

“New Regionalism” in Asia: A Comparative Analysis of Emerging Regional and Bilateral Trading Agreements involving ASEAN, China and India

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The term “new regionalism” has come to resemble the ongoing phenomenon of proliferation of bilateral and regional trading agreements in the Asia-Pacific, especially in the aftermath of the regional financial crisis of 1997–1998. While ASEAN economies, beginning with Singapore, were the first to embark on this route, other major Asian economies, viz. China and more recently, India have followed suit. Although several studies have suggested adoption of a common framework on such agreements to be more WTO-consistent, there has been a dearth of studies on this issue in the Asian context.

This article, while exploring some of the rationale behind new regionalism in Asia, provides a comparative analysis of the ongoing bilateral and regional initiatives involving ASEAN, China and India and attempts to analyse the similarities and differences among them with respect to the negotiating framework, coverage of issues and depth of its commitments. The article observes that most of these initiatives are at best resulting in a partial liberalization, and are unlikely to be building blocks towards global free trade on their own, unless supported by unilateral and multilateral liberalization.

I. INTRODUCTION

The need to adjust to the realities of a post-cold war Asia to manage globalization challenges and to enhance its role in world affairs has fostered the need for greater economic cooperation among Asian countries. In this context, the past decade has seen a rapid proliferation of a wave of “new regionalism” among the Asian economies, a term which has come to resemble the ongoing phenomenon of proliferation of bilateral and regional trading and economic cooperation agreements in the Asia-Pacific, especially in the aftermath of the regional financial crisis in 1997–1998. These agreements, which are emerging to be much more diverse in both scope and coverage than traditional Free Trade Agreements (FTAs), are being rapidly embraced by major Asian economies as an important element of their commercial trade policy. This is so as it allows them to explore alternative paths to trade and investment liberalization, while concomitantly pursuing multilateral trade liberalization through the World Trade Organization (WTO).

As of October 2003, all 146 WTO Members, with the exception of Mongolia, are now parties to one or more of these agreements. This surge in Regional Trading

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Agreements (RTAs) and Bilateral Trading Agreements (BTAs), which started since the early 1990s, has been increasing in greater numbers after 1995. Thus, out of 300 RTAs/BTAs notified to the GATT/WTO as of October 2004, about 130 were established after January 1995, and over 150 of these are currently in force, with the remaining being expected to be operational soon. Their pace has especially picked up since the launch of the Doha Development Agenda (DDA) in November 2001, with 33 of them being notified to the WTO, over the 2001–2003 period (WTO, 2003).

Regionalism in Asia was initiated with the formation of the ASEAN Free Trade Area (AFTA) in 1992, which was one of the first RTAs to be established in Asia. Thereafter, the move towards regionalism was pronounced with the advent of the economic and financial crisis of 1997–1998 among ASEAN countries, and the impasse at the WTO meeting at Seattle in 1999. These events forced highly trade-dependent countries in ASEAN, viz. Singapore, to embark on a new wave of regionalism as a means of enhancing the free trade agenda. As observed by Rajan and Sen (2005), this called for deeper economic integration than trade liberalization *per se*, and has therefore been primarily dominated by middle and upper income countries in Asia, with Singapore taking the lead. Subsequently, other ASEAN countries viz. Thailand (and more recently Malaysia), as well as other Asian economies viz. Korea, Japan, China and India, are all jumping on to this bandwagon, and have been actively pursuing this strategy to enhance economic and strategic cooperation among the Asian economies. This rapid proliferation of bilateral trade deals in Asia has often been ascribed to a “domino effect” that leads erstwhile non-BTA members to enter into such agreements for defensive reasons, i.e., to escape discrimination from BTA members (Crawford and Laird, 2001, p. 201).²

It is noteworthy that in spite of bilateralism being generally regarded by economists as being the “third-best” option for global trade liberalization, in terms of its welfare consequences, its proliferation in recent years has been phenomenal. This has been largely because of two reasons. First is the slow pace of progress of multilateral trade negotiations in the WTO, that has underscored the need for many developing economies, including those in Asia, to consciously and aggressively explore alternative liberalization paths or “fallback positions” through bilateral initiatives, that are designed properly and are “WTO-consistent” according to Article XXIV rules of the GATT.³ Second, the bilateral route to trade and investment liberalization is increasingly being viewed as serving key diplomatic and security ends which may at times override economic concerns. Thus, while regionalism in its previous forms was driven entirely by economic motivations, the “new regionalism” in Asia is being driven more by

² As noted by him “(F)TAs are like street gangs: you may not like them, but if they are in your neighbourhood, it is safer to be in one”.

³ It is to be noted that the term WTO-consistent is ambiguous and is meant to classify those RTAs/BTAs that include “substantially all trade”. However, since the process of examining WTO-consistency of RTAs by way of the Committee on Regional Trading Agreements has broken down in recent years, almost all RTAs ratified by the WTO are now deemed to be WTO-consistent (Stoler, 2003).

strategic than economic rationale. In this sense, bilateral regional and preferential trading agreements do appear to be increasingly regarded by Asian policy-makers as being effective and expeditious instruments for achieving trade liberalization among "like-minded" trading partners.

This phenomenon has brought a new dimension to global economic negotiations that are bound to have far-reaching consequences for global trade policy management (Banda and Whalley, 2005). This is so as the concerned agreements go well beyond merchandise trade liberalization and also encompass liberalization of services trade, besides venturing into several non-trade measures that are aimed at "deeper integration" among trading partners. These include complex regulations governing intra-trade (e.g. with respect to standards, safeguard provisions, customs administration, etc.) and often also a preferential regulatory framework for mutual services trade. Some of these BTAs/RTAs⁴ also go beyond traditional trade policy mechanisms, to include regional rules on investment, competition, government procurement, environment and labour, as well as other specific areas of economic cooperation. These agreements are therefore now being termed as comprehensive Economic Partnership Agreements (EPA). These agreements are quite diverse in terms of their coverage, length and depth of their content, and in many cases are still under negotiations, with the final form of the agreement yet to be revealed.

Although the literature on preferential trading and its welfare implications for developing countries has been well documented (Wonnacott and Lutz (1989), Bhagwati (1993), Baldwin (1993), Bhagwati and Panagariya (1996), Winters (1998)), the focus has been largely on the possibilities of trade creation or trade diversion that might result from entering into a bilateral trade deal. By and large, the literature has argued that since bilateral route to trade liberalization is a Pareto-inferior option, and can also lead to higher costs of compliance due to complex systems of Rules of Origin (RoOs), preferential trading is likely to lead to more trade diversion than creation and may not be welfare enhancing. It is important to note here, that almost all those studies that have used models of modern trade theory have focused on analysing the impact of a trade agreement that involves only reduction of tariff barriers, and preferential rules of origin as a means to enhance trade liberalization, largely restricted to goods. Applying similar modelling techniques to understand the phenomenon of these evolving EPAs and their welfare implications is challenging due to the complex nature and diverse coverage of these agreements than traditional Preferential Trade Agreements (PTAs). This is also acknowledged in one of the few recent studies on this phenomenon by Banda and Whalley (2005) in the ASEAN context who notes that:

that there is substance in these agreements beyond goods and services (especially given slow progress multilaterally in the WTO), and more attention should perhaps be given to them by the

⁴ The term RTA refers to an agreement involving a region such as ASEAN, while the term BTA is more suitable for bilateral agreements involving two countries, rather than a region, and usually refers to a bilateral free trade agreement. This paper uses both these terms interchangeably in the paper, depending upon the context.

research community. But at the same time, it is worth emphasizing that precise evaluation of their impacts on global trade using analytical techniques of modern trade theory seems to us very difficult to undertake.

Recent literature has also argued that BTAs/CEPAs may end up in being more of a building than a stumbling block to global free trade, provided that (a) they undertake complete liberalization in almost all goods and services that could be traded; (b) design rules of origin that are homogenous and proper dispute settlement procedures are in place; and (c) such BTAs are open for membership to new members on similar terms and conditions. It has also been argued that adopting a common framework of negotiating BTAs might lead to its better “multilateralization”. However, there have been very few studies that have attempted to undertake any comparative analysis of BTA strategies to analyse as to whether there is indeed a common framework that is emerging out of the network of BTAs being negotiated in Asia. One of the recent attempts in the ASEAN context is by Banda and Whalley (2005) who undertake a comparative study on some of the non-trade issues dealt with in these agreements. They observe that while these agreements do seem to contain ill-defined general commitments and precise undertaking that varies across different provisions and across countries which may be at best of symbolic value, their presence in the trading system is hard to ignore as they continue to proliferate both in complexity and form in more recent agreements. Thus, more research is needed on understanding the rationale behind these agreements, and their wider implications for the global trading system.

In the above context, this article attempts to undertake a comparative analysis of the ongoing bilateral and regional economic cooperation initiatives in Asia, specifically those involving ASEAN, China and India. The reasons for inclusion of these three economic entities are two-fold. First, China and India are the second and fourth largest economy of the world in terms of PPP GDP, and while these economies contributed to about 4.8 percent of world’s GDP in 1993, their combined share has more than doubled to about 11 percent in 2003 (Figure 1).

These two economies are also important developing country members of the WTO and have been generally adverse to bilateralism until recently. While they increasingly integrate with the global economy,⁵ bilateral initiatives taken by them are likely to have important repercussions in the region⁶ and beyond. Second, ASEAN as an economic grouping has been one of the prime triggers of this new regionalism in Asia, with two of its members, viz. Singapore and Thailand, vigorously pursuing bilateralism as a key element of their commercial trade policy strategy. The ten economies comprising the ASEAN grouping together contributed to about 3 percent of

⁵ This is reflected in the Indian context in its first National Foreign Trade Policy 2004–2009, which integrates foreign trade with its broader economic growth and employment generation strategies (Asher and Sen, 2005). It has aimed to double India’s share of global merchandise trade to 1.5–2% by 2009, and to substantially increase its current share in global trade in commercial services.

⁶ Srivastava and Rajan (2004) have argued in a recent study that popular perceptions that economic rise of China is more of a threat than an opportunity for ASEAN and India are flawed, and that bilateral initiatives could be a way of fostering deeper regional economic integration among them.

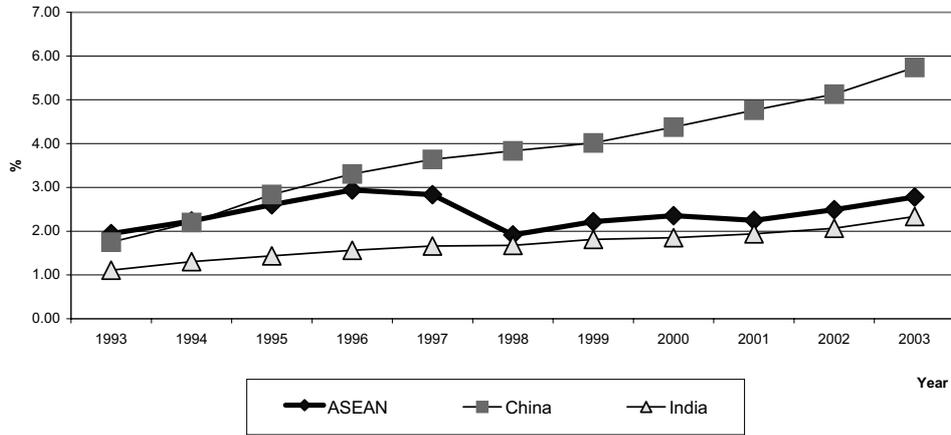


FIGURE 1: SHARES IN WORLD GDP—1993–2003

Source: Computed from World Bank (2005).

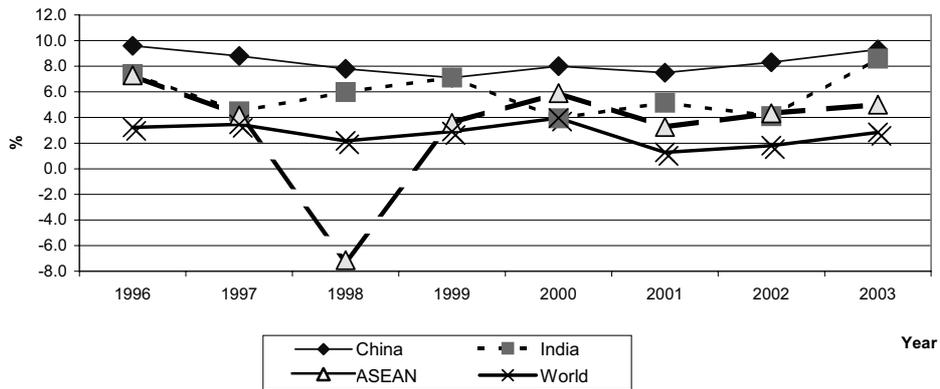


FIGURE 2: GDP GROWTH RATES—1996–2003

Sources: World Bank (2005) and ASEAN Secretariat (2005).

world GDP during the 1993–2003 period. Not only have these economies increased their shares in global GDP, they have also been among the fastest growing economies in the world in recent years, with the exception of ASEAN during the crisis period (Figure 2).

Further, while the economies of ASEAN and China have been primarily driven by labour intensive manufacturing, in case of India it has been the services sector that has emerged as a major engine of growth, contributing to about half of its GDP (Figure 3), with its Information Technology (IT) and IT Enabled Services-Business Processes Outsourcing (ITES-BPO) sectors having established a global presence, and exhibiting a continued potential for sustaining rapid growth (Srinivasan, 2005).

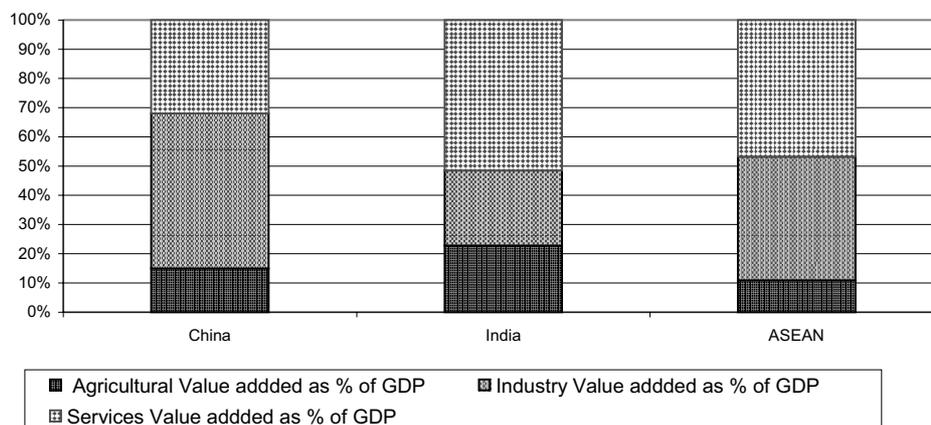


FIGURE 3: COMPOSITION OF GDP IN ASEAN, CHINA AND INDIA, 2003

Sources: World Bank (2005) and ASEAN Secretariat (2005).

While ASEAN and China have both relied extensively on their growth prospects and have been significantly outward oriented since the past two decades, India is gradually but undoubtedly integrating with the world economy, with a decade of economic reforms having increased its capability to sustain high growth (Srinivasan and Tendulkar, 2003). Further, while most of ASEAN and China's growth has been state-led, that of India has been largely led by the private sector (Khanna and Huang, 2003). Thus, it is important to note that the growth strategies and economic drivers have widely differed across these countries, which is also likely to impact on the way in which they deal with the ongoing wave of regionalism in Asia.

The article aims to document and analyse the similarities and differences among them with respect to their negotiating framework, coverage of issues, deadlines for completion and depth of commitments. It also reflects on the prospects of economic integration in Asia, being driven by these agreements. The wider implications of these initiatives for the global trade policy management are also explored.

The remainder of the article is organized as follows. Section 2 analyses the current state of new regionalism in these economies, its trade links with its existing/proposed BTA partners, and the concerns and perceived benefits from its continued proliferation. Section 3 undertakes a comparative analysis of the negotiating framework, coverage and depth of commitments of these initiatives, focusing not only on trade in goods, but also on trade in services, investment, regulatory measures and wider areas of economic cooperation while Section 4 concludes the article by analysing the way forward for Asia in the context of broader economic integration and its larger implications for global trade policy management.

II. CURRENT STATE OF NEW REGIONALISM IN ASEAN, CHINA AND INDIA

With new initiatives being announced frequently, it is almost impossible to determine an exact figure on the number of existing and proposed BTAs involving ASEAN (and its individual members), China and India. However, in a recent paper that documents this phenomenon, Angtkeiwicz and Whalley (2005a) estimate that within 2000–2005, about 31 such agreements have proliferated among these countries, with ASEAN as a regional grouping being involved in seven such agreements, and China and India being involved in about nine and 15 such agreements respectively. This number, however, does not include the individual bilateral initiatives being negotiated or proposed by the ten individual ASEAN member countries, and hence is a conservative estimate.

Table 1 provides details on the progress of all the RTAs and BTAs that have been proposed or are being negotiated by these countries. Five distinct patterns are observed. First, geographical proximity is no longer a necessity for choosing partner countries for such agreements, unlike the case of earlier RTAs viz. AFTA, NAFTA and EU. Indeed, most of the initiatives have involved partner countries from not only Asia, but also from other parts of the world, including North America, Latin America and the African countries. One of the unique initiatives is the plurilateral and cross regional Trans-Pacific Strategic Economic Partnership (SEP) agreement involving Singapore and Brunei from ASEAN as well as New Zealand and Chile. One of the major exceptions in this trend is perhaps the fact that the EU has not yet entered into any such bilateral pacts with any of the ASEAN countries or with China and India.⁷ However, notwithstanding these trends, there seems to be clear strategy of these countries towards strengthening its economic linkages with its immediate neighbours in Asia, besides those situated in different parts of the world.

Second, most of these new initiatives are designated to be Economic Partnership Agreements (EPAs), the aim of which is to comprehensively liberalize and facilitate trade in goods, services, and investments and strengthen bilateral economic cooperation. As such most of these agreements have a comprehensive negotiating agenda and have also included negotiations on more complex issues, viz. government procurement, competition policy, and trade facilitation on which there is not yet any consensus at the multilateral within the auspices of the WTO. However, there are exceptions, e.g. in India's case, many of the negotiations are currently geared towards establishing a PTA only in goods, with a view towards expanding this into a

⁷ The EU has, however, entered into a regional framework agreement with ASEAN known as "Trans-Regional EU-ASEAN Trade Initiative" or TREATI in order to address trade facilitation, investment, and regulatory issues between ASEAN and EU. The agreement is based on the existing Cooperation Agreement between the Member Countries of ASEAN and the European Community signed in 1980. This is believed to be a building block towards developing a closer ASEAN-EU Economic Partnership, and could eventually lead towards a potential ASEAN-EU FTA in the near future. Recent news reports have also indicated that Malaysia is currently undertaking a feasibility study on entering into a bilateral RTA with EU (http://www.bilaterals.org/article.php?id_article=1960).

TABLE 1: RECENTLY ESTABLISHED OR PROPOSED BTAS/EPAS IN ASEAN, CHINA AND INDIA, 2000–2005

Country/ grouping	Partners	Nature of agreement	Status of agreement, 2005	Country/ grouping	Partners	Nature of agreement	Status of agreement, 2005
ASEAN	China	EPA	EHP in force	Malaysia	Japan	EPA	Under negotiation
	India	EPA	EHP in force		USA	TIFA	Signed
	Japan	EPA	Framework agreement signed		Australia	EPA	Under negotiation
	Korea	EPA	Joint declaration signed		NZ	EPA	Under negotiation
	USA (TIFA)	TIFA	Under negotiation		EU	BTA	Under study
	CER	EPA	Under study		Korea	EPA	Proposed
	EU	TREATI	Proposed		India	EPA	Under negotiation
China	ASEAN	EPA	EHP in force	Philippines	Japan	EPA	Agreement signed
	Thailand	PTA	Agreement signed		USA		Under study
	Australia	EPA	Under negotiation		EPA		
	India	BIPA	Under study				
	Hong Kong	EPA	Agreement signed				
	Macau	EPA	Agreement signed				
	New Zealand	EPA	Under negotiation				
	Chile	EPA	Under negotiation				
	SACU	FTA	Proposed				
India	ASEAN	EPA	Framework agreement signed	Singapore	Australia	EPA	Agreement in force
	China	BIPA	Proposed		Canada	EPA	Under negotiation
	Korea	BTA	Agreement signed		Egypt	EPA	Proposed
	Singapore	EPA	Agreement signed		EFTA	EPA	Agreement in force
	Sri Lanka	EPA	FTA in force		EU	EPA	Proposed (rejected by EU)
	Thailand	PTA	Framework agreement signed		India	EPA	Agreement signed
	BIMSTEC	BTA	Framework agreement signed		Japan	EPA	Agreement in force
	SACU	BTA	Framework agreement signed	Jordan	EPA	Agreement in force	
	COMESA	BTA	Framework agreement signed	Korea	EPA	Agreement signed	
	MERCOSUR	BTA	Framework agreement signed	Mexico	EPA	Under negotiations	
	Mauritius	EPA	Under negotiation	New Zealand	EPA	Agreement in force	
	Japan	EPA	Proposed	Sri Lanka	EPA	Under negotiations	

	Malaysia	EPA	Under study		USA	EPA	Agreement in force
	Brazil/South Africa	BTA	Proposed		Qatar	EPA	Agreement signed
	GCC	EPA	Framework agreement signed		Peru	EPA	Under negotiations
	Chile	PTA	Under negotiation		Panama	EPA	Under negotiations
	Egypt	PTA	Under negotiation		Kuwait	EPA	Under negotiations
					Bahrain	EPA	Proposed
					Brunei Chile/ NZ	EPA	Agreement signed
Vietnam	USA	BTA	Agreement signed	Thailand	Australia	BTA	Agreement signed
	Japan	BTA	Under negotiation		Bahrain	BTA	Agreement signed
	Sri Lanka	BTA	Agreement signed		China	PTA	Agreement signed
	Korea	BTA	Proposed		India	EPA	PTA in force
Brunei	Singapore/NZ/ Chile	EPA	Negotiations completed		Japan	EPA	Under negotiation
					Korea	EPA	Under study
					New Zealand	BTA	Agreement signed
					Peru	PTA	Agreement signed
					South Africa	PTA	Under study
					USA	EPA	Under negotiation
					BIMSTEC	BTA	Framework agreement signed
					EFTA	BTA	Under negotiation

Source: Compiled by author from various government and news sources.

Notes: Nature of agreement is dependent on the stated objectives of these agreements while being proposed. EPA: Economic Partnership Agreement; BTA: Bilateral Free Trade Agreement (aims for complete liberalization of trade in goods and in some cases, services); PTA: Preferential Trade Agreement (aims for preferential tariff reduction only for a few goods traded); TIFA: Trade and Investment Facilitation Agreement (as a precursor to a possible PTA/FTA in future); BIPA: Bilateral Investment Promotion Agreement (precursor to a possible PTA/FTA).

Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC) members: Bangladesh, India, Myanmar, Sri Lanka, Thailand, Nepal and Bhutan.

South American Common Market (MERCOSUR) members: Brazil, Argentina, Uruguay, Paraguay.

European Free Trade Association (EFTA) members: Switzerland, Liechtenstein, Norway, Iceland.

South African Customs Union (SACU) members: South Africa, Botswana, Lesotho, Namibia and Swaziland.

Common Market of Eastern and Southern Africa (COMESA) members: Angola, Burundi, Comoros, Congo DR, Djibouti, Egypt, Eritrea, Ethiopia, Kenya, Madagascar, Malawi, Mauritius, Namibia, Rwanda, Seychelles, Sudan, Swaziland, Uganda, Zambia, and Zimbabwe.

Gulf Cooperation Council (GCC) members: Saudi Arabia, Kuwait, Bahrain, Qatar, the United Arab Emirates, and the Sultanate of Oman.

comprehensive agreement at a later stage. Notably, its Comprehensive Economic Cooperation Agreement (CECA) with Singapore is the first comprehensive economic agreement that it has signed and one of its existing PTA involving Sri Lanka is being negotiated to be developed into an EPA covering deeper trade liberalization than tariff reduction in goods.

Third, it is interesting to observe that there is a great deal of overlapping among the RTA partners of ASEAN and the individual member countries. Thus, while Singapore has already implemented its agreements with New Zealand, Australia, and Japan, and is on its way to sign its BTA with Korea and India, it is also a negotiating member in ASEAN's overall RTA initiatives with these countries. Similarly, India is also negotiating an agreement with Singapore and Thailand, which are also involved as part of the ASEAN-India BTA negotiations.

Fourth, the status of most of these initiatives indicates that many of these are undergoing negotiations, and/or are being studied for its feasibility. Thus, the likely content of preferential treatment in many of these agreements and their possible impacts on regional and global trading patterns are yet unknown.

Finally, while ASEAN, China and India are negotiating among themselves for individual bilateral Economic Partnership Agreements (EPAs), all of them are also negotiating or have proposed similar agreements with Japan and Korea, two of the developed country members in Asia. Overall, there is an emerging pattern towards greater economic integration in Asia involving these countries, although many of these initiatives are yet under the stage of being studied for possible negotiations.

How much do these BTA partners contribute in total merchandise trade of ASEAN countries, and China and India? Table 2 provides this information for the latest available year, i.e. 2003. Three trends are observed. First, concerning trade links between ASEAN, China and India, it is observed that China contributed to about 7.8 percent of ASEAN's total trade, while India contributed only 1.5 percent. However, for both China and India, ASEAN was an important trading partner, contributing to about 8–9 percent of total trade in that year. In contrast, India's share in China's trade was less than 1 percent, compared to a 5 percent share of China in India's total merchandise trade. Further, all of them involve Japan and Korea as prospective BTA partners, and for most of them, their shares in total trade are expanding.

Second, the United States, and the EU are among the most important trading partners for ASEAN members, as well as for China and India, and BTAs with these countries is likely to be driven by a strong economic rationale to strengthen the trade links. However, as noted in Table 1, there are no negotiations that are ongoing among these countries that currently involve the EU, and the United States has to date only enforced a completed BTA with Singapore among the ASEAN members, and is currently in negotiations with Thailand.

Third, there are many BTA partners of individual ASEAN members, viz. Singapore, Malaysia, as well as China and India, wherein their share of merchandise trade with the above are negligible, indicating that gains from merchandise trade

TABLE 2 TRADE AMONG RECENTLY ESTABLISHED OR PROPOSED BTAS/CEPAS PARTNERS INVOLVING ASEAN, CHINA AND INDIA, 2003

Country/ grouping	Partners	Share in total trade, 2003 (%)	Country/ grouping	Partners	Share in total trade, 2003 (%)
ASEAN-6	China	7.4	Malaysia	Japan	13.6
	India	1.5		USA	17.8
	Japan	14.4		Australia	2.1
	Korea	4.2		New Zealand	0.4
	USA	15.0		EU	12.0
	CER	2.8		Korea	4.1
	EU	12.4	India	1.7	
China	ASEAN	8.5	Philippines	Pakistan	0.4
	Thailand	1.5		Japan	18.3
	Australia	1.6		USA	19.7
	India	0.9			
	Hong Kong	10.3			
	Macau	0.2			
	New Zealand	0.2			
	Chile	0.4			
	SACU	0.5			
India	ASEAN	8.7	Singapore	Australia	2.5
	China	5.0		Canada	0.4
	Korea	2.5		Egypt	0.1
	Singapore	3.0		EFTA [#]	1.1
	Sri Lanka	1.1		EU	12.9
	Thailand	1.0		India	1.7
	BIMSTEC	4.5		Japan	9.2
	SACU	1.7		Jordan	0.01
	COMESA	1.2		Korea	4.0
	MERCOSUR	0.9		Mexico	0.4
	Mauritius	0.1		New Zealand	0.3
	Japan	3.1		Sri Lanka	0.2
	Malaysia	2.1		USA	14.2
	South Africa	1.7		Qatar	0.5
	GCC	7.2		Peru	0.01
	Chile	0.2		Panama	0.4
Egypt	0.3	Kuwait	0.8		
		Bahrain	0.03		
		Brunei	0.2		
		Chile	0.03		
Vietnam*	USA	8.0	Thailand	Australia	2.4
	Japan	13.6		Bahrain	0.09
	Sri Lanka	0.04		China	7.5
	Korea	7.5		India	1.0
Brunei	Singapore	8.1	Japan	19.0	
	New Zealand	1.8	Korea	2.9	
	Chile [^]	0.0018	New Zealand	0.3	
			Peru	0.04	
			South Africa	0.4	
			USA	13.3	
			BIMSTEC	2.2	
			EFTA		

Table 2: *cont.*

Source: Computed from UN-Comtrade database.

Notes: * 2002 figures; ^ imports shares only; # EFTA share excludes Liechtenstein.

Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC) members: Bangladesh, India, Myanmar, Sri Lanka, Thailand, Nepal and Bhutan.

South American Common Market (MERCOSUR) members: Brazil, Argentina, Uruguay, Paraguay.

European Free Trade Association (EFTA) members: Switzerland, Liechtenstein, Norway, Iceland.

South African Customs Union (SACU) members: South Africa, Botswana, Lesotho, Namibia and Swaziland.

Common Market of Eastern and Southern Africa (COMESA) members: Angola, Burundi, Comoros, Congo DR, Djibouti, Egypt, Eritrea, Ethiopia, Kenya, Madagascar, Malawi, Mauritius, Namibia, Rwanda, Seychelles, Sudan, Swaziland, Uganda, Zambia, and Zimbabwe.

Gulf Cooperation Council (GCC) members: Saudi Arabia, Kuwait, Bahrain, Qatar, the United Arab Emirates, and the Sultanate of Oman.

through a BTA with these countries are likely to be minimal. A very interesting case in point is the newly formed Trans-Pacific Strategic Economic Partnership Agreement involving Brunei, Singapore, New Zealand and Chile, wherein the total share of Brunei, NZ and Chile in Singapore's total merchandise trade is only 0.6 percent.⁸ Presumably, the rationale behind entering into such BTAs is to explore gains from economic cooperation in other areas, viz. services, investments and broader economic cooperation initiatives that cannot be suitably quantified.

Overall, the above trend does indicate that if the proposed and currently negotiated RTAs and BTAs do come into force, nearly a half or more of ASEAN and India's merchandise trade is going to be covered by the "new regionalism", while about a quarter or more of China's merchandise trade would be under its purview.

Since likely effects of this phenomenon on global trade liberalization and economic growth is *ex ante* inherently ambiguous, there has not been any detailed studies on the same. Nevertheless, their proliferation has raised the age-old debate of whether bilateralism could be a "building or a stumbling block" towards global free trade. Thus, there is a need to revisit this debate on the possible concerns and perceived benefits from the "new regionalism" in Asia.

A. CONCERNS FROM NEW REGIONALISM

Three major concerns have been raised in the light of the new regionalism in Asia. First, at the outset, the biggest concern is that bilateralism is by definition discriminatory against non-members, and their proliferation is creating a complex hubs and spokes network of overlapping BTAs within Asia, with a potential for trade diversion away from the spokes towards the emerging hub of these BTAs. This is likely to be triggered by the application of a variety of Rules of Origin (RoOs) with respect to

⁸ There are numerous other examples in Table 2.

preferential trade liberalization in goods in these RTAs that are complex, and at times costly for businesses to implement, thus negating the very purpose of a BTA to reduce business costs. This, of course has been well documented in the "spaghetti-bowl" argument in Bhagwati (1995) and also in Krueger (1997). The implications are particularly of concern while considering trade involving product fragmentation, which has become an important feature of global merchandise trade, particularly in ASEAN, China and in other East Asian economies (Athukorala, 2003).

Second, the proliferation of new regionalism is likely to lead to inefficient utilization of scarce negotiating resources that could be otherwise devoted towards multilateral negotiations in the WTO. For those developing countries wherein negotiators lack technocratic and institutional capacity to negotiate bilateral BTAs, this could be potentially dangerous as it could end up making too many compromises in a BTA that has adverse welfare implications for the economy in the long run.

Third, the overlapping of member countries across different BTAs is going to pose a concern as to their applicability and consistency in the negotiating framework. In the ASEAN context, since individual members have already enforced some of their own bilateral deals with major trading partners, the important issue that remains to be resolved is to how these countries are to treat the ASEAN-wide agreements with those trading partners, once they are enforced. It is yet not clear whether ASEAN agreements would subsume these bilateral deals, or whether individual member agreements would concomitantly remain enforced.

B. PERCEIVED BENEFITS FROM NEW REGIONALISM

Notwithstanding the above concerns, there is a general belief among many Asian policy-makers that there are indeed several perceived benefits from entering into the "new regionalism", apart from the usual reasons of greater market access, and lowering business costs by reducing tariff barriers. First, it is believed that such economic partnership agreements, that involve deeper liberalization beyond tariff reduction in goods, can provide as a catalyst for enhancing the pace of multilateral trade liberalization. This is particularly so since BTAs between like-minded trading partners create a domino effect on other non-members to try and liberalize faster, in order to avoid being discriminated against by the BTA members. As observed by Sen (2004)

Those FTAs, wherein members agree to move beyond their WTO commitments, could provide a demonstration effect that motivates future rounds of broader multilateral negotiations under the auspices of the WTO. Such FTAs could act as a "testing ground or pilot project for exploring complex trade issues" and establish some sort of precedent or benchmark for trade negotiations involving a larger number of countries, including one at the multilateral level.

Second, since most BTAs involve selective and progressive liberalization, it can facilitate governments to initiate domestic economic reforms, which would otherwise be difficult to undertake at the multilateral level. This is particularly in the area of

services sector and investment liberalization. These policy reforms, which are locked-in through legal provisions of the BTA, in turn can have a positive impact on their global competitiveness.

Finally, since trade has a direct link with security issues, majority of the recent BTAs, which are in the form of broader economic partnership agreements, facilitates members to enhance their economic as well as strategic links, since both members become important stakeholders in liberalizing and facilitating trade, investment and economic cooperation, and are hence committed to maintaining peace and stability among them. This strategic benefit from entering into such agreements is an important motive for those countries that need to address regional security concerns, viz. those in ASEAN. Thus, in the Singapore context, Liang (2005) notes:

Beyond advancing its economic interests, Singapore believes that these intra and inter regional FTAs help to build a web of strategic linkages for Singapore within the region and with countries outside the region. They serve the broader strategic interest of anchoring the presence of its major trading partners in Southeast Asia, and ensuring that they remain stakeholders in Singapore and the region. The FTAs also help to sustain an open regional orientation that prevents the formation of inward-looking trading blocs. This web of interlocking economic and strategic interests helps contribute to regional stability, security and prosperity.

The above indicates that in the context of the new regionalism in Asia, economic rationale is no longer the only driver towards entering into regional and bilateral trading and economic partnership agreements. Indeed, this might also partially explain as to why many Middle Eastern countries are being sought as a BTA partner with ASEAN members viz. Singapore and Thailand, whose trade links with them are at best minimal.

It is thus evident that while there are valid concerns against proliferation of such discriminatory bilateral trade and economic cooperation agreements, the perceived benefits from greater liberalization and stronger strategic links may override these concerns, so that such agreements end up being more of a building than a stumbling block towards global free trade. However, the overall net economic impact is likely to depend on the architecture of these agreements and the choice of their major internal parameters (the depth of trade liberalization commitments and sectoral coverage) that constitute the negotiating framework. There are no fixed guidelines as to what constitutes a WTO-consistent, welfare enhancing agreement. Hence, there is a need to undertake a comparative analysis of these parameters and analyse the similarities and differences among these agreements with respect to their negotiating framework, coverage of issues, deadlines for completion and depth of commitments, in order to ascertain (a) whether there is any common framework of negotiations that is emerging from the group of countries/regions; (b) whether these RTAs/BTAs can indeed be more of a building block for global free trade.

III. NEW REGIONALISM IN ASEAN, CHINA AND INDIA: A COMPARATIVE ANALYSIS⁹

As observed in Table 1, there are several agreements involving ASEAN, China and India that have been recently proposed, are under study or are being currently negotiated. Since information on those agreements is not detailed, and mainly constitute a proposal or declaration for negotiations, this section undertakes a comparative analysis for only those RTAs/BTAs involving these countries wherein either the agreement is signed or is in force, or a Framework Agreement for negotiations has been agreed upon. Since many of these agreements are in the EPA mould (i.e., involving broader economic cooperation and non-trade issues, as well as trade in services and investments), the analysis focuses on specific areas of BTA negotiations, viz., trade in goods, trade facilitation, trade in services, investment liberalization, government procurement, intellectual property rights, competition policy, labour and environment standards, mutual recognition and movement of natural persons, broader areas of economic cooperation and dispute settlement mechanism respectively. The content of the commitments, their depth and coverage of sectors, and timelines for their negotiations and implementation are analysed and a comparative perspective on the strategies adopted by them is provided. Further, it also notes some of the important commitments in these RTAs/BTAs that go beyond those committed multilaterally in the WTO. The analysis in this section largely draws from the different Framework Agreements of proposed RTAs/BTAs and legal texts of agreements that have been already negotiated and enforced by the member countries.

A. AREAS OF BTA NEGOTIATIONS

1. *Trade in Goods*

Agreement on liberalization goods trade through reduction of tariff barriers is the basic pillar of any BTA. However, the extent to which such liberalization is successful and mutually beneficial for negotiating parties (i.e. whether it is trade creating or trade diverting) depends on a variety of provisions in the agreement on Trade in Goods. These include the coverage of products for tariff reductions and the scope and timelines for the same (including exclusions by way of having a sensitive products list), safeguard measures and other trade remedies (including anti-dumping and countervailing duties) applied in the event of any adverse impact on an importing country that is a BTA partner, as well as the rules of origin that apply to these products for being accorded preferential treatment. While minimum exclusions and fixed timelines are preferable for any BTA intent to be trade creating and WTO-consistent, it is also essential to apply simple across-the-board rules of origin to avoid the “spaghetti-bowl” problem as

⁹ The analysis in this section largely draws from the different Framework Agreements of proposed BTAs and texts of BTAs already negotiated.

analysed in the previous section. Such rules should preferably be based on a fixed percentage of local/regional value-added content of the final product being exported, rather than complex product-specific RoOs that are based on changes in tariff classification and are difficult to comply with. Although trade remedies are preferred since they protect domestic businesses from unfair imports from a BTA, it can also end up being an important barrier to liberalizing trade, if it's applied too frequently, and in a more restrictive manner. In this context, the various provisions of trade in goods across BTAs involving ASEAN, China and India are compared in Appendix 1.

(a) *Tariff reduction and coverage of goods*

It is observed that while Singapore's enforced BTAs involving the United States, Australia and New Zealand have avoided exclusion of any products from its tariff reduction schedule, most other BTAs have involved exclusion of certain products from tariff reduction as they are deemed sensitive by the BTA partners. In most cases, exclusions have occurred from the BTA partners of Singapore (Japan, EFTA, Korea, Jordan), even though Singapore has agreed for tariff removal on all its products.

Apart from Singapore, other ASEAN members have included a sensitive list for negotiations for some products to be excluded from tariff reductions in most of their BTAs. In fact, Singapore is the only country that has agreed to immediate tariff reductions under most of its BTAs. This is to be expected as Singapore, being a city-state economy, operates under a zero tariff regime while most of the other ASEAN members are middle and low income developing countries wherein tariff barriers on several products remain high, and require phased reduction over a period of time to let the domestic industry adjust to a more competitive trade policy regime.

The exclusions are particularly observed in case of agricultural products, which are also politically sensitive to opt for tariff reduction by most ASEAN members except for Singapore, which does not have a significant domestic agricultural sector. This sector is of vital interest for the Indian economy, since a quarter of its GDP is still being contributed by this sector and employs nearly 300 million persons (contributing about 60 percent of the total workforce). Thus, in terms of coverage most of the existing BTAs involving China, India and ASEAN (with the exception of Singapore) do exclude a few products from preferential treatment under the agreement on Trade in Goods. However, since they do not constitute a significant proportion of total trade, these agreements may still be interpreted to be covering "substantially all trade" and thus deemed as being WTO-consistent.

Notwithstanding this, most of ASEAN's BTAs (involving China and India) and also China and India's currently negotiated BTAs have signalled their commitments for tariff reduction by initiating the BTA with an Early Harvest Programme, wherein certain goods have been earmarked for immediate tariff reduction upon the signing of the Framework Agreement of the BTA. The number of goods included in this programme have however varied across different negotiating parties, even within

ASEAN members. Further, taking into account the wide differences in levels of development among ASEAN, most of its BTA partners have agreed to provide Special and differential treatment for the four new members, viz. Cambodia, Laos, Myanmar and Vietnam, and have provided them an extended deadline for complying with the tariff reductions under the respective schedules in the agreements.

It is important to note that although tariff barriers may have been partially reduced, the presence of non-tariff barriers in the form of regulatory measures, licensing requirements and administrative procedures, does also need to be progressively reduced to ensure that the BTA succeeds in providing greater market access. Most of the existing BTAs have taken this into account and have stated in most of their agreements that parties can only impose non-tariff measures that are permitted under the WTO, and are further obliged to ensure that such non-tariff measures are transparent and do not distort trade.

(b) *Rules of Origin (RoOs)*

It is also observed from Appendix 1 that in most of these BTAs, a combination of criteria to determine RoOs is being applied for products that are not deemed to be wholly obtained within the member countries. The change in tariff classification (CTC) is a common basis in many BTAs to determine product specific RoOs. Besides this, a general regional value content (RVC) has also been applied or has been contemplated in most of these BTAs, with the threshold percentage of RVC to determine preferential treatment varying widely across these BTAs. Notably, among enforced BTAs of Singapore, while those involving Australia and New Zealand involve use of a general content rule on the basis of percentage of RVC, the other ones involving the United States, Japan, EFTA countries Jordan, and India, apply a mix of product-specific as well as local content rules to determine preferential treatment for a product exported from Singapore. In case of Singapore BTAs, additional special criteria for determining RoOs have also been included. These include the Outward Processing (OP) criteria, wherein those industries in Singapore that outsource lower value added manufacturing activities to the immediate neighbours can get the recognition for those products as being of Singapore origin. The US–Singapore FTA in particular, has imposed additional criteria, viz. yarn forwarding rule for textiles, integrated sourcing initiative for IT products and medical equipments, as well as a special origin criteria exclusively for recovered and remanufactured goods, as part of its RoO requirements to qualify for preferential treatment. Thailand’s concluded BTAs with Australia and New Zealand indicate that a combination of both RVC rule and the CTC criteria comprising product specific rules, are being applied, with other special criteria being also applied for certain products.

What emerges from the above is a complex web of RoOs spanning across different RTAs in these economies, which is likely to affect production strategies if businesses are to utilize them for exporting to most of these countries. As an example in the

ASEAN case, since RoOs differ across the US–Singapore and the Singapore–Australia FTA, any exporter who is exporting from Singapore to both the United States and Australia, would need to make adjustments in its production patterns, or possibly devise two separate strategies, for complying with the RoOs of each country. If the exporter is also exporting to other FTA partners, it may need to make further adjustments to comply with RoOs for exporting to each of them. As observed by Wong (2004):

Companies must balance the FTA benefits with the costs of adjustment and compliance ... there are other administrative and documentary requirements for exporting under FTAs ... they have to keep separate records for non-identical goods and separate records for each FTA, especially if the FTA RoO or documentary requirements are different ... in addition, the record keeping period may vary from FTA to FTA. Ultimately businesses must do their sums and decide for themselves if FTAs benefit them.

Thus, as in case of ASEAN, businesses in China and India would need to undergo similar adjustments in order to comply with the range of RoOs that are likely to be negotiated in their forthcoming and currently negotiated RTAs. In this context it is noted that new RoOs for the ASEAN–India FTA are expected to be formulated soon, and there is already a divergence of opinion as to whether a single criterion (e.g. value-added content rule) or a twin-criterion (also including product-specific rules on a CTC basis) should be used for the FTA negotiations (Financial Express, 11 June 2005). The recently signed India–Singapore CECA Agreement has already used the latter criteria as part of its RoOs (Appendix 1). In contrast, the ASEAN–China FTA has agreed on a RVC based general content rule, which is also similar to that of AFTA agreement.

The above indicates the emergence of a “spaghetti-bowl” situation across different RTAs that are likely to increase compliance costs for adhering to these RoOs.¹⁰ In such a situation, it is likely that many businesses might find it cheaper to rather pay the MFN tariff and export the product rather than adjust their production patterns to comply with the web of complex RoOs, to gain from preferential tariff treatment, thus not leading to substantial “trade creation” through these RTAs.

(c) *Safeguard measures*

Safeguard measures constitute one of the trade remedies that are generally applied in an RTA to protect domestic industries in member countries from any adverse effects of competition as a result of an import surge into an FTA partner due to mutually agreed tariff reduction. Under the WTO Safeguards Agreement, certain conditions need to be fulfilled in order to warrant the use of safeguard measures,¹¹ which, unlike anti-dumping or countervailing duties, apply to all imports. These measures may take the form of additional import duties, import quotas or government aid to the affected industry. There is a specific time period for which application of such measures is allowed.

¹⁰ For details on the diversity of RoOs and their impact on BTAs, see Esteveordal and Suominen (2003).

¹¹ These include ascertaining by the importing country that there has been a sufficiently high increase in imports that has caused or has threatened serious injury to the domestic industry of the importing country.

While almost all of the currently negotiated RTAs in Asia do adhere to global safeguard measures under the WTO Safeguards Agreement (except for the Singapore–Australia Free Trade Agreement (SAFTA) and the Agreement between New Zealand and Singapore for a Closer Economic Partnership (ANZSCEP)), most of them have also included the possibility of applying bilateral safeguard measures as part of the FTA. These measures only apply to imports originating from FTA partners. As observed, there is a degree of dissimilarity among different RTAs with respect to the period for which such safeguard measures can be applied, which typically ranges from three to five years.

(d) *Anti-dumping (AD) and countervailing (CV) measures*

These constitute another set of trade remedies that are applied if either of the conditions are met i) the import surge hurting domestic businesses is due to dumping, i.e., export price of the goods imported by the country are considered to be unfair and much lower compared to that in the exporting country and also when sold to another trading partner from the exporting country, in which case AD measures are called for and ii) the import surge hurting domestic businesses is due to unfair subsidy provided to exporters from the exporting country, in which case CV measures are called for.

In the cases of most of the newly enforced RTAs in Asia, maintenance of the status quo by adhering to the WTO principles on trade remedies has been called for, with new bilateral measures being rarely included in the agreement that makes it more difficult to impose AD and CV measures. The ANZSCEP agreement between Singapore and New Zealand is one of the few agreements that do attempt to do so. While most of these agreements have not yet involved India and China in formal negotiations,¹² the implications of including such measures would be more far reaching when such negotiations do take place, since they are one of the world's largest users of AD measures, and have not included such provisions yet in any of their bilateral RTAs.

(e) *Timelines for negotiations and entry into force*

With the exception of Singapore's enforced BTAs that have been already ratified by the WTO, most BTAs have indicated a specific time period in which the agreement is expected to be negotiated and implemented. However, the timelines vary significantly across these BTAs, with most of the framework agreements envisaging a ten-year period or more for full enforcement of these BTAs. Realistically, if the above timelines are followed, by 2020, most of the tariffs under these agreements would be eliminated. In the ASEAN context, because most of their members are also members in

¹² The only completed agreement involving ASEAN and India to date is the Singapore–India CECA, which was signed on 29 June 2005. This agreement merely adheres to maintain the WTO status quo with respect to imposition of such measures.

the APEC grouping, this timeline could be interpreted as an effort by them to support the wider liberalization process in APEC and in particular the efforts of all APEC economies to meet the Bogor Goals of free and open trade and investment by 2010 for developed country members and 2020 for the developing ones. This has been explicitly stated as being one of the objectives for pursuing such RTAs in many of their agreements, viz. those involving Australia and New Zealand.

However, given that negotiations are ongoing and the impact is yet to be felt by these economies, it is not clear as to whether such an outcome would indeed take place.

2. *Trade Facilitation*

Complex and non-uniform customs procedures across borders are seen as a significant hindrance to the movement of goods across borders. However, since this involves interaction of customs authorities of different countries and exchange of information among them, it is easier to pursue this at a bilateral level than at the multilateral level. Thus, besides liberalization of trade in goods, facilitating trade flows through closer customs cooperation and mutual recognition of standards and conformity assessment has been a stated objective in most of the completed and framework agreements of RTAs involving ASEAN, China and India.

In the context of the enforced BTAs, mainly involving Singapore and also the Thailand–Australia FTA (TAFTA), it is observed that all the RTA partners have agreed to improve the speed and efficiency of customs clearance of goods on a mutual basis by streamlining and simplifying existing procedures and through the use of informational technologies. It has thus been decided by them to work towards introducing “paperless trading” for faster customs clearance, thereby facilitating the flow of bilateral merchandise trade. They have also agreed to introduce measures to verify that the RoOs are complied upon by importers utilizing this agreement for preferential tariff treatment.

Further, some agreements viz. TAFTA, ANZSCEP and the US–Singapore FTA (USSFTA) have emphasized risk management on high-risk goods and travellers. The SAFTA and the USSFTA in particular have also focused on exchange of information between the RTA partners to prevent any infringement of customs laws by either party. It is noted that the USSFTA has in addition specific provisions related to textiles and apparel that are more aggressive and pertains to monitoring of textile trade, and reporting of information, as well as on-site visits by US jump teams and provisions to examine textile and apparel goods transshipped through Singapore. As noted by Kerr (2004), these extra requirements on Singapore in the context of the USSFTA are “heavy handed”, and is indeed costly to implement.

As a means of facilitating trade, a Mutual Recognition Agreement (MRA) on conformity assessment for electrical and electronic equipment has also been signed under many of Singapore’s RTAs, which ensures that electrical and electronic equipment tested in the RTA partner or Singapore will no longer require a second round of testing when exported to the other country. These RTAs have also included

work programmes on the mutual or unilateral recognition of standards, regulations and test results, and the harmonization of standards, in sectors viz. telecommunications equipment, pharmaceuticals and chemicals. The RTA partner countries in many cases have also agreed to take steps to ensure the mutual recognition of test results and certification by accredited conformity assessment bodies in either country.

3. *Trade in Services*

Liberalization of trade in services is much more complex than that of merchandise trade. This is due to the fact that many of the barriers in services trade stem from beyond the border measures, often embedded in domestic regulations. Since 1994, with the conclusion of WTO Agreement on GATS and services, most of the members have been pursuing multilateral liberalization of services trade. However, with trade in services outpacing trade in goods in Asian economies, liberalization of services has gained greater momentum at the regional and bilateral level, with recent bilateral and regional RTAs including this as a key negotiation area along with trade in goods.

Under an RTA, the extent to which liberalization of trade in services can be mutually beneficial to members depends not only on the depth, coverage and scope for liberalizing services, providing market access, but also on the extent to which a level playing field is provided for foreign service providers to supply services to its RTA partner in terms of national treatment and domestic regulation. In many of the recent agreements or in their frameworks involving ASEAN, China and India, progressive liberalization of trade in services on a preferential basis with substantial sectoral coverage, with negotiations directed towards (a) progressive elimination of substantially all discrimination between the RTA partners and/or prohibition of new or more discriminatory measures, except for measures permitted under Article V(1)(b) of the WTO General Agreement on Trade in Services (GATS); (b) expansion in the depth and scope of liberalization of trade in services beyond the GATS; and (c) enhanced cooperation in services to improve efficiency and competitiveness, as well as to diversify the supply and distribution of services of the RTA partners, has been explicitly stated as one of the objectives to be pursued in the RTA/EPA.

However, negotiations on these aspects have not been taken up yet in ASEAN-wide BTAs; while most of Singapore's enforced BTAs have already agreed to WTO-plus commitments on trade in services in many areas. China's completed EPAs with Hong Kong and Macau also contain such commitments, while in India's case the Singapore-India CECA is likely to be the first EPA of India to be explicitly including bilateral commitments on liberalizing trade in services. The comparative analysis of RTA commitments in services thus focuses mainly on Singapore's enforced RTAs with the United States, Australia, New Zealand, Japan, EFTA, Jordan and India and the Trans-Pacific SEP and the Thailand-Australia FTA and Thailand-New Zealand FTA (TNZFTA) in the ASEAN case, and on the China-Hong Kong and Macau CEP agreements. These are listed in Appendix 2.

In all of these agreements (except for the Thai–New Zealand BTA), the committed sectors for liberalization of services trade are subjected to market access, national treatment and domestic regulation disciplines. This implies that a RTA partner cannot impose additional market access restrictions for these sectors, and must also accord similar treatment to both local and foreign service suppliers, besides impose measures in a manner that is reasonable, objective and impartial for both trading partners. In addition, there are also provisions against companies that engage in anti-competitive practices, in almost all of the Singapore RTAs.

It is observed that there are differences across RTAs with respect to coverage of service sectors for liberalization, with the US–Singapore FTA (USSFTA) and the Singapore–Australia FTA (SAFTA) following a negative list approach to services trade liberalization that commits all sectors to liberalization unless specifically exempted, while most of the other RTAs have followed a positive list approach as in case of the WTO GATS Agreement. The former approach, although not adopted by most countries, provides greater certainty for foreign service suppliers with regards to market access and operations in the RTA partner's domestic market, due to its greater transparency and predictability. It is also observed that some of the RTAs have attempted to expand coverage of their services sectors for liberalization bilaterally than those committed under the GATS, e.g. the Japan–Singapore Economic Partnership Agreement (JSEPA).¹³ In many cases, partner countries have tried to liberalize their existing GATS commitments in specific service sectors. As an example, in case of the Thailand–Australia FTA, Thailand has increased the percentage of foreign equity participation for Australian service providers from 49.9 percent (under GATS) to up to 60 percent for maritime cargo, hotels and restaurants, education services,¹⁴ and up to 100 percent for distribution, construction, and management consulting services.

In addition, the USSFTA in particular, as also in the case of Singapore's FTA with Jordan and the Trans-Pacific SEP have made important provisions with respect to transparency measures for services liberalization. Particularly, the USSFTA devotes an entire chapter imposing additional transparency provisions related to development and application of domestic regulations to services trade. The requirements imposed go far beyond those committed in the GATS Agreement multilaterally (Hussain, 2004, p. 97).

(a) *Mutual recognition of qualification and licensing requirements*

Besides MRAs in goods, many RTAs have already included or intend to include provisions for mutual recognition of qualifications, certifications and licensing requirements, particularly while liberalizing trade in professional business services. In case of Singapore's enforced RTAs with the United States and Australia, there are

¹³ See Rajan and Sen (2003) for a detailed analysis on this agreement.

¹⁴ This is restricted to tertiary education institutions specializing in science and technology, provided it is located outside of Bangkok.

provisions for recognizing degrees from specific law schools in Australia and the United States that would permit a legal professional to provide legal services in Singapore. Similarly, in case of the ANZSCEP agreement, such requirements are imposed for registration of architects and engineers to provide services in the respective partner countries.

In the Indian context, one of the significant developments is the inclusion of negotiation of MRAs by Singapore and India as part of the Singapore-India CECA. The MRAs, to be signed within a year of signing of the agreement, is expected to allow Indian-trained auditors, architects, accountants and doctors, and nurses to practise in Singapore, and vice versa.

(b) *Temporary movement of natural persons*

This pertains to Mode 4 of the service provision wherein movement of foreign service providers across national borders is considered on a temporary basis. This is a sensitive issue because it is linked to indirect impact on immigration and labour markets in the domestic economy. Thus, most countries have not made much headway in this area under GATS.

However, bilaterally recent RTAs and in some cases the framework agreements have included provisions for temporary movement of natural persons, with a view to enhancing business interactions, economic cooperation and people to people contacts, that goes beyond those committed in the WTO. In the case of Singapore's enforced RTAs, this has been applied to business visitors, investors and intra-corporate transferees, wherein the period for their stay in the partner countries has been extended, depending upon the activity they intend to undertake and their hierarchy in the organization. However, as noted by Banda and Whalley (2005) in the ASEAN case, the agreements are quite diverse in terms of scope, coverage, and commitments for liberalizing temporary movement of persons across sectors, with the USSFTA and the JSEPA devoting separate chapters on the issue with more detailed offers, while the EFTA-Singapore FTA (ESFTA) and the ANZSCEP have included this in a separate article with much less specificity.

While Japan, Australia and the United States have eased restrictions on temporary movement of all three categories of Singapore natural persons, viz. business visitors, investors and intra-corporate transferees, most of other RTA partners have either eased the same for business visitors, or for intra-corporate transferees, or for both. In most cases, they have also been exempted from labour certification or economic needs test while entering the domestic market for providing services either directly or through commercial presence (Mode 3). This also applies to the Singapore-India CECA and the Thailand-Australia FTA. The typical duration of such stay allowed for business visitors and investors is about three months, while that for intra-corporate transferees of partner countries has ranged from one year to three to four years. The eligibility criteria are carefully defined in these RTAs to be restricted to citizens and permanent residents

of RTA partners who represent a service supplier. In the case of the USSFTA in particular, such entry is subject to numerical restrictions with the initial number of Singapore business professionals allowed preferential entry to the United States to be pegged at 5,400.

Overall, as in the case of trade in goods, commitments in services are observed to be diverse among partner countries, both in terms of coverage and depth, with few attempts to negotiate GATS by plus commitments, particularly with respect to commercial presence and temporary movement of natural persons. These are however subject to barriers such as mutual recognition of qualifications and certification in many cases. Thus, in the case of the Singapore–India CECA, while professionals from 127 occupations may be granted temporary entry, they are allowed to practise only in five professions, subject to the signing of the MRAs as indicated earlier.

4. *Government Procurement*

These relate to provisions for private businesses in one country to sell goods and services to governments of their RTA partners, through bidding for contracts. Given the political imperatives involved, government procurement has remained a highly regulated area for entry of foreign suppliers, and not much progress has been made at the multilateral level, with only 27 WTO Members, mostly OECD members, signing on the WTO Government Procurement Agreement (GPA). Thus, it is not surprising that most of the developing countries in Asia have not included government procurement in their negotiations, with the possible exception of the TAFTA and the Thai–New Zealand CEPA which has included government procurement as one of the chapters to the FTA, but has left it to constitute a working group to recommend within 12 months of the entry into force of the agreement, on the scope for commencing bilateral negotiations to bring government procurement under the agreement and the coverage of such negotiations. In a similar manner, for the Singapore–Jordan FTA (SJFTA), pursuant to Jordan's application to accede to the WTO Agreement on Government Procurement on 12 July 2000, it has been agreed that the parties shall enter into future negotiations with regard to Jordan's accession to that agreement.

Most of Singapore's enforced BTAs have included chapters on government procurement, with a commitment from Singapore and its RTA partners to enhancing business opportunities in this area. More specifically, many of Singapore's RTA partners, viz. Australia, New Zealand, Chile and Brunei, and which are not signatories to the GPA Agreement have agreed to liberalize this sector on a preferential basis bilaterally. In the case of Singapore's RTAs with Japan and the United States, which are GPA signatories, provisions have been included to increase market opportunities for businesses in government contracts, improving upon their GPA commitments. However, Corr and Norton (2004) note in a study that both these agreements have not provided much improvement in terms of protection for foreign suppliers, and the benefits for market access for Singapore are quite limited, because small and medium enterprises from there

can only compete for quasi-government agency contracts in Japan, and only for federal contracts in case of the United States. The study observes that SAFTA agreement of Singapore with Australia is particularly bold in this aspect as it has agreed to open competition for all services to businesses in both countries. However, since it is not a GPA signatory, the level of protection offered is unlikely to be that rigorous.

Thus, it is mostly the developed economies that have agreed to negotiate government procurement bilaterally, and in most cases, commitments have been cautious.

5. *Investments*

While the multilateral route to investment liberalization and facilitation has reached a deadlock, many WTO members are beginning to negotiate this complex issue bilaterally. Indeed, most BTAs involving ASEAN, and China and India (especially those involving ASEAN and its member countries), have pursued a stated objective to promote investments and to create a liberal, facilitative, transparent and competitive investment regime. In most of the RTAs the negotiating parties have agreed to (i) enter into negotiations in order to progressively liberalize the investment regime; (ii) strengthen cooperation in investment, facilitate investment and improve transparency of investment rules and regulations; and (iii) provide for the protection of investments. Thus, the focus of negotiations is not just on liberalizing the investment regime, but also on protecting and facilitating investment flows among the RTA members.

Bilateral investment negotiations have generally focused on issues of market access, treatment of foreign investments, repatriation of profits, expropriation and compensation, investor protection and harmonization of business laws. The progress with respect to these measures is compared across the major parameters in investment negotiations of enforced RTAs of Singapore using a scoring methodology similar to that adopted in an earlier study by Lloyd and Smith (2004) for ASEAN. The scores are based on the level of progress in liberalization as indicated through the commitments and are categorized as being substantial, partial or none, denoted by the symbols \surd , *, and \times respectively. Table 3 presents the scores.

It is observed that there are wide variations with respect to the level of progress in bilateral investment negotiations in these RTAs. First, there are differences with respect to definition of "investors" across Singapore's RTAs, as well as on the issues of standards of treatment to be granted to investors. Thus, the JSEPA, CECA and the SAFTA agreements do not contain most-favoured nation (MFN) provisions, indicating that members are free to provide better treatment to investors and investments from non-member countries, while the ESFTA does not accord MFN treatment in all cases (Table 3). These three BTAs also provide additional protection by way of granting protection from losses or damage incurred due to the result of armed conflict or civil strife.¹⁵

¹⁵ See Investment chapters of these BTAs available at MTI (2005).

TABLE 3: COMPARISON OF SCORES OF INVESTMENT COMMITMENTS IN ENFORCED BTAS OF SINGAPORE AND THAILAND

	JSEPA	ANZSCEP	USSFTA	SAFTA	EFTA	TAFTA	TNZFTA	SJFTA	CECA
MFN treatment	×	✓	✓	×	*	✓	✓	×	×
Rights of establishment	✓	✓	✓	✓	✓	✓	✓	✓	✓
Repatriation of capital and profits	✓	×	×	✓	✓	✓	✓	✓	✓
National treatment	✓	✓	✓	✓	✓	✓	✓	✓	✓
Prohibition of performance requirements	✓	×	✓	×	×	×	×	×	×
Compensation of foreign investors in the event of expropriation	×	×	✓	✓	×	✓	✓	✓	✓
Investor protection	✓	×	*	✓	*	✓	✓	✓	✓
Investor-State dispute settlement	✓	✓	✓	✓	✓	✓	✓	✓	✓

Source: Based on legal texts available at MTI (2005), DFAT, Government of Australia (2005), MFAT, New Zealand (2005)

Second, while most RTA members are obliged by WTO rules not to impose performance requirements on investors, the USSFTA specifically includes the prohibition of such requirements on a bilateral basis. There are also differences with respect to the compensation to be granted to a foreign investor in the event of an expropriation by the governments in the host country.

Third, almost all of these enforced RTAs provide the right for an investor to initiate legal proceedings against a foreign host country government to resolve any disputes arising out of such investments, as well as also provide procedures for settlement of such disputes and enforcement of arbitral awards.

The above steps taken by some of these BTAs are encouraging as they assure investors from those countries that do not have any erstwhile bilateral investment treaties with their RTA partners, of a minimum standard of access and protection of their investments in the host countries. However, as observed in Table 3, in many RTAs there have been cautious steps towards investment liberalization and facilitation.

6. *Intellectual Property Protection (IPP)*

This refers to the protection of knowledge-based ideas and products that are traded across the borders of a country, either physically, or through the electronic format. This is particularly important for economies that are knowledge driven with a greater emphasis on innovation and development of research and development (R&D) capabilities in the field of information and communication technology, and biomedical sciences, which require respecting copyright rules and patent protection to maintain a competitive advantage.

While the WTO Agreement on Trade Related Intellectual Property Rights (TRIPs) does stipulate a minimum standard of IPP to be followed multilaterally, some of the EPAs proliferating in Asia have focused on bilateral IPP negotiations in these agreements to improve upon the standards of protection, and have thereby set a precedent for other WTO Members to follow. While China and India's BTAs focus on IPP only as an area of economic cooperation in their proposed framework agreements with ASEAN, Singapore's BTAs, and in particular the USSFTA, have significantly expanded the protection for and enforcement of IPP, focusing on copyrights, trademarks, digital copyrights and trade secrets.

In particular, the measures in the USSFTA go way above the WTO commitments provided by both countries with regard to IPP standards. These range from both countries providing strong anti-circumvention provisions to prohibit tampering with technology and prevent piracy of copyrighted works over the Internet, criminalizing unauthorized reception and redistribution of satellite signals, committing to allow all inventions, including bio-inventions, to be patentable, so long as they do not contradict public order or morality, and agreeing to prevent and enforce against the illegal manufacture, import and export of pirated goods (Sen, 2004). While other RTAs involving Singapore have also included an IPP chapter, most have upheld commitments of members to the WTO TRIPs agreement, and, in general, included some broad and general commitments on IP protection, enforcement and cooperation.

7. *Competition Policy*

This provision relates to prohibition of anti-competitive business practices in an economy, in order to provide a fair and competitive business environment for foreign investors and professionals. While this is a contentious issue for domestic industries in any economy, many of the emerging EPAs, mainly involving Singapore and Thailand among ASEAN members, have included the promotion of fair competition and the curtailment of anti-competitive business practices as one of the stated objectives in their agreements. In most cases, the commitments are more general and devoted to exchange of information and consultation on prevailing anti-competitive practices, and take steps towards enforcement of a competition policy with periodic review of its progress. Again, in this context, it is the USSFTA which devotes a whole chapter to competition

policy and has made one of the strongest commitments compared to Singapore's other enforced BTAs. Specifically, Singapore has committed to its earlier announced intention to establish a general competition regime by 2005. Under the USSFTA, it has committed to maintain its existing policy of not interfering with the commercial decisions of Singapore's Government Linked Companies (GLCs), ensuring that GLCs are commercially run, and do not discriminate against US companies. There is also an agreement for stronger enforcement of transparency of GLCs.

8. *Labour and Environment*

While promotion of labour and environment standards is essentially a non-trade issue, and most WTO Members are opposed to their inclusion in BTAs, it is only the USSFTA among the newly emerging comprehensive EPAs that has explicitly included this as a negotiating issue and has also indicated that any disputes in these areas may be subject to the agreement's dispute resolution mechanism.

9. *Dispute Resolution Mechanism*

This is an integral part of any trade agreement, and all the emerging and already enforced agreements contain provisions for a quick and efficient resolution of trade disputes. While government remains the prime mover behind initiating trade disputes in all BTAs, the private sector has been allowed a limited role to invoke a dispute only under the investor-state dispute settlement with regards to investment protection under Singapore's BTAs and the Thailand–Australia FTA. Under all other circumstances, the private sector has to lobby the government to initiate such disputes. In case of Singapore's BTAs, it is only the USSFTA that provides a limited degree of involvement for the private sector in dispute resolution, but does not guarantee its participation.

In spite of these provisions being in place, their enforcement is going to be crucial in order for businesses to minimize their risks from using such mechanisms for bilateral dispute resolution.

10. *Broader Areas of Economic Cooperation*

Apart from the above areas of coverage, most of the EPAs emerging in Asia have also focused on strengthening bilateral economic cooperation in a diverse range of areas. Although the specific modalities of such bilateral cooperation are yet to be worked out in many of these agreements, the inclusion of these areas for strengthening bilateral cooperation does represent a commitment towards developing a longer-term cooperative relationship, enhancing trust and confidence in each other.

Specifically, most of the ASEAN BTAs, and especially those involving China and India, have agreed to engage in bilateral cooperation in areas ranging from (a) trade facilitation (including customs cooperation; trade financing; and business visa and

travel facilitation) to (b) human resource development (including capacity building for less-developed ASEAN members, education cooperation and technology transfer) and sub-regional development, besides (c) cooperation in specific sectors of critical importance to developing countries, viz. agriculture, fisheries and forestry, banking and financial services, tourism, media and entertainment, health, financial, tourism, construction, business process outsourcing, environmental; mining and energy, oil and natural gas, power generation and supply; information and communications technology, electronic commerce, biotechnology; transport and communication; manufacturing sector including automotive, drugs and pharmaceuticals, textiles, petrochemicals, garments, food processing, leather goods, light engineering goods, gems and jewellery processing; agriculture, as well as (d) industrial co-operation focusing on small and medium enterprises. Besides in some of the framework agreements, it has been indicated that cooperation in the areas of intellectual property rights, competition policy, and government procurement will also be focused upon, which are still contentious issues for inclusion at the multilateral level.

Since many of these issues are not just related only to trade and investment but also have an important strategic and social impact (viz. energy cooperation, human resource development), the above measures, albeit non-specific at this point of time, hold important significance for developing longer-term strategic and socio-economic relations among member countries, and could form a basis for deeper economic integration among them.

B. NEW REGIONALISM: TOWARDS CONVERGENCE OR DIVERGENCE?

What emerges from the above analysis is that "new regionalism" in Asia does not involve much convergence among the parameters involved in negotiating EPAs/BTAs, exhibiting wide differences with respect to the scope and coverage of trade liberalization undertaken. The spectrum is thus clearly wide, with countries engaged only in a BTA in goods (or a PTA) with a yet to be negotiated framework agreement, at one end, and comprehensive and detailed agreements viz. USSFTA on the other extreme, with most restrictive rules of origin, venturing way beyond traditional trade issues and enforcing strong commitments on new issues in trade negotiations viz. intellectual property rights, competition policy, government procurement and also including environment and labour issues, way beyond what has been agreed multilaterally at the WTO. Most of the other agreements involving other developed country members constitute the middle of the spectrum. These have attempted to include some of the above elements in the negotiations, with most of them having committed to abide by the status quo in the WTO, or at best made minor improvements to the same at the bilateral level.

While a minimal degree of commonality is observed in some of the broad issues covered in these RTAs/BTAs, the approach to negotiations in each of these issues has marked variedly across countries. Even among Singapore's enforced BTAs, there is a

wide degree of differences with respect to RoOs applied for preferential treatment, coverage of services, trade liberalization, investment measures and even in the approaches to new issues in trade.

Given this, and the wide differences among ASEAN members with respect to their development strategies and income levels, it is thus unlikely that as and when negotiations do take place, there will be much commonality across negotiating positions in ASEAN *vis-à-vis* its BTA partners, which will be critical for success of their regional EPAs. In contrast, it will be much easier for China and India to undertake a common negotiating position with their BTA partners. While this is indicative in the form of significant commonalities between the Closer Economic Partnership Agreements of China with Hong Kong and Macao, in the Indian case, it appears more unlikely, with the recently signed CECA with Singapore being far more comprehensive in its scope of negotiations than any of India's existing BTAs. However, with India committing to negotiate comprehensive agreements with most of its proposed BTA partners, such a commonality might emerge in the near future.

The above notwithstanding, another observation that emerges is that through the commitments in most of the above EPAs, members have committed to undertake important domestic and external sector reforms in terms of reducing tariffs and non-tariff barriers, improving upon investment and competition laws, improving domestic regulation in services, improving upon the IP regime, and easing restrictions for temporary movement of persons across borders. These attempts, while signalling partial liberalization, are unlikely to be welfare enhancing in their own end, unless concomitant unilateral liberalization is also pursued. This is particularly true for developing country members engaging in the "new regionalism" in Asia.

IV. POLICY IMPLICATIONS AND CONCLUDING REMARKS

The divergence in negotiating strategies of EPAs among ASEAN, China and India notwithstanding, the proliferation of "new regionalism" in Asia through BTAs, especially among the major Asian economies, viz. Japan, China, ASEAN, India and Korea, that also involves broader areas of economic and strategic cooperation, indicates that there is an increasing recognition among Asian policy-makers that greater economic coordination and cooperation is essential to manage globalization challenges, and to enhance its role in world affairs. As indicated by Kumar (2004), the above thinking has contributed to creating a favourable environment for the emergence of a New Asia that is not tied to the cold war thinking and institutions.

The process of greater economic coordination and integration among Asian economies was institutionalized much earlier in the form of bilateral economic cooperation between ASEAN and the three Northeast Asian countries (China, Japan and Korea) through the ASEAN+3 process in 1999. With the increasing integration of India with East Asia, this process is likely to be further strengthened as they share a lot of complementarities that can be mutually beneficial (Asher and Sen, 2005). A mindset

change in certain circles in East Asia, which continue to view India from a cold war perspective, and which are not conversant with rapid integration of India with the world economy, is, however, essential for the success of this process. The desire of India to engage in Asian economic integration is now evident in its signing of the first comprehensive economic cooperation agreement with Singapore, and its deeper engagement with ASEAN at the summit level. This has also led India to be an invitee for the first East Asian Summit that was held in Kuala Lumpur in December 2005, which has been observed to be a building block for Asian economic integration in the near future. The above bilateral initiatives among these countries could therefore be viewed as a possible commitment towards the goal of achieving deeper economic integration with Asia, and therefore appears to have more strategic than economic importance. However, an important caveat is that these initiatives need to be concomitantly supported by unilateral liberalization in most of these countries, especially in India, China and the less developed ASEAN members, with the rest of the world in a calibrated and judicious manner in order to lessen the possibility of welfare-reducing trade diversion from such BTAs (Sally and Sen, 2005).

As far as other cross-regional agreements involving these countries are concerned, the thinking appears to be mainly to gain market access and establish strategic links with as many WTO Members as possible. This has important implications for the WTO itself. While there is a general commitment to adhere to WTO rules, there are valid concerns that these initiatives might override the need for multilateral liberalization, as analysed.

The article clearly indicates that bilateralism is here to stay in Asia, with proliferation of a highly complex and untidy hub-and-spokes trading system, of which ASEAN, China and India are expected to be an important part. While many of these evolving BTAs do have a comprehensive agenda and might generate mutual benefits that might be welfare enhancing (in terms of not just trade creation), such efforts may be undermined by the other ongoing initiatives, many of which may not be that comprehensive in coverage and are not necessarily WTO-plus in terms of its commitments. This reinforces the fact that multilateralism, which is theoretically the first-best option for free trade, is indispensable to a well-ordered, open and rational international trading system, and cannot be ignored at the expense of bilateralism if global free trade is to be seriously pursued. However, as noted by Sally and Sen (2005, p. 113):

The engine of liberalization and regulatory reform has to be home-driven, with governments taking unilateral measures . . . that is probably more important than relying overly on the FTAs . . . and the WTO.

This implies that pursual of unilateral liberalization would be essential for developing countries to gainfully benefit from trade liberalization at the bilateral and multilateral level.

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APPENDIX 1: COMMITMENTS OF BTA IN GOODS INVOLVING ASEAN, CHINA AND INDIA AS OF 2005

FTAs between ASEAN, China and India

Partner countries to agreement	Tariff reduction commitments	Inclusion of sensitive list of products	Types of RoO criteria applied	Bilateral and WTO safeguard measures included	Additional anti-dumping and countervailing measures included (apart from WTO)	Date of entry into force and timeframe of tariff reduction
ASEAN–China	Early harvest programme (EHP) for tariff reduction to be completed by 2006 for all except Philippines; normal track goods to be eliminated by 2010 for ASEAN-6; sensitive track by 2018.	Yes	Single or Cumulative Regional Value Content (RVC) (40%)	Allowed within the transition period (5 yrs) for a maximum of 4 yrs	None	1 January 2005; China and ASEAN-6 to establish FTA by 2010, and by 2015 for new members; full FTA in force by 2020
ASEAN–India	105 under the EHP	Yes	TBN	Based on WTO agreements	None	1 April 2005; 1 January 2006 to 31 December 2011 for ASEAN-5 and India; till December 2016 for the Philippines and ASEAN-4
Thailand–India	EHP on 84 products, both agricultural and manufacturing	Yes; list not specified	Interim RoO applied	Yes	None	September 2004; Phased tariff reduction to 100% by March 2006
Singapore–India	Singapore to eliminate all tariffs, India to eliminate or substantially reduce tariffs on approximately 75% of Singapore's domestic exports within 5 years	Yes, from the Indian side	CTC + RVC (40%); for certain products only CTC	Yes; up to a maximum of 3 years	No; maintain WTO status quo	Agreement in force from 1 August, tariffs to be substantially eliminated by 2009
Thailand–China	EHP—Tariff elimination to zero on mainly fruit and vegetable products (188)	Not on products covered under EHP	Direct consignment requirement	None	None	October 2003; PTA on goods in force

Other FTAs involving ASEAN, China and India

Partner countries to agreement	Tariff reduction commitments	Inclusion of sensitive list of products	Types of RoO criteria applied	Bilateral and WTO safeguard measures included	Additional Anti-dumping and countervailing measures included (apart from WTO)	Date of entry into force and timeframe of tariff reduction
ASEAN-Korea	TBN	TBN	TBN	TBN	TBN	Negotiations from 2005; 80% of products will have in 2009, and with consideration for special and differential treatment and additional flexibility for new ASEAN member countries.
ASEAN-CER (Australia and New Zealand)	TBN	TBN	TBN	TBN	TBN	Negotiations from 2005; complete negotiations in 2 years, implementation in ten years
ASEAN-Japan	TBN	TBN	TBN	TBN	Negotiations from 2005	Negotiations from 2005; complete negotiations in 2 years, implementation in ten years
Thailand-Australia	Tariffs eliminated by Thailand on 2,934 tariff items, around 53% of all items, accounting for 78% of current Thai imports from Australia. A further 41% of Thai tariffs will be phased to zero by 2010. These items cover 17% of current trade. 95% of all current trade between Australia	No	CTC+RVC (product-specific)	Yes	No; maintain WTO status quo	Agreement in force w.e.f. January 2005; 95% of all current trade between Australia and Thailand will be completely free by 2010. All remaining tariffs, including tariff rate quotas, will phase zero in 2015 or 2020, with the exception of

skim milk powder and liquid milk and cream, for which the tariff rate quotas will be eliminated in 2025.

and Thailand will be completely free by 2010. All remaining tariffs, including tariff rate quotas, will phase to zero in 2015 or 2020, with the exception of skim milk powder and liquid milk and cream, for which the tariff rate quotas will be eliminated in 2025.

Thailand-New Zealand	Thailand eliminated most tariffs on New Zealand imports as soon as the agreement came into effect; New Zealand has already eliminated most tariffs on Thai imports, with the rest to be phased out by 2015	No	Largely CTC rules (product-specific)	Yes; special safeguards for sensitive agricultural products	No; maintain WTO status quo	Agreement in force w.e.f. July 2005; most tariffs to be phased out by 2015
Thailand-Bahrain	Reduce tariffs to 0–3% initially, then phased reduction over 8 years	No	40% RVC	Yes—based on WTO agreements	No; maintain WTO status quo	December 2002; framework agreement in force; complete tariff reduction by 2010
Thailand-Peru	Reduction of tariff on 3,000 products	Rice and Sugar (Peru); Local Fisheries (Thailand)	TBN	TBN	TBN	Negotiations ongoing; PTA in goods by 2015
Singapore-New Zealand	Tariff reduction on all goods upon entry into force	No	40% RVC for non-originating goods	No	Yes; WTO-plus measures	In force w.e.f. 1 January 2001; Agreement in force
Singapore-United States	Singapore committed to zero tariffs for all imports upon entry into force; US committed to eliminate 92% of current tariffs on exports from Singapore upon entry into force and eliminate tariffs on the rest within 8 years.	No	Product Specific (CTC)+RVC ranges from 35–60% on electronic products; outward processing recognized for goods with RVC frule; ISI (medical	Based on WTO agreements; bilaterally for up to 4 years	No; maintain WTO status quo	In force w.e.f. 1 January 2004; All tariffs likely to be eliminated by 2012

Other FTAs involving ASEAN, China and India—*cont.*

Partner countries to agreement	Tariff reduction commitments	Inclusion of sensitive list of products	Types of RoO criteria applied	Bilateral and WTO safeguard measures included	Additional anti-dumping and countervailing measures included (apart from WTO)	Date of entry into force and timeframe of tariff reduction
Singapore-United States <i>cont.</i>			and IT equipments); Special origin criteria for recovered and remanufactured goods; yarn forwarding RoO for textiles and yarn			
Singapore-Australia	Tariff reduction on all goods upon entry into force	No	RVC: Either at least 30% (for electrical mechanical and optical products) or 50%	No	Yes; WTO-plus measures	In force w.e.f. July 2003; agreement in force
Singapore-Japan	Singapore committed to grant zero-tariff treatment on all imports from Japan upon entry into force, while Japan has increased its zero-tariff commitments from the current 34% (under WTO) to 77% of total tariff lines. Out of 6,938 only 10 petrochemical products will be liberalized over a period of time. Seven of these will be subject to equal annual reduction of tariffs starting from 2003 and eliminated in 2010, 2 will be reduced annually starting	Yes	Product Specific (CTC)+RVC at least 60%; outward processing recognized for 264 tariff lines with RVC rule	Similar to USSFTA	No; maintain WTO status quo	In force w.e.f. November 2002; All tariffs eliminated by 2010

<p>Singapore-EFTA</p> <p>from 2005 and eliminated in 2010 while 1 item will be eliminated with effect from 1 April 2006.</p>	<p>Tariff reduction on all goods upon entry into force except those listed</p>	<p>Yes (chemical products and agricultural products)</p>	<p>Product specific (CTC)+RVC at least 50%; outward processing recognized for goods with RVC rule</p>	<p>Similar to USSFTA; limits application of bilateral measures for up to 3 years</p>	<p>No; maintain WTO status quo</p>	<p>Agreement in force</p>
<p>Singapore-Korea</p>	<p>Singapore: Tariff reduction on all goods upon entry up to 75% of domestic exports valued at S\$3 billion will enjoy immediate tariff elimination with the coming into force of the KSFTA. A further 14% of domestic exports will also enjoy tariff-free access to the ROK market over the next ten years.</p>	<p>Yes</p>	<p>Product specific (CTC); selected exports from GIC (DPRK) to be accorded preferential treatment</p>	<p>Based on WTO agreements; bilaterally for up to 4 years</p>	<p>Yes; WTO-plus measures</p>	<p>To be decided; tariffs to be eliminated within 10 years of entry into force</p>
<p>Singapore-Jordan</p>	<p>Singapore: reduction of tariff on all products upon entry into force; Jordan will undertake phased tariff reduction over 10 years for many products</p>	<p>Yes</p>	<p>RVC at least 35% for all goods except textiles and apparel for which product specific rules apply</p>	<p>Based on WTO agreements; bilaterally for up to 3 years</p>	<p>Yes; WTO-plus measures</p>	<p>Most tariffs reduced in 10 years</p>
<p>Singapore, Brunei, Chile, New Zealand</p>	<p>New Zealand, duties on all tariff lines would be eliminated with immediate effect, as was the case under the ANZSCEP. With regard to Brunei, the market access package will complement</p>	<p>Yes</p>	<p>RVC at least 55% for most goods; outward processing recognized for goods with RVC rule; CTC rules in addition</p>	<p>Based on WTO agreements; Chile may apply special safeguard measures on sensitive agricultural products</p>	<p>No; maintain WTO status quo</p>	<p>Expected in January 2006; all tariffs expected to be eliminated by 2009</p>

Other FTAs involving ASEAN, China and India—cont.

Partner countries to agreement	Tariff reduction commitments	Inclusion of sensitive list of products	Types of RoO criteria applied	Bilateral and WTO safeguard measures included	Additional anti-dumping and countervailing measures included (apart from WTO)	Date of entry into force and timeframe of tariff reduction
Singapore, Brunei, Chile, New Zealand	Singapore's existing arrangement under the AFTA. With regard to Chile, tariffs on 89.3% of domestic exports would be eliminated upon entry into force, with tariffs on a further 9.57% eliminated in three years. Altogether, 98.87% of all domestic exports would receive duty-free treatment three years from entry into force, i.e. starting from 1 January 2009, and this figure would increase to 100% in 6 years. Key exports that will benefit include processed cocoa powder, chemicals, pharmaceuticals and plastics.					
Malaysia-Japan	EHP for selected products and phased tariff reduction over 10 years	Yes	TBN	TBN	TBN	Expected in 2006; Most tariffs reduced by 2015
China-Hong Kong	China to undertake tariff reduction to zero tariffs on mainly manufacturing products and few chemicals from January 2004; zero tariffs on food and beverages, other manufacturing	No	CTC (product-specific)+30% RVC; manufacturing or processing operations	Yes, but not clearly specified	None	Signed in June 2003; complete tariff elimination no later than January 2006

China-Macau	products and few agricultural products from January 2005	Similar to China-Hong Kong agreement, except for few products	No	requirement in either country or a mix of above	Yes, but not clearly specified	None	Signed in October 2003; tariff elimination no later than January 2006
India-Sri Lanka	Zero duty on 1,351 products by India and on 319 products by Sri Lanka; 50% margin of preference upon coming into force of this agreement on all items, except for those on the negative list. To be phased out to zero duty in three years. Sri Lanka—Phasing out of tariffs on items with 50% margin of preference on 889 products upon coming into force of the agreement, with up to 70% at the end of the first year, up to 90% at the end of the second year and 100% at the end of third year.	Yes (429 from India and 1,180 from SL)	Same as China-Hong Kong agreement	Yes	Yes	None	Agreement in force from March 2000
BIMSTEC grouping	Fast Track products tariffs to be reduced gradually over 2006–2011; rest over 2007–2017.	Yes; Negative list included	TBN	TBN	Yes; preferential safeguard measures applied, the total period of application not to exceed 2 years	None	FTA framework agreement signed in January 2004; PTA in force; normal track over 2007–2017
MERCOSUR grouping	452 products offered by India for tariff reductions, while 450 products offered by MERCOSUR for the same	Yes	CIF value of all non-originating materials does not exceed 40% of the FOB value of the final product and the final process of manufacture is	Yes; preferential safeguard measures applied, the total period of application not to exceed 2 years	No; maintain WTO status quo	None	PTA Framework signed in June 2003

Other FTAs involving ASEAN, China and India—cont.

Partner countries to agreement	Tariff reduction commitments	Inclusion of sensitive list of products	Types of RoO criteria applied	Bilateral and WTO safeguard measures included	Additional anti-dumping and countervailing measures included (apart from WTO)	Date of entry into force and timeframe of tariff reduction
			performed within the territory of the exporting signatory party			

Source: Based on legal texts of Individual Agreements available at MTI (2005); DFAT (2005) as well as Wong (2004) and Angkewicz and Whalley (2005b)

Note: TBN: To be Negotiated; C/TC: Change in Tariff Classification criterion for RoOs. The different types of RoO criteria are used only for those products that are deemed to be not wholly obtained within the member countries. India is also negotiating PTA in goods with Chile, GCC, SACU, Mauritius and Egypt, but no details are yet available on the framework of these negotiations.

APPENDIX 2: COMPARISON OF COMMITMENTS IN BTA IN SERVICES INVOLVING ASEAN, CHINA AND INDIA AS OF 2005

Partner countries to agreement	Sectors covered	Approach to liberalization: negative/positive lists	Movement of natural persons	Market access and national treatment for service suppliers	Mutual recognition of qualifications, certification and licensing requirements
Singapore-New Zealand	As defined in each country's schedule of specific commitments	Positive list	For business visitors and intra-corporate transferees	Yes	Yes
Singapore-United States	All sectors unless specifically exempted	Negative list	For business visitors, investors and intra-corporate transferees	Yes	Yes
Singapore-Australia	All sectors unless specifically exempted	Negative list	For business visitors, investors and intra-corporate transferees	Yes	Yes
Singapore-Japan	Japan expanded its commitments to 135 services sectors (86% of a total of 157 sectors), while Singapore expanded its commitments to 139 sectors (88.5%). This is significantly beyond each country's WTO commitments, in which Singapore and Japan committed 61 and 103 sectors respectively.	Positive list	For business visitors, investors and intra-corporate transferees	Yes	Yes
Singapore-EFTA	Expansion on WTO commitments	Positive list	Switzerland and Norway: For business visitors, investors and intra-corporate transferees Iceland: only for business visitors; Liechtenstein only for intra-corporate transferees	Yes	Yes
Singapore-Jordan	As defined in each country's schedule of specific commitments	Positive list	As per GATS rules	Yes	Yes

Partner countries to agreement	Sectors covered	Approach to liberalization: negative/positive lists	Movement of natural persons	Market access and national treatment for service suppliers	Mutual recognition of qualifications, certification and licensing requirements
Singapore-India	As defined in each country's schedule of specific commitments	Positive list	For Business Visitors, short-term suppliers, professionals ¹⁶ and Intra-corporate transferees	Yes	Yes
Trans-Pacific SEP (Singapore, Brunei, Chile, New Zealand)	As defined in each country's schedule of specific commitments	Positive list	To be decided after two years of entry into force	Yes	Yes
Thailand-Australia	As defined in each country's schedule of specific commitments (telecom and financial services to be negotiated)	Positive list	For Business Visitors, Investors and Intra-corporate transferees	Yes	Yes
Thailand-New Zealand	To be negotiated within three years	TBN	For Business Visitors, Investors and Intra-corporate transferees; temporary employment for Thai Chefs	TBN	TBN
China-Hong Kong	18 sectors (including management consulting, advertising, accounting, real estate, logistics, telecom and legal services, financial, banking and insurance services)	Positive list	Not specified	Yes	Yes
China-Macao	18 sectors (including management consulting, advertising, accounting, real estate, logistics, telecom and legal services, financial, banking and insurance services)	Positive list	Not specified	Yes	Yes

Source: Based on legal texts of individual agreements available at MTI (2005), DFAT (2005), as well as Angkeiwicz and Whalley (2005b), and Hussain (2004).

¹⁶ Under this agreement professionals from 127 listed occupations will be allowed entry and stay up to 1 year or until duration of the contract, whichever is lesser.