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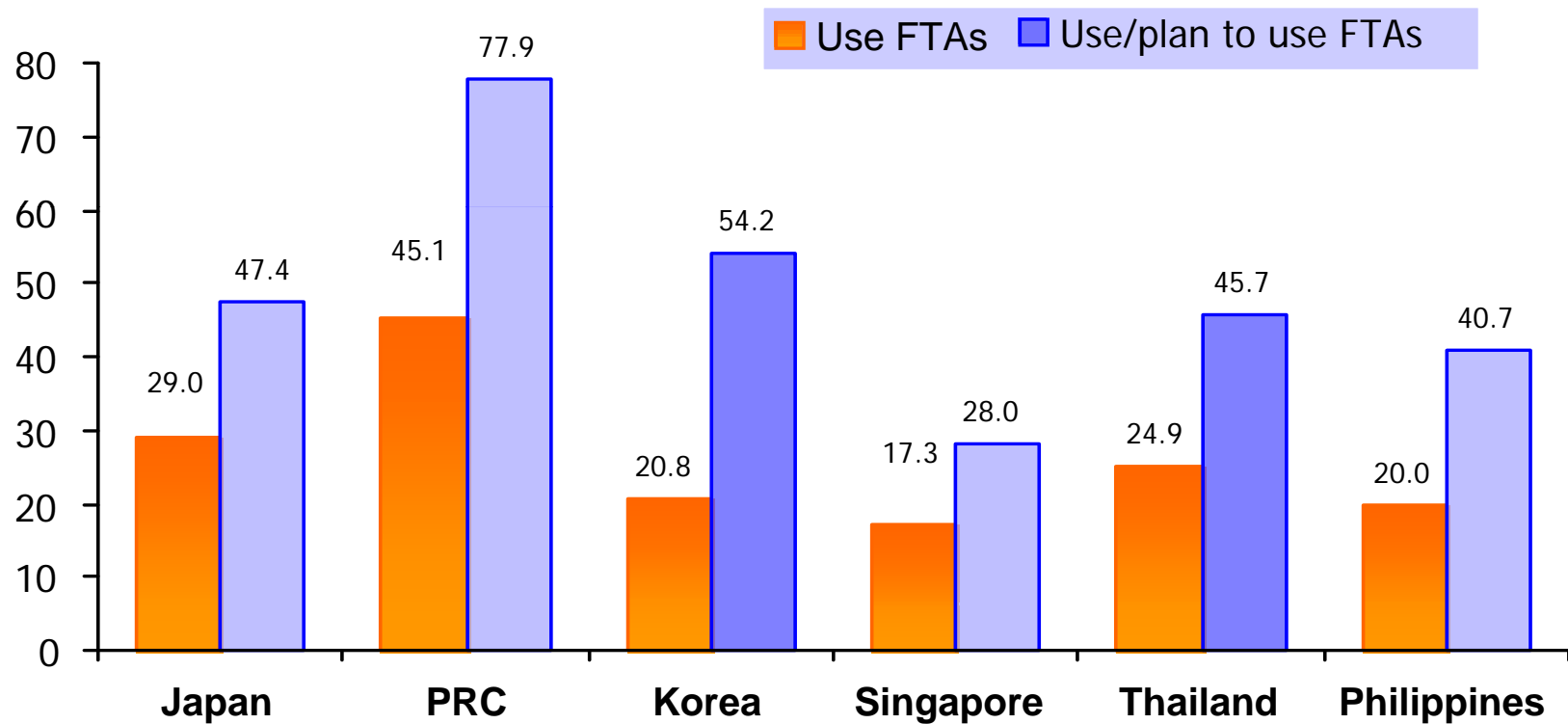
Sample

- 841 firms in 6 countries (PRC, Japan, Korea, Singapore, Thailand, Philippines)
- Sectors: electronics, automobiles, textiles and garments and country specific sector
- Simple random sampling method
- Size - 33% SMEs
- Ownership – 40% foreign-owned

Key questions

1. Are FTA preferences being used?
2. What are the benefits and costs of FTAs for firms?
3. Are multiple rules of origin (ROOs) a burden on firms?
4. Is there enough business support for domestic firms to utilize trade preferences under FTAs?

FTA use higher than expected (28.4%) and may increase in future (53.2%).



Profile of Users and Non-Users of FTAs*

- **Firm size:** Users in all five countries are significantly larger than the non-users
- **Ownership:** Users in Japan & Thailand have significantly higher share of foreign equity than non-users
- **Age of firm:** Users in Thailand & Philippines are significantly older than non-users
- **Awareness of FTA provisions:** Users in Japan, Singapore, PRC, and Thailand are significantly more knowledgeable of FTA provisions that affect their business than non-users
- **Responsiveness to FTAs:** Users in all five countries are significantly more likely to have changed business plans in response to FTAs



Notes: * Findings based on t-tests between samples of users and non-users of FTA preferences excluding Korea.

Only findings with significant differences between the two groups are shown.



Firms report more benefits than costs from major FTAs in effect

	AFTA	ASEAN-PRC FTA	Japan-Thailand EPA	Japan-Philippines EPA
Positive Impacts				
✓ Market access	36	111	24	4
✓ Preferential tariffs	32	59	11	5
✓ Concentration of production	16	33	13	2
✓ New business opportunities	14	62	9	2
Negative Impacts				
✗ Increased competition	13	46	5	2
✗ Documentation of FTA use	11	45	5	3
✗ Competitive disadvantage	7	28	4	4
✗ Relocation of production	10	12	1	0

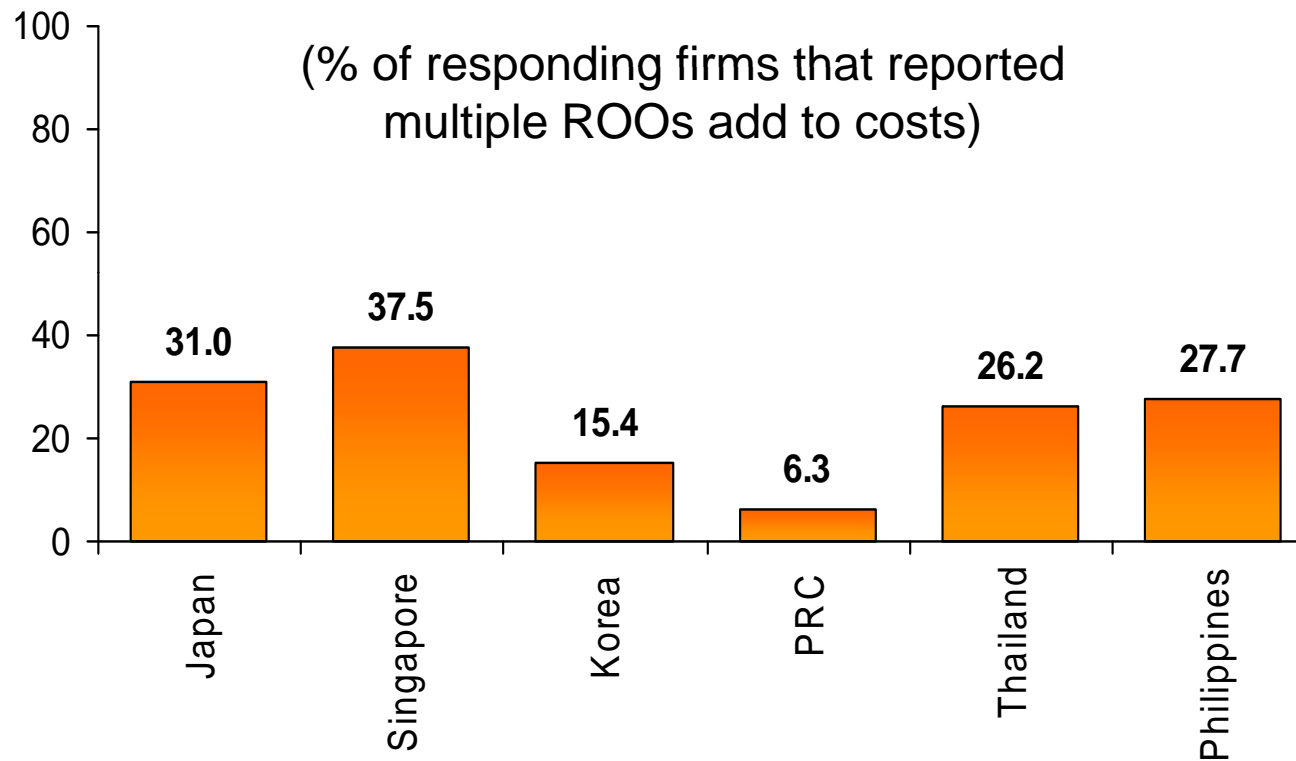
* excludes Korea

Impediments to Using FTA Preferences

(% of responding firms)

Impediments	PRC	Korea	Philippines
Lack of information	45.1	34.2	70.1
Delays and admin costs	10.6	10.8	30.6
Small margin of preference	14.2	35.8	13.4
Use of EPZ schemes/ITA	8.8	25.8	26.9
Confidentiality of information	10.6	...	12.7
NTMs in FTA partners	6.2	4.2	9.0
Too many exclusions	4.4	...	14.9
Rent-seeking	5.3	...	23.1
Number of respondents	226	120	134

Multiple ROOs impose limited burden



Only 20.1% of firms find multiple ROOs costly to business.

Huge demand for FTA support services

Types of Services	PRC	Philippines	Thailand
	% respondents	% respondents	% respondents
Awareness training on concluded FTAs	79.1	82.6	33.7
Information on implications of FTAs for business	83.1	65.2	49.0
Upgrading of technical standards and quality	27.1	52.3	44.6
Adoption of EDI to speed up and simplify procedures for ROO certification	57.8	53.5	25.7
Financial support for upgrading technology and skills	34.7	41.9	36.1
Enhanced consultations during FTA negotiations	39.6	42.6	27.7
Improved extension services for SMEs	40.9	46.5	21.8
Surveillance of NTMs in FTA partner country markets	42.7	38.1	19.3

A Possible Way Forward?

- Rationalize ROOs, adopting co-equals for ROOs, upgrade ROO admin. Harmonizing regional ROOs
- Improve business support for FTAs
- Consolidate FTAs into a comprehensive region-wide FTA (either ASEAN+3 or +6)
- Multilateralizing Asian regionalism
- Concluding Doha Round and avoiding protectionism

Read-only PDF of *Asia's Free Trade Agreements: How is Business Responding?* Cheltenham (UK) Edward Elgar is available at:
<http://www.adbi.org/files/2011.01.31.book.asia.free.trade.agreements.pdf>

Also see:

M. Kawai and G. Wignaraja, (2011), Asian FTAs: Trends, Prospects and Challenges, *Journal of Asian Economics*, February.

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