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**Asia Pacific RTAs as Avenues for Achieving
APEC's Bogor Goals
Proposal for an APEC Common
Understanding on RTAs**

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**Asia-Pacific RTAs (PTAs) as Avenues to
the Bogor Goals
Proposals for an APEC Common
Understanding**

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Issues Raised By PTAs

- Trade Creation and Diversion
- Investment Creation and Diversion
- “Hub and Spoke” issues
- Terms of Trade Effects → Trade Wars?
- Potential Conflict
- Trade Facilitation
- “Spaghetti Bowl” problems
- Rules of origin

Attractions of PTAs

- go further, faster
- political economy
- binding commitments
- forum for resolving difficult issues
- training ground
- regional public goods
- locking in reforms
- political and security objectives

Some conclusions from 40 quantitative studies

- **Gains**

$APEC > ASEAN + 3 > ASEAN + 1 > \text{bilaterals}$

- **Small/medium economies usually (not always) gain substantially from PTAs with “large” partners**
- **Expansion of existing PTAs to include new members tends to erode benefits of the existing members (esp. the smaller members)**

- **Gains to members (“ins”) generally (not always) accompanied by losses for excluded economies (“outs”)**
 - losses concentrated on “outs” that trade intensively with “ins”
 - larger blocs impose larger losses on these “outs”
 - suggestion in some studies that negative impact on “outs” may be mitigated by “new age” elements or productivity growth
- **Studies of individual PTAs can produce widely differing (sometimes contradictory) results**
e.g. **US-Australia**
 Japan-Korea

Key Question

- How to make the transition from a “kaleidoscope” of PTAs to achievement of APEC’s “Bogor goals?”
- Conclusion: cannot be assured without deliberate coordinated action by APEC economies

Possible Routes

- Expansion of bilaterals
- Amalgamation and expansion
- Convergence
- MFN liberalisation

Issues

- “Competitive Liberalisation” and the “Domino Effect”
- Effect on Incentives for Multilateral Liberalisation
- Treatment of Sensitive Sectors
- Inconsistent “Models”
- WTO Consistency
- Politics

CONCLUSION: Route to Bogor via PTAs is not automatic

Proposals

- Utilise “pathfinder” concept
- Consistency with APEC objectives and principles
 - Commitment to Bogor goals
 - Timetable
 - MFN Liberalisation

Conformity with OAA Principles

- Non-discrimination
 - multilateralisation
 - “open accession”
 - commitment to inclusiveness
- WTO Consistency
- Comprehensiveness and Flexibility
- Transparency and Cooperation

Promoting Convergence and Minimising Spaghetti Bowl Problems

- Rules of Origin
- Trade Facilitations

“Best Practice” Liberalisation

Development Dimension