

# **REGIONAL AND BILATERAL FTAS IN SOUTHEAST ASIA**

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# Multilateralism, Regionalism & Bilateralism in Southeast Asia

- Issue of multilateralism versus regional and bilateral trading arrangements
  - Are RTAs building blocs or stumbling blocs?
    - Generates competitive liberalisation
    - Can achieve WTO-plus results
    - Depends on the design of RTAs
  - Assessing benefits and costs
    - Traditional trade creation and trade diversion effects
    - Dynamic effects

# Multilateralism, Regionalism and Bilateralism in Southeast Asia

- Issue of multiple and overlapping RTAs
- Spaghetti bowl effect
  - Complex web of rules of origin, technical standards and conformance requirements
  - Higher administrative and transaction costs
  - Problem of achieving convergence
- Hub and spokes effect
  - Hubs benefit more than spokes?
  - Spokes can also become hubs

# **Proliferating Regional and Bilateral Agreements**

- **Growing range of economic arrangements**
  - **TIFA, trade and investment facilitation agreements**
  - **FTA, free trade area**
  - **CEP, comprehensive economic partnership**
  - **Region-region, region-country, country-country**
- **Key players in APEC**
  - **Nafta, Mercosur, Asean**
  - **US, Canada, Mexico, Chile, Japan, Korea, Singapore, Thailand, Australia, NZ**

# **Why the Proliferation in East Asia?**

- **Multi-track strategy to achieve multiple objectives**
  - **Economic and political, trade and non-trade**
- **Disappointment with WTO**
  - **Unable to guarantee free and fair trade**
  - **Protracted negotiations of Uruguay Round**
  - **Uncertainty over Doha Development Round**

# Why the Proliferation in East Asia?

- Advantages of RTAs
  - Agreement among like-minded and fewer members
  - Speed and flexibility
  - Preferential market access and attract investments
  - Pressure and anchor domestic reforms
  - Closer geo-political relations and strategic alliance

# Features of the New Regionalism and Bilateralism

- Spans economic and geographical divides
  - Trans-Pacific, East Asia-Europe
- Treatment of sensitive sectors
  - Agriculture, services
- WTO-plus features
  - Investment liberalisation
  - Trade and investment facilitation
  - Financial cooperation
  - Development cooperation

# Assessment of Bilaterals

- WTO consistency
  - GATT Article XXIV or enabling clause?
  - Sectoral and product coverage
- MFN versus preferential tariffs
  - Margins of preferences
  - Trade creation and trade diversion
- Dynamic effects on productivity and competitiveness
- Political effects on economic openness



# Singapore Bilaterals

- Singapore active in bilateral FTAs, in addition to strong support for the WTO, APEC process and ASEAN FTA
  - Agreements signed with New Zealand, Japan, Australia, European Free Trade Area and US
  - Ongoing negotiations with Canada, Mexico, Chile, Korea, India, Sri Lanka
- Liberalisation of trade in goods
  - Tariff reductions beyond WTO commitments
  - Some agricultural exclusions in JSEPA

# Singapore Bilaterals

- Coverage of trade in services
  - Beyond WTO sectoral commitments
  - Opening up of Singapore's financial services and professional services
  - Inclusion of e-commerce
- Rules of origin
  - Complex rules to reflect need for flexibility
  - Incorporates outsourcing
  - Integrated sourcing initiative in USSFTA

# Singapore Bilaterals

- Beyond WTO
  - Government procurement beyond WTO thresholds
    - Government procurement
  - Investment liberalisation and facilitation
    - Beyond WTO thresholds
  - Competition policy
  - Capital market liberalisation and capital controls
  - Movement of business and professional persons
  - Labour standards and environmental standards

# Singapore Bilaterals

- Beyond trade and investment
  - Cooperation in promotion and development of research and development, IT development, small and medium enterprises, media, arts and culture
- Openness
  - Accession by third countries
  - Integrated Sourcing Initiative in USSFTA