



**Asia-Pacific  
Economic Cooperation**

---

**2016/SOM3/DIA1/007**

Session 2.2

## **Building FTAAP: A Networks Approach**

Submitted by: Universidad del Pacífico



**Dialogue on Regional Trade Agreements and Free  
Trade Agreements  
Lima, Peru  
25 August 2016**

***APEC 2016 SOM Dialogue on FTAs/RTAs***

***S2: "Similarities and differences among recent RTAs/FTAs in the APEC region"***

***Lima, 25 August 2016***



# ***Building FTAAP: A networks approach***

**Fernando Gonzalez Vigil**

**Director**

**APEC Study Center**

**Universidad del Pacífico, Peru**



## *Integrating diversity*

- Duly taking into consideration that APEC economies,
  - Show great diversity -yet coincide in the search for shared prosperity through REI
  - Have networks of FTAs serving complex sets of economic and strategic interests, explaining why FTAs differ in some specific concessions and procedures, but their growing convergence in core trade issues and rules enhances their complementarity
  - Will likely opt for congruent co-existence between FTAAP and such FTA networks
- While networks theory and practice teaches us that,
  - Networks emerge when complementarity is upgraded to compatibility –this involving a tough –because strategic- decision of adopting the same standards
  - Reason why **partial compatibility (PC)** prevails, and full compatibility –i.e. perfect convergence- is rare
  - Which can be applied to FTA networks, where mega-regionals would play as huge ‘essential facilities’ & ‘shared inputs’ for gaining economies of both scale and scope
- Thus, success in building FTAAP likely depends on reaching the best possible level of PC –i.e. of **‘optimal’ convergence**- in tough FTA issues
  - By maximizing the number of convergences in core trade rules, yet allowing for differences in specific concessions and implementation modalities reflecting capacity asymmetries or legitimate public policy concerns
  - Thereby defining ‘high quality’ dynamically, as a sustained process of top standards cumulative adoption –only achievable in FTAs when perceived as a win-win effort



## *Where PC may be needed? –some examples*

- Trade Remedies
  - Highest possible convergence in strict requirements for the investigation proceedings eventually conducting to antidumping measures or to countervailing measures
  - Though allowing for different specifics on intra-FTA safeguards and sector-specific safeguards, explained by weight differences in bilateral trade flows and/or by levels of competition in certain sectors
- Competition Policy: Designated Monopolies and State Enterprises (DM&SE)
  - Highest possible convergence in including this whole chapter into the scope of the Dispute Settlement (DS) chapter
  - Though preserving the right to domestic regulation, and allowing for some flexibility in the composition of the general lists with DM&SE subject to the obligations
  - Such a flexibility should allow for particular lists of DM&SE covered, perhaps needed to prevent exclusions of DM&SE dominant in certain trade and/or investment flows
- Services: Emergency Safeguards, Subsidies, Monopolies & Exclusive Suppliers
  - Higher convergence in limiting the use of emergency safeguards, in limiting the use of –or in fixing upper-thresholds for- subsidies, as well as in limiting exceptions favoring monopolies or exclusive suppliers
  - Though allowing for some different specifics based on considerations similar to the aforementioned in the competition policy bullets



## *Where more convergence is desirable? –some examples*

- Sanitary and Phytosanitary Standards
  - Inclusion of WTO-Plus requirements to refrain protectionism, regarding equivalence or harmonization, control and verification, regional zones and ancestral products
  - Inclusion of the SPS chapter into the scope of the DS chapter
- Technical Standards (TBT)
  - Granting national treatment to conformity assessment bodies from the FTA partners, for the purposes of authorization or certification procedures
  - Inclusion of the TBT chapter into the scope of the DS chapter
- Temporary Entry of People
  - Dedicating a whole chapter specifically to M4 issues
  - Including binding commitments to facilitate the movement of professionals, as well as of some technicians
- Investment
  - Inclusion of a Investor-State Dispute Settlement (ISDS) mechanism
  - Improving this mechanism by fixing some requisites an investor should comply with in order to be entitled for submitting claims under the ISDS provisions



## *Where differences seem desirable? –some examples*

- Tariffs elimination schedules
  - Allowing for the respective lists of offers and requests to be structured and negotiated at bilateral or minilateral levels among the participant economies, because export priorities and import sensitiveness may differ at those levels
- Annexes with non-conforming measures on services and investment
  - Allowing for them to be structured and negotiated at bilateral or minilateral levels among the participant economies, due to reasons analogous to the aforementioned
- Environment provisions
  - Allowing for differentiated provisions on environmental protection levels, according to the way –binding or non-binding- the FTA parties adhere to the pertinent MEA
  - Allowing for differentiated systems of submissions of citizens petitions, reflecting differences in the institutional and funding structures of civil society organizations
- Labor provisions
  - Allowing for them to be differentiated, according to the way -binding or non-binding- the FTA parties adhere to ILO Declaration and standards
- Economic cooperation (obviously, since its focus and specificities are mainly bilateral)