

Institutional Connectivity: Challenges and A Way Forward

International Symposium on Connecting the Connectivities in Asia-Pacific

**Yangzhou, China
September 27, 2016**

Institutional Connectivity

■ What does it mean in the Asia-Pacific?

- Simplifying lengthy customs procedures, improving inefficient logistics services, technical standards at practical level, eliminating Nontariff barriers (NTBs) and behind the border issues so as to accelerate the process of intra-regional trade and investment through policy coordination and implementation in the Asia-Pacific region.

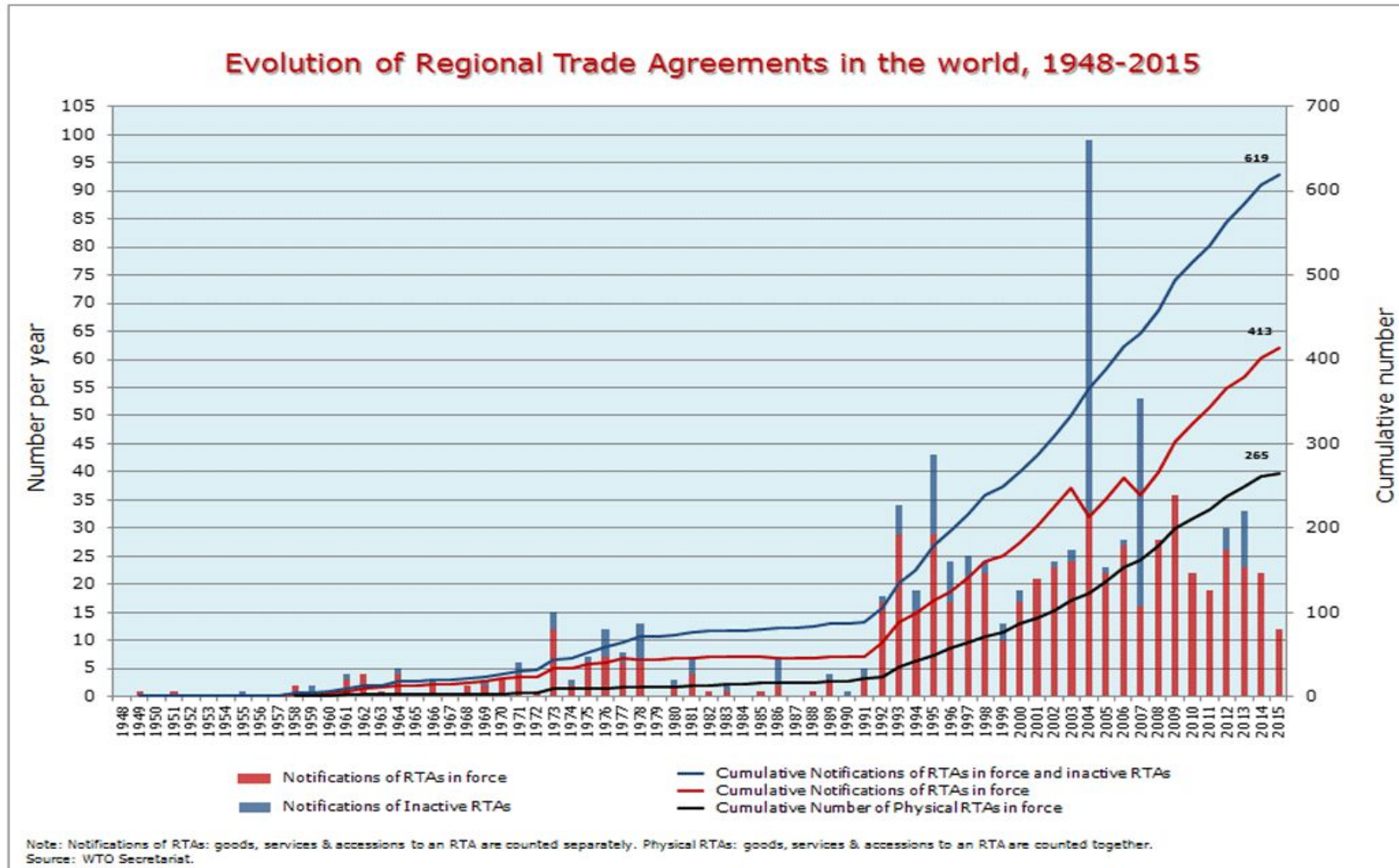
■ APEC Initiatives

- Trade and Investment Facilitation: TFAP I, TFAP II, IFAP

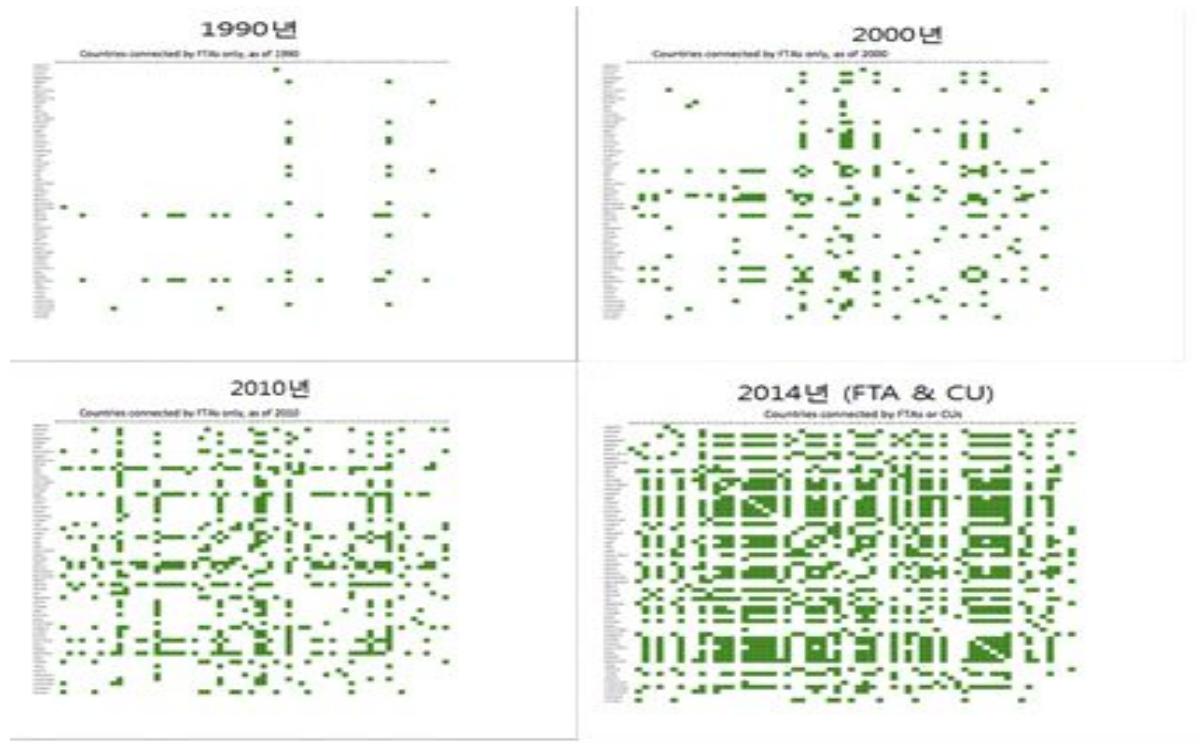
■ Proliferation of FTAs

- Spaghetti bowl effects from diverse and complex ROOs (Rules of Origin)

Proliferation of RTAs



Countries connected by FTAs (and CU)

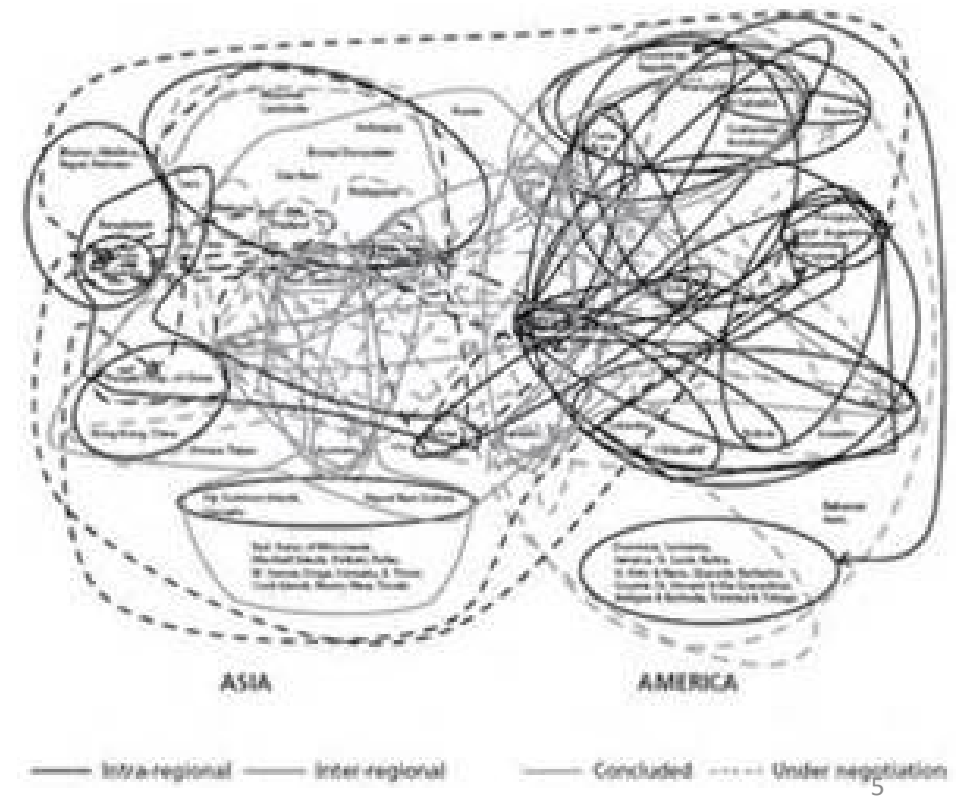


Source: Alan Deardorff (2014).

Note: Horizontal and vertical axes represent 125 economies. Bilateral FTAs/CUs between economies are indicated by dots.

Spaghetti Bowl Effect

- With proliferation of bilateral FTAs, exclusive benefits decrease while trade/transaction costs increase due to complex ROOs (rules of origin) ⇒ low utilization rates of FTAs



Institutional Connectivity: Challenges Identified by APEC PSU (2013)

■ Single Window

- High development cost, lack of political decision and support, varied level of IT, difficulties to harmonize or coordinate systems, procedures/regulations

■ Structural Reform

- Enforcing contracts through the courts

■ FTAs and RTAs

- Low utilization rates (particularly by SMEs), high administrative costs and complicated and divergences of ROO (Rules of Origin) mechanism

Institutional Connectivity: A Way Forward

■ Multilateral Trading System (MTS)

- Concluding DDA negotiation (?); WTO reform?

■ Mega FTAs and Regional Agreements: TPP, RCEP, and FTAAP (?)

- Single rules
- APEC Collective Strategic Study (CSS) on Issues related to the Realization of the FTAAP

■ Region-wide Rules of Origin

- Establish a Pan-Asia-Pacific Cumulation System (PAPCS) in order to resolve the Spaghetti Bowl effect

Proliferation of FTAs and the Spaghetti Bowl Effect

■ Diverse and complex rules of origin (ROO) are identified as one of the major obstacles in FTAs

- ROO have become one of the major issues in international trade with the proliferation of FTAs and RTAs.
- Costs of ROO become larger as the number of FTAs increases.
- Complex ROO deter utilization of FTAs.

■ Harmonize and simplify provisions of ROOs, and create a regime-wide ROO

- ROO have become one of the major issues in international trade with the proliferation of FTAs and RTAs.
- Need to enhance transparency, simplicity, consistency and flexibility of ROO first.
- It will facilitate the implementation of FTAs in the region.
- Increase the utilization rate by the private sector, especially by SMEs.

Thank you!