



# ASEAN+3 Trade Reporter

February 2011 Edition

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ASEAN+3 Trade Reporter is a monthly round-up of trade developments in Southeast Asia and East Asian regions, and from around the world. It is published by ITS Global, Australia's leading consultancy on international trade and environmental policy developments in the Asia-Pacific region. Information on ITS Global activities and current projects is available at [www.itsglobal.net](http://www.itsglobal.net)

## Latest Issues

### US trade competitiveness rising

#### Commentary by ITS Global

##### US trade competitiveness rising

While American businesses, struggling to compete with cheap Chinese products, continue to demand anti-dumping and countervailing duties to limit imports (cheered on by unions), higher value-adding US producers, made much more competitive with the falling dollar, are steadily expanding exports. US business complains the trade deficit with China continues to increase. It is. But more importantly, the proportion of US exports to China of imports from China is steadily falling. This is the critical measure. The trade imbalance has started to swing back as economists have always forecast it will.

China's low cost manufacturing is also progressively getting less low cost. Labor costs in the manufacturing areas have been rising and it appears the Chinese authorities will gradually let the Yuan rise.

Manufacturers in the rest of the world beware. US manufacturing will lead the US export recovery. And they will present a very competitive threat in markets where it has not been felt from that quarter for nearly three decades.

## Global Developments

### Global demand drives increase in manufacturing production

1 March, Financial Times, [News Item](#)

An increase in global demand for manufactured goods has seen an increase in US production. According to US Institute of Supply Management, the USA production index rose from 60.8 to 61.4 per cent in February. The increase in production has also seen hiring rates in the sector above 60 per cent. Similarly in [Japan](#), global demand saw machinery production increase by 4.2 per cent in January.

### Asia emerges a dominant player in ICT goods trade

2 February, UNCTAD, [Press Release](#)

Global information and communication technology (ICT) exports represented 12 per cent of world merchandise trade in 2009. According to latest data released by UNCTAD, Asian economies now account for more than two-thirds of that

figure. China and Hong Kong accounted for more than one third of world ICT goods exports in 2009, amounting to US\$498 billion. This is more than four times the amount exported by the US.

## Asia-Pacific

### **Australia and New Zealand lift investment barriers**

17 February, AFR, [News Item](#)

Australia and New Zealand have signed a new agreement to encourage greater cross-border investment. Australian firms will now be able to invest NZ\$477 million (AU\$360 million) in New Zealand without regulatory approval, up from NZ\$100 million previously. The threshold for New Zealand firms investing in Australia was lifted to \$1.0 billion from \$231 million.

### **China becomes world's second-largest economy**

14 February, Financial Times, [News Item](#)

According to latest data, China has overtaken Japan to become the world's second-largest economy in US dollar terms. Japan's nominal GDP was \$5,474 billion in 2010 compared to China's \$5,879 billion. Although 2010 growth in Japan at 3.9 per cent has been its fastest in two decades, it remains far behind the 10.3 per cent growth recorded by China. Faltering demand from the US has hurt Japanese exports, a vital driver of Japan's growth.

### **U.S. releases latest Trade Policy Agenda**

1 March, USTR, [Press Release](#)

The Obama Administration recently delivered to the Congress its [2011 Trade Policy Agenda and 2010 Annual Report](#). By statute, this report must be delivered to Congress by March 1 of each year. The report reviews the Administration's progress on trade issues and outlines future objectives. It discusses initiatives such as the US/South Korea Free Trade Agreement, the Trans-Pacific Partnership negotiations and the WTO Doha Round of negotiations.

### **Japan divided over trade liberalisation**

11 February, The Australian, [News Item](#)

Japanese Prime Minister Naoto Kan is being criticised within his own party over his plans for trade liberalisation under the proposed Trans-Pacific Partnership Free Trade Agreement. Meanwhile, Japan's FTA with Australia still faces difficulties over Japan's market access for agricultural products. However, despite opposition from the agricultural sector in Japan and slow progress in negotiations, the Japanese Trade and Industry Minister has reiterated his confidence that a deal can still be struck. For more information, see [here](#).

### **Australia's fixed carbon price scheme announced**

24 February, AFR, [News Item](#)

Australian Prime Minister Julia Gillard has proposed setting a fixed price on carbon pollution, starting from July 2012, followed by an emissions trading system with a floating price in three to five years' time. Transport, energy and industry will be subject to carbon pricing, but agriculture will be excluded. The price and compensation for industries and consumers are yet to be worked out. The opposition has said it will not support the proposal. It is currently being debated by the Parliament.

### **Australian Unions push for Carbon Tariff**

4 March, AFR, ABC News, [News Item](#)

Unions including the Australian Workers Union (AWU) and the Construction, Forestry, Mining and Energy Union (CFMEU) are pushing for a tariff to be imposed on goods from countries that do not have in place carbon taxes. Labelled 'Border Adjustment' policies by union leaders; they fear that Australian industries will not be able to compete with other countries with lower production costs should Australia impose its own tax on carbon (see related story above). Research performed by Suisse has shown that Australia's tax could cost over 15,000 jobs in the steel industry alone.

### **Indonesia commits to lowering barriers in the ASEAN Economic Community**

12 January, Xinhua News, [News Item](#)

As part of its chairmanship of ASEAN for 2011, Indonesia has committed to lowering the legal barriers which prevent the formation of the ASEAN Economic Community (AEC). The slow pace of ratification by some ASEAN countries of economic integration agreements among themselves has slowed progress towards the AEC. There are also regulatory burdens in ASEAN economies which Indonesia says it will encourage member states to rectify in 2011.

### **China seeks to lower trade surplus**

8 March, Wall Street Journal, [News Item](#)

China's Commerce Minister, Chen Deming, has announced China's plans to stabilise exports, increase imports, and lower the nation's trade surplus. This policy announcement follows the a list of economic goals outlined by Premier Wen Jiabao. Domestic factors such as rising input prices including resources and labour may play a role in decreasing exports. Minister Deming also mentioned the possibility of cutting import tariffs to boost imports. There are no plans to use appreciation of the Yuan.

### **Singapore Exchange Executives visit Australia ahead of Takeover**

8 March, Wall Street Journal, [News Item](#)

Executives from Singapore Exchange Ltd (SGX) are visiting Australia ahead of a formal application to Australia's Foreign Investment Review Board (FIRB) to approve the takeover of the Australian Securities Exchange (ASX). The deal is worth over US\$8 billion, and if approved, will create the 5th largest exchange company worldwide. It will require parliamentary approval to raise existing FIRB FDI limitations, which currently permit only up to 15 percent ownership by a single shareholder in the ASX. The combined corporations will have access to a market worth over US\$1.9 trillion.

### **US takes a hard line on WTO cases against China**

2 February, USTR, [Press Release](#)

The US is pursuing arbitration at the WTO in two cases against China. These cases include China's imposition of antidumping and countervailing duties on imports of grain-oriented flat-rolled electrical steel from the US, and China's discriminatory and restrictive treatment of US suppliers of electronic payment services. So far, consultations have failed to resolve the dispute. The US has now requested the WTO to establish dispute settlement panels. Once established, the panel process is expected to take between 12 and 18 months to complete. For more information, see [here](#) and [here](#).

### **China files complaint over U.S. duties on Chinese shrimp**

1 March, China Daily, [News Item](#)

China has launched a litigation proceeding against the U.S. in the WTO, claiming that the U.S. follows an unfair method of calculating anti-dumping duties on imports of warm water shrimp from China (See [here](#)). Since 2004, Chinese exports of shrimp to the US have been hurt by high tariffs (ranging from 27 to over 82 per cent) which were reduced to between 5 and 8 percent following China's appeal to the U.S. International Trade Commission. The USTR's statement on this issue is available [here](#).

### **Push for stronger anti-dumping laws in Australia**

28 January, AFR, [News Item](#)

Australian independent Senator Nick Xenophon is pushing for legislation to change customs laws in a bid to strengthen measures against import dumping. The legislation to amend the Customs Act will be introduced to Parliament on February 28. Under the proposed changes, unions will be able to make applications and appeals on dumped goods. The proposed Bill will require overseas manufacturers to prove that they are not dumping, reversing the current arrangement where Australian businesses have to bring a complaint to Customs and remedies are applied retrospectively.

## **Trade Agreements**

### **Trans Pacific FTA negotiations make progress**

18 February, USTR, [News Item](#)

The fifth round of negotiations on the Trans-Pacific Partnership (TPP) Agreement was held from Feb. 14-18 in Santiago, Chile. Partner countries made progress in developing the agreement's legal texts, which will spell out the rights and obligations of each member. A draft of the FTA framework may be ready by March when the sixth round of talks is held in Singapore. The Japanese government has announced that it plans to decide by June whether it will join the negotiations.

### **EU-South Korea trade deal ratified**

17 February, BBC, [News Item](#)

The European Parliament has ratified the free trade agreement between EU and South Korea. The deal is expected to come into effect in July. The International Trade Committee of the European Parliament recommended ratification after a compromise on safeguard measures was made. These measures will allow the EU to suspend further reductions in customs duties or increase them to previous levels if surging imports from Korea cause or threaten to cause "serious injury" to EU producers. The EU has also received guarantees from Seoul that the new Korean legislation on car CO2 emission limits will not be detrimental to European carmakers. More information is available [here](#).

### **US, Korea sign revisions to FTA**

10 February, Bloomberg, [News Item](#)

The U.S. and South Korea have signed revisions made in their free trade agreement, including the elimination of auto tariffs by South Korea. The US' demand that Korea ease restrictions on American beef, however was not included. The FTA now requires approval by the U.S. Congress and Korea's National Assembly. US Industry groups have expressed that they would like early ratification of the deal to counter competition from EU exporters following the EU/Korea FTA which is scheduled to take effect on July 1 this year (See [here](#)). According to the USTR, the Obama administration will present the

revised Korea FTA first to lawmakers shortly. The legal texts signed between the two parties are available here.

### **India and Malaysia sign FTA**

24 February, ICTSD, [News Item](#)

India and Malaysia have concluded a free trade deal. The Comprehensive Economic Cooperation Agreement (CECA) was signed on 18 February and is expected to enter into effect on 1 July. The Agreement goes beyond India's goods-only pact with the ASEAN and includes liberalisation commitments in several services sectors. It also provides for temporary labour movement between the two countries, an issue negotiated by Malaysia for the first time.

## **World Trade Organization**

### ***New Disputes***

[DS420](#) - United States of America — Anti-dumping measures on corrosion-resistant carbon steel flat products from Korea (Complainant: Republic of Korea)

For a complete list of the WTO's disputes [click here](#).

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