

***RESPONDING TO
REGIONALISM: TOWARDS A
COMMON ASEAN VISION***



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ASEAN: bilateral agreements

- Singapore - leading the charge with closer and new age economic partnerships (NZ, Australia, Japan, US); others following (Thailand, Malaysia etc.)

ASEAN as a regional agreement

- AFTA in terms of tariff liberalization on track (zero tariff by 2010 for ASEAN 6), with exceptions and non tariff barriers; less progress evident in other areas (i.e services and investment)
- Call for ASEAN Economic Community by 2020 -- deepen and accelerate intra ASEAN economic integration (i.e attractiveness, strengthen in the wake of extra regional developments)

ASEAN as a regional agreement

- ASEAN Economic Community?
 - AFTA plus including common market (eliminate problem of ROO); comprehensive approach on sectoral basis
 - Full integration, with definite time lines and deeper integration even beyond 2020
 - ASEAN Vision 2020: free flow of professional services (free flow of professionals and skilled labor)

ASEAN + 1: Regional Agreements

- **ASEAN+1**
 - **China** (Framework Agreement on Comprehensive Economic Cooperation signed)
 - **ASEAN Japan** Closer Economic Partnership (CEP)
 - **India**
 - **US** (Enterprise for ASEAN Initiative) based on bilateral Trade, Investment and Facilitation Agreement (TIFA)
 - **AFTA CER** Closer Economic Partnership (CEP)
 - **Korea**
 - **EU**

East Asia: ASEAN + 3?

- ASEAN + 3: East Asia vision also envisages deep integration
- However, problematic because of
 - leadership issue

Outcomes

- Hubs and spokes emerging: ASEAN is a hub by default and on paper only; reality is a series of bilaterals.
- On paper all agreements are are “new generation” RTA -- comprehensive economic partnership agreements.

The need for a common strategy

- To maximize benefit for ASEAN and its members as a hub c/f partner
- Spaghetti bowl and increase business costs
- Limited negotiating capacity and resources, especially CLMV
- Risks of increasing regional tension with leadership issue between dialog partners
- How to ensure building blocks and not divert from APEC vision of open regionalism

Elements of a Common Strategy:

1. Deep integration or CEPA

- Existing bilateral, already concluded and potential regional agreements are on paper CEPA (Comprehensive Economic Partnership Agreement)
 - Free Trade Area (FTA) element: wide sectoral (goods, services, investment, other factors --labor) and instrument coverage (cross border, behind border)
 - Facilitation and cooperation (e.g. technology, HRD etc.)
 - What about factor movement? Labor and capital?

2. Comprehensiveness

- How to deal with sensitive and excluded sectors? How to ensure comprehensive coverage?
 - Comprehensive coverage (how to define? 90% tariff lines? 90% import value?)
 - Clear criteria for exceptions and exclusions, negative lists, with time tables for inclusion

3. *Building Blocks*

- Components that make the agreement building blocks or towards MFN/open regionalism
 - standstill or even reducing at a slower rate/longer time frame trade barriers to non members (e.g. AFTA schedules of some countries, AIA 2010 and MFN 2020)
 - even stronger: tariffs/NTB in member countries to be no higher than the lowest tariff/NTB of the same good originating in any other non-member country (min. trade diversion)

3. Building Blocks

- services: negotiate liberalization multilaterally and come to common position regionally; regional cooperation in domestic regulation, standards and institutional capacity building.

4. Clear time schedules and plan of action

- Clear time schedules for completing preparation, negotiations and agreement
 - conventional wisdom 10 years , build in mechanism to review timetable (with the view of accelerating)
- Clear end goals
 - e.g zero or 0-5% tariff target

5. Build in Development Components



- Development components
 - Incorporation of capacity building
 - Early harvest
 - Flexibility for longer time tables

6. Rules and Facilitation Measures

- Rules: safeguards, dumping, subsidies
 - how to ensure not become obstacles and have common discipline
- Facilitation measures: custom procedures and standards, rules of origin
 - harmonization, mutual recognition, common approaches

7. Process and Institutions

- Common framework is an ideal CEPA with flexibility of unbundling with different time schedules combined with capacity building:
 - otherwise protracted negotiations, credibility of process
 - 10 - X or two track ASEAN (ASEAN 6 and CLMV); with capacity building.

7. Process and Institutions

- What level of ASEAN consensus? Options
 - common framework, but negotiate bilaterally (raises questions of how to ensure adherence)
 - negotiate as ASEAN
 - composite, common framework with some ASEAN and some bilateral components (ASEAN-China model)

7. Process and Institutions

- Credible dispute settlement mechanisms
- Institutional set up: move away from inter govt. to regional institution
 - supranational body or issue specific regional units