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Moving Forward on FTAAP: The New Challenges for APEC

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Overview



- Lima Declaration of November 2016 set out recommendations for pursuing a “high quality and comprehensive” FTAAP that inter alia:
 - builds on “ongoing regional undertakings”;
 - addresses “next generation trade and investment issues”; and
 - promotes capacity building and other initiatives to support the participation of developing economies in FTAAP.
- Lima Declaration resulted from US-China collaboration and leadership in the Collective Strategic Study (CSS) on FTAAP.
- Engaging APEC’s two largest economies is fundamental to the success of FTAAP.
- US withdrawal from the TPP has been a substantial setback for APEC efforts but could propel new approaches to regional economic integration by APEC and its member economies.

FTAAP is at Risk



- US withdrawal from TPP has been a serious setback for FTAAP progress -- only RTA that fully meets FTAAP criteria set out in the Lima Declaration.
- RCEP by itself not a viable pathway for Asia-Pacific regionalism.
 - Reforms too limited, too many exceptions.
 - Incremental liberalization does not provide policy predictability needed to propel new investment.
 - RCEP economies should deepen and accelerate pace of economic reforms before completing negotiations.
- APEC work program on FTAAP needs to refocus on how RTAs, including the TPP-11 and Pacific Alliance (PA), can tailor a high-level integration arrangement that can attract US and Chinese participation.

How APEC Can Advance Progress toward FTAAP (I)



- Encourage and support structural reforms in APEC economies to upgrade administrative capacity and physical infrastructure.
- Help less-developed economies (LDCs) accelerate implementation of WTO trade facilitation commitments.
- Implement standstill on new protectionist measures, especially local content requirements.
- Develop model chapter on digital trade based on RTA best practice.
- Promote regulatory reforms in infrastructure services (e.g., finance, telecom, transport) that enhance the investment climate in each economy.

How APEC Can Advance Progress toward FTAAP (II)



- Address APEC membership issues that constrain RTA engagement in FTAAP:
 - Extend APEC membership to economies involved in the Pacific Alliance and ASEAN.
 - Develop options for including APEC economies not involved in large regional pacts.
- Design special arrangements for less-developed economies so they can participate in a high quality FTAAP.
- Encourage APEC-wide participation in WTO and plurilateral initiatives to liberalize trade in services
- Formulate new approach to FTAAP pathways via:
 - Inter-regional investment pacts (e.g., PA-CJK)
 - Expansion of RTAs, especially TPP-11 and PA

Revised Approach to FTAAP Pathways



- Need regional platform for US-China engagement.
- Focus on both RTAs and RIAs.
- Use RTAs to catalyze broader Asia-Pacific arrangements.
 - Historical precedent for smaller economies/RTAs taking leadership role in APEC (e.g., P-4 incubating TPP).
 - Today, Pacific Alliance could upgrade existing ties among APEC economies via inter-regional trade and investment pacts.
- TPP contained high quality investment as well as trade rules, so crucial that TPP results be sustained and extended to more economies in order to retain this FTAAP pathway.