FTAAP AND THE 2020 BOGOR GOALS

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How has APEC contributed to Asia-Pacific growth?

- Rapid growth of Asia-Pacific region due to adoption of outward looking strategy by individual economies
  - Unilateral structural reform in which trade and FDI liberalization was integral to enhancing productivity and efficiency
    - APEC's two pillars: TILF and ECOTECH
    - Concerted unilateral liberalization supported buy-in of World Bank/IMF financing conditionality
    - Support for the multilateral trading system
- Pace of unilateral liberalization has slowed
  - Stalled multilateral trade negotiations
  - Financial crisis
  - "Bargaining chips" for PTAs

Shift towards Preferential Trading Arrangements (PTAs)

- Growing emphasis on PTAs as tool for liberalization
  - Doha Round has stalled
  - Evolving terms of trade – products with high IPR content, services trade and investments – and therefore need to address behind-the-border barriers
  - Dissatisfaction with level of ambition in Multilateral Trade Negotiations/lack of coverage
  - "Domino effect"
- Proliferation of PTAs has taken place outside the APEC process
  - APEC involvement – model measures, transparency, consistency with APEC principles and contribution to achievement of Bogor Goals

Bogor Goals can only be a reality..

- If APEC takes decisive steps to become a community
  - Where unilateral liberalization is key driver supplemented by regional and multilateral liberalization
  - Where members are empowered to fully benefit from liberalization
    - "ASEAN's experience (as well as that of the EU) has shown that liberalizing trade and investment, as well as setting rules on trade-related issues like intellectual property rights, labor and the environment, is not enough to promote deep regional economic integration and a sense of community." (Elek, 2014)

Bogor Goals can only be a reality…

If the following key economic integration requirements are taken into account:

- Connectivity – physical, institutional and people to people – ASEAN element introduced in APEC in Bali
- Across-the-border and behind-the-border issues are addressed
- Ease of doing business – regulatory reforms
- Services trade and investment regulations
- Competition policy
- Promotes inclusiveness: e.g. S&D for MSMEs

Can the FTAAP bring us to this Nirvana?

- An ABAC idea first mooted in 2004
  - "APEC not moving as quickly as trade, technology and business requires it to be"
  - "muddling through is not enough"
  - "APEC must change the way it does business"
- Practical difficulties
  - Need to bring all major players in
  - Large, complex negotiations
  - Geopolitical aspects
  - Ongoing regional and mega-regional FTAs negotiations
  - Conflict with APEC way which still has adherents

Can FTAAP bring us to this Nirvana?

Recent trends that must be accounted for in designing FTAAP

- Economic transformation in key economies
- New modes of production and doing business
  - GVCs
    - Importance of time and cost to trade
  - The Internet economy
  - Innovation
- Plurilateral agreements – ITA II, TFA, environmental goods

FTAAP and the Bogor Goals

Design of FTAAP

- Compatibility with Bogor Goal and APEC principles
- Should encourage and support unilateral structural reform
- Address community building elements outlined previously
- Ensuring accessibility a key consideration (e.g. low compliance burden)

FTAAP and the Bogor Goals

Timeline

- Serious negotiations will only take place after TPP, RCEP and the AEC are up and running
- Tariff concessions will be the outcome of the merging of concessions in TPP, RCEP and AEC or through plurilateral agreements
- Consider APEC-wide sectoral/area liberalization/harmonization in areas where there is general agreement – e.g. on trade facilitation, IPR, government procurement, investments, services, environmental goods and services, competition policy

"THE PERFECT SHOULD NOT BE THE ENEMY OF THE GOOD"

Thank you