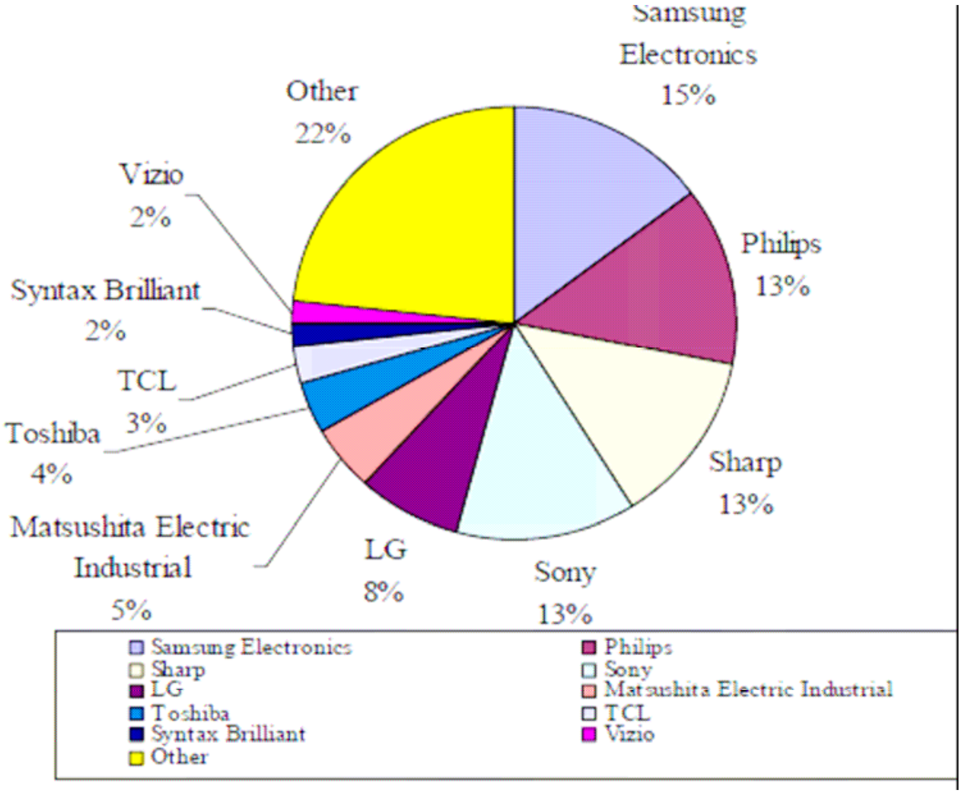
Global Business and FTA Strategies in Japanese Companies

Toshiki Takahashi

Japan External Trade Organization

2006 Global LCD TV Market Share by Manufacturer



Semiconductor Manufacturer Global Ranking

1990

Rank	Company	Country	Sales (US$ 1 million)
1	NEC Semiconductors	Japan	4,774
2	Toshiba Semiconductors	Japan	4,579
3	Intel	U.S.A.	4,019
4	Motorola Semiconductors	U.S.A.	3,802
5	Hitachi Semiconductors	Japan	3,765
6	Texas Instruments	U.S.A.	2,738
7	Fujitsu Semiconductors	Japan	2,705
8	Mitsubishi Semiconductors	Japan	2,303
9	Matsushita Semiconductors	Japan	2,037
10	Philips Semiconductors	Netherlands	2,022
11	National Semiconductors	U.S.A.	1,602
12	Samsung Semiconductors	ROK	1,473
13	SGS-Thomson	France-Italy	1,362
14	Sanyo Semiconductors	Japan	1,462
15	Sharp Semiconductors	Japan	1,218
16	Siemens Semiconductors	Germany	1,263
17	AMD	U.S.A.	1,226
18	Sony Semiconductors	Japan	1,196
19	OKI Semiconductors	Japan	981
20	Rohm	Japan	934

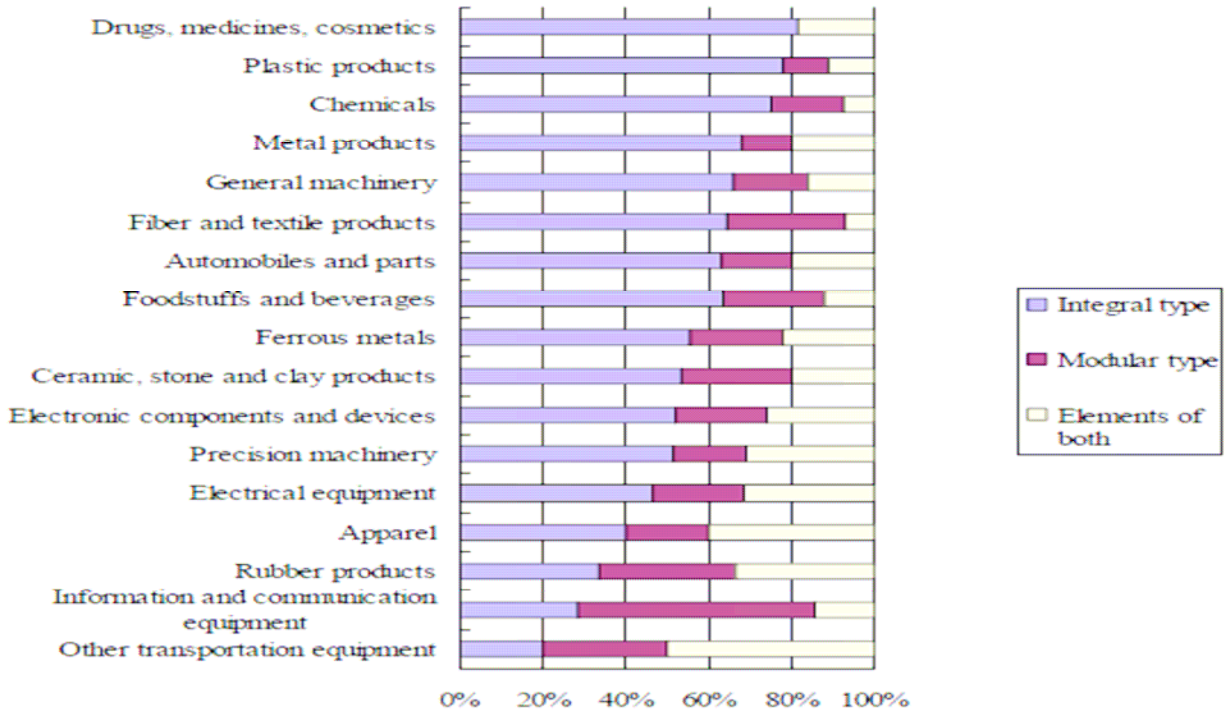
2006

Rank	Company	Country	Sales (US$ 1 million)
1	Intel	U.S.A.	31,542
2	Samsung Electronics	ROK	19,842
3	Texas Instruments	U.S.A.	12,600
4	Toshiba	Japan	10,141
5	STMicroelectronics	France-Italy	9,854
6	Renesas technology	Japan	7,900
7	Hynix	ROK	7,865
8	AMD	U.S.A.	7,506
9	Freescale Semiconductor	U.S.A.	5,988
10	NXP	Netherlands	5,874
11	NEC Electronics	Japan	5,679
12	Qimonda	Germany	5,413
13	Micron technology	U.S.A.	5,210
14	Infineon Technologies	Germany	5,119
15	Sony	Japan	4,852
16	Qualcomm	U.S.A.	4,529
17	Matsushita Electric	Japan	4,022
18	Broadcom	U.S.A.	3,668
19	Elpida Memory	Japan	3,527
20	Sharp Electronics	Japan	3,341

Integral or Modular

- Many Japanese companies in general, such as those in the electronics and drug industries, have developed and produced goods on the principle of vertically integrated self-sufficiency. This principle has its merits: namely, it raises the motivation of engineers who want to build fine products in-house, brings out the overall strength of the company by fusing company technologies.
- An integral type product seeks to enhance total performance by making fine adjustments among components. The typical example is the automobile: to make an automobile more comfortable to ride, for example, one must adjust not only the seats but also make mutual adjustments between the seat and the springs, tires, body and so on.
- A modular type product is created in a production system where pre-designed components are brought together into a finished product. Personal computers, DVD players and so on are typical examples; standardized interfaces among components make them easy to assemble. In a DVD player, for example, LSI devices play the interface role, while the various structural components are connected by the LSI devices and are independent of other components. Because of this, such products are typically easy to outsource.

How Enterprises Describe Their Own Product Architecture

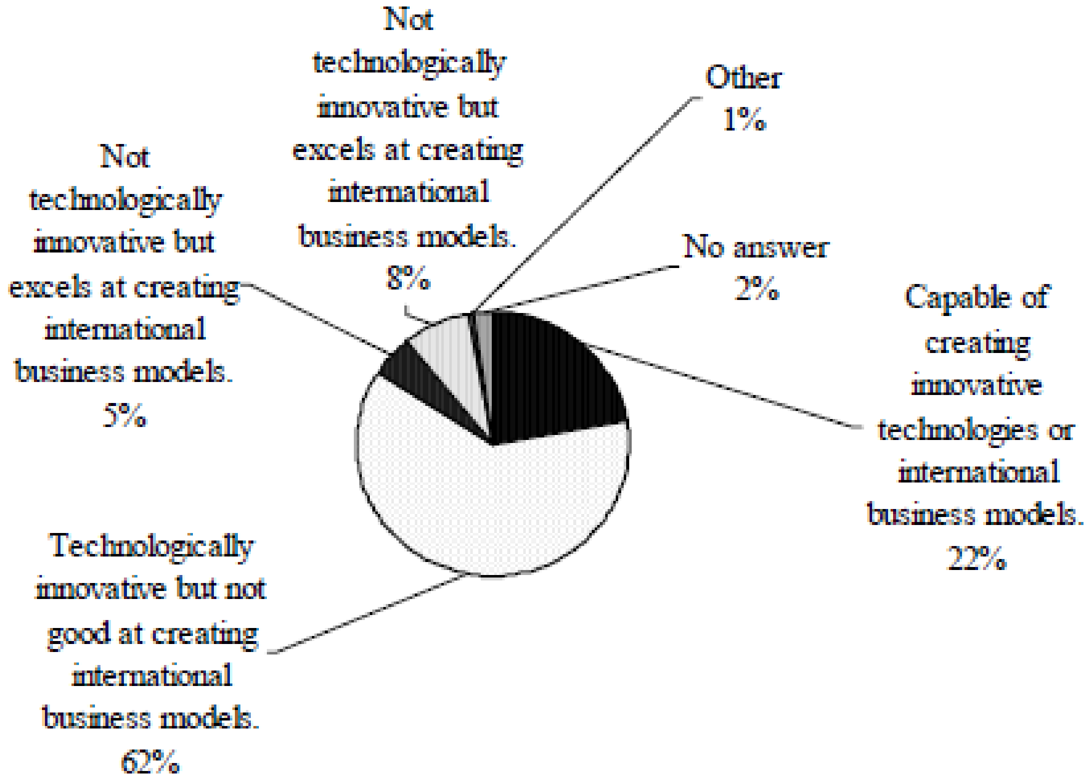


Notes: 1. 467 companies responding (of which, 15 did not respond to this question).

2.The survey asked each company to select whether their own industry sector is "integral type" or "modular type" or "has elements of both."

Source: Survey on Japanese Firms' International Competitiveness and Business Development, May 2007 , JETRO

Innovative Capacity of Japanese Corporations



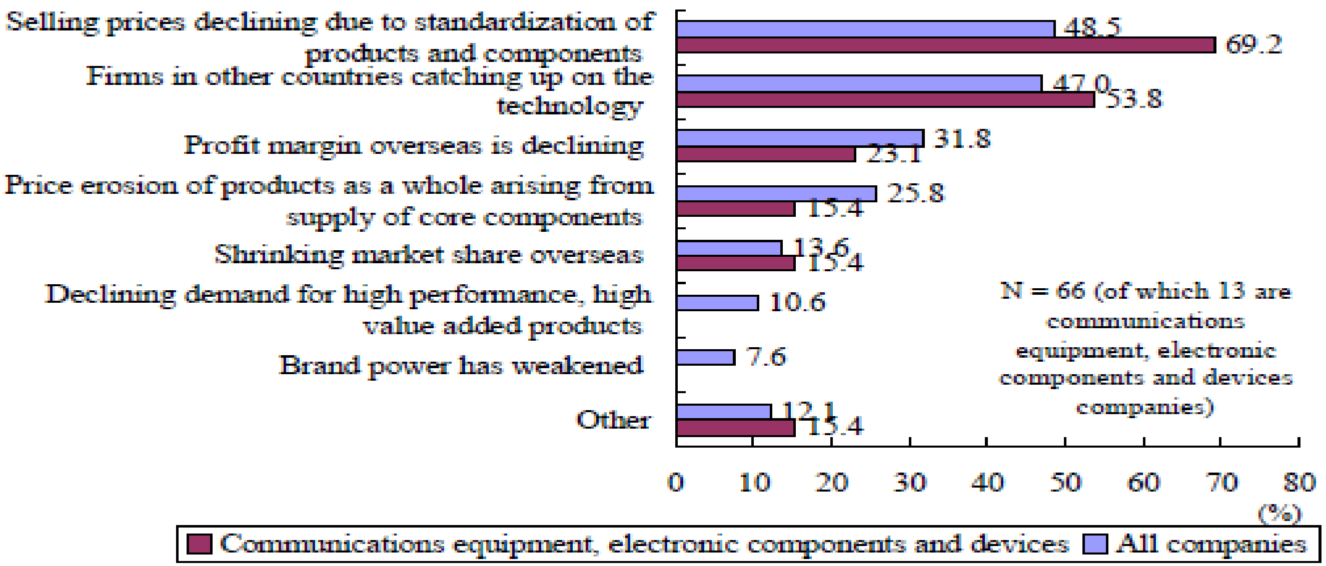
Source: JETRO survey on Japanese firms' international competitiveness and business development, March-May, 2007.

Changes in Overseas Business Environment,Compared with Five Years Ago

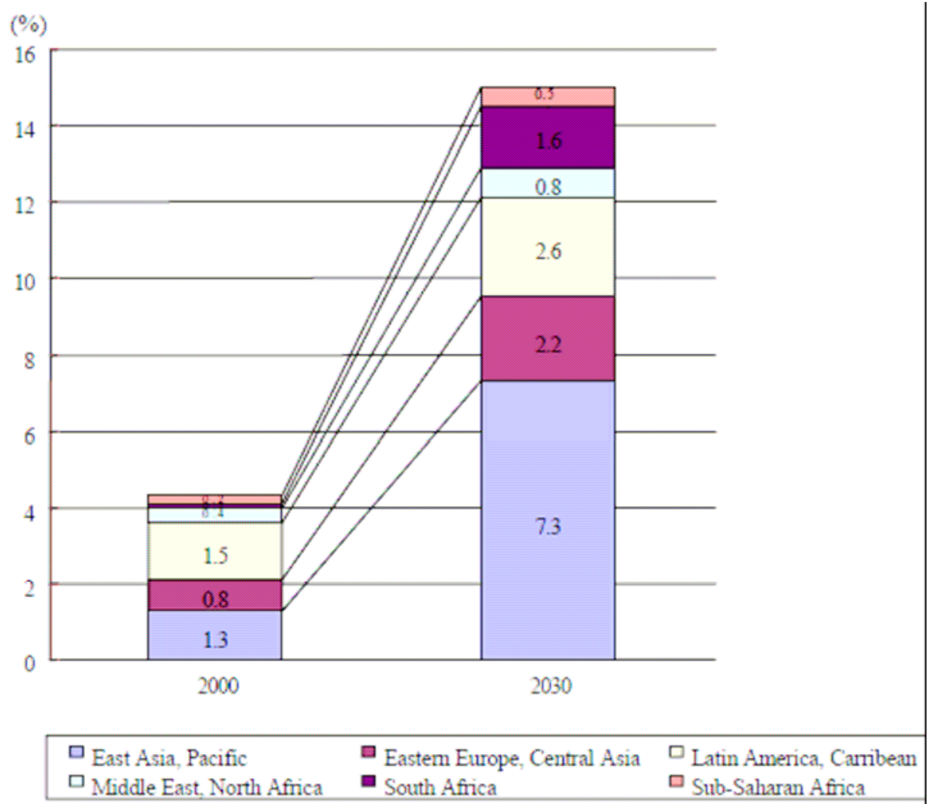
Rank	Industries reporting improvement	Industries reporting worsening	Industries reporting no change
1	General machinery (80.4%)	Communications equipment, electronic components and devices (43.3%)	Lumber, wood products, furniture, construction materials, paper, pulp (50.0%)
2	Automobiles, parts, other transport equipment (71.1%)	Textiles and textile products, apparel (21.1%)	Ceramic, stone and clay products (33.3%)
3	Textiles and textile products, apparel (68.4%)	Precision parts (20.7%)	Drugs, medicines, cosmetics (31.3%)
4	Chemicals (68.3%)	Electrical equipment (14.3%)	Petroleum and coal products, plastic and rubber products (27.6%)
5	Ferrous and nonferrous metals, metal products (66.7%)	Petroleum and coal products, plastic and rubber products (13.8%)	Electrical equipment (23.8%)

Note: The percentages in parentheses are the proportion of replies by companies in each industry.
Please refer to Fig. Ⅲ-2 for number of respondents.
Source: JETRO survey on Japanese firms' international competitiveness and business development, March-May, 2007.

Reasons Given for a Worsening Environment

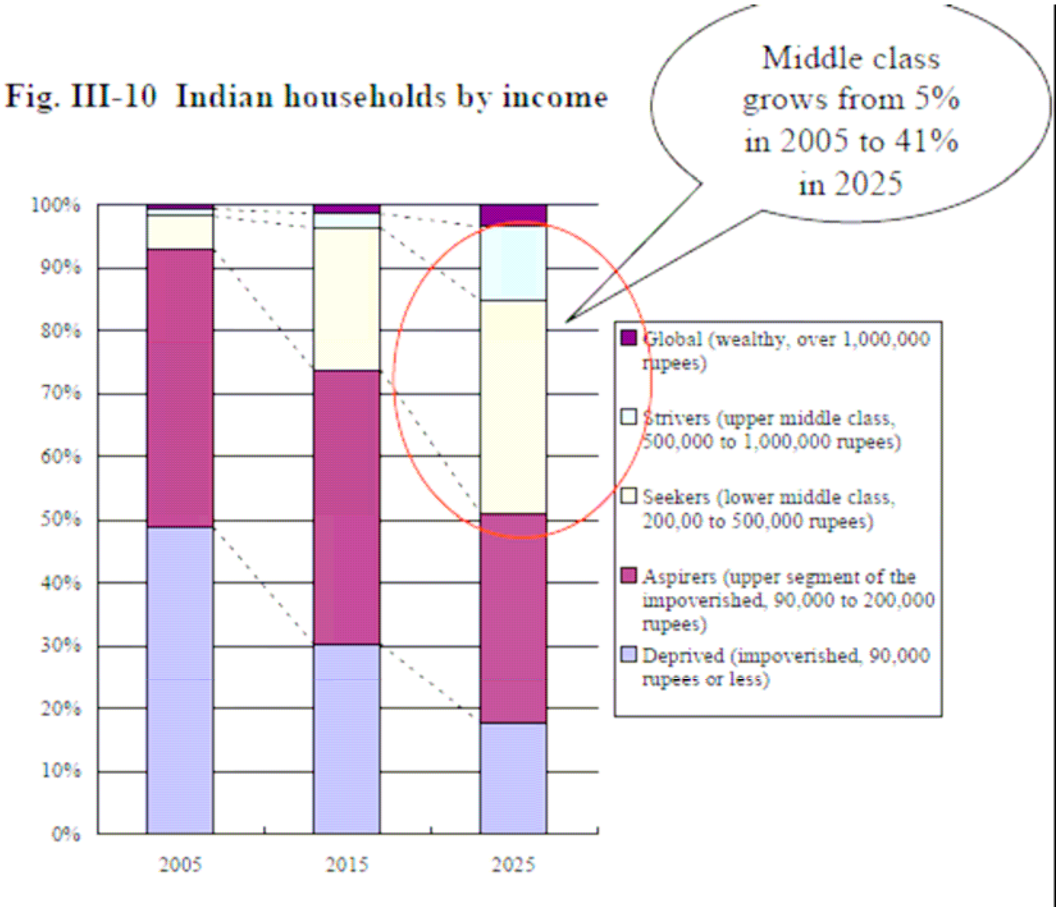


Developing Country Share of Global Middle Class



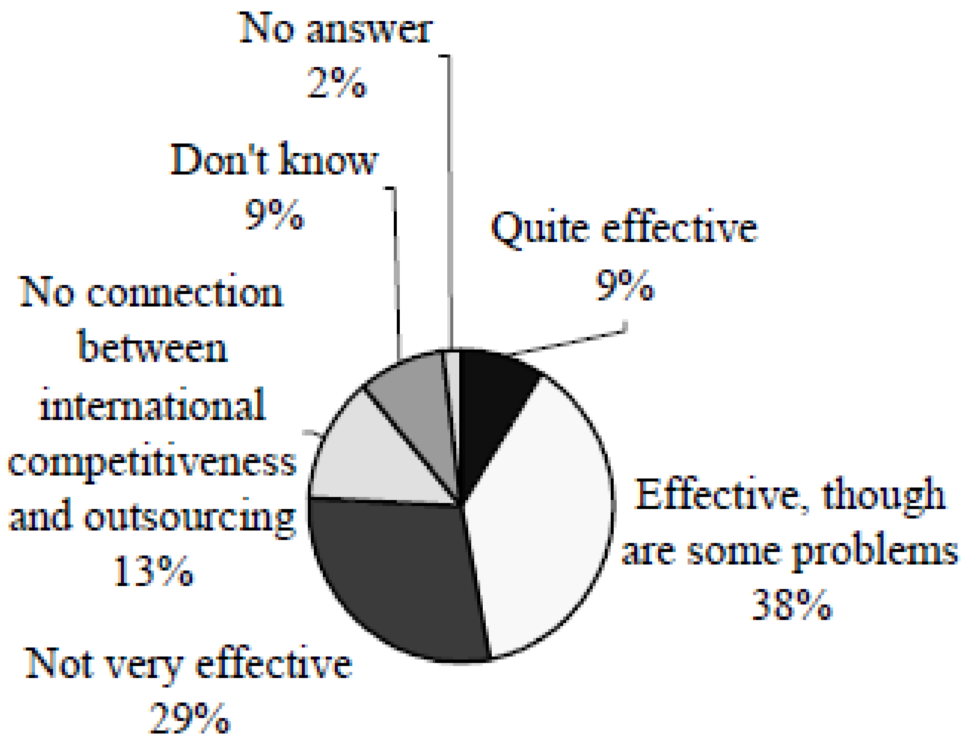
Source: " Global Economic Prospects 2007", World Bank.

Indian Households by Income

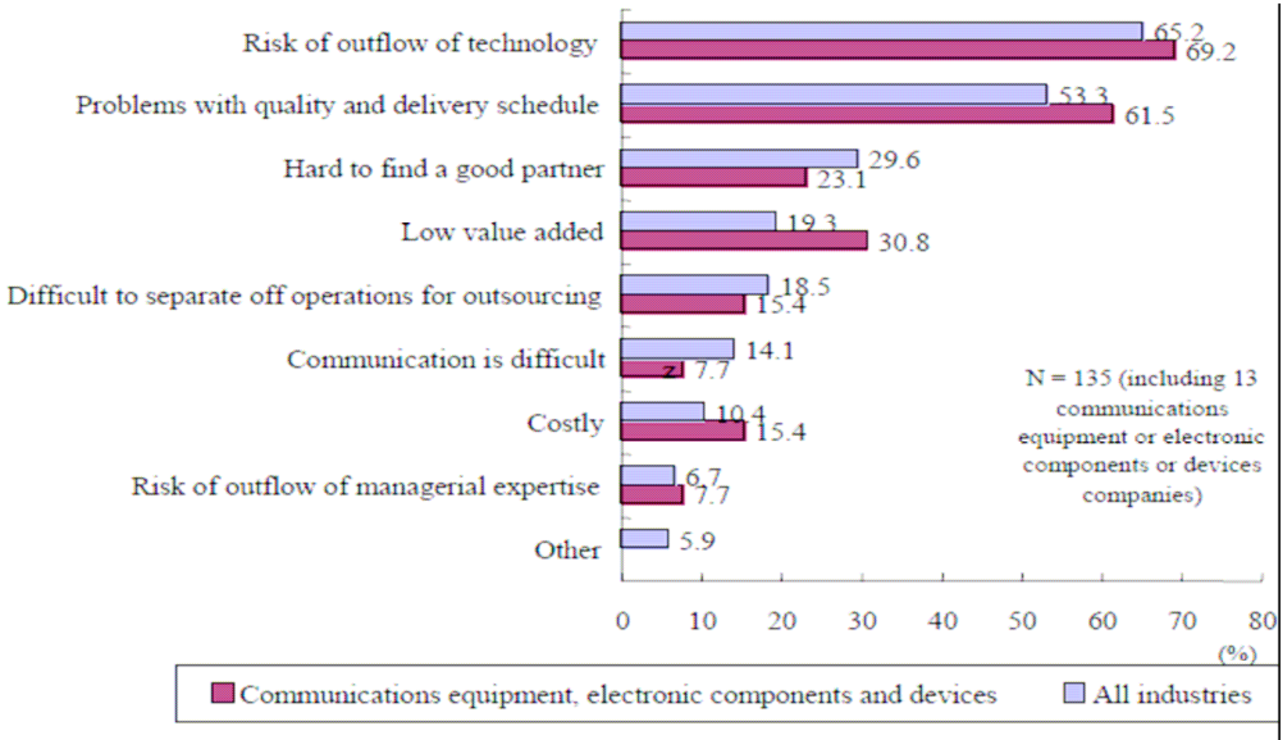


Source: " The Bird of Gold: The Rise of India's Consumer Market", McKinsey & Company

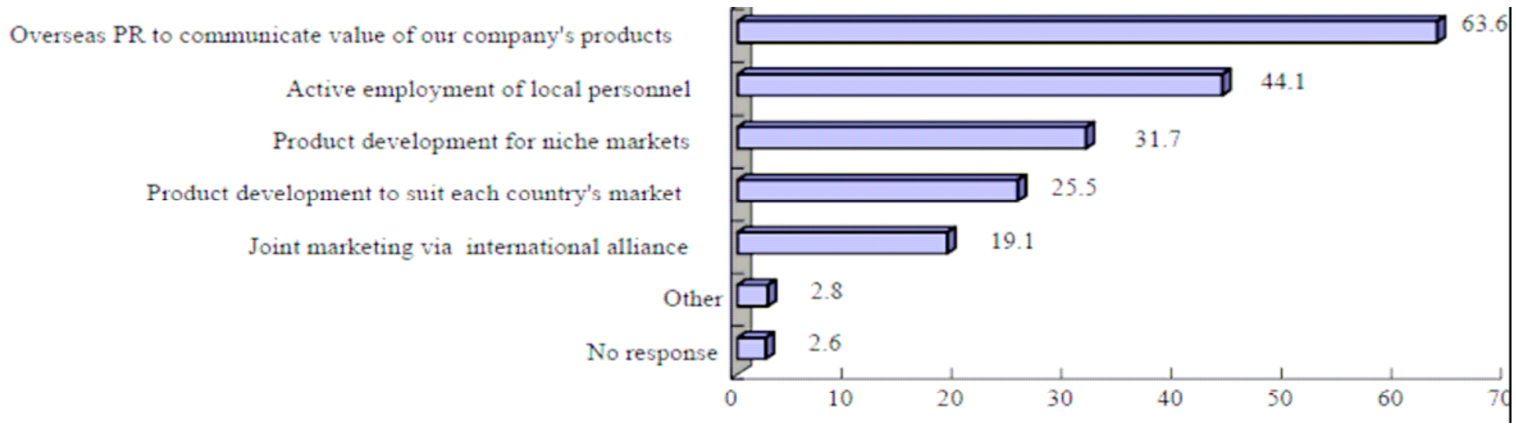
Effectiveness of Overseas Outsourcing



Reasons for not Outsourcing Overseas



Overseas Marketing Orientation from now on



Japanese Companies' Overseas Profits growing

Sales share by region (%)

Fiscal year	No. of companies	World	Domestic	Overseas	Americas	Europe	Asia-Pacific	Other
1998	(593)	100.0	71.1	28.9	13.4	6.0	4.9	4.6
1999	(643)	100.0	72.5	27.5	12.4	5.4	5.5	4.2
2000	(668)	100.0	71.9	28.1	12.6	5.2	6.4	3.9
2001	(715)	100.0	69.7	30.3	13.7	5.5	6.7	4.4
2002	(728)	100.0	68.0	32.0	13.7	6.0	7.8	4.6
2003	(738)	100.0	67.9	32.1	12.9	6.1	8.2	4.9
2004	(774)	100.0	67.3	32.7	12.2	6.4	8.8	5.3
2005	(804)	100.0	66.1	33.9	12.5	6.3	10.1	5.0
2006	(832)	100.0	66.2	33.8	12.6	6.9	10.3	4.1

Operating profits share by region (%)

Fiscal year	No. of companies	World	Domestic	Overseas	Americas	Europe	Asia-Pacific	Other
1998	(593)	100.0	73.4	26.6	13.8	4.8	4.4	3.6
1999	(643)	100.0	75.0	25.0	14.1	2.1	5.0	3.7
2000	(668)	100.0	79.9	20.1	10.4	0.7	6.0	3.0
2001	(715)	100.0	76.0	24.0	12.4	0.6	6.7	4.2
2002	(728)	100.0	72.9	27.1	13.0	2.8	7.2	4.1
2003	(738)	100.0	73.3	26.7	11.1	4.3	7.5	3.7
2004	(774)	100.0	71.8	28.2	10.9	4.7	8.6	4.0
2005	(804)	100.0	70.8	29.2	10.8	4.7	10.0	3.7
2006	(832)	100.0	73.5	26.5	9.1	4.1	8.3	5.1

Japan’s EPA’s :in effect,signed,being negotiated

Country/Region	Consideration ⇒	Negotiation ⇒	Agreement in Principle, Signed, In Effect		
Singapore		Joint study group, March-Sept. 2000	Negotiations from Jan. 2001	Signed Jan. 2002	In effect November 2002
Mexico		Japan-Mexico joint study group, Sept. 2001-July 2002	Negotiations from Nov. 2002	Signed Sept. 2004	In effect April 2005
Malaysia	Intergovernmental working group, May-July 2003	Joint study group, Sept.-Nov. 2003	Negotiations from Jan. 2004	Signed Dec. 2005	In effect July 2006
Philippines	Intergovernmental working group, Oct. 2002-July 2003	Joint coordinating team, Sept.-Nov. 2003	Negotiations from Feb. 2004	Signed Sept. 2006	
Chile		Joint study group, Jan.-Sept. 2005	Negotiations from Feb. 2006	Signed March 2007	
Thailand	Intergovernmental working group, Sept. 2002-May 2003	JTEPA Task Force, July-Nov. 2003	Negotiations from Feb. 2004	Signed April 2007	
Brunei		Intergovernmental preparatory meetings, Feb.-April 2006	Negotiations from June 2006	Signed June 2007	
Indonesia	Preparatory meeting, Sept.-Dec. 2003	Joint study group, Jan.-April, 2005	Negotiations from July 2005	Agreement in principle Nov. 2006	
ASEAN	Intergovernmental committee, March-Oct. 2003	Intergovernmental preparatory meeting, Jan.-Dec. 2004	Negotiations from April 2005	Framework agreement May 2007	
ROK		Joint study group July 2002-Oct. 2003	Negotiations from Dec. 2003		
Gulf Cooperation Council		Intergovernmental preparatory meeting, May 2006	Negotiations from Sept. 2006		
Vietnam		Intergovernmental joint discussion group, Feb.-April 2006	Negotiations begin Jan. 2007		
India		Joint study group, July 2005-June 2006	Negotiations begin Jan. 2007		
Australia	Intergovernmental preparatory meeting, Sept. 2002-July 2003	Joint study group, Nov. 2005-Dec. 2006	Negotiations begin April 2007		
Switzerland		Joint governmental study group, Oct. 2005-Nov. 2006	Negotiations begin May 2007		

Sources: Ministry of Foreign Affairs, Ministry of Economy, Trade and Industry of Japan

Value of Trade Between FTA Signatories in the Asia-Pacific Reasion

(US$ million, %)

	Japan	China	ROK	Thailand	Indonesia	Malaysia	Philippines	Singapore	Brunei	Vietnam	CLM	India	Australia	New Zealand	Total	Trade with FTA signatories	Composition ratio
Japan	-	93,955	49,893	22,670	7,522	13,404	9,020	19,393	98	4,061	194	4,351	12,410	2,060	239,030	32,797	13.7
China	91,773	-	44,558	9,363	9,457	13,540	5,738	23,188	100	7,468	2,074	14,588	13,626	1,620	237,494	71,328	30.0
ROK	24,910	81,653	-	4,610	6,229	6,425	3,544	9,525	72	4,026	326	5,394	5,145	707	152,568	34,758	22.8
Thailand	16,571	11,806	2,652	-	3,337	6,667	2,611	8,421	83	3,098	3,039	1,818	4,384	531	65,018	48,447	74.5
Indonesia	21,972	8,746	8,908	3,147	-	4,502	1,668	13,415	49	853	218	3,619	3,036	523	70,656	41,507	58.7
Malaysia	14,241	11,646	5,806	8,502	4,074	-	2,173	24,744	346	1,758	279	5,129	4,553	674	83,925	73,569	87.7
Philippines	7,318	14,620	1,619	1,820	570	2,636	-	4,946	11	250	23	97	530	82	34,521	26,494	76.7
Singapore	14,854	26,513	8,736	11,312	24,901	35,536	5,079	-	574	5,459	1,064	7,673	10,186	1,393	153,280	153,280	100.0
Brunei	2,070	196	839	117	1,344	69	1	200	-	-	0	1	750	199	5,785	2,766	47.8
Vietnam	4,927	2,260	740	822	579	1,287	960	1,500	-	-	721	115	3,657	87	17,655	8,869	50.2
CLM	338	307	63	2,621	17	177	2	165	0	172	1	527	47	1	4,437	3,524	79.4
India	3,660	9,518	1,906	1,478	1,681	1,212	533	4,440	39	768	162	-	946	148	26,490	5,917	22.3
Australia	23,570	15,106	8,992	3,226	3,335	2,110	769	3,421	21	1,105	74	6,568	-	6,536	74,833	13,184	17.6
New Zealand	2,303	1,220	881	284	399	323	334	346	67	158	4	218	4,598	-	11,134	5,228	47.0
Total	228,507	277,344	135,593	70,373	63,446	87,887	32,432	113,702	1,460	29,176	8,180	50,097	63,867	14,563	1,176,826	521,667	44.3

Notes: 1. Reticular cells are trades between FTA signatories.
2. Composition ratio is the ratio of exports between FTA signatories to total exports to ASEAN+6.
3. Trades between the ROK and all ASEAN member countries are counted; the FTA between India and Thailand is only in the Early Harvest stage but the total trade value was counted.
4. The CLM countries are Cambodia, Lao PDR and Myanmar.
Source: IMF "DOT May 2007."

Intra-regional Trade within Major Regions of the World

(%)

		1980	1985	1990	1995	1999	2000	2005	2006
Asia	ASEAN + 6 (adjusted for re-exports)	-	-	-	-	40.6	42.1	44.2	43.3
	ASEAN + 6	34.6	34.8	33.7	40.8	38.9	40.5	43.1	42.7
	ASEAN + 3	30.2	30.2	29.4	37.6	35.4	37.3	38.9	38.4
	ASEAN	17.9	20.3	18.8	24.0	23.8	24.7	27.2	27.2
	ASEAN + China	16.4	17.4	17.0	20.6	20.1	21.0	21.3	21.6
	ASEAN + India	17.4	18.7	18.1	23.5	23.4	24.4	26.9	26.8
	ASEAN + Japan	24.6	20.6	22.4	29.1	26.2	27.8	27.6	27.2
North America	NAFTA	33.8	38.7	37.9	43.1	48.5	48.8	46.1	44.2
Europe	EU25	61.3	59.8	67.0	67.4	68.6	66.8	66.4	66.1
	EU27	61.6	59.9	67.1	67.7	69.0	67.3	67.2	66.9

Notes: 1. ASEAN + 6 is the ASEAN countries plus Japan, China, the ROK, Australia, New Zealand, and India.
2. ASEAN + 3 is ASEAN plus Japan, China, and the ROK.
3. Adjustments for re-exports among the ASEAN + 6 (adjusted for re-exports) were made as follows: For Hong Kong, a non-member of the ASEAN + 6, the value of exports from the ASEAN + 6 to ASEAN + 6 via Hong Kong was added from Hong Kong trade statistics. Exports from China to China via Hong Kong were regarded as domestic trade and excluded. For Singapore, instead of the total value of exports to the ASEAN + 6, using Singapore trade statistics, the value of exports calculated as re-exports to ASEAN + 6 countries was excluded from total exports to ASEAN + 6 countries; the resulting figure is regarded as exports of Singapore origin and used. The same method was used to calculate its world export figure. In addition, of exports from other ASEAN + 6 countries to Singapore, a given percentage was regarded as being re-exported to non ASEAN + 6 countries. The ratio of re-exports to non ASEAN + 6 countries in Singapore's total imports (converted to FOB by multiplying by 0.9) was calculated for each calendar year, and that ratio multiplied by the value of
Source: IMF, "DOT May 2007."

CEPT Tariff Reductions(2007)

(Number of categories, %)

	Number of categories	Products on the inclusion list (IL)										Temporary exclusion list (TEL)	General exception list (GEL)	SL/HSL
			Ratio	? 5%	Ratio	0%	Ratio	Dutiable	Ratio	> 5%	Other			
Thailand	8,301	8,301	100.0	8,288	99.8	4,513	54.4	3,775	45.5	13	0	0	0	0
Malaysia	12,593	12,504	99.3	12,439	98.8	9,785	77.7	2,654	21.1	34	31	0	89	0
Indonesia	8,732	8,619	98.7	8,619	98.7	5,730	65.6	2,889	33.1	0	0	0	96	17
Philippines	11,490	11,444	99.6	11,369	98.9	8,149	70.9	3,220	28.0	75	0	0	27	19
Singapore	10,705	10,705	100.0	10,705	100.0	10,705	100.0	0	0.0	0	0	0	0	0
Brunei	10,702	10,598	99.0	9,924	92.7	8,444	78.9	1,480	13.8	674	0	0	104	0
ASEAN countries	62,523	62,171	99.4	61,344	98.1	47,326	75.7	14,018	22.4	796	31	0	316	36
Vietnam	10,689	10,523	98.4	10,285	96.2	5,478	51.2	4,807	45.0	238	0	0	166	0
Laos	10,690	10,389	97.2	9,960	93.2	629	5.9	9,331	87.3	429	0	0	98	203
Cambodia	10,689	10,454	97.8	5,301	49.6	603	5.6	4,698	44.0	5,153	0	0	181	54
Myanmar	10,689	10,611	99.3	9,325	87.2	365	3.4	8,960	83.8	1,286	0	0	51	27
CLMV	42,757	41,977	98.2	34,871	81.6	7,075	16.5	27,796	65.0	7,106	0	0	496	284
Total	105,280	104,148	98.9	96,215	91.4	54,401	51.7	41,814	39.7	7,902	31	0	812	320

Notes: 1. Products on the inclusion list (IL) are subject to tariff reductions.
Products on the temporary exclusion list (TEL) are temporarily shielded from tariff reductions (preparations for reductions are not comlete).
General exception list (GEL) items are generally excluded from tariff reductions (defense-related categories, items of scholarly value, etc.).
SL: The sensitive list items (unprocessed agricultural products, for which a flexible approach to transfer to the IL is taken).
HSL: Highly sensitive list items (rice-related).
2. The number of items is based on ASEAN Harmonized Tariff Nomenclature 2002 (AHTN 2002), except for Indonesia and Thailand, for which AHTN 2007 was used.
3. These calculations assume that tariffs on all items slated for tarif elimination in the eleven priority sectors for integration have been entirely eliminated.
4. The items for which tariffs exceed 5% include items for which specific duties rather than ad valorem duties apply. "Other" is 31 items on which Malaysia applies a special tax.
5. 2007 shifts to the IL included Brunei's transfer of items from the GEL and Malaysia, Thailand, and the Philippines from the SL. Vietnam, which had del
6. The CLMV countries are Cambodia, Lao PDR, Myanmar, and Vietnam.
Source: ASEAN Secretariat.

AFTA(CEPT) Utilization rates in Thailand and Malaysia

(%)

	Trading partner	1998	2000	2002	2003	2004	2005	2006
Total for Thailand and Malaysia	Vietnam	0.8	5.3	12.8	30.3	33.3	38.3	42.4
	Philippines	9.3	10.9	18.2	24.9	29.6	33.2	31.9
	Indonesia	5.0	10.5	15.0	20.6	27.1	33.9	29.6
	Malaysia	11.9	12.7	20.4	20.7	22.1	22.4	20.5
	Thailand	3.9	6.8	11.3	13.0	16.0	16.2	14.9
	Brunei	0.1	0.1	1.1	0.7	0.8	1.3	3.3
	Laos	0.0	0.0	0.0	0.9	3.1	2.8	2.3
	Myanmar	0.0	0.0	0.0	0.4	0.6	0.6	0.4
	Cambodia	0.0	0.1	0.1	0.0	0.0	0.1	0.1
	Total (exclusive of Singapore)	**5.6**	**8.4**	**13.7**	**18.4**	**22.2**	**24.6**	**23.5**
Thailand	**Total (exclusive of Singapore)**	**7.4**	**11.5**	**17.7**	**23.0**	**27.5**	**30.0**	**28.2**
Malaysia	**Total (exclusive of Singapore)**	**3.8**	**5.6**	**9.8**	**13.2**	**16.4**	**18.5**	**18.4**

Note: The CEPT usage rate is value of exports using CEPT/total value of exports.
Source: Ministry of International Trade and Industry, Malaysia and Ministry of Commerce, Thailand and trade statistics of Thailand and Malaysia.

FTA Utilization in Thailand and Malaysia

(US$ million, %)

		Trading partner	2005	2006
Thailand	Value of exports using an FTA	China	614	1,450
		Australia	2,122	2,746
		India	267	328
		ASEAN (exclusive of Singapore)	4,942	5,299
		Total	**7,944**	**9,824**
	FTA utilization rate	China	6.7	12.3
		Australia	67.3	62.6
		India	17.6	18.1
		(The 82 Early Harvest items only)	79.0	89.1
		ASEAN (exclusive of Singapore)	30.0	28.2
		Total	**26.3**	**26.7**
Malaysia	Value of exports using an FTA	China	274	1,045
		ASEAN (exclusive of Singapore)	2,731	3,150
		Total	**3,005**	**4,194**
	FTA utilization rate	China	2.9	8.9
		ASEAN (exclusive of Singapore)	18.5	18.4
		Total	**12.5**	**14.5**
Total	Value of exports using an FTA	China	888	2,495
		ASEAN (exclusive of Singapore)	7,673	8,449
		Total	**8,561**	**10,944**
	FTA utilization rate	China	4.8	10.6
		ASEAN (exclusive of Singapore)	24.6	23.5
		Total	**17.2**	**18.4**

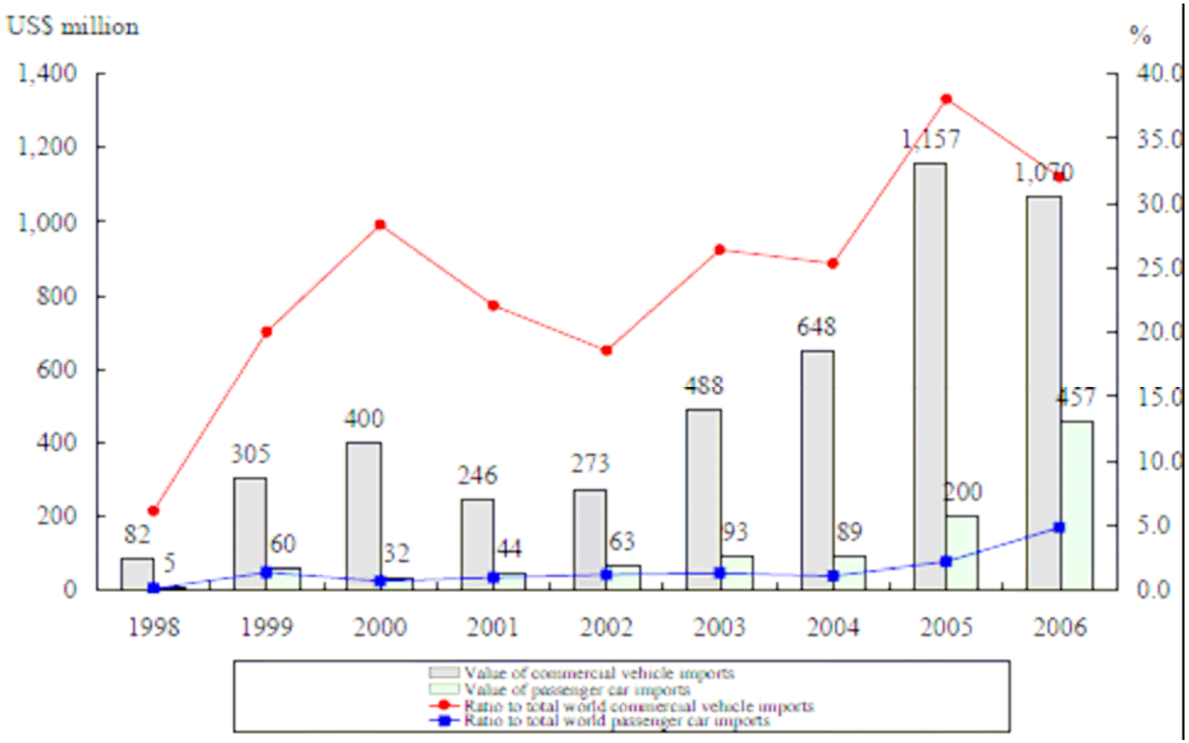
Top Five by Value of Trade among the 82 Thailand-India Early Harvest Categories

(US$ million, %)

	Category	2003	2004	2005	2006	Annual average growth rate, 2004-2006
Exports	Color TVs	0	43	96	125	70.5
	Polycarbonates	11	17	112	52	77.6
	CRTs for TVs	0	5	21	32	160.1
	Air conditioners	9	8	16	28	90.4
	Epoxy resins	3	5	11	16	80.1
	EH total	66	146	338	368	58.7
	Total exports	639	905	1,519	1,815	41.6
Imports	Gear boxes	0	4	30	40	206.1
	Ferrous and non-metal products	30	36	6	12	-41.7
	Cocks, valves, etc.	1	2	4	6	84.3
	Anodized aluminum	2	4	6	6	16.0
	Other polyester	0	1	2	6	151.8
	EH total	73	70	88	101	20.0
	Total exports	877	1,138	1,275	1,625	19.5
Balance of trade		-239	-233	244	190	-

Note: EH stands for Early Harvest.
Source: Thai trade statistics.

Australian Imports of Automobile from Thailand



Major ASEAN Trade Categories with China

(US$ million, %)

Exports					Imports				
Category	2003		2006		Category	2003		2006	
	Value	% of all external trade	Value	% of all external trade		Value	% of all external trade	Value	% of all external trade
Electrical equipment	7,195	8.1	19,360	8.5	Electrical equipment	17,248	16.6	39,914	18.2
General machinery	6,360	7.6	12,636	6.8	General machinery	8,203	11.5	14,186	13.0
Textiles & textile products	3,627	4.9	7,071	5.1	Chemicals	7,237	12.8	13,808	13.5
Iron & steel	1,107	8.6	6,406	12.3	Mineral fuel	5,511	19.2	7,160	8.1
Chemicals	2,814	9.1	6,045	9.0	Animal, vegetable oils and fats and cleavage products	1,675	19.2	2,813	23.0
EH (agricultural and fisheries products)	694	8.4	1,303	10.7	EH (agricultural and fisheries products)	567	13.9	1,207	19.4
Total	30,935	7.1	71,325	7.4	Total	47,350	11.5	89,538	11.3

Notes: 1. EH stands for "Early Harvest" (HS01-08).
2. The % of all external trade is the ratio of ASEAN exports (or imports) to total world exports (or imports) of items in this category.
Source: China Foreign Trade Statistics.

Rules of Origin in Major FTAs in the Asia-Pacific Region

	FTA	Rules of origin
Value added-criteria	ASEAN Free Trade Agreement (AFTA)	40% or more of cumulative added value. For iron and steel products and some other categories, the change in tariff classification criteria is applied.
	China-ASEAN	40% or more of cumulative added value.
	Singapore-New Zealand	40% or more of cumulative added value.
	Singapore-Australia	50% or more of cumulative added value. (For some categories, 30% or more.)
	Australia-New Zealand	50% or more of cumulative added value.
Change in tariff classification criteria	Japan-Singapore	Change in tariff classification criteria (at 4-digit HS level) But for 264 categories, the choice of a change in tariff classification or 60% or more of cumulative added value applies (to be reduced to 40% in the future).
	Thailand-Australia	Change in tariff classification criteria (at 4-digit or 6-digit HS level) But for some categories, a cumulative added value criteria also applies.
	Thailand-New Zealand	Change in tariff classification criterion (at 4-digit or 6-digit HS level) But for some categories, a cumulative added value criteria also applies.
	Singapore-ROK	Change in tariff classification criteria (at 4-digit or 6-digit HS level) But for some categories, a cumulative added value criteria also applies.
Choice of criteria	Japan-Malaysia	Either the 40% or more of cumulative added value criteria or the change in tariff classification (at 4-digit or 6-digit HS level)
	ASEAN-ROK	Either the 40% or more of cumulative added value criteria or the change in tariff classification (at 4-digit HS level) criteria.
Dual criteria	Thailand-India (only the 82 Early Harvest items)	Both the 40% or more of cumulative added value criteria and the change in tariff classification (at 6-digit HS level) criteria must be met. But for some items only the change in tariff classification (at 4-digit or 6-digit HS level) or only the added value criteria applies.
	Singapore-India	Both the 40% or more of cumulative added value criteria and the change in tariff classification (at 4-digit or 6-digit HS level) criteria must be met. For a fairly large number of items, however, only the change in tariff classification criteria is applied.
Manufacturing process criteria	China-Hong Kong	The manufacturing process criteria applies in a majority of cases, but the change in tariff classification (at 4-digit HS level) and 30% or more added value criteria are applied to some categories.
	China-Macao	The manufacturing process criteria applies in a majority of cases, but the change in tariff classification (at 4-digit HS level) and 30% or more added value criteria are applied to some categories.

Note: The above rules of origin are those provided in the FTA to apply to a majority of categories; there are exceptions, depending on category.
Source: FTA agreements

Economic Effects of FTAs

Fig. II-7 Effects of various FTAs on GDP (tariff elimination and 50% reduction in NTMs)

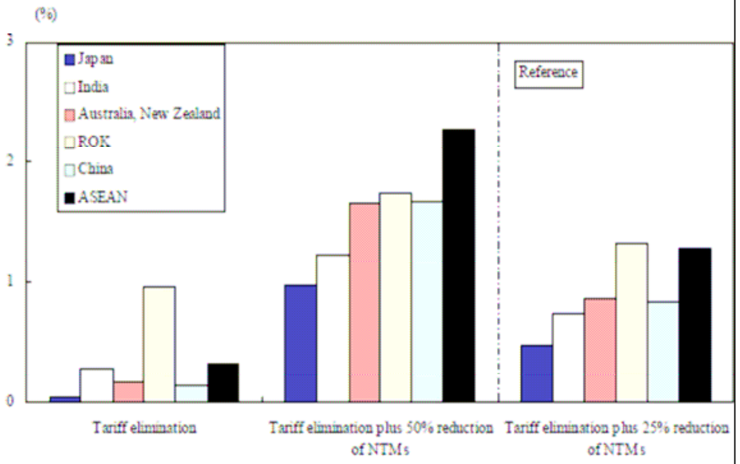
(%)

	Intra ASEAN (AFTA)	ASEAN-China	ASEAN-ROK	ASEAN-Japan	ASEAN-Australia	ASEAN-India	ASEAN +3	ASEAN +6
All member countries	0.9	0.7	0.7	0.5	0.8	0.9	1.0	1.3
ASEAN	0.9	1.3	1.0	1.4	1.0	1.0	2.0	2.3
Japan	-	-0.01	-	0.3	-0.01	-	0.7	1.0
China	-0.01	0.4	-0.02	-0.02	-0.01	-0.01	1.5	1.7
ROK	-0.01	-0.04	0.3	-0.02	-0.01	-	1.6	1.7
India	-0.01	-0.03	-0.02	-0.1	-0.02	0.9	-0.1	1.2
Australia	-	-0.02	-0.01	-0.04	0.5	-0.01	-0.1	1.4

Note: Rounded off below two decimal places; regard 0.00% as no influence and indicate as "-." Shaded boxes indicate FTA member countries/regions.

Source: Estimated from GTAP

Fig. II-8 Effects of ASEAN+6 FTA on GDP



Source: Estimated from GTAP

Non Tariff Measures in ASEAN Countries

(case)

	Number of NTMs, by country						Main examples
	Thailand	Malaysia	Indonesia	Singapore	Philippines	Vietnam	
Quantity control measures	113	123	189	64	67	82	Non-automatic licensing on a discretionary basis (foods, electrical equipment, etc.); import quotas (iron and steel, automobiles, foods, etc.), prohibitions on imports (used cars, etc.)
Technical measures	22	6	134	29	90	158	Quality inspections, labeling and specifications standards, advertising restrictions
Monopolistic measures	0	1	13	0	2	8	Monopolistic import company system for rice, petroleum, etc.
Price control measures	0	0	0	1	0	34	Price regulations on imports (in Vietnam, on beverages, glass, etc.), anti-dumping measures (in Singapore, on iron and steel products)
Other	6	4	71	8	0	1	Automatic licensing measures
Total	141	134	407	102	159	283	

Note: APEC, UNCTAD etc. have compiled figures on NTMs mainly from statements made by each government; JETRO has summarized information published by the ASEAN Secretariat. The date of the data varies by country, between 2001 to 2003. We count the numbers of NTMs regardless of the level of HS digit in question. For instance, a measure affecting HS tariff lines (products) at two digit level is counted as one while another measure affecting products at HS eight digit level is also counted as one. Thus, that a country is shown as having a large number of NTMs in this table does not necessarily mean that it does have many NTMs or that the impact of the NTMs applied is large.

Source: ASEAN Secretariat.