Exploring Trade in Goods issues of FTAAP: A Personal Viewpoint

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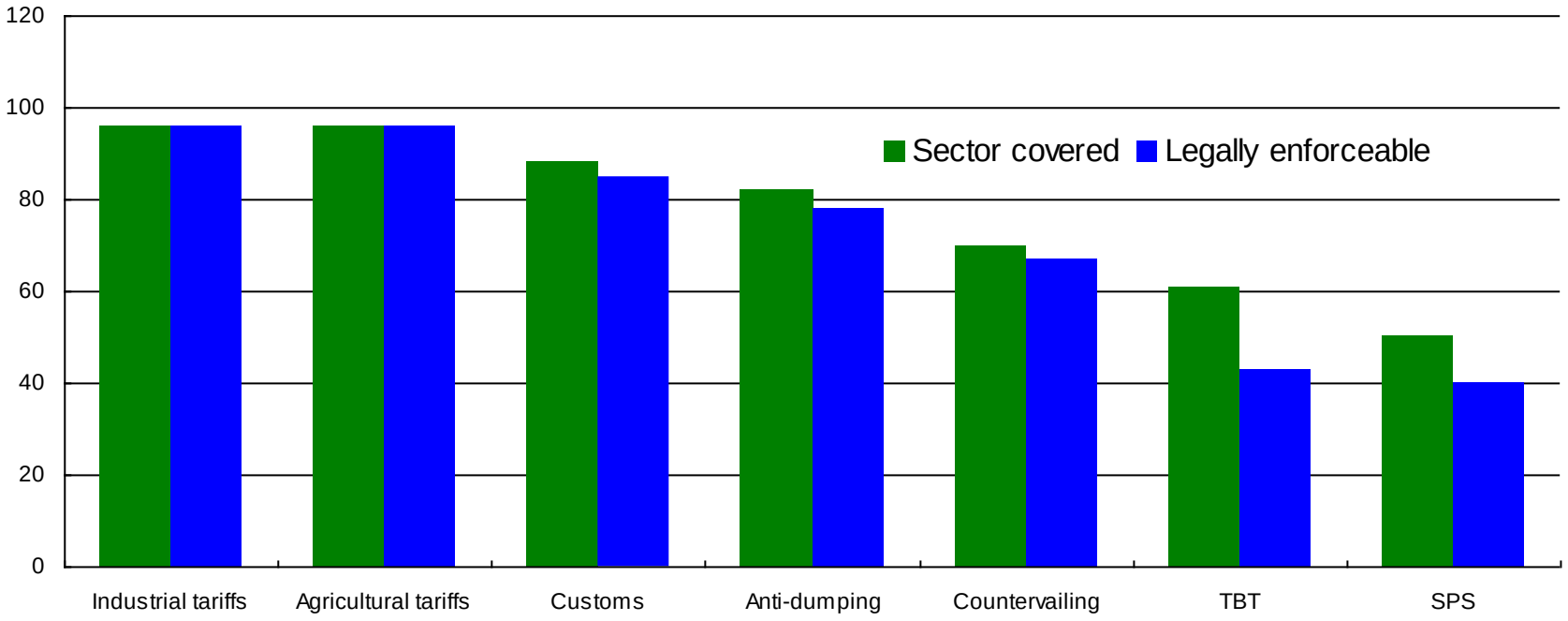
Comparing FTAs in the region

		CAFTA	AKFTA	AJCEP	AANZFTA	RCEP	TPP	WTO Doha
	Trade in Goods							
	Tariff Elimination	√	√	√	√	√	√	√
	Rules of Origin	√	√	√	√	√	√	√
	TBT	√	√	√	√	√	√	√
	Customs	*	*	√	√	√	√	√
	SPS	√	√	√	√	√	√	√
	Trade Remedy	√	√	√	√	√	√	√
	Investment							
	Pre-investment national treatment		√	√	√	√	√	***
	Pre-investment MFN	√	√	√	√	√	√	***
	Performance		√	√	√	√	√	***
	Trade in Services	√	√	√	√	√	√	√
	IPR	*	*	√	√	√	√	√
	GP			√			√	**
	Competition policy			√	√	√	√	
	E-commerce	*	*	√	√	√	√	
	Labor						√	
	Environment	*	*	√			√	√
	Regulatory Coherence						√	
	Development						√	
	SME						√	
	Competitiveness						√	
	Transparency and Anti-Corruption						√	
	SOE						√	
	Cooperation and Capacity Building	√	√	√	√	√	√	√
	Dispute Settlement	√	√	√	√	√	√	√

Number of FTAs covering Trade in Goods provisions (n=96)



Source: WTO (2011)

Share of FTAs in Asia-Pacific covering Trade in Goods provisions (n=45) (%)

Provisions	Asia Pacific		China		USA		Japan		ROK		ASEAN	
Industrial tariffs	100	100	100	100	100	100	100	100	100	100	100	100
Agricultural tariffs	98	98	100	100	83	100	100	100	100	100	100	100
Customs	93	98	80	75	100	100	100	100	100	80	80	75
Anti-dumping	91	93	100	100	100	100	64	86	100	80	100	100
Countervailing	91	95	100	100	100	100	64	100	100	80	100	100
TBT	78	100	80	100	100	100	73	100	100	100	60	100
SPS	82	100	100	100	100	100	55	100	100	100	100	100

■ Sector covered ■ Legally enforceable

Source: Sheng and Guo (2014)

Tariff Reduction in FTAs in the region

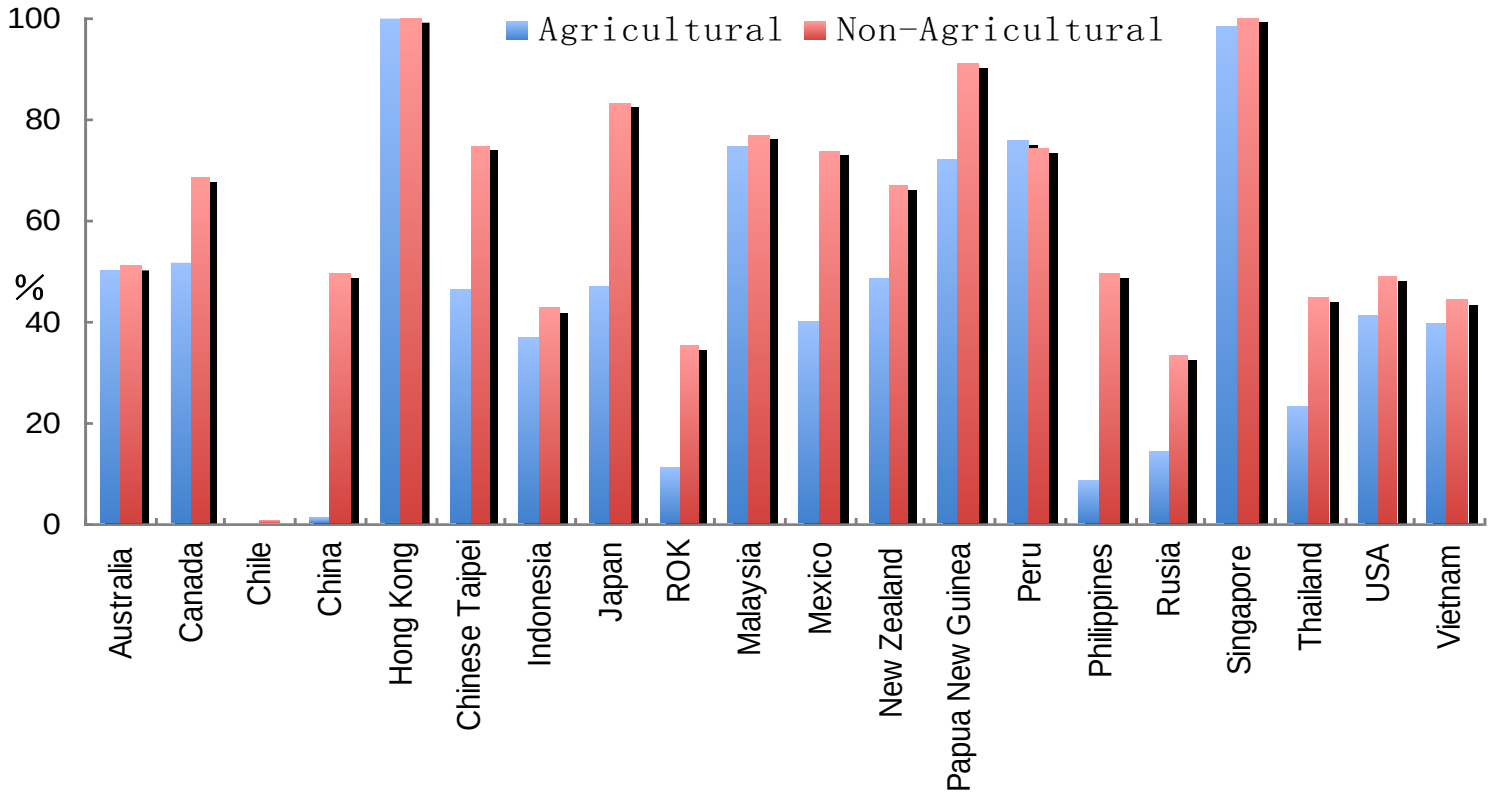
	CAFTA	AKFTA	AJFTA		AIFTA	AANZFTA	RCEP	TPP
			AJCEP	Bilateral				
ASEAN	94.5%	93.3%	89%	92.8%	75.6%	93.8%	80%	95%
FTA partner	94.3%	89.9%	64.5%	80%	74.2%	100%		

- Average liberalization rate of Trade in Goods is average in the FTAs in the Asia Pacific region. A 90% tariff reduction of tariff line is recommended for An FTAAP.

FTAAP scenarios under different tariff reduction commitment

	Scenario 1 90%		Scenario 2 95%	
	Welfare	Real GDP %	Welfare	Real GDP %
China	1286.05	0.99	1658.31	1.25
Japan	528.33	0.73	691.81	0.99
ROK	639.05	2.85	833.31	3.77
Singapore	65.18	1.02	87.78	1.47
Malaysia	116.54	1.62	179.28	2.66
Thailand	148.99	2.51	217.19	3.93
Philippines	69.03	0.97	92.96	1.27
Indonesia	127.77	0.87	156.36	1.05
Vietnam	309.33	9.43	443.99	13.48
Australia	194.09	0.86	241.28	1.07
New Zealand	17.52	0.52	27.74	0.81
India	-137.28	-0.29	-192.74	-0.41
USA	1358.31	0.56	2110.43	0.89
Canada	217.59	0.93	294.49	1.25
Mexico	118.44	0.64	178.98	0.99
Brazil	-159.11	-0.43	-212.10	-0.57
Chile	90.38	1.85	103.98	2.10
Russia	192.57	0.56	190.36	0.52
Rest world	-1899.09	-0.36	-2401.21	-0.47

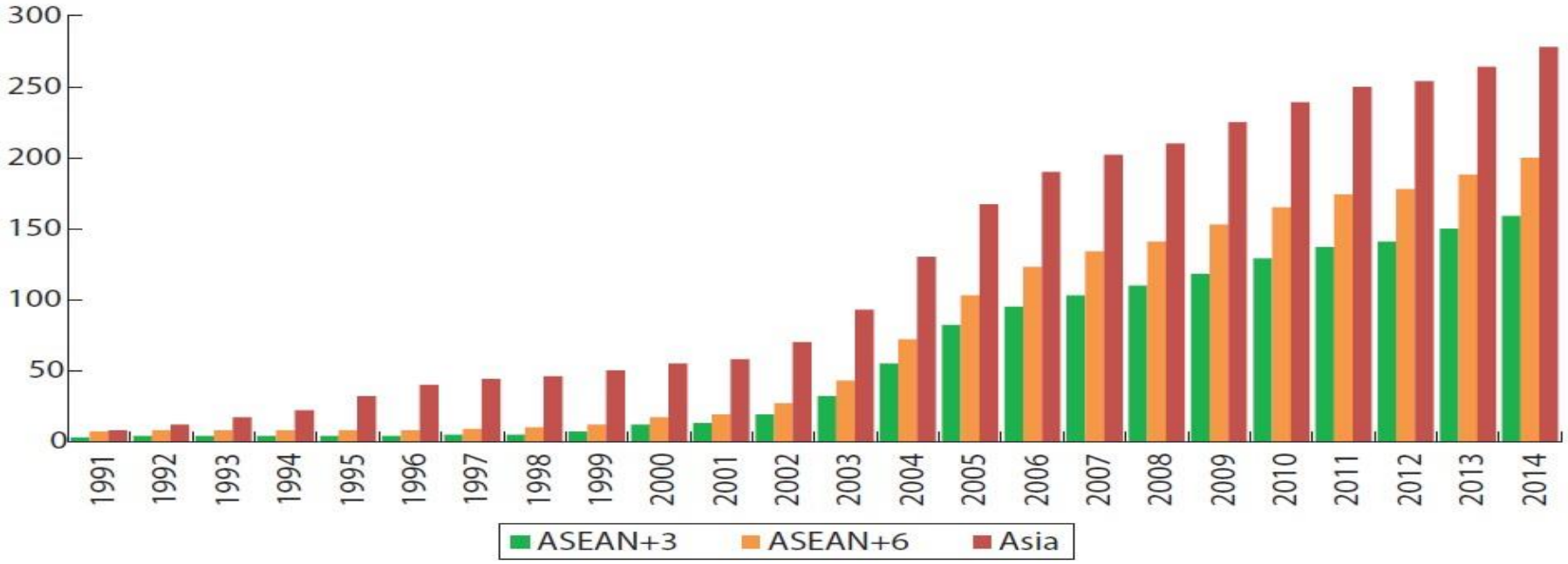
Share of Zero tariff for APEC members



Other Challenges for APEC members to address TIG issues

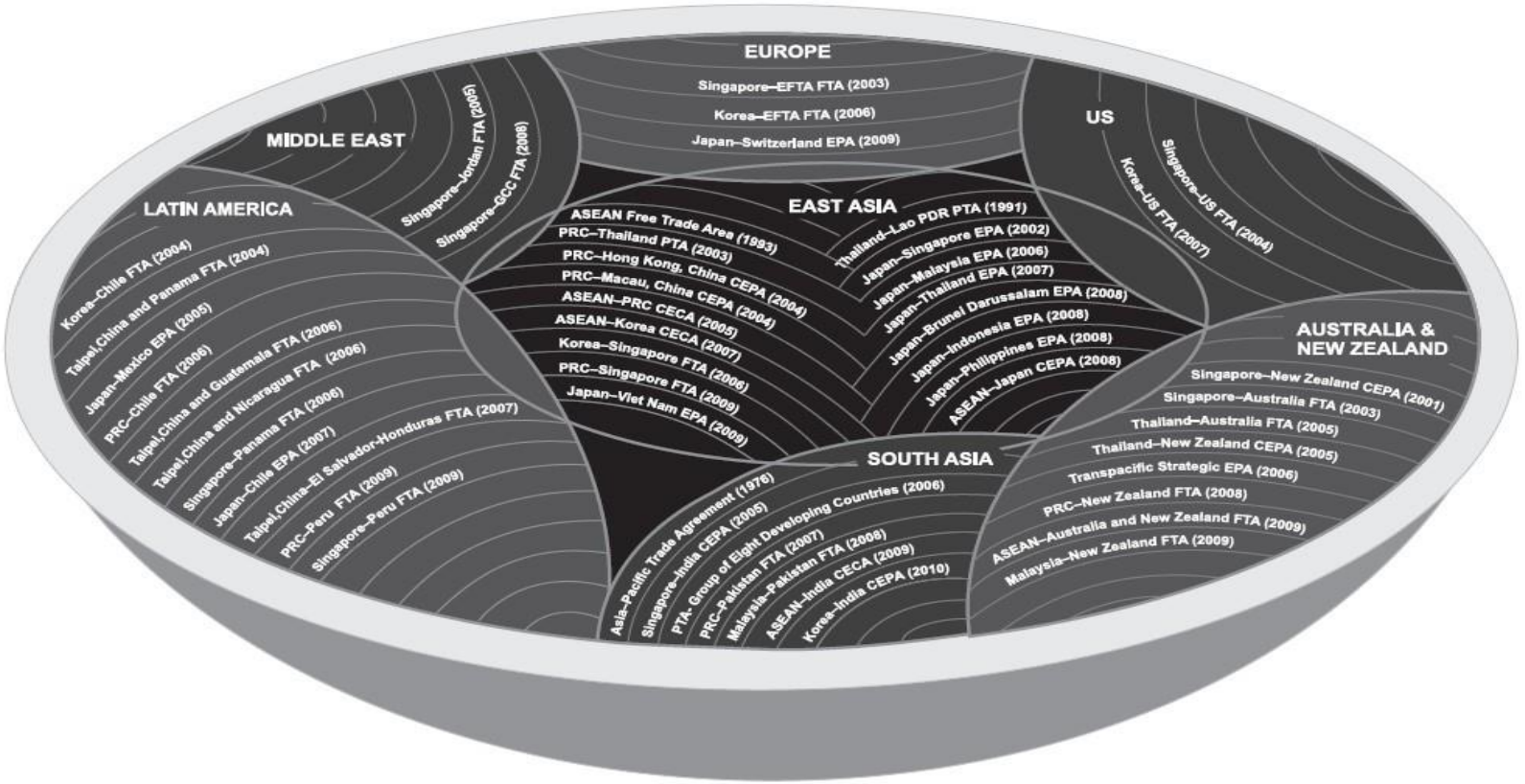
	Average tariff	Agricultural tariff	Non-Agricultural tariff	Agricultural Quota (%)	Agricultural Safeguard (%)
Australia	3.9	2.6	4.0	0.9	0.9
Canada	3.0	13.9	2.1	9.5	6.0
Chile	6.0	6.0	6.0	0.2	0.0
China	4.7	4.3	4.7	5.0	0.0
Hong Kong	0.0	0.0	0.0	0.0	0.0
Taipei	1.8	8.7	1.5	6.0	5.4
Indonesia	4.7	4.3	4.7	1.0	0.7
Japan	2.0	12.1	1.2	6.2	7.7
ROK	7.7	91.8	3.6	13.5	6.3
Malaysia	4.3	11.7	3.6	5.7	5.5
Mexico	5.4	31.3	3.3	6.9	33.2
New Zealand	2.3	2.4	2.3	0.5	0.5
PNG	2.2	6.6	1.6	0.0	0.0
Peru	1.7	1.5	1.8	0.0	0.0
Philippines	4.3	10.7	3.5	9.2	13.3
Russia	9.1	14.7	8.3	3.2	0.0
Singapore	0.4	11.8	0.0	0.0	0.0
Thailand	6.2	27.8	5.1	7.4	7.5
USA	2.1	4.1	2.0	4.5	2.9
Vietnam	5.4	7.7	5.2	1.1	0.0

FTAs by Scope—Asia (cumulative, selected years)



Asian economic integration used to be market oriented. They have become very active in negotiating FTAs in the 21st century. FTAs in Asia has increased dramatically from 55 in 2000, to 278 in 2014 with 119 FTAs in effect, 69 under negotiation and 65 proposed. They have grown more than 10-fold from 17 in 2000 to 200 as of July 2014. To date, ASEAN+6 economies account for 72% of Asia's FTAs

Asian Noodle Bowl



Overview of ROO of “ASEAN+” FTAs

	AFTA	***ACFTA***	***AJCEP***	***AKCEC***	***AIFTA***	***AANZFTA***
CTC	Yes, but not necessary	Yes, but not necessary	Yes	Yes	necessary	Yes, but not necessary
RVC Ratio	40%	40%	40%	60-40%	40-35%	40-35%
SP	Chap. 50-63	Chap. 50-63	Chap. 50-63	Not mentioned	Not mentioned	Chap. 50-63
Cumulation	Yes	Yes	Yes	Yes	Yes	Yes
De Minimis	Not mentioned	Not mentioned	7-10%	10%	Not mentioned	10%

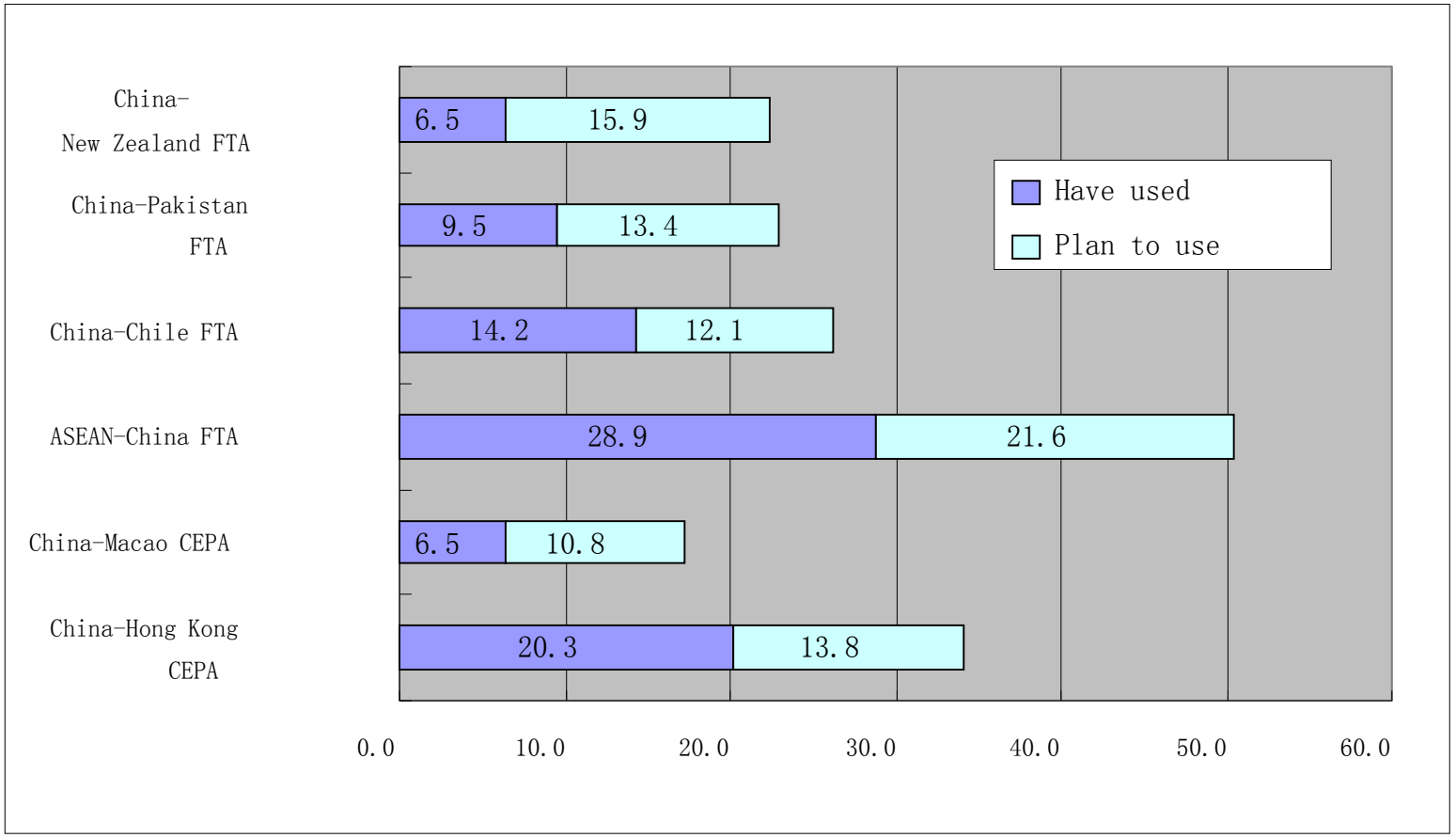
"Spaghetti Bowl" effect

Due to continuous pursuit of FTAs, East Asia is featured with a tangled web of overlapping bilateral and plurilateral trade agreements, often described as the "Spaghetti Bowl" effect (or Asian Noodle Bowl). Noodle Bowl effect usually means that one same commodity is subject to different tariffs, tariff reduction trajectories, and ROOs for obtaining preferences due to the multiple, overlapping FTAs. With a growing number of FTAs, the trading market is likely to become chaotic, and transaction costs increase correspondingly due to cumbersome red tapes and cross-border procedures.

FTA Use for Concluded Agreements in 2009

	Use		Plan to Use	
FTAs in Effect	**Number of firms**	**Share of users, % (n= 226)**	**Number of firms**	**Share of respondents, % (n=226)**
ASEAN-China FTA	67	29.6	50	22.1
China Mainland-Hong Kong CEPA	47	20.8	32	14.2
China-Chile FTA	33	14.6	28	12.4
China-Pakistan FTA	22	9.7	31	13.7
China-NZ FTA	15	6.6	37	16.4
China Mainland -Macao CEPA	15	6.6	25	11.1

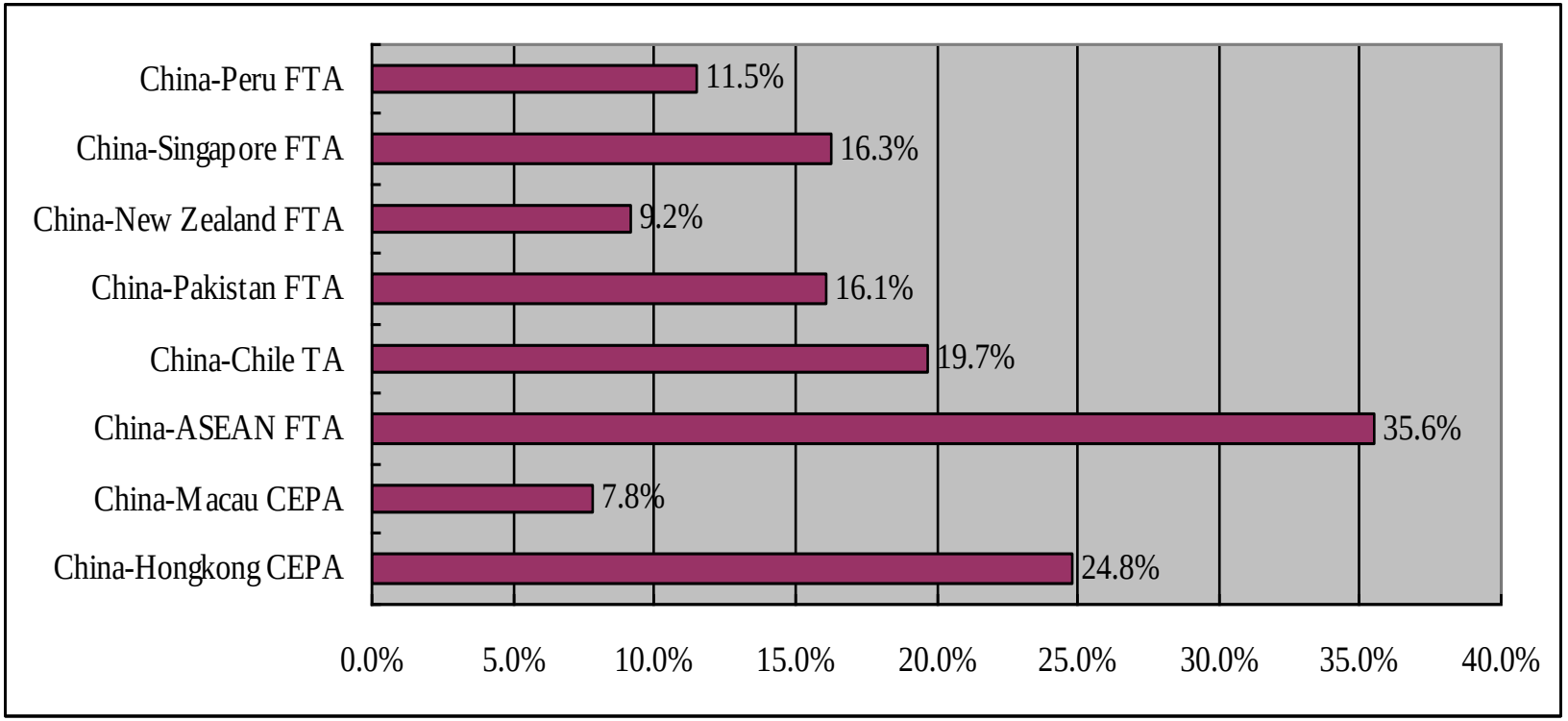
FTA Use for Concluded Agreements in 2009



Reasons for non-use FTAs in 2009

	% of 226 respondents	% of 102 users	% of 124 Non-users
1.Lack of information on FTAs	45.1% (102)	23.5% (24)	62.9% (78)
2.Small margin of preferences	14.2% (32)	14.7% (15)	13.7% (17)
3.Confidentiality of information required in origin forms	10.6% (24)	10.8% (11)	10.5% (13)
4.Time delay and administrative cost of preparing applications for CO	10.6% (24)	5.9% (6)	14.5% (18)
5.Arbitrary classification of product origin by customs agency	5.3% (12)	3.9% (4)	6.5% (8)
6.Using other schemes (EPZ, ITA) that provide for duty-free treatment	8.8% (20)	4.9% (5)	12.1% (15)
7.Export products/inputs used are under sensitive/exclusions list	4.4% (10)	2.0% (2)	6.5% (8)
8.Non-tariff measures in FTA partners (SPS, TBT, and quarantine)	6.2% (14)	7.8% (8)	4.8% (6)

Utilization of the concluded FTAs (%) in 2010



Reasons for non-use FTAs in 2010

(% of 436 respondents)

1. Lack of information on FTAs	38.1%
2. Small margin of preferences	14.0%
3. Confidentiality of information Required in origin forms	20.0%
4. Time delay and administrative cost of preparing applications for CO	9.6%
5. High cost of CO	4.1%
6. Lack of information on CO	18.3%
7. Using other schemes (EPZ, ITA) that provide for duty-free treatment	4.6%
8. Export products/inputs used are under sensitive/exclusions list	5.0%
9. Non-tariff measures in FTA partners (SPS, TBT, and quarantine)	7.3%
10. No trade with FTA countries	25.2%
11. No demand from importers	26.4%
12. Other reasons	16.1%

Differing Origin Administration

Country	System	Issuing Authority	Steps/Time Required			Actual Cost
			Factory Registration/ Inspection	Cost Statements Submission & Verification	Certificate of Origin Approval	
Japan	Paper-based	Chamber of Commerce and Industry	5–7 days	0–3 days	0–3 days	JPY12,000+30 for Japan-Malaysia and Japan Thailand; JPY2,100+30 for Japan-Mexico EPA
Singapore	Electronic Data Interchange (EDI)/ Trade Net System	Customs	At least 7 days (for exporter's registration only)	At least 7 days prior to CO application	5–10 minutes	S$6.40 online or S$10 manual processing; S$3.30 export permit
Korea	Electronic	Self-declaration system and Chamber of Commerce	…	…	…	US$4 processing fee for CO form
Thailand	Paper-based	Dept of Foreign Trade, Ministry of Commerce	N/A	0–3 days	1 day	B30 inspection fee, 200B exporter ID, B30 for Form D or FTA forms
Philippines	Paper-based	Customs; One-Stop Export Documentation Center (OSEDC)	N/A	3 days (through forwarders); Post-audit/ inspection	1–2 hours	P185 processing fee and doc stamps; P form through OSEDC, P1,150 through freight forwarders

Origin administration differs significantly across East Asian countries, with some countries relying on efficient electronic systems administered by private sector bodies and others on cumbersome paper-based systems administered by public institutions.

Recommendations

- To better liberalize and facilitate trade in the Asia Pacific, Priority needs to be given to awareness of FTAAP provisions—including phasing out of tariff schedules, margins of preference at product level, and administrative procedures for ROOs.
- Widespread gains are possible from pursuing a simplified approach to ROOs, including harmonized ROOs, co-equality of rules, and cumulation of value contents. In fact, Around half the respondent firms perceive benefits from harmonized ROOs and adoption of co-equal rules. Alternative coequal rules have already been incorporated into ASEAN FTAs (particularly AFTA); AFTA recently allowed a comprehensive listing of co-equal product specific rules. The benefits from co-equal ROOs could be increased significantly with rationalized cumulation policies.
- Weaknesses in ROO administration (including delays in issuing origin certificates) were highlighted as an impediment to FTA use. Good practices in ROO administration should be disseminated to reduce transactions costs. These may include introduction of a “trusted trader program,” as is done with NAFTA, for example, that would allow successful applicants to self-certificates of origin.
- To this end, Alternative coequal rules and self-certificates of origin are recommended to be incorporated in the FTAAP.

Thank you！

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