



**Asia-Pacific
Economic Cooperation**

2018/SOM3/SYM/002

**Regional Trade Agreements and Free Trade
Agreements, Trade Liberalization, Growth and
Development**

Submitted by: Policy Support Unit, APEC Secretariat



**Symposium on How Free Trade
Agreements and Regional Trade
Agreements Can Contribute Towards
Economic Growth
Port Moresby, Papua New Guinea
18 August 2018**



RTA/FTAs, Trade Liberalization, Growth and Development

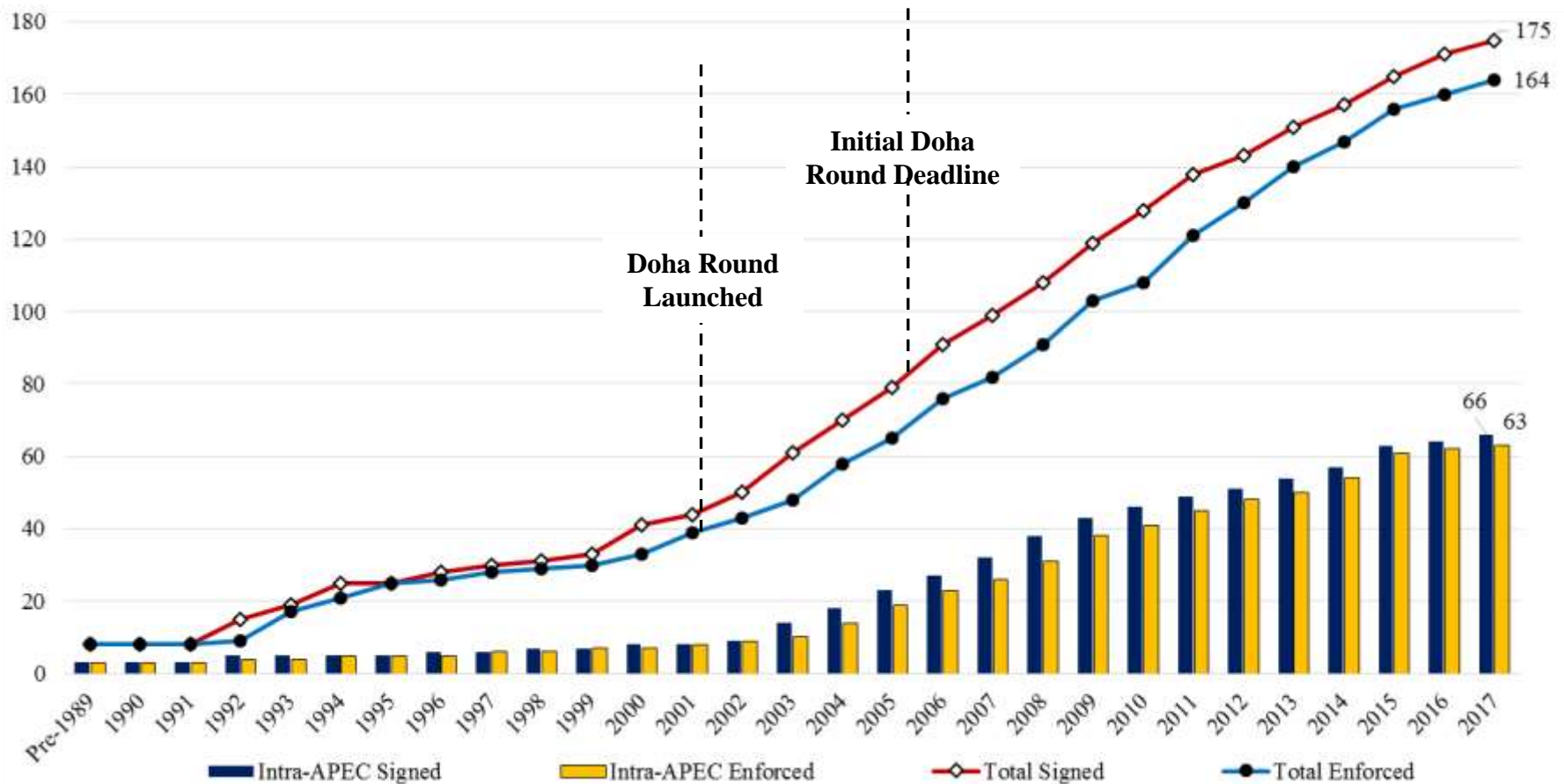
Carlos Kuriyama, Senior Analyst
APEC Secretariat, Policy Support Unit

18 August 2018 – SOM Symposium on
How FTAs and RTAs can Contribute
Towards Economic Growth
Port Moresby, Papua New Guinea



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

Number of RTA/FTAs Signed and Enforced by APEC Economies



Source: APEC Secretariat, Policy Support Unit



Intra-APEC Trade Pairings Covered by RTA/FTAs

Trade Relationships within APEC have increasingly been covered by Preferential Trade

Year	Intra APEC Trade Pairings	Intra-APEC Trade Pairings with RTA/FTAs	% Intra APEC Trade Pairings with RTA/FTA	Intra-APEC Trade Flows (USD Billions)	Intra-APEC Trade Flows by RTA/FTA Partners (USD Billions)	% of Intra-APEC Trade Flows by RTA/FTA Partners
1997	210	28	13.3	1,884.8	603.9	32.0
2007	210	62	29.5	4,197.8	2,052.6	48.9
2017	210	101	48.1	6,144.5	3,907.8	63.6

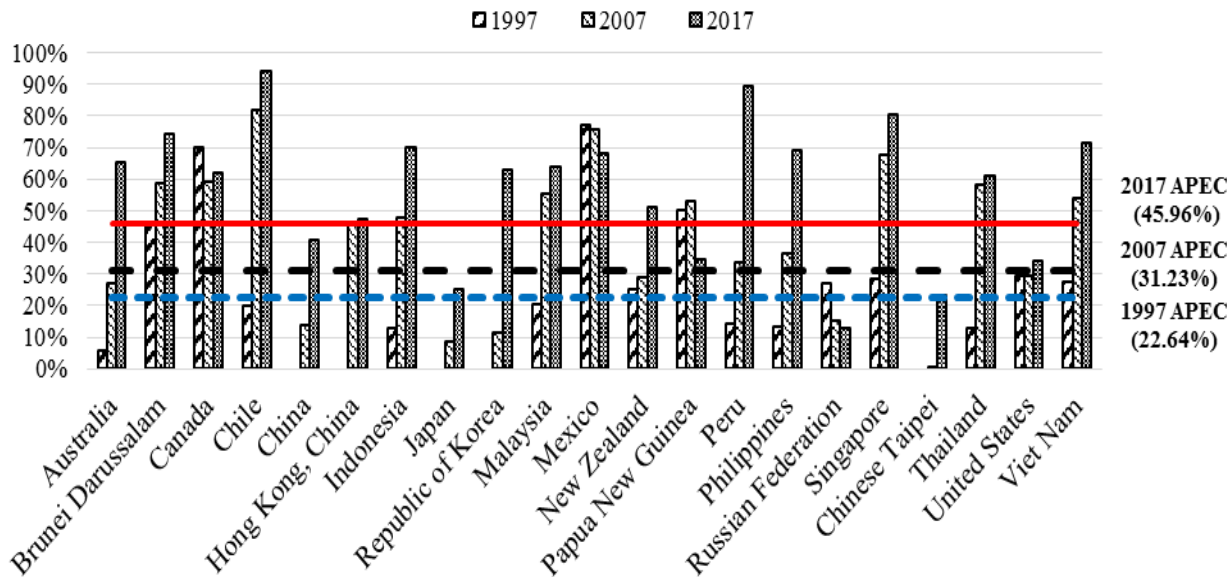
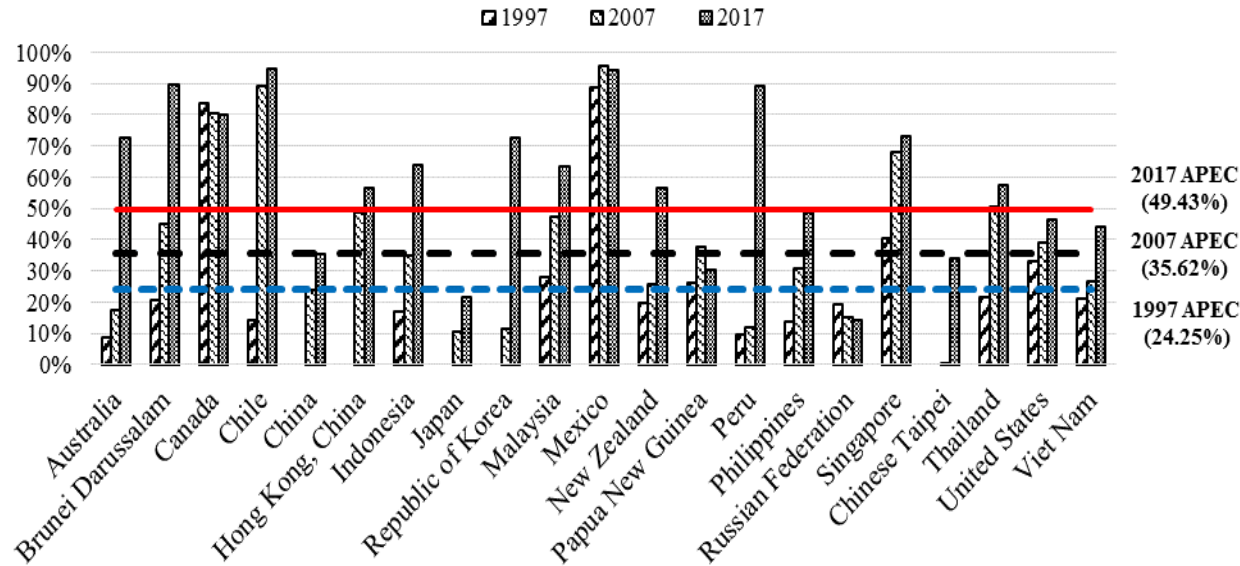
Source: International Monetary Fund – Direction of Trade Statistics; Chinese Taipei’s Ministry of Finance – Trade Statistics Database; APEC Secretariat, Policy Support Unit Calculations.

- Intra-APEC Trade Pairings have increased **more than 3 times** between 1997 and 2017
- **Almost half** of all trade pairings in 2017 covered by RTA FTA
- Intra-APEC trade volume have **almost doubled** in relative terms and **more than tripled** in absolute terms

APEC: Share of Trade with RTA/FTA partners

Increasing share, more than doubled in the last 20 years

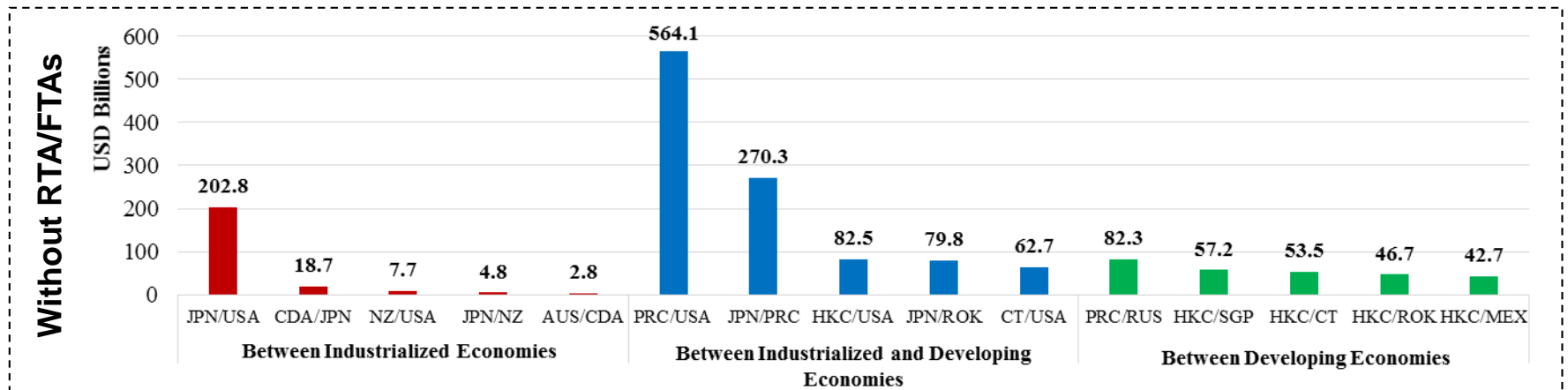
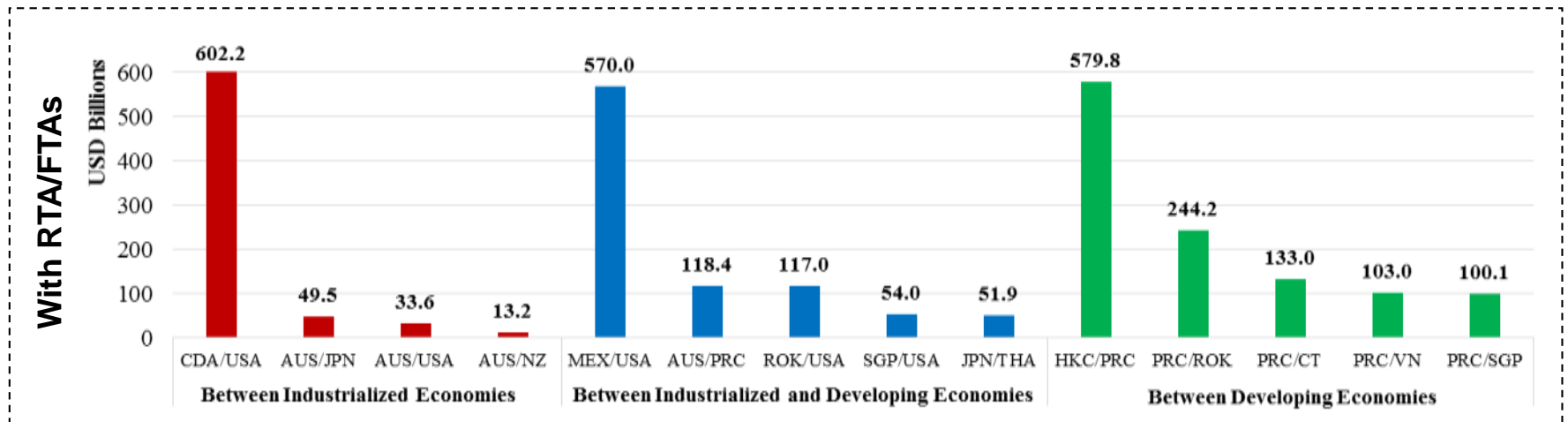
Exports



Imports

Source: IMF, Chinese Taipei's Ministry of Finance. APEC Secretariat, Policy Support Unit calculations

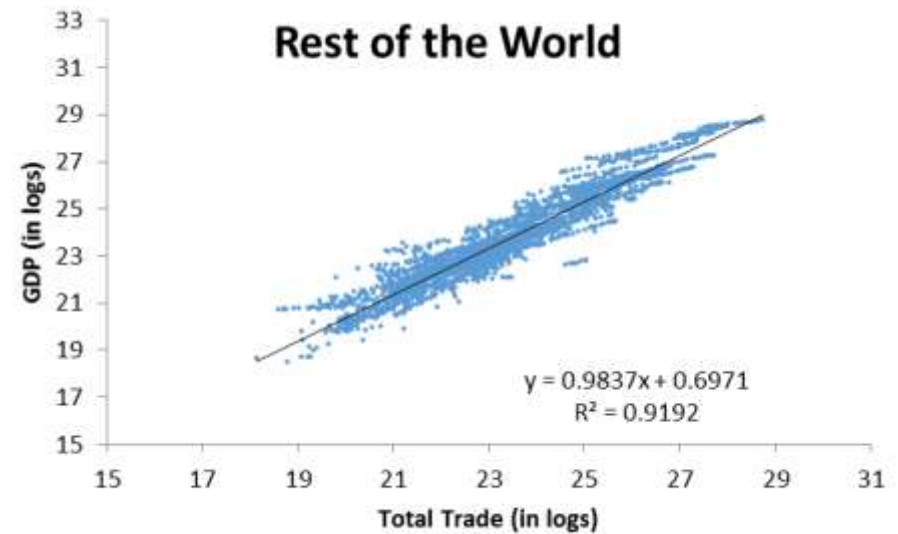
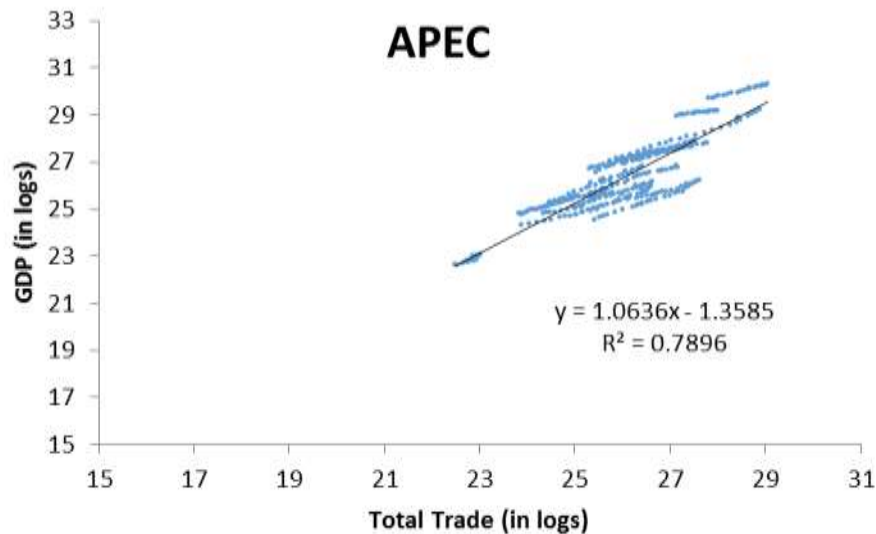
Top 5 Bilateral Trade Flows within APEC in 2017



Source: International Monetary Fund – Direction of Trade Statistics; Chinese Taipei’s Ministry of Finance – Trade Statistics Database; APEC Secretariat, Policy Support Unit Calculations.

Trade Growth and Economic Growth

Positive Correlation in APEC and the Rest of the World (since 1989)



Source: APEC Secretariat, Policy Support Unit estimates

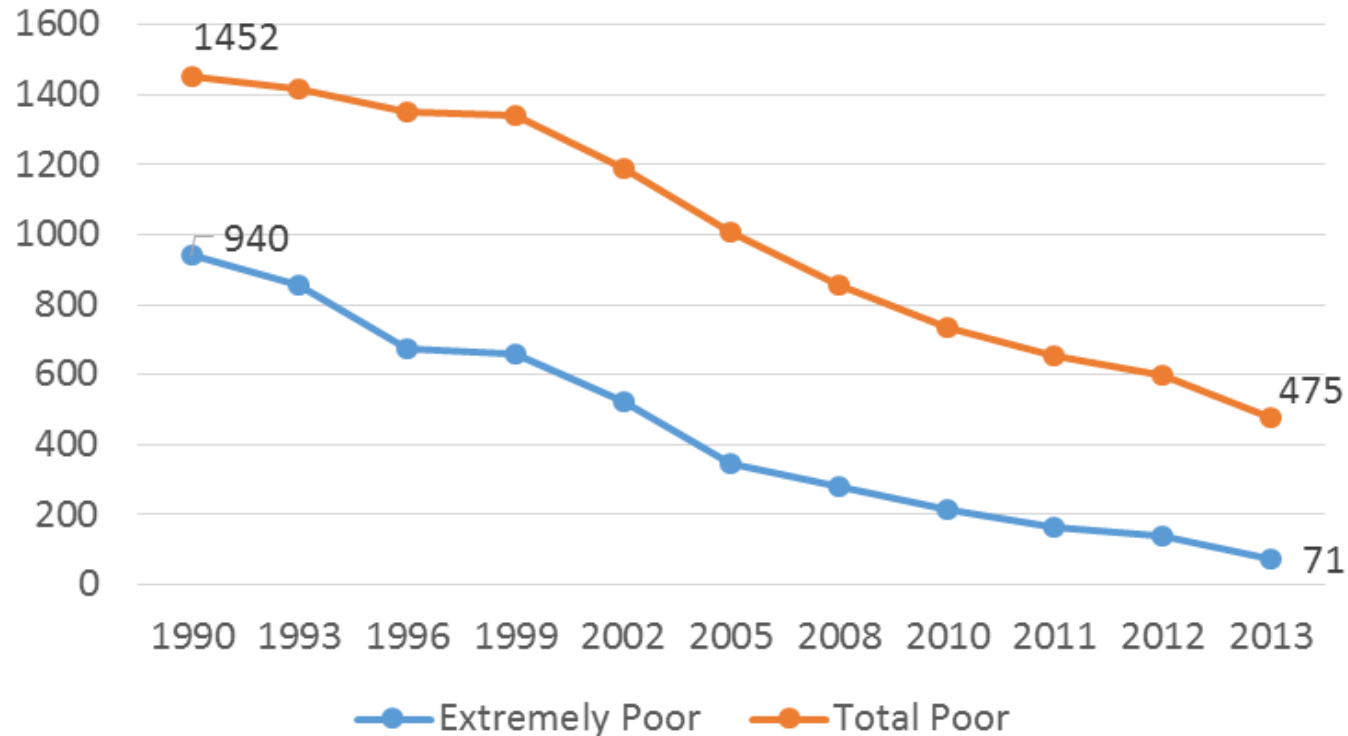
APEC: $\uparrow \Delta 1\%$ in trade = $\uparrow \Delta 0.56\%$ in GDP

RoW: $\uparrow \Delta 1\%$ in trade = $\uparrow \Delta 0.39\%$ in GDP

All other factors held constant, this would mean an increase of APEC's GDP in USD 242.5 billion for every 1% increase in APEC's trade

Poverty Reduction in APEC

Millions of people living under poverty (below USD 3.8/day) and extreme poverty conditions (below USD 1.9/day)



Source: World Bank, Povcal. APEC Secretariat, Policy Support Unit estimates

Between 1990-2013, **869 million people were out of extreme poverty conditions** and **976 million people could leave poverty conditions** in the APEC region

Bridging Development Gaps

The importance of outward-looking strategies as opposed to inward-looking policies

- Open trade and investment systems are **necessary, but not sufficient** to achieve sustainable growth and equitable development.
- **Equality of opportunities** are important and **structural reforms** are critical.
- Best **pro-poor policy** is **economic openness**. Open economy create chances to improve living standards without depending on direct government transfers.
- Pursuing **RTA/FTAs** is part of a **big development agenda**. It has to be **complemented at the same time** with **domestic policies** in a wide range of areas (e.g. infrastructure, education and health, among others).



Economic Openness vs Protectionism

Example from Latin America: Brazil and Peru

	Peru (economic openness)	Brazil (protectionism)
Real GDP growth (average last 10 years)	4.9%	1.5%
MFN average tariff	10.2% in 2007 2.4% in 2017	12.2% in 2007 13.4% in 2017
RTA/FTAs in force	17 RTA/FTAs with 52 economies	6 RTA/FTAs with 8 economies
Public expenditure on social assistance transfers to population (last 10 years)	0.2% of public expenditure	2.5% of public expenditure
Job creation as % of Economically Active Population (last 10 years)	17%	5%
Income improvement for 10% poorest population group (last 10 years)	94%	49%
Extreme poverty headcount (% of population)	13.5% in 2006 3.5% in 2016	7.2% in 2006 3.4% in 2015
Reduction of population living in extreme poverty (annual average rate since 2006)	-11.6% per year	-7.2% per year

RTA/FTAs as Tool for Growth and Development

It's not just about market access...

- RTA/FTAs helps attracting **investors**, exploring **new business opportunities** and could create **new jobs**.
- RTA/FTAs could be a **trigger for reforms** or **could fast track reforms** in several areas. **Policy anchor**.
- Reforms undertaken to: 1) implement RTA/FTAs; and 2) make **domestic changes** to take **maximum advantage** of the RTA/FTA.
- RTA/FTAs could motivate reforms to accede to international treaties. **Strengthening institutional framework** and gaining credibility.
- Motivates public sector to take a more **“whole-of-government”** approach, rather than an isolated sectoral approach.
- Experience from APEC-developing members: many reforms motivated by RTA/FTAs were implemented in areas such as: **customs procedures, investment, transportation, energy, finance, telecommunications, transparency, labor, environment, SMEs, intellectual property, competition policy, agriculture, education and forestry**, among others.

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