

Exploration for Trade and Investment Liberalization in the Asia Pacific; with major Focus on APEC



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Countries in the Asia Pacific as Globalists

- The United States and Canada are the founding fathers and guardians of GATT system.
 - East Asian countries achieved economic growth under non discriminative multilateral trade regime.
 - All initiatives and proposals to promote regional cooperation in the Asia Pacific from the 1960 to APEC called for strengthening GATT system.
 - In 1997, among 30 top economies, only 5 East Asian economies didn't conclude any preferential trade agreement.
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Concerns of East Asian Countries around 1990

- Intensification of trade frictions/disputes
 - Slow progress (stalemate) of GATT-UR
 - Protectionist or regionalist move detected in EC and North America
 - Possibility of shift of FDI to the Soviet Union, Eastern Europe and Mexico
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The US Concerns around 1990

- Huge trade deficits with Japan, ANIEs and other East Asian countries
 - Dissatisfaction with the trade policies and practices of EC and Japan
 - After the end of cold war, the major policy challenges were on the economic and other domestic fronts.
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Regional Responses around 1990

- Formation of APEC (inclusion of the United States)
 - Proposal for EAEG/EAEC was shelved, due to severe opposition of the United States.
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Views and Actions on Trade Liberalization in APEC

- Importance of global trade regime
 - Unwillingness of East Asian countries to negotiate like GATT-UR in balancing the sectoral benefits/disadvantages under APEC process
 - Issued a series of declarations urging the countries concerned to come to terms at earliest occasion with widest range for GATT-UR.
 - Agreed on Bogor Declaration on regional trade and investment liberalization so as to compliment GATT regime
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Bogor Declaration

- In 1994 the leaders from APEC members made political commitment to implement trade and investment liberalization by 2020 (for developed countries in the region by 2010).
 - Bogor Declaration is not a legally binding document.
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Modalities to Achieve the Bogor Goals

- Concerted voluntary liberalization through individual action plans and peer review
- Early voluntary sectoral liberalization from easy sectors

(note) Japan could not cope with marine and forest products, which led to standstill of this process. The United States came to show its concern on the extent of voluntary liberalization, not through negotiation and legally binding documents.



Regional Cooperation under ASEAN plus Three

- The first ASEAN plus Three Summit was held in 1997 when ASEAN commemorated its 30th anniversary.
 - The regional cooperation to cope with the financial crisis, exemplified in so-called Chiang Mai initiatives, accelerated cooperation in wide areas.
 - In 2000, ASEAN side proposed East Asian Summit and to explore East Asian Free Trade and Investment Area.
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FTA/EPA in the Asia Pacific

- NAFTA, AFTA, and other regional FTAs
 - Bilateral FTA/EPA between ASEAN countries on the one hand and China, Korea and Japan on the other
 - FTA between Korea and the United States
 - Exploration of regional FTA under the context of ASEAN plus Three and East Asia Summit
 - Exploration of FTA under the context of APEC
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Revitalization of Bogor Goal

APEC Summit in 2005 noted the following points.

- (1) The average tariff rate that APEC members are applying in 2004 was around 5.5 % (the relevant figure in 1989 was 16.9 %), while nearly half of the members were applying below 5 % rate.
 - (2) APEC members concluded 53 FTA/EPAs then.
 - (3) FTA/EPA should be highly qualified and transparent and must be compatible with other agreements so as to contribute to comprehensive liberalization toward the Bogor Goals.
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How to reap the Bogor Goals

- The effective tariff rates among APEC members were substantially reduced to zero or to almost negligible level except some sensitive commodities.
 - The target year for the developed countries came to be close, how to reap political commitment in Bogor came to be a major issue.
 - In 2006 P-4 (NZ, Chile, Singapore and Brunei) agreed to establish FTA without exception. Their initiative came to be named “Trans Pacific Partnership (TPP)” to which the US, Australia, Malaysia and others joined for negotiation, which aims to conclude at APEC Summit in Hawaii.
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Exploration of FTAAP in Multi-layer Fashion

- TPP will be most critical as one of major driving forces for achieving the Bogor goals.
- FTA proposals in East Asia (ASEAN plus Three, East Asia Summit and Northeast Asian three countries)

(note) The US- Korea FTA may have some implication for a potential FTA between the US and Japan.
