

## New Free Trade Agreements in the Asia-Pacific

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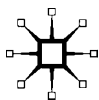
THE EUROPEAN ECONOMY: The Global Context

# New Free Trade Agreements in the Asia-Pacific

Christopher M. Dent

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*To Thomas and Joel.  
Thanks for entertaining me along the way.*

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# List of Abbreviations

ACFTA	ASEAN–China Free Trade Agreement
ACTU	Australian Confederation of Trade Unions
AFL-CIO	American Federation of Labor–Congress of Industrial Organisations
AFTA	ASEAN Free Trade Area
ANZCER	Australia–New Zealand Closer Economic Relations
ANZSCEP	Agreement on a New Zealand–Singapore Closer Economic Partnership
APEC	Asia-Pacific Economic Co-operation forum
APT	ASEAN Plus Three
ASA	American Sugar Alliance
ASEAN	Association of Southeast Asian Nations
ASEM	Asia-Europe Meeting
AUSFTA	Australia–United States Free Trade Agreement
AWB	Australia’s Wheat Board
BAFTA	Baltic Free Trade Area
BIMSTEC	Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Co-operation
BIT	bilateral investment treaty
BOFT	Bureau of Foreign Trade
CACM	Central America Common Market
CAFTA	US–CACM FTA
CAP	Common Agricultural Policy
CARICOM	Caribbean Community and Common Market
CCFTA	Chile–China Free Trade Agreement
CEFTA	Central Europe Free Trade Area
CEPA	Closer Economic Partnership Arrangement
CEPT	Common Effective Preferential Tariff
CER	Closer Economic Relations
CGE	computable general equilibrium
CIE	Centre for International Economics
CIS	Commonwealth of Independent States
CISFTA	Commonwealth of Independent States Free Trade Area
CITIES	Convention on International Trade in Endangered Species
CLMV	Cambodia, Laos, Myanmar and Vietnam
CMI	Chiang Mai Initiative
CRTA	Committee on Regional Trade Agreements (of WTO)
CTC	change in tariff classification
DDR	Doha Development Round

DFAT	Department of Foreign Affairs and Trade (Australia)
DSB	Disputes Settlement Body
EAI	Enterprise for ASEAN Initiative
EAS	East Asia Summit
EC	European Community
ECA	Economic Complementary Agreement
EEA	European Economic Area
EEC	European Economic Community
EFTA	European Free Trade Area
EHP	Early Harvest Programme
EPA	Economic Partnership Agreement
ESCAP	Economic and Social Commission for Asia and the Pacific
ESRC	Economic and Social Research Council
EU	European Union
EVSL	Early Voluntary Sectoral Liberalisation scheme
FDI	foreign direct investment
FFNZ	Federated Farmers of New Zealand
FKI	Federation of Korean Industries
FKTU	Federation of Korean Trade Unions
FTA	free trade agreement
FTAA	Free Trade Area of the Americas
FTAAP	Free Trade Area of the Asia-Pacific
GAO	General Accounting Office
GATS	General Agreement on Trade in Services
GATT	General Agreement on Tariffs and Trade
GCC	Gulf Co-operation Council
GDP	gross domestic product
GKU	Green Korea United
GLC	Government Linked Company (Singapore)
HKCCEPA	Hong Kong–China Closer Economic Partnership Agreement
HRD	human resource development
HST	Harmonised System of Tariffs
IAPs	Individual Action Plans
ICT	information and communication technology
IMF	International Monetary Fund
IMSGT	Indonesia-Malaysia-Singapore Growth Triangle
IPR	intellectual property rights
ISI	Integrated Sourcing Initiative
ITA	Information Technology Agreement
ITC	International Trade Commission
JACEP	Japan–ASEAN Comprehensive Economic Partnership
JETRO	(Japan)
JKFTA	Japan–Korea Free Trade Agreement project
JMEPA	Japan–Malaysia Economic Partnership Agreement

JMFTA	Japan–Mexico Free Trade Agreement
JSCOT	Joint Standing Committee on Treaties
JSEPA	Japan–Singapore Economic Partnership Agreement
JTEPA	Japan–Thailand Economic Partnership Agreement
KBE	knowledge-based economy
KCFTA	Korea–Chile Free Trade Agreement
KFGA	Korean Farmers Group Association
KIEP	Korea Institute for International Economic Policy
KITA	Korea International Trade Association
KSFTA	Korea–Singapore Free Trade Agreement
LAIA	Latin American Integration Association
LDP	Liberal Democratic Party
MAFF	Ministry of Agriculture, Forestry and Fisheries (Japan)
MAS	Monetary Authority of Singapore
MCCEPA	Macao–China Closer Economic Partnership Agreement
METI	Ministry of Economy, Trade and Industry (Japan)
MFA	Ministry of Foreign Affairs (Singapore, Taiwan, Thailand)
MFAT	Ministry of Foreign Affairs and Trade (New Zealand)
MFN	Most Favoured Nation
MITI	Ministry of International Trade and Industry (Japan)
MNE	multinational enterprise
MOC	Ministry of Commerce
MOEA	Ministry of Economic Affairs (Taiwan)
MOFA	Ministry of Foreign Affairs (Japan, Taiwan)
MOFAT	Ministry of Foreign Affairs and Trade (South Korea)
MOFE	Ministry of Finance and Economy (South Korea)
MTI	Ministry of Trade and Industry (Singapore)
NAFTA	North American Free Trade Agreement
NCBA	National Cattlemen’s Beef Association
NFF	National Federation of Farmers
NGO	non-governmental organisation
NGR	Negotiating Group on Rules (of WTO)
NIE	newly industrialised economy
NRT	new regionalism theory
OECD	Organisation for Economic Co-operation and Development
OP	outward processing
P3FTA	Pacific-3 Free Trade Agreement
PACER	Pacific Agreement on Closer Economic Relations
PBS	Pharmaceuticals Benefits Scheme
PECC	Pacific Economic Co-operation Council
PESC	Pan-European System of Cumulation
PICTA	Pacific Island Countries Trade Agreement
PRC	People’s Republic of China
PRoO	preferential rules of origin

RoO	rules of origin
RTA	regional trade agreement
RVC	regional value content
SAARC	South Asian Association for Regional Co-operation
SACU	South African Customs Union
SADC	South African Development Community
SAFTA	Singapore–Australia Free Trade Agreement
SAPTA	South Asian Preferential Trade Arrangement
SAR	Special Administrative Region
SAT	substantially all trade
SECA	Strategic Economic Complementation Agreement
SEC	Singapore Environment Council
SECOFI	Ministry of Commerce and Industrial Development
SME	small and medium-sized enterprise
SPARTECA	South Pacific Regional Trade and Economic Agreement
SPS	sanitary and phytosanitary measures
TAFTA	Thailand–Australia Free Trade Agreement
TCF	textiles, clothing and footwear
TIFA	trade and investment framework agreement
TNZCEP	Thailand–New Zealand Closer Economic Partnership
TPA	Trade Promotion Authority
TPFTA	Taiwan–Panama Free Trade Agreement
TPSEPA	Trans-Pacific Strategic Economic Partnership Agreement
TRIPS	trade-related aspects of intellectual property rights
USCFTA	United States–Chile Free Trade Agreement
USSFTA	United States–Singapore Free Trade Agreement
USTR	United States Trade Representative
VC	value content
WTO	World Trade Organisation

# Preface

This book is the culmination of over four years research into arguably the most important recent development in the Asia-Pacific's international political economy, namely the rapid proliferation of bilateral free trade agreement (FTA) projects within the region. I have tried to make as comprehensive a study as possible but have been particularly interested in how this new trade bilateralism could be an evolutionary step toward building a stronger regional community in East Asia and the Asia-Pacific, and therein make an important contribution to the development of international society generally. At first, I was optimistic that the emergence of stronger bilateral economic links amongst East Asian and Asia-Pacific states would help construct what I refer to as 'lattice regionalism', which draws upon the analogy of bilateral FTAs forming a latticed framework on which a broader regional community-building process could be founded. However, my initial optimism gave way to increasing concern the more I researched into the subject. Rather than make a positive contribution to regional community-building in the Asia-Pacific, this study concludes that intensifying bilateral FTA activity is more likely to have the opposite effect. In sum, the new bilateral FTA trend appears to be undermining the coherence and viability of existing regional organisations, and has the potential to significantly intensify inter-state rivalries, reinforce power asymmetries and exacerbate the development divide in the region.

The book is structured as follows. Chapter 1 provides a general overview of the new FTA trend in the Asia-Pacific, placing it in a global context and looking at the core determinants behind the trend, as well as discussing the main hindrances facing the development of Asia-Pacific free trade agreement projects. Chapter 2 then examines the FTA policies of the various Asia-Pacific countries in which field-research was conducted by the author (see below). This is followed by Chapter 3's case studies on eight high-profile FTA projects in the Asia-Pacific. Chapter 4 then presents the main conclusions and arguments of the book's study within an analytical framework devised to test the lattice regionalism hypothesis.

I am very grateful to the Economic and Social Research Council (ESRC), which awarded a research grant (award number R000 223 715) to help develop this book project. The ESRC grant funded a number of field-research trips across the Asia-Pacific region (to Australia, Japan, New Zealand, Singapore, South Korea, Taiwan, Thailand and the United States) and also to the WTO community at Geneva, Switzerland. In total, 175 research interviewees from 144 agencies took part in field-research for this study. I would like to thank all the research interviewees who kindly participated in this

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