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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](http://www.itsglobal.net).**

### Latest Issues

#### Changing Directions in Economic Growth in Asia

#### Taiwan/China Economic Framework Agreement energises new FTA activity

#### Topics (links)

[Global Developments](#)

[Asia-Pacific](#)

[Trade agreements](#)

### Commentary by ITS Global

#### Changing Directions in Economic Growth in Asia

As growth and exports rebound spectacularly in some economies, such as Singapore and South Korea, some interesting trends indicate key factors that Governments in the region should watch.

There are trends in China with contrary impacts. Growth is winding back as the domestic stimulus is foreshadowing some worrying drivers of inflation, particularly increased capital expenditure by SOEs and Provincial Governments. On the other hand labor costs are rising, leading to some redirection of investment outside China.

Not everyone will benefit. There has been a worrying fall in foreign investment in Malaysia. Malaysia's control on foreign investment approvals is likely to have contributed in making other destinations more attractive.

The stability created by the Yudhoyono Government has encouraged more investment in Indonesia, but controls there will also hinder new investment. The negative reaction by business to the ASEAN/China FTA sends the wrong messages to foreign investors, as does the Government's commitment to the largest cut in greenhouse gas emissions of any industrialized economy. That can only be achieved by reducing growth.

Implementing the reforms, particularly in services and investment, which are foreshadowed in the latest iterations of the ASEAN Agreements on Trade and Investment and the ASEAN Economic Blueprint to achieve regional economic integration is strategically more important than ever for laying a foundation for continuing growth in ASEAN as the global economy re-adjusts. Talk of a double dip in growth raises the prospect of a prolonged slump in Europe and the US.

#### Taiwan/China Economic Framework Agreement energises new FTA activity

The Economic Framework Agreement between Taiwan and China is very significant. It includes interim agreements to reduce trade barriers. More important, however, is the commitment to begin negotiation within six month of Free Trade Agreement covering Services and Investment as well as Trade in Goods. China has been slow to accept the idea of comprehensive agreements to liberalize trade and investment.

The Agreement recognizes the economic benefit to both sides of an FTA. Forty percent of China's export industries are operated by Taiwanese-based companies.

The fact both China and Taiwan are members of the WTO makes negotiation of an agreement relatively straightforward if the will is there. Both can apply templates for commitments which both accept in the WTO on Services and Goods.

The breakthrough has generated interest in FTAs with Taiwan in Singapore and New Zealand. Other economies in the region will be interested in well. Taiwan is a major trade and investment partner for many other Asian economies.

## **Global Developments**

### **Global FDI is on the way to recovery**

[News Release](#), APEC, 23 July

UNCTAD has released its World Investment Report for 2010. The report indicates that foreign direct investments (FDI) to and from developed countries has fallen by more than 40 per cent in 2009. However the report also shows the decline was not as drastic as during previous recession in 2000-2003. FDI to the developed countries was four times higher at the beginning of 2010, compared to the same period in 2009. The full 'World Investment Report' 2010 can be viewed [here](#).

## **Asia-Pacific**

### **Bilateral trade between China and ASEAN is on the rise**

[Press Release](#), MOFCOM, 27 July

According to MOFCOM, bilateral trade between China and ASEAN economies has grown by 55 per cent, since the beginning of this year. This amounted to \$136.5 billion US – an increase of 11 per cent compared to the same period last year. China's imports have grown by 64 per cent, while exports are up by 45 per cent. ASEAN has reportedly become the fourth trade partner of China.

### **Australia records its third largest surplus on record**

[Press Release](#), Australian Minister for Foreign Affairs and Trade, 6 July

Australia recorded a trade surplus of \$1.6 billion in May. Export levels have increased by six per cent, despite global economic uncertainty. Increased exports were noted among resource and rural sectors. Gold export rose by \$772 million, coal exports increased by \$329 million, cereal exports jumped by 27 per cent, and other rural produce increased by 11 per cent. Imports also increased by 4 per cent to \$23.1 billion.

### **US urge China to meet trade commitments**

[News Report](#), Reuters, 15 July

United States trade authorities have urged the Chinese Government to provide greater market access and follow through with its WTO commitments. According to USTR, bilateral relations are being strained by Chinese policies that discriminate against

foreign trade. China has [reportedly](#) eased the Yuan from the peg in late June, but US dollar appreciated by only 0.70 per cent since the removal of the peg.

#### **China tables GPA offer**

[News Report](#), Global Times, 20 July

The first offer tabled by Chinese Authorities to the WTO Government Procurement Committee (GPA) has been welcomed by the US. GPA regulates trade in public sector purchases and can open Chinese Government contracts to foreign bidders. The Chinese Government procurement market is reportedly worth \$100 billion US dollars.

#### **MOFCOM Statement on Duty Exemption on Imports**

[Press Release](#), MOFCOM, 1 July

China has granted tariff exemptions on imports from 26 least developed countries. The new regulation will support the developing countries by allowing 4,762 product types to be imported duty free. The zero tariff policy came into force on 1 July. See also: MOFCOM Statement on Duty Exemption on Imports from the Least Developed Countries of Africa.

### **Trade Agreements**

#### **Obama announces his commitment on the US - South Korea FTA**

[News Report](#), Reuters, 26 June

At the recently concluded G20 Summit, US President Barack Obama announced intentions to ratify trade negotiations between the USA and South Korea by the next G20 Summit in November 2010. The trade agreement was concluded three years ago, but is yet to pass through US Congress. Several issues remain unclear, including Korean restrictions on beef and auto imports. The US and Korean parties reportedly plan on meeting to discuss further remaining obstacles before November. See also: [Analysts: Obama's Pledge on US-Korea Trade Agreement Is Significant](#).

#### **Korea-China FTA Talk**

[News Report](#), Chosun, 1 July

The Chinese Government announced that China and the Republic of Korea will start trade negotiations at the beginning of the next year.

#### **EU-India FTA can create 2.5 million jobs in India**

[News Report](#), SMETimes, 13 July

Garment exports from India dropped 2.64 per cent to 10.64 billion dollars in 2009-10, compared to 10.93 billion dollars in the previous financial year, according to the latest data released by the Apparel Export Promotion Council (AEP). Rita Menon of the AEP expressed her hopes for a successful EU - India Free Trade Agreement during the recent 45th India International Garment Fair (IIGF). Ms Menon also urged the Indian Government to work towards a faster implementation of the FTA. The FTA will reportedly assist India's textiles and clothing exports to the European Union to increase by over 3 billion dollars. The FTA is also expected to help create an additional 2.5 million jobs in the Indian economy. See also: [Trade pact can generate 2.5 million jobs in India](#).

#### **EU extends ASEAN FTA reach**

[News Report](#), Vietnam Business News, 13 July

Vietnam and the European Union completed the 8th round of negotiations for the comprehensive Partnership Cooperation Agreement (PCA) in Hanoi on 6 July. The parties plan to sign the agreement in October this year.

After 18 months of [negotiations](#) a PCA agreement was also initiated between the EU

and Philippines. Among the issues the parties plan to discuss are trade and investment.

Trade agreement between the EU and Singapore could [reportedly](#) be signed as early as next year. According to EU Ambassador Holger Standertskjold, the March negotiations were on track, and the next round is scheduled for September. Currently the European Union contributes 11.6 per cent of Singapore's total trade and is Singapore's top trading partner..

Free trade negotiations are to be also resumed between [Malaysian and EU parties](#), according to the Malaysian media.

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