Free Trade Agreements (FTA) in Asia and the Pacific

Free trade agreements (FTAs) in Asia and the Pacific have proliferated in the past decade. The number of FTAs involving at least one country in the region has grown almost four-fold from 70 in 2002 to 257 in January 2013. This surge in FTAs has been driven by a significant increase in the number of FTAs that have been proposed or are under negotiation. In 2002, about a quarter of the FTAs in the region were in the proposal or negotiation stages; by January 2013, the share of these two categories had increased to almost half of the total. Of the 257 reported FTAs as of January 2013, 132 had been signed, with 109 already in effect. Reflecting a global trend in FTAs, bilateral (rather than plurilateral) FTAs comprise the majority of FTAs in Asia and the Pacific.
Cross-Border Infrastructure

GMS strengthens infrastructure connectivity. At the 18th GMS Ministerial Meeting, ministers identified a preliminary list of projects—mostly basic transport and energy infrastructure—totaling about $9 billion, which will be increased during the finalization of the GMS Regional Investment Framework in the first quarter of 2013. They also suggested that future projects should support an integrated GMS energy sector, starting with power transmission projects in Cambodia, Lao PDR, and Myanmar. Meanwhile, ADB granted a $230 million loan to Cambodia on 17 January to finance six development projects. About $50 million will be used to finance the GMS Corridor Towns Development Project that will help develop economic hubs in Cambodia.

ASEAN+3 tourism ministers highlight progress in air connectivity collaboration. In a joint statement released on 21 January in Lao PDR, tourism ministers from the Association of Southeast Asian Nations (ASEAN)+3 welcomed the conclusion of negotiations on the exchange of 5th freedom air traffic rights between member states and the People’s Republic of China (PRC) under the ASEAN–PRC Air Transport Agreement. The ministers also urged the early conclusion of the ASEAN–Republic of Korea Air Transport Agreement and discussed Japan’s ongoing efforts to expand air connectivity with individual ASEAN countries.

ADB grants loan for regional power transmission in Georgia. ADB approved a $48 million loan on 18 December to help finance a regional power transmission project in Georgia that will construct and rehabilitate power substations to boost Georgia’s ability to export electricity and support the growing regional electricity trade in Central Asia. Modern digital control and protection system will be installed in several existing substations and a new 220-kilovolt substation will be constructed to directly supply electricity to an industrial zone within Georgia and export power to Turkey.

Kazakhstan gets $200 million loan to rehabilitate section of Silk Road. The European Bank for Reconstruction and Development is providing a $196.5 million loan to Kazakhstan to reconstruct and upgrade a 62-kilometer portion of the Silk Road between the town of Shymkent in Kazakhstan and the border with Uzbekistan. The project is part of the upgrading of the Western Europe–Western PRC international transport corridor linking Europe with the PRC and Central Asian countries. The whole corridor project is being financed by several international financial institutions including ADB, Islamic Development Bank, and World Bank.

ADB completes regional customs modernization project. ADB has completed its Regional Customs Modernization and Infrastructure Development Project in Tajikistan, which developed and installed an automated information system in 72 customs ports. ADB provided a $10.7 million loan for the project that helped reduce the import clearance time to 1–2 days in 2011 from 10 days in 2005. It also facilitated trade and improved regional customs cooperation among Central Asian economies.

Cambodia and Thailand implement single visa for foreign visitors. On 27 December, Thailand and Cambodia implemented a single visa agreement, allowing foreign visitors to obtain one visa when visiting both countries. The visa, which can be obtained at embassies of either country, allows visitors from 35 countries to stay up to 60 days in Thailand and an additional 60 days in Cambodia. The agreement comes under the Ayeyawady–Chao Phraya–Mekong Economic Cooperation Strategy (ACMECS) framework.

Trade and Investment

ASEAN and India enhance ties, foresee record trade. Trade between ASEAN and India will reach $100 billion by 2015, India declared during the 2nd India–ASEAN Business Fair 2012 held on 18 December in New Delhi. The trade ministers were urged to diversify the trade basket and develop supply chains to further intra–industry trade. The two partners—together with Australia, the PRC, Japan, Republic of Korea, and New Zealand—form the Regional Comprehensive Economic Partnership, which began negotiations in November last year.

ADB helps South Asia boost intra-regional trade. ADB will provide $48 million to Bangladesh, Bhutan, and Nepal—members of the South Asia Subregional Economic Cooperation (SASEC) Program—to help remove non-tariff barriers that impede trade in the region. The program will help the countries adopt an international customs administration protocol, upgrade existing automated customs management systems, and establish web-based electronic trade portals. Meanwhile, India launched its first online trade information portal on 1 February. The portal, which gives special focus to the South Asian Association for Regional Cooperation (SAARC) and ASEAN, provides tariff data for different products, preferential rates, and details about regional and bilateral trade agreements involving India.
Regional government procurement workshop held for WTO members in Asia. The WTO and the Government of Singapore organized a workshop on the WTO Agreement on Government Procurement 29–31 January in Singapore. Sixty-six participants from 22 WTO member economies in the Asia and Pacific took part in the workshop on national procurement policies and the adoption of best practices.

Malaysia–Australia FTA enters into force. After concluding negotiations on 30 March 2012, the Malaysia–Australia Free Trade Agreement entered into force on 1 January. Effective at the start of the year, Australia eliminated 100% of its import tariffs while Malaysia will progressively reduce or eliminate import tariffs on 99% of its tariff lines by 2020.

Asian nations cooperate, boost bilateral ties. On 17 December, the first round of negotiations for a Japan–Colombia Economic Partnership Agreement took place in Tokyo. On 30 January, Brunei Darussalam and the PRC agreed to strengthen cooperation in trade, among other areas, and upgrade the level of friendship and cooperation between the two countries. The PRC committed to boost ASEAN–PRC relations and to support Brunei Darussalam in hosting the series of East Asian leaders’ meetings and other important events. At the 5th Conference on Viet Nam–Cambodia Border Trade Development Cooperation on 9 January, Cambodian and Vietnamese ministerial representatives agreed to coordinate the development of the border market system, continue building preferential policies and mechanisms for border trade, and provide each other with customs incentives.

The PRC and US kick off plenary session of annual trade talks. The 23rd Session of the PRC–United States (US) Joint Commission on Commerce and Trade (JCCT) was held on 19 December in Washington, DC to deepen bilateral trade and business ties. During the plenary session, leaders called on both sides to advance progress toward a balanced and ever-growing trade and investment relationship.

Money and Finance

Banks in Asia boost monetary links. South East Central Banks (SEACEN) welcomed the Reserve Bank of India as its 19th member effective 1 January 2013. On 4 December, the central banks of Pakistan and the Republic of Korea signed an MOU on Cooperation and Technical Assistance. Cooperation between Korean and UAE banks was strengthened with the signing of an MOU between the Emirates Banks Association and Korea Federation of Banks.

Asian countries strengthen financial cooperation. The Finance Ministry of Viet Nam signed the 2013 Financial Cooperation Plan with the Republic of Korea and a memorandum of understanding (MOU) for financial cooperation 2013 to 2015 with Australia. Viet Nam likewise signed agreements with Japan on public finance and with the Lao People’s Democratic Republic (Lao PDR) on preferential import tax rates. On 10 January, Korea Exchange (KRX) also signed an MOU with Abu Dhabi Securities Exchange (ADX) of UAE on cooperation and the exchange of information.

Currency swaps signed, expanded. On 4 December, the Bank of Japan and the Reserve Bank of India signed a new 3-year yen–rupee Bilateral Swap Agreement (BSA). The agreement, originally signed in June 2008, was expanded from $3 billion to $15 billion. On the same day, the CNY360 billion (KRW64 trillion or $59 billion) yuan–won currency swap between the PRC and Republic of Korea was expanded to finance a trade settlement facility.

ASEAN promotes development of equity markets. On 10 January, the Stock Exchange of Thailand (SET) signed an MOU with the Central Bank of Myanmar for the development of the Myanmar Stock Exchange and to promote capital market business opportunities. On 25 December, SET and Lao Securities Exchange (LSX) extended their long-term cooperation until 2014. The extended MOU emphasizes long-term collaboration between the two exchanges, further deepening the close relationship between the exchanges and the financial service industries in both countries. Also in December, the ASEAN Exchanges launched Invest ASEAN 2013, a roadmap to educate retail investors on opportunities in the seven stock markets in ASEAN.

Regional Public Goods

ASEAN launches back-to-back disaster risk reduction systems. The ASEAN Coordinating Centre for Humanitarian assistance on disaster management (AHA Centre) launched a Disaster Emergency Logistic System for ASEAN last 7 December in Subang, Malaysia. “Building a Well Prepared Southeast Asian Region: Present and Beyond” was established to deliver efficient and immediate responses to medium- and large-scale disasters. The 21st meeting of representatives of the ASEAN Committee on Disaster Management held on 10 January in Chiang Mai, Thailand marked the launch of the Disaster Monitoring and Response System (DMRS). Through the collaboration of the Pacific Disaster Center (PDC) and the ASEAN Committee on Disaster Management (ACDM), the system enhances advanced
disaster monitoring, warning, modeling, evidence-based decision-making, and trans-border cooperation capabilities in the region. Secretariat of the Pacific Regional Environment Programme (SPREP) releases climate change outlook. The Pacific Environment and Climate Change Outlook, produced by the SPREP, reviews national and regional responses to environmental pressures beginning in 1990 and identifies remaining challenges. The draft report was presented at the UNFCCC Doha 2012 Climate Meeting in Qatar in November.

Clean Air Asia hosts Better Air Quality Forum, launches air quality database and Hairy Nose Campaign. Held 3–5 December in Hong Kong, Better Air Quality 2012 was a venue for policymakers, practitioners, and development agencies to discuss strategies to mitigate air pollution and its harmful impacts, including low-emission transport strategies. Outcomes from the forum include the development of a regional consensus on green freight; launch of air pollution and greenhouse gas emissions database for Asia; and launch of the Hairy Nose Campaign, an interactive website to raise awareness about the severity of air pollution in key Asian cities.

Secretariat of the Pacific Community (SPC) and the Solomon Islands sign new climate change partnership. The Choiseul Integrated Climate Change Programme is an ecosystem-based adaptation program to build resilience to climate change and natural disasters in Choiseul province, including measures to improve food security and the protection of ecosystems. An inception workshop was held on 28–30 January to form a steering committee and develop a workplan for the initiative.

Local governments, partners commit to Coral Triangle Initiative. On 6 December, local governments of member countries signed the Manila Declaration to directly engage with the Coral Triangle Initiative on Coral Reefs, Fisheries, and Food Security (CTI–CFF) in their marine and coastal efforts. On 16–17 January, international partners, including ADB, reaffirmed their collaboration with CTI–CFF in terms of the provision of resources and staffing support.

Capacity building activities for climate change adaptation continue. On 12–14 December, Fiji held a workshop discussing specific climate adaptation strategies for its fisheries and aquaculture sector. On 29 January, another cost-benefit analysis workshop was held to aid Kiribati’s government officers in evaluating fisheries projects.

SPECIAL FEATURE

The Human Face of Integration: Labor Flows in Asia

Diverse labor structures and development levels in Asia will continue to increase labor flow within the region. Labor structure in Asia is characterized by shortages in some of its middle- and high-income economies and surpluses in low-income economies. This and persisting development gaps drive international labor flows within the region as this diversity allow both sending and receiving country benefit from labor mobility. Recipient economies benefit from fulfilled labor requirements for production, while source economies benefit from inward remittances. The region as a whole benefits through improved resource allocation and productivity.

Asia is home to the world’s major labor-exporting countries. In 2011, Asia received more than 40% of global remittance inflows. The world’s top net remittance recipients are from Asia—India and PRC—while Bangladesh, Pakistan and the Philippines also ranked among the top 15. There is significant variation in Asia. Labor mobility and dependence on overseas workers are high in Central Asia and South Asia, but much lower in East Asia. Southeast Asia and Pacific falls between the two.

Intra-Asia labor mobility is rising. For instance, the number of Asian migrants going to new hosts in the region—Malaysia, Singapore, and Thailand—is increasing. For Bangladesh, its labor mobility is increasing. For Bangladesh, its intraregional remittance inflows are eclipsing remittances from the US and Europe. It is likely that this trend will strengthen further as economic growth in advanced economies, which are traditional destinations, slow.

Managing worker movements becomes an increasingly important RCI issue in Asia, especially given rising intra-regional labor flows. While, labor mobility may benefit region, it often becomes sensitive and contentious. Managing labor flow and maintaining healthy relationship between host and source country is crucial. RCI can help a lot, for instance, just by sharing their experiences among Asia. As they are facing similar problems across the region such as protection of workers, work together to digest experiences and share lesson learned among the region can help policy maker to find better solution.
STUDIES AND REPORTS

Classification of ADB Assistance for Public–Private Partnerships in Infrastructure Development (1998–2010) (December, ADB)—This review aims to update the 1998–2008 public–private partnerships (PPP) database for programs, projects, and TA approvals with PPP content for 2009–2010. The review’s second objective is to classify ADB assistance for PPPs from 1998 to 2010 based on the four pillars of ADB’s plan: (i) advocacy and capacity enabling environment, (ii) project development, and (iv) project financing.

The Greater Mekong Subregion at 20: Progress and Prospects (December, ADB)—In 1992, the countries of the Greater Mekong Subregion (GMS) met for the first time and agreed to launch a program of subregional economic cooperation designed to enhance economic linkages across their borders. On the 20th anniversary of the program, this report briefly reviews the progress of both the region and the program, and outlines some of the challenges and opportunities that lie ahead.

The Great Trade Collapse (December, NBER)—Rudolfs Bems, Robert C. Johnson, and Kei-Mu Yi survey recent literature on the causes of the collapse in international trade during the 2008–2009 global recession. Evidence points to the collapse in aggregate expenditure as the main driver of the trade collapse. Inventory adjustment likely amplified the impact of these expenditure changes on trade.

Asia–Pacific Trade and Investment Report 2012: Recent Trends and Developments (December, UNESCAP)—This report focuses on trends and developments in the economies of Asia and the Pacific in the post-recovery period following the 2008–2009 crisis and trade collapse. It reveals that after initial promising signals for a recovery in 2010, exports from Asia and the Pacific are again facing the risk of deceleration.

Why do Firms Issue Abroad? Lessons from Onshore and Offshore Corporate Bond Finance in Asian Emerging Markets (December, BIS)—Since 1998, many corporate bond issuers in emerging economies in Asia have increasingly turned to an onshore market instead of an offshore one. Paul Mizen, Frank Packer, Eli Remolona, and Serafeim Tsoukas investigate the factors that influenced this choice between markets for issuers in the PRC; Hong Kong, China; Indonesia; the Republic of Korea; Malaysia; the Philippines; Singapore; and Thailand. Results show increased depth of the onshore market as the main driver.

Climate Change, Migration, and Conflict in South Asia (December, CAP)—The third installment of this series examines implications of climate change, migration and security. This report focuses on northeast India and Bangladesh, and the interlocking problems within the region. Specifically, this paper studies the Indian border state of Assam and how climate change, migration, and security concerns impact the region.

Public Financing Instruments to Leverage Private Capital for Climate-Relevant Investment: Focus on Multilateral Agencies (December, WRI)—This paper underlines the public sector’s role in leveraging private sector investment in climate-relevant projects. It highlights the experiences of the Global Environment Facility, the Clean Technology Fund, and the World Bank Group. Findings include the need to maximize flexibility and address internal institutional barriers to private sector investment.

Critical Review of East Asia–South America Trade (January, ADB)—Shintaro Hamanaka and Aiken Talgar examine whether the trend of East Asia–South America trade is a general phenomenon or a country- and commodity-specific issue, and whether the increase in trade values has a solid basis in terms of commodity diversification and/or price and quantity effects. They find that, overall, East Asia’s exports to South America seem to show more promising signs of growth than South America’s exports to East Asia.
Uncertainty and Trade Agreements (January, NBER)—Nuno Limão and Giovanni Maggi explore the potential gains that a trade agreement (TA) can provide by regulating trade policy uncertainty, in addition to the more standard gains from reducing the mean levels of trade barriers. They find that governments have stronger incentives to sign a TA when the trading environment is more uncertain. As exogenous trade costs decline, the gains from decreasing trade policy uncertainty tend to become more important relative to the gains from reducing average trade barriers.

Getting Ready for the ASEAN Economic Community 2015: Philippine Investment Liberalization and Facilitation (January, PIDS)—Rafaelita Aldaba examines the state of investment liberalization and facilitation in the Philippines and suggests policy measures to enable the country to comply with its ASEAN Economic Community commitments. Survey results indicate that investment incentives, low tax rates, and the time and cost of starting a business are critical factors affecting firms’ decision to invest in the Philippines.

Enhancing the Effectiveness of CMIM and AMRO: Selected Immediate Challenges and Tasks (January, ADBI)—Reza Siregar and Akkaraphol Chabchitrchaidol suggest possible areas in which the effectiveness of the Chiang Mai Initiative Multilateralization (CMIM) and the ASEAN+3 Macroeconomic Research Office (AMRO) may be increased, despite constraints and limitations. Despite the doubling of the CMIM fund, it is still often criticized as insufficient. AMRO’s surveillance work is seen as vital to the overall success of the CMIM in regional financial cooperation.

Connected to Whom? International Interbank Borrowing During the Global Crisis (January, IMF)—A prominent feature of the global financial crisis that started in August 2007 was the unprecedented collapse of international interbank borrowing. Kalin Tintchev focuses on the drivers of the retrenchment from 32 advanced and emerging banking systems, including several Asian countries. The empirical findings suggest that both domestic and international risk factors contributed to the decline in international interbank borrowing during the crisis.

The Threat of Financial Contagion to Emerging Asia’s Local Bond Markets: Spillovers from Global Crises (January, ADBI)—Iwan J. Azis, Sabyasachi Mitra, Anthony Baluga, and Roselle Dime show significant shock and volatility spillovers from mature bond markets into select emerging Asian local currency bond markets. Results reveal the real threat of financial contagion to emerging Asian bond markets from shock and volatility spillovers in mature markets. Although emerging Asian local bond market volatilities are more determined by their own shocks and volatilities, direct shock and volatility spillovers remain significant in some markets.

Investing in Resilience: Ensuring a Disaster-Resistant Future (January, ADB)—This report is aimed at investors in the public sector and development partners. It broadens the scope of investment to include institutions, legislative and regulatory frameworks, financing mechanisms, incentives for change, and systems of accountability. It discusses five key sectors of importance in strengthening resilience: (i) livelihood, (ii) land use planning, (iii) transport, (iv) education, and (v) housing. The report identifies next steps such as policy change, risk assessment, financing, private sector engagement, and knowledge management.

The Green Investment Report: The Ways and Means to Unlock Private Finance for Green Growth (January, WEF)—This report highlights the importance of climate related public funding for a climate-resilient path toward green growth. It features successful strategies undertaken by governments and public financing agencies to mobilize private investment for clean energy. The paper ends with recommendations to address the gap in green investment such as the reaffirmation of G20 leaders toward green growth, a financially viable transition, effective policy pathways, and the efficient deployment of public finance.
**FEBRUARY–MARCH 2013 EVENTS**

- 4–8 Feb: ASEAN Finance and Central Banks Deputies Working Group Meeting (AFDM-WG) (Brunei Darussalam)
- 6 Feb: 4th Governmental Meeting on Urban Air Quality in Asia (Bangkok, Thailand)
- 9–10 Feb: 10th ASEAN Economic Ministers’ Retreat (Viet Nam)
- 11–15 Feb: WMO/CSIRO/CLIOPOP Climate and Fisheries Meeting (Noumea, New Caledonia)
- 12 Feb: IEA–RETD Workshop on Communication Strategies for Renewable Energy (Brussels, Belgium)
- 16–17 Feb: 14th Global Major Groups and Stakeholders Forum (GMGSF-14) 2013 (Nairobi, Kenya)
- 18–19 Feb: 15th ASEAN–India Senior Officials Meeting (New Delhi, India)
- 22 Feb: CTI PFAN Asia Forum for Clean Energy Financing (AFCEF-3) (Singapore, Singapore)
- 25–26 Feb: 2nd Annual International Conference on Sustainable Energy and Environmental Sciences (Singapore, Singapore)
- 26–27 Feb: APEC 1st Finance and Central Bank Deputies’ Meeting (Jakarta, Indonesia)
- 28 Feb: ESCAP–ADB National Workshop on Efficient Cross-border Transport (Astana, Kazakhstan)
- 3–14 Mar: 16th Meeting of the Conference of the Parties (CoP 16) to the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES) (Bangkok, Thailand)
- 4–8 Mar: 72nd meeting of the Clean Development Mechanism (CDM) Executive Board (EB) (Bonn, Germany)
- 4–13 March: 16th Round of TPP negotiations (Singapore)
- 5–7 Mar: 13th ASEAN Meeting of the Working Group on Customs Enforcement and Compliance (Kuala Lumpur, Malaysia)
- 5–7 Mar: ASEAN Plus Three Finance and Central Bank Working Group Meetings (Brunei Darussalam)
- 7–9 Mar: 10th ASEAN Economic Ministers’ Retreat (Viet Nam)
- 12–14 Mar: 25th ASEAN Maritime Transport Working Group Meeting (Mandalay, Myanmar)
- 13–14 Mar: APEC Finance Ministers’ Process Working Group I (Lombok, Indonesia)
- 13–15 Mar: Asia Water Week 2013 (Manila, Philippines)
- 16 Mar: Greater Mekong Subregion Senior Officials’ Meeting (ADB) (Manila, Philippines)
- 19–21 Mar: ASEAN Tourism Working Group and Committee Meetings (Lao PDR)
- 19–21 Mar: GEF Expanded Constituency Workshop (ECW) (Phnom Penh, Cambodia)
- 21–23 Mar: Technical Workshop on Ecosystem-Based Approaches for Adaptation to Climate Change (UNFCCC) (Dar es Salaam, Tanzania)
- 31 Mar: ASEAN Central Bank Deputies Ministers’ Meetings (Brunei Darussalam)

The **RCI Digest** is a publication of the Asia Regional Integration Center (ARIC). See [http://www.aric.adb.org](http://www.aric.adb.org). Follow ARIC on Twitter at [http://twitter.com/ARIC_ADB](http://twitter.com/ARIC_ADB). For inquiries, email aric_info@adb.org.