

The Role, Positioning and Pathways of Free Trade Area for the Asia Pacific (FTAAP)*

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Catalysts Towards Bogor Goals 2020 and Beyond

- All APEC members have an interest in ensuring that the commitments towards the Bogor Goals are implemented on time. Our longer-term interest is work towards an Free Trade Agreement for the Asia Pacific (FTAAP).
- Whether FTAAP is “to be led” or “support by” APEC, it can be discussed further amongst members and pacemakers are needed to stay focus and steadily move towards the longer-term goals.
- Just as the US is pushing Transpacific Prosperity Partnership (TPP) to consolidate diverse interests amongst interested members, Regional Economic Cooperation Partnership (RECP) also needs pacemakers to reflect different stages of economic development amongst interested members within an ASEAN-centric framework.
- Some quarters commented that APEC is not doing enough or not having the right focus, and some even suggested APEC to be downgraded to ministerial level instead of the Leaders Meeting. I disagreed because there is still a lot more APEC can do and APEC needs to prioritize too!
- APEC will not be short of ideas or grand plans, but proactive leadership and execution power are paramount and hold the key to success and progress

Towards Bogor Goals 2020

It is critical that APEC work towards the specifically defined objectives or directions in close partnership and in a well coordinated manner.

- Implementation of the following defined objectives or directions is important to businesses:
 1. The 2012 APEC List of Environmental Goods (EG List)¹,
 2. The Supply-Chain Connectivity Initiative (SCI)² and
 3. The Ease of Doing Business Initiative (EoDB)³.
- APEC must remain relevant to the business community –
 - Businesses are increasingly facing non-tariff barriers to trade.
 - It is important for businesses to understand Global Value Chains (GVCs) and its implications, thus how to harness its potential for growth holds the key.
 - Generate awareness amongst the public/business community on the status of implementation of initiatives.

¹To reduce applied tariffs to 5% or less on the list of 54 products by 2015

²To achieve 10% improvement in supply-chain performance by 2015

³To achieve 25% improvement in ease of doing business by 2015

Promoting Connectivity on Three Fronts

- Production, financial and human development are three bottlenecks currently face by the APEC community or risk emergence of wider pockets of economic or permanent under classes, notwithstanding the great progress APEC achieved in terms of globalization in trade and investment. Physical and soft Infrastructure connectivity are thus vital in improving links and inclusivity among APEC economies.
- Physical connectivity should be comprehensive. Air, sea and land connectivity are the most useful for all APEC economies. APEC should look at ways to improve these infrastructure build-up.
- Connectivity amongst people through promoting inclusivity in terms of a more equitable distribution of income, affordable public healthcare, housing, education and transportation are most critical
- Connectivity of institutions in the form of public governance, transparency and rule of laws for corporations and governments are crucial too for enhancing economic efficiency and promoting greater regional integration

FTAAP: Initiatives and Momentum

- APEC alluded to FTAAP as early as 2004 in Chile in response to suggestions from the APEC Business Advisory Council.
- 2010 in Japan, APEC leaders concretized the vision by outlining “Pathways to FTAAP” Declaration.
- 2015 In China, APEC leaders agreed to explore FTAAP further.
- FTAAP is envisaged to be a comprehensive, high quality agreement, developed and built on ongoing regional undertakings which address next generation trade and investment issues.

FTAAP: Reinforcing pathways

- Milestones towards realizing FTAAP: Need to be vigilant in implementing the 2020 Bogor Goals and the 2015 Commitments: These are the Supply Chain Connectivity, the Ease of Doing Business Action Plan and tariff reduction on environmental goods.
- Assurance: Ensuring current agreements are of the highest quality possible. Regional architectures like the ASEAN Economic Community (AEC), The Pacific Alliance, The RECP, and the TPP are all mutually reinforcing pathways to the FTAAP

FTAAP: Roadmap to proceed

- Crucial to bring the various paths together smoothly. Fundamental questions on the PRINCIPLES upon which the FTAAP will be based:
 1. How to ensure that the FTAAP is **comprehensive and current in scope**?
 - For example, we can ensure complete product coverage for market access and incorporate issues from most contemporary agreements into the FTAAP.
 2. How to ensure that FTAAP is of **superior quality**?
 - As a regional grouping, our economies would benefit from cumulative rules of origin. Perhaps using model chapters or articles to achieve robust transparency and trade facilitation principles to minimize non-tariff barriers amongst us so as to guarantee no backtracking of exiting commitments
 3. How do we ensure a **robust modality for negotiations**?
 - Perhaps we should lock-in a single undertaking principle for negotiations and inclusivity for the participation of all APEC economies and APEC's capacity building arm should be tapped on to make all economies ready

FTAAP: Using experiences of current Regional Economic Integration Architectures

- We should leverage on our achievements in several regional architectures and start our FTTAP journey from high ground
- ASEAN for instance is progressing well towards AEC having completed more than 80% of their economic integration measures. ASEAN's commitments are progressively incremental, and tracked using scorecard mechanism.
- The Pacific Alliance has progressive initiatives like the integrated Latin American stock exchange market; an Air Service Agreement and progressive elimination of almost all tariffs. APEC members who are in the Pacific Alliance can play a leadership role in discussion on financial cooperation and deeper economic integration in the Asia Pacific
- The TPP and RCEP will be current agreements when concluded and signed. The RCEP could potentially transform the region into an integrated market of over 3 billions people, with a combined GDP of more than US\$7 trillion, or about a third of the world's current annual GDP. The TPP will include 21st century issues, like e-commerce, intellectual property, competition, regulatory coherence. Both agreements must and will inform and feed into FTAAP
- Regional initiatives must support the multilateral trading system (MTS). The aim of our regional work, including the FTAAP, must be to create a positive domino effect of opening up more and more markets for global trade liberalization.

Ranking for Top 10 Economies by Total Nominal Gross Domestic Product (GDP) and GDP Per Capita, 2014

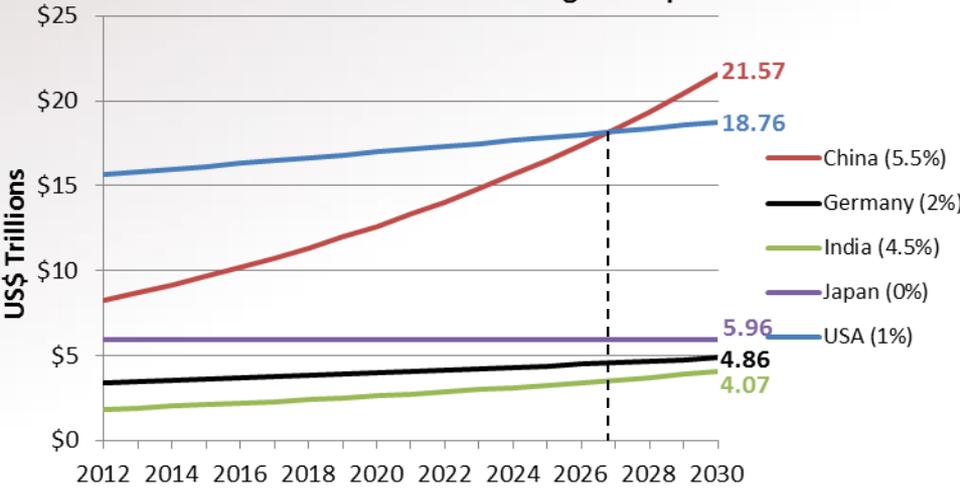
	Nominal GDP (in US\$)		Nominal GDP (in PPP\$)	
	Total (rank)	Per Capita (rank)	Total (rank)	Per Capita (rank)
United States	17.42 trillion (1 st)	54,629 (8 th)	17.42 trillion (2 nd)	54,629 (8 th)
China	10.36 trillion (2 nd)	7,594 (73 rd)	18.03 trillion (1 st)	13,216 (75 th)
Japan	4.60 trillion (3 rd)	36,194 (23 rd)	4.63 trillion (4 th)	36,426 (24 th)
Germany	3.85 trillion (4 th)	47,627 (15 th)	3.69 trillion (6 th)	45,615 (14 th)
United Kingdom	2.94 trillion (5 th)	45,603 (17 th)	2.52 trillion (10 th)	39,136 (22 nd)
France	2.83 trillion (6 th)	42,736 (18 th)	2.57 trillion (9 th)	38,850 (23 rd)
Brazil	2.35 trillion (7 th)	11,613 (56 th)	3.26 trillion (7 th)	16,155 (64 th)
Italy	2.14 trillion (8 th)	34,960 (24 th)	2.13 trillion (11 th)	34,757 (25 th)
India	2.07 trillion (9 th)	1,631 (131 st)	7.39 trillion (3 rd)	5,833 (113 th)
Russian Federation	1.86 trillion (10 th)	12,736 (52 nd)	3.75 trillion (5 th)	25,635 (39 th)
Singapore	307.87 billion (35 th)	56,287 (7 th)	452.69 billion (37 th)	82,763 (3 rd)

APEC and the Multilateral Trading System

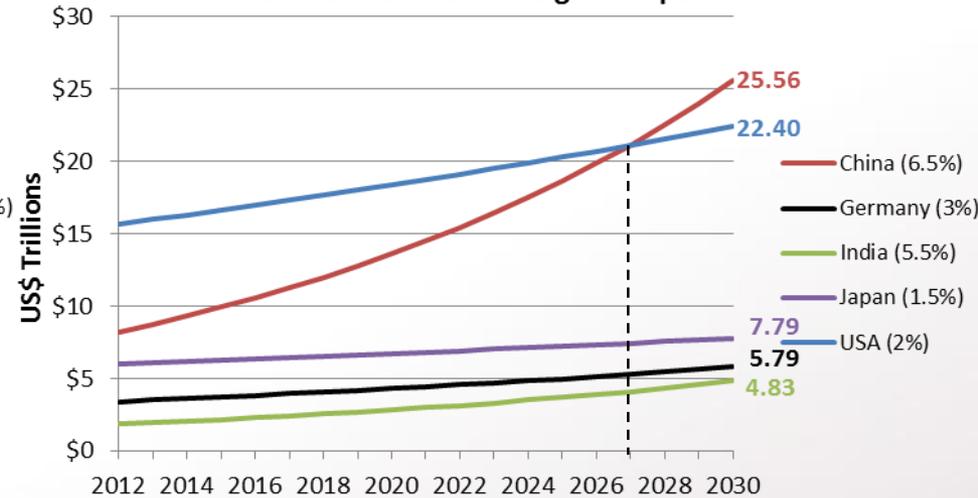
- According to the scenario projection by Asia Competitiveness Institute at Lee Kuan Yew School of Public Policy, China will overtake the US as the world biggest economy and trading nation latest by 2027 although her GDP per capita is likely to remain below US\$10,000. Thus it is of the Chinese interests to provide leadership not just in APEC but also to commit further in the multilateral trading system.
- It might be useful for some initiatives at APEC to feed into the World Trade Organization or WTO's work activities. We do observe that the WTO has a lot of regular work that is useful to businesses.
- WTO continues to struggle despite the majority wanting to push for further trade investment, it would now be imperative for other platforms like APEC to lead the way, as it has done in the past.
- APEC has a comprehensive agenda covering trade in goods, services and also investment. Some of this can feed into the WTO. For example, APEC's good work on the EG list.
- It would be useful for businesses for APEC to look at other sectors as well including non-tariff measures and improving transparency of regulations.

Projected Nominal GDP Growth Paths, 2012-2030[^]

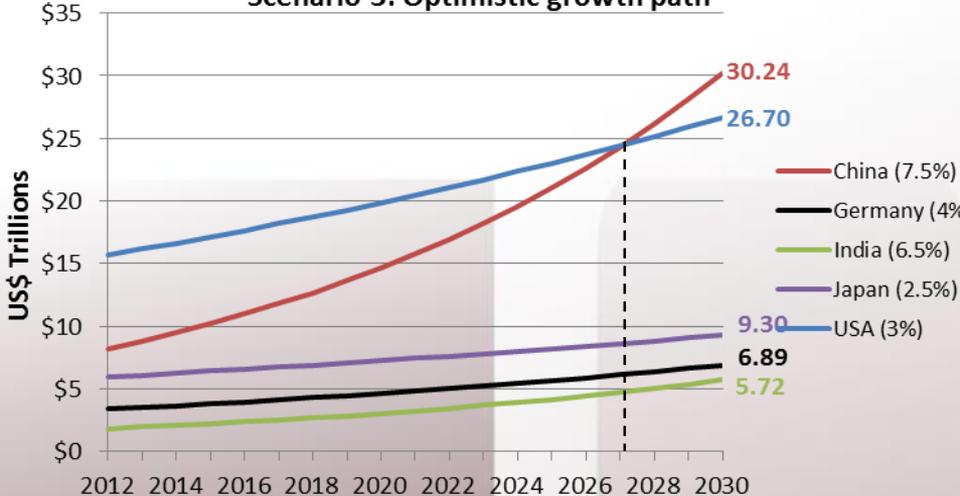
Scenario 1: Conservative growth path*



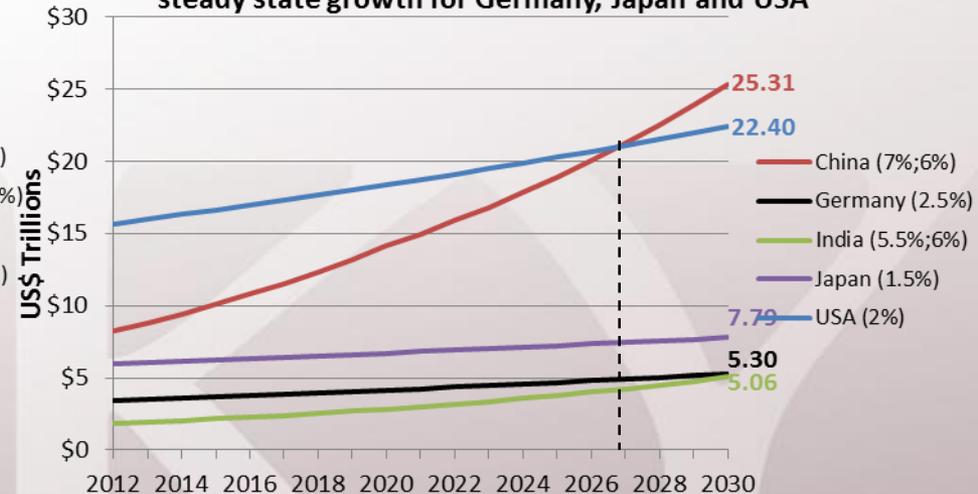
Scenario 2: Moderate growth path*



Scenario 3: Optimistic growth path*



Scenario 4: Dynamic growth path for China and India with steady state growth for Germany, Japan and USA**



* Average growth for period 2012-2030

Source: World bank., ^ Projected by ACI at LKYSPP, NUS

** For China 2012-2020, 7% p.a.; 2021-2030, 6% p.a.

For India 2012-2020, 5.5% p.a.; 2021-2030, 6% p.a.

Relative Shares of Global Gross Domestic Product[^] for Major Economies: 1-2030⁴

([^]Using PPP with the world as 100; *Estimated by Asia Competitiveness Institute at Lee Kuan Yew School of Public Policy, National University of Singapore; Source: Maddison 2007)

	1	1000	1500	1600	1700	1820	1870	1913	1950	1978	1995	2003	2030*
China	25.4	22.1	24.9	29.0	22.3	32.9	17.1	8.8	4.6	5.0	10.9	15.1	25.0
India	32.0	28.1	24.4	22.4	24.4	16.0	12.1	7.5	4.2	3.4	4.6	5.5	12.0
Japan	1.1	2.7	3.1	2.9	4.1	3.0	2.3	2.6	3.0	7.7	8.4	6.6	8.0
A Total	58.5	52.9	52.4	54.3	50.8	51.9	31.5	18.9	11.8	16.1	23.9	27.2	45.0
Europe	13.7	9.1	11.8	19.8	21.9	23.0	33.1	33.0	26.2	27.9	23.8	19.2	17.0
USA	0.3	0.4	0.3	0.2	0.1	1.8	8.9	18.9	27.3	21.8	20.9	20.6	21.0
Russia	1.5	2.4	3.4	3.4	4.4	5.4	7.5	8.5	9.6	9.2	2.2	3.8	5.0
B Total	15.5	11.9	15.5	23.4	26.4	30.2	49.5	60.4	63.1	58.9	46.9	43.6	43.0
A + B Total	74.0	64.8	67.9	77.7	77.2	82.1	81.0	79.3	74.9	75.0	70.8	70.8 ¹²	88.0

Thank you for your attention!