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**Singapore and ASEAN in Competitive Regionalism in
Southeast Asia and beyond**

Takashi Terada
Professor at Organization for Asian Studies,
Waseda University

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1. Introduction

When the negotiations for trade liberalisation in global and regional levels bogged down, Singapore swiftly engaged in planning for and forging a vast array of Free Trade Agreements (FTAs), culminating in the creation of an FTA groundswell in East Asia and beyond. On the role played by Singapore, Prime Minister Lee Hsien Loong, confidently stated that “to say it is because of us may be too strong, but we set an example and we set people thinking. And I think that’s also the reason why ASEAN [Association of Southeast Asian Nations] itself is discussing FTAs. There is a demonstration effect” (cited in *Straits Times*, 1 December 2004). Singapore’s interest in signing bilateral FTAs consecutively³ was partly born out of a fear of its survival as a small nation, and FTAs are expected to help Singapore overcome its innate inability to call effectively for diplomatic and economic changes in Southeast Asia.

There are two layers of FTA movements in Southeast Asia: 1) bilateral FTAs between ASEAN members and extra regional countries and 2) FTAs between ASEAN as a single unit and extra regional countries. This chapter initially focuses on the first layer of FTA diffusion by exploring impetuses behind Singapore’s active engagement in FTA negotiations by examining three elements (economic, security and legal), set out by (Katada and Solis 2008), to establish whether Singapore has contributed to the growth of FTAs involving both Southeast and Northeast Asian countries, and if so, how. A major analytical focus here is the degree of the impact of the Japan-Singapore Economic Partnership Agreement (JSEPA) on the trade liberalisation movement in the region, since JSEPA is the first bilateral FTA signed by Asian countries and Japan was the largest trading partner and investment source to many Southeast Asian countries. Singapore’s efforts to sign an FTA with Japan through diplomatic persuasion and political concession effectively functioned and the resultant involvement of Japan into the FTA politics in Southeast Asia is evaluated as an independent variable in the FTA proliferation in the region. The chapter also looks at the nature of trade policy-making system in Singapore to identify domestic players in support of Singapore’s active FTA policy, and it is argued that the little involvement of the business sector in trade policymaking is a common feature in Southeast Asia. The chapter finally analyses another level of FTA proliferation which has taken place in East Asia where ASEAN

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³ Singapore has concluded FTAs with New Zealand (2000), Japan (2002), the European Free Trade Association (comprising Switzerland, Iceland, Liechtenstein and Norway) (2002), Australia (2003), the United States (2003), Jordan (2004), India (2005), South Korea (2005) and Panama (2006). Singapore is presently engaged in FTA negotiations with countries including Bahrain, Mexico, Canada, Panama, Peru, Sri Lanka and Ukraine.

has served as a hub position in the ASEAN+1 FTA networks with five major powers. The origins of this approach can be traced back to China's FTA proposal to ASEAN in 2000 as a result of the bilateral FTA initiative started by Japan and South Korea. While ASEAN consistently needs external markets and investments and the growth of ASEAN+1 FTA approach is a suitable for this structural feature, ASEAN itself still hesitates to join the movement into a wider regional integration in East Asia, for instance by consolidating its five '+1' FTAs with those extra larger partners, for fear of marginalisation in the region. Given bilateral FTAs' impact in Southeast Asia is limited as only Singapore and Thailand have virtually signed multiple bilateral FTAs and those FTA are, moreover, not well utilised by ASEAN's and multinational companies either, ASEAN's integration scheme itself does not contribute to further growth in the region, and ASEAN's decision to go beyond ASEAN-centred mindset by joining a region-wide FTA in East Asia is more desirable.

2. Singapore's economic and security impetuses behind the pursuit of FTAs

Singapore has enjoyed the world's highest trade to gross domestic product (GDP) ratio, about 300 percent, a fact that well accounts for its active diplomatic endeavours to facilitate the trade liberalization movements in the GATT/WTO-based multilateral trading system, as well as its efforts at regional levels such as ASEAN, the Pacific Economic Cooperation Council (PECC) and the Asia-Pacific Economic Cooperation (APEC) forum. Singapore's commitment to global and regional trade liberalization can be seen in its efforts. It was Singapore that hosted the inaugural WTO Ministerial Conference in December 1996, and it invited the Secretariats of both PECC and APEC. However, both regional and multilateral negotiations became inert in the late 1990s: the Asian financial crisis in 1997 had held up the pace of ASEAN members' liberalization movement and sapped ASEAN's collective strength, while APEC became unwieldy and ill-equipped to handle trade issues effectively, due mainly to the failure of the Early Voluntary Sectoral Liberalization (EVSL) program. In the multilateral arena, Singapore grew to be dysfunctional in trade liberalization talks. This was evident in the 1999 Ministerial Meeting in Seattle, in which the increasing influence of developing countries was strong enough to hamper the liberalization movement in WTO, which employed a consensus-based decision-making approach among over 150 members.

Under this international and regional trading circumstances, Singapore's interest in bilateral FTAs eventually emerged as a fallback tool, since they were supposed to be more effective in promoting trade liberalization. Singapore hoped this trading

arrangement could be useful in securing larger markets on a preferential basis, attracting more Foreign Direct Investments (FDIs), strengthening its position as a transportation hub, and circumventing future protectionism and discrimination movements (Rajan, Sen and Siregar, 2001: 10). In fact, in view of potential cost savings to be accrued from Singapore's attempt to forge more FTAs, more foreign companies have been expected to transfer their production bases to Singapore (*Straits Times*, 23 March 2003). As Prime Minister Goh (2001) mentioned, in WTO and APEC, even when a consensus is reached, it is one formed on the "lowest common denominator," which holds back more developed economies for the sake of the less developed. In some areas where no consensus could be reached, a few members would be left out. In comparison, bilateral FTAs could overcome these sorts of problems by having only to meet the requirements of the two nations. Singapore's determination in pursuit of bilateral FTAs was epitomized by Goh's statement made at the 2000 APEC Summit in Brunei: "Those who can run faster should run faster. They should not be restrained by those who don't want to run at all" (cited in *Australian Financial Review* 16 November 2000).

Singapore's choice of Japan and the United States as its second and third FTA partners were attributed to Singapore's expectation to bring more direct economic benefits. Japan is the second largest economy in the world, and Japanese companies have an imposing presence in Singapore. Major Japanese manufacturers such as SONY or NEC have set up their operational headquarters in Singapore, forging strong and enduring economic and business networks in Southeast Asia. An FTA with Japan was thus perceived to strengthen these business ties and economic relations through the formalization of those de facto extensive business, and economic links. For instance, JSEPA grants Japan-based companies national treatment in Singapore, and allows those companies to freely transfer funds related to investment in and out of Singapore. Since the 1980s, Japan was consistently one of Singapore's top three trading partners. In 1999, when the idea of JSEPA was muted, Japan was Singapore's third largest trading partner, contributing to 12 percent of Singapore's total merchandise trade. On average, it constituted about 20 percent of Singapore's total imports (MOFA 2000). The US-Singapore FTA, with which Singapore exporters would be able to save US\$110 million dollars per year in tariffs they would no longer need to pay. This would boost Singapore's economic output by at least 0.7 percent a year, while providing Singapore companies with access to a wider North American market, thanks to the North American Free Trade Agreement (*Straits Times* 25 August 2002). The FTAs with these two economic superpowers were expected to play a catalyst role in increasing

Singapore's economic and business presence in the Japanese and US markets.

Singapore's prosperity has been closely associated to the economic growth of Southeast Asia, as well as investment and trade with the major economies outside the region. Thus, the prosperity of the region also has a strong impact on Singapore's economy. This was seen in the 1997 Asian financial crisis, which seriously hampered ASEAN's economic growth. Given the fact that Japan had also been an important source of investments, capital, and technology, and a major export market for ASEAN economies, Singapore wanted to anchor Japan's engagement in Southeast Asian economies. In other words, Singapore's FTA initiatives with major economies like Japan and the United States, were expected to catalyse wider economic links and cooperation with economies in Southeast Asia, creating greater trade and investment flows for ASEAN members, helping regional economic growth, and creating more employment.

As Singapore's founding father Lee Kuan Yew noted, this point is considered especially significant, as JSEPA was thought to be useful to counter the economic threat posed by China, which has attracted more FDIs after entering the WTO in 2001 (cited in *Jiji Press News*, 5 September 2001). China's economic rise has been boosting its influence in the region, having a substantial impact on regional economic flows and ties. Also, China's portion of Asia's FDI inflows has been rising. For example, Japan's FDI in China during the first half of fiscal 2003 was 35.5% on a year-on-year basis, but its FDI in ASEAN fell 14.6% during the same period (Kwan 2004). This has a worrying effect on the rest of ASEAN economies. JSEPA has been expected to act as an important catalyst in promoting Japanese investment in Singapore, blazing the trail for other ASEAN members to attract more Japanese investment through FTAs.

Singapore's growing interest in FTAs was spurred not only by trade and investment interest, but also by strategic considerations. Singapore tended to believe that FTAs with major economies would secure its presence in Southeast Asia by strengthening ties with the FTA partners outside the region. Leifer (2000: 26) argued that Singapore was born with an innate vulnerability arising from its geopolitical circumstances: "wedged-in" by big Islamic countries like Malaysia and Indonesia. A useful way to counter this vulnerability was related to the concept of the balance of power that is "directed to finding and employing ways of compensating for and reshaping to advantage a regional distribution of power," which includes "liberal internationalism in economic policy." For instance, in November 2000, Indonesian President Wahid,

unhappy with Singapore's rejection of his proposal to include East Timor and Papua New Guinea in ASEAN, urged Malaysia to form an alliance with the idea of cutting off Singapore's water supply. This was one of the many unfavourable remarks against Singapore, and allowed Singaporeans to see that their security could be easily jeopardized by their neighbouring nations. Antagonism towards Singapore in Malaysia and Indonesia has been its primary political fear. Political unpredictability in both countries has an adversarial impact on Singapore's foreign policy approaches. Therefore, "the multiple involvements of important extra-regional states have been encouraged as a practical way of coping with vulnerability" (Leifer 2000: 26). Raymond Lim, Minister of State for Trade and Industry and Foreign Affairs supports this view by stating that "our FTAs allow important nations like Japan and the United States to anchor their presence in the region and ensure that they remain stakeholders here" (cited in *Straits Times*, 3 March 2003). This statement indicates that FTAs are expected to act as a catalyst for powerful FTA partners to continue commitment and goodwill to Singapore and Southeast Asia, which is conducive to regional stability and prosperity.

Singapore leaders tend to emphasize the need to constantly stay ahead of neighbours and competitors for the survival in both economic and strategic contexts and Lee Hsien Loong once pointed out that should Singapore be overtaken and made irrelevant, its "influence and international standing will go down" (cited in Leifer 2000: 21). In summary, FTAs are expected to help Singapore overcome its innate inability to effectively call for diplomatic and economic changes in Southeast Asia.

3. Little influence of business society in trade policymaking

The companies of non-FTA partners are seen to be greatly disadvantaged in competing with other firms from FTA partners, whose products can enjoy tariff-free privileges, leading to the creation of a trade diversion effect. Therefore, as (Solis and Katada 2008) argues, business sectors or interests groups for certain industries tend to exercise an influence on the trade policy direction. However, the business sectors in Singapore, like many other ASEAN members, do not usually involve in the trade policymaking, and their voices are not necessarily influential in its government's pursuit of FTAs. Sally (2004: 27) regards the absence of systematic process of business input as the "Achilles heel" of Singapore's trade policy-making, generating "the passivity of the business sector" in Singapore's FTA movement. This may make it difficult for Singapore to "digest the real business preferences and information", and to enjoy "business feedbacks at home". One of the reasons behind the slight business interest in exercising an

influence on the government's economic policy in Singapore lies in the excessive economic reach of the government in the market. In Singapore numerous government-linked companies (GLCs) exist in which former and current ministers and members of the People's Action Party (PAP) are involved, representing their great market power to the detriment of smaller private companies in Singapore. It is the United States that has the market principle "embedded in reforms as a way to increase access for American companies to the domestic market for banking, insurance and other professional services" through protracted FTA negotiations (Rodan 2005).

The centralized trade policy making is, to a differing degree though, a sort of general characteristics in Southeast Asia including Thailand, another key regional FTA player next to Singapore (Sally 2007: 1602). Although the governments of Indonesia, Malaysia and the Philippines sporadically consulted with non-governmental sectors including commerce and industry organisations when negotiating their first FTAs with Japan, the influence of those groups in FTA policymaking was limited or unidentified (Azuma 2007). This stems partly from most ASEAN companies' failure to "see how their businesses benefit from ... integration" and, as a result, the ASEAN governments find "no pressure from ASEAN businesses to move faster on regional economic integration", as Severino (2006: 249) comments. These observations support a view that interest group politics is neither necessarily an important factor for the proliferation of FTAs in Southeast Asia, nor directly relevant to the FTA diffusion in the region, and that it is the strong state that plays a central role in the bilateral trade negotiations (Aggarwal and Koo, 2005). In fact, as Sally (2004: 23-4) declared, Singapore's trade policy was "effectively depoliticised," and implemented in "technocratic fashion," indicating that "trade bureaucracy, largely insulated from interest group pressure, can speedily implement policy objectives."

Although Singapore's trade policymaking system is highly centralised by the government, it does not have enough number of officials for multiple negotiations. Partly to overcome the deficiency of FTA negotiators, ex-ambassadors are usually appointed as the chiefs of its negotiation teams with larger countries. For instance, Tommy Koh, former ambassador to the United States were appointed as the chief negotiator for the FTA with the United States, while Lim Chin Beng, former Ambassador to Japan and K. Kesabapany, former Ambassador to WTO, were chosen as such in the case of Japan and Korea, respectively. These ex-ambassadors were highly familiar with the partner countries and had a large number of government contacts in

those countries, and this system enabled Singapore to proceed rapidly with multiple FTA negotiations at the same time.

As another way of overcoming its smaller size and limited influence in the region, Singapore discovered Thailand as the only like-minded country in the region which began to vigorously pursue FTAs after Thaksin Shinawatra came into power in January 2001. Their shared interest in trade liberalisation pushed the bilateral ties between Singapore and Thailand into a “special strategic partnership” (cited in *Straits Times* 19 January 2005), founded on their enthusiasm in the pursuit of FTAs. Their partnership was once instrumental in creating a regional atmosphere that pursued more active engagement in trade and investment liberalization. For example, in September 2003, Thaksin and Goh proposed that the projected date for realization of an ASEAN Economic Community that would result in the formation of a single regional market should be brought forward from 2020. Following this proposal, Goh worked to convince the Philippines, while Thaksin did the same in Vietnam, resulting in these two countries expressing agreement with the proposal (*Business Times*, 9 October 2003). The group of countries supporting the proposal gradually expanded, resulting ultimately in the earlier formation of a consensus. In this way, Singapore has been able to function as a facilitator not merely in respect to bilateral FTAs, but also with regard to ASEAN regional integration by overcoming its smaller size and limited influence in the region.

4. FTA diffusion in Southeast Asia and beyond

The proliferation of bilateral FTAs in Southeast Asia began when Singapore signed the JSEPA in 2002, and Singapore hoped, as Singapore’s Prime Minister Goh expressed, that the JSEPA would “have a positive demonstration effect on other countries and would hopefully give impetus towards the creation of more FTAs” (cited in *Straits Times* 23 October 2000). JSEPA was expected to serve as a means for stimulating the trade liberalisation movement in East Asia, which had fallen inert after the 1997 Asian financial crisis, and JSEPA was expected to function in this aim. However, when Singapore activated its FTA negotiations in 2000 which included one with Japan and New Zealand, it was viewed as insensitive since other ASEAN economies were struggling to recover from the adverse effect of the financial crisis, and Singapore’s image as a self-righteous member who cared little about its neighbours was strengthened. In fact, Singapore did not consult with ASEAN members about its policy orientation towards FTAs, and some regional leaders became unhappy. For instance, Malaysian Prime Minister Mahathir stated that “moves by Singapore to negotiate

separate free-trade agreement, were worrisome” (cited in *Straits Times*, 27 February 2001), while his Trade Minister, Rafidah Aziz noted that Malaysia was “not interested in having bilateral FTAs with anybody” (cited in *Straits Times*, 15 March 2001).

Yet, Malaysia and Indonesia — believed to be the least enthusiastic nations about bilateral FTAs in the region — developed their interest in FTAs by studying all the pros and cons of the JSEPA, according to Katsuhiko Umehara, then Director of METI, (cited in Terada 2003). A bilateral FTA involves the connotation of creating a partner, whereby either country selects the other country in consideration of economic and political benefits. Japan was already the most important partner for trade and investment as well as the top aid donor for these two countries, and also because these countries recognized that Japan would have a vast market and purchasing power through an FTA, and the importance of being able to enter tariff-free into the Japanese market where export items don't have much competition, and within that recognition exists an expectation of bringing in investment by securing a powerful market like Japan which promotes technology transfer, and eventually leads to economic growth. As a result, Malaysia and Indonesia, as well as Thailand, the Philippines, and Brunei, have signed bilateral FTAs with Japan, a movement which Vietnam is now joining. It is also Singapore that set a precedent for Thailand and Malaysia to follow in terms of the choice of FTA partners by signing other major economies such as the United States and Australia.

The FTA movement by Japan with Singapore as well as one with Korea in 1998-9 also led China to feel isolated in the trade structure in East Asia, as Noboru Hatakeyama (2003) mentioned: “had it not been for the start of JSEPA, there would not have been such strong movements in this area towards FTAs, including those between ASEAN and China.” China shortly joined the movement, but not bilaterally: China proposed an FTA with ASEAN in October 2000, which was officially agreed on in November 2001, conducive to the FTA diffusion being extended to Northeast Asia. Japan had not considered the establishment of an FTA with ASEAN as a single economic unit, and the agreement for the establishment of a Japan–ASEAN Comprehensive Economic Partnership agreement in 2002 was a response to the China–ASEAN FTA proposal (Terada 2003). A Vietnamese official commented that Japan’s FTA proposal with ASEAN in January 2002 seemed to be a hastily-put-together affair that was “all show” and “little substance” and that its main purpose, not stated, was to counter the FTA proposal floated by China to ASEAN (cited in *Business World*, 27 February 2002). With the rapid development of China as an economic superpower, its readiness to open its

huge market to foreign investors, and its aggressive economic movements into ASEAN, Japan found it necessary sign FTAs with ASEAN and more bilateral ones with individual members. China's and Japan's FTA approaches to ASEAN also contributed to South Korea developing an interest in pursuing the same path, as its Trade Minister Hwang Doo-yun showed in Brunei, September 2002, leading to the final agreement on the establishment of FTA with ASEAN in 2004. This ASEAN-centred FTA movement has been joined by India and Australia-New Zealand later, culminating in the formation of five 'ASEAN+1' FTAs under implementations or negotiations, as discussed later.

These 'domino effects' of FTAs in East Asia occurred mainly because of FTAs' exclusive nature and major benefits accrued, such as tariff eliminations at the expense of the third party countries. The main negative effects of FTAs are considered to be a decrease in non-members' exports to members, the deterioration of the terms of trade for non-members, and a reduction in members' consumer welfare because of a trade diversion to other members. That is, FTAs may cause non-members' exports to members to be reduced by increasing trade among members through the removal of trade barriers only among the members, which disadvantages non member exporters and may replace more efficiently produced trade with less efficiently produced goods and services (Viner 1950 and Eithier 1988). In fact, the Pilipino interest in signing FTA with Japan is a fear on the possible trade diversion among its neighbours that 'have started to gain wider access to the Japanese market' as former Economic Planning Secretary Solita Monsod told in one of the Senate hearings on FTA: "the presence of these EPAs with [other ASEAN members] and the absence of an EPA with us will inevitably result in at least some amount of trade and investment diversion from us, which we can ill afford" (cited in *Japan Times*, 22 January 2008). Indonesia's interest in FTA with Japan was also spurred by the concern that Indonesian products would be disadvantaged in Japan which already started negotiating bilateral FTAs with other Asian nations (Sato 2007).

However, since Singapore and Thailand are virtually the only nations in Southeast Asia which have successfully signed multiple bilateral FTAs, the impacts of their FTAs in the trade and investment flows in Southeast Asia are not so substantial. The smaller portion of tariff elimination element in the JSEPA and other Singapore's bilateral FTAs does not bring so considerable a trade diversion effect to trading partners. Also, Thailand's bilateral FTAs with Australia, New Zealand and India, are "trade-light" FTAs, and even the Thai-Japan FTA, which is much more significant than those FTAs because of the total trade volumes, is seen "quite weak" mainly because of some

exemptions on goods, especially agriculture, and restrictive rules of origin, as Sally (2007:1607-13) discusses. The number of Japanese companies that has used FTAs with some Southeast Asian countries like Malaysia is also small due to complicated procedures and expensive costs in obtaining a certificate of origin document necessary to prove their products are made in Japan. This is especially true in the case of automobiles in which the companies need to obtain tens of thousands of certificates for their parts (*Nihon Keizai Shimbun* 25 June 2007). Average FTA utilization rates in Singapore for its six FTAs (the United States, Australia, Japan, ASEAN, India and China) are 37 percent in 2006 and 32 percent in 2007, respectively (IE Singapore 2007). From the standard of European FTAs, utilization rates below 50 percent are seen 'very low' (Baldwin 2007: 12). So, it is safe to state that although FTAs have been negotiated and signed bilaterally and regionally in Southeast Asia, they are yet to be necessarily well utilized and even acknowledged as a useful business facilitator by ASEAN companies, causing the actual trade diversion not to be so substantial.

As quoted at the beginning, Prime Minister Lee believed it was Singapore that mainly caused the proliferation of bilateral FTAs in Southeast Asia. Yet it can be concluded that Japan's interest in pursuit of bilateral FTAs can be a more significant causal factor behind the proliferation of this kind of trading arrangement in Southeast Asia given the following facts; 1) Japan was the largest trading partner, source of investment and technology, and aid provider to most of ASEAN members; 2) Japan pursued bilateral FTAs most enthusiastically in Southeast Asia among extra-regional countries; and 3) Japan is the first bilateral FTA partner to most of ASEAN members, and the only bilateral FTA partner for Indonesia, the Philippines, Brunei and Vietnam. For instance, while Japan was generally seen as a favourite bilateral FTA partner in Southeast Asia, China and Korea were not necessarily considered so; the Philippines, for instance, continued to reject signing the bilateral early-harvest program, which was finally signed only through Hu Jintao's historic visit to Manila in April 2005, Vietnam was not happy with a trading deal with China as its official expressed: 'Chinese appliances are very popular in Vietnam... given the oversupply of electrical appliances in China, Chinese manufactures will be able to sell more to Indochina and the rest of ASEAN under the agreement' (*Straits Times* 18 May 2002). Thailand is also not expected to sign the ASEAN-Korea FTA while Seoul continues to exclude rice from the tariff-reduction list (*The Nation* 10 December 2005). Rice is the product that which Prime Thaksin offered to exclude from a bilateral FTA with Japan to make it much easier for Japan to sign it, illustrating Thailand's preference over Japan.

Japan's preference for bilateral rather than regional approaches in its FTA with ASEAN can be evidenced by the fact that the actual negotiation of the Japan-ASEAN FTA was not commenced until April 2005, lagged much behind China and Korea. In the meantime, there emerged a view in Japan that as AFTA was not a customs union as individual members pursue their own independent trade policy towards non-members and it did not employ a common external tariff policy, the ASEAN-Japan FTA might eventually be established through the consolidation of the existing bilateral FTAs between Japan and ASEAN, and that there would be no need of the Japan-ASEAN FTA (JETRO 2007: 83).

With regards to ASEAN's initial reactions to the ASEAN-Japan FTA, since ASEAN members were at different stages of economic development, they were concerned that Japan's bilateral FTA approaches with individual ASEAN members could leave the less developed nations behind. With ASEAN leaders determined to stay economically united, they have expressed suspicions over Japan's intention with some claiming Japan's policy approaches could cause economic disintegration within ASEAN. Even during the process of drawing up the Joint Declaration in Phnom Penh in 2002, to be signed by Prime Minister Koizumi and ASEAN leaders, the ASEAN side became reluctant to accept the initial Japanese draft that stressed bilateral ties. The declaration that was eventually approved by the leaders was rephrased to call for the promotion of FTAs between Japan and ASEAN (*Yomiuri Shimbun*, 6 November, 2002). It is curious that seven ASEAN members signed or now negotiating bilateral FTAs with Japan despite ASEAN's concern about Japan's bilateral FTA approach which would bring a negative impact to ASEAN solidarity. According to Oike (2007: 15), a FTA negotiator from MOFA, this was made possible by a closer bilateral relationship that Japan had already forged with individual ASEAN members over decades through ODA and investment, unlike any other country, and bilateral FTAs were considered by ASEAN members to be a way of securing or increasing economic and technical cooperation from Japan.

The establishment of Japan's bilateral FTA policy, however, was partly attributed to Singapore's diplomatic efforts. Singapore's FTA approach to Japan initially invited only "negative and, at best, skeptical" (Munakata 2001: 19) responses, as there was still lingering opposition to changing trade policy direction by forging FTAs. Singapore's explanations about how it sought for a FTA during intensive talks in the first half of November 1999 were judged to be persuasive and influential in changing Japan's

opposition to a FTA. According to Munakata (2001: 23), a senior MITI official involved in the talks with Singapore, what especially struck the Japanese officials was that Japan should also secure policy options to ‘complement the WTO;’ this approach helped Japan conclude that “negative reactions from other countries, if any, would be manageable”.

Despite the fact that Singapore was not interested in agricultural liberalization in Japan, the visit by Singapore’s representatives to the Ministry of Agriculture, Forestry and Fishery in mid-1999 to clearly express Singapore’s intention on the treatment of Japan’s agricultural products in the proposed FTA was also significant in Singapore’s FTA courtship to Japan. The tactics Singapore employed were conducive to creating the view in Japan that Singapore was actually one of the few nations that did not cause resistance from the farming sector in Japan. It is not an exaggeration to say that it was this factor that made Japan decide to commence the official negotiations with Singapore as their very first FTA partner. At that time there was an atmosphere that Japan would not have forged any FTA without successfully concluding the FTA negotiations with Singapore among the Japanese policy intellectuals who supported the promotion of Japan’s multilayered trade policy (personal interview with Naoko Munakata, 15 December 2004, Tokyo). Singapore greatly assisted Japan in successfully launching its bilateral FTA policy and this move was the beginning of FTA diffusion in Southeast Asia.

5. Can be Singapore’s FTA seen a model in Southeast Asia?

Whether the FTA diffusion in Southeast Asia was a result of followers’ interest in emulating the FTA model preceded by Singapore or their ambition to compete against is another important question. It is true that bilateral FTAs in Southeast Asia rapidly proliferated partly thanks to Singapore which successfully brought Japan into liberalisation movement in Southeast Asia through helping it begin to pursue bilateral FTAs, but the number of bilateral FTAs other ASEAN nations have signed is rather limited. Following Singapore’s approach and signing FTAs with Japan, Australia and New Zealand, Thailand now abandons FTA-oriented trade policy after the Thaksin government was overthrown by a coup in 19 September 2006, and FTA negotiations with the United States, the most significant FTA for Thailand, have been suspended since then. The bilateral FTA partner for the Philippines, Brunei, Indonesia, Malaysia and Vietnam is so far only Japan, as mentioned above. Moreover, China and Korea, two larger trading partners in Northeast Asia, have not so far shown an interest in concluding a bilateral FTA with any nation in Southeast Asia other than Singapore. A possible explanation behind a paucity of bilateral FTAs in the region is that Singapore’s

economic structure is substantially different from that of other ASEAN members and its FTA approach and structure, originated in JSEPA, are not seen as a model for their FTAs.

Singapore's population is small (over 4 million), and 99.9% of its imports are already tariff-free, meaning that there is little incentive for a partner country to eliminate tariffs and grant Singapore preferential market access in return for the same by signing a FTA. Thus it is not a puzzle that only six companies have exported their products to Singapore by utilizing JSEPA, despite of approximately 3000 Japanese companies operating in Singapore (*Nihon Keizai Shimbun*, 25 June 2007). It has been thus forced to convince potential partner countries of the merits of an FTA by incorporating elements that go beyond trade in goods, such as liberalization of services and systems for mutual recognition, and adopting preferential systems for investments from the partner country. An important aspect of the appeal of Singapore as Japan's first FTA partner was the fact that it was possible to conclude an economic partnership agreement (EPA) with the nation that included numerous "new age" elements not dealt with by the WTO, such as the cooperation in the area of small and medium enterprises, the protection of intellectual property, harmonisation of standards in e-commerce transactions, and the facilitation of human movement for business purposes – what are termed "WTO-plus" elements. Japan and Singapore are two of the few developed economies in Asia, enjoying similar levels of economic development: Japan ranked fifth in terms of GNP per capita in the world, while Singapore ranked sixth in 2000, when the FTA movement commenced. In a region characterized by the existence of numerous developing nations, Singapore could be one of the few nations which could promote EPA. Japan could potentially conclude a "new age" economic partnership that incorporated areas beyond the elimination of tariffs, as Prime Minister Goh (2002a) said in his opening speech at the signing ceremony:

What we have signed is not a conventional free trade agreement focusing only on the liberalization of trade in goods and services, and investment. This New Age partnership also encompasses cooperation in key growth areas such as info-comm technology, science and technology, financial services, tourism and human resource development. Such a broad-based and comprehensive agreement will allow our two countries to reap maximum benefits, more than that from a traditional FTA. I believe that it will herald a new era of economic ties between our two countries.

Yet one issue that labels JSEPA as unstable for other ASEAN members' FTA with Japan was the almost non-existent agricultural component. Singapore is not an agriculture-free nation; horticulture is fairly well-developed and Singapore is the third largest exporter of cut orchids (after Thailand and Malaysia) in which the main market is Japan. These orchids account for some \$18 million (60%) of the exports in 2002 (*Straits Times*, 20 September 2003). However, there was only a 14 percent increase in the number of Japan's zero-tariff commitments with regards to agricultural products, and, moreover, the result of its commitment to the agreement had been already reached within the WTO framework. This meant that there was no agricultural product in JSEPA from which Japan agreed to remove tariffs. In fact, ASEAN was also disappointed that JSEPA allowed Japan to keep tariffs on more than 2,000 farm products, and through a series of meetings of the ASEAN-Japan Comprehensive Economic Partnership (AJCEP) Expert Group, which consisted of senior officials in charge of trade and economic affairs in Japan and ASEAN, the ASEAN side consistently emphasized that an AJCEP must include agricultural trade liberalization, representing one of major interests of ASEAN concerning the agreement (personal interview with METI official, Singapore, 25 March 2002).

Yet, as Japan remained tied down by the politics of agricultural protection which caused it to appear indecisive and unable to make a full commitment to trading relations with ASEAN, instead of removing tariffs on agricultural products, Japan has granted import quotas and preferential lower tariffs to agricultural exporters, as was done in the case of the FTA with Mexico on pork and orange juices, and this approach of dealing with agricultural products in FTAs would make those bilateral FTAs much less effective in terms of trade liberalization in Southeast Asia. Thailand, the world's largest rice exporter, agreed to exclude rice from its FTA with Japan, while the Philippines conceded to resume negotiations for tariff elimination on sugar in four years. The Japan–Malaysia FTA also excluded pineapples and milk products from Malaysia. As a result, the FTAs between Japan and Southeast Asian countries such as Singapore, Malaysia, and the Philippines promised to provide for immediate tariff-free treatment of higher percentage of Japanese exports to these countries, compared with their products' tariff-free access to the Japanese market. Yorizumi Watanabe (2004), a former senior FTA negotiator from MOFA, mentioned that JSEPA was viewed as providing Japan with an “important intellectual springboard and model for the kind of FTAs and EPAs that Japan should aim for”, but it is irony that the an area in which Japan modelled after JSEPA for the other bilateral FTAs with ASEAN members was the exclusion of

agricultural products.

6. ASEAN as a single player in East Asian competitive regionalism

As mentioned above, Singapore's prosperity has been closely associated to the economic growth of Southeast Asia, as well as investment and trade with the major economies outside the region. Thus, it is Singapore's self-responsibility for encouraging ASEAN to be more integrated. Before the 1990s, given trade structures were competitive rather than complementary with similar resource endowments and levels of technological development, which culminated in the production and export of similar primary and labour-intensive products, Southeast Asian countries were not interested in regional integration for two decades after the birth of ASEAN in 1967. ASEAN members shunned the term and concept of 'integration' and stuck instead to those of 'cooperation', as seen in official meetings and declarations until the late 1980s. A watershed decision in bringing the concept of regional integration to its cooperative agenda was the establishment of AFTA, initiated at the Fourth ASEAN Summit in Singapore in January 1992. AFTA has sought to increase ASEAN's competitive edge as a production base in the world market through eliminating tariff and non-tariff barriers within ASEAN and attracting more foreign direct investment to the region.

AFTA is now almost completed with 99.77% of the products in the CEPT (Common Effective Preferential Tariff) Inclusion List of ASEAN-6 which has been brought down to the 0-5% tariff range.⁴ The coverage has been expanded and the scope has been widened: the AFTA plus measures include harmonization of standards, reciprocal recognition of tests, and certification of products. The ASEAN Investment Area (AIA) as a framework for promoting inflow of foreign direct investment in Southeast Asia was signed in 1998, which binds ASEAN countries to gradually remove investment barriers, liberalize investment rules and policies, grant national treatment, and open industries to ASEAN investors by 2010 and to all investors by 2020.

Yet, although CEPT has been installed for the formation of AFTA, many examples can be seen in the lack of willingness by member countries towards integration as ASEAN: the exporting country's certificates of origin, which acknowledges that a product is CEPT certified, is not admitted in the importing country; necessary documents and formats are sometimes different for each country; and safety standards for electrical

⁴ Joint Media Statement of the Twentieth Meeting of the ASEAN Free Trade Area Council, Kuala Lumpur, 21 August 2006

appliances are different as well (METI 2004). Also, there are a number of commodities put on a Temporary Exclusion List, a General Exception List or a Sensitive List (excluded from any liberalization program perpetually). AFTA has not been utilized either. For instance, only 4.1 percent of Malaysia's exports within AFTA enjoyed the CEPT, while only 11.2 percent of Thailand's imports were under the scheme (JETRO, 2003). Also, the AFTA plus measures such as AIA, ASEAN Framework Agreement on Services (AFAS) or mutual recognition agreement do not make tangible progresses (Sally 2007: 1601). Accordingly, ASEAN leaders' appeals for members' commitment to stronger regional cooperation and concerted efforts to facilitate regional integration became clichés. Former ASEAN Secretary-General Rodolfo Severino criticized the organization for having no clear idea about future directions including economic field, saying that ASEAN has been "stuck in framework agreements, work programs and master plans" (cited in *Business Times*, 5 November 2002). Former Thai Prime Minister Thaksin also described ASEAN as a "loose" grouping that "has to work together more closely or risk being seen as unwilling to take action" (cited in *Straits Times*, 10 November 2002).

A most fundamental structural problem that has caused the lack of interest in ASEAN's integration schemes is insufficient intra-regional links, conducive to AFTA and other economic integration measures being not so functional in terms of economic integration. Singapore Foreign Minister Rajaratnam already mentioned in 1973: '... economic realities require that regional cooperation must be wedded to external economic participation if ASEAN is to achieve its objectives. It is not intra-regional trade and investment but extra regional trade and investment which will accelerate ASEAN's economic growth' (quoted in Severino 2006: 257). In other words, cooperative schemes that strengthen economic ties with larger extra-regional countries have been seen more practically useful for their economic growth. Within ASEAN, nearly 80 percent of ASEAN's trade has been with non-ASEAN countries, and the exports of Indonesia and the Philippines to the ASEAN region are less than 10 percent and 6 percent respectively, while the combined populations of the two nations account for nearly 60 percent (Pang 2007: 13-14). Furthermore, 90 percent of foreign direct investment has been from non-ASEAN economies, and thus, a high degree of mutual interdependence among regional countries, in terms of trade volumes for instance, is not necessarily a powerful explanatory variable behind the formation of regional integration at least in the case of ASEAN. What has sustained ASEAN's need for the further promotion of integration schemes to attain economic growth is to secure external markets and elicit wider

economic cooperation from larger extra-regional states, rather than to share the benefits to be accrued from intra-regional cooperation. In fact, Japanese FDIs in China increased in the 1990s, and this trend became stronger as a result of China's accession to the WTO in 2001, spurring ASEAN, which was concerned that its appeal as an investment destination had been damaged by the Asian financial crisis, to push ahead with regional integration. ASEAN expected that this would also generate an impetus in Japan towards an FTA with ASEAN as a unit. ASEAN believed that the conclusion of Japan's FTA with ASEAN as a unit would help stop the trend towards reduced investment by Japan (Lim 2003: 80).

Underlining these observations is a sense of crisis that, in negotiating FTA with large countries such as Japan and China, unless ASEAN improves international competitiveness by reinforcing the regional integration scheme and becoming an attractive investment destination, ASEAN would bow to pressure from these large countries and lose its influence. This sort of demand is based on a fear that ASEAN would be marginalised in face of larger economies in the regional integration movement, as was expressed by Prime Minister Goh (2001) who stated:

... unless ASEAN, ourselves, get our act together, you may have a very wide income gap between Northeast Asia and Southeast Asia ... Then ASEAN will become a marginal group within Asia. That is unstable for Asia. We will therefore in ASEAN try and work to integrate all our economies ... Long-term, we will have some kind of East Asian Free Trade Area.'

These concerns then urged Goh to propose ASEAN communities, decided at the ASEAN Summit meeting in Bali, October 2003, which include an ASEAN Economic Community (AEC) aimed to fully deregulate the flow of people, commodities and currency as well as investment and service markets within the region by 2020 (later it was brought forward to 2015). Furthermore, at the informal Economy Ministers' meeting in April 2004, it was agreed upon to create a road map to promote integration in eleven industries, including automobiles and electronics, which make up over half of all trade. These proposals intend to change ASEAN's perception as a group of fragmented, relatively small economies unable to enjoy benefits from economies of scale in production despite its integration efforts through the AFTA scheme.

Ironically, while ASEAN's integration programs such as AFTA got stuck in the mire, it

was China, formerly seen as its ideological threat, which brought an idea of dealing with ASEAN as a single trading partner and pushed ASEAN's intraregional cooperation forward. As mentioned before, in 2000, Chinese Prime Minister Zhu Rongji, partly influenced by the earlier move of Japan with Korea and Singapore, surprised ASEAN and East Asia with the proposal of a China-ASEAN Free Trade Agreement, the first trading arrangement in the region to be negotiated with ASEAN collectively as one entity. A major development that caused China to consider good regional relations with ASEAN as strategically significant was a containment policy that the Bush administration intended to promote against China. China is also said to view ASEAN as an ally in the face of intensifying U.S. pressure over the revaluation of the yuan (*Straits Times*, 10 October 2003). Those China's active diplomatic approach to ASEAN as its willingness to engage more closely with the region through the association can also be exemplified by China's agreement at its 2002 meeting with ASEAN to avoid using force to settle any dispute in the South China Sea, a major source of confrontation between China and some member states, such as Vietnam and the Philippines.

China's immense interest in this FTA can also be explained by what it has seen in the opportunities that ASEAN's market of 580 million people and rich natural resources could offer. Moreover, China has been considered to be savvy in foreign policy with its basic approach to the region focusing on economic cooperation and mutual gains to dispel the myth of a "China threat". To some extent, it has even become an engine of growth for the region, judging by the trade surpluses most ASEAN countries enjoy in relation to it. Thus, to show its 'sincerity and goodwill', China offered to unilaterally open its agricultural market to some ASEAN members five years head of the opening of their markets to China. In fact, China's FTA with ASEAN is based on more than just reciprocity as we see China giving more than it receives – in according MFN status to Vietnam, Laos and Cambodia before they even join the WTO.

One important element in competitive regionalism in Southeast Asia is that two different types of FTAs are promoted by Japan and China, and the partner which they presented these different types of FTAs is the same partner, ASEAN. Japan prefers to use the term of EPA rather than FTA to pursue more comprehensive economic arrangement, covering WTO-plus issues including investment rules or mutual recognition standards to facilitate service-related business. Japan's FTA model is based on the JSEPA (JETRO 2007: 52). Meanwhile, the China-ASEAN FTA intends not to remove but lower tariff rates (less than 5 percent) on almost all commodities (ASEAN

Secretariat 2001), and China and ASEAN, both categorised as developing countries, were entitled to utilise the enabling clause which indicates the exclusion of the article 24 application. The China-ASEAN FTA was thus allowed to incorporate the Early Harvest Program under which, in 1 October 2003, China started removing all tariffs on 600 agricultural exports of ASEAN such as vegetables, tropical fruits, meat, dairy products, ornamental plants, timber, and palm oil (Wong and Chan 2003: 511), which Japan found tremendous difficulties liberalizing. These concessions on the part of China imply ASEAN's importance in China's foreign policy, instrumental in eliminating ASEAN's concern about China as an FTA partner.

However, the more difference lies in the ways of implementations. Japan takes the so-called single-undertaking approach, meaning that every issue in the agreement is negotiated at the same time, while China's negotiation model is based on gradual approach in which trade liberalisation on goods is negotiated first, and then followed by the services and investments. Also, Japan's FTAs promise to remove most of the tariffs immediately after the agreements become effective, while China's approach put the products into different categories of tariff ratios and remove or reduce those tariffs gradually in accordance with these different categories of products. Thus, the elimination of higher tariffs would take longer in China's FTAs, and, importantly, this is modelled after the AFTA approach. This means China's approach was more familiar and comfortable for ASEAN, which made it substantially easy to conclude their FTA negotiations. Japan, as a developed nation, should meet the requirements of Article 24 of GATT, which stipulates the mutual abolishment of tariff of 90% or more for all trade within ten years, based on the principle of reciprocity, and ASEAN needed to abide by this rule in the FTA negotiations with Japan, unlike the case of the FTA with China, as mentioned above. Now that South Korea's FTA with ASEAN takes China's model in terms of implementation of liberalization with the products categories and initial liberalisation on goods, Japan's comprehensive and WTO-consistent approach does not well prevail in Southeast Asia, which may cause the completion of regional trade and investment liberalization to be delayed. Give the existence of ASEAN's newcomers such as Cambodia, Laos, Myanmar and Vietnam, whose economies are less developed than the economies of the older members, ASEAN prefers China's gradual and longer timeframe for implementing liberalization to accommodate the wide gaps among ASEAN countries in their level of economic development. Japan has now understood this concern and incorporated 'cooperation chapter' in its FTAs with ASEAN and its individual members, to create better infrastructures in ASEAN such as a more

liberalized distribution and transportation system and deregulated custom procedures. This process was now accompanied by Japan's commitment towards assisting the ASEAN integration with a focus on the development cooperation on behalf of the less developed members, to supplement Japan's comprehensive and more-developed-nation-oriented approach. This cooperative element in Japan's FTAs is nothing to do with discrimination which traditional FTAs naturally carry, serving to help developing countries in Southeast Asia be more confidently committed to liberalisation which would also benefit its rival FTA players in the region such as China and Korea.

The proliferation of bilateral and regional FTAs creating a dense network of the major countries in East Asia could result in a "spaghetti bowl" effect in which a large number of rules of origin with specific standards and involving specific procedures will be formulated, and different rules will be applied to a single commodity (Bhagwati 1995), and multinational companies find the FTAs difficult to use. So the momentum towards a regional integration to prevent this spaghetti bowl effect may be generated especially in the business community in East Asia, especially in Japan.

Yet, most ASEAN members do not regard a wider regional integration scheme beyond ASEAN+1 framework such as an East Asian FTA as a 'useful purpose', partly because the three Northeast Asian economies, China, Japan and Korea, account for nearly 90 per cent of the total East Asian economy and ASEAN would be marginalized within the FTA, as former Singapore Trade Minister George Yeo stated (*Business Times*, 15 September 2002). ASEAN which inevitably needs to depend on external economies for its growth through FDI and exports, as argued above, probably see fewer problems in ASEAN+1 FTA approach as it places both ASEAN and its trading partner on the equal footing. Yet, ASEAN would be concerned about being submerged into a larger arrangement or organisation, and thus ASEAN hopes to maintain the status-quo. Currently, five "ASEAN+1" FTAs with Japan, China, South Korea, India and Australia/New Zealand have being established around that hub while FTAs have not yet been established between any of the five "+1" major economies in the region, representing that ASEAN's self-assertion as a main player in the East Asian integration schemes, be it the ASEAN+3 or ASEAN+6 approach, has been so far respected by extra regional countries. The establishment of five FTAs with ASEAN means that those extra regional countries would not need to pursue bilateral FTAs with ASEAN individual members anymore, indicating Southeast Asia now turning from the era of bilateralism to that of regionalism.

7. Conclusion

This chapter focused on the role of Singapore to test the validity of competitive regionalism framework in the case of the diffusion of bilateral FTAs in Southeast Asia. Singapore's aggressive pursuit of FTA policy partly contributed to the initiation of a 'domino effect', with more neighbouring countries extending the circle of FTAs in Southeast Asia and beyond. Yet, as this chapter highlighted, most of those ASEAN member chose Japan as its first and only bilateral FTA partner, representing Japan's distinctive status as the most significant trading and investment partner as well as aid giver in Southeast Asia. So, the diffusion was mainly attributed to Japan whose initial FTA strategy was based on its strong bilateral economic ties to promote bilateral rather than regional FTAs, and Singapore's role in this process was to help Japan to start pursuing bilateral FTAs in the region.

Bilateral trading agreements are effective for strengthening mutual economic relations through increased trade or investment interaction by facilitating mutual economic benefits and business transactions between two countries much more considerably than through a regional and global approach. Yet, those impacts seem to be exaggerated in the case of Southeast Asia, as seen in lower utilisation of FTAs by ASEAN companies. Therefore, the trade diversion, a factor that is supposed to cause the competitive element in the FTA diffusion, is not so significant. This means the business sectors in Southeast Asia would not be much bothered by the negative impacts of bilateral FTAs signed by other countries, partly accounting for the less involvement of business sectors in trade policymaking in the region as well.

Significantly, the bilateral FTA diffusion in Southeast Asia has now extended beyond Southeast Asia. The ASEAN+1 approach was initiated by China's proposal of an FTA with ASEAN in October 2000, following which Japan proposed its own FTA with ASEAN in January 2002. The approach has since been adopted by South Korea, India, and Australia/New Zealand, with the result that ASEAN today functions as a hub for the five ASEAN+1 FTAs, either already concluded or under negotiation. Yet, the completion of East Asia FTA depends on ASEAN's willingness. ASEAN as a loose group of relatively small economies needs external markets and investments for the development and organisational survival, but its institutional significance would be diminished if a larger arrangement, in which ASEAN could be marginalised, developed rapidly. This concern would be a major obstacle to the establishment of region-wide integration in East Asia. External larger countries such as Japan and China acknowledge

the merit of ASEAN's economic solidarity to be attained through numerous integration schemes on behalf of their own economic and strategic interests, as seen in their careful supports for ASEAN's integration programs. The completion of ASEAN Economic Community is thus an initial step towards the eventual formation of the East Asian FTA.

Appendix

(1) Singapore (2006)

Partners	Year Signed	Trade Volume (Export+Import, %) *1	FDI Volume (%)*2	Issue Scope *3
NZ	2001	0.5+0.1	0.6	(S)(I) (E)
Japan	2002	5.5+8.3	1.1	(S)(I)(Ec)
Australia	2003	3.7+1.5	4.6	(S)(I)(L)(Ec)
EFTA	2003	0.3+0.8		(S)(I)
USA	2004	9.9+12.5	4.1	(S)(I)(E)(Ec)
Jordan	2005			(S)(I)
India	2005	2.8+2.0	1.4	(S)(L)
South Korea	2006	3.2+4.3	1.5	(S)(I)(E)(Ec)
Panama	2006			(S)(I)

*1 Statistics Singapore, "EXTERNAL TRADE",

<http://www.singstat.gov.sg/pubn/reference/yos/statsT-trade.pdf>

Accessed on 09/05/2008

*2 Statistics Singapore, "TOTAL DIRECT INVESTMENT ABROAD BY COUNTRY/REGION 2001-2006",

<http://www.singstat.gov.sg/stats/themes/economy/biz/investmentabroad.pdf>

Accessed on 09/05/2008

*3 List regarding the issues covered by the specific FTA: (I) Investment; (S) Services; (E) Environment; (L) Labor; and (Ec) Economic Cooperation.

Singapore's Official FTA Website

<http://www.iesingapore.gov.sg/wps/portal/FTA>

Accessed on 10/05/2008

(2) Thailand

Partners	Year Signed	Trade Volume (Export+Import, %) *4	FDI Volume (%)*5	Issue Scope *6
Australia	2004	14.2+24.1	0.5	(S)(I) (Ec)
Japan	2007		39.7	(S) (I)(Ec)(L)
NZ	2005		(S) (I)(Ec)	
India	2003		0.5	(S) (I)
Bahrain	2003			
Peru	2005			

*4. ASEAN-JAPAN CENTRE, “External Trade Value of Japan, ASEAN, and China (2003)”,

<http://www.asean.or.jp/GENERAL/statistics/statistics05/pdf/2-1.pdf>

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ASEAN-JAPAN CENTRE, “Japan, ASEAN, and China’s Top Ten Trade Partners (2003)”,

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*5. ASEAN-JAPAN CENTRE, “Investment to Thailand (2004)”,

<http://www.asean.or.jp/GENERAL/statistics/statistics05/pdf/4-7-9.pdf>

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*6. Department of Trade Negotiation, “FREE TRADE AGREEMENT”,

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Global Institute for Asian Regional Integration (GIARI),

Waseda University, Nishiwaseda Bldg. 5F#507 1-21-1

Nishi-waseda, Shinjuku-ku, Tokyo 169-0051 Japan

E-mail: affairs@waseda-giari.jp

Webpage: <http://www.waseda-giari.jp>

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