

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

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*Presented by*

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**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

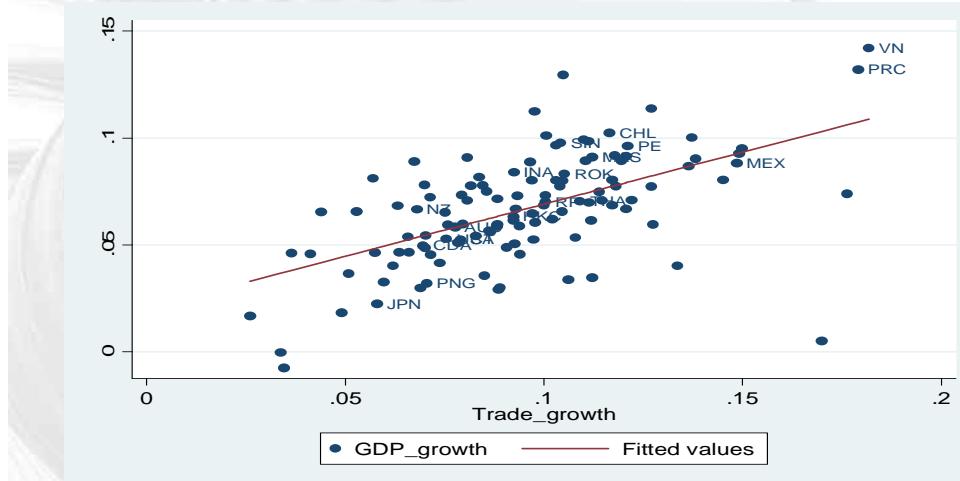
How to achieve these objectives? The 1994 Declaration highlights to lead the way in:

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

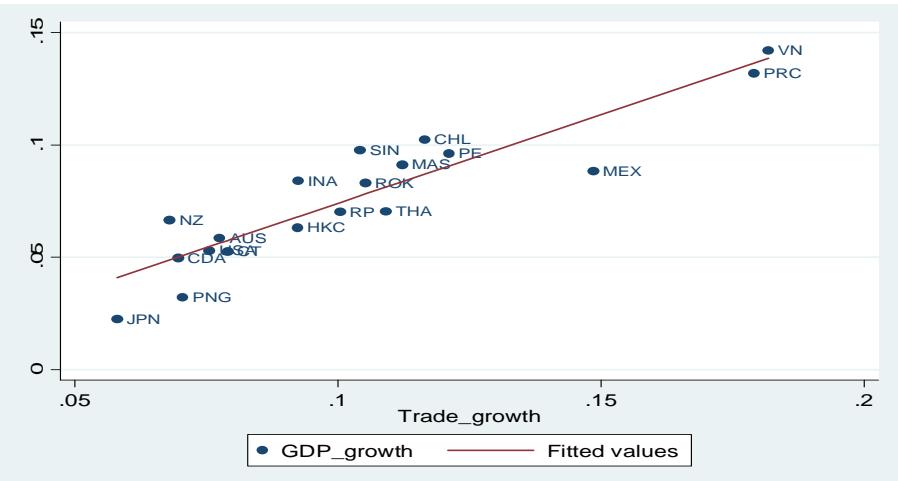
# Relationship between Trade and GDP Growth



## World



APEC



$\text{GDP\_growth} = 0.02^{***} + 0.49^{***}\text{Trade\_growth}; \text{ # Obs} = 118; \text{R2} = 0.329$     $\text{GDP\_growth} = -0.00 + 0.79^{***}\text{Trade\_growth}; \text{ # Obs} = 19; \text{R2} = 0.832$

## 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 ≠ 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

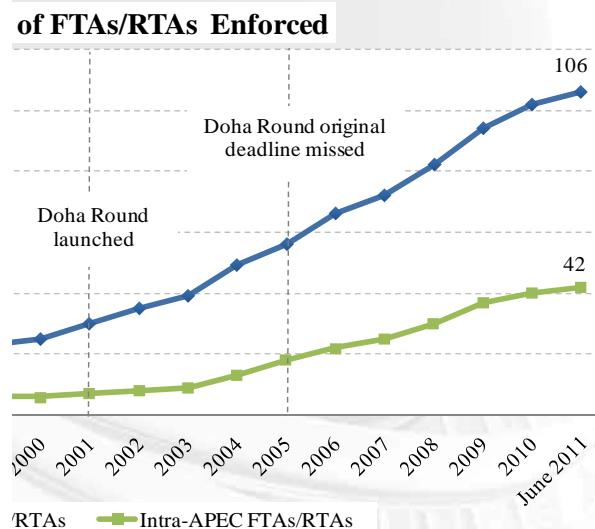
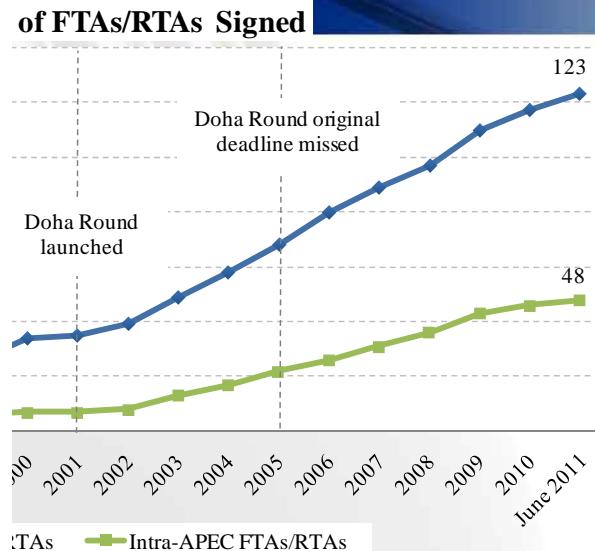
# Importance of FTA/RTAs toward the Bogor Goals



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

# FTAs by APEC Members



- 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

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