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New IAP Peer Review Process toward FTAAP

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1. APEC has renewed its liberalization process

President Balak Obama hosts APEC Leaders’ meeting in Honolulu in November. It will highlight this year’s APEC activities under the U.S. initiative. His priority is, of course, to complete the Trans-Pacific Partnership negotiation of the nine APEC economies and report to other APEC leaders that the TPP will guide APEC to be graded up eventually to FTAAP, FTA of the Asia Pacific area.

September last year, in preparation for APEC Yokohama, Prime Minister Naoto Kan proposed for Japan to join the TPP negotiation so that Japan would take an initiative in forming a free trade regime in Asia Pacific. But he met across strong resistance by farm lobby and failed to make it a highlight of Yokohama APEC. His predecessor Yukio Hatoyama expressed his wish to form East Asian Community at APEC Singapore in November 2009 but quitted without any footmark toward it. TPP and ASEAN-plus FTAs have been highlighted as rival proposals for regional economic integration (REI) in Asia Pacific by media at the time of APEC meetings. But neither TPP nor ASEAN- plus FTAs is conducted within APEC, the sole inter-governmental network for Asia Pacific cooperation, but media has not paid much attention to its proper activities of liberalization, facilitation, and economic cooperation, leaving public audience as well as young scholars unaware of its REI efforts over twenty years.

As a matter of fact, it was APEC 1993 Seattle, the first leaders’ meeting, that APEC announced its goal of achieving ‘free and open trade in the region’. It was followed by the ambitious Bogor Declaration and its implementation plan of Osaka Action Agenda in successive years. Last year 2010 was the mid-term target of the Bogor Goals and a through assessment was conducted by senior officials on 13 economies’ achievement toward the Bogor Goals. APEC Leaders acknowledged the SOM report and committed to continue the process toward its final goal of 2020. A new liberalization program was adopted by SOM at Montana last May. These are all on the web-site of APEC secretariat but have not attracted much attention by outside people. It
is the role and task of us ASCC experts to monitor closely these moves by government officials in charge of APEC activities and give advices. My report aims to encourage the ASCC participants, especially young scholars, to get interested in APEC’s proper activities as well as TPP and ASEAN plus FTAs. 1

The title of this presentation, ‘toward FTAAP’ may be better revised as ‘toward 2020’, since FTAAP is the Leaders’ future vision of APEC after APEC achieves the Bogor Goals. Leaders indicated TPP and ASEAN-plus FTAs as plural paths to arrive eventually at FTAAP and gives APEC an incubator role in this direction. But I would like to stick to this title in order to urge you to look to the APEC’s own liberalization program as a supporting route to FTAAP.

2. APEC ‘achieves free trade by 2020’

In 1989, APEC started as a series of meetings by foreign and trade ministers from twelve economies on economic cooperation matters in the Asia Pacific region. The United States were its founding members together with Japan and Australia.

Trade and investment liberalization and facilitation (TILF) has become one of APEC’s major tasks since the first Economic Leaders Meeting in Seattle in 1993, where leaders jointly declared that they would ‘achieve free and open trade in Asia and Pacific’. In 1994 President Suhart of Indonesia hosted the second Leaders meeting in Bogor and delivered the ambitious Bogor Declaration, “….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” (APEC Leaders’ Declaration 1994). In 1995, Japan hosted the Osaka APEC and adopted the Osaka Action Agenda (OAA) which provided concrete measures that could be taken to achieve the Bogor Goals. The Manila APEC in 1996 adopted the Manila Action Plan for APEC, MAPA) and their implementation started in 1997.

The annual APEC gathering of prime ministers and presidents of major economies with bold declarations attracted the media’s attention. Expectations for APEC became heightened and participating economies increased up to 21 in 1998, covering all major economies surrounding the Pacific Ocean.

1 For this purpose the author is publishing a book, APEC: New Agenda for its Third Decade, (Yamazawa 2011) in time for this ASCC meeting.
APEC has pursued its liberalization and facilitation measures toward the Bogor Goal within the IAP/CAP framework. Its concrete design, the Osaka Action Agenda (OAA), had a comprehensive coverage of 14 areas of trade and investment liberalization and facilitation (see Table 1), and described measures to be implemented for each area. Facilitation measures aimed to reduce the cost of doing business by enhancing the transparency and certainty of rules, legislation and standards and harmonizing them between participating economies, which are equally important to liberalization in order to enhance trade and investment in the region.

The IAP formula reflected APEC’s unique modality of implementing liberalization and facilitation, that of ‘concerted unilateral liberalization’. Under this scheme, individual economies unilaterally announced their own liberalization and facilitation programs and implemented them in accordance with their domestic rules. However, individual economies closely watched each other’s liberalization program and implementation and were obliged to submit liberalization programs as broad-ranging as their neighbors and were encouraged to implement in line with their commitments. SOM has conducted a peer review process of individual IAPs at its special sessions since 2002. APEC relied upon peer pressure to urge all economies to join in the liberalization efforts.

Individual economy governments have continued to revise their IAPs every year. The reporting has been made more elaborate and transparency improved in response to a common format. The number of liberalization measures increased as their Uruguay Round (UR) commitments were implemented. Voluntary liberalization was also added either in the form of accelerated implementation of the UR agreement or reduction of applied tariffs from their UR rates in several economies. The CAP was especially effective in introducing new legislations of facilitation consistent with the APEC system prescribed in the OAA. By and large, the IAP process encouraged individual economy governments to implement liberalization and facilitation measures toward the Bogor Goal. One short-coming accompanying such implementation was its ‘positive list formula’ in which the IAP reported only the impediments to be liberalized but not those still remaining. Thus the IAPs increased the volume but did not provide a comprehensive list of existing impediments.
3. A paradigm shift in the regional integration

However, APEC encountered a big setback during the Asian financial crisis when several ASEAN members and Republic of Korea (ROK) were severely hit, with their currencies depreciated substantially, and some suffered from negative growth. The EVSL (Early Voluntary Sector Liberalization), a breakthrough attempt of liberalization in the “easy sectors” also failed. As such, the IAPs implemented since 1997 brought about much less liberalization than had been expected. Although it included the liberalization committed in the Uruguay Round agreement, its unilateral liberalization beyond the URA to be applied to other APEC members and nonmembers alike has been limited in terms of its coverage and depth, and further liberalization in sensitive sectors tended to be suspended.

On the other hand, APEC itself has shifted to a more realistic line for the past decade. Its gravity has shifted from liberalization to trade facilitation, capacity building, and structural reforms. The business environment has also changed in the Asia Pacific under an environment of accelerated globalization and prevailing regionalism of bilateral and sub-regional preferential trading arrangements. The Busan Roadmap was announced to include these realistic measures in 2005.

While APEC suffered a set-back at the Asian currency crisis, East Asian regional cooperation has enhanced since 1997-98. Most evident is the Chiang Mai Initiative (CMI), a package of currency and financial measures preventing the recurrence of the currency crisis, which includes currency swap agreement at the emergency and Asian Bond market. CMI was agreed upon by 10 ASEAN members and China, Japan and ROK, so-called ASEAN plus Three (APT) group at the Asian currency crisis.

On the other hand, institutional integration has proceeded in this region. Bilateral FTAs have been concluded both within the region and with outside partners; Japan-Singapore, Singapore-Australia, Thailand-India, Thailand-Australia, Singapore-ROK, Japan-Malaysia, Japan-Thailand, Japan-Philippines, and Japan-Indonesia. Furthermore, China, Japan, and ROK have concluded FTAs/EPAs with ASEAN as a whole, so-called ASEAN plus 1 type. However, APT has attracted attention as a core institution in the region. Its joint statement was announced at the APT Summit meeting in 2001 and the East Asian Community idea was proposed by the East Asian Vision Group (EAVG) set under the APT Summit. (EAVG 2001).
ASEAN has taken an initiative in the East Asian cooperation. While started with five countries (Indonesia, Malaysia, Philippines, Thailand and Singapore) in 1967, it had made a few achievements in political and diplomatic negotiation with outside partners but not much in economic areas. In 1992 ASEAN started to implement a large scale tariff reduction, AFTA, toward an effective regional integration. It has taken an initiative of the APT implementing the Chiang Mai Initiative and formed a co-centric circle of cooperation, such as AEAN + 1 and ASEAN +3, around ASEAN as a core and on the driver’s seat. (See Chart 1)

Here ASEAN has taken advantage of its unique formula of ASEAN Post Ministerial Conference (ASEAN PMC). While ASEAN organized its economic and trade ministers meeting every year, it has started since the late 1980s to invite counterpart ministers of such partner countries ad Japan, China, ROK, and Australia and to negotiate as a group with individual partners, that is ASEAN + 1 type formula. ASEAN extended this formula to summit meetings so that it could easily organized APT Summit and ASEAN + 1 Summits taking advantage of the presence of leaders of partner countries. This is a big success of ASEAN diplomacy. China, Japan, and ROK have all accepted this ASEAN initiative.

While hosting ASEAN Summit in 2005, Malaysia organized the first East Asia Summit (EAS) by inviting additional three countries, Australia, New Zealand and India and discussed a broader regional cooperation on such issues as anti-terrorism, recovery from natural disaster, preventing pandemic, environmental protection, energy cooperation. APEC is referred to as an outer circle organization for cooperation but not assigned a major role for East Asian cooperation.

Although sitting on the driver’s seat of APT and EAS, ASEAN perceives well the fact that ASEAN is its weakest member and has moved to strengthen its economy. At the ASEAN Summit in December 2007. It adopted the ASEAN Charter and all ten leaders signed it. The charter has institutionalized ASEAN as an international organization and announced its plan to build Economic Community, Political and Security Community, and Social and Cultural Community by 2015. The Blue Print for Economic Community details concrete measures to be implemented every other years toward 2015. It reflects an increased momentum among advanced ASEAN members toward further institutionalization but some concerns are heard about the blue print will
not be implemented on schedule. Nevertheless, individual members completed their ratification and the charter effected at the ASEAN Summit in Bangkok in March 2009.

4. **Liberalization Revived: TPP toward FTAAP**

The liberalization move has revived among advanced economies. In 2006 APEC Business Advisory Council (ABAC) proposed a greater FTA covering the whole APEC economies (ABAC 2006). It aimed at promoting the integration and conglomeration of all FTAs mushroomed in the APEC region for the past decade and thus creating a greater single market achieving the maximum scale economy. In spite of prudent attitude by Asian side, it was adopted as a long-term agenda of APEC in 2007 (APEC/LM 2007).

On the other hand, the Trans Pacific Partnership (TPP) has emerged as a binding FTA among a selected economy group of APEC. TPP was originally formed by four APEC economies of Brunei, Chile, New Zealand, and Singapore in 2006. It aims to ‘establish a Trans-Pacific Strategic Economic Partnership (TPSEP) among the parties, based on common interest and deepening of the relationship in all areas of application’. It has taken a ‘WTO plus’, covering not only commodity and services trade but also such facilitation areas as rules of origin, customs procedures, trade remedies, technical barriers to trade, competition policy, intellectual property, government procurement, and dispute settlement. (TPP 2006).

The evolution of TTP originated in the late 1990s, when some APEC economies got disappointed by the installed move for liberalization within APEC. The like-minded economies of Australia, New Zealand, the United States, Singapore, and Chile started the P5 talks on the occasion of APEC meetings in order to find a path toward further liberalization. While the US and Australia came out, the remaining P3 conducted four round negotiations in 2002-2005 and announced their agreement on TPSEP agreement at the APEC/MRT in 2005. Brunei joined at the last minute to form the P4. (Elms 2010). In late 2008 the United States expressed her interest in participating in TPP and started a negotiation for the expansion together with Australia, Peru and Vietnam in March 2010.

How do other Asian economies respond to the TPP negotiation? Prime Minister Kan proposed for Japan to join the TPP as a symbol of the ‘third country

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2 Please refer to my forthcoming book (Yamazawa 2011), Chapter 2 and 6. For further detail.
opening,’ as Japan’s economy and society have matured, it has become inward-looking. Japan should join the TPP in order to arrest this process and promote active advancement overseas. Japanese firms cannot survive global competition only at domestic market with aged population and less children together with resulting weakened dynamism. They have to move out to neighbor growing markets in Asia. It is imperative to produce a seamless business environment in which both Japanese and other Asian firms can do free and stable business. This leads to the East Asian Community idea. Although it is supported by business community but has provoked a strong objection by farmers. Partly because of his weak political leadership and partly because East Japan was hit by Great Earthquake and Tsunami on March 11th, Japan’s participation in the TPP negotiation is receded for the moment. On the other hand, ROK has succeeded in forming the open trade stance and concluded FTAs with the United States and European Union. She will be able to join TPP in near future.

There still remain cautious attitude against TP in Asia. Other ASEAN members, Indonesia, Philippines and Thailand, do not express their interest in the TPP negotiation. Although they have achieved the AFTA liberalization and are tackling the 2015 target for the ASEAN Economic Community. China has fulfilled the liberalization required at its accession to WTO in 2001, which have paved the way to the globalization of Chinese economy and firms for the past decade. However, there still remain in her economic regime various forms of governmental regulations and Chinese government is cautious about their hasty deregulation. China is afraid of conceding to the NAFTA modality such as labor standards and human rights in the TPP negotiation. Furthermore, China stands against the United States in security. China feels excluded from the TPP and prefers the liberalization in East Asia along ASEAN + 3.

To conclude, the TPP negotiation has a trade-off of the high level FTA and greater scale merit of including China and other ASEAN. If it continues with the NAFTA modality under the US initiative, it will be a trans-Pacific but divide Asia. Of course, the U.S. contends that she never excludes China but expects that China will achieve further liberalization in future and join the TPP (Petri 2010 and USTR 2011). We wish the current promoters of TPP will have a clever mind of balancing the trade-off. In this regard Japan should join the TPP negotiation at an early stage and guide it in that direction.
5. Mid-term Review at APEC 2010 Yokohama

Throughout last year APEC senior officials undertook a detailed examination of individual economies’ achievement in individual TILF areas, including own assessment by the 13 volunteered economies and the assessment report by Policy Support Unit, in addition to the three rounds of IAP peer reviews for the past decade and Mid-Term Stock-takes in 2005, and produced a SOM report (APEC/SOM 2010) at SOM1 to 3.

APEC SOM reported the assessment of the Mid-term Bogor Goals achievement to Leaders’ Meeting in 2010. It included five industrialized economies designated to achieve the free and open trade by 2010 plus eight economies which volunteered to assessed this time, namely Chile, Hong Kong, ROK, Malaysia, Mexico, Peru, Singapore, Taiwan. They were not assessed individually but as a group of five plus eight economies. (APEC/LM 2010b) summarized their achievement as the 13 economies as follow.

- The overall growth in commodity trade for all APEC economies increased by 7.1% annually for 1994-2009, services by 7.0%, and inflow and outflow of FDI by 13.0% and 12.7% respectively.
- The 13 economies reduced their simple average tariffs from 8.2% to 5.4% for 1994-2009, far lower than the world average of 10.4%, as well as further tariff reduction within their FTA framework.
- They opened their services markets through unilateral reform of domestic policy and maintained liberalized investment regime.
- They have also taken significant steps on trade facilitation to streamline customs procedures and align standards and conformance procedures. Under the Trade Facilitation Action Plan (TFAP) they have reduced transaction costs in the region by 5% for 2002-2006 and are achieving an additional 5% under the second TFAP by this year.

On the other hand, (APEC/LM 2010b) also noted that impediments still remain in sensitive sectors;
- higher tariffs in agricultural products and textile and clothing,
- remaining restrictions in financial, telecommunications, transportation, and audiovisual services, and the movement of people least liberalized,
- sectoral investment restrictions in the form of prohibitions or capital ceiling and continuing general screening system.
- Non-tariff measures need further efforts
- Further works need to be done in standard and conformance, customs procedures, intellectual property rights, and government procurement,
- Behind-the-border issues need to be addressed by facilitating structural reform.

Leasers concluded as
“It is a fair statement to say that the 2010 economies have some way to go to achieve free and open trade in the region. APEC challenges in pursuing free and open trade and investment continues. APEC will continue to review economies’ progress towards the Bogor Goals of free and open trade and investment. We recognized that all APEC economies must maintain their individual and collective commitment to further liberalize and facilitate trade and investment by reducing or eliminating tariffs, restrictions on trade in services, and restrictions on investment, and promoting improvement in other areas, including non-tariff measures and behind-the-border issues.” (APEC/LM 2010b)

“APEC has achieved much since its inception, evolving to become the pre-eminent economic forum in the Asia-Pacific, the world's most dynamic and open region. Looking back over the past 15 years, the progress made by APEC in pursuit of the goal of free and open trade and investment has reinforced the fact that full achievement of the Bogor Goals for all economies should continue to provide direction for APEC’s work of trade and investment liberalization and facilitation” (APEC/LM 2010b)

This is a fair assessment of APEC’s achievement, considering the severe constraints that the WTO/DDA negotiation has got stumbled and the Bogor process has been implemented under the modality of non-binding liberalization. APEC’s TILF process will continue for all APEC economies, including the 13 economies summarized as above.

6. New IAP Peer Review Process

Leaders committed in Yokohama to continue the TILF process toward the final Bogor Goals in 2020. SOM2 last May in Montana adopted ‘the new IAP peer review Process’ for all 21 members to remove remaining barriers toward 2020.
- New IAP should cover all 14 areas of Osaka Action Agenda plus those added afterwards (transparency, RTAs/FTAs, and other voluntary reporting areas). 2010 economies (13 economies which were assessed in 2010) might give emphasis to
those areas where shortcomings were highlighted by Leaders, cited above).
- Economies should describe, in brief points only significant new developments under each chapter heading.
- Policy Support Unit support SOM in this new IAP peer review process. It will prepare a short one-two page report with key highlights on members’ main achievements and remaining areas for improvements in the year of review. PSU reports will be discussed at SOMs and finally made public.

These respond to often heard criticism of the previous IAP peer review process and, if implemented faithfully, the new IAP process will be much strengthened. In prior for APEC 2010 Yokohama, the author conducted an independent quantitative assessment of all 21 economies’ achievement toward the Bogor Goals in eight as of Osaka Action Agenda. I found that the thirteen economies differed greatly in their achievement and remaining eight economies have achieved much less toward the Bogor Goals. They may be treated differently according to their different extent of liberalization and facilitation. The six sensitive areas suggested by Leaders above are consistent with my findings. The concise and pinpointing ways of addressing achievements will be closer to ‘negative list formula’ which I suggested earlier.

Lastly I would like to stress the importance of ‘individual assessment’ and ‘make it public outside APEC rather than peer review within SOM’. While the final report of the mid-term assessment tells us only the group assessment of the thirteen volunteered economies, individual senior officials, both the thirteen economies and the rest of APEC economies, have understood well how far they have achieved toward the Bogor Goals and how much still remain. It is no use of keeping the ‘no name, no shame’ modality, but make them known to outside APEC officials, such as ABAC and ASCC experts. APEC may keep its modality of non-binding nature and voluntarism but should open their review process to outside critics.

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4 Please refer for further detail Yamazawa (2011) chapter 2 and 4.
5 Only a few attempt have been conducted outside APEC official procedure to monitor and evaluate the APEC’s TILF process, including Feinberg and Zhao (2001)and Yamazawa (1998 and 2011).
7. **APEC pushes up FTAAP**

For the past few years FTAAP has been ‘translated from an aspiration to a more concrete vision’. The DDA negotiation has got halted for the past five years so that the Plan B is still relevant. Last year APEC Leaders declared ‘FTAAP should do more than achieve liberalization in its narrow sense; it should be comprehensive, high quality and incorporate and address next generation trade and investment issues.

‘It should be pursued as a comprehensive FTA by developing and building on ongoing regional undertakings such as ASEAN+3, ASEAN+6, and TPP. To this end APEC will make an important meaningful contribution as an incubator of a FTAAP by providing leadership and intellectual input into the process’. (Pathway to FTAAP , APEC/LM 2010c)

TPP is currently negotiated among nine APEC economies. Although generated from the APEC process, it is a binding agreement with high level FTA. The United States has taken an initiative in its discussion on its FTA components and plans to conclude it in time for the Honolulu APEC in October 2011. On the other hand, ASEAN+3 and +6 have been examined together by a task force of member governments’ officials, following the suggestions of ASEAN+3 Summit and East Asian Summit. It was reported that China submitted a concept paper on East Asia FTA, while Japan submitted a concept paper on Comprehensive Economic Partnership for East Asia (CEPEA). Media indicated it as a rivalry between the two economies reflecting different perspectives on regional cooperation framework, which tends to impede their smooth conversion in future. However, at the last ASEAN +6 Economic Ministers’ meeting in Indonesia in August, China and Japan made a compromise proposal of ‘ASEAN +α’, not specifying either +3 or +6. They set up three task forces on commodity trade, services trade, and invest in order to discuss the extent of tariff reduction and exception areas in detail. The task forces are to report to EAS in December so as to start negotiation in 2012. 

TPP and ASEAN+3 and +6 will continue to be prepared in parallel for the time-being. But each conflicts with other. TPP excludes China, while ASEAN+3 and +6 exclude the United States, which will cause difficulty in merging them in future. Here I would like to suggest to promote their least common multiple, APEC. TPP, ASEAN+3

6 *Nippon Keizai Shinbun*, August 7th, 2011 and *Asahi Shinbun*, August 14, 2011
and +6 pull the Asia Pacific from above, while APEC push it up from behind.

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Profile of the speaker:
Yamazawa, Ippei. Professor Emeritus, Hitotsubashi University
He has received recently Japanese Foreign Minister’s commendation for his long time contribution to APEC.
New IAP Peer Review Process toward FTAAP

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1. Possible Highlight at APEC Honolulu

• President Obama host APEC Leaders’ meeting in Honolulu in November

• His Priority: complete TPP negotiation and guide APEC toward a high level FTA in Asia Pacific region (FTAAP)

• Media focuses on the rivalry in Asia-Pacific Regional Economic Integration (REI), TPP vs ASEAN+3 & +6, but neglects APEC’s own liberalization program

• This report explains the new IAP process and urge ASC experts to monitor it implementation and achievement
2 Liberalization program in APEC

- APEC Seattle 1993 started the ‘free and open trade in Asia Pacific’
- 1994 Bogor Declaration: industrialized economies achieve it by 2010, while the rest by 2020
- 1995 Osaka Action Agenda 1995 provided APEC’s core program of trade and investment liberalization and facilitation (TILF).
- 1997 Its implementation started
- APEC 2010 gave the mid-term assessment of APEC economies’ achievement toward Bogor Goals
- Leaders committed to continue it until 2020, which will build the base for FTAAP
2.2 Individual & Collective Action Plan Framework

- Include both liberalization and facilitation measures (TILF)
- Unique modality: Concerted Unilateral Liberalization, applied to members and non-members alike on MFN basis
- Ensure implementation of IAP/CAP through peer review and pressure
- Initial IAPs committed ‘Uruguay Round agreements plus small α (voluntary liberalization)’ Yamazawa’s assessment 1998
3. Paradigm shift in the regional integration

- A big setback due to Asian financial crisis
- EVSL also failed
- IAP: much less liberalization than expected
- APEC shifted to a realistic line toward facilitation, capacity building and structural reform (behind-the-border measures)
3.2 Toward East Asian Community

- Chiang Mai Initiative (currency swap agreement) → ‘ASEAN + 3’ group formed
- Bilateral FTAs flourished
- ‘ASEAN + 1’ type FTAs, taking advantage of PMC → East Asian Community idea
- East Asia Summit (ASEAN+6) held on broader regional cooperation
- Study reports on EAFTA and CEPEA
- ASEAN at the driver’s seat (cocentric circles → 3.3)
- ASEAN Charter, Economic, Political & Security, and Cultural Community
3.3 Chart: REI groups in Asia Pacific

APEC

Russia

ASEAN+3

JP KR CN

ASEAN

CLM

ID PH TH

SG ML VN BR

India

AU, NZ

EAS

Russia

CAN MEX

US PR CE

TPP

AEAN+3

India

AU, NZ

EAS

Russia

CAN MEX

US PR CE

TPP
4. Liberalization move revived in APEC

• ABAC’s proposal of FTAAP and adopted by Leaders as ‘a long-term agenda’ (in 2006) in spite of prudent attitude of Asians

• Some economies disappointed with the installed move for APEC liberalization and formed a group discussing a higher liberalization

• P4 Treaty of high level FTA concluded in 2006 (New Zealand, Singapore, Brunei and Chile)
4.2 TPP negotiation under US Initiative

- In 2008, US, concerned about being excluded from East Asian Community move, expressed to join the P4 group and to expand it to TPP
- TPP negotiation started in March 2010 among 9 APEC economies (P4, US, Australia, Peru, Vietnam, and Malaysia), outside APEC
- US taking initiative to form a high level FTA with 24 chapters, following the NAFTA model
- However, current 9 members will not produce a sufficient size of big scale merit.
4.3 Asian response to TPP

- Japan: PM Kan’s suggestion of joining TPP at early stage is supported by business but impeded by farmer lobby etc. as well as his political opponents and East Japan earthquake/tsunami, and NPP accident
- ROK: preceded Japan to conclude FTAs with US and EU to meet the globalization challenge
- Other ASEAN: afraid of high level liberalization and prefer ASEAN+ approach
- China: feels herself excluded from TPP
- ‘TPP may be trans-Pacific but divide Asia’
5. Mid-term Assessment of Bogor Goals

- AT Yokohama 2010, APEC made an mid-term assessment of its 13 members’ achievement toward the Bogor Goals
- Only group assessment published due to APEC’s ‘no name no shame’ modality
- TILF helped China and ASEAN economies achieve rapid growth
- but suggested further efforts of eliminating remaining impediments in sensitive sectors and enhancing facilitation
5.2 Impediments still remain

- Higher tariffs in agricultural products and textile and clothing,
- Remaining restrictions in financial, telecommunications, transportation, and audiovisual services, and the movement of people least liberalized,
- Sectoral investment restrictions in the form of prohibitions or capital ceiling and continuing general screening system.
- Non-tariff measures need further efforts
- Further works need to be done in standard and conformance, customs procedures, intellectual property rights, and government procurement,
- Behind-the-border issues need to be addressed by facilitating structural reform.
5.3 Yamazawa’s Quant. Assessment 2009

• Quantitative Assessment of the APEC’s Achievement towards the Bogor Goals, presented at APEC Japan 2010 Symposium, Tokyo Dec. 2009

• Assessed current achievement by 21 individual economies x 8 areas, by 5 points score (Table 5.4)

• Rador chart (5.5) suggests individual economy’s pattern of achievement vs. APEC average

• Higher scores for facilitation than for liberalization

• No use for ranking. Having started from higher level, advanced economies obtained higher scores.
### 5.4 Summary of 21 economies X 8 areas

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<td><strong>APEC Average</strong></td>
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5.5 Yamazawa’s Assessment: Japan

[Graph showing various indicators such as Tariffs, Services, Investment, S&C, Customs, IPR, Gov Pro, and Bus Visa. The graph compares Japan and the APEC average.]
6. New IAP peer review process

• In 2010 Yokohama, Leaders committed to continue the IAP/CAP process toward the final Bogor Goals in 2020

• Last May Montana, APEC/SOM adopted the ‘new IAP peer review process’ to be followed by all 21 economies toward 2020.

• Each economy submits new IAP every other year from 2012 for peer review with 2016 and 2020 targets
6.2 New IAP’s Structure

• Comprehensive coverage: includes all OAA areas plus Transparency, FRTA/FTA, etc.
• New IAP need to be streamlined and specific, closer to ‘negative list formula’
• PSU is assigned to provide a short 1~2 page report with key highlights of individual economies’ main achievement and remaining areas for improvement
• The results should be shared widely beyond peers
• ABAC and ASCC should monitor and encourage SOM for its effective implementation.
7. Alternative processes toward FTAAP

2010 Yokohama: Leaders declared (Pathway to FTAAP)

• ‘FTAAP should be comprehensive and high quality and incorporate and address next generation trade and investment issues’

• ‘It should be pursued by developing and building on going regional undertakings such as ASEAN+3, ASEAN+6, and TPP’

• ‘APEC should make an incubator by providing leadership and intellectual input into the process’
7.2 ASEAN –plus FTA reinvigorated

- ASEAN+3 and +6 are now examined together by a task force of Asian government officials, as suggested by APT and EAS.
- ASEAN satisfied with ASEAN+1 and not ready to go further
- Rivalry between China and Japan: concept papers on EAFTA and CEPEA
- Recent compromise in making a joint proposal of ‘ASEAN + α’, not specifying 3 or 6
- Set up 3 TFs on details to be reported to their Summit in Nov so as to start negotiation in 2012
- Based on ASEAN+C,K FTAs, likely to focus on commodity trade liberalization
7.3 TPP, Compromise is needed

• TPP and ASEAN-plus are prepared in parallel but each conflicts with other. TPP excludes China, while the latter excludes the US, causing difficulty in merging in future.

• TPP negotiation is constrained by domestic interests and prudent attitude, likely to agree on its framework this year and be extended

• APEC, their least common multiple, should be promoted actively in parallel.
7.4 Incubator role by APEC

- APEC should keep its modality of non-binding and voluntariness. It cannot negotiate a FTA within it.
- However, it can strengthen its peer review and pressure in removing remaining barriers, non-tariff measures and behind-the-border measures.
- Effective economic cooperation should be provided so as to help developing members to improve capacity.
- TPP and ASEAN-plus pull the Asia Pacific from above, while APEC pushes it up from behind.
References

• Yamazawa, I. *APEC: Its New Agenda for the Third Decade*, ISEAS, Singapore, forthcoming (Its Chapter 4 reprints Yamazawa’s assessment 2009, mentioned in 5.3-5)

• APEC/CTI Chair, *The Individual Action Plan (IAP) and IAP Peer Review*, presented at the Second Senior Officials Meeting, Big Sky, U.S. May 2011