The Japan–Singapore Economic Partnership Agreement

Underpinning of an East Asia Trade Bloc?

Derek K.Y. LOH*

I. INTRODUCTION

In 1990, the Malaysian Prime Minister, Dr Mahathir bin Mohamad proposed an East Asian Economic Caucus (EAEC) comprising the then six Members of the Association of South-East Asian Nations1 (ASEAN), Cambodia, the Lao Peoples' Democratic Republic, Myanmar, Vietnam, Japan, China and South Korea. The EAEC was intended to be an exclusive economic grouping among Asian countries that excluded those in the region that were racially non-Asian. The proposal was strongly opposed by the United States, Australia and New Zealand, ostensibly because it would undermine the Asia Pacific Economic Co-operation2 (APEC) Forum which they supported. Response from the rest of Asia was lukewarm. Although placed as the effective leader of the economic bloc, Japan's reaction was ambivalent, as it did not relish the prospect of having to constantly navigate its relationships between East Asia and the United States.

It was not until 1995 that the rest of ASEAN unanimously endorsed the concept. At the ASEAN Foreign Ministers meeting in Brunei, Members affirmed their support for the EAEC. However, the East Asian economic grouping remained unattainable until 1997, when the Asian financial crisis brought about major economic and political changes in Asia. During the period of the crisis, the APEC process also began to falter as a result of the reluctance or inability of some Members to promote liberalization under the

---


1 Formed initially in 1967 by five founding Members (Indonesia, Malaysia, the Philippines, Singapore and Thailand), ASEAN is now complete with all ten countries in South-East Asia in its fold—Brunei (1984), Vietnam (1995), Laos and Myanmar (1997) and Cambodia (1999).

2 Established in 1989 with twelve founding Members (Australia, Brunei, Canada, Indonesia, Japan, South Korea, Malaysia, New Zealand, the Philippines, Singapore, Thailand and the United States), it has expanded to twenty-one Members—China, Hong Kong and Chinese Taipei (1991), Mexico and Papua New Guinea (1993), Chile (1994), Peru, Russia and Vietnam (1998).
framework of the Early Voluntary Sectoral Liberalization (EVSL) programme. Together, these events significantly influenced the policies of East Asian countries toward regional economic integration and precipitated the onset of bilateral trade activity in Asia. Among the first fruits of these events, where trade is concerned, is the free trade agreement (FTA) between Japan and Singapore.

II. THE JAPAN–SINGAPORE ECONOMIC PARTNERSHIP AGREEMENT

A. BACKGROUND

In December 1999, Japan and Singapore announced that they would commence a study to examine a possible free trade agreement between the two countries. A Joint Study Group was established to undertake the study and it presented its findings and recommendations in September 2000. In a landmark decision on 22 October 2000, Japan and Singapore agreed to enter into negotiations and conclude a bilateral FTA. Called the Agreement between Singapore and Japan for a New-Age Economic Partnership (JSEPA), the Agreement was expected to deepen and widen the already excellent economic relationship between the two countries. Both countries also hoped that the JSEPA would help to catalyze and accelerate trade liberalization efforts in the region. On 12 October 2001, after four formal rounds of negotiations over a nine-month period, Japan and Singapore concluded the negotiations. The Agreement was signed by Japanese Prime Minister Junichiro Koizumi and Singapore Prime Minister Goh Chok Tong on 13 January 2002 and will take effect on the 30th day after the exchange of diplomatic notes informing each other of the completion of domestic ratification procedures; it is expected to take effect in summer 2002.

The JSEPA is the first bilateral FTA Japan has ever negotiated. It has been suggested that it marks a significant paradigm shift in Japanese trade policy. In the past, Japan had pursued trade liberalization within the framework of the General Agreement on Tariffs and Trade (GATT) until it began to seek trade liberalization on a regional basis as a Member of APEC. This shift in Japan's trade policy has been characterized as a shift from a one-track approach based on the GATT/World Trade Organization multilateral framework to a multiple-track approach comprised of global, regional and bilateral

---

3 Under the EVSL programme, fifteen sectors were identified for early liberalization in support of the 1994 Bogor goal of achieving free trade in APEC by 2010 for industrialized Members and 2020 for developing Members.

4 The first FTA in the region to be concluded post-1997 is the Agreement between New Zealand and Singapore on a Closer Economic Partnership (ANZSCEP). The ANZSCEP was signed in November 2000. Discussions began in late 1999.

5 According to Urata Shujiro, Professor of Economics at Waseda University, several factors contributed to Japan’s shift in its trade policies from a single-track approach to a multiple-track approach. Foremost was the fact that Japanese policy makers felt that trade liberalization would revitalize its economy by playing a catalytic role in implementing economic reforms. Given the difficulty in getting a new round of trade negotiations launched in the World Trade Organization, FTAs could be a useful alternative. Another reason is the possible contribution by FTAs to the WTO rule-making process. As many FTAs, including the JSEPA, contain rules which have yet to be established in the WTO, they could be used as a model for the WTO. See Urata Shujiro, Regionalism, the New WTO Round and Japan’s New Trade Policy. Journal of Japanese Trade & Industry, September/October 2001; available at: [http://www.jcf.or.jp/en/jti/200109_007.html](http://www.jcf.or.jp/en/jti/200109_007.html).