

The Role of FTA/RTAs in Achieving APEC's Objectives

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**Asia-Pacific
Economic Cooperation**

Advancing Free Trade for Asia-Pacific **Prosperity**

APEC's Ultimate Objectives



The APEC Leaders' Declaration of 1994 states two **key objectives**:

- Sustainable growth and equitable development
- Strengthening the sense of Asia-Pacific community

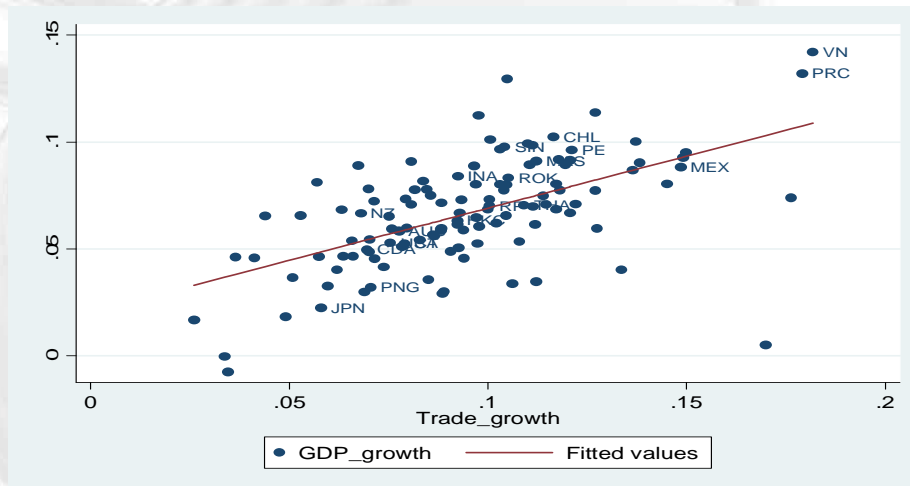
How to achieve these objectives? The 1994 Declaration highlights to lead the way in:

- Strengthening the open multilateral trading system
- Enhancing trade and investment liberalization in the Asia Pacific
- Intensifying Asia-Pacific development cooperation

Relationship between Trade and GDP Growth



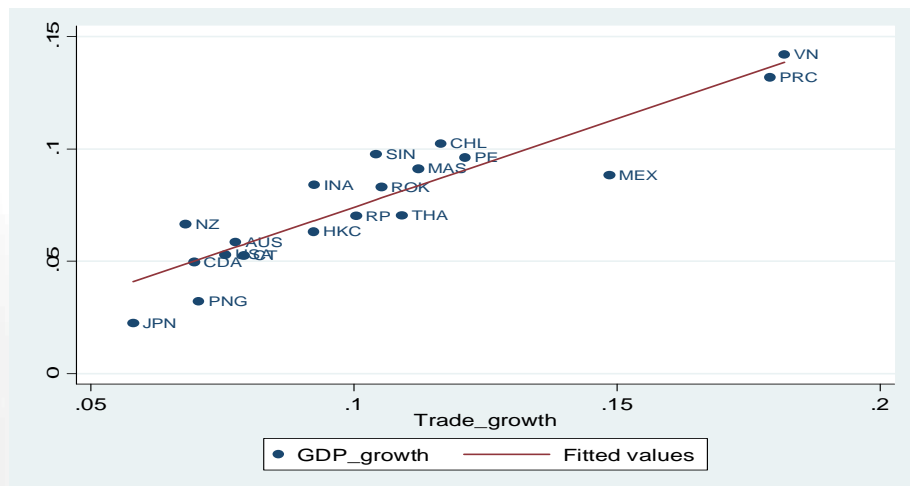
World



$$\text{GDP_growth} = 0.02^{***} + 0.49^{***}\text{Trade_growth}; \quad \# \text{ Obs} = 118; R^2 = 0.329$$

(3.17) (7.54)

APEC



$$\text{GDP_growth} = -0.00 + 0.79^{***}\text{Trade_growth}; \quad \# \text{ Obs} = 19; R^2 = 0.832$$

(0.54) (9.17)

Positive correlation between growth rates of GDP and Trade

The Bogor Goals



To enhance trade and investment liberalization in the Asia-Pacific and achieve APEC's objectives, the 1994 Leaders' Declaration says:

“(...) we agree to adopt the **long-term goal of free and open trade and investment** in the Asia-Pacific. This goal will be pursued promptly by **further reducing barriers to trade and investment** and by promoting the free flow of goods, services and capital among our economies. We will achieve this goal in a **GATT-consistent manner** (...)”

A timeframe to achieve this goal was established:

“We further agree to announce our commitment to complete the achievement of our goal of free and open trade and investment in the Asia-Pacific **no later than the year 2020** (...) with the **industrialized economies** achieving the goal of free and open trade and investment no later than the **year 2010** and **developing economies** no later than the **year 2020**.”

GATT-WTO Consistency of Bogor Goals



- The 1994 Leaders' Declaration provides guidance but no prescription to achieve the Bogor Goals.
- It provides the chance for trade and investment liberalization in different ways:
 - ✓ Multilateral negotiations
 - ✓ Regional or bilateral negotiations (e.g. FTA/RTAs)
 - ✓ Unilateral measures
- WTO allows differentiated timeframe. For example: based on the development level
- Further reduction of barriers to trade and investment \neq zero barriers. WTO allows liberalization covering “substantially-all-the-trade” (GATS' Article XXIV)

GATT-WTO Consistency of Bogor Goals



- Non-discrimination principle in force. Exceptions according to WTO:
 - Integration arrangements: preferences to partners only
 - Unilateral preferential market access treatment to developing economies
 - Trade-related measures to protect public interests: public health and safety, WTO-consistent trade remedies.
- FTA/RTA-negotiated approach must follow GATT's Article XXIV or Enabling Clause (Trade in Goods) and GATS' Article V (Trade in Services):
 - Substantially-all-the-trade (Goods) and substantial sector coverage (services)
 - Duties and regulations to non-partners should not be higher than the existing ones for partners before the formation of FTA/RTA
 - Differentiated treatment to FTA/RTA partners is through reduction (and not increase) of barriers

Importance of FTA/RTAs toward the Bogor Goals



FTA/RTAs in APEC have contributed to:

- Open markets
- Provide stable and clear regulations among partners
- Promote the application of best practices
- Set pillars to strengthen regional economic integration in the APEC region
- Help advance in the liberalization agenda, given the lack of progress in the Doha Round

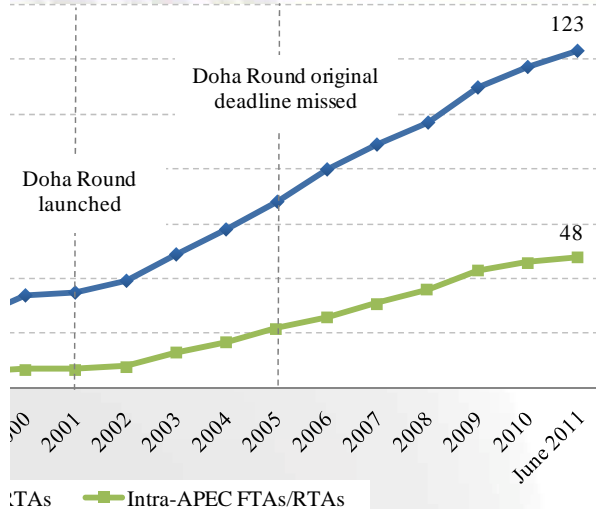
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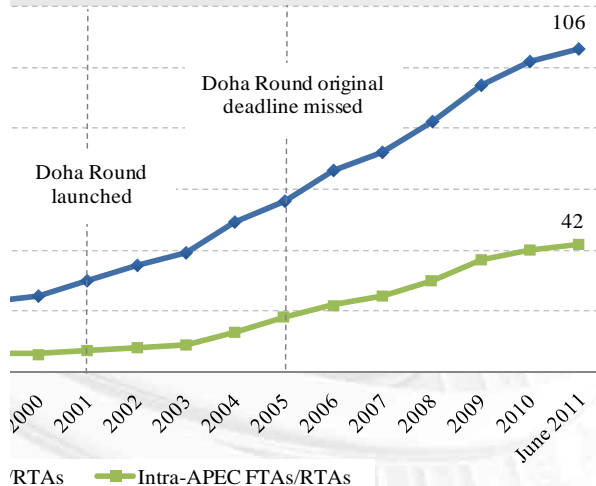


as by APEC Members

of FTAs/RTAs Signed



of FTAs/RTAs Enforced



- Proliferation of FTA/RTAs since last decade
- Lack of progress in Doha Round created additional incentive to pursue FTA/RTAs
- APEC members have increased FTA/RTAs at intra and extra regional levels