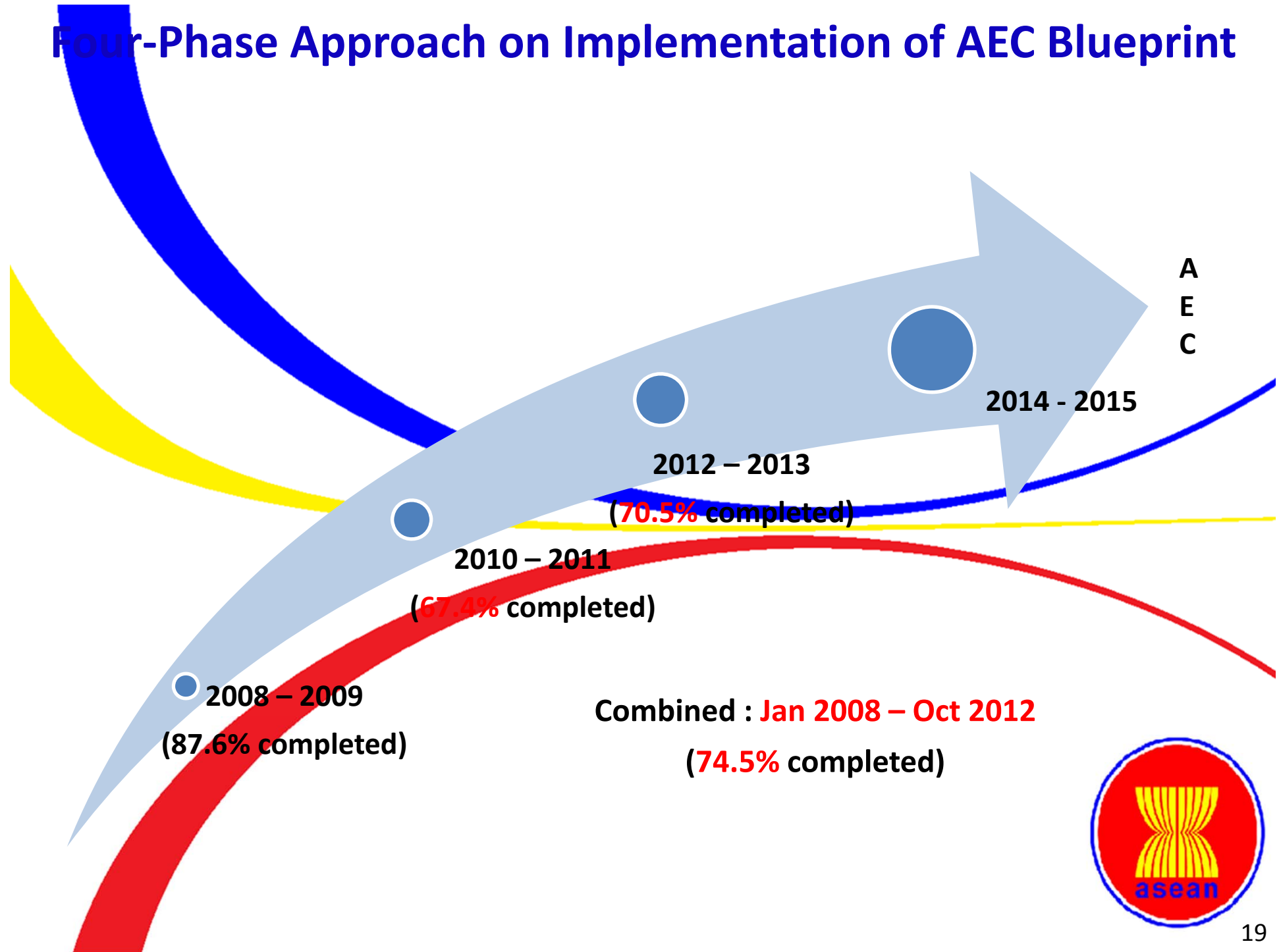
RESEARCH AND DEVELOPMENT

ASEAN ECONOMIC COMMUNITY

- Status and FTAs Update



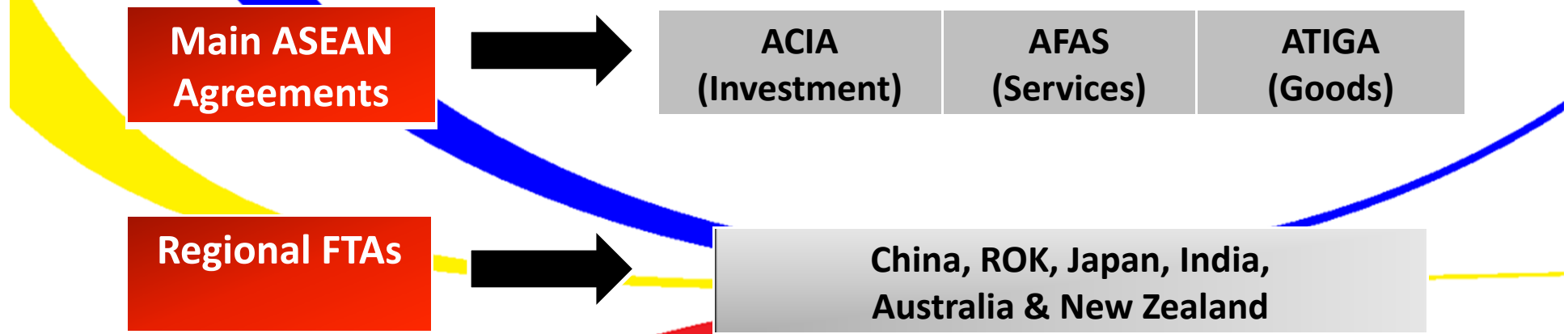
Four-Phase Approach on Implementation of AEC Blueprint



PILLAR 4
INTEGRATION INTO THE GLOBAL ECONOMY



The Role of ASEAN Agreements and Regional FTAs



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



FTAs in ASEAN - Entry into force

- ASEAN Free Trade Agreement (AFTA) – 1993
- ASEAN-China Free Trade Agreement (ACFTA) – 2005
- ASEAN-Korea Free Trade Agreement (AKFTA) – 2007
- ASEAN-Japan Comprehensive Economic Partnership (AJCEP) – 2008
- ASEAN-Australia-New Zealand Free Trade Agreement (AANZFTA) – 2010
- ASEAN-India Free Trade Agreement (AIFTA) – 2010



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



SEAN 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



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:** 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

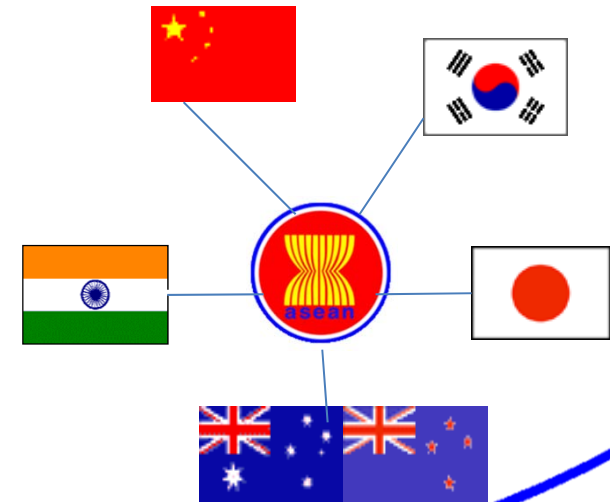
- Comprehensive agreement covering goods, services, investment, economic cooperation, other related disciplines

F
T
A



ASEAN Plus FTAs

- **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 Free Trade Agreement

- Negotiated using a “sequential approach”
- ASEAN’s only FTA that provided for an Early Harvest Programme, implemented in 2004
- Trade in Goods Agreement signed in 2004 and implemented in 2005; ROO review being undertaken
- Trade in Services Agreement signed 2007; 2nd Package of Specific Commitments signed in November 2012. It improves the first services offer thus improve the level of liberalization in trade in services.
- Investment Agreement signed in 2009
- ACFTA realised on 1 January 2010
- Total population of 1.95 billion with a combined GDP of US\$9.4 trillion (2011)



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 – CHINA FREE TRADE AGREEMENT

The Trade in Goods Agreement

- Signed in 2004 and implemented in 2005
- Technically been realized on 1 January 2010 when tariffs on about 90% of products traded by ASEAN 6 and China within the FTA (i.e. products classified in the so-called Normal Track) were eliminated
- The rest of the ASEAN Member States – Cambodia, Lao PDR, Myanmar and Viet Nam – were given longer time frames for tariff elimination as part of the special and differential treatment given to the less developed ASEAN members.



ASEAN – CHINA FREE TRADE AGREEMENT

The Trade in Services Agreement

-Signed on 14 January 2007.

-Aims to liberalize and substantially eliminate discriminatory measures with respect to trade in services among the Parties in various services sectors.

-With the GATS Plus principle applied, the level of liberalization commitments under this Agreement are considerably higher than the commitments made by participating countries under the General Agreement on Trade in Services (GATS) in the WTO.

-A second package of specific commitments under the ASEAN-China Trade in Services Agreement was signed in November 2012.



ASEAN – CHINA FREE TRADE AGREEMENT

Investment Agreement

- Signed on 15 August 2009
- Aims to create a favorable environment for investors and their investments from ASEAN and China
- Stipulates key protection elements aimed at:
 - providing fair and equitable treatment to investors
 - non-discriminatory treatment on nationalization or expropriation and compensation for losses.
 - allowing transfers and repatriation of profits to be made freely and in freely usable currency.
- Furthermore, the Agreement also has a provision on investor-state dispute settlement that provides investors recourse to arbitration.



ASEAN-Korea Free Trade AGREEMENT

- Negotiated using a “sequential approach”
- Introduced the concept of Product Specific Rules
- Trade in Goods Agreement implemented in 2007, without Thailand
- Trade in Services Agreement signed 2007, without Thailand
- Thailand acceded to both the Goods and Services Agreements in 2009
- Investment Agreement signed in 2009
- AKFTA realised on 1 January 2010
- Total population of 653 million with a combined GDP of US\$3.2 trillion (2011)



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 – KOREA FREE TRADE AGREEMENT

The Trade in Goods Agreement

- signed in August 2006 and implemented in 2007
- provides for the elimination of tariffs on products in the Normal Track of ASEAN 6 and Korea by 1 January 2010, which means realized at the same time with ACFTA.

The Trade in Services Agreement

- Signed in 21 November 2007
- Provides the platform for further opening up or greater market access for ASEAN and Korean services providers.
- Improving levels and depth of commitments through the addition of new sectors/subsectors in the list of commitments
- Easing up of restrictions on entry and treatment on a wide range of services sectors including business, construction, education, communication services, environmental, tourism services, and transport services.



ASEAN – KOREA FREE TRADE AGREEMENT

- Agreement on Investment

- signed on 2 June 2009

- aims to provide for a transparent, facilitative and a more secure environment for ASEAN and Korean investors and their investments

- Key provisions:

- stipulate prompt publication and publicly making available laws, regulations, judicial and administrative rulings as well as international agreements or any changes to it that may affect this Agreement

- Enquiry point on information



ASEAN – KOREA FREE TRADE AGREEMENT

- Protection elements under AKFTA Investment Agreement
 - Provisions on fair and equitable treatment and full protection and security of covered investments
 - Transfers of funds relating to covered investments
 - Treatment relating to compensation in case of losses incurred due to armed conflict, state of national emergency, and civil strife
 - Compensation in the event of nationalization or expropriation of covered investments
 - Also in case of disputes, investors have recourse to arbitration as the Agreement provides for an investor-state dispute settlement mechanism



ASEAN-Japan Comprehensive Economic Partnership (AJCEP)

- The AJCEP Agreement was signed in April 2008 and entered into force in December 2008
- First single-undertaking FTA agreement where specific provisions and commitments in services and investment have been made part of built-in agenda
- First FTA to have an elaborate section on trade facilitation, SPS, STRACAP and economic cooperation, among others
- Unique: bilateral EPAs (7) vis-à-vis regional AJCEP Agreement signed in April 2008 and entered into force in December 2008
- The FTA between ASEAN and Japan – comprising a market of 731 million people with a combined GDP of US\$ 8.04 trillion (2011)
- As part of the built-in agenda of the AJCEP Agreement, services and investment Chapters to be negotiated later – currently being negotiated



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

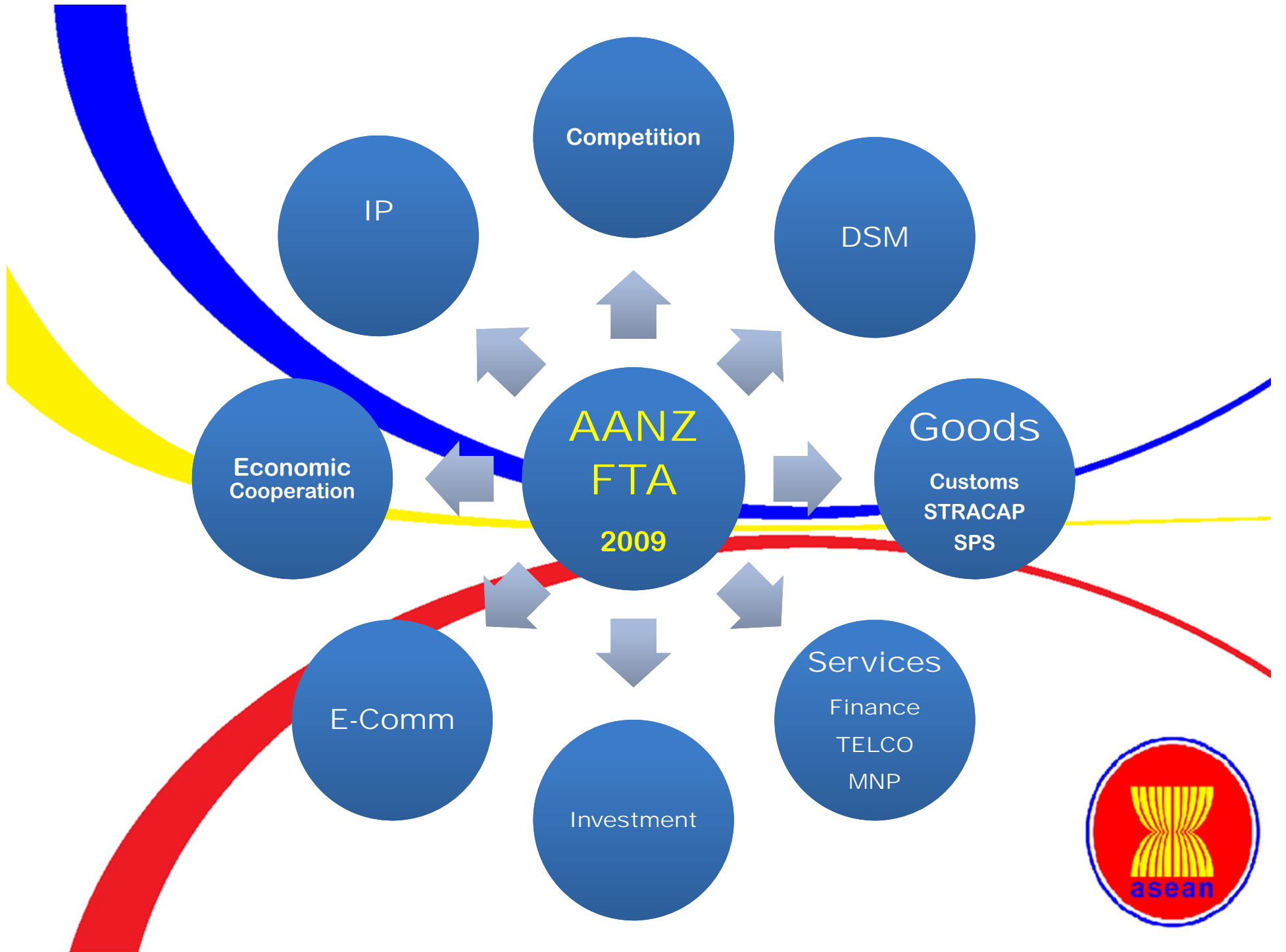
INVESTMENT

- built-in agenda

ASEAN-Australia New Zealand Free Trade Agreement

- Negotiated as a single undertaking
- Agreement establishing the AANZFTA signed on 27 Feb 2009 and entry into force on 1 Jan 2010
- Considered the most comprehensive, most ambitious FTA ASEAN has to-date
- Includes chapters not in any of ASEAN's FTAs: IP, MNP, electronic commerce and competition
- Total population of 631 million with combined GDP of US\$3.8 trillion (2011)





ASEAN-Australia-New Zealand Free Trade Area (AANZFTA)

- Commitment of both sides under this agreement:
 - Progressively liberalize tariffs from the entry into force of the Agreement and eliminate tariffs on at least 90 per cent of all their tariff lines within timeframes specified in the Agreement
 - Progressively liberalize barriers to trade in services and allow for greater market access for the other Parties services suppliers
 - Facilitate the movement of natural persons for those engaged in trade and investment activities in the region
 - Accord protection to covered investments, in terms of treatment of investment, compensation for losses, transfers relating to profit and capital, and transfer of rights or claims to investment
 - Facilitate the movement of goods by implementing specific provisions on rules of origin; customs procedures; SPS measures; and standards, technical regulations and conformity assessment procedures.



ASEAN-India Free Trade Area

- Framework Agreement on Comprehensive Economic Cooperation between ASEAN and India was signed on 2003.
- Negotiated using a “sequential approach” similar to ACFTA and AKFTA
- Trade in Goods Agreement signed in August 2009 and entry into force on 1 January 2010
- Unique General ROO: 35% + CTSH
- Agreement on Services and Investment negotiations completed and to be signed in August 2013
- Total population of 1.8 billion with combined GDP of US\$3.8 trillion (2011)



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-India Free Trade Area (AIFTA)

Trade in Goods Agreement

- Provides for progressive tariff reduction and/or elimination of originating goods (subject to compliance with the rules of origin, i.e. regional value content of 35% plus change in tariff sub-heading) traded by the ten ASEAN Member States and India
- Under the normal track, tariffs imposed by
 - ASEAN 6 (except Philippines) and India will be eliminated by 2016.
 - Philippines and India will only be eliminated by 2019
- A longer time frame is given for Cambodia, Lao PDR, Myanmar and Viet Nam (CLMV) to eliminate tariffs on normal track goods
- the only agreement that provides for a **special products** category whereby crude and refined palm oil, coffee, black tea and pepper are subject to a different reduction schedule



ASEAN PLUS ONE FTAs CONSOLIDATION



ASEAN FTAs: key convergence/divergence

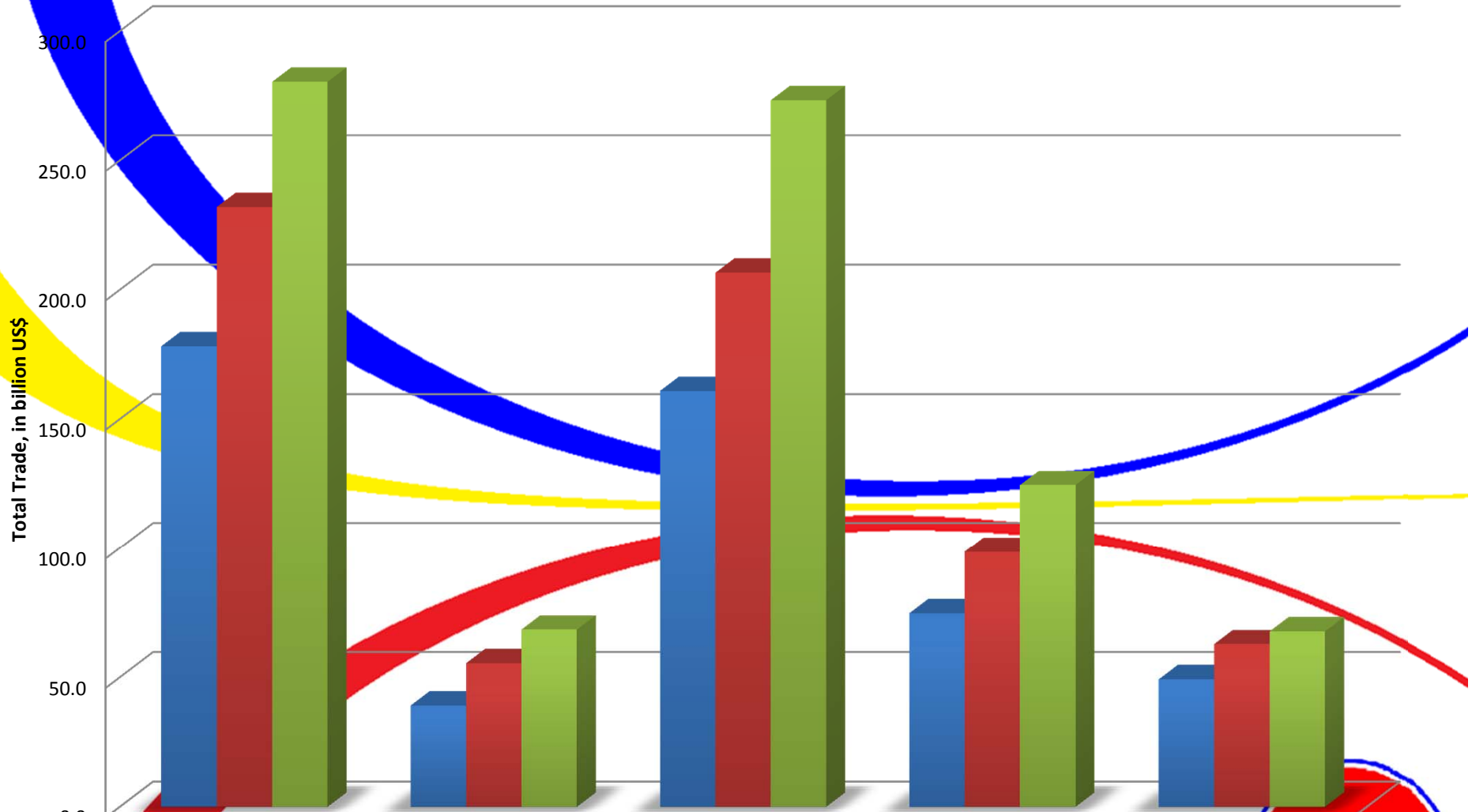
Element	AFTA	ACFTA	AKFTA	AJCEP	AANZFTA	AIFTA
Realisation	01.01.10	01.01.10	01.01.10	<i>within 10 yrs</i>	2015	2016
Tariffs <ul style="list-style-type: none"> • elimination • standstill • exclusion • special prods • max tariffs 	more than 99% none none rice and sugar 5% (UAP)	at least 90% yes (tech) none (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



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)	2010	2012	2012	2026	2019	2020
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

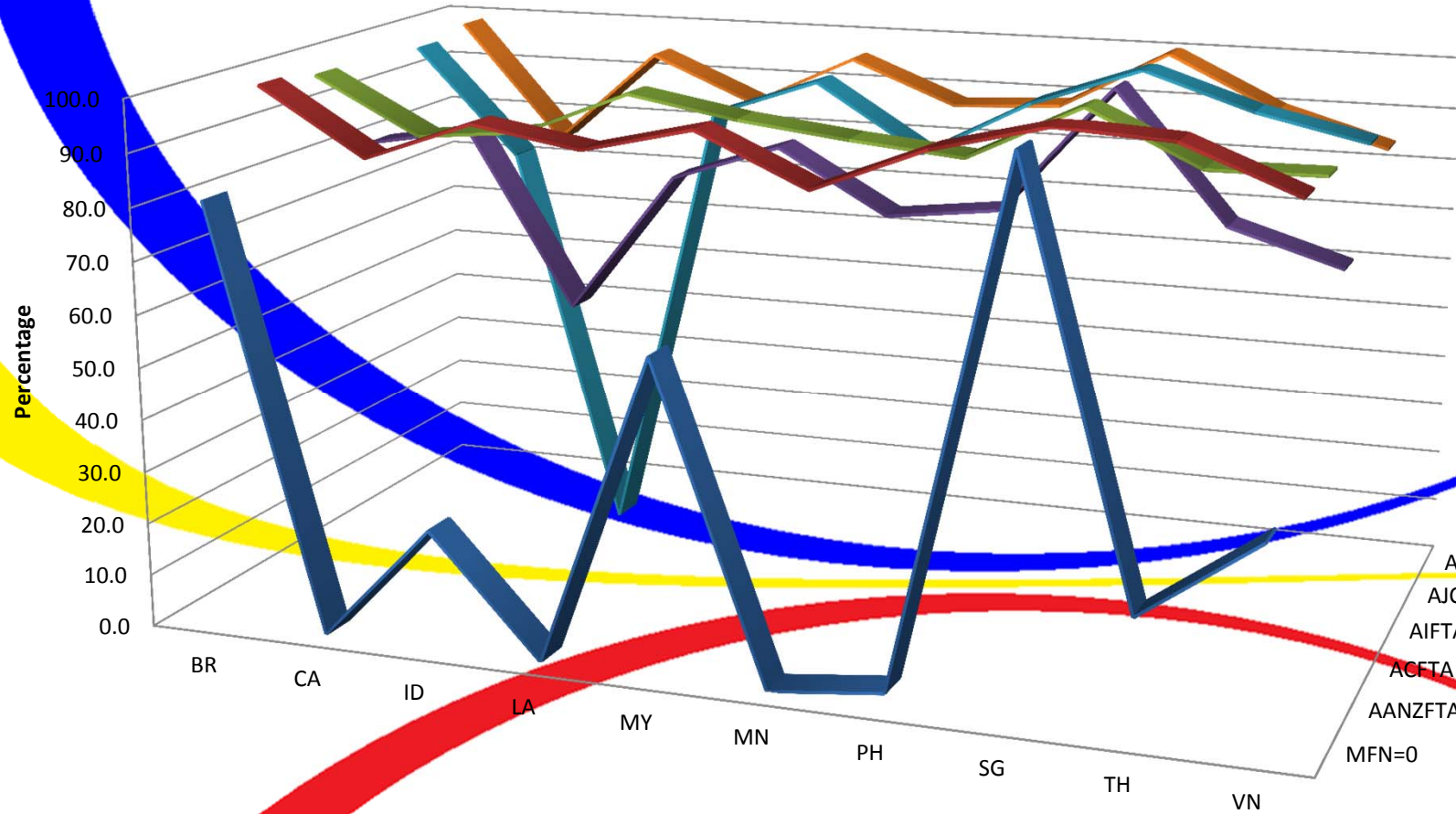
ASEAN Trade with FTA Partners



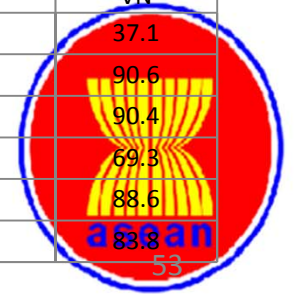
	China	India	Japan	Korea	ANZ
■ 2009	178.2	39.1	160.9	74.7	49.2
■ 2010	232.0	55.4	206.6	98.6	62.8
■ 2011	280.4	68.4	273.3	124.5	67.7



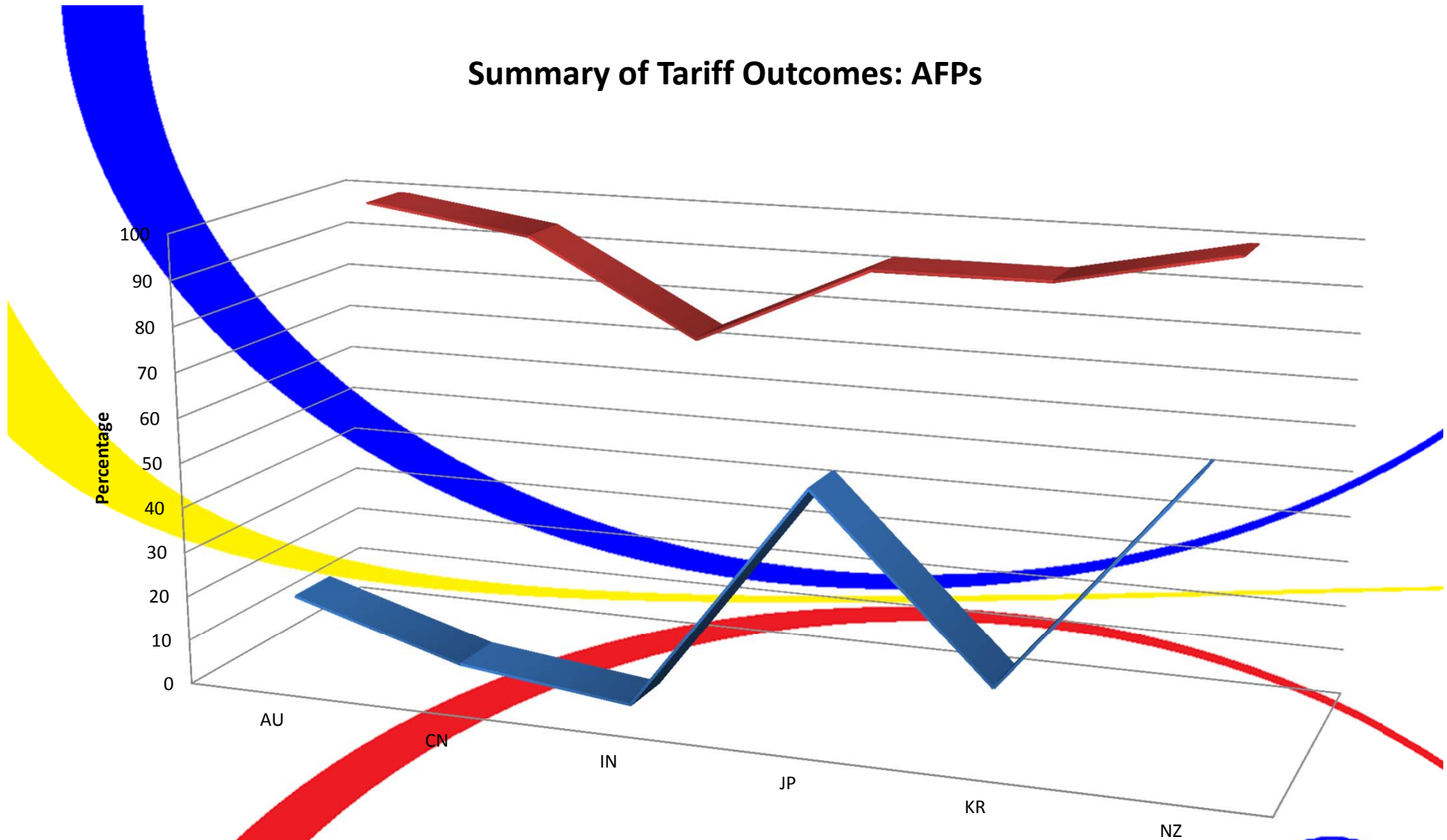
Summary of Tariff Outcomes: ASEAN



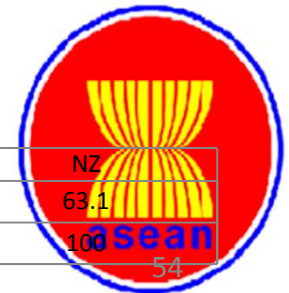
	BR	CA	ID	LA	MY	MN	PH	SG	TH	VN
MFN=0	81.0	0.0	22.5	0.0	59.2	0.0	2.4	100.0	21.6	37.1
AANZFTA	98.7	86.2	93.9	90.5	95.5	86.1	94.7	100.0	98.8	90.6
ACFTA	97.3	86.7	88.7	97.3	93.7	91.3	89.4	99.9	90.1	90.4
AIFTA	80.4	84.1	50.1	77.5	84.8	73.0	75.6	100.0	75.6	69.3
AJCEP	96.5	75.4	0.0	86.6	94.1	81.2	92.4	100.0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



THE ASEAN FTA TIMELINES

AKFTA
2010

ACFTA
2012

AIFTA
2016

AANZFTA
2020

AJCEP
2026

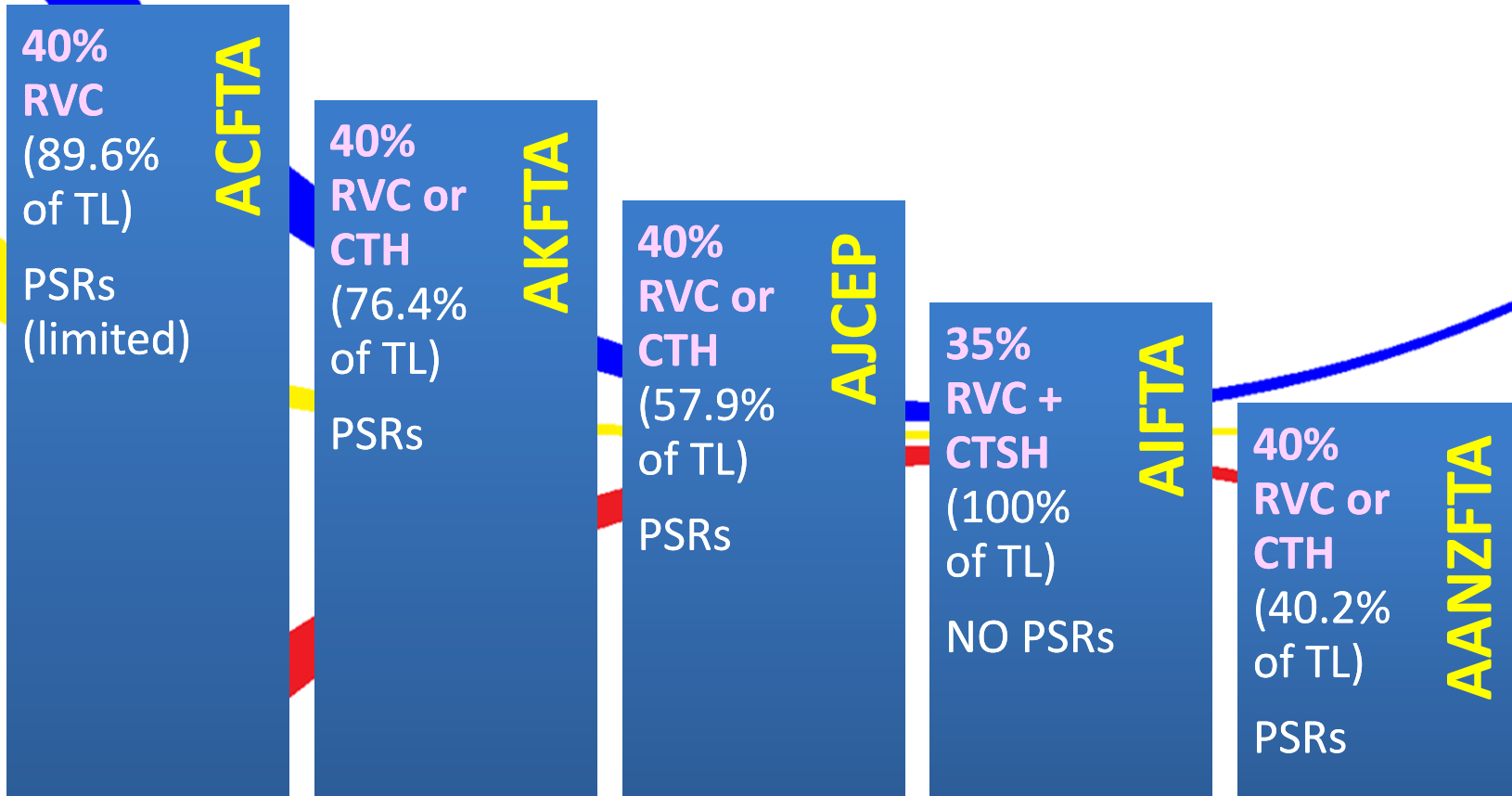


ROO in ASEAN's FTAs (1)

- **Rationale:** to ensure that only “qualifying” products are eligible and able to enjoy tariff preferences
- **Rules of Origin provisions in ASEAN's FTAs include:**
 - Rules of Origin Chapter/Appendix (for the general provisions, principles and definitions)
 - Annex on Operational Certification Procedures
 - Annex/Attachment on Product Specific Rules (except for AIFTA)
- **Qualifying goods**
 - Wholly obtained or produced
 - “Substantially transformed” products (value-added, change in tariff classification, specific process)



ROO in ASEAN's FTAs (2)



ROO in ASEAN's FTAs (3)

- Significant number of tariff lines in AKFTA, AJCEP and AANZFTA are subject to more liberal rules of origin
- All FTAs have provisions for cumulative rules of origin (to support integration into the regional supply chain)
- Only ACFTA and AIFTA have no de minimis provisions
- More of less uniform operational certification provisions



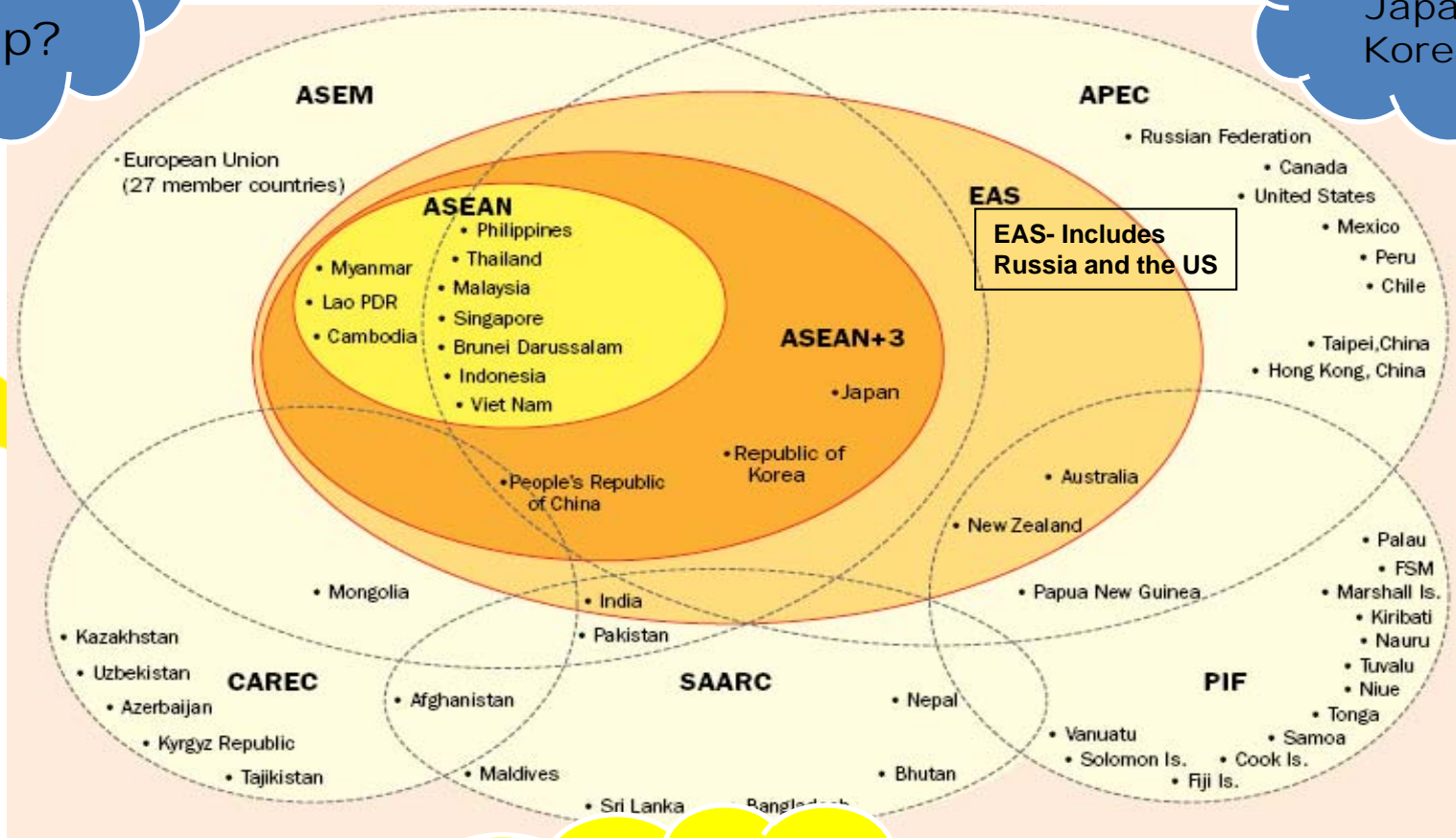
**REGIONAL COMPREHENSIVE ECONOMIC PARTNERSHIP
(RCEP)**



Trans Pacific Partnership?

Emerging Regionalism - Economic Regional Architecture

Trilateral Agreement
China-Japan-Korea?



ASEAN REGIONAL
COMPREHENSIVE
ECONOMIC
PARTNERSHIP - P



Regional Comprehensive Economic Partnership (RCEP)

- RCEP: Integrating ASEAN Plus One FTA Partners (China + Japan + Rep. of Korea + Australia + New Zealand + India):
 - ASEAN Centrality has been acknowledged by all Parties; to ensure this will be a challenge for ASEAN - especially with Australia, China & Japan
 - Indonesia is the lead country for ASEAN to spearhead the negotiations
 - Tough and complicated
 - Pragmatic approach important
 - Professes open regionalism – others may join once completed



ASEAN-JAPAN RELATIONS



ASEAN-JAPAN RELATIONS

- 2013 marks 40th Anniversary of ASEAN-Japan Dialogue Relations
 - Japan's plan to hold the ASEAN-Japan Commemorative Summit in December 2013
- Disaster Management: Japan's strong support to the ASEAN Humanitarian Assistance Centre (AHA), in particular for its funding through Japan-ASEAN Integration Fund (JAIF)
- Youth Exchange Programme



ASEAN-JAPAN ECONOMIC RELATIONS

- **Japan is an important Economic Partner for ASEAN:** Japan's economic activities support very much all of ASEAN's Four AEC Pillars –
 - is one of the most important trading partner for ASEAN. Consistently ranking among the top 3 trading and source of FDI inflows into ASEANs
 - Supports ASEAN's specifically the realisation of AEC Pillar 1 – the creation of a single market and production base through network of subsidiary companies in the various Member States based on comparative advantage
- ASEAN-Japan 10-Year Strategic Economic Cooperation Roadmap
- Japan has indicated support for Master Plan on ASEAN Connectivity (MPAC)
- Japanese Private Sector Engagement with ASEAN: Federation of Japanese Chamber of Commerce and Industry in ASEAN (FJCCIA) – model replicated by other international business councils



THANK YOU



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