



The Future Perspective of East Asian FTA



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New Wave of RTAs

- ◆ Rationale of RTAs:
- ◆ -Learning from European experience
- ◆ -Slow progress of Doha WTO round
- ◆ -Business pressure
- ◆ -WTO-consistent, but “plus”
- ◆ -Political will, beyond economic, or as regional identity

Why EAFTA (1)

- ◆ Foundation of Economic integration:

Market based regional economic integration:

- First wave-Japan FDI to ASEAN in 1980s
- Second wave-"four dragons" FDI to East Asia from 1990s
- Third wave- new production network with China as a center from late 1990s

Why EAFTA (2)

- ◆ Weakness of Market based integration:
 - Unilateral liberalization approach
 - NTMs(business cost)
 - Lack of institutional arrangement and consolidation (vulnerability)
 - Barriers of New production-trade-investment network

Need an Integrated Approach(1)

- ◆ Current Status of FTAs in EA:
 - Multilateral efforts both in the regional and with other regions
 - Priorities are different
 - ASEAN as a hub
 - Challenge to market based new network
 - Political initiative-Joint Expert Study Group

Need an Integrated Approach(2)

- ◆ Modeling results FTA benefits
 - ∟ The modeling results show that EAFTA will provide the largest gain for each partner
- ◆ EAFTA will be based on the current framework
- ◆ If EAFTA, it's too late waiting for completing all multi-layered arrangements

CGE Modeling Results

(In Million US\$)

	ASEAN Total	China	Japan	Korea
ASEAN-China	17,718	6,136	-5,380	-972
ASEAN-China-Japan	20,669	9,502	52,969	-3,342
ASEAN-China-Korea	19,216	7,856	-6,194	40,709
EAFTA	21,900	11,050	57,209	38,714

Need an Integrated Approach(3)

- ◆ Feasible approaches:
 - NEAFTA initiative+AFTA: difficulty for a early NEAFTA
 - Three “10+1” FTAs
 - ☛ Three “10+1” FTAs completing on time by 2007, or 2008
 - ☛ Coordinating three “10+1” FTAs’ approaches
 - ☛ 2008 initiative based on Joint Expert Study report

Modality of EAFTA (1)

- ◆ Value of Japan-Singapore CEP model: high standard harmonization
- ◆ Value of CAFTA: CEP, Early harvest, Trade in goods first, gradual approach
- ◆ Value of AFTA: gradual, time target, community building
- ◆ East Asian model: comprehensive, CEP, gradualism

Modality of EAFTA (2)

- ◆ Major points:

A framework agreement of CEP in 2008 including:

- ★ An early harvest program
- ★ Preferential treatment to CLMV
- ★ Time framework for EAFTA negotiation
- ★ Economic cooperation priority areas.

Modality of EAFTA (3)

- ◆ Major concerns for EAFTA:

Time target: 2020

Comprehensive liberalization (goods, service, investment, NTM)

- Labor mobility

- Harmonization of customs procedures, standards

- Integrated rule of origin

- A regional dispute settlement mechanism

- Protected sectors and sensitive sectors

China's FTA Strategy

- ◆ China's three strategies:

- WTO commitments

- Neighboring Regional arrangements:, EA (priority), Asia-Pacific(APEC),Shanghai Organization,Northeast Asia

- Bilateral:

- Completed: CAFTA(Partly, 2005)

- Under negotiation: New Zealand(04), Chile(04), Australia(05), Pakistan(05, EHP first), GCC,South African Custom Union(04),

- Preparing: Iceland(05), ROK(05),Brazil(05),India(05)

China-Japan Relations

- ◆ New China-Japan economic relations-market, production network: vulnerability
- ◆ Different priorities in RTAs
- ◆ CJFTA: not on agenda
- ◆ EAC and EAS: future agenda concerns
- ◆ Political will: shared?
- ◆ Role and responsibility of political leaders