



ITS Global

Consultants on Global Issues

ASEAN+3 Trade Reporter

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ASEAN+3 Trade Reporter is a monthly round-up of trade developments in the Southeast Asia and East Asian regions. It is published by ITS Global, Australia's leading consultancy on international trade and environmental policy developments in the Asia-Pacific region. Alan Oxley is the Principal of ITS Global. He is a former Ambassador of Australia to the GATT (predecessor to WTO) and is Chairman of the Australian APEC Study Centre at RMIT University. Further information on ITS Global activities and current projects is available at www.itsglobal.net.

Latest Issues

ASEAN and China seal world's largest trade agreement
Renewed EU engagement in Asia
EU Trade Commissioner designate rejects use of "carbon tariffs"

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Commentary by ITS Global

ASEAN and China seal world's largest trade agreement

China and ASEAN launched their regional trade agreement in January; the world's largest in terms of combined population (1.9 billion). It is the third largest by trade value (about US\$192 billion) after the EU and NAFTA.

While exports to traditional trading partners such as the US and EU have fallen post the financial crisis, trade with ASEAN countries has surged. China has now replaced the US as ASEAN's third largest trading partner, after the EU and Japan.

Implementation of the ASEAN/China Free Trade Area (ACFTA) coincides with the launch of the ASEAN/Australia/New Zealand FTA, recent moves by ASEAN to advance its own internal economic integration and the increasing importance of ASEAN/China trade and investment.

ACFTA should better position ASEAN to benefit from China's growth in the long term and support regional integration. There are suggestions it could be expanded to include membership of other key Asian economies, such as Japan and Korea. While this is unlikely in the short term, it does raise issues as to how ACFTA may be reconciled with the proposed Trans Pacific Partnership Agreement.

Renewed EU engagement in Asia

The EU is now moving to strengthen economic ties with South East Asian nations, announcing in December that it would launch FTA negotiations with individual ASEAN countries beginning with Singapore. This follows the breakdown of talks on a regional pact which began in 2007.

EU engagement in Asia has been encouraged by a need to strengthen economic ties with the world's fastest growing region. It has also been prompted by competitiveness concerns arising from commercial advantages enjoyed by US and Asian Pacific nations under various FTAs which exclude the EU.

"ASEM", Europe's effort to match APEC, failed because the EU insisted on raising

human rights issues. The EU is also trying to persuade Indonesia and Malaysia to enter agreements to ban imports of illegally logged timber, in the process ignoring WTO obligations. If the EU tries to include such measures in bilateral agreements with developing ASEAN economies it will run into the same brick wall which stalled ASEM.

EU Trade Commissioner designate rejects use of “carbon tariffs”

The EU Trade Commissioner designate, Karel De Gucht, rejected calls by European industry and green NGOs to impose a carbon tariffs on importers (that fail to meet certain greenhouse gas emissions standards) during his confirmation hearing in the European Parliament. He stated that he was “not in favour” of the approach as it could lead to trade wars with major trading partners.

That may sound refreshing for those, like Australia, who are firm that border adjustment measures are not the best way to address climate change concerns. However the EU is committed to instituting climate change trade barriers with bogus technical standards, such as the carbon saving rating, with which it plans to restrict imports of biofuels from developing countries, and give protected access to the market for more expensive biofuels produced in Europe.

Global Developments

EU Trade Commissioner to build China/US ties, dismisses “carbon tariffs”

[Press Release](#), Europa, 12 January 2010

Karel de Gucht, incoming European Commissioner for Trade, spoke during a confirmation hearing about his priorities for EU trade in 2010. Developing stronger ties with both the United States and China was identified. De Gucht also said that he disagreed with French President Nicolas Sarkozy’s idea of a “border adjustment tax” for carbon emitting countries, fearing trade wars with major partners. Also see: [EU trade nominee warns on carbon tax](#), Financial Times, 12 January.

Global investment falls in 2009

[Publication](#), UNCTAD, 19 January 2010

The United Nations Conference on Trade and Development (UNCTAD) reports that global investment fell on average by 39% last year as a consequence of the GFC. Some developing nations such as Brazil and Russia were hit particularly hard. Despite a likely modest improvement in 2010, the loss in investment will have long lasting effects.

ASEAN

Viet Nam assumes ASEAN Chair for 2010

[Press release](#), ASEAN Secretariat, 1 January 2010

Viet Nam is the 2010 chair for ASEAN and has already begun preparations for their priority functions. Viet Nam will also assume the Chair of the Committee of Permanent Representatives. The theme for the chairmanship is “Towards the ASEAN Community: From Vision to Action”.

ADB: Asia should shift toward intra-regional trade

[Report](#), ADB, January 2010

In a report on the GFC and Asian Trade, the Asian Development Bank (ADB) has suggested that Asian nations reduce their trade dependence on the US and the EU. The ADB notes benefits arising from greater intra-regional trade, with an emphasis on financial reforms, physical logistical integration, currency flexibility and regulatory oversight. Particular focus should be given to Central Asia, which lags behind in its connectivity with the rest of the region.

ASEAN/China FTA to boost palm oil sales

[Article](#), MOFCOM, 6 January

1 January 2010 saw the introduction of the China-ASEAN FTA, encompassing a

population of 1.9 billion and a combined GDP of almost 6 trillion U.S. dollars. Barriers to goods, services and investment are set to fall under the agreement. One of the already identified benefits is that [Palm Oil sales](#) from Malaysia to China are set to increase. Palm Oil is a major source of income for Malaysia with exports worth over \$9billion dollars in 2007. Malaysia exported 4.03 million tonnes into China in 2009, which is expected to reach 4.5 million tonnes in 2010, taking over 60% of China's palm oil market.

Thailand trade picks up, Taiwan's exports surge

[Article](#), Bangkok Post, 20 January 2010

Thailand's exports for December reached 14.63 billion. Exports contracted 14% for the year overall which was less than expected. This was largely helped by a 23.6% increase in international [auto](#) export sales. Also, according to [Taiwan's](#) Ministry of Economic affairs, exports rose 37% compared to a year earlier to reach \$31.26billion for the month of November. Exports to China and Hong Kong combined rose by over 70% and are expected to increase further next year.

WTO Developments

WTO report on Trade and Logistics supports case to open trade.

[Report](#), WTO, January 2010

The WTO has released a report ranking countries according to their logistical capabilities in trade using a Logistics Performance Index (LPI). It focuses on measures such as the cost of transport and timing of delivery for goods. The countries ranked as having the best trade logistics were Germany and Singapore. The best performers were countries more open to trade. Land locked and marginalised developing nations were ranked lower on the index.

USTR releases report on China's WTO compliance

[Report](#), USTR, January 2010.

The United States Trade Representative (USTR) has released its annual report for Congress on the status of China's compliance with WTO rules. It states that despite significant progress being made since accession, China still has many issues to resolve domestically in transitioning from a centrally planned to a free market economy.

Trade Agreements

Launch of the AANZFTA

[Press Release](#), ASEAN, 12 January 2010

The ASEAN-Australia-New Zealand FTA entered into force on 1 January 2010. It is the most comprehensive agreement signed by ASEAN, including liberalisation of goods, services and investment. The combined Australian, New Zealand and ASEAN region encompasses a population of 600 million and a combined GDP over US\$2.7 trillion. Reductions in tariffs began for eight of the twelve members on 1 January, with zero tariff status set to be achieved by 2015.

India and Malaysia fast-track FTA talks

[Article](#), Sindh Today, 20 January 2010

India and Malaysia have outlined their plans to fast track FTA talks. The two nations are seeking to expand economic relations, particularly in areas of education, energy and infrastructure. This was reached by the nations' foreign ministers after a 5 day visit from Malaysian Prime Minister Mohammed Najib Tun Abdul Razak to India. Several other agreements were signed dealing with education and foreign investment.

Asia-Pacific

US-China Trade Disputes set to continue

[Article](#), ICTSD, 13 January

While several WTO disputes between China and the US have now been settled, new ones have emerged. The WTO will investigate the US tariffs on tyre imports from China and Chinese export subsidies on raw materials. There is speculation that the US could mount a WTO case over China's censorship laws, following the announcement by Google of its intention to exit the China market. For an updated list of disputes click [here](#)

Investment a new priority in China

[Article](#), Wall Street Journal, 17 December

Investment into China increased for the fourth consecutive month in November. FDI was \$7.02billion, up 32% on the previous year. This is largely due to China's continuing economic growth in comparison to western nations as well as recent economic reforms. For example In December the Chinese Government introduced [legislation](#) enabling the establishment of Foreign Invested Partnerships (FIP) between Chinese and foreign companies.

China favours indigenous technologies in Government Procurement

[Article](#), Wall Street Journal, 15 December 2009

China has recently proposed the introduction of legislation to encourage government procurement of local technologies. The legislation creates an accreditation program, which gives "preferences" to products containing domestic intellectual property. Several international business industries and lobby groups have written to the Government, saying that the accreditation requirements are overly onerous and protectionist. They also suggest that it will harm their chances of being privy to a government contract.

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