

DBJ REPORT

ASEAN Free Trade Area and Bilateral Free Trade Pacts:

Singapore's Perspective

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PREFACE

Singapore has recently been very active in engaging in regional bilateral free trade agreements. This has caused some concerns relating to her commitments to ASEAN Free Trade Agreement (AFTA) and whether AFTA is still relevant in today's trade booster in ASEAN. Thus the main objective of this study is to shed some light as to what is the linkage or relationship between AFTA and such regional Free Trade Agreements (FTAs) and to understand where AFTA is heading.

Though much research and papers have been done on the topic of multilateralism and regionalism, not many have specifically worked on the topic on the relationship between regionalism and pluralism (such as bilateral free trade agreements). Hence this study attempts to venture into this narrow scope in the hope of consolidate various studies done and to combine these research with what is happening currently, to come up with meaningful information. With it, further research on this topic can be done to help deepen our understanding into this focussed area of economic integration.

This paper incorporates analysis based on article abstracts using the literature review approach. With the aid of discussion meetings with academics and economists well versed with the macro-economic and the Asean issue, we are able to extend our research to identifying other concerns.

In this study, we shall first look at a brief description of how trade is evolved and what is the trend for regional trade agreements. Next shall be followed an overview of the ASEAN Free Trade Area, that is, the background and the objectives of the organisation. Then, we shall examine the current situation that AFTA is in before going into the problems that AFTA is facing.

Next, we shall be moving into the topics on bilateral free trade agreements and try to uncover the rationale for such bilateral agreement. After which, we shall then take a look at the recent bilateral initiatives by Singapore. A further analysis of the pros and cons of such bilateral free trade agreements shall then followed before touching on Singapore's commitment to AFTA

In the concluding part of this study, we hope that we shall be able to see that pursuing both multilateralism and regionalism is not an either or situation. Both strategies have to be pursued hand in hand and of course, both must not be conflicting with one another. In the era of globalisation and technological progress, we shall see an interesting trend on how system, rules, usual way of conducting business have changed in response to the challenge posed by the new economy. Similarly for trade organisation such as AFTA, it must be modified to update itself in the new economy.

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I. INTRODUCTION

Evolution of Trade

The question of trade was considered in 1947 during a conference in Havana (Cuba) and Havana Charter of the International Trade Organisation (ITO) was set up to take into account the problems faced by developing nations. However, ITO eventually collapsed, as the function of the ITO itself was ineffective. Then came 1948 where the global trading rules were set up to focus the question of tariffs and trade. It was known as the General Agreement on Tariffs and Trade (GATT). Since then in 1951, the European Coal and Steel Community was established which eventually becomes the European Union (EU).

It was in 1989 that the trend for economic clusters started to surface. There was some disagreement between the US (which favour multilateral forums) and the EU (which favours economic groupings) concerning the agricultural policy which had benefited the European Community (EC) farmers. In the late 1980s, due to the difficulties that the US had with the European Community, the US shifted its economic agenda. Soon towards the beginning of the 1990s, as the Europe moves towards closer economic union, the North American Free Trade Agreement (NAFTA) was enacted.

In 1967, ASEAN¹ was formed with the main objective of establishing peace and security in the South East Asian region. The main objective was thus political. After the end of Vietnam War, the objective was shifted to the economic arena. However, during that time, most of the trading partners were outside the region. Thus the next economic objective was to consolidate intra-ASEAN trade and the ASEAN Free Trade Agreement (AFTA) was set up in 1992 to establish a free trade area in the ASEAN region².

ASEAN Free Trade Area is a type of economic integration, grouped under regional trade agreement family. Before discussing in detail about AFTA, we shall take a brief look on what are the various levels of economic integration and to what extent has the proliferation of RTAs been observed.

¹ ASEAN members include the five original members: Indonesia, Malaysia, Philippines, Singapore and Thailand. Brunei Darussalam joined on 8 January 1984, Viet Nam on 28 July 1995, Laos and Myanmar on 23 July 1997 and Cambodia on 30 April 1999

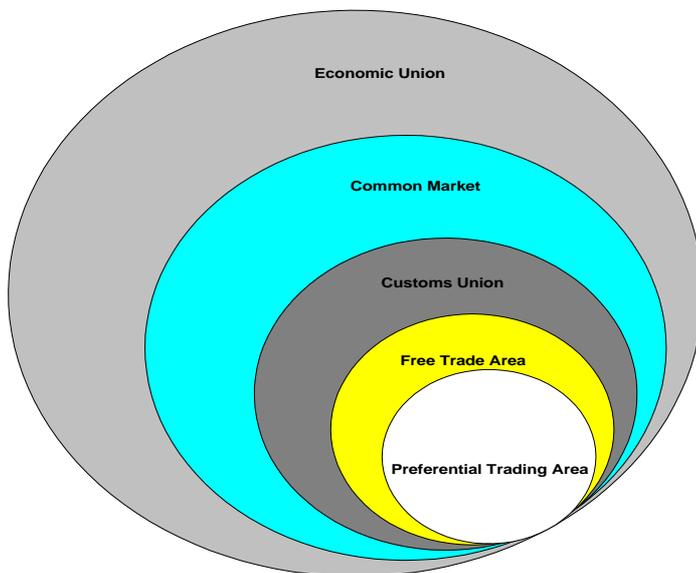
² Prior to AFTA, ASEAN has already engaged in various economic cooperation initiatives such as the ASEAN Preferential Trading Agreement (PTA), ASEAN Industrial Projects (AIP), ASEAN Industrial Complementation (AIC) and ASEAN Joint Ventures (AIJV). However, most schemes have not achieved the desired level of success. Further description in APPENDIX: Appendix 1

Regional trade agreements²

Regional Trade Agreements (RTAs) are agreements whereby members agreed on preferential treatment to one another in respect of trade barriers. RTAs vary in terms of the level of integration (Figure 1). The lowest form of economic integration is the Free Trade Agreement (FTA)³ where trade barriers (usually tariffs) among members are removed and each member can determine its own trade barriers to non-members. An example would be North America Free Trade Area (NAFTA)⁴. The next level of integration is the Custom Union where trade barriers among members are removed and all members adopt a common external trade policy to non-members. An example would be MERCOSUR⁵. The third level is the Common Market, which is custom union status with the harmonisation of trading and technical standards among members. Factors of production such as labour and capital are free to move among members. An example would be European Community. The top level is the Economic Union, such as the European Union. This form of integration provides harmonisation of fiscal and monetary policies, and social and legal policies, in addition to common market status.

Below is a summary of the different levels of economic integration:

Figure 1: Levels of economic integration



Source: "Regional Trading Arrangements in the Context of the Multilateral Trading System in Asia", Linda Low June 2000

Economic Union

- common market status plus harmonization of fiscal and monetary policy, as well as social and legal policy
- E.g. European Union

Common Market

- custom union status plus free movement of labor and capital, and harmonization of trading and technical standards
- E.g. European Community

Custom Union

- free trade among members and adopt common external trade policies
- E.g. MERCOSUR

Free Trade Area

- all trade barriers in goods and services removed among members but each retains own barriers with non members
- E.g. AFTA

Preferential Trading Area

- lower trade barriers among members

² Adapted from Economics Division, Trade Division, Ministry of Trade and Industry

³ Elements and features of free trade agreements are described in APPENDIX: Appendix 2

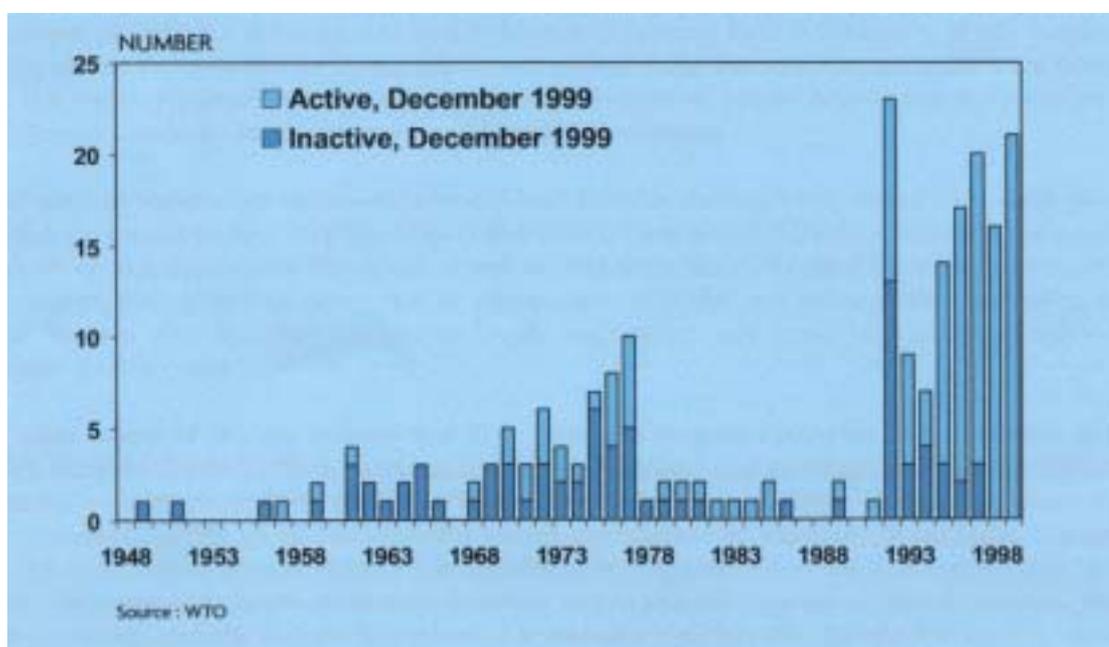
⁴ NAFTA members include US, Canada and Mexico

⁵ MERCOSUR represent Southern Cone Common Market. Its members include Argentina, Brazil, Paraguay and Uruguay

Rise of regional trading agreements (RTAs)⁶

In the 1990s, there has been an increased in the number of regional trade agreements (Figure 2). There are about 90 agreements notified to the WTO within the last 6 years, compared to 124 cases over 46 years from 1948-1994. Especially recently, the number of FTAs have increased at great speed. For example, in the year 2000 alone, Singapore already signed a free trade pact with New Zealand and is on the way to discuss free trade pacts with Australia, Mexico, Chile, Japan, Canada, India and the US.

Figure 2: The number of regional trade agreements notified each year from 1948-1999



Thus it can be seen that regionalism has been coexisting with multilateralism.

In ASEAN, there is the Asean Free Trade Area, and recently Singapore has been very active in forging bilateral FTAs with other countries. Thus the question of whether these bilateral FTAs can successfully co-exist with regionalism. In the next section, we shall look at what is ASEAN Free Trade Area and to understand why bilateral FTAs have been taking place despite having a ASEAN Free Trade Area in the region.

⁶ Major RTAs in the world:

- a. North American FTA (NAFTA) : US, Canada, Mexico
- b. European Union (EU): Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Netherlands, Portugal, Spain, Sweden, United Kingdom
- c. European Free Trade Association (EFTA): Iceland, Liechtenstein, Norway, Switzerland
- d. ASEAN FTA (AFTA): Brunei, Cambodia, Indonesia, Lao PDR, Malaysia, Myanmar, Philippines, Singapore, Thailand, Vietnam
- e. Southern Common Market (MERCOSUR): Argentina, Brazil, Paraguay and Uruguay

II. Overview of ASEAN Free Trade Area: AFTA

Background

At the Fourth ASEAN Summit in Singapore in January 1992, the ASEAN heads of the states formally agreed to establish an ASEAN Free Trade Area and signed the Framework Agreement on Enhancing ASEAN Economic Co-operation (AEC), a document which sets the broad directions of ASEAN economic integration. The ASEAN Economic Ministers also signed the Agreement on the Common Effective Preferential Tariff (CEPT) Scheme⁷ for AFTA. This scheme acts as the principle mechanism to effect AFTA.

Objectives

The goal of AFTA is to create a free trade area in ASEAN and to make ASEAN manufacturing sector more efficient and competitive and thus attract investments to ASEAN. This will in turn help to stimulate economic growth and development in Member States.

Principle Mechanism: CEPT

The Common Effective Preferential Tariff is the main mechanism for AFTA. It is believed that the elimination of tariff and non-tariff barriers would lead to greater efficiencies and competitive and to eventually bring about creating a unified production hub to serve the world market. Thus CEPT is established to gradually reduce intra-regional tariffs on all manufactured items of ASEAN countries and to remove non-tariff barriers over a 15-year period commencing 1 January 1993

During the 26th ASEAN Economic Ministers (AEM) Meeting held in September 1994 in Thailand, the time frame for the realisation of AFTA was shortened to 1 January 2003 instead of 2008. Unprocessed agricultural products are also introduced into the CEPT scheme. Again, at the 6th ASEAN Summit in December 1998, the realisation of AFTA was accelerated by one year, from 2003 to the year 2002, despite the economic downturn. This is to regain business confidence, enhance economic recovery and to promote growth in ASEAN. Also, to attract foreign direct investment into the region, special incentives and privileges are agreed on. The leaders also agreed to further liberalise trade in services so as to enhance further economic integration of the region.

In the further acceleration for implementing AFTA, the leaders agreed that the six original members (Brunei Darussalam, Indonesia, Malaysia, Philippines, Singapore and Thailand) would advance the implementation of AFTA by one year from 2003 to 2002, in stages. Individually, each country will commit to achieve a minimum of 85% of the Inclusion List with tariffs of 0 – 5% by the year 2000. Thereafter, this will be increased to a minimum of 90% of the Inclusion list in the 0 – 5% tariff range by the year 2001. By 2002, 100% of items in the Inclusion list will have tariffs of 0 – 5% with some flexibility.

Member countries also agree to deepen, as soon as possible, tariff reduction to 0% and accelerate the transfer of products which are currently not included in the tariff reduction scheme into the Inclusion list.

The new members of ASEAN shall, and expand the number of tariff lines in the 0 – 5% category by 2003 for Vietnam and 2005 for Laos and Myanmar, and expand the number of tariff lines in the 0% category by 2006 Vietnam and by 2008 for Laos and Myanmar.

⁷ A more detailed description of the CEPT scheme is found in the APPENDIX: Appendix 3

III. Current situations on AFTA

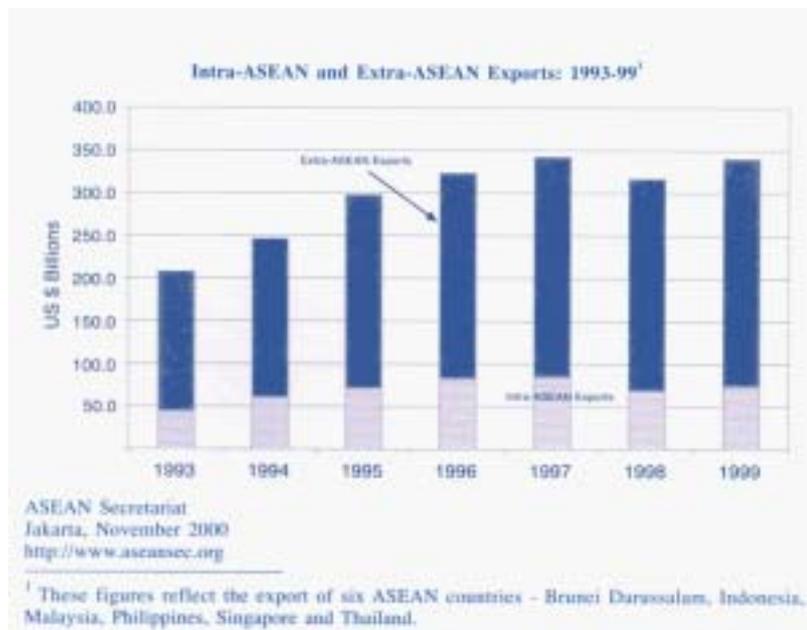
Since AFTAs' implementation in 1993, intra-ASEAN trade grew from \$44 billion to \$73 billion in 1998. It was a remarkable success and ASEAN's prospect looked promising then.

However, by 1998, trade liberalisation within ASEAN slowed down. Soon concerns as to the viability of ASEAN as a regional organisation rose and confidence in its trading wheel: AFTA has waned.

The aftermath of the economic crisis has created a sick and ailing ASEAN, with the exception of some members. Foreign direct investment had fallen 38%, from 1997's \$21.5 billion to \$13.3 billion in 1999, and that ASEAN's 10 economies were attracting fewer funds than before the crash. The economic crisis has also adversely affected intra-regional trade. Intra-ASEAN trade contracted by 15.9% in 1998 compared to the 5.8% reduction in total ASEAN exports (Figure 3). No doubt that in the year 1999, there was a remarkable recovery in ASEAN exports, with extra-ASEAN exports expanded by 8.0% and intra-ASEAN exports rebounded by 7.6%, the amount of foreign direct investment (FDI) inflows to ASEAN has reduced (Table 4).

ASEAN has thus lost much of its appeal and confidence. The much sought after - AFTA, amid its effort to accelerate, seems to be constantly stepping on the brake pedal. A number of critical issues remain to be solved before making AFTA truly a success.

Figure 3: Intra-ASEAN and Extra-ASEAN Exports: 1993-99



Source: ASEAN Public Information Series: AFTA, An Update

Table 4: Distribution of global foreign direct investment flows to ASEAN and China
1988 – 1999, in million US dollars

Host region/ economy	1988-1993 (Annual Average)	1994	1995	1996	1997	1998	1999
World	190 629	255 988	331 844	377 516	473 052	678 854	865 487
China	8 852	33 787	35 849	40 180	44 236	43 751	40 400
ASEAN-10	11 753	20 370	23 705	29 597	27 648	19 495	16 190
Brunei	4	6	13	11	5	4	5
Darussalam							
Cambodia	44	69	151	294	168	121	135
Indonesia	1 269	2 109	4 346	6 194	4 677	-356	-3 270
Laos	10	59	88	128	86	45	79
Malaysia	3 320	4 581	5 816	7 296	6 513	2 700	3 532
Myanmar	137	126	277	310	387	315	300
Philippines	770	1 591	1 459	1 520	1 249	1 752	737
Singapore	3 982	8 550	7 206	8 984	8 085	5 493	6 984
Thailand	1 899	1 343	2 000	2 405	3 732	7 449	6 078
Viet Nam	319	1 936	2 349	2 455	2 745	1 972	1 609

Source: UNCTAD, World Investment Report

Problems facing AFTA

At the 32nd ASEAN Economic Ministers Meeting held on the 5th October 2000 in Chang Mai, Thailand, a number of issues relating to the realisation of AFTA was raised

On the forefront is Malaysia's delaying to liberalise its car industry until 2005, three years after the 2002 free trade date. This triggered the response from Thailand, another huge car market, that it may try to exclude palm oil from their promises. On the other hand, Indonesia, which suffered the most from the crisis, has yet to recover and that it may not be ready for AFTA. Philippines too, has indicated that it may continue to protect its petrochemical industry (which is still at its infancy stage) if investors commit to building a naphtha cracker.

To further illustrate, the problems facing Malaysia and Indonesia shall be explored:

a) Malaysia's Proton ⁸

Malaysia has been trying to strengthen its car manufacturer: Proton and has since enjoyed 17 years of protection behind the huge import tariffs of up to 300%. To date, Proton enjoys more than 65% of market share within Malaysia. However, its market share could cut into half, within five years of implementation, according to a recent assessment by Dresdner Kleinwort Benson.

Malaysia has won a two-year exemption from tariff cuts on cars under AFTA and that a draft protocol has been agreed on to resolve the disputes of tariff reductions.

a) Indonesia

Indonesia has been badly hurt during the economic crisis and is apprehensive of implementing AFTA. There is a fear that local companies could be colonised by foreign companies, as the local industries have not been sufficiently developed to provide support for large industries.

Other challenges

While it can be seen that the realisation of AFTA seems remote with its members trying to slow down or delaying its integration process, the task is even more difficult when faced with competitors from other countries. The rise of Northeast Asia nations (Japan, South Korea, Taiwan, China and Hong Kong) to be more open has created much challenge for South-east Asia nations. The first in the list is China, who has agreed to join the World Trade Organisation (WTO), will attract more trade and investments into Northeast Asia. Korea too has merged its car manufacturers with excellent auto corporations like Ford, DaimlerChrysler and Renault in order to be more competitive globally. Japan, China and Korea are also looking into free trade agreements trilaterally.

To further illustrate, the challenge posed by China shall be explored:

a) China

Motorola has recently announced on August 21, 2000 that it will spend \$1.9 billion to build an integrated semiconductor plant in Tianjin, China. This is one evident that China is going to be a huge positive magnet for foreign investment. And with its imminent entry into WTO and her related economy reforms, her huge domestic market and massive, fast developing and in-expensive labour, can easily outshine the appeal of the a single Asia market.

The addition of China into the World Trade Organisation will increase the level of competitiveness, particularly for labour-intensive goods and electronic goods. For lower income countries, the effects might be even stronger because they are competing head-on with more efficiently produced goods.

⁸ However, during the 4th ASEAN Informal Summit held in Singapore from 24-25 November, the ASEAN economic ministers have endorsed a protocol to allow for temporary exclusions. The opt-out scheme was developed this year after Malaysia made it clear that it could not fully comply with its agreement to drop tariffs on auto-industry related products.

The protocol would allow a country to delay transfer of a product from its temporary exclusion list to an inclusion list or to temporarily suspend its concession on a product already transferred to the inclusion list (See Appendix 3 for more details on the CEPT scheme)

However, China's entry into WTO is a matter of time, it may or may not be threatening to ASEAN economy, at least for the next couple of years to come, given the warning signs of her going into recession. Also since 1994, China's attraction of global world foreign direct investment already surpasses that of ASEAN (Table 5). In 1994, China has already over taken ASEAN 10 before the '97 crisis. The percentage share of FDI inflows to China is 13.2% compared with only 8.0% in ASEAN-10. China's presence has already been felt. Thus the imminent so-called threats come from the other Northeast Asians such as Korea and Japan. These countries are gradually opening up their market and upon China's entry into WTO, more trade may be directed to these nations.

Table 5: Distribution of global foreign direct investment flows to ASEAN and China
1988 – 1999, in percentage

Percentage Share (%)							
Host region/ economy	1988-1993	1994	1995	1996	1997	1998	1999
World	100.0	100.0	100.0	100.0	100.0	100.0	100.0
China	4.6	13.2	10.8	10.6	9.4	6.4	4.7
ASEAN-10	6.2	8.0	7.1	7.8	5.8	2.9	1.9
Brunei	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Darussalam							
Cambodia	0.0	0.0	0.0	0.1	0.0	0.0	0.0
Indonesia	0.7	0.8	1.3	1.6	1.0	-0.1	-0.4
Laos	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Malaysia	1.7	1.8	1.8	1.9	1.4	0.1	0.4
Myanmar	0.1	0.0	0.1	0.1	0.1	0.0	0.0
Philippines	0.4	0.6	0.4	0.4	0.3	0.3	0.1
Singapore	2.1	3.3	2.2	2.4	1.7	0.8	0.8
Thailand	1.0	0.5	0.6	0.6	0.8	1.1	0.7
Viet Nam	0.2	0.8	0.7	0.7	0.6	0.3	0.2

Base: Refer to Figure 4

Source: UNCTAD, World Investment Report

It will be tough to compete against a homogeneous China with an economy that is likely to grow at between 7 and 9 percent per year. Hence the pressure on ASEAN countries to integrate their markets. Without this, international investors will leave them out.

Not just being with greater openness and lower barriers to trade and investments, Northeast Asia nations are also ahead in the new economy. They are more ready to embrace the use of technology and Internet to do business. Thus in this technological aspect, Northeast Asia nations seems to be more attractive in attracting foreign investments than South-east Asia nations

Northeast Asia nations are not the only challenge that ASEAN is facing. Other countries like Mexico and Latin America, are also competing for investment dollars, particular from the United States. Even India, with its advancement in high technology sector has been liberalising its investment climate for the past three years.

Upon recognising the threats that are looming, AFTA members have made several attempts to speed up the implementation of AFTA⁹. However, the problems now facing AFTA seem to overshadow the effort of acceleration. Even attempts to form a free trade area with Australia and New Zealand seem futile, but rather a “closer economic Cupertino” is opted instead. Currently, the ASEAN Free Trade Area and the Closer Economic Relations (CER) pact between Australia and New Zealand have a broad linkage agreement and now both Australia and New Zealand wanted to promote an AFTA-CER free trade area. According to a task force study, this regional integration will create an even larger market with a combined gross domestic product of around US\$1 trillion. The ASEAN ministers, however, were keen to have the free trade agreement viewed as a separate arrangement from AFTA. Some ministers have expressed reservations for total integration due to the present political and environments. They are not ready for such a major step and in particular, the credibility of AFTA remains uncertain. If AFTA realisation is to be delayed, trade liberalisation will be stalled and thus ASEAN growth will be affected.

It is a common understanding that free trade is important. However, implementing AFTA is not easy, because everyone wants its own ‘pet’, as in its own industries for example. While clamouring for closer economic integration, the other side of the coin is to open up, which means their ‘pet’ industry will not have protection any more and may have to fight for its own survival.

Singapore, for one, believes in free trade and being a pioneer member of ASEAN, she has been trying very hard to make sure that AFTA will realise on time and with substance. However, her recent preliminary agreement on free trade agreement with New Zealand has puzzled some ASEAN members as they have already expressed their not readiness to team up with CER.

In the next section, we shall be looking in general, the formation of such bilateral free trade arrangements and to explore the rationales for doing so.

⁹ The acceleration of the AFTA timetable has been adopted as part of the measures in response to the regional financial crisis, which hit East Asia beginning in July 1997. It is a reaffirmation of the ASEAN countries’ commitment to regional integration and economic liberalization.

ASEAN has agreed to realise AFTA by the year 2002, with the exception of Malaysia’s automobile industry, which is to be liberalised in 2005.

IV. Emergence of bilateral or cross-regional free trade agreements

Bilateral free-trade pacts have been mushrooming in recent years. During the Asia-Pacific Economic Cupertino (APEC) ministerial meeting last year, several of its members were in favour of forging bilateral free trade deals. In particular Thailand was discussing the possibility of entering into bilateral arrangements with Chile and South Korea. Singapore and New Zealand too, have signed an agreement on free trade agreement that will lower barriers to trade on investments between the two countries. At the same time, Japan is also exploring bilateral trade deals in the region and has recently proposed free trade agreement with Singapore.

Singapore has been fervently establishing other free trade areas beyond AFTA and has expressed that it will not stop at New Zealand. A similar pact may be established with Australia, and probably a trilateral agreement may be set up if Wellington is to be part of it. The scout for potential FTAs even extends beyond the Asia Pacific region as currently feasibility studies for free trade agreements with Mexico, Canada and India are being conducted. In addition, Singapore is also examining the possibility of setting up a tri-party agreement with New Zealand and Chile.

While it may be apparent that some ASEAN ministers may be puzzled by Singapore's action to establish her second free trade agreement after AFTA, but we cannot dismiss the fact that Singapore has been very active in forming regional agreements and alliance. In 1967, Singapore is part of ASEAN, followed by Asia Pacific Economic Co-operation (APEC) in 1989. In 1994, Singapore also formed the Growth Triangle with Indonesia and Malaysia. But her main focus is on the multilateral trading system. Singapore is very committed to the World Trade Organisation (WTO) and has been an active participant in both the WTO and its predecessor, the General Agreements on Tariffs and Trade (GATT). Thus for any regional fora that promotes free trade that is consistent with WTO, Singapore will give her full support. Her strong support for regional trade initiatives comes from the belief that such regional fora can be catalysts for the WTO. Because ideas are easier to be implemented within a smaller group, and if successful, can be extended to all WTO members.

Now that since WTO is the primary focus, all efforts to implement WTO Agreements promptly should be appreciated, including the engaging of regional co-operation. Due to Singapore's size and resource constraints, Singapore would not have achieve so much if trade liberalisation had been done on a smaller scale, that is, bilateral way.

With already so may trade corporations, and the current bilateral trade agreements on the way, concerns as to Singapore's commitment to each forums start to surface.

In the next section, we shall try to understand why the increasing trend for bilateral or cross-regional free trade agreements.

V. Why the need for bilateral or cross-regional free trade pacts

Multilateral trade arrangement is an ideal trading arrangement compared to protectionism. Academic theories and studies have shown that there is much to be gain from economic collaborations such as World Trade Organisations (WTO), APEC or even AFTA on a regional level.

However, despite the purported benefits of having more equitable and freer trade, multilateralism or regionalism will only achieve its fullest benefits if it is played on level fields. One of the criticisms of multilateralism is the tendency to favour developed nations over developing or least-developed countries. Since the economic development of the countries differ, the needs of the developing or least-developed countries may not be met and thus consensus on certain issues could not be settled.

There exist a few factors that lead to the mushrooming of bilateral free trade agreements in the Asia region. For the purpose of this study, we shall examine from the point of Singapore's perspective. The factors are:

1. The abysmal state of the WTO, APEC, ASEAN
2. The widening disparities in regional and economic growth in member countries
3. The need to uphold leadership
4. Strategic reasons
5. Limitation of "Non-interference" policy

1. The abysmal state of the WTO, APEC, ASEAN

There are about 130 regional and direct trade deals, of which 90 of them were made in the past 5 years. The sudden interest in regional and bilateral trading deals coincide with the failure of multilateral system to push for further trade liberalisation. For example, the failure to kick off a new round of trade deals during the WTO meeting in Seattle last December is one of the important reasons for the set up of bilateral FTA's in Asia regions. The US, Japan and the EU disagree over a wide range of issues, such as agriculture and anti-dumping. Also with US election and China's WTO entry still pending, it seems that no new rounds of trade talk is going to begin. As a result, staunch advocates of multilateralism such as Japan and Singapore for example have been exploring bilateral deals with countries both in and outside the Asia region.

As for APEC¹⁰, there are also constraints that limit APEC to proceed forward. The usual issues are those lies in the sensitive industries like agriculture, textiles and automobiles to name a few. An attempt to launch accelerated liberalisation in 14 sectors collapsed in 1997 over the inclusion of agricultural products and, Japan and China remain protective over agriculture and telecommunications. Also, since APEC is a consensus-based, voluntary organisation, the process to reach an agreement will seem to be extremely slow and pain staking. Thus many countries have simply moved to protect their interest through direct trade deals with like-minded trading partners.

Even for a smaller scale regional economic organisation such as ASEAN, which consists of only 10 members, fail to carry free trade forward. Although ASEAN members agree to realise AFTA by 2002, except for the automobile market, which is to be realised by 2005, some ASEAN leaders seem to slow down the liberalisation process due to political and economic problems. As a proposed deal to establish economic partnership with New Zealand and Australia instead of direct trading deals has shown that some ASEAN members are not ready to fully embrace free trade. Hence Singapore's deals with New Zealand and discussions with Japan, Australia, Mexico and Canada for more such deals.

As quoted by Singapore's Prime Minister Goh Chok Tong during the recent APEC Summit held in Brunei: *"Those who can run faster should be allowed to run faster. Why should you pull him back just because some critics are not prepared to run?"* This phrase precisely hit the hot button.

¹⁰ There are currently 21 members in APEC. They are: Japan, China, South Korea, Hong Kong, Taiwan, Australia, New Zealand, Papua New Guinea, Philippines, Russia, Malaysia, Indonesia, Singapore, Brunei, Thailand, Mexico, Canada, the United States, Chile, Peru and Vietnam

2. The widening disparities in regional and economic growth in member countries

With reference to the ASEAN regions, despite its small size, the economic growth in each of the ASEAN countries differs widely (Table 6).

Table 6: GDP Growth Rates from 1994 - 1999

COUNTRY	1994	1995	1996	1997	1998	1999
Brunei Darussalam	1.8	2	2.8	2.5	n/a	n/a
Indonesia	7.4	7.3	7.8	4.6	-13.7	0.2
Laos	8.2	6.7	6.9	7.2	n/a	4.0
Malaysia	8.5	9.6	8.2	7.5	-6.2	-1.7
Myanmar	6.8	7.7	6.0	5.0	0.6	n/a
Philippines	4.3	4.8	5.5	5.1	0.3	2.9
Singapore	10.1	8.9	7.0	7.8	1.2	5.4
Thailand	8.5	8.5	6.7	-0.4	-7.7	4.2
Vietnam	8.8	9.5	9.3	9.2	5.8	4.2

Source: Asian Development Bank, International Monetary Fund

ASEAN countries vary greatly in size, systems of government and levels of economic development. On one end, there are the Singapore and Malaysia and on the other end, there is Indonesia and Myanmar. The 10 nations engaged in AFTA are so different in terms of economic growth that if the less developed nations are to reduce the tariffs down to Singapore level, they may face a lot of difficulties. In Vietnam after years of going through Doi Moi economic reform may need more time to implement AFTA though it has until 2006 to implement AFTA. Also with such tight currency controls and bureaucracy, Vietnam may not be ready for globalisation. This disparity of different economies of the ASEAN members is further compounded by the Asian financial crisis in 1997, which has encouraged protectionist sentiment and probably resulting a two-tier ASEAN. Although most Asian economies have shown recovery from the crisis, but the gap between the most affected nations and the least affected nations become even wider. This, in turn, makes it more difficult to reach consensus on trade directions.

Also, with the admission of Myanmar in 1997, the image of ASEAN as a whole has been discounted. Myanmar's track record has put ASEAN in a spot several times, as it has not resolved the Aung San Su Kyi dilemma after 10 years. Asean and EU have thus not been able to exit harmoniously over Myanmar's poor human-rights record.

3. The need to uphold leadership

Before the Crisis, Indonesia has been acted as “Big Brother” for ASEAN, due to its size and abundant natural resources. However, rocked by political instability and weak economic development, Indonesia can no longer leads the pack at the moment. At the recent Australia’s Pacific Rim Forum, it was discussed that Indonesia is among the top three “most troubled countries” along with Philippines and Thailand. There are server debt problems, weak currencies, significant political risks, poor education and infrastructure and problem-laded banking system. Thus doubts as to Indonesia’s President Abdurrahman’s ability to lead the nation out of the mess begin to surface. Likewise, the leaders of both Philippines and Thailand are facing problems: Philippines’ Estrada is impeached for graft and in danger of being toppled from power, and Thailand’s Chuan may lose the next election. The other members of ASEAN such as Laos, Myanmar, Vietnam, Cambodia, they are not ready to lead and they are very agricultural based. Thus, leaving Brunei, Malaysia and Singapore in which Singapore is trying her best to boost the free trade momentum up and going by engaging in free trade agreements

4. Strategic reasons

The proposed FTA between Japan and Singapore is an important strategic step in linking Northeast and Southeast Asia where there are yet no moves to integrate the region’s economies. On the other hand, the Europeans have been trying to reach out to Eastern Europe, The Caribbean and African countries. US, too has initiated for free trade in the Americans. However, none is seen in Asia context.

Also, Singapore being a small and open economy, where external trade is larger than GDP, it is always in Singapore's interests to have open export markets in other countries. In view of some setbacks faced by WTO at Seattle and perceptions of problems with AFTA, Singapore Government's pursuit of bilateral FTAs is governed by strategic pragmatism.

Also, doubts about the sustainability of US economic growth, Japan’s full recovery, China’s entry into WTO, and rising economic and political uncertainties in certain South-east Asia nations, issues of survival become prominent. Just as it is common for individuals to diversify their assets, it is common sense for small trading economies like Singapore and New Zealand to diversify their policy options, while striving for excellence on every front.

Indeed, as what Singapore Ministry of Trade and Industry’s Permanent Secretary Khaw Boon Wan put it: *“The primary objective of our trade policy is to guard our trading interests by ensuring a free and open international trading environment”*

5. Limitation of “non-interference” policy

The tradition of non-interference in internal affairs had precluded any effective monitoring of financial and economic danger signs in member states before the crisis struck. For example, during the financial turmoil in July 1977, there were no early warning signs to other countries. Also, there is yet to come up with an acceptable code of conduct or mechanism to prevent confrontation.

Although AFTA is solely on trade, political situation of a country does have an impact on the progress of AFTA. In the case of Myanmar’s human right issue which has greatly affected AFTA’s image, that does not mean that ASEAN members should ignore the issue but rather the members should be proactive in rebuilding ASEAN’s image.

From the 5 factors mentioned above, the trend towards bilateral free trade agreements is clear. There will be more such bilateral or trilateral free trade agreements (if they are WTO consistent) as long as issues of sustainability and survival are at risk.

The need for bilateral free trade agreements may be there, but there will be pros and cons of establishing such agreements. Before attempting to explore the benefits and disadvantages of such bilateral, we shall take a look at the recent Singapore deal with New Zealand and proposed deals with Mexico, Japan, Chile and Australia, and possibly with India and the US

VI. Singapore's bilateral free trade pacts

Singapore's second free trade agreement is a bilateral one with New Zealand. It was signed on the 15th November 2000 and will come into effect in January 2001. Since then this free trade pact has prompted the development of more free trade agreements with countries within APEC such as Australia, Japan, Mexico, Canada and the US.

Singapore and New Zealand FTA

During the 5th Consultation between the ASEAN Economic Ministers and the Ministers from CER, held on the 6th October 2000 in Chiang Mai, Thailand, the Ministers have agreed to work towards a Closer Economic Partnership (CEP). However, Singapore and New Zealand proceeded to establish another free trade agreement pact. The agreement to eliminate tariffs on goods traded between both countries was signed on the 15th November 2000. It will come into effect in January 2001.

The agreement on closer economic partnership (ANZSCEP) will also liberalise trade in services, investment and government procurement, and reduce compliance costs for both countries' exporters through jointly agreed disciplines on standards. The partnership will result in deepening and strengthening of the already close trading relationship between New Zealand and Singapore. The ANZSCEP also has a positive stimulus effect on other economies to arouse their interest in forming FTAs to push further trade liberalisation

Singapore and Mexico FTA

Singapore and Mexico signed a joint declaration to conclude a bilateral FTA on 1 November, 2000. The Mexico-Singapore FTA will be more than just another FTA. It will be strategic alliance between the two countries across the Pacific Ocean. The FTA will cover trade in goods and services, investments, government procurement, intellectual property and a dispute-settlement mechanism, amongst others.

Mexico is Singapore's largest trading partner in Latin America and Singapore is Mexico's second largest export market in Asia. Mexico exports more electronic goods to Singapore than to China and a combined East Asia. Also, Mexico not just being able to provide a huge market of 100 million people itself, it is also close to US, with which it enjoys a number of trading privileges under NAFTA

Singapore and Japan FTA

The decision to establish a Japan-Singapore FTA was set in 22 October 2000, after a 10-month extensive study on the feasibility of such Japan-Singapore FTA. The Singapore Economic Agreement for a New Age Partnership (JESPA) negotiation would be expected to be launched on January 2001, and to be concluded no later than 31 December 2001.

The JESPA encompasses both the usual FTA agreement and is also focus on liberalisation and co-operation in the high-growth services sectors of the future, such as the financial, and information and communication technology sectors. Both Singapore and Japan share the same commitment to WTO framework and are similar in terms of per capita income and economic development. Even on technological progress, Singapore and Japan are almost the same. With a "New-Age" FTA, trade relations between Singapore and Japan will not only bring about larger markets but also creating new opportunities with greater economic liberalisation, facilitation and co-operation.

Singapore and Canada FTA

A joint statement to explore the possibility of negotiating a bilateral FTA was made at the fringe of the APEC Trade Ministers' Meeting in Darwin in June 2000. Canada is a major trading nation, with 43% of its C\$880 billion GDP derived from trade. Thus, there is potential for Singapore-Canada trade to grow where it stands at \$1.4 billion at the current level. The largest sector in Canada-Singapore trade is information technology and telecommunications equipment. There is also scope for developing further links between the two countries in science and technology, culture, education and people-to-people contact under the FTA. Since this proposed FTA is between two APEC countries across the Pacific, it is also hope that the Singapore-Canada FTA will help hasten trade liberalisation towards Bogor Goals ¹¹ under APEC.

Singapore and Chile

Singapore and Chile have agreed to explore the possibility of a bilateral FTA with Singapore. Since New Zealand has a Trade and Investment Framework Agreement (TIFA) with Chile and the ANZSCEP with Singapore, there exists a possibility of establishing a tri-lateral FTA. A joint study group by the 3 countries have set up to examine the feasibility of such tri-party arrangement.

Singapore and Australia

On 15 November 2000, the Prime Ministers of Singapore and Australia announced their intentions to commence negotiations on a bilateral free trade agreement. Singapore is Australia's 7th largest trade partner and Australia's largest trade and investment partner in South East Asia. Australia is Singapore's 14th largest trading partner and 9th largest foreign investor. Trade in services between the two economies is substantial and growing and the Australia-Singapore FTA would serve to provide particular benefits in the services sector.

Singapore and India

India is the latest country to be keen on having FTA with Singapore. Both countries agreed to set up a task force aimed at strengthening economic ties and promoting greater trade and investment flows between the two countries. The task force also study the possibility of a free trade. India was Singapore's 16th-largest trading partner and Singapore was ranked 13th largest investor in India.

¹¹ Bogor Goals: In 1994 in Bogor, Indonesia, APEC members committed themselves to achieving free and open trade and investment in the Asia Pacific by 2010 for developed member economies and 2020 for developing ones.

Singapore and US

At the end of the APEC summit held in Brunei this year, Singapore and US issued a joint statement to start negotiations on a bilateral FTA. The proposed FTA would likely be modelled after the one between the US and Jordan and its benefits shall span across the whole of Asean as the FTA plan would draw US investors again. Most importantly Singapore would be able to access US's huge market of 275 million population and US would be able to access Singapore's services sector, including the financial services.

VII. Advantages of pursuing bilateral FTAs

As can be seen from the number of FTAs engaged/ engaging by Singapore in just one year, certainly there exists some benefits that prompted FTA's development. These advantages can be seen as beneficial to Singapore and to ASEAN as a whole. The benefits are:

- 1) Confidence building measure
- 2) Cross Trade
- 3) Breaking psychological barrier
- 4) "New-Age" Free Trade Agreement
- 5) Promote the stability and prosperity of Southeast Asia
- 6) Give impetus to create more FTA
- 7) Exploit economic potential opportunity
- 8) Can be a test bed for new ideas
- 9) Carry a strong business dimension

1. Confidence building measure

Singapore's active participation shows that it is trying to build up investors' confidence in ASEAN. The 1997 Asia financial crisis has set back ASEAN's economic dynamism and international interest and confidence in ASEAN's potential have lost. Now, although most of the ASEAN nations have recovered from the Crisis, ASEAN still suffered from poor perception. Investor still does not have the kind of confidence as before. By engaging in FTA in the region, Singapore is hoping to instil some stimulus in trading interest with ASEAN. It is hoping to arouse some interest for investors and to lift up the spirit of the slacking AFTA.

2. Cross Trade

On Singapore FTA with Mexico, it is seen that the agreement is in a way helping to promote each country as a hub for the other. Mexico can be Singapore's base for the Latin America market and Singapore can be Mexico's base in Asia. Likewise, with regard to FTA with Japan, Singapore is hoping to jump onto the Northeast Asia wagon.

3. Breaking psychological barriers

A standalone FTA with Singapore would make little practical difference as few barriers to bilateral trade remain. But the negotiating experience will be useful such as in the case of Japan and Singapore free trade agreement if and ever Japan attempts more controversial deals.

After the successful negotiation with Singapore, Japan is now considering free trade pacts with Mexico, South Korea and other trading partners.

Thus, if a country like Japan can see the advantages of pursuing one or two, or more, bilateral free-trade pacts, then countries resisting might have to start rethinking if they do not want to be left out.

4. “New-Age” Free Trade Agreement

Globalisation and technological progress has re-defined the global political, economic and social landscape. For example, differences in time zone no longer pose a barrier to doing business internationally and those physical distances would not be obstacles to trade. Mobility of capital and human resources could not have been easier. “New-Age” FTA thus took into account all these new developments and enables nations to be more competitive in the digital divide.

The recent deal between Singapore New Zealand thus not only covers the movement of goods but also the flow of capital, people and services including electronic commerce and other business based on new technology. Likewise, for Singapore and Japan, the free trade deal between them also goes beyond the traditional FTA, focussing on liberalisation and cooperation in the high growth sectors of the future such as transportation, financial, information and technology sectors. “New-Age” FTA is important in view of the trend of globalisation. As Mr Takeo Hiranuma, Japan’s Minister of International Trade and Industry put it:
“Our ultimate goal will be to develop cross-border, one-stop services whereby all the export and import data requested by the relevant authorities in both countries can be submitted at the touch of a key”

5. Promote the stability and prosperity of Southeast Asia

In the case of Singapore FTA with Japan, a FTA with Singapore will help to lock in Japan’s engagement in Southeast Asia for the long term. The region will benefit from Japan’s enhanced presence. Japan has been, and will continue to be, an important source of investments, capital and technology, and a major export market for ASEAN economies. Before the Asian crisis, Japanese investments contributed significantly to the regional boom. When the crisis struck, Japan offered much assistance to help the Southeast Asian economies recover.

6. Give impetus to create more FTA

When an action is deemed to be beneficial, there will be a contagion effect. Likewise, since the formation of bilateral FTAs generally promote free trade activities and acts as catalyst for the new rounds of trade talks for WTO and APEC, more countries are looking for either bilateral or trilateral FTAs.

For example, in the case of New Zealand, after signing her first free trade deal with Singapore, New Zealand is exploring similar agreement with Hong Kong.

New Zealand is also looking into engaging a free trade pact with Chile, Australia, United States and Singapore, forming a “P5” which means Pacific Five.

7. To exploit economic potential opportunity

By involving only 2 countries at a time, differences can be settled easily and that the needs of each nations will more likely to be paid with full attention. By doing it bilaterally also means strategic alliance between two countries. For example in the case of Singapore and Mexico, due to the lack of knowledge of each other's economies, trade between Singapore and Mexico is very little. In fact, only 2.6% of Asia's export went to Latin America in 1997, and only 4.3% of Latin American exports went to Asia (including Japan). This shows that there are vast opportunities to be explored both in the Latin America area and Asia region. Especially for East Asia, it represents both a great opportunity and a huge challenge to Latin America, particularly after China's entry into the WTO.

To Singapore, Mexico offers a large consumer base in addition to the 94 million Mexicans. The strategic location of Mexico, her competitive labour cost, abundance of raw materials and strategic trade agreements with her neighbours, are some attractions in the collaboration between Singapore and Mexico

Bilateral agreements can increase the volume of interactions between the two economies involved and facilitate a dynamic growth in benefits

8. Can be test bed for new ideas

Since bilateral free trade agreements involve two countries, it is easier to sort out differences and to implement new ideas. Once the new ideas proved successful on a smaller scale, then they can be implemented to the other nations. And it is less costly in a sense should errors occur.

By involving in fewer member States, ideas are also more forward-looking and far-reaching in scope and coverage. For example, the addition of e-commerce activities in the proposed agreement between Japan and Singapore has not yet been raised at the WTO. In terms of internet technology, Singapore and Japan stand on comparable level, compared to 134 members in WTO which have different levels of internet knowledge.

9. Carry a strong business dimension

The formation of bilateral FTAs not just allow for lower tariffs for exports of certain goods, it also enhances the flow of goods, services and factors of production. Custom procedures would be less cumbersome. Commercial and professional services would be easier to enter into the member markets and terms for direct investment into member countries may be improved. These entire improved "infrastructure" provide a better framework for business to grow and to expand globally. With business expansion, there will be more employment opportunities.

The lists of benefits can only be achievable only if these bilateral FTAs are **consistent**¹² with the rules of WTO. If not, the following disadvantages would be more prominent:

¹² Consistency with WTO rules and the Rule of Origin is very important to prevent the formation of bilateral free trade agreements into trading blocs.

WTO members cannot discriminate their WTO trading partners under the "Most Favoured Nation" principle. However, the formation of regional trade groupings are exempted from the MFN principle, with the certain conditions to be met (Appendix 2)

Rule of Origin: As a general concept, the country of origin of a product is the one country where the last substantial transformation took place. This is important to prevent the by-pass the trade barrier of a member country for products coming from another member country which are actually products imported from non FTA members which are converted to products originating from member country.

VIII. Disadvantages of pursuing bilateral FTAs

1) Risk of developing trading blocs

The bigger guys could pick and choose their partners. Although Singapore is already an open trade economy and can form bilateral FTAs with almost any nation, she is still selective with choosing her trading partner.

Already there are two major trading blocs: NAFTA and EU are consolidating. The EU¹³ has been expanding its FTAs with Eastern Europe, the Caribbean and Africa, while the US is supporting the development of Free Trade Area of the Americas (FTAA)¹⁴

Also, if trade blocs are developed, the incentives to engage in multilateralism may be diminished. Bilateral agreements that are contingent between negotiating trade blocs may take precedence over multilateral trade negotiations.

2) May create new trade discrimination

Sub-regional free-trade agreements can be decidedly harmful, since they immediately create new trade discrimination and additional sources of divisiveness, and in the longer term may entrench interests that might resist broader regional liberalization. For example in the bilateral FTA between Japan and Singapore, it has been criticised that this agreement breaches APEC as the former FTA does not include agriculture. Specifically excluding particular sectors or making groups exclusive could set the stage for excuses later in multilateral settings

Singapore's proposed bilateral treaty with the US is also controversial, since Singapore permitted Washington to announce that their FTA will be modelled on the recent US-Jordan free-trade agreement. The US-Jordan FTA contains labour and environmental standards, which are anathema to developing economies with APEC.

3) Might not be in their best interest

FTAs can run into their own set of problems, especially when they impose non-tariff barriers - which are equivalent or do not differ much from taxes

¹³ In 1999, EU has concluded FTAs with Egypt, South Africa and Mexico. It is currently seeking closer economic association with Chile and the MERCOSUR.

¹⁴ FTAA is launched in 1994 and aims to be established before 2005. A total of 34 members including: NAFTA members, MERCOSUR members, Central American Common Market members, Andean Pact members, Antigua and Barbuda, Bahamas, Barbados, Belize, Chile, Dominican Republic, Grenada, Guyana, Haiti, Jamaica, Panama, Paraguay, St. Vincent and the Grenadines, St. Lucia, St. Kitts and Nevis, Suriname, and Trinidad and Tobago.

In short, the following table is a summary that categorize the advantages and disadvantages of pursuing bilateral or plurilateral FTAs (Table 7):

Table 7: Summary of advantages and disadvantages of pursuing bilateral or FTAs

Advantageous	Disadvantageous
<ul style="list-style-type: none"> ▪ Confidence building measure ▪ Cross Trade ▪ Breaking psychological barrier ▪ “New-Age” FTA ▪ Promote the stability and prosperity of Southeast Asia ▪ Give impetus to create more FTA ▪ Exploit economic potential opportunity ▪ Can be test bed for new ideas ▪ Carry a strong business dimension 	<ul style="list-style-type: none"> ▪ Risk of developing trading blocs ▪ May create new trade discrimination ▪ Might not be in their best interest

It can be seen that the benefits of engaging in bilateral or plurilateral FTAs far exceed the disadvantages. Still, this is not a definite answer to sealing off AFTA's fate. Since its establishment in 1992, trade among ASEAN countries has grown from US\$44.2 billion in 1993 to US\$74.4 billion in 1999 (Figure 3, Page 7). It reflects an average annual increase of 11.4%. It is the economic crisis in 1997, the changing landscape of the economic environment and others as described in Section III and V that render the need for bilateral or tri-lateral FTAs to co-exist with AFTA.

Singapore's commitment to AFTA will always be there. In fact, Singapore has a strong interest to help promote deeper economic integration within ASEAN to enhance its competitiveness and attractiveness. This is partly due to the fact that Singapore is a very small country and with no natural resources, therefore trade is very important for Singapore's economy. In addition, Singapore's trade with other ASEAN nations is very significant, in which ASEAN market accounts for 25% of both trade and investment inflows. However, Singapore also strongly believe that trade efforts under bilateral and cross-regional FTAs can speed up the momentum of trade liberalisation. Singapore aims to conclude FTAs with a number of strategic trading partners.

In the next section, we shall take a look at the essence of Singapore's bilateral and cross-regional FTAs before concluding on her commitment to AFTA or WTO.

IX. Essence of Singapore's bilateral and cross-regional free trade agreements

Looking at Singapore FTA per se, it may not seem to be very significant as Singapore is already an open trade economy and has no agricultural sector to protect. She is most willing to have FTA with any countries taken literally. Singapore's economy is also very small, and the combined market with the respective trading markets may not have much impact to other nations.

However, her initiative to engage in these FTAs is very important to stimulate the momentum for trade liberalisation movement within the region. The aim is to catalyse APEC towards achieving the Bogor Goals and hoping to encourage other APEC countries to go for similar FTAs. The bilateral and cross-regional FTAs would help to spin a web of inter-locking FTAs between APEC members, and eventually form an APEC wide FTA, which would help accelerate APEC towards achieving free trade in the Asia-Pacific.

Singapore aim to have a "high quality, high standard" FTA which would be "as free as possible" and even opening each other up to their respective talents and professionals. Bilateral FTAs and sub regional FTAs allows the faster members of APEC to move ahead while allowing those less ready to stick to their own pace

While pursuing the momentum for trade liberalisation under APEC, it is also at the same time stimulating investor's interest and confidence in ASEAN. Singapore's ultimate belief is in the multilateral agreement: WTO. Thus she recognises that the bilateral and cross-regional FTAs should complement the multilateral trading system. They should not be pursued at the expense of the multilateral trading system, or undermine the rule-based system embodied by the WTO. Singapore has thus placed much emphasis to ensure that her FTA efforts are fully consistent with the WTO rules.

X. Singapore's commitment to AFTA or WTO

Singapore is committed to WTO and AFTA. She has been making efforts to promote deeper economic integration within ASEAN. In terms of case of AFTA, Singapore has been helping the newer members of ASEAN to get in tune with trade liberalisation. For example, Singapore and Vietnam have worked together over the last two years. Successful projects include the Singapore Mint's collaboration with the State of Bank of Vietnam on a Year of Dragon commemorative coin. A contract to jointly produce the Year of the Snake coin has also been signed. Bilateral relations on joint projects like Vietnam Singapore Industrial Park in Ho Chi Minh City is also underway.

Also, strategically, Singapore will not abandon AFTA. At least physically, Singapore cannot. No doubt AFTA's slow progress, Singapore is still committed to AFTA commitment. Her engagement of bilateral and cross-regional FTA snot only serves as a mean to speed up AFTA's progress, but also can help to build investors' confidence in ASEAN. ASEAN needs to be seen as a group; not fragmented individual nations, which only care their own domestic issues.

Developing the Greater Mekong Sub-region and proceeding with the e-Asean¹⁵ will be important examples of unity. These would help narrow the divergent economic and political perspectives held by different members.

¹⁵ A e-ASEAN framework agreement was signed during the 4th ASEAN Informal Summit this year and it is seen as a first step to bridging the digital divide.

The e-ASEAN agreement highlights six areas for achieving digital readiness. These range from developing an ASEAN information infrastructure and local content to creating a common market place for infocomms technology goods and services as well as human resource development and e-governance. See APPENDIX: Appendix 4

XI. AFTA's Future

It needs to be borne in mind that non-tariff barriers impose a more significant impediment to intra-regional trade and investment than do tariffs. Without progress on this front, the potential direct trade and investment benefits of AFTA for ASEAN countries will remain fairly marginal, as will trade diversion effects.

AFTA cannot be considered as a standalone issue without taking into consideration ASEAN as a group. The image of ASEAN is directly correlated to the progress of AFTA, and vice versa. ASEAN must go beyond serving only government, it must increasingly involve the people of the region so that private companies and businesses will be aware of AFTA's presence, and how AFTA can help to enhance their business. By casting away the "elite" status of ASEAN, more people are aware of its presence and commitment to promote economic development in ASEAN region. This in turn will help to push forward ASEAN's goals and AFTA's commitment.

To meet the challenge of the future, such as globalisation and technological progress, AFTA has already signed the e-ASEAN initiative, which aims to build upon the information technology of Asean countries. This include Singapore's IT2000 and SingaporeOne, Brunei's RaGAM 21, Indonesia's Nusantara 21, Malaysia's Multimedia Super Corridor and the Philippines' IT21¹⁶. Several private companies in multi-media projects will also be involved to set the motion of e-ASEAN.

Bilateral or cross-regional FTAs, on the other hand, is a key strategy to enhance inter-regional collaboration. Both intra- and inter-regional collaborations are important strategies to combat the issue of globalisation.

¹⁶ For more information about e-ASEAN initiatives, please refer to Appendix 4

XII. Conclusion

The delayed automobile liberalisation in Malaysia, the pursuit of bilateral FTAs by Singapore and the increasing trade diversion to Northeast Asia, are signs of a dismayed AFTA, if viewed pessimistically. Malaysia's exemption for tariff-reduction for its automobile industry until 2005 instead of 2003 may open up the tendency for other members to do likewise should they be not able to reach tariff-reduction deadlines. Singapore's engagements of FTAs, were viewed by some as contradictory to ASEAN benefits. The bilateral deals may derail the AFTA process and countries signing such FTAs with Singapore may use Singapore as a gateway to get their products more cheaply into ASEAN market. The most interesting issue regarding Singapore's FTA is a recent outburst by Indonesian President Wahid against Singapore. President Wahid threatened to set up his own "West Pacific Forum" and launched a tirade against Singapore. His suggestions to call for East Timor and Papua New Guinea to be included in ASEAN were overthrown by Singapore Senior Minister Mr Lee Kwan Yew. President Wahid also accused Singapore of "only looking to reap profits from its relations with its neighbours," and "only interested in building relationship with the Northeast nations". These words only shows the underlying disparity of ASEAN; not being able to unite as one ASEAN. In addition, most of ASEAN members are concerned with their own domestic economic problems and reforms of their banking and corporate sectors such that trade liberalisation issue is relegated as second fiddle.

However, on the other hand, if the impending issues faced by ASEAN and AFTA were viewed optimistically, the scenario would be different. For example in the case of Singapore's bilateral FTAs, ASEAN countries could use Singapore as a conduit to industrialised countries, instead of just focusing on Singapore's self interest motive. ASEAN countries may then be in a much better position to fasten the pace of their own economy revitalisation progress. In that case, progress for trade liberalisation via AFTA would not slow down.

In short, Singapore pushes for bilateral free trade pacts will continue and AFTA is here to stay. Either bilateral or cross regional FTAs should co-exist with AFTA or any other multilateral trading arrangements and should reinforce one another. Be it strategically or politically, Singapore's commitment to AFTA will continue to be there. In the new era of globalisation and technological progress, AFTA needs to transform itself to meet these new challenges in order to be relevant.

However, one important point to note is that these emerging FTAs must be consistent with WTO rules, and must address the issue of globalisation and technological progress. While we cannot expect some ASEAN countries with sensitive industry to fasten their liberalisation process, but should they see the derived benefits of engaging in "New Age" FTAs, these countries may slowly liberalise their sensitive industries. We shall wait and see how the proposed Singapore's FTA with Japan progress because should the agreement be successfully launched, attitude towards trade liberalisation may change.

Still, should the process for trade liberalisation is blocked on a global front, then regionalism may not promote cohesiveness but instead would form trade discrimination, with each bloc looking after its own terrain, known as protectionism.

POSTSCRIPT

Just after the completion of this report, the hottest topic now in Southeast Asian policy is "ASEAN plus three" (APT). It is an attempt to bring together China, Japan and South Korea into ASEAN.

However, the idea was not new. A decade ago, Malaysian Prime Minister has brought up this issue and came up with the notion of an East Asian Economic Group (EAEG). But the idea was torpedoed to give way for the formation of APEC, which was important then to harmonize the relationship of the nations across the Asia Pacific region. Instead, Asia has created an informal group known as "ASEAN + 3", that is, the members are ASEAN, China, Japan and South Korea. In November 1999, ASEAN invited China, Japan and South Korea to its summit meeting in Manila, Philippines. That was the first initiative by ASEAN to have informal summit meeting with the three Northeast Asia nations to strengthen economic, political and monetary ties.

However, recently, the trend is towards the idea of an East Asian Summit, which could ultimately become a new trading bloc.

From the very beginning when New Zealand established her first bilateral FTA with Singapore, New Zealand already foresaw the formation of trading blocs in the new world trade order. One of the primary aims for New Zealand to form FTA with Singapore or rather an ASEAN country, is the fear of "isolation". As EU is now integrated with a single currency and as a custom union, and the America has the NAFTA, which is now combining with MERCOSUR members and the rest of the South America's states to form FTAA. With the two major pillars in place, the third pillar is obviously Asia and the world is soon becoming a three-block configuration.

If the Asia crisis in 1997 did not happen, the world trade order would also be changing, due to globalization and technological advances, probably at a slower pace. However, it is the impact of the Asian crisis that resulted in the urgency and importance of forming such East Asian economic grouping. The Asian crisis in 1997 has unraveled three main issues that are pertinent for the forthcoming of an East Asian grouping. Firstly, it is the disappointment of the Western nations and multilateral institutions. It was perceived that the Asian crisis was caused partly by the pulling out of western banks and that the IMF has deteriorated the effects of the crisis in Southeast Asian countries. Thus, the East Asian nations do not want to be totally dependent on the Western nations.

Secondly, it is the backlash of globalization, such as the failure of the new round of WTO trade negotiations and the stalling of APEC trade talks. Over the last few years, US trade policy is stalemated domestically, both efforts to negotiate a new international investment agreement at the OECD in Paris and a new multilateral trade negotiation in Seattle have failed. There is a perceived threat of protectionism if backlash against globalization is realized. East Asia nations, which depend heavily on export expansion for their economic growth, is very vulnerable; they at the perils of the global trading system and the Western trading partners should a relapse towards protectionism occurs. In addition, compounding the dire effect is linking of the trade with labor and environmental issues by the West in which East Asia has been finding a hard time to compromise on these issues. All these reasons point out to the fact that East Asia want to be independent and not to be too reliant on their Western counterparts.

The final issue that was unraveled is the recognition of their collective strengths. As seen from Table 8, East Asia's aggregate GDP and trade volumes are very close to the those of US or

EU and their monetary reserves are much larger compared to them. This realization of their combined strength calls for the formation of a unified East Asia.

Table 8: Three-way balance, 1997, \$1bn

	Output			Official monetary reserves
	market exchange rates	purchasing- power parity	Trade with rest of world	
East Asia	6,382	9,431	1,380	668
EU	8,093	7,559	1,640	380
United States	7,834	7,665	7,665	71

Source: F. Bergsten

A unifying East Asia could result in two extremes. On one side, it could become a very formidable trading bloc that discriminates others. East Asia could develop its own capital markets. It is also large enough to pursue its own trade deals that may violate WTO rules. This will have a repercussive effect on other big powers such as EU and US to retaliate by discriminating against Asia. In the end, the trade order may slip back into protectionism again.

However, from the optimistic point of view, a unifying East Asia could promote Asia harmony and stability if China and Japan could stop regarding each other as rivals in the military area. A unifying East Asia could also contribute significantly to the growth of trade and investment in ASEAN and in the rest of the world. Theoretically, multilateralism is favored over regionalism if the games are played on even grounds. Likewise, a East Asian trading arrangement should be more favorable than AFTA. In a study using computable general equilibrium model simulation done by Tan, Park and Toh (1999), it shows that in general, there are much to be gain if AFTA forms RTA with Northeast Asia (Table 9). This study focussed on the effect of AFTA on ASEAN countries real GDP as well as the effect if AFTA were to form RTAs with other regions. For example, should AFTA link up with Northeast Asia, the improvement in real GDP for ASEAN will rise from 0.34% to 1.46%. Malaysia, Philippines and Thailand, with higher protective barriers, will benefit more should these protective barriers such as agriculture and textiles, are removed.

Table 9: Effect on Real GDP (Percentage Deviation from Base)

	AFTA	AFTA + US	AFTA+ Northeast Asia	APEC
ASEAN – 5	0.34	0.71	1.46	1.84
Indonesia	0.10	0.28	0.80	1.00
Malaysia	0.58	0.75	1.68	1.91
Philippines	0.43	1.59	2.28	3.48
Thailand	0.60	1.02	2.28	2.70
Singapore	0.02	0.02	0.04	0.05

Note : Data refers to the percentage change in the economies' real GDP as a result of AFTA and expanding membership in the AFTA

Source : "Strategic Interests of ASEAN-5 in regional Trading Arrangements in the Asia-Pacific", K.Y. tan, Innwon Park and M.H. Toh, *Asia Pacific Journal of Management*, vol. 16 (1999)

However, the most significant benefit is that East Asia could become an effective trilateral partner with the United States and Europe in managing the world economy. The big three players: US, Europe and Asia will domicile the new world order, which is what has been defined geographically on a geographical map.

Still an East Asian economic alliance may take a while before taking its form. ASEAN must be united; cohesive and dynamic in order to prepare itself for the unification and to not be eclipsed by its northern counterparts. The rest of the world too, must accept the change and to graciously receive the new grouping with open arms, just like what has happened to Europe half a century ago.

APPENDIX

Appendix 1: Various economic cooperation initiative undertaken by ASEAN

1977 - ASEAN Preferential Tariff Agreement (PTA)

- Preferences were extended on a voluntary, product-by-product basis
- A minimum tariff of 20% was to all intra-regional imports below a certain value
- Not successful **because the end result was granting tariff preferences, intra-regional trade did not increase**
- There is also the tendency to grant preferences on goods not traded within the region
- Goods attracting 0% tariff were preferred and the requirement of at least 50% ASEAN content which make it not very attractive

ASEAN Industrial Projects (AIP)

- Launched after Bali Summit
- Objective: For each of the member countries of ASEAN to have at least one assigned large-scale government initiated project serving the entire ASEAN market
- Not successful **because members involved in the projects cannot decide on agreed terms**
- E.g. in the case of Singapore which was assigned the project of a diesel plant. Other countries also planned to have diesel engine plant in their own countries, therefore they cannot agree on certain terms

1983 - ASEAN Industrial Complementation (AIC)

- Brand to Brand (BBC)

- Aim of AIC: Shared production facilities by production stages in the product of an industry
- The idea was to avoid duplication of capacity in ASEAN and allows greater economies of scale
- The first AIC was involved in the production and distribution of automotive parts and components
- Not successful **because of lack of compatibility of ASEAN countries production facilities with the plants set up to make different brands and types of vehicles.**

- **BBC**

- Aim of BBC: Cooperation in the production of particular brands
- Helped in providing incentives to some of the Japanese MNCs to relocate production facilities to lower cost ASEAN centres. Also took advantage of the reciprocal element of the scheme whereby components are exchanged between countries.
- Not successful **because Indonesia did not participate which reduced the potential gains from economies of scale**

1983 - ASEAN Industrial Joint Venture (AIJV)

- To encourage intra-ASEAN investment among private investors
- The main incentive was to reduce tariff
- AIJVs could be of any scale, with minimum participation of 2 ASEAN members
- Member countries in the scheme levy only a tariff of 10% of the normal rate on goods produced by AIJVs
- Not successful **because the scheme did not have major impact on intra-ASEAN trade and investment**

Appendix 2: Elements and features of Free Trade Agreement

FTA is a legally binding agreement between 2 or more countries to bring about closer economic integration. Under a FTA, the member countries provide each other preferential market access for goods and services. Such favourable treatment could be achieved through the lowering or elimination of import tariffs, the relaxation or removal of quantitative import restriction and/ or the waiver of compliance with certain domestic regulations.

The exact nature and scope of the accorded preferential treatment is decided through a process of negotiations and might not be identical for all the FTA member, given that they usually have different economic interests and sensitivities. Examples of FTAs are ASEAN Free Trade Area (AFTA) and the North-America Free Trade Area (NAFTA).

While trade within a FTA is made freer, each member continues to maintain its own higher duty rates on imports from non-members.

The elements and features in a FTA are as follows:

a. Tariffs

Under a FTA, the import duties or tariffs levied on merchandise products are reduced. FTAs can vary quite widely in their coverage of products; many exclude a varying number of products, especially from the agriculture sector; while some even exclude the entire agriculture sector

b. Rules of Origin

Since the preferential treatment provided for in a FTA is normally granted only to products originating from members to that FTA, rules of origin are therefore an important part of a FTA. As a general concept, the country of origin of a product is the one country where the last substantial transformation took place. Various methods could be used to establish whether substantial transformation occurred.

These include:

- i. Change in tariff heading, whereby origin is granted if, after transformation, the product is classified under a different customs nomenclature heading than before.
- ii. Value-added criterion, where a specified percentage of value added in the last production process is necessary to confer an originating status

c. Quantitative Restrictions (QR)

Quantitative Restrictions (QR) refers to trade barriers other than duties, taxes or other charges, which are made effective through quotas, import or export licenses, voluntary export restraints and other measures. FTAs can provide for the progressive abolition over time of QR imposed on all or a subset of import products. Some FTAs do, however, allow for some form of QRs to be applied for a few selected products

d. Standards

FTAs can include provisions on technical regulations and standards and to sanitary and phytosanitary measures. These stipulate that member states exchange information, accept their partner's conformity assessment and/ or mutually recognise each others' standards and mandatory requirements as equivalent. Some FTAs even provide for the harmonisation of member states' technical standards

e. Institutional/ Procedural Provisions including dispute settlement

For co-ordination in issues such as customs administration, FTAs usually establish some institutional arrangement to implement to procedural functions (e.g. facilitating regular high-level meetings), to review trade liberalisation commitments, to initiate trade remedy actions and/ or to resolve disputes over the implementation of the FTA.

f. Services

Over the last 2 decades, international trade in services has grown faster than trade in merchandise goods. More recent FTAs have tended to include the liberalisation of specific services sectors in their coverage. Better market access regulations and waive certain licensing or qualifications requirement etc.

g. Investment

A FTA can also include an investment rules framework that ensure, inter alia, that all foreign investors are given equal treatment as locals, are not subject to arbitrary rules and regulations, and are able to freely repatriate and transfer funds related to foreign investments

h. Government Procurement

Procurement by governments forms a large part of the economies of many countries. Many FTAs provide preferential access to their procurement markets by including rules that treat foreign tenders in the same manner as a local tender, and ensure that tender procedures are transparent and not unduly burdensome

i. Trade remedies

Trade between FTA partners can be impaired by the imposition of unfair trade measures such as anti-dumping duties, or through safeguard measures, which allow countries to 'pull back' on their FTA commitments under certain circumstances. Many FTAs provide disciplines to make it more difficult for FTA partners to indiscriminately impose trade remedies against each other

Consistency with WTO rules

FTAs can be exempted from the MFN principle, provided that certain conditions are met:

For trade in goods:

- a. Members of a FTA are not permitted to raise trade barriers (both tariff and non-tariff) against non-members
- b. Members of a FTA must eliminate, rather than just lower, substantially all trade barriers among themselves
- c. Members must achieve free trade among members by a certain date

For trade in services:

- d. The FTA must have substantial sectoral coverage in terms of the number of services sectors, volume of trade affected and modes of supply

Members of a FTA must eliminate existing discriminatory measure and/ or prohibit provisions in these services sectors

Appendix 3: The Common Effective Preferential Tariff (CEPT) Scheme

The CEPT Scheme requires that tariffs rates levied on a wide range of products traded within the region are reduced to 0-5%. Quantitative restrictions and other non-tariff barriers are to be eliminated.

For the orderly reduction and eventual lifting of tariffs, the CEPT classifies products into four lists – Inclusion List, Temporary Exclusion List, Sensitive List and General exception List, stipulating tariff-cutting schedules for each

Inclusion List (IL)

Products in the Inclusion List are those that have to undergo immediate liberation through reduction in intra-regional (CEPT) tariff rates, removal of quantitative restrictions and other non-tariff barriers. Tariffs on these products should be brought down to 0-5% by the year 2002, with the exception of the new members (Viet Nam: 2006, Laos and Myanmar: 2008, Cambodia: 2010) and Malaysia's automobile industry (2005). By the year 2001, there would be 55,680 tariff lines in the Inclusion List representing about 85% of all tariff lines in ASEAN

Temporary Exclusion List (TEL)

Products in the Temporary Exclusion List can be shielded from trade liberalization for a temporary period. However, all these products would have to be transferred into the Inclusion List and begin a process of tariff reduction. The six original members have transferred annual instalments of products into IL since 1 January 1996. The new members will start from 1999 (Viet Nam), 2001 (Laos and Myanmar) and 2003 (Cambodia). By the year 2001, there would only be 8,600 tariff lines in the TEL representing about 13.4% of all tariff lines in ASEAN

Sensitive List (SL)

This contains unprocessed agricultural products, which are given a longer time for integration into the free trade area, up to 2010. For new members: Vietnam (2013), Laos and Myanmar (2015) and Cambodia (2017). By the year 2001, there would be 360 tariff lines in the SL making up 1.28% of all tariff lines in ASEAN.

General Exception (GE) List

These products are permanently excluded from the free trade area for reasons of national security, protection of human, animal or plant life and health and articles of artistic, historic and archaeological value.



Source: ASEAN Public Information Series: AFTA An Update

**Table 2
2001 CEPT Package**

Country	Inclusion List	Temporary Exclusion List	General Exception List	Sensitive List	Total
Brunei Darussalam	6,284	0	202	6	6,492
Indonesia	7,190	21	68	4	7,283
Malaysia	9,654	218	53	83	10,008
Philippines	5,622	6	16	50	5,694
Singapore	5,821	0	38	0	5,859
Thailand	9,104	0	0	7	9,111
ASEAN 6					
Total	43,675	245	377	150	44,447
Percentage	98.26	0.55	0.85	0.34	100.00
Cambodia	3,115	3,523	134	50	6,822
Lao PDR	1,673	1,716	74	88	3,551
Myanmar	2,984	2,419	48	21	5,472
Viet Nam	4,233	757	196	51	5,237
New Members					
Total	12,005	8,415	452	210	21,082
Percentage	56.94	39.92	2.14	1.00	100.00
ASEAN					
Total	55,680	8,660	829	360	65,529
Percentage	84.74	13.40	1.28	0.55	100.00

Source: ASEAN Secretariat

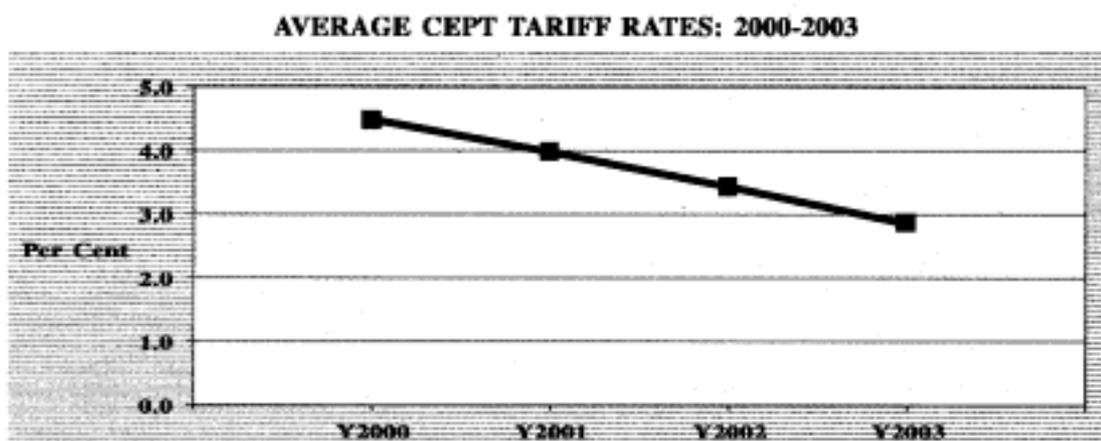
Acceleration of AFTA

ASEAN has agreed on a firm timetable leading up to the full realization of AFTA by the year 2002.

TIME TABLE FOR ACCELERATING AFTA FOR THE ORIGINAL SIX ASEAN COUNTRIES

YEAR	COMMITMENT
2000	A minimum of 90% of the six countries' total tariff lines must have tariffs of 0 – 5%. Each country shall have a minimum of 85% of the Inclusion List with tariffs of 0 – 5 %
2001	Each country shall have a minimum of 90% of the Inclusion List in the 0 – 5% tariff range
2002	100% of items in the Inclusion List shall have tariffs of 0 – 5 %, but with some flexibility

The average CEPT tariff rate of the ASEAN countries is now down to 4.43%, compared to 12.76% in 1993 when AFTA was first launched.



Source: ASEAN Public Information Series: AFTA An Update

**Table 3
Average CEPT Tariff Rates by Country**

Country	2000	2001	2002	2003
Brunei				
Darussalam	1.26	1.17	0.96	0.96
Indonesia	4.76	4.35	3.71	2.18
Malaysia	3.31	3.13	2.96	2.19
Philippines	5.18	4.68	4.55	3.81
Singapore	0.00	0.00	0.00	0.00
Thailand	6.12	6.08	5.43	4.63
ASEAN 6	3.64	3.45	3.12	2.44
Cambodia	10.39	10.39	8.89	7.93
Lao PDR	7.07	6.58	6.15	5.66
Myanmar	4.43	3.38	3.37	3.22
Viet Nam	7.25	N/A	N/A	N/A
New Members	7.51	7.21	6.43	5.85
ASEAN-10	4.43	3.96	3.57	2.9

N/A: Not Available
Regional CEPT tariff rates are a weighted average, with the number of tariff lines on the Inclusion List for 2000 as the weights
Source: ASEAN Secretariat

Appendix 4: e-ASEAN initiatives

In November 2000, ASEAN entered into the e-ASEAN Framework Agreement to facilitate the establishment of the ASEAN Information Infrastructure – the hardware and software systems needed to access, process and share information – and to promote the growth of electronic commerce in the region. E-ASEAN binds the member countries to facilitate interconnectivity and technical interoperability among their telecommunication systems and equipment.

The ASEAN Information Infrastructure would link ASEAN with other major information and communication technology (ICT) efforts in the region and in the world. It would build upon the ICT plans of Individual ASEAN member countries such as Brunei's RaGAM 21, Indonesia's Nusantara 21, Malaysia's Multimedia Super Corridor, Philippines' IT 21 and Singapore's IT2000.

Brunei's RaGAM 21

On November 5, 1998, Jabatan Telekom Brunei (JTB) signed a contract with Lucent Technologies to build an optical transport and access network infrastructure using synchronous digital hierarchy (SDH) on a full turn-key basis. The network will be used to provide multimedia, high bandwidth services. The project is being referred to as RaGAM 21. RaGAM stands for Rangkaian Global Aliran Multimedia, meaning interconnecting the network to the global multimedia infrastructure. The development of RaGAM 21 is to prepare Brunei for the new age of multimedia network and to prepare the realisation of Brunei's national vision of a Service Hub for Trade and Tourism by the year 2003. The completion of RaGAM will have a full high bandwidth, high performance network structure that will be effectively enable the economy to prepare for the global multimedia network. During the recent SEA Games in 1999, part of the phased implementation of RaGAM was put to use to provide faster nation-wide digital communications.

Indonesia's Nusantara 21

Nusantara-21 is the name of Indonesia's national information infrastructure that involves the development of technology and convergence of computers and telecommunications. The development of information infrastructure would be able to support various multimedia applications to both residential and business areas. Multimedia technology innovations can channel information with huge capacity and at very high speeds. Nusantara-21 thus represents the efforts of Indonesia to meet the challenge of the information era in the 21st century. Its concept is to create an information society given the existing various dimensions such as optimising the existing telecommunication network and to create opportunity and ease of information access for all of society. The ultimate purpose for the development of Nusantara-21 is to empower the society.

Malaysia's Multimedia Super Corridor

In Malaysia, the Government is supporting the diffusion of Internet and spearheading an ambitious project to bring Malaysia into the information age. The project is called the Multimedia Super corridor (MSC) and is being planned as a high-technology center where excellent multimedia companies can develop state-of-the-art products and services. Since Malaysia is undergoing a change from an industrial to information age, the MSC will guide the country in identifying how to use information services in an efficient and competitive manner. It will serve as a springboard for regional and global multimedia markets.

Philippines' IT21

The IT Action Agenda for the 21st Century (IT21), which is formerly known as National Information Technology Plan, is Philippines' blueprint for IT development. IT21 was approved on October 28, 1997, as the Philippines' guide for IT development in the country over the next seven – 15 years. Its overall goal and vision of the country is to transform the Philippines into a "Knowledge Center in Asia".

Singapore's IT2000

Singapore's IT2000 - A Vision of an Intelligent Island" is started in 1992 to provide a framework to guide information technology development in Singapore into the 21st century. IT2000 seeks to develop Singapore into an Intelligent Island, where information technology is pervasive in every aspect of its society, including home, work and play. The goals of IT2000 include developing Singapore into a global hub, boosting Singapore's economic engine, enhancing the potential of individuals and linking communities locally and globally. It is Singapore's vision that in fifteen years, it will be among the first countries in the world with an advanced nation-wide information infrastructure that will interconnect computers in virtually every home, office, school, and factory.

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