

## PRESS RELEASE

### Can a Free Trade Area of the Asia-Pacific be achieved?

**7 November 2014 (Beijing, China)** – Progress towards a Free Trade Area of the Asia-Pacific (FTAAP) should be at the very top of the discussion agenda for APEC Leaders when they meet in Beijing for their summit, according to the Pacific Economic Cooperation Council's (PECC's) annual survey of the Asia-Pacific policy community.

Since its foundation 25 years ago, one of the central objectives of APEC has been to open up trade among the world's most dynamic economies for mutual benefit. Tariffs have dropped from around 17 percent to 5 percent and with them the level of poverty in the region has come down significantly. The Bogor Goals of free and open trade adopted in 1994 continue to drive this mission but since then the region suffered from two large-scale economic crises and the WTO Doha Round has lost momentum and energy. However, the potential benefits from continued trade liberalization are highly significant.

Further liberalization via the Trans-Pacific Partnership (TPP) could add an estimated US\$223 billion and the Regional Comprehensive Economic Partnership (RCEP) US\$644 billion to the global economy by 2025. However, a high quality FTAAP which includes all APEC members would be the biggest prize and increase the size of the global economy by US\$2.4 trillion, according to the *State of the Region 2014-2015* report released today by the Pacific Economic Cooperation Council (PECC). Critically, all APEC members stand to benefit from a broader agreement.

The pathway towards an FTAAP is complicated by the variations of the members it might eventually include. The ASEAN-centered RCEP deal includes Cambodia, Laos, Myanmar and India who are not part of the APEC grouping, while the TPP currently includes only 12 of APEC's 21 members. According to the annual survey of the region's policy community conducted by the PECC, 46 percent of respondents thought that expanded TPP is the best pathway to an FTAAP and 42 percent the RCEP. While 58 percent of respondents thought that all APEC members should be part of the FTAAP, 65 percent thought that it should include members of all of the pathways – which would entail including the non-APEC members of ASEAN, plus India.

There are a number of ways to move from the current trade deals being negotiated to an eventual FTAAP. One would be to expand the membership of the TPP or RCEP to include all APEC members; another would be to begin forming an umbrella group. Under the FTAAP umbrella, members might be expected to converge to higher standards.

In sum, RCEP and the TPP do represent foundations for an FTAAP. They provide way-stations for experimenting with and adjusting to deeper integration. This is important for the large trade flows that connect the United States, China and Japan with each other and other partners. To be an effective way-station, FTAAP needs to be ambitious enough to move beyond RCEP and toward the TPP in intensity and depth of negotiations. Yet it also has to provide flexibility to attract broad membership. Much effort and ingenuity will be needed to achieve this balance.

“While the economics of the deal are simple, various obstacles to such positive outcomes, the importance of strong political leadership and the time required to achieve them cannot be

underestimated,” said Jusuf Wanandi, co-chair of PECC. The building blocks of the regional system, RCEP and the TPP, already face strong political and social opposition in many economies despite their overall potential benefits. Efforts to integrate these agreements into a broader framework will be even more difficult and will require a favorable geopolitical environment. “Although APEC is not a platform for trade negotiations, it clearly has an increasingly important role to play in facilitating the preparatory work and efforts towards materializing an FTAAP, which would be closely connected to APEC’s overall mission,” said Don Campbell, co-chair of PECC.

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The Pacific Economic Cooperation Council (PECC) is a non-profit international organization committed to the promotion of cooperation and dialogue in the Asia Pacific. Founded in 1980, PECC is a tripartite network of 26 member committees comprising individuals and institutions dedicated to this shared mission. Of the 26 member committees, 23 represent the economies of Australia, Brunei Darussalam, Canada, Chile, China, Colombia, Ecuador, Hong Kong (China), Indonesia, Japan, Korea, Malaysia, Mexico, Mongolia, New Zealand, the Pacific Islands Forum, Peru, the Philippines, Singapore, Chinese Taipei, Thailand, the United States of America, and Vietnam. The PECC also has one associate member, France (Pacific Territories), and two institutional members, the Pacific Trade and Development Conference and the Pacific Basin Economic Council. As the only non-governmental official observer of APEC (Asia-Pacific Economic Cooperation), PECC provides independent business and research input for the regional policy-making process. [www.pecc.org](http://www.pecc.org)