



PECC Statement Meeting of APEC Ministers Responsible for Trade

Ho Chi Minh City, Vietnam

June 2006

We thank you for this opportunity to update APEC Trade Ministers on our work program. During our General Meeting in Seoul last September we decided to reduce the total number of activities undertaken by our network and to focus our energies on a few key areas. We would like to take this occasion to update you on one of those signature projects.

Ministers, we believe there is an urgent need for governments of the Asia Pacific to play the key role in making progress on global trade liberalization. To this end we are working with the APEC Business Advisory Council on ways that the APEC economies can better promote regional and global free trade. This will include a political economy analysis of the Free Trade Area of the Asia Pacific (FTAAP) but will not be confined to looking at any one particular proposal.

The need for this work stems from two main concerns: the impact that the proliferation of preferential trading agreements will have on the business environment; and the concern that current round of WTO negotiations is at an impasse forcing the region to go it alone on the trade liberalization track.

One solution to these concerns was floated within ABAC in 2004 – a Free Trade Area of the Asia Pacific. Our understanding is that there is yet no consensus on this proposal but we were working with them on an assessment of the proposal.

Although APEC has already looked at the broad concept of the FTAAP and found no consensus to move ahead, this body of work will contain three sets of analysis: the political economy behind trade policy in the region's three largest economies – the US, Japan and China; analysis of the Free Trade of the Americas concept; and alternative approaches to a region wide trade area.

The Broad FTAAP Framework

The study will include a section on what a Free Trade Area of the Asia Pacific would need to include - what standards it should meet to be a "high quality" FTA, compatible with and advancing WTO standards and goals.



The Political Economy of a Free Trade Area of the Asia Pacific

An Asia Pacific wider free trade area would need to have the support of the three biggest economies of the region – the USA, China and Japan. This section will look at the current trade policies of these three economies from a political economy perspective and extrapolate from their analysis what the likely positions that both legislative and executive branches would have on such a proposal.

Lessons from the Free Trade Agreement of the Americas

The FTAA process began in 1994 and was supposed to be concluded by 2005. However, to date no conclusion has been reached. This section will look at the negotiating modalities of the FTAA and speculate on what have been the major impediments to reaching a conclusion.

Overview of bilateral trade agreements

Bilateral trade agreements are increasingly becoming the trade policy option of choice in the Asia Pacific. Each has unique coverage, differing phase-in periods and rules. This paper will look at whether there any common factors in the PTAs that might allow some convergence that would address the concerns expressed by the business sector over the proliferation of agreements.

Alternative Approaches

The ASEAN process established the ASEAN Free Trade Area (AFTA) to unite Southeast Asian Economies. However, almost all ASEAN economies are now negotiating bilateral agreements on their own, in addition to taking an AFTA plus approach with other partners. This section will address whether the AFTA plus approach is a viable alternative to the FTAAP as well as look at other examples of plurilateral agreements such as the trans-Pacific P4.

The results of this work will be presented to ABAC in August during their 10th anniversary meeting. As a joint endeavor between APEC stakeholders we hope that Ministers will find this body of work useful as you consider the next steps in building a prosperous Asia Pacific community.