

FTAAP: Asia-Pacific Economic Integration by 2020 and Beyond

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Prospective Free Trade Area in the Asia Pacific Region – Trade in Goods

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1. The FTAAP must reflect the goals of the 1994 Bogor Declaration. A comprehensive trade in goods agreement (TIGA) with a minimum of 90% of tariff lines on entry-into-force is therefore essential.
2. The FTAAP must also be relevant to countries at all stages of development, companies irrespective of size and citizens regardless of class. The high standards adopted must be shown to benefit nations, communities and peoples to combat the global crisis of legitimacy of free trade.
3. TIGAs are a combination of free and managed trade that reflect national, governmental and corporate interests. The latter is reflected in complex arrangements that distort, degrade and mute the benefits to consumers.

4. The debate is not solely the degree to which developmental concerns are taken into account (if any). It is equally about redressing market access issues (and rules) that favour the affluent, powerful and entrenched over the upcoming and competitive (esp. on non-tariff barriers).
5. The latter is in no way inconsistent with free trade. To the contrary, promoting competition and structural change increases the welfare of the region and ensures better distribution of the welfare benefits.
6. First, the TIGA can be bilaterally negotiated but final agreed outcomes must be harmonised. There should not be significantly different standards and treatment among participating countries.

7. Second, preferential rules of origin (ROO) must not be stumbling blocks to trade. They should facilitate regional trade with their simplicity, flexibility and predictability.
- Regional value-added content (RVC), together with changes in tariff classification, should be the cornerstone of ROOs.
 - These should be set at non-prohibitive levels (e.g. 50%).
 - The ‘wholly obtained or produced’ rule and the ‘yarn forward’ rule that applies to textiles and apparel are incompatible with freer regional trade.
 - There should be full cumulation, meaning that participating countries should be able to use goods produced in any part of the area.

Note: ASEAN’s pilot projects at a self-certifying ROO system could also be adopted by the countries and companies capable of doing so.

8. Third, tariff rate quotas (TRQ), where applied, must be in line with the principle of simplicity, transparency and predictability and eventually phased out altogether.
- Out-quota tariffs should be progressively lowered according to negotiated time frames.
 - In-quotas tariffs should be set at no less than 50% of out-quotas.
 - In-quotas must be determined and allocated on a fair and efficient basis.
 - Administrative practices must not be discriminatory.*

Note: At the 2013 Bali Ministerial, the G-20 developing countries proposed either accepting all imports at ports on a first-come-first-served basis or automatic licensing until the in-quota is reached.

9. Fourth, non-trade measures (NTMs) are “the thing” and must be integral to the TIGA. Measures that limit trade, customs and administrative entry procedures, standards, import fees and charges and government participation in trade must be transparent and with clear reasoning and justification.
- In the TPP, information on NTMs is required to be published on one website.
 - A committee on technical barriers to trade is established to ensure all parties conform to transparency rules.
 - Complaints may be brought to the committee and the country concerned must justify their actions within two months.

Note: The WTO Director General’s July 2015 Trade Related Developments Report places the growing ‘stockpile’ of trade restrictive measures at 1,828 – 12 per cent more than previously reported. Not surprisingly, the number of trade remedy actions initiated also increased.

10. Fifth, while export subsidies must be subject to disciplines to control distortions, frictions and disputes, current practices need to be recrafted.* Issues include legal proof of injury, determination of appropriate remedies and the *de minis* rule for developing countries.
11. The five issues above are key to ensuring that trade in goods in the APEC region meets the “goal of free and open trade and investment in the Asia-Pacific no later than the year 2020”.
12. They are also essential starting points to ensuring that the FTAAP’s TIGA has the widest appeal and benefit to all APEC members.

Note: The issue is too involved to be dealt with at length here but arguments are concisely made in Robert Z. Lawrence and Nathaniel Stankard’s excellent 2005 paper ‘Should Export Subsidies Be Treated Differently’, Harvard University, <http://www.hks.harvard.edu/fs/rlawrence/Export%20Subsidies%20-%20Lawrence%20Stankard.pdf>