

Foreword

The continuing spread of free trade agreements (FTAs) in the developing world—particularly in Asia—has spurred intense debate. Viewed pragmatically, against the backdrop of slow progress in global trade talks, FTAs can promote continued trade liberalization, induce structural reforms in the economies concerned, and widen market access across a vibrant economic region, where the demand for greater intra-regional trade is rapidly increasing.

On the negative side, the proliferation of bilateral FTAs can create the so-called “noodle bowl” effect as multiple rules of origin arising from overlapping agreements cause harm particularly to small and medium enterprises with limited capacity to comply with them. The resulting market fragmentation would be more costly even for major multinational companies because of rising transaction costs and regulatory barriers. The flow of foreign direct investment and the associated transfer of technology and know-how to smaller economies would also decline.

Nevertheless, FTAs are a growing reality. If we recognize that and hope to foster regional trade agreements as building blocks of global trade and investment integration, we cannot stand idly by and wait for a comprehensive global resolution. We strongly support the Doha negotiation process, while recognizing the need to consolidate and streamline regional and bilateral FTAs into an eventual Greater Asian FTA.

The recent proliferation of FTAs in Asia and the Pacific is placing mounting strain on the region’s FTA negotiating capacity and on the knowledge and technical skills of government officials. The areas of interest now go beyond conventional trade in goods and services and extend to intellectual property rights, government procurement, and labor and environmental issues, among others.

The capacity constraints are especially acute in poorer countries, which also lack the institutions to train their officials.

This reference book is intended to be used mainly in present and planned FTA training courses of the Asian Development Bank, to increase the knowledge and capacity of officials who are active in designing, negotiating, and implementing FTAs. Building on theories of international trade economics and the good-practice FTA experiences accumulated by both front-runners and late beginners in this area, the book explains important facts and benchmarks to be considered when preparing, negotiating, and enforcing FTAs. Rather than going into the details of specific topics, this reference book covers the overall FTA process and its main features.

With this reference book, we expect to help shape common perspectives among government officials in Asia and the Pacific on what a desirable FTA should be, as we look forward to the eventual harmonization of FTAs in this region. This comprehensive version is the first step in that direction. We hope this reference book will serve the increasing demand for FTA knowledge in the region.



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