Summary Report of PECC Roundtable on: A Refreshed Conversation on FTAAP

Hosted by AusPECC with support from NZPECC

A Refreshed Look at FTAAP by the Pacific Economic Cooperation Council
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1. Integration in the Asia Pacific region is not retreating. Overall, for example, intra-regional merchandise trade flows have remained at around 70 percent and trade growth resumed quickly after the pandemic-induced recession.

2. But opportunities are being lost, through economies applying trade restrictive measures. The WTO reports that since the outbreak of the pandemic 137 trade restrictive measures have been put in place by members, 56 of which are still in place. Other independent monitoring gives a yet more startling picture; at our General Meeting we heard a much larger number with 914 trade distorting measures still in place.

    a. Big differences of position on trade have emerged at the political level, between the large economies in the region. Vicious circles of action, retaliation, and counter-retaliation have been evident, resulting in "lose-lose" outcomes.

    b. Under these conditions it has become more difficult to apply the procedures of the rules-based system to resolve those differences. Contested unilateral policies and reactions to them have persisted. This experience has shown that the operation of the rules-based system is even more relevant in the context of interactions between big economies.

3. The experiences of the pandemic and now the war in Ukraine risk further heightening the extent of non-cooperative behaviour.

4. There has been a breakdown in trust at the inter-governmental level. The large economies have failed to show leadership to find a return to a more cooperative regime, despite their economic stake in doing so.

5. There are also specific issues in some topical areas:

    a. The pandemic has demonstrated the scope for gains from the application of technology in business across borders but impediments are rising, partly driven by perceptions of national security;
    b. There is also strong community interest in the role of trade in helping to resolve environmental issues, including through cooperation to align domestic carbon management regimes;
    c. As services trade expands, it becomes clearer how differences in regulation add to the costs of doing international business and limits the scope for integration;
    d. Supply chains have shown themselves to be resilient; what has been lost is policy resilience, coherence, and coordination;
    e. While failures in trade policy were not negligible, they caused smaller damage than the collapse and congestion in transport and logistics which was not foreseen by policy makers who failed to take a holistic view in their decision making.

6. APEC has many assets, the application of which - if put to use - is relevant to this situation. It is a forum which contains the large economies in a cooperative setting. It has the capacity to work

to resolve some of the more specific issues. But it too has failed to provide a significant response. The recent gaps in leaders' statements illustrate a lean period for the organisation.

7. In these circumstances, the risk of vicious cycles of non-cooperative policy making is high. The pursuit of the FTAAP-related policy agenda is a valuable collaborative response to this situation. It is also an opportunity for the region to show global leadership.

8. The FTAAP concept was originally introduced by the business sector in 2004, which has maintained a focus on it since then. ABAC last year cited FTAAP as its "preeminent economic priority". The official community also responded, with support from various hosts of APEC, including both China and the US.

9. In the current context, after taking a refreshed look at the FTAAP concept, PECC sees that it encapsulates a rules-based approach to wider and deeper economic integration than now exists or is in prospect. Coverage of the full APEC membership drives the scale of the gains, and many economies will experience, according to our modelling work, significant benefits relative to the size of their economies.

10. Work on a framework for FTAAP provides an opportunity not only to chart the path towards capturing the full trade benefits of integration but also to build consensus around newer issues such as digital transactions, the existential issue of climate change, and response to demands from our communities for more inclusive outcomes. It offers a blueprint for a rules-based system to resolve outstanding issues. It provides an example to the world of how to proceed to engage both large and small and higher and lower income economies. It can regenerate APEC.

11. To reach these goals, the FTAAP framework needs substance. It must be a concrete agenda, not just a vision. It will take time to design and refine the agenda to give form and substance to the FTAAP framework which will encompass a diverse set of economies. But also, like any valuable trade initiative, the FTAAP framework must be a living structure, adapting to current events, new technologies, new forms of international business and so on.

12. PECC proposes therefore two steps at this stage of the development of FTAAP.

    a. One is a clear statement of the issues to be covered in the FTAAP framework, its 'living' character, and principles for making progress on specific issues in a plurilateral setting. It is important to specify the linkage to the WTO process, not just the consistency of principles but how FTAAP work can support and operate within the multilateral system, which itself is under review and reform (and possibly moving towards a variable geometry). There are other items as well to consider for what could be referred to as a 'framework for an eventual agreement'.

    b. The other is a work program, designed to deliver outcomes. Targets for each item in the framework should be identified in 2022, and an expectation created that members will report their progress towards targets at intervals to be agreed. The targets must not only be feasible, but clearly be related to the realisation of the overall FTAAP framework, and consistent with both already agreed APEC principles and action plans, and with WTO rules. They must support Ministers' efforts to engage with their stakeholders in a constructive manner.

    c. Where appropriate, elements from APEC's existing work programs, such as the APEC Services Competitiveness Roadmap, could be incorporated in the program.

13. APEC provides an excellent home for the design and delivery of an FTAAP work program – its members are likely to be the founding members of FTAAP. The framework, a consensus document, can be developed within the APEC region. APEC is not an organisation that negotiates binding agreements but there is much work that can be done in its existing agendas, which can be built into the FTAAP framework. Doing so would provide better direction to many of the APEC activities. Like the earlier Osaka Action Agenda it would provide a set of targets consistent with progress toward realisation of the Bogor Goals, and serving as a contribution to implementation of the Putrajaya Vision and Aotearoa Action Plan agreed over the last two years.

14. There are important pathways to FTAAP now in place. These are RCEP, CPTPP and the Pacific Alliance. There are also relevant sector-specific agreements, such as DEPA. While these pathways establish important rules, they also contain exceptions and gaps, and the processes for monitoring their implementation are either unclear or non-existent. It would be useful to monitor their implementation and have a dialogue especially in areas such as e-commerce to understand the baseline for exceptions and establish common understandings on approaches to be taken to public policy and national security exceptions. When FTAAP was originally conceived, pathways such as the large member trade agreements were only possibilities. Now that they are operational, there is scope to consider further how their elements can contribute to the FTAAP framework. This process also helps respond to the business interest to straighten out the 'noodle bowl' of differences across agreements.

15. Care is required not to divert attention from the pathways themselves. As the modelling work shows, they offer significant benefits and there is work to be done on their implementation. It is also important to show these agreements are 'really working' since that helps build confidence in the FTAAP concept. They can also demonstrate how international commitments help drive productivity-raising, more inclusive and sustainable reform within their members. However, the specification of the FTAAP framework would also provide extra impetus and a better reference point for those efforts, as well as allowing gaps to be identified and addressed.

16. Some APEC members have designed or are planning other cross-border institutional arrangements (IPEF and BRI are examples); in such cases, however, the priority should be to show how FTAAP can provide direction to those arrangements, rather than drawing upon them for the development of FTAAP.

17. PECC offers to form a task force, to which members of ABAC would be invited, to provide further ideas on the two steps proposed - the FTAAP framework and the elements of the first five-year work program, including further work on the pathways. This alliance helps capture business priorities and policy making capability.

18. Further, progress on this topic of taking a refreshed look at FTAAP aligns with the goals of the Thai year of APEC, of being open, balanced and connected.

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BACKGROUND INFORMATION	
AusPECC with the support of NZPECC hosted a dialogue to assist in the development of material for PECC to table to the APEC Trade Ministers when they meet later in May. The focus is how recent events have shifted the discussion of the concept of the Free Trade Area of the Asia-Pacific.	
WELCOME AND OPENING REMARKS	
11:30 am - 11:40 am	Introduction and housekeeping: Christopher Findlay, AusPECC Moderator: Dr Craig Emerson, Director, Australian APEC Study Centre at RMIT University Speakers: • PECC Co-Chairs: Ambassador Zhan Yongxin (CNCPEC) and Dr. Richard Cantor (USPECC)
SESSION 1: FTAAP BACKGROUND	
11:40 am - 12:00 pm	Moderator: Rob Scollay (NZPECC) Speakers: • Stephanie Honey (ABAC) - Business perspective • Chul Chung (KIEP) - FTAAP and inclusive trade
SESSION 2: THE ECONOMIC CONTEXT	
12:00 pm - 12:40pm	Moderator: Mia Mikic (ARTNeT) Speakers: • Michael Plummer (SAIS Europe) - Modelling results • Shiu Mei Lin (UPS) - Supply chain disruption • Eunice Huang (Google) - Digital Trade

SESSION 3: GLOBAL AND REGIONAL CONTEXT	
12:40 pm - 1:20 pm	Moderator: Narongchai Akrasanee (TNCPEC) Speakers: Discussing the broader context of the FTAAP • Shiro Armstrong (ANU) • Charles Morrison (East-West Centre) • Guijun Lin (UIBE)
SESSION 4: BUILDING BLOCKS	
1:20 pm - 2:00 pm	Moderator: Loreto Leyton, Executive Director, Chile Pacific Foundation Speakers: • Fukunari Kimura (ERIA) - The Importance of Economic Ties; Outcomes from RCEP and CPTPP • Camilo Alberto Pérez Restrepo (EAFIT) - Progress in the Pacific Alliance
SESSION 5: CONCLUSIONS AND CLOSE	