

Formulating Guidelines for Attaining the FTAAP

**For
2016 ASCCC
Arequipa, Peru**

**Chen-Sheng Ho, Ph.D.
Research Fellow
Chinese Taipei APEC Study Center**

Introduction

In recent years, the FTAAP idea has gained attention. Thus APEC is undertaking the FTAAP Collective Strategic Study. Moreover, ABAC has conducted the FTAAP study and has made suggestions for realizing the FTAAP. Presently, APEC considers the FTAAP to be a long-term goal. With the deadline for achieving the Bogor Goals to take place in 2020, there exists support for the FTAAP to serve as a vehicle for the advancement of APEC's regional economic integration. Therefore, the development of a set of guidelines for realizing the FTAAP is desirable, in order to ensure the realization of the FTAAP benefits APEC members.

The main purpose of the paper is to formulate achievable guidelines for realizing the FTAAP. First, the paper will examine previous guidelines for enhancing APEC's regional economic integration in general and the Bogor Goals in particular. For example, APEC Leaders stated in the 1994 Leaders' Declaration that they opposed the formation of an inward-looking trading bloc. This guideline calls for promoting open regionalism. Thus the FTAAP will need to benefit the entire Asia-Pacific region, in order to follow the open regionalism concept. Second, the paper will consider the APEC FTAAP Collective Strategic Study and the ABAC FTAAP study. Third, the paper will analyze how to link the 2016 APEC theme of "Quality Growth and Human Development" with the FTAAP initiative. The APEC Strategy for Strengthening Quality Growth and Peru's views for this year will serve as inspirations. From these assessments, a set of achievable guidelines can be generated to assist with the realization of the FTAAP.

Promoting Open Regionalism

In the APEC's First Ministerial Meeting Joint Statement, Ministers stated that APEC economies depended on a strong and open multilateral trading system and APEC should not be directed towards the formation of a trading bloc (APEC 1989). Furthermore, the Chairman's Summary Statement of the APEC's First Ministerial Meeting mentioned that APEC sought to sustain the growth and development of the region as well as to contribute to the growth and development of the world economy. Thus APEC should recognize the diversity of the region, such as the existence of different social and economic systems, and levels of development. In addition, APEC cooperation should focus on enhancing the multilateral trading system and should not form a trading bloc (APEC 1989a).

According to the 1994 APEC Leaders' Declaration or Bogor Declaration, APEC's strengthening of economic cooperation will be based on equal partnership, shared responsibility, mutual respect, common interest, and common benefit. APEC will also advance the multilateral trading system, trade and investment liberalization in the Asia-Pacific region, and Asia-Pacific development cooperation. Furthermore, since the open multilateral trading system had been the source of APEC's economic growth, APEC will take the lead in enhancing the multilateral trading system (Ho 2013).

APEC Leaders had also stated in their 1994 Declaration that they were against the building of a trading bloc that was inward-looking and that inhibited global free trade. APEC will support the Bogor Goals in a way that advanced global trade and investment liberalization. Thus the outcome of trade and investment liberalization in the Asia-Pacific region will reduce barriers in APEC and also between APEC economies and non-APEC economies. APEC will ensure that non-APEC developing economies will also obtain benefits from APEC's trade and investment liberalization. In addition, APEC's trade and investment liberalization efforts will conform to GATT/WTO rules (Ho 2013).

The important point that can be inferred from the 1994 APEC Leaders' Declaration is that APEC promotes open regionalism which entails supporting the multilateral trading system and the Bogor Goals. Most significantly, APEC is advancing open regionalism through strengthening APEC's regional economic integration (REI) and making sure that non-APEC members will benefit from APEC's trade and investment liberalization and facilitation. Therefore, the open regionalism idea that has guided the achievement of the Bogor Goals will remain valid for directing the attainment of an FTAAP. It also means that APEC Leaders want to ensure that the achievement of an FTAAP does not impede the advancement of the WTO (Ho 2014).

Specifically, the open regionalism concept can be utilized to ensure that APEC is able to realize the FTAAP in the form of a free trade agreement (FTA), even though APEC has stated before that it is against the formation of a trading bloc. This means that the FTAAP agreement will need to be transparent and open. In doing so, the FTAAP will advance APEC's REI and open regionalism.

The APEC Beijing FTAAP Roadmap

In 2014, as part of the APEC Leaders' Declaration, Leaders created "The Beijing Roadmap for APEC's Contribution to the Realization of the FTAAP." The Beijing Roadmap stated the APEC Leaders' views on the FTAAP that consist of the following points (APEC 2014):

- The FTAAP will support and complement the multilateral trading system.
- The FTAAP should be comprehensive, high quality and address next generation trade and investment issues.
- APEC will attain the Bogor Goals by 2020. The Bogor Goals will advance APEC's contribution to the eventual realization of the FTAAP.
- The FTAAP will be realized outside of APEC, parallel with the APEC process. APEC should maintain its non-binding and voluntary cooperation principles.
- The FTAAP should aim to minimize any negative effects resulting from the proliferation of RTAs/FTAs and will be pursued by building on regional architectures. Greater efforts should be made to concluding the possible pathways to the FTAAP, including the TPP and RCEP.
- APEC will assist APEC economies with participating in ongoing regional undertakings and preparation for the realization of the FTAAP.

APEC FTAAP Collective Strategic Study

Presently, the report of the APEC FTAAP Collective Strategic Study cannot be quoted, so that the paper will not discuss the report's contents. According to the Terms of Reference (TOR) of the APEC FTAAP Collectively Strategic Study, the study should reflect APEC Leaders' agreement that the FTAAP should build on regional undertakings. The FTAAP should not only achieve liberalization but should also be comprehensive and high quality. In addition, the study should address next generation trade and investment issues. Another important objective is that the study will inform economies of how they can participate in the achievement of the FTAAP. The study does not constitute APEC members' commitment to negotiate in any regional undertaking, since economies will realize the FTAAP outside of APEC, parallel to the APEC process (APEC 2015).

The scope of work of the study is also shown in the TOR. The study will update existing studies and past work by analyzing potential economic and social benefits and costs. The study will examine RTAs/FTAs in force in the region, analyze the pathways towards the FTAAP, assess impacts of the "spaghetti bowl" phenomenon, identify trade and investment barriers, and consider challenges facing economies in realizing the FTAAP (APEC 2015).

The information on the various chapters of the APEC FTAAP Collective Strategic Study is presented. The study consists of: 1) Chapter 1: Overview; 2) Chapter 2: Review of APEC Regional Economy; 3) Chapter 3: Next Generation Trade and Investment Issues; 4) Chapter 4: Measures Affecting Trade and Investment; 5) Chapter 5: Stock take of existing RTAs/FTAs in the Asia-Pacific: examining their convergences and divergences; 6) Chapter 6: Taking Stock of Previous APEC Initiatives and Outcomes; 7) Chapter 7: Update of Other Analytical Work; 8) Chapter 8: Ongoing Regional Undertakings; and 9) Chapter 9: Challenges and Opportunities Ahead (APEC 2015).

From examining the study's TOR, the study could indicate the following points about the FTAAP. First, the FTAAP would be built on regional undertakings. Second, the FTAAP would be comprehensive and high quality. Third, the FTAAP would promote next generation trade and investment issues. Fourth, the FTAAP would include a process for economies to participate in the FTAAP. Fifth, the FTAAP would generate economic and social benefits and costs. Sixth, the FTAAP would mitigate the "spaghetti bowl" phenomenon. Seventh, the FTAAP would reduce substantially trade and investment barriers. Some of the major points generated from the APEC FTAAP Collective Strategic Study can be transformed into guidelines for realizing the FTAAP.

ABAC FTAAP Study

The report of the ABAC FTAAP study cannot be quoted, so that the contents of the report will not be discussed here. The main purpose of the ABAC FTAAP study is to present the business perspective. In addition, ABAC seeks to promote the idea that the achievement of the FTAAP includes the principles of inclusiveness, comprehensiveness, consultation and transparency. The ABAC study also examines how the FTAAP could be achieved, so that the priority issues for business are integrated. The FTAAP should be developed as a next generation agreement. Behind-the-border issues have become important, such as regulation, services, data flows, investment and intellectual property rights (IPR). Moreover, the utilization of FTAs has been low (ABAC 2015).

The ABAC FTAAP study seeks to promote the following recommendations (ABAC 2015):

- Create a realistic vision of a seamless Asia-Pacific economy.
- Emphasize the social benefits of the vision; note that regionalism provides

practical ways to achieve them; and make a vigorous public case for FTAAP.

- Focus on the future of business: GVCs, the digital/internet economy, the middle class, and the regional business community including MSMEs.
- Keep the vision ambitious; compromise on timing and tactics.
- Respect the diversity of members.
- Create a living agreement with early harvests.
- Build on existing, high quality FTAs and map pragmatic paths.
- Recognize adjustment implications, and help members manage them.
- Help members develop negotiating capacity.

Linking Quality Growth with the FTAAP

In 2010, APEC Leaders developed “The APEC Leaders’ Growth Strategy.” According to APEC Leaders, the APEC economies are more connected and integrated. Trade and investment liberalization and facilitation (TILF) will continue to be a major driver for growth. Moreover, the expansion of cross-border activities has transformed the economic environment. One result is the existence of imbalances and disparities between and within economies. Thus there exists the need to promote the broadest participation in the global economy, so that the benefits of economic integration are extensively shared (APEC 2010)

The important message is that the quality of growth must be enhanced, so as to be more balanced, inclusive, sustainable, innovative, and secure. This is necessary even as APEC pursues the core objective of a dynamic trade and investment agenda that seeks to strengthen Asia-Pacific economic integration. Essentially, the APEC Growth Strategy focuses on five attributes for economic growth that consist of: 1) Balanced Growth; 2) Inclusive Growth; 3) Sustainable Growth; 4) Innovative Growth; and 5) Secure Growth (APEC 2010).

APEC Leaders have continued to care about growth. In 2015, they proclaimed the APEC Strategy for Strengthening Quality Growth. Leaders have recognized the significant contribution of APEC to global economic growth. They have emphasized that liberalization and facilitation in trade and investment continue to be the main drivers of economic growth and development. The improvement of the quality of growth necessitates concerted effort among APEC economies (APEC 2015a).

The 2015 APEC Quality Growth Strategy builds on the 2010 APEC Growth Strategy through enhancing quality growth, as articulated by the Key Accountability Areas (KAAs) of institution building, social cohesion, and environmental impact. The

three KAAs will serve to sustain quality growth and to give more traction to the five growth attributes (APEC 2015a).

Essentially, institution building is about shaping the incentives of major economic actors in society and influencing investments in physical and human capital and technology as well as the organization of production. As for social cohesion, it advances the achievement of economic growth. The role of society is to work cohesively to enhance the well-being of all its members through addressing exclusion and marginalization, promoting a sense of belonging, building trust, and enabling upward mobility. With regard to environmental impact, it is about responding to climate change through the implementation of measures to reduce greenhouse gas emissions, to raise carbon sequestration, and to adapt to climate change effects. The aim is the attainment of low carbon societies. Therefore, APEC's work relating to the five growth attributes will also need to take into consideration the three KAAs (APEC 2015a).

This year, Peru, the 2016 APEC host, has chosen the theme of "Quality Growth and Human Development." In addition, one of the APEC priorities for this year is "Regional Economic Integration and Quality Growth" (APEC 2015b). Since the focus of the paper is on the FTAAP and the FTAAP is related to REI, it is meaningful to link the FTAAP with quality growth. The linkage occurs because the realization of the FTAAP supports TILF, enhances REI and advances quality growth. However, it must be emphasized that the most effective way to ensure that the FTAAP sustains quality growth is to make sure the FTAAP promotes the five growth attributes and the three KAAs. Thus a guideline for the FTAAP that considers quality growth is desirable. The guideline can state that the FTAAP will seek to advance the five growth attributes and also considers the three KAAs.

Feasible Guidelines for the FTAAP

In order to guide the realization of the FTAAP, the development of a set of feasible guidelines is needed. The paper has examined the relevant APEC documents and has provided the main points. The guidelines presented below are based on the aforementioned points.

Guidelines: Inspired by the Open Regionalism Concept

- APEC will continue to strengthen the multilateral trading system and the FTAAP will be complementary to the WTO.
- APEC will ensure that the FTAAP is not inward-looking through the promotion

of open membership and transparency.

Guidelines: Inspired by the APEC Beijing FTAAP Roadmap

- APEC will first attain the Bogor Goals by 2020 and will subsequently realize the FTAAP.
- APEC will attain the FTAAP outside of APEC, parallel with the APEC process, as long as APEC maintains the non-binding and voluntary principles. However, APEC may negotiate the FTAAP within APEC when there is a consensus to do so. Moreover, all APEC members can participate in the FTAAP.
- APEC will ensure that the FTAAP is built on regional undertakings, such as the TPP, RCEP and PA. The regional undertakings will encourage open membership.
- APEC will eventually determine how to build the FTAAP from the regional undertakings.
- APEC will develop capacity building programs to assist APEC economies to gain knowledge of RTAs/FTAs in general and the FTAAP in particular.

Guidelines: Inspired by the APEC FTAAP Collective Strategic Study

- APEC will ensure that the FTAAP is comprehensive and of high quality, in order to enhance Asia-Pacific regional economic integration.
- APEC will ensure that the FTAAP promotes next generation trade and investment issues, so as to maximize economic benefits for the Asia-Pacific region.

Guidelines: Inspired by the ABAC FTAAP Study

- APEC will ensure that the FTAAP works toward the development of a seamless Asia-Pacific economy. Thus the FTAAP will be a living agreement that allows for improvement.
- APEC will ensure that the FTAAP emphasizes the social benefits, such as better environment and health.
- APEC will develop outreach and advocacy programs for the realization of the FTAAP, in order to build public support.
- APEC will ensure that the FTAAP considers issues that are important to the future of business, such as GVCs, digital/internet economy, middle class, and MSMEs.

Guidelines: Inspired by the APEC Strategy for Strengthening Quality Growth

- APEC will ensure that the FTAAP advances the five growth attributes consisting of: 1) Balanced Growth; 2) Inclusive Growth; 3) Sustainable Growth; 4)

Innovative Growth; and 5) Secure Growth.

- APEC will ensure that the FTAAP takes into account the three Key Accountability Areas (KAAs) of institution building, social cohesion, and environmental impact.

References:

ABAC. 2015. “The FTAAP Opportunity: Proposed Outline for ABAC Report.” Manila: ABAC International Secretariat.

APEC. 1989. “First Ministerial Meeting Joint Statement.” Singapore: APEC Secretariat.

APEC. 1989a. “Chairman’s Summary Statement.” Singapore: APEC Secretariat.

APEC. 2010. “The APEC Leaders’ Growth Strategy.” Singapore: APEC Secretariat.

APEC. 2014. “The Beijing Roadmap for APEC’s Contribution to the Realization of the FTAAP.” Singapore: APEC Secretariat.

APEC. 2015. “The Collective Strategic Study on Issues Related to the Realization of the FTAAP - Terms of Reference.” Singapore: APEC Secretariat.

APEC. 2015a. “APEC Strategy for Strengthening Quality Growth.” Singapore: APEC Secretariat.

APEC. 2015b. “Background Paper: Advancing Regional Economic Integration and Quality Growth.” Singapore: APEC Secretariat.

Ho, Chen-Sheng. 2013. “Advancing the Attainment of the Bogor Goals: The APEC Way.” Paper presented at the 2013 ASCC Conference in Jakarta, Indonesia.

Ho, Chen-Sheng. 2014. “Advancing an APEC Framework for Realizing FTAAP.” Paper presented at the 2014 ASCC Conference in Qingdao, China.