

1. Introduction

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1.1 CONTEXT AND PURPOSE OF THE STUDY

Economically important East Asia is at the forefront of world free trade agreement (FTA) activity. Policymakers, economists and business-people are concerned about the business impact of these proliferating agreements.¹

This book reports the results of an evidence-based study on the business impact of the Asian ‘noodle bowl’ of multiple and overlapping FTAs in six East Asian² countries: Japan, the People’s Republic of China (PRC), the Republic of Korea (hereinafter Korea), Singapore, Thailand and the Philippines. The six countries represent a mix of development levels and FTA experiences and highlight lessons for latecomers to FTAs. The three largest Northeast Asian economies are driving the spread of FTAs in East Asia while the three smaller Association of Southeast Asian Nations (ASEAN) economies are increasingly turning to FTAs as a major instrument of trade policy. In a novel methodological approach, the study used firm surveys to explore the business implications of FTAs and the noodle bowl in East Asia. Due to the paucity of official statistics, firm surveys are indeed almost the only means of collecting information on issues like the use and impediments to use of FTAs. This multicountry, multifirm study is the first comprehensive survey of East Asian firms and has generated the largest dataset (841 manufacturing export firms) of its kind for empirical analysis. The dataset captures the behaviour of major industries – including electronics, automotive, textile and garment, and food – that have driven export success in East Asian economies.

Amidst deepening Asian regionalism and an ongoing debate on FTAs, an analysis of the economic implications of the Asian noodle bowl is of profound significance to firms and policymakers. Market-based regionalism in East Asia is becoming increasingly policy driven through FTAs. East Asia is famous for its advanced production networks, which underlie its spectacular export success over several decades and have deepened regionally (ADB 2008b). Intraregional trade in East Asia has

increased significantly, particularly in parts and components. The global financial crisis and accompanying economic downturn have precipitated restructuring in production networks, and intraregional trade is likely to expand as the recovery progresses, though the export destination of Asia's finished products may shift increasingly away from the United States (US) and European markets and toward Asian markets. Bilateral FTA activity has significantly increased, both within East Asia and outside the region. ASEAN is emerging as the hub for East Asia's FTAs, with other major Asian economies joining the FTA bandwagon. Meanwhile, there is increasing interest in the transregional Asia-Pacific Economic Cooperation (APEC) grouping as an alternative FTA hub to link the region with the US (Bergsten 2009). Slow progress in the World Trade Organization (WTO) Doha talks and regionalism elsewhere have spurred East Asian FTAs (Kawai and Urata 2004; Kawai 2005a). With more FTAs under negotiation, there is little sign of a diminishing appetite for FTAs in East Asia. Dealing with the Asian noodle bowl phenomenon is thus an integral item on the region's business and policy agenda for future trade-led growth.

Since Viner (1950) coined the terms 'trade diversion' and 'trade creation', economists and policymakers have been ambivalent about the welfare implications of customs unions and other types of regional trade arrangements. Ambivalence about regional trade arrangements is also evident in East Asia. A lively debate over the impact of FTAs on the region's business is taking place between those who view the agreements as harmful and those who see net benefits.³

Informed by Bhagwati's (1995, 2008) insight on the 'spaghetti bowl' of trade deals, the former group asserts that different tariffs and rules of origin (ROOs)⁴ in multiple FTAs have resulted in an Asian noodle bowl problem of criss-crossing agreements that are characterized by excessive exclusions and special treatment. This noodle bowl, the argument goes, may distort trade toward bilateral channels, thereby threatening to erode the multilateral trading system. Large administrative burdens for the trading firms, such as the need to deal with multiple tariffs and ROOs, also mean that little use is made of East Asian FTAs.

Influenced in part by the Kemp–Wan theorem,⁵ the latter group view FTAs as bringing net benefits to East Asian businesses. They suggest that, in the absence of a Doha trade deal, comprehensive, well-designed FTAs may be a means to achieve regional liberalization and structural reforms, which can facilitate the development of production networks. Accordingly, comprehensive FTAs may constitute building blocks – rather than stumbling blocks – to multilateral liberalization. Advancement of the debate, however, has been hampered by a dearth of firm-level evidence on the

use of FTA preferences, the benefits and costs of FTAs, and the business burden caused by multiple ROOs.

At the heart of the study is an exploration of four important questions concerning the spread of FTAs and the Asian noodle bowl:

1. Are FTA preferences being used?
2. What are the benefits and costs of FTAs?
3. Are multiple ROOs a burden on business, and especially on small and medium-sized enterprises (SMEs)?
4. Is there enough support for domestic firms to use FTA preferences?

The answer to the first question is an indicator of the effectiveness of East Asian FTAs and is critical to the debate on East Asian FTAs. The second question attempts to compare benefits of FTAs (such as market access and preferential tariffs) with their costs (such as intensified competitive pressure and documentation burdens). The third focuses on what the attendant rules and administrative procedures imply for the cost of doing business. The fourth looks at the sources and the adequacy of institutional support for domestic firms to trade under FTAs.

This study attempts to generate debate through these questions by examining firm survey results concerning the business impact of FTAs – such as market access issues, ROOs and the burden of the noodle bowl for SMEs. The firm surveys in the East Asian countries used a common survey methodology and questionnaire. The Asian Development Bank (ADB) along with several partners – including the Japan External Trade Organization (JETRO), International Enterprise Singapore and the Thai Development Research Institute – were involved in the surveys, which were conducted in 2007–08.

The new firm-level data enable an evidence-based assessment of East Asian FTAs. The new information may also help foster a pragmatic approach to dealing with the Asian noodle bowl of FTAs. Amid the stalled WTO Doha negotiations, regionalism via FTAs in East Asia seems likely to persist as a means to promote liberalization. Liberalizing trade regionally, as opposed to globally, may be easier to achieve because fewer parties are involved. Moreover, regional agreements may be able to extend further than global agreements in key policy areas. Accordingly, firms will need to learn to export more effectively under a regional trade regime anchored on FTAs. The focus for policymakers is how best to minimize the costs of East Asian FTAs while maximizing their benefits.

1.2 GLOBAL FACTORY, FTAS AND COUNTRIES COVERED

A brief review of the region's industrial achievements and FTA proliferation forms the backdrop for this study of East Asian FTAs. East Asia's ascent from a poor underdeveloped agricultural backwater to become the global factory over a 50-year period is regarded as an economic miracle (Stiglitz 1996; Kawai 1997; Amsden 2001). The success of the first generation of newly industrialized economies (Korea; Hong Kong, China; Singapore and Taipei, China) was mirrored by others including Malaysia, Thailand, the PRC and Viet Nam. A combination of policy and firm strategies underlie East Asia's emergence as the global factory.

Multilateralism through the WTO framework and its predecessor, the General Agreement on Tariffs and Trade, and open regionalism centred on APEC and supported by unilateral liberalization, underpinned East Asia's approach to international trade policy for the last several decades. FTAs were absent in East Asia. Outward-oriented development strategies, high domestic savings rates, creation of strong infrastructure, and investment in human capital were key domestic policy ingredients. Korea and Taipei, China also used market-enhancing selective interventions to foster industrial upgrading and diversification (Lall 2001). A booming world economy hungry for labour-intensive imports from East Asia, falling tariffs in developed country markets, inflows of trade-related foreign direct investment (FDI), generous foreign aid flows and supplies of inexpensive, productive labour also favoured outward-oriented growth in East Asian economies. These economies were also geographically close to an expanding high-income Japan, with efficient multinational corporations (MNCs) seeking to relocate production to less costly economies in East Asia.

Through strategies of innovation and learning, many emerging East Asian firms acquired the requisite technological capabilities either to compete internationally or to become suppliers to MNCs (Hobday 1995; Lall 1996; Matthews and Cho 2000; Rasiah 2004; Wignaraja 2008a). This involved developing production engineering skills to use imported technologies efficiently, and successfully plugging into the advanced global production networks formed by MNCs and local suppliers. As systematic innovation and learning took place at the firm level, a shift from labour-intensive exports (for example, textiles, garments and footwear) to more technology-intensive exports (for example, chemicals, ships, electronics and automobiles) occurred in East Asia. Some emerging East Asian firms built deep innovative capabilities based on investments in research and development, emerging as leading firms in production networks and supply chains. Rising economic prosperity in East Asia followed rapid industrialization.

Table 1.1 Growth of East Asian FTAs by status, 2000–2010

Year	Concluded FTAs		Future FTAs	
	In effect	Signed	Under negotiation	Proposed
2000	3	1	5	4
2005	19	9	36	33
2010	44	6	48	30

Notes:

FTA = free trade agreement.

'FTAs in effect' means provisions of FTAs have become effective or tariff rates have been liberalized; 'signed' means parties have signed the agreement but it is not yet in effect; 'under negotiation' means parties are engaging in formal negotiation or have signed framework agreements; and 'proposed' means parties have jointly established working groups or conducted feasibility studies on FTAs.

Source: Asian Development Bank (2010).

As a result, three of the world's richest economies in terms of per capita income are now in East Asia: Japan, Korea and Singapore.

In addition, intraregional concentration of trade and FDI activities rose as production networks involving Asian firms deepened regionally (Ando and Kimura 2005; Kimura 2006; Kuroiwa and Heng 2008). Rising factor costs in core production locations were a prime driver. Falling regional trade barriers and logistics costs, as well as technological progress, spurred the decentralization of production networks to the most cost-effective locations. Accordingly, trade within East Asia increased significantly from 37 per cent of total trade to 52 per cent between 1980 and 2008, led by trade in parts and components (ADB 2008a, 2008b).

Toward the turn of the twentieth century, this simple story of outward orientation and export success was altered by a change in the nature of East Asia's international trade policy toward FTAs. Alongside multilateralism, Asia began emphasizing FTAs as a trade policy instrument in the late 1990s, and the region is today at the forefront of world FTA activity (Pangestu and Gooptu 2003; Feridhanusetyawan 2005; Crawford and Fiorentino 2005; Fiorentino et al. 2009). As Table 1.1 shows, in 2000 there was hardly any FTA activity in the region – only three regional FTAs were in effect in East Asia (including the ASEAN Free Trade Area, AFTA) and another ten were in various stages of preparation. However, in just a decade, FTAs in effect increased more than tenfold; in February 2010, East Asia emerged at the forefront of global FTA activity, with 44 FTAs in effect and another 84 in various stages of preparation.

Although a small core of the region's FTAs involve only East Asian economies, most of the agreements are cross-regional and involve South Asia, the Pacific or partners further afield. It appears that East Asia strongly prefers to maintain open trading relations with the rest of the world rather than becoming inward-looking. The region's largest and richest countries are leading players in the spread of FTAs. Japan has implemented bilateral economic partnership agreements (EPAs) with ten countries⁶ and a plurilateral EPA with ASEAN (see Appendix 1A.1 for a complete list of the concluded FTAs in the surveyed countries). In addition, Japan is negotiating agreements with Korea, Gulf Cooperation Council countries, India, Australia and Peru. The PRC has implemented an FTA on goods and services and signed an agreement on investment with ASEAN. Korea has implemented comprehensive FTAs with Chile, the European Free Trade Association (EFTA), Singapore and India, and an FTA on goods and services with ASEAN. Korea has also reached an agreement on an FTA with the US and an investment agreement with ASEAN, and *de facto* concluded its FTA negotiations with the European Union (EU) in July 2009. ASEAN is even more aggressive. Having implemented FTAs with the PRC, Korea and Japan from 2005 to 2008, ASEAN has also recently implemented a comprehensive FTA with Australia and New Zealand (effective January 2010) and an FTA on goods with India. Meanwhile, the ASEAN–EU FTA negotiation, which was launched in May 2007, was temporarily suspended by the negotiating parties in March 2009. Following a green light from EU member states in December 2009, the EU is expected to pursue FTAs with individual ASEAN member countries starting with Singapore in early 2010. Some ASEAN members, such as Singapore and Thailand, are actively pursuing a host of bilateral FTAs. And recently, Australia, New Zealand and India have joined this bandwagon.

Four main factors underlie the recent spread of FTA initiatives in Asia.⁷ First and foremost among these is market-driven economic integration through trade, FDI and the formation of East Asian production networks and supply chains. Market-driven economic integration has begun to require further liberalization of trade and FDI, as well as harmonization of policies, rules and standards governing trade and FDI. An increasing number of East Asia's policymakers believe that FTAs, if given wide scope, can support the growth of trade and FDI through further elimination of cross-border impediments and facilitation of trade and FDI. Thus, FTAs can be regarded as part of a supporting policy framework for deepening production networks and supply chains formed by global MNCs and emerging East Asian firms.

Second, European and North American economic regionalism

– including the EU's expansion into Central and Eastern Europe and the Baltic countries, a European monetary union, and the success of the North American Free Trade Agreement (NAFTA) and its planned move toward the Free Trade Area of the Americas – has motivated East Asian FTAs. Governments fear that the two giant blocs might dominate rule-setting in the global trading system and marginalize Asia. Increasingly, they have realized the need for stepping up integration to improve international competitiveness through exploitation of scale economies, strengthen their bargaining power and raising their voice in global trade issues. FTAs can help insure against the periodic difficulties of multilateral trade liberalization, such as the slow progress in the WTO Doha negotiations and a perceived loss of steam in the APEC process.

Third, the 1997–98 Asian financial crisis made it clear that East Asia needed to address common challenges in the areas of trade and investment in order to sustain growth and stability. This need has not yet been fulfilled either by regional initiatives to strengthen the international economic system or by national efforts to strengthen fundamentals, both of which take time to bear fruit. Once the largest economies – Japan and the PRC – began to undertake FTA initiatives in the region, other economies started to join the FTA bandwagon out of fear of exclusion.

Fourth, slow progress in the WTO Doha negotiations encouraged countries to consider FTAs as an alternative or insurance. Hailed as a development round to promote trade-led growth in poor countries, the WTO Doha Development Round began in November 2001. The talks have largely focused on liberalization in two key areas: agriculture and non-agricultural market access. In essence, developed countries were being asked to accelerate the pace and scope of reductions in agricultural tariffs and subsidies, and developing countries were being asked to do the same with regard to tariffs for industrial goods and liberalization of services trade. After seven years of formal negotiations, the negotiations stalled in mid-2008 over concerns in developing countries about measures to protect poor farmers from rising food and oil prices. However, discussions have continued behind the scenes. As prospects for an early deal diminished, pro-business Asian countries emphasized bilateral and plurilateral FTAs for the continued liberalization of trade in goods and services, as well as the adoption of the Singapore issues (that is, trade facilitation, investment, government procurement and competition policy), which are currently beyond the scope of the WTO.

Table 1.2 profiles the six East Asian countries surveyed in the study. The countries represent an interesting mix of development and FTA experiences. Japan, Singapore and Korea have high per capita incomes and are among the world's richest economies. The PRC, Thailand and

Table 1.2 GNI per capita, tariffs and FTAs in the countries surveyed, latest

Country	GNI per capita, 2008 ^a	Simple ave. MFN Tariffs, 2008 ^b	Concluded FTAs, 2010 ^c		FTAs under negotiation and proposed, 2010 ^c
			In effect	Signed	
Japan	37 790	2.6	11	0	9
PRC	2 370	8.7	9	1	12
Korea	19 730	6.6	6	1	17
Singapore	32 340	0	18	1	11
Thailand	3 400	8.2	10	1	12
Philippines	1 620	5.7	6	1	4

Notes:

FTA = free trade agreement; GNI = gross national income; Korea = Republic of Korea; MFN = most favoured nation; PRC = People's Republic of China.

^a Per capita GNI in 2008 current US\$ (atlas method).

^b Applied average MFN (2008) for non-agricultural products only.

^c As of February 2010.

Sources: Asian Development Bank (2008b, 2010), World Bank (2009).

the Philippines are middle-income countries. While all six countries have pursued outward-oriented development strategies over several decades, Japan and Singapore have liberalized the most and have lower average tariffs than the other four countries surveyed. Singapore is the most active of the six in terms of concluded FTAs, followed by Japan, Thailand and the PRC. The Philippines has been much less active and, as an ASEAN member, has relied heavily on ASEAN FTAs. Singapore has 18 FTAs in effect, while Japan has 11, Thailand has 10, PRC has 9 and Korea and the Philippines each have 6. With several agreements either under negotiation or proposed, FTAs are likely to remain an integral part of commercial policy in all six countries.

1.3 THE ASIAN NOODLE BOWL PHENOMENON

The growing literature on the spaghetti bowl and the Asian noodle bowl – which spans economic, political and legal perspectives – is too vast to be reviewed thoroughly here. Several useful surveys of early economics literature are available. Bhagwati et al. (1998) and Panagariya (2000) surveyed the theoretical economics literature on FTAs and the spaghetti bowl,

which predates the rise of East Asian FTAs and the noodle bowl. Baldwin (2006b) reviewed some developments connected with East Asian FTAs.⁸

The spread of FTAs in East Asia and elsewhere has sparked concerns about criss-crossing FTAs – which Bhagwati famously called a ‘spaghetti bowl’ of trade deals (Bhagwati 1995, 2008). He argued that discriminatory trade liberalization occurs under multiple, overlapping FTAs and that this is a serious problem because the same commodity can be subject to different tariffs, tariff reduction trajectories and ROOs for obtaining preferences. With a growing number of FTAs, the international trading system is likely to become chaotic. Bhagwati also suggested that coping with multiple tariffs and ROOs in FTAs can raise transaction costs for enterprises, particularly SMEs.

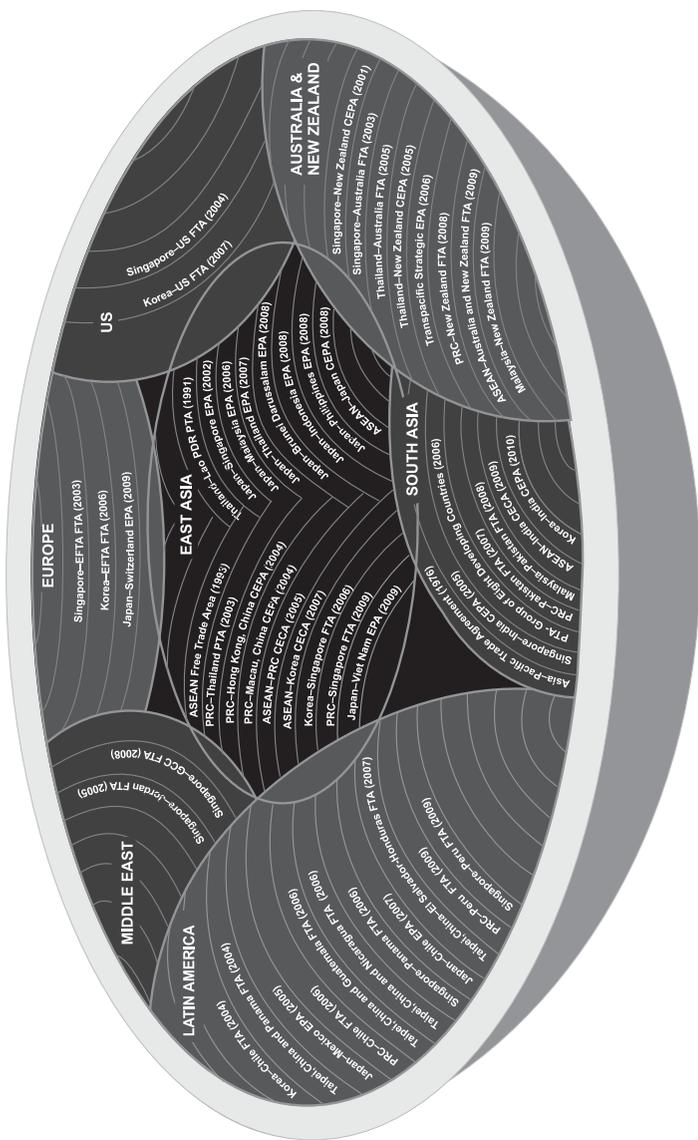
More recently, ADB President Haruhiko Kuroda referred to this phenomenon as the Asian ‘noodle bowl’ effect of FTAs and warned that it could impede broader regional and global integration (Kuroda 2006a, 2006b).⁹ A visual representation of East Asian FTAs as an Asian noodle bowl is provided in Figure 1.1. The diagram covers 50 concluded FTAs as of February 2010 (44 in effect and six signed) and highlights the strong cross-regional orientation of East Asian FTAs with partners outside the region. Interest in the Asian ‘noodle bowl’ has grown in the last few years and stimulated a growing body of analytical work on East Asian FTAs along five major lines.

First, the Asian noodle bowl of FTAs has been sketched as a map of chaotic lines representing an intertwined mass of preferential trading arrangements (for graphical examples, see Dent 2006; Petri 2008; Sally 2008), which conveys a powerful visual impression of complex preferential trade relationships. These summary diagrams are sometimes put forward as evidence of an actual (rather than a potential) problem for business.

Second, studies have highlighted the low use of Asian FTAs and linked it to the Asian noodle bowl phenomenon (Cadot et al. 2007; Manchin and Pelkmans-Balaoing 2007; World Bank 2007). They have suggested that transaction costs related to the design and administration of ROOs have acted as disincentives to using Asian FTAs. Typically, certificate of origin data for a handful of Asian countries from the 1980s and 1990s are used in this vein.

Third, the technically difficult task of trying to compare ROOs across FTAs according to ‘best practice’ has been attempted with some success (for examples of comparisons, see Estevadeordal and Suominen 2006; Plummer 2007; World Bank 2007). This ongoing and data-intensive exercise is working toward developing a world map of ROOs, graded by different levels of restrictiveness.

Fourth, studies based on gravity and computable general equilibrium



Notes:
 ASEAN = Association of Southeast Asian Nations; CECA = Comprehensive Economic Cooperation Agreement; CEPA = Comprehensive Economic Partnership Agreement; EFTA = European Free Trade Association; EPA = Economic Partnership Agreement; FTA = Free Trade Agreement; GCC = Gulf Cooperation Council; Korea = Republic of Korea; Lao PDR = Lao People's Democratic Republic; PRC = People's Republic of China; PTA = Preferential Tariff Agreement; US = United States.
 * All 50 concluded FTAs in East Asia includes in-effect and signed FTAs (data as of February 2010).

Figure 1.1 Asian noodle bowl – East Asian FTAs today*

models have analysed the economic effects of alternative FTA scenarios and underscored region-wide FTAs as a means to increase economic welfare (for example, Gilbert et al. 2004; Lee and Park 2005; Francois and Wignaraja 2008; Hufbauer and Schott 2009). While such studies are useful in highlighting the economic effects of various FTA options and unintended consequences, they have yet fully to incorporate multiple ROOs.

Fifth, various solutions to the noodle bowl have been proposed. Following formal theoretical modelling of Bhagwati's insight, the early theoretical economics literature concluded with the suggestion that most favoured nation (MFN) liberalization is a panacea for the spaghetti bowl problem.¹⁰ Others (for example Frost 2008) have suggested a combination of unilateral liberalization, streamlining customs procedures and standardization of FTAs. A more comprehensive approach was offered by Baldwin and his collaborators, who proposed a 'WTO Action Plan on Regionalism', including deepening the transparency mechanism for FTAs, WTO advisory services on FTAs and several measures for taming the ROOs tangle (Baldwin 2006b; Baldwin and Thornton 2008; Baldwin and Low 2009). The more comprehensive approach is due to Baldwin's (2006b) political economy framework for trade liberalization, which is based on three mechanisms: a juggernaut effect for multilateral trade liberalization; a domino effect for regional trade liberalization; and a race-to-the-bottom unilateral trade liberalization.

While these are all valuable exercises, there is little empirical evidence on the extent of the Asian noodle bowl effect on enterprises in East Asia. The two existing studies based on relatively large enterprise samples are limited to one country: Japan (JETRO 2007a; Takahashi and Urata 2008). Both studies focused on the issue of multiple ROOs; however, contrary to expectations, the evidence seemed mixed. JETRO (2007a) showed that around 30 per cent of 97 Japanese firms using (or planning to use) FTA preferences thought that multiple ROOs in East Asian FTAs complicated procedures to prove country of origin and led to increased business costs. In contrast, data provided in the Takahashi and Urata (2008) study suggest that only 5 per cent of 229 responding Japanese firms thought multiple ROOs were a problem. There is a lack of multicountry firm-level evidence on FTA impacts and the Asian noodle bowl to corroborate these early inconclusive findings.

1.4 FTA ELEMENTS OF THE ASIAN NOODLE BOWL

As highlighted earlier, previous studies have expressed concerns over the potentially harmful effects of the rapid spread of many different,

overlapping FTAs in the region since 2000. A key issue is whether the Asian noodle bowl has the potential to raise trade-related business costs for using FTAs due to complexity and, hence, may reduce incentives for utilizing the intended FTA preferences; this issue is of particular concern for SMEs, which may face higher administrative and business costs as their capacity to deal with complex rules is limited. It is hoped that the new, firm-level evidence on FTA impacts explored in this study can provide some new insights to contribute to the debate. In this regard, it may be useful to examine some features of selected East Asian FTAs (particularly tariff schedules, margins of preference, ROOs and origin administration) that point to the possibility of a noodle bowl effect.

First, different FTAs contain varying coverage, modalities and time frames for tariff concessions.¹¹ More specifically, many FTAs adopt a negative list approach while some adopt a positive list approach with exclusions. In the case of AFTA and some ASEAN+1 FTAs – particularly the ASEAN–PRC Comprehensive Economic Cooperation Agreement (CECA), ASEAN–Korea FTA and ASEAN–Japan Comprehensive Economic Partnership Agreement (CEPA) – tariff elimination is to be achieved by 2010 for developed countries and advanced ASEAN members, while longer periods are allowed for least-advanced members. Appendix 1A.2 contains key features of selected FTAs that are relevant to this study.

Second, tariff preference margins vary across products and FTAs. Electronics face negligible MFN tariffs, while higher margins of preference are observed for non-electronics sectors. For example, under the Japan–Thailand EPA, preference margins for clothing (25 per cent) and transport equipment (4 per cent) are high, providing incentives for firms to utilize FTA preferences for these products. Under AFTA, Philippine firms receive variable margins of preference from partner countries. In food products, for instance, Malaysia and Indonesia offer 0–5 per cent margins of preference for Philippine products compared with 5–45 per cent in Thailand and Viet Nam.

Third, ROOs differ across FTAs and products while origin administration also differs significantly across East Asian countries. These differences are often equated with the existence of an Asian noodle bowl effect. Tables 1.3 and 1.4 illustrate some of the differences in ROOs in selected FTAs and origin administration in the region.

The following observations may be made regarding differences in ROOs:

- Value content requirement. The simplest ROO can be found in AFTA, which specifies a single regional value content (RVC) across all tariffs (that is, 40 per cent of the value added of a good has to

originate from within ASEAN). Other FTAs require higher value content to prove origin. For example, the Japan–Mexico EPA requires 65 per cent value content for automotive products and the Thailand–Australia FTA requires 50 per cent for textile products.

- Single versus option versus combination rules. The ASEAN–PRC CECA uses the simple RVC rule for almost all products. The ASEAN–Japan CEPA also adopts a single rule for automotive products. AFTA is moving toward more liberal alternatives, including the change in tariff classification (CTC) rule. The ASEAN–Korea CECA and Japan–Thailand EPA adopt similar option or coequal rules for most products. For example, firms can use either CTC or 40 per cent value content (VC) for electronic circuits. The Singapore–Australia FTA, however, tends to be more restrictive with a combination rule of change in tariff headings plus 40 per cent value content for motor vehicles.
- Regional cumulation. Some FTAs have adopted regional cumulation to support the regional production networks in the region. A good example is ASEAN’s rules for cumulation. First, ASEAN cumulation was adopted in Japan’s bilateral EPAs with Malaysia, the Philippines, Singapore and Thailand even before the conclusion of the ASEAN–Japan CEPA. Second, Annex 3 of the ASEAN–Japan CEPA extends further flexibility for selected information technology products.¹² Most FTAs are limited to bilateral cumulation or do not provide for cumulation.

Likewise, origin administration systems seem to differ across East Asian countries. Two aspects of this relate to the issuing authority and the platform for application and issuance of certificates of origin.

- Issuing authority. While developed and most advanced economies authorize chambers of commerce, economic operators or trusted traders to issue certificates of origin, issuing authority is held solely by customs agencies in some developing countries like the Philippines. The case is the same with regard to self-certification. Under the US–Singapore FTA, Singaporean firms’ declaration as to origin is acceptable in the US. Other countries use third-party certification (that is, through chambers of commerce) or government certification.
- Electronic versus paper-based. While some countries like Singapore and Korea rely on efficient electronic systems administered by private sector bodies, others are burdened by cumbersome paper-based systems administered by public institutions (Table 1.4).

Table 1.3 Varying ROOs in FTAs: selected products

PRODUCT (HS CODE)	AFTA	ASEAN– PRC CECA	ASEAN– Korea CECA	ASEAN–Japan CEPA	Japan–Thailand EPA	US–Singapore FTA
Electronic integrated circuits (85.42)	CTC or 40% RVC	40% RVC	CTC or 40% RVC	CTC or 40% RVC	CTC or 40% VC	CTC
Parts and accessories for motor vehicles (87.08)	40% RVC	40% RVC	45% RVC	40% RVC	CTC or 40% VC	6-digit CTC or CTC plus 30% VC (build-up)
Woven fabrics of cotton (52.09)	CTC; or 40% RVC; or process criterion for textile products	40% RVC; or process criterion for textile and textile products	CTC or 40% RVC	CTH or CTC plus material is dyed or printed in either party's area; or non-originating material is woven entirely in any party's area	CTH or CTC plus fabric/ yarn is dyed or printed in either party's area	CTH

Men's or boys' suits, blazers, etc. (62.03)	40% RVC; or CTC plus good is both cut (or knitted to shape) and sewn in any party's area; or process criterion for textile products	40% RVC; or process criterion for textile and textile products	40% RVC; or CTC plus good is both cut and sewn in any party's area	CTC plus non-originating material is knitted or crocheted in either party's area or any ASEAN member's area	CTC plus good is both cut (or knitted to shape) and sewn or otherwise assembled in the territory of one or both of the parties
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Note: AFTA = Association of Southeast Asian Nations Free Trade Area; CECA = Comprehensive Economic Cooperation Agreement; CEPA = Comprehensive Economic Partnership Agreement; CTC = change in tariff classification; CTH = change in tariff heading; EPA = economic partnership agreement; FTA = free trade agreement; HS = harmonized system; Korea = Republic of Korea; PRC = People's Republic of China; ROO = rule of origin; RVC = regional value content; VC = value content.

Sources: Kawai and Wignaraja (2008a) and official texts of FTAs (data as of February 2010).

Table 1.4 Differing origin administration for issuance of preferential certificate of origin

Country	System	Issuing authority	Steps/Time Required		Actual cost	
			Factory registration and inspection	Cost statements submission and verification		
Japan	Paper-based	Chamber of Commerce and Industry	5–7 days	0–3 days	0–3 days	¥12 000 + ¥30 for Japan–Malaysia and Japan–Thailand; ¥2100 + ¥30 for Japan–Mexico EPA CNY40 for preferential CO
PRC	Electronic certification system	Entry-exit inspection and quarantine authority	5–10 days	5–10 days	0–1 day	
Korea	Electronic certification system	Self-declaration system and Chamber of Commerce	N/A	N/A	N/A	US\$4 processing fee for CO form
Singapore	Electronic data interchange/TradeNet System	Customs, authorized agencies/entities, self-certification	At least 7 days (for exporter's registration only)	At least 7 days prior to application	5–10 minutes	S\$6.40 online or S\$10 manual processing; S\$3.30 export permit

Thailand	Paper-based	Department of Foreign Trade, Ministry of Commerce	N/A	0–3 days	1 day	B30 inspection fee, B200 exporter identification number, B30 for Form D or FTA forms
Philippines	Paper-based	Customs	N/A	3 days (through forwarders); Post-audit/inspection	1–2 hours	P185 processing fee and doc stamps; P115 CO form through OSEDC P1150 through freight forwarders

Notes:

US\$1 = ¥89.2; US\$1 = CNY6.8; US\$1 = B\$32.9; US\$1 = P46.1 (as of 26 February 2010).

CO = certificate of origin; EPA = economic partnership agreement; FTA = free trade agreement; Korea = Republic of Korea; OSEDC = One-Stop Export Documentation Center; PRC = People's Republic of China.

Sources: Authors' compilation based on FTAs' legal texts; Japan Customs; Japan Chamber of Commerce and Industry; General Administration of Quality Supervision, Inspection and Quarantine of PRC; Korea Chamber of Commerce; International Enterprise Singapore; Singapore Customs; Singapore TradeNet; Thailand Department of Foreign Trade Ministry of Commerce; Philippines Department of Trade and Industry and Philippine Bureau of Customs.

1.5 STRUCTURE OF THE STUDY

The remainder of the study is structured as follows. Chapter 2 provides an overview of the findings from the six East Asian countries on four questions relating to the spread of FTAs and the Asian noodle bowl: are FTA preferences being used? What are the benefits and costs of FTAs? Are multiple ROOs a burden on firms, particularly SMEs? And, is there enough support for domestic firms to utilize trade preferences under FTAs? It also provides a profile of the 841 East Asian enterprises as well as a synthesis of the findings and policy conclusions. Part II deals with the three large Northeast Asian economies (Japan, the PRC and Korea) while Part III looks at the three smaller ASEAN economies (Singapore, Thailand and the Philippines). Authored by leading experts, each country chapter provides a brief review of the country's FTA policies and trade with FTA partners. Then, drawing on firm-level evidence, each country chapter goes on to analyse patterns of FTA use, benefits and costs of FTAs, the extent of the burden imposed by multiple ROOs and institutional support services for FTAs. Finally, the country studies explore policy implications.

NOTES

1. The weekly magazine, *The Economist* (2009, p. 48), recently put the situation in the following way: 'Bilateral deals come laden with complicated rules about where products originate – rules which impose substantial costs of labelling and certification on firms. The more overlapping deals there are, the more complex the rules and the higher the costs. Those who follow Asia's FTA mania refer to this as the "noodle bowl". No wonder few firms actually want to use FTAs.'
2. For the purposes of this book, 'East Asia' encompasses Northeast and Southeast Asia.
3. Bhagwati (1995) provides an early discussion of the 'spaghetti bowl' problem in the context of extending the North American Free Trade Agreement into new countries, starting with Chile, and transforming APEC into an FTA. Bhagwati (2008) provides a conceptual update and discusses the phenomenon in East Asia. For various perspectives on the Asian 'noodle bowl', see Baldwin (2006b), Dent (2006), Manchin and Pelkmans-Balaoing (2007), Tumbarello (2007), Plummer (2007), ADB (2008b), Petri (2008), Sally (2008) and Chia (2010).
4. ROOs refer to the set of criteria used to determine the country or customs territory of a good's origin.
5. The Kemp–Wan theorem (Kemp and Wan 1976) states that customs union formation is Pareto improving for the world economy provided that income is appropriately distributed among consumers within the union. This is accomplished by setting the vector of common external tariffs so as to leave world prices unchanged. For theoretical extensions and refinements of the Kemp–Wan theorem, see Grinols (1981) and Wong (2006).
6. Japan's EPA partners are Singapore, Mexico, Malaysia, Chile, Thailand, Brunei Darussalam, Indonesia, the Philippines, Switzerland and Viet Nam. For an illuminating comparison of the FTA strategies of leading East Asian economies, see the country papers in Aggarwal and Urata (2006) and Hufbauer and Schott (2009).

7. More complete explanations can be found in Feridhanusetyawan (2005), Kawai (2005a, 2007) and ADB (2008a). Kawai and Wignaraja (2008a, 2009b) explore characteristics and economic effects of East Asian FTAs.
8. Various political perspectives on East Asian FTAs are contained in Dent (2006), Frost (2008) and Sally (2008). A detailed analysis of those perspectives is, however, beyond the scope of this study.
9. As Bhagwati (2008, p. 63) observed: 'the phrase (Asian noodle bowl) was introduced by President Haruhiko Kuroda of the Asian Development Bank in July 2006 in a speech delivered to the Jeju Summer Forum in South Korea'.
10. As the survey of this literature by Panagariya (2000, p. 328) concluded: 'There is now general agreement among free trade economists that the best solution to this problem is to speed up MFN liberalization. Once external tariffs drop to zero, tariff preferences and the spaghetti bowl created by them will automatically disappear.'
11. UNCTAD and JETRO (2008) examined tariff elimination and reductions in 15 bilateral and plurilateral FTAs between or among emerging and developing Asian economies and concluded that, with a few exceptions (for example, the Korea–Chile FTA and the India–Sri Lanka FTA), such FTAs are not homogeneous in terms of tariff lines coverage or preferential margins.
12. The ASEAN–Japan CEPA states in Annex 3 on Information Technology Products that: 'a good which is covered by Attachment A or B of the Ministerial Declaration on Trade in Information Technology Products . . . and is used as a material in the production of another good in a Party may be considered as an originating material of the Party, *regardless of the applicable product specific rule for the former good*, provided that the former good is assembled in any Party' (emphasis added).

APPENDIX 1A.1

Table 1A.1 FTAs in the East Asian countries surveyed, 2010

Country	FTAs in effect	Signed FTAs	FTAs under consideration
Japan	(1) Japan–Singapore EPA (30 Nov 2002)		Under negotiation
	(2) Japan–Mexico EPA (1 Apr 2005)		(1) Japan–Korea EPA (2003)
	(3) Japan–Malaysia EPA (13 Jul 2006)		(2) Japan–GCC EPA (2006)
	(4) Japan–Chile EPA (3 Sep 2007)		(3) Japan–India EPA (2007)
	(5) Japan–Thailand EPA (21 Nov 2007)		(4) Japan–Australia EPA (2007)
	(6) Japan–Brunei Darussalam EPA (31 Jul 2008)		(5) Japan–Peru EPA (2009)
	(7) Japan–Indonesia EPA (1 Jul 2008)		Proposed
	(8) ASEAN–Japan CEPA (1 Dec 2008)		(6) Japan–PRC–Korea FTA (2003)
	(9) Japan–Philippines EPA (11 Dec 2008)		(7) EAFTA (ASEAN+3) (2004)
	(10) Japan–Switzerland EPA (1 Sep 2009)		(8) Japan–Canada FTA (2005)
	(11) Japan–Viet Nam EPA (1 Oct 2009)		(9) CEPEA (ASEAN+6) (2007)

- PRC
- (1) Asia-Pacific Trade Agreement (17 Jun 1976, PRC acceded in 2001)
 - (2) PRC–Thailand PTA (1 Oct 2003)
 - (3) PRC–Hong Kong, China CEPA (1 Jan 2004)
 - (4) PRC–Macau, China CEPA (1 Jan 2004)
 - (5) ASEAN–PRC CECA (1 July 2005 for TIG; 1 July 2007 for TIS)
 - (6) PRC–Chile FTA (1 Oct 2006)
 - (7) PRC–Pakistan FTA (1 Jul 2007)
 - (8) PRC–New Zealand FTA (1 Oct 2008)
 - (9) PRC–Singapore FTA (1 Jan 2009)
- (1) PRC–Peru FTA (28 April 2009), *expected to take effect soon*
- Under negotiation
- (1) PRC–GCC FTA (2005)
 - (2) PRC–Australia FTA (2005)
 - (3) PRC–Iceland FTA (2006)
 - (4) PRC–Norway FTA (2007)
 - (5) PRC–Costa Rica FTA (2009)
- Proposed
- (6) PRC–India FTA (2003)
 - (7) Japan–PRC–Korea FTA (2003)
 - (8) EAFTA (ASEAN+3) (2004)
 - (9) PRC–SACU FTA (2004)
 - (10) PRC–Korea FTA (2005)
 - (11) CEPEA (ASEAN+6) (2007)
 - (12) PRC–Switzerland FTA (2009)

Table 1A.1 (continued)

Country	FTAs in effect	Signed FTAs	FTAs under consideration
Korea	<ol style="list-style-type: none"> (1) Asia-Pacific Trade Agreement (17 Jun 1976) (2) Korea–Chile FTA (1 Apr 2004) (3) Korea–Singapore FTA (2 Mar 2006) (4) Korea–EFTA FTA (1 Sep 2006) (5) ASEAN–Korea CECA (1 Jun 2007 for TIG; 1 Sep 2009 for TIS) (6) Korea–India CEPA (1 Jan 2010) 	<ol style="list-style-type: none"> (1) Korea–United States FTA (30 Jun 2007) 	<p>Under negotiation</p> <ol style="list-style-type: none"> (1) Japan–Korea EPA (2003) (2) Korea–Canada FTA (2005) (3) Korea–Mexico SECA (2006) (4) Korea–New Zealand FTA (2008) (5) Korea–Australia FTA (2009) (6) Korea–GCC FTA (2009) (7) Korea–Peru FTA (2009) (8) Korea–EU FTA (2009), <i>de facto concluded, expected to be signed soon</i> (9) Korea–Colombia FTA (2009) <p>Proposed</p> <ol style="list-style-type: none"> (10) Japan–PRC–Korea FTA (2003) (11) EAFTA (ASEAN+3) (2004) (12) Korea–Malaysia FTA (2004, inactive with signing of ASEAN–Korea CECA) (13) Korea–Mercosur PTA (2004) (14) Korea–South Africa FTA (2005) (15) PRC–Korea FTA (2005) (16) CEPEA (ASEAN+6) (2007) (17) Korea–Russia EPA (2007)

Singapore	<ol style="list-style-type: none"> (1) AFTA (1 Jan 1993) (2) Singapore–New Zealand CEPA (1 Jan 2001) (3) Japan–Singapore EPA (30 Nov 2002) (4) Singapore–EFTA FTA (1 Jan 2003) (5) Singapore–Australia FTA (28 Jul 2003) (6) Singapore–United States FTA (1 Jan 2004) (7) Singapore–India CEPA (1 Aug 2005) (8) Singapore–Jordan FTA (22 Aug 2005) (9) ASEAN–PRC CECA (1 July 2005 for TIG; 1 July 2007 for TIS) (10) Korea–Singapore FTA (2 Mar 2006) (11) Transpacific Strategic EPA (28 May 2006) (12) Singapore–Panama FTA (24 Jul 2006) (13) ASEAN–Korea CECA (1 June 2007 for TIG; 1 Sept 2009 for TIS) (14) ASEAN–Japan CEPA (1 Dec 2008) (15) PRC–Singapore FTA (1 Jan 2009) 	<p>(1) Singapore–GCC FTA (15 Dec 2008), <i>expected to take effect soon</i></p>	<p>Under negotiation</p> <ol style="list-style-type: none"> (1) Singapore–Mexico FTA (2000) (2) Singapore–Canada FTA (2002) (3) Singapore–Pakistan FTA (2005) (4) ASEAN–EU FTA (2007) (5) Singapore–Ukraine FTA (2007) [negotiations concluded; expected to be signed soon] (6) Singapore–Costa Rica FTA (2009) <p>Proposed</p> <ol style="list-style-type: none"> (7) Singapore–Sri Lanka CEPA (2003) (8) EAFTA (ASEAN+3) (2004) (9) Singapore–Egypt FTA (2004) [Intent to Negotiate signed in November 2006] (10) CEPEA (ASEAN+6) (2007) (11) Singapore–EU FTA (2009)
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Table 1A.1 (continued)

Country	FTAs in effect	Signed FTAs	FTAs under consideration
	(16) Singapore–Peru FTA (1 Aug 2009)		
	(17) ASEAN–Australia and New Zealand FTA (1 Jan 2010)		
	(18) ASEAN–India CECA (1 January 2010 for TIG)		
Thailand	(1) Thailand–Lao PDR PTA (20 Jun 1991)	(1) ASEAN–Australia and New Zealand FTA (ratified by Thailand on 10 Jan 2010, to take effect in Mar 2010)	Under negotiation
	(2) AFTA (1 Jan 1993)		(1) Thailand–Bahrain FTA (2002)
	(3) PRC–Thailand PTA (1 Oct 2003)		(2) Thailand–United States FTA (2004)
	(4) Thailand–Australia FTA (1 Jan 2005)		(3) Thailand–India FTA (2004)
	(5) Thailand–New Zealand CEPA (1 Jul 2005)		(4) Thailand–Peru FTA (2004)
	(6) ASEAN–PRC CECA (1 Jul 2005 for TIG; 1 Jul 2007 for TIS)		(5) BIMSTEC FTA (2004)
	(7) Japan–Thailand EPA (21 Nov 2007)		(6) Thailand–EFTA FTA (2005)
	(8) ASEAN–Japan CEPA (1 Dec 2008)		(7) ASEAN–EU FTA (2007)
	(9) ASEAN–Korea CECA (27 Feb 2009 Thailand’s accession to TIG)		Proposed
	(10) ASEAN–India CECA (1 Jan 2010 for TIG)		(8) EAFTA (ASEAN+3) (2004)
			(9) Thailand–Pakistan FTA (2004)
			(10) Thailand–Chile FTA (2006)
			(11) Thailand–Mercosur FTA (2006)
			(12) CEPEA (ASEAN+6) (2007)

Philippines	(1) AFTA (1 Jan 1993)	(1) ASEAN–India CECA (13 Aug 2009 for TIG), <i>Philippine president to enact a law to implement the FTA</i>	Under negotiation
	(2) ASEAN–PRC CECA (1 Jul 2005 for TIG; 1 Jul 2007 for TIS)		(1) ASEAN–EU FTA (2007)
	(3) ASEAN–Korea CECA (1 Jun 2007 for TIG; 1 Sep 2009 for TIS)		Proposed
	(4) ASEAN–Japan CEPA (1 Dec 2008)		(2) Philippines–United States FTA (1989)
	(5) Japan–Philippines EPA (11 Dec 2008)		(3) EAFTA (ASEAN+3) (2004)
	(6) ASEAN–Australia and New Zealand FTA (1 Jan 2010)		(4) CEPEA (ASEAN+6) (2007)

Notes:

AFTA = ASEAN Free Trade Area; ASEAN = Association of Southeast Asian Nations; BIMSTEC = Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation; CECA = Comprehensive Economic Cooperation Agreement; CEPA = Comprehensive Economic Partnership Agreement; CEPEA = Comprehensive Economic Partnership in East Asia; EAFTA = East Asia Free Trade Agreement; EFTA = European Free Trade Association; EPA = economic partnership agreement; EU = European Union; FTA = free trade agreement; GCC = Gulf Cooperation Council; Korea = Republic of Korea; Lao PDR = Lao People's Democratic Republic; PRC = People's Republic of China; PTA = preferential tariff agreement; SACU = Southern African Customs Union; SECA = strategic economic complementation agreement; TIG = trade in goods; TIS = trade in services.

The members of the agreements are as follows. ASEAN = Brunei Darussalam, Cambodia, Indonesia, Lao PDR, Malaysia, Myanmar, Philippines, Singapore, Thailand and Viet Nam; ASEAN+3 = ASEAN members plus PRC, Japan and Korea; ASEAN+6 = ASEAN+3 members plus Australia, India and New Zealand; BIMSTEC = Bangladesh, Bhutan, India, Myanmar, Nepal, Sri Lanka and Thailand; CEPEA = ASEAN+6 economies; EAFTA = ASEAN+3 economies; EU = Austria, Belgium, Bulgaria, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden and United Kingdom; GCC = Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and United Arab Emirates; Mercosur = Argentina, Bolivia, Brazil, Chile, Colombia, Ecuador, Paraguay, Peru, Uruguay and Venezuela; Asia-Pacific Trade Agreement = Bangladesh, PRC, India, Korea, Lao PDR and Sri Lanka; SACU = Botswana, Lesotho, Namibia, South Africa and Swaziland; Transpacific Strategic FTA = Brunei Darussalam, Chile, New Zealand and Singapore.

APPENDIX 1A.2: FEATURES OF SELECTED FTAS

AFTA

- The agreement establishing AFTA and the Common Effective Preferential Tariff (CEPT) scheme was signed in 1991 and took effect on 1 January 1993.
- ASEAN member countries committed to eliminate tariffs on products covered in different types of CEPT lists:
 - (1) Inclusion List, for which the schedule specifies elimination of tariffs not later than 1 January 2010 for Brunei Darussalam, Indonesia, Malaysia, Philippines, Singapore and Thailand (ASEAN-6) and not later than 1 January 2015 for Cambodia, Lao People's Democratic Republic (Lao PDR), Myanmar and Viet Nam.
 - (2) Temporary Exclusion List.
 - (3) Sensitive and Highly Sensitive List, for which tariff elimination begins 1 January 2001 and is to be completed not later than 1 January 2010 for ASEAN-6 countries; begins 1 January 2006 and is to be completed not later than 1 January 2013 for Viet Nam; begins 1 January 2008 and is to be completed not later than 1 January 2015 for the Lao PDR and Myanmar and not later than 1 January 2017 for Cambodia.
 - (4) General Exclusion List.
- AFTA has 11 priority integration sectors: (1) agro-based products; (2) air travel; (3) automotives; (4) e-ASEAN (information and communications technology equipment); (5) electronics; (6) fisheries; (7) healthcare; (8) rubber-based products; (9) textiles and apparel; (10) tourism and (11) wood-based products.
- As of 1 January 2010, ASEAN-6 can import and export almost all goods across their borders at zero tariff. For ASEAN-6, the total number of duty-free tariff lines traded under AFTA is 54 457 (99.11 per cent). The average tariff rate is expected to further decrease from 0.79 per cent in 2009 to just 0.05 per cent in 2010.
- In 2008, the intra-ASEAN import value of commodities for around 7881 tariff lines amounted to US\$22.66 billion, or 11.84 per cent of ASEAN-6 import value within ASEAN.
- Aside from tariff liberalization, ASEAN is also embarking on parallel initiatives in trade facilitation to complement tariff reduction. These initiatives include streamlined and simplified customs

procedures for clearance of goods, eliminating non-tariff measures, developing the ASEAN Single Window¹ and removing the obstacles hindering the movement of professional and skilled workers.

- The ASEAN Economic Community Blueprint in November 2007 sets out concrete steps for services by 2015. ASEAN has concluded seven mutual recognition agreements in services. A comprehensive investment agreement was signed on 26 February 2009.

ASEAN–PRC CECA

- ASEAN and the PRC envisioned enhancement of regional economic and trade integration and, in 2002, signed the CECA.
- The ASEAN–PRC Agreement on Trade in Goods, signed in 2004, provides for the elimination of tariffs on 90 per cent of goods by 2010 for ASEAN-6 and the PRC and on 88 per cent of goods by 2015 for Cambodia, Lao PDR, Myanmar and Viet Nam. The remaining 10 per cent of goods is deemed sensitive by parties and will be reduced at a slower pace.
- Under the ASEAN–PRC Agreement on Trade in Goods, countries are committed to reduce and/or eliminate tariffs under five different schedules, organized into the following lists:
 - (1) Early Harvest Program, which provides for elimination of all tariffs listed not later than January 2006 for ASEAN-6 and the PRC and 2010 for the rest of ASEAN.
 - (2) Normal Track, which is further subdivided into (a) Normal Track 1 and (b) Normal Track 2. ASEAN-6 and the PRC are expected to eliminate all tariffs in the Normal Track by 2010 and Cambodia, Lao PDR, Myanmar and Viet Nam are expected to do so by 2015.
 - (3) Sensitive Track, which is further subdivided into (a) Sensitive List and (b) Highly Sensitive List. These products are subject to tariff reduction or elimination beginning 2012 to 2020.
- ASEAN–PRC trade accounts for 13.3 per cent of global trade (US\$192.5 billion) and 10 per cent of global foreign direct investment (US\$167.3 billion) in 2008.
- A trade in services agreement entered into force in July 2007 and an investment agreement was signed in August 2009.
- The PRC also announced that it had set up a US\$10 billion PRC–ASEAN Investment Cooperation Fund to finance ASEAN–PRC infrastructure and interconnectivity projects in infrastructure,

energy and resources, information and communications technology and other fields.

Japan–Thailand EPA

- The Japan–Thailand Economic Partnership Agreement was signed in April 2007 and took effect in November 2007. The agreement eliminates or reduces tariffs (or grants a special quota quantity) on 99.50 per cent of Thailand's tariff lines (99.49 per cent of the value of Thailand's imports from Japan in 2006) and 98.06 per cent of Japan's tariff lines (92.95 per cent of Thai exports to Japan in 2006).
- Japan applied an overall simple average preferential tariff of 3.5 per cent in 2008, 15.8 per cent on agriculture and 0.6 per cent on non-agriculture products (by WTO classification).
- In the field of industrial products, both sides will eliminate tariffs on almost all the goods within ten years from the agreement's entry into force. Thailand gave market access in selected automobiles, automobile parts, and iron and steel products. Japan eliminated tariffs on textiles and garments, articles of jewelry, and petroleum and petrochemical products. The agreement excludes many agricultural products and some industrial products (such as rice and rice products, meat and meat products, fish and fish products, dairy products, products of the milling industry, leather, leather products and footwear, and wood products).
- The Japan–Thailand Economic Partnership Agreement will also cover a comprehensive range of economic activities including enhancement of the business environment, intellectual property, and bilateral cooperation in agriculture, forestry and fisheries; trade and investment promotion; education and human resource development; information and communications technology; science, technology, energy and environment; small and medium enterprises; tourism; financial services; energy conservation; value creation and public–private partnerships.

Singapore–US FTA

- The Singapore–US FTA was signed in May 2003 and entered into force in January 2004. It was the first comprehensive US FTA with an Asian nation.
- Singapore committed zero tariffs for all imports (including alcoholic beverages), amounting to a total of 10689 tariff lines, upon entry

into force of the agreement. The US liberalized 8287 tariff lines upon the agreement's entry into force (79.0 per cent of US tariff lines and 95.2 per cent of the value of imports from Singapore). The rest of the products were to be eliminated at various stages, with an additional 12.9 per cent of tariff lines duty free in 2008, 5.3 per cent by 2012 and 0.9 per cent by 2014. Full implementation of the agreement covers 98.2 per cent of US tariff lines (excluding 189 tariff lines that are subject to tariff rate quotas) and 100 per cent of US imports from Singapore.

- The FTA also applied the principle of outward processing, which recognizes as of Singaporean origin labor-intensive products for which some of the production is outsourced by Singapore to neighbouring locations to enjoy lower cost production.
- The FTA also tackles non-tariff barriers, opens services markets, strengthens intellectual property protections for knowledge-based industries and enhances labour and environmental protections.
- US goods exports have increased by 68 per cent and Singapore is now the US's sixteenth largest goods trading partner, with goods exports totalling US\$28 billion in 2008. US exports in trade in services to Singapore amounted to US\$9 billion in 2008 (up by 12.5 per cent). In 2008, bilateral investments also increased by 12.0 per cent from the US and by 9.0 per cent from Singapore.

Sources: ASEAN Secretariat (<http://www.aseansec.org/19585.htm>); Ministry of Foreign Affairs Japan (<http://www.mofa.go.jp/region/asia-paci/thailand/epa0704/index.html>); Singapore FTA Network (http://www.fta.gov.sg/sg_fta.asp); Thailand Department of Trade Negotiations (http://www.thaifta.com/english/index_eng.html); Office of the United States Trade Representative (<http://www.ustr.gov/about-us/press-office/fact-sheets/archives/2003/may/quick-facts-us-singapore-free-trade-agreement>); Trade Policy Review Reports and Factual Presentations, WTO Regional Trade Agreement Gateway (http://www.wto.org/english/tratop_e/region_e/region_e.htm), accessed 1 February 2010.

NOTE

1. The ASEAN Single Window will speed up the clearance of shipments and the release of goods by customs authorities in the ASEAN region. It involves the single submission of data, single and simultaneous processing of the data and a single point of

decision-making through close collaboration among the parties involved. Instead of submitting different forms and information to multiple agencies (for example, customs, ports and health) to get a shipment of goods cleared, a firm would need to submit all the information to only one agency.