



# Singapore's Role in Building of an East Asian Community

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# Introduction-1

- ◆ **Why create an East Asian Community (EAC) ?**
  - Establish a regional identity
  - Strengthen East Asian voice on regional and global issues
  - Promote regional peace and prosperity

# Introduction-2

- ◆ **Challenges towards formation of an East Asian Community**
- Vast diversities in levels of economic development , systems and institutions
- Trade integration versus Monetary and Financial integration :which way first ?
- Lack of regional cooperation efforts in Northeast Asia
- Political-security issues involving East Asian countries; leadership question

# Introduction-3

- ◆ **Current State of East Asian Economic Regionalism- 3 tracks**
  - Global - WTO
  - Cross-regional – APEC, PECC
  - Regional –AFTA, APT, EAVG, AEC
  - Bilateral – FTAs proliferating since crisis of 1997-98
- ◆ Among these, increasing focus is now on regional and bilateral agreements

# Singapore's Perspectives-1

- ◆ Being a highly open-city state economy and a manufacturing and logistics hub in Southeast Asia, trade integration with the ROW is crucial for its competitiveness
- ◆ While supporting multilateralism, recognizes the importance of comprehensive bilateral FTAs (economic partnership agreements) in fostering trade integration
- ◆ Its FTAs focus on not just trade and investment liberalization, promotion and facilitation, but also on broader economic cooperation, including movement of natural persons and recognition of standards

# Singapore's Perspectives-2

- ◆ Singapore hopes that bilateral FTAs can be a building block for free trade (Liang, 2005)
- FTAs can provide impetus to multilateral trade liberalisation ; identify compatible partners with whom to pursue faster and broader liberalisation
- FTAs create positive competitive dynamics ; put pressure on those that are slow to liberalise and in the process, help to push everyone towards liberalisation at the regional and multilateral level.
- FTAs encourage the internal economic reform processes, and can help governments to overcome domestic resistance to reforms of sensitive sectors. Governments may be more willing to initiate difficult domestic reforms if they can be carried out on a preferential basis and in measured steps.
- FTAs improve the economic competitiveness of businesses and provide greater access to the markets of FTA partners.
- since both members become important stakeholders in liberalizing and facilitating trade, investment and economic cooperation, hence committed to maintaining peace and stability among them

# Singapore's Perspectives-3

- **FTAs can therefore be a building block towards formation of an EAC**
- Singapore already has working FTAs with Japan and signed one with Korea among the APT, already implemented AFTA and supports wider economic integration among ASEAN through the AEC
- Singapore is a party to the negotiations of the ASEAN-China FTA
- In this sense, Singapore is already more integrated than others in a proposed EAC
- Its FTA strategy has served as a catalyst for liberalization among ASEAN, both as a group and as individual members ;
- ASEAN now negotiating with China, Japan and Korea;
- Thailand, Malaysia, Philippines and Indonesia bilaterally with some of them
- Lack of common negotiating position among ASEAN is of concern; ROOs emerging are complex and inconsistent across countries



# Singapore's Perspectives-4

- ◆ **Dynamics of Asian economies are now being driven not only by China, but also India, the 4<sup>th</sup> largest economy in the world in GDP PPP terms; EAC should strive for wider participation**
- Singapore, as a first-mover, has already signed and enforced a Comprehensive Economic Cooperation Agreement (CECA) with India ; signals India's commitment for greater economic integration with ASEAN and East Asia
- ASEAN is in negotiations with India; so are Malaysia and Thailand bilaterally ; Korea and Japan are also prospective CECA partners for India
- India increasingly recognized as an important player in Asia's economic integration ; signals need for change in mindset as traditionally India not regarded being part of the East Asian regionalism process

# Changing Dynamics of East Asian Regionalism-1



- ◆ First East Asian Summit proposed in December 2005 in Kuala Lumpur ; expected to lay the roadmap for the proposed EAC
- ◆ Scholars have proposed the “need to understand East Asia in geostrategic, geopolitical and geoeconomic terms and include India, Australia and New Zealand for balance and inclusiveness in East Asia”- (Jusuf Wanandi, The Jakarta Post, April 7, 2005)
- ◆ India rapidly integrating with East Asia; Australia and New Zealand have been also contributing to East Asian regionalism through the ARF and through FTAs

## Changing Dynamics of East Asian Regionalism-2

- ◆ India's integration with East Asia creating win-win opportunities for Asia; significant complementarities (Asher and Sen, 2005)
- Strong complementarities in demographic cycles- East Asia moving from demographic gift phase to the burden phase, India in a phase of demographic gift
- India's growth strategy based on strong and increasingly globally competitive and networked domestic companies could provide a balance for highly trade and FDI dependent East Asian economies.
- India's internationally competitive and culturally compatible professional and semi-skilled manpower are already making important contributions globally as well as in East Asia
- Setting up knowledge based activities in India could be a vital competitive tool and enable East Asian companies to take advantage of India's human resources, and enable balancing of global risks through diversification
- Provides a strong economic and strategic rationale for including India in the EAC

## Changing Dynamics of East Asian Regionalism-3

- ◆ Inclusion of other members outside East Asia (Australia and New Zealand)
- ◆ Have been engaging East Asia as part of the APEC process
- ◆ Increasingly expanding their economic linkages with East Asia; both have working FTAs with Singapore, and are negotiating with China as well as ASEAN
- ◆ Both have an important role in promoting regional security in Asia and would be signatories to the TAC
- ◆ Also pursuing goals of an APEC-wide FTA by 2020
- ◆ Can provide balance in the proposed EAC

# Concluding Remarks-1

- ◆ EAC is an idea now being seriously pursued in spite of significant challenges
- ◆ Proliferating bilateral deals in Asia could emerge as building blocks towards the EAC, provided they are comprehensive, ROOs simple and are in the EPA mould; attention to managing transaction costs
- ◆ however such initiatives need to be concomitantly supported by unilateral liberalization in most of these countries, especially in India, China and the less developed ASEAN members, with the rest of the world in a calibrated and judicious manner ; effective implementation would be crucial
- ◆ Singapore is already well placed to take advantage of the EAC, and has signaled its preference for a broader membership than APT through its FTAs with India, Australia and New Zealand

# Concluding Remarks-2

- Strong case for inclusion of India in the EAC given its increasing integration with East Asia providing win-win opportunities
- Need for strong political will from all parties- FTAs an indicative signal
- ASEAN concerned about its role getting diluted due to presence of bigger members ; itself aiming for economic integration
- Timeframes and modalities need to be worked out



THANK YOU !