

Multilateralizing Asian Regionalism

Richard Baldwin (Professor, HEID)

and

Masahiro Kawai (Dean, ADBI)

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Outline

- **Introduction**
- **Overview and State of Play**
- **Ongoing Multilateralization Efforts**
- **Options for the Future**

Overview and State of the Play

The special nature of intra-Asian trade and tariffs

- Trade patterns and tariff structure (Table 1, Table 2)
- Triangle trade (Table 3)
- Manufacturing vs. agricultural interests

Trade patterns and tariff structure

Two well-known facts condition solutions:

- East Asian nations heavily reliant on export of manufactured goods
 - Imports too, but less
- Triangle trade
 - Intra-regional heavily in parts&components.

Table 2: Aggregated Trade Policy Indicators

	MFN duty free imports (%)		MFN tariffs						Tariff binding coverage (%)
	Non-agricultural goods	Agricultural goods	All goods		Non-agricultural goods		Agricultural goods		
			Bound	Applied	Bound	Applied	Bound	Applied	
Japan	81	45	5	5	2	3	23	22	100
Indonesia	63	43	37	7	36	7	47	9	97
Malaysia	79	76	25	8	15	8	76	12	84
Korea, Rep. of	36	6	17	12	10	7	59	49	95
Philippines	36	0	26	6	23	6	35	10	67
Thailand	56	15	28	10	26	8	40	22	75
Viet Nam	34	32	11	17	10	16	19	24	100
China	44	8	10	10	9	9	16	16	100
India	10	7	50	15	36	12	114	34	74

Source: WTO Trade Profiles, downloaded August 2008.

Overview and State of the Play

- (Professor Zhang Yunling's presentation)

The Asian “noodle bowl”: overlapping rules of origin

- Varying rules of origin in FTAs: selected products (Table 5)
- Low margins of preference and utilization rates so far (Table 6)
- Rules of origin complexity
- Results from firm surveys

**Table 5: Varying Rules of Origin in FTAs:
Selected Products**

Product (HS Code)	AFTA	ASEAN- Korea FTA	ASEAN- China FTA	Japan- Thailand EPA	Japan- Malaysia EPA
Motor vehicles for transport of persons, except buses (87.03)	40% RVC	45% RVC	40% RVC	40% RVC or CTC	60% RVC or CTC
Motor vehicles for the transport of goods (87.04)	40% RVC	45% RVC	40% RVC	40% RVC or CTC	50% RVC or CTC
Parts and accessories for motor vehicles (87.08)	40% RVC	45% RVC	40% RVC	40% RVC or CTC	40% RVC or CTC
Motor cycles, bicycles, etc., with auxiliary motor (87.11)	40% RVC	45% RVC or CTC (4 digits)	40% RVC	40% RVC or CTC	60% RVC or CTC

Notes: RVC= Regional Value Content; CTC= Change in Tariff Classifications.

Source: Adapted from Kawai and Wignaraja (2008).

**Table 6: Intra-East Asian Preference Margins
vis-à-vis North America, 2002**

Sector & tariff averages:	East Asia	North America	Preference Margin
General machinery (HS 84)	1.5	1.9	0.4
Electrical machinery (HS 85)	1.4	1.5	0.1

Ongoing Multilateralization Efforts

Efforts without strong leaders

- Lack of a hegemon in East Asia
- Lack of a bi-polar alliance
- Emergence of ASEAN as the regional “hub”

Ongoing Multilateralization Efforts

National efforts

- Unilateral applied MFN tariff cutting.

ASEAN, APEC and ASEAN+ efforts

- ASEAN Economic Community
- APEC's open regionalism
- ASEAN+1 processes

Cumulation of ROO content requirements

- ROO cumulation provisions in ASEAN+1 FTAs
- “Co-equal” ROOs.

Options for the Future

Extending ASEAN+ solutions

- Case for an ASEAN+3 FTA or an ASEAN+6 FTA
- Strategies towards an ASEAN+3 (or +6) FTA

Connecting East Asia with the US and the EU

- The EU and East Asia
- The US and East Asia

Options for the Future

Ideas for multilateralizing regionalism: What might work for East Asia?

- Asian “Transparency Mechanism” on FTAs
- Best-practice FTA templates
- Helping least developed Asian countries with regionalism’s challenge
- Harmonizing ROOs
- Third party MFN clauses
- Unilateral liberalization
- An Asia-led ITA-like for industrial goods

Concluding Remarks

- “Factory Asia” needs harmony in East Asian regionalism, and an outward-looking trade regime
 - Future problems as preferential tariffs to zero in most sectors
- ASEAN as a “hub” for multilateralizing Asia’s trade arrangements:
 - consolidation of the Asian “noodle bowl” into an ASEAN +3 (or +6) FTA and connecting it with the EU & US
- Things to be done in the immediate future: a dialogue forum for Asian trade issues
 - Allow biz opinions to coalesce at regional level.
 - Give diverse collection of ongoing effort a conceptual backbone that has a national-level political profile.
 - ASEAN exists as convener of regional trade talks.

Thank you

Richard Baldwin

Richard.Baldwin@graduateinstitute.ch

and

Masahiro Kawai

mkawai@adbi.org