

Implementation of the Busan Road-Map

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Scope of the Busan Road-Map

- **BRM view of Bogor goals**
 - **“APEC must ensure” they “are achieved”**
 - **“roadmap to ensure that APEC’s ultimate free trade and investment goals are reached by their target years” (press release)**
 - **“Ministers remained fully committed to achieving the Bogor goals of free and open trade and investment in the Asia-Pacific” by 2010/2020**
 - [no definition of the goals
 - progress has been substantial but much remains to be done]
- **Agenda is now much broader**
 - **Facilitating trade and investment**
 - **Stability and security as necessary foundation**
 - **APEC’s human security agenda**

Elements of the Busan Road-Map (BRM)

- **Support for the multilateral trading system**
- **Strengthening of collective and individual actions**
- **Promotion of High-Quality RTAs/FTAs**
- **Busan Business Agenda**
- **Strategic Approach to Capacity Building**
- **Pathfinder Approaches**

Implementation Challenges

- **Fundamental**
 - voluntarism v. negotiated reciprocity in liberalisation
 - **Support for multilateral trading system**
 - DDA
 - future role of the WTO
 - **Promotion of High-Quality RTAs/FTAs**
 - integration v. fragmentation of markets
 - extent of liberalisation in FTAs
 - “East Asian regionalism” v. APEC
 - **Business facilitation**
 - need “reality check”
 - **Strengthening collective and individual actions**
 - strengthening peer review
- (challenges for capacity-building enormous but beyond the scope of this discussion)

1. Voluntarism v. Negotiated Reciprocity

- **BRM insists on preservation of “APEC’s core principles of voluntarism, comprehensiveness, and consensus-based decision making”**
- **can voluntarism deliver region-wide trade and investment liberalisation?**
- **insistence on binding reciprocity by some (many?) APEC members**
- **economic and political rationale for negotiated reciprocity**
- **only avenues for binding reciprocity in trade liberalisation are**
 - **WTO (for non-discriminatory liberalisation)**
 - **WTO-consistent RTAs/FTAs (for preferential liberalisation)**

2. BRM and the Multilateral Trading System Outlook for the DDA

- **progressive lowering of ambition in the DDA**
- **large remaining gaps between members**
- **uncertainty over conclusion date**
 - **early 2007?**
 - **2009?**
 - **link to level of ambition**
- **gap between APEC rhetoric and actions/impact**
- **BRM envisages “stock-take” at end of DDA to assess need for further steps to reach Bogor goals**
 - **already clear that the steps needed will be very substantial**

Future Role of WTO

- **question-mark over the future role of WTO as instrument of liberalisation**
 - will there be any further rounds?
- **WTO's role as custodian/administrator/arbitrator of "rules-based" international trading system**
 - remains crucial
 - can support be maintained in absence of progress on liberalisation?
 - APEC's contribution could be very important
- **"stalemate" on liberalisation in WTO leaves APEC without credible instrument of reciprocity-based non-discriminatory liberalisation**

3. Contribution of RTAs/FTAs

Promotion of High-Quality RTAs/FTAs

- **proliferation of FTAs threatens market fragmentation**
 - “spaghetti bowl” issues
- **need for APEC work-programme to encourage integration/convergence clearly recognised in BRM**
 - useful steps already taken
- **potential difficulties**
 - FTAs as vehicles for pursuit of objectives (positive and negative) unachievable in the WTO (especially by major developed economies)
 - “hub and spoke” clusters based on major APEC economies
 - FTAs in each cluster based on hub’s preferred “model”
 - difficulties arise when differences in “models” reflect different objectives
 - will members be willing to compromise on “models”

Extent of Liberalisation in RTAs/FTAs

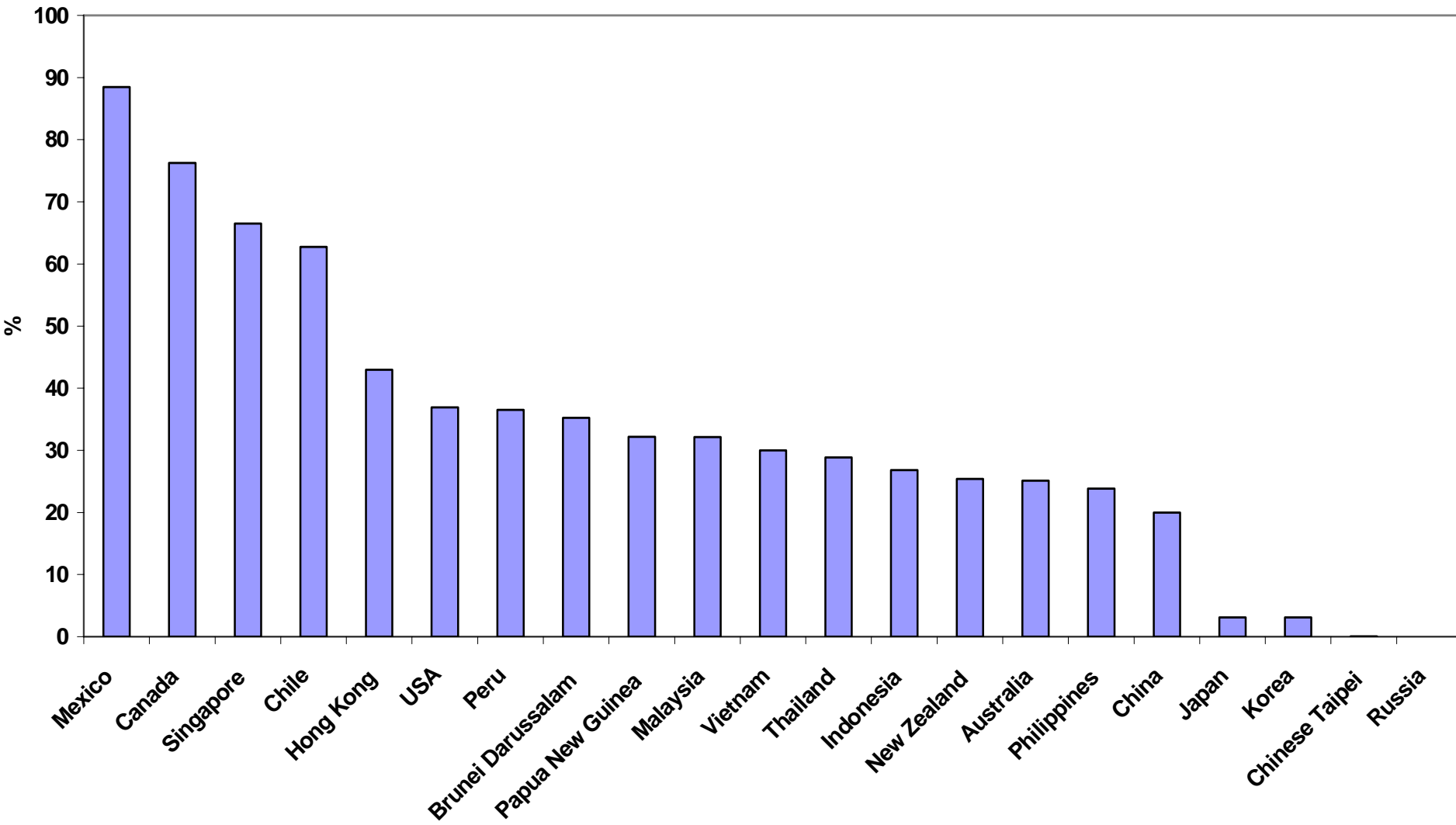
- **some characteristics of PTAs between APEC members**
 - **generally provide for liberalisation over time of most (sometimes all) of the bilateral goods trade between the partners**
 - **services trade commitments generally go beyond GATS and APEC IAPs**
 - **period for implementing liberalisation often extends beyond 2010 and sometimes beyond 2020 (including in FTAs involving APEC developed members)**
 - **provisions typically extend well beyond conventional liberalisation**

- **question-mark over extent of trade being liberalised by RTAs/FTAs**
- **apparent effectiveness of PTAs in liberalising trade of individual APEC members**
 - **Share of members' trade covered by concluded PTAs**
 - 63-88% for Mexico, Canada, Singapore, Chile**
 - 20-43% for most APEC members**
 - 0-3% for Japan, Korea, Chinese Taipei, Russia**
 - **With addition of PTAs under negotiation these shares rise to**
 - 65-92% for Mexico, Brunei, Canada, Singapore, Chile. Thailand**
 - 39-58% for most APEC economies**
 - 21-25% for Korea, China and Japan**
 - 0% for Chinese Taipei and Russia**
- **lack of hard evidence on degree of preference utilisation**
 - **ROO compliance costs and “spaghetti bowl” issues can discourage utilisation**
- **analysis of “non-covered” trade indicates lack of progress in liberalisation between major APEC economies**

Percentage of Trade of APEC Economies in Bilateral Flows Covered by Concluded PTAs

(2002-4 Trade Data)

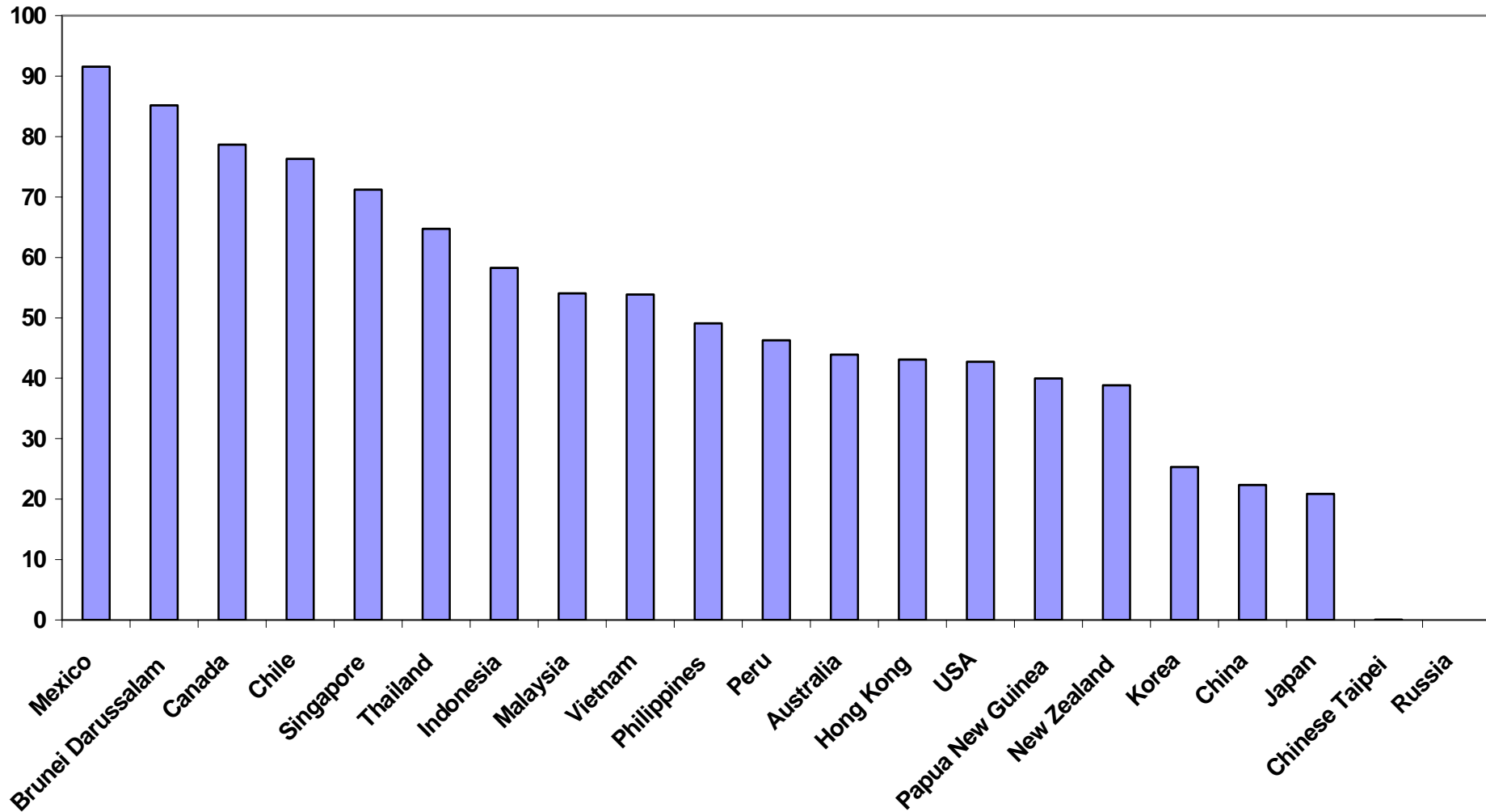
Source: IMF Direction of Trade Statistics



Percentage of Trade of APEC Economies in Bilateral Flows Covered by Concluded PTAs and PTAs Under Negotiation

(2002-4 Trade Data)

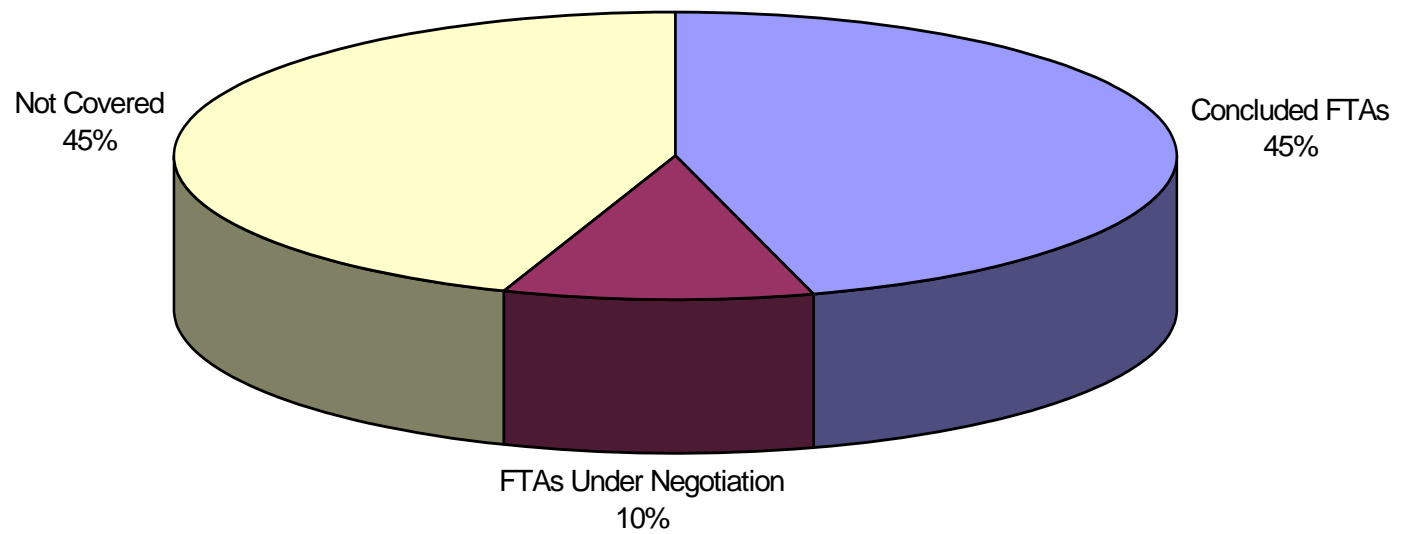
Source: IMF Direction of Trade Statistics



Coverage by PTAs of APEC Member Exports to Other APEC Economies

(2002-4 Trade Data)

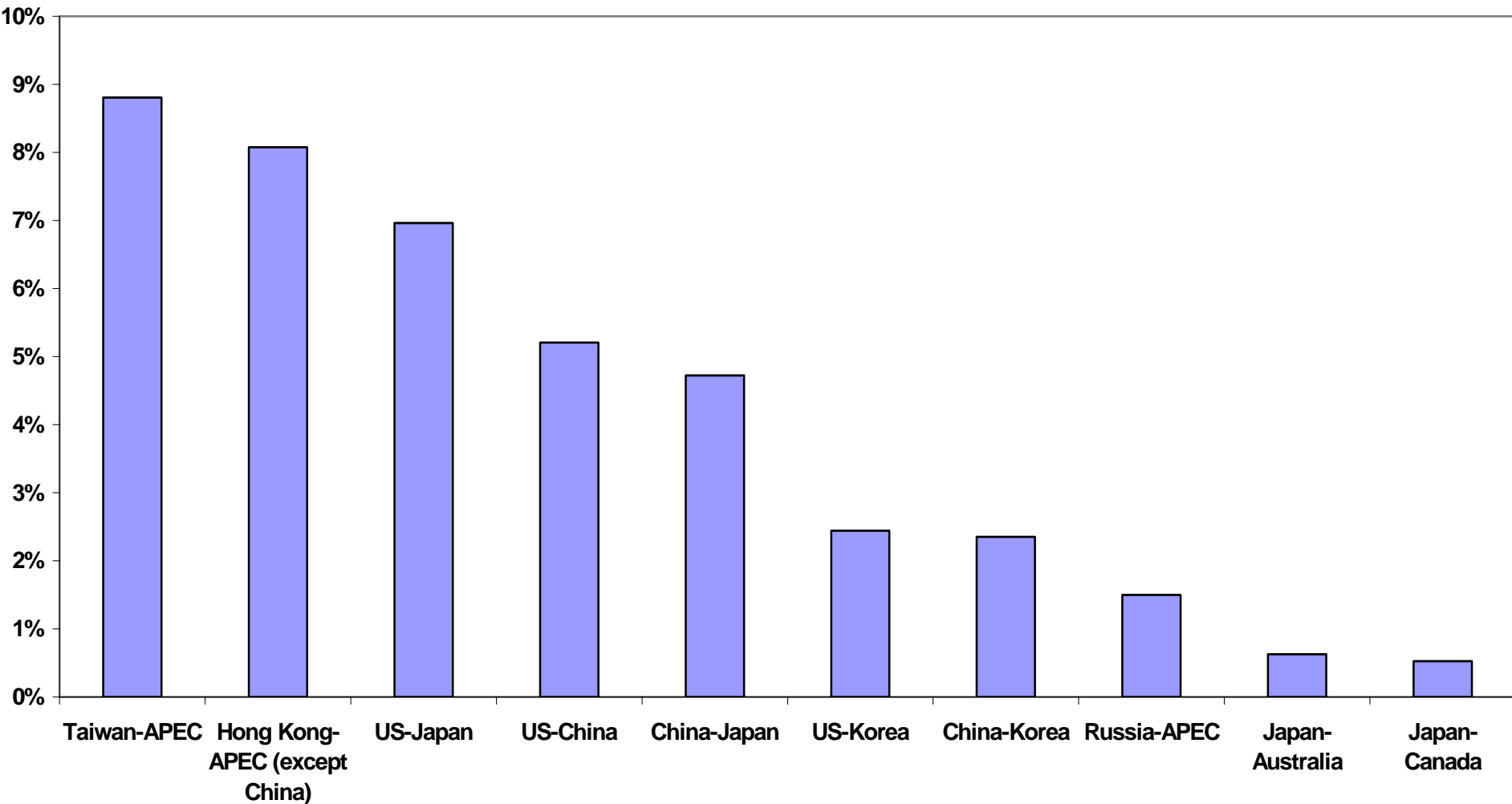
Source: IMF Direction of Trade Statistics



Share of Intra-APEC Exports in Main Bilateral Flows not Covered by Concluded PTAs or PTAs Under Negotiation

(2002-4 Trade Data)

Source: IMF Direction of Trade Statistics



“East Asian Regionalism” v. APEC

- **uneasy co-existence of “East Asian regionalism” and APEC**
- **concept of East Asian trade bloc continues to be promoted**
 - **fresh study on East Asian FTA (EAFTA) commissioned at 2005 East Asian Summit**
 - **EAFTA clearly economically viable**
 - **political viability remains in question**
 - **complement or substitute for APEC’s Bogor goals?**
 - **answer rests with Northeast Asia and North America, and the relations between them**
 - **involves many dimensions beside trade and investment**
 - **apparent unwillingness of these major economies to liberalise trade and investment between themselves**

4. Busan Business Agenda

- importance and desirability of an expanded facilitation agenda not in question

But

- APEC's track record on facilitation is “patchy”
 - important achievements but progress has not been easy
- facilitation is not an “easy alternative” to liberalisation
 - same vested interests will oppose both
 - national interests will sometimes diverge
 - historically, facilitation has followed or at best accompanied liberalisation
- content of expanded agenda needs to be specified
 - most of the items identified are already part of the agenda
- agenda-setting will involve intense negotiation

5. Strengthening Collective and Individual Actions

Strengthening the peer review process

- **APEC has persisted with CAPs and IAPs despite widespread criticism**
 - many improvements could still be made
- **value of the core idea of providing a basis to measure members' progress toward**
 - Bogor goals
 - implementation of APEC “principles” and “standards”
- **→ importance of strengthening the peer review process to encourage**
 - transparency
 - peer pressure

Conclusion

- **Implementation challenges are formidable**
- **Challenges are especially acute for APEC developed economies**
 - **need to fulfil their side of “implicit bargain” with APEC developing economies contained in the Bogor Declaration**