



15th PECC General Meeting
Brunei Darussalam



Focus Workshop on Trade

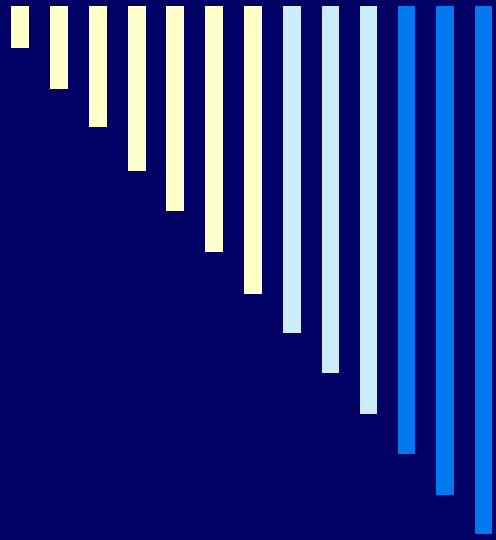
September 1, 2003
Room J-3
International Convention Centre

**RTAs, The Road to Bogor, and the Multilateral
Trading System**

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Thailand 2003 and The Road to Bogor

Narongchai Akrasanee, Ph.D.

Presentation at the 15th PECC General Meeting

Focus Workshop on Trade

1 September 2003, Brunei Darussalam



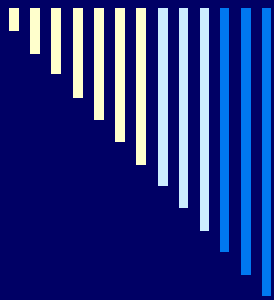
Thailand and APEC 2003



**The 11th APEC Leaders' Meeting :
October 20-21, 2003**



**A World of Differences :
Partnership for the Future**



Thailand and APEC 2003 (Cont.)

2 Ministerial Meetings Relating to the Bogor's Goal of Free and Open Trade & Investment

1. The 9th Meeting of APEC Ministers Responsible
for Trade : 2-3 June, 2003
2. The 10th APEC Finance Ministers' Meeting : 4-5
September, 2003



9th Meeting of APEC Ministers Responsible for Trade (MRT)

Concluded Statement of the Chair

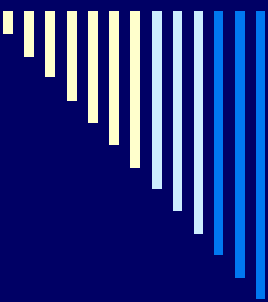
1. Promote economic growth, create jobs and raise living standards to deliver APEC's ultimate goal of equitable and shared prosperity
2. Stress the importance of the Doha Development Agenda (DDA) and the need for a successful WTO Ministerial Meeting in Cancun



9th MRT (Cont.)

3. Accelerate progress to achieve the Bogor goals of free and open trade and investment in the Asia-Pacific region

- Comprehensive RTAs/FTAs can promote overall liberalization in the region and help to ensure that the momentum in the DDA negotiations is maintained.
- RTAs/FTAs must be consistent with both the WTO's rules and disciplines and APEC's goals and principles.
- RTAs/FTAs must serve as instruments towards achieving the Bogor's goals.



The 10th APEC Finance Ministers' Meeting (FMM)

Theme and Sub-themes :

Local/Regional Link, Global Reach :
A New APEC Financial Cooperation

- Grass-roots and SMEs Development
- Regional Bond Market Development
- Fiscal and Financial Aspects of Regional Trade Arrangements



Concluding Report of the Fiscal and Financial Aspects of RTAs to be Proposed to the FMM

- 1. Why Finance Ministries need to be concerned about RTAs**
- 2. Reasons for the proliferation of RTAs**
- 3. Issues arising from RTAs and MFN processes**
- 4. Conclusion**



1. Why Finance People?

- RTAs are initiated and negotiated by the Trade Ministries but many issues need to be implemented by the Finance Ministries

➡ Finance people must pay attention to RTAs



RTAs involving APEC member economies

- **Many APEC economies are RTA active, especially Mexico, Singapore, Thailand, USA**
 - **Mexico:** EFTA-Mexico, EU-Mexico, NAFTA, Mexico-Chile, Mexico-Israel, etc
 - **Singapore:** AFTA, ANZCEP, JSEPA, EFTA-Singapore, USSFTA, Singapore-Australia, etc
 - **Thailand:** AFTA, Thailand-China, Thailand-Australia, Thailand-Bahrain, etc
 - **USA:** NAFTA, FTAA, US-Chile, US-Israel, US-Australia, USSFTA, US-Jordan, etc



2. Reasons for the Proliferation of RTAs

- Slow process of multilateral trade and investment liberalisation
- Growing intra-industry trade makes it necessary for the APEC member economies to use RTA as a tool to facilitate cross border transactions



3. Issues arising from RTAs and MFN processes

3.1 Tariff Regime

3.2 Customs Procedures

3.3 Financial Services
Liberalization



3.1 Tariff Regime in APEC

- APEC has set Bogor goal in terms of MFNs and GATT / WTO consistency
 - Systematic move towards the Bogor goal would minimize intra-economy and inter-economy distortion
- RTAs process should be complementary to avoid undesirable distortion, i.e. anomaly in tariff regime



3.1 Tariff Regime (Cont.)

- **APEC economies, through IAPs, have been moving towards the Bogor goal, as seen from the overall tariff reduction from 2000 to 2002.**

However, there are certain sectors of which average tariff rates are significantly higher than other sectors. These are:

- **Agricultural Products, Leather and Rubber, Textiles and Clothing, and Transportation equipment**



3.1 Tariff Regime (Cont.)

- For countries with RTAs, RTA tariff rates are significantly lower than MFN rates. This could produce tariff anomaly and trade distortion, unless the MFN rate reduction is carried out in line with RTA tariff rate reduction.
- Rules of origin are not uniform and not transparent, causing inefficiency.



3.2 Customs Procedures

- Customs Procedures harmonisation and standardisation should be carried out in order to facilitate cross border trade.
- In addition, modernisation efforts and the application of risk management techniques should be promoted to assure the efficiency and effectiveness of the current customs regimes.



3.3 Financial Services

- The slow progress in opening up the financial services sector has harnessed the progress of the overall liberalisation.
- RTAs can contribute to financial services liberalisation.
- Proper sequencing of financial services liberalisation including regulatory reforms are essential.
- Need consultation on the liberalization approach, i.e., positive or negative list.



4. Conclusion

- RTAs should avoid Bhagwati's "spaghetti bowl" effect of different rules and regulations associated with different agreements.
- The gain from RTAs is greater when the coverage and the number of economies involved are maximised.
- RTAs in the form of "competitive liberalisation" would contribute towards Bogor Goal.