



**Asia-Pacific
Economic Cooperation**

The Mutual Usefulness between APEC and TPP

APEC Policy Support Unit
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Advancing Free Trade for Asia-Pacific Prosperity

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INTRODUCTION

The Trans-Pacific Strategic Economic Partnership agreement (TPSEP) between Brunei Darussalam, Chile, New Zealand and Singapore came into force in 2006. This agreement, which is also known as the P4, was the first Free Trade Agreement (FTA) to be comprised of more than two members from both sides of the Pacific Rim.

Article 20.6 of the TPSEP allows, “any APEC Economy or other State,” to accede to the agreement. Within this context, Australia, Peru and the United States launched negotiations in 2008 with the P4 members, while Viet Nam and Malaysia joined fully in the negotiations in 2010¹. This process, referred as the Trans-Pacific Partnership (TPP) negotiations, attempts to achieve a wider FTA in the Pacific Rim.

At the present time, nine APEC member economies are taking part in the negotiations of the TPP, which if successful, will bring a new FTA, likely with a greater scope in comparison with the TPSEP. This process is already fuelling debate in the public arena regarding a wide array of topics such as the feasibility to reach a high-quality FTA; the implications of any future TPP in the Doha Round; the effectiveness of the TPP as one of the stepping stones for a future Free Trade Area of the Asia-Pacific (FTAAP); and the mutual relevance of APEC and TPP, among others.

In this sense, this paper seeks to focus its attention on how APEC and TPP could be mutually useful in achieving their own objectives. For instance, APEC is important for TPP as incubator of ideas that could be taken into account in the present negotiations. In the same way, TPP is relevant for APEC as one of many avenues to strengthen regional economic integration across the APEC region.

To achieve its purpose, this paper will include a description of the nature of APEC and TPP and show that despite their different features, initiatives undertaken by APEC, as well as a high-quality TPP FTA can supplement each other in order to help both APEC and TPP achieve their own particular objectives.

¹ Viet Nam revealed its intention to join the negotiation process as an observer in 2008. It was only in November 2010 that Viet Nam announced its capacity to become a full negotiation member in this process.

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1. APEC'S NATURE

A. INCEPTION

The first news on APEC was back in January 1989 when the Former Prime Minister of Australia, Mr. Bob Hawke, delivered a speech in Seoul, Korea stating the importance of regional economic cooperation in the Asia-Pacific and supporting the creation of a new intergovernmental entity to discuss these issues. This speech was followed by an informal Ministerial-level meeting in Canberra, Australia, which was attended by delegations from 12 economies²: Australia; Brunei Darussalam; Canada; Indonesia; Japan; Korea; Malaysia; New Zealand; the Philippines; Singapore; Thailand; and the United States.

Since its inception, APEC membership has increased gradually from 12 to 21 economies. China; Hong Kong, China; and Chinese Taipei joined APEC in 1991, followed by Mexico and Papua New Guinea in 1993 and Chile in 1994. APEC's latest expansion took place in 1998 when Russia; Peru; and Viet Nam became members.

B. OBJECTIVE AND SCOPE OF WORK

When APEC started in 1989, it was merely a consultative forum among its members to promote regional cooperation with a limited agenda. The First APEC Ministerial Meetings in 1989 focused mostly on the commitment to a strong and open multilateral trading system and the need to successfully conclude the multilateral trade negotiations in the framework of the Uruguay Round.

A new push was given to the APEC process in 1993, when the Leaders from the APEC members met for the first time in Blake Island, USA and committed to deepening the spirit of community in the region based on a “*shared vision of achieving stability, security and prosperity for our peoples*”³.

This vision was reinforced in 1994, when the APEC Leaders issued the Bogor Declaration, which stated in its third paragraph that:

“We set our vision for the community of Asia-Pacific economies based on a recognition of the growing interdependence of our economically diverse region, which comprises developed, newly industrializing and developing economies. The Asia-Pacific industrialized economies will provide opportunities for developing economies to increase further their economic growth and their level of development. At the same time developing economies will strive to maintain high growth rates with the aim of attaining the level of prosperity now enjoyed by the newly industrializing economies. The approach will be coherent and comprehensive, embracing the three pillars of sustainable growth, equitable development and national stability. The

² APEC protocol establishes that its members are always referred to as “Economies” rather than countries or nations. The Guidebook on APEC Procedures and Practices mentions that the use or display of national flags, symbols or anthems is prohibited and only a simple nameplate of the member economy is displayed at any APEC function.

³ See APEC (1993), Seattle Declaration - APEC Leaders Economic Vision Statement, http://www.apec.org/Meeting-Papers/Leaders-Declarations/1993/1993_aelm.aspx.

narrowing gap in the stages of development among the Asia-Pacific economies will benefit all members and promote the attainment of Asia-Pacific economic progress as a whole.”⁴

The importance of the Bogor Declaration stems from the fact that it established APEC’s ultimate objectives on achieving sustainable growth and equitable development and strengthening a sense of community in the Asia-Pacific region. To achieve this objective, APEC stressed the necessity of strengthening the open multilateral trading system; enhancing trade and investment liberalization; and intensifying development cooperation. It is within these guidelines that APEC adopted the long-term goal of free and open trade and investment in the Asia-Pacific, by “*furthering reducing barriers to trade and investment and promote the free flow of goods, services and capital (...), in a GATT-consistent manner (...)*”⁵. This goal has been known as the “Bogor Goals”.

From then, the activities within APEC have been inspired and influenced by the “Bogor Goals”. APEC members set out three key pillars: trade and investment liberalization; business facilitation; and economic and technical cooperation, as reference to the work that APEC members should implement on a voluntary basis to reach the “Bogor Goals”.

This framework has contributed to developing the scope of work in APEC. The Committee on Trade and Investment (CTI) has been present since the year of the Bogor Declaration (1994), replacing the Informal Group on Regional Trade Liberalization (RTL), established in 1992. The CTI undertakes work concerning the liberalization and facilitation of trade and investment. Under the CTI, a number of sub-committees and expert groups have been created to deal with a comprehensive range of topics such as market access, standards and conformance, customs procedures, services, investment, intellectual property, government procurement, competition policy, mobility of business people and electronic commerce.

Similarly, the Economic Committee (EC) was established in 1995, taking the place of the Ad-Hoc Economic Trends and Issues Group (ETI) that had been set up in 1991. As tariffs and non-tariff barriers decline in the APEC region⁶, the EC has focused its attention on the regulatory issues that may be acting as obstacles to conduct business. In this sense, the EC agenda has been promoting work on structural reform within APEC⁷.

APEC’s objective to strengthen the sense of community in the Asia-Pacific has also contributed to the development of work in several areas in which APEC members have identified opportunities for economic and technical cooperation. Working Groups have been created by theme areas since 1990, such as agricultural technical cooperation, emergency preparedness, energy, fisheries, health, human resource development, industrial science and technology, marine resources conservation, small and medium enterprises, telecommunications and information, tourism, and transportation. In the same way, Special Task Groups in anti-corruption, counter terrorism, gender issues and mining have been

⁴ APEC (1994). Bogor Declaration - APEC Economic Leaders’ Declaration of Common Resolve. Available at: http://www.apec.org/Meeting-Papers/Leaders-Declarations/1994/1994_aelm.aspx.

⁵ Ibid.

⁶ Evidence on the reduction of trade and investment-related barriers can be found in APEC Policy Support Unit (2010), “Progressing towards the APEC Bogor Goals: Perspectives of the APEC Policy Support Unit”, November. Available at: http://publications.apec.org/publication-detail.php?pub_id=1083.

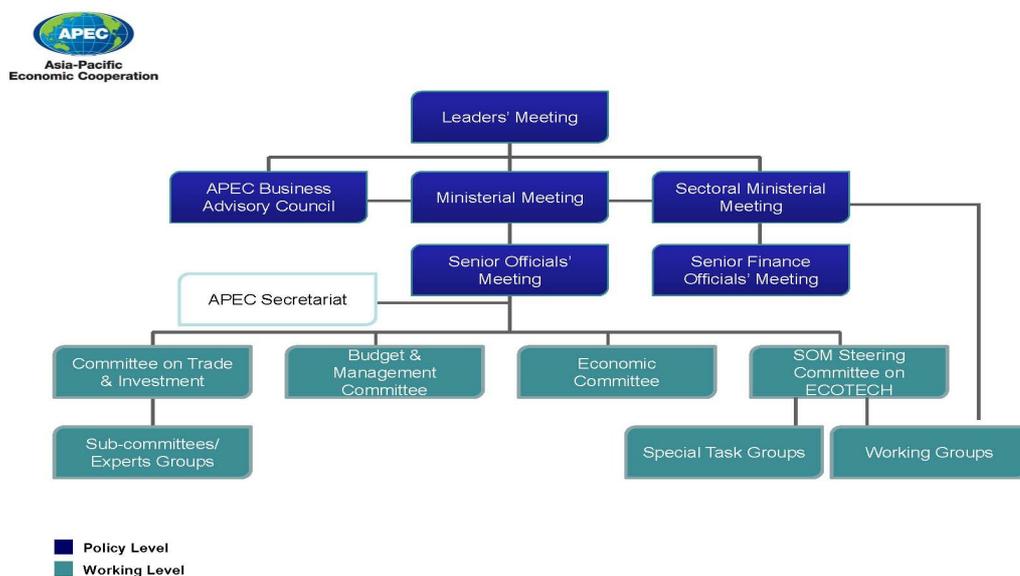
⁷ According to the EC, structural reform consists of improvements made to institutional frameworks, regulations and government policies so that the efficient functioning of markets is supported, and behind-the-border barriers are reduced. See <http://www.apec.org/Groups/Economic-Committee.aspx>.

established to promote regional cooperation in those areas. All these working groups and special task groups are supervised by the SOM Steering Committee on Economic and Technical Cooperation.

C. ORGANIZATION

The current structure of APEC is led by the Economic Leaders' Meetings. In order to provide directions, the APEC Leaders meet every year, supported by the inputs received by the Ministers, who are in charge of preparing the agenda for the Leaders and are assisted by the work done by the APEC Senior Officials (SOM) throughout the year. Leaders also obtain inputs from the business community led by the APEC Business Advisory Council (ABAC).

Figure 1.1. APEC Organizational Chart



May 2010

Source: APEC Secretariat, <http://www.apec.org/About-Us/How-APEC-Operates/Structure.aspx>

The SOMs meet three to four times a year and follow the directions given by APEC Leaders. They guide the work conducted by the Committees, Working Groups and Task Groups at the working or technical level. In addition, the SOMs provide a series of recommendations on the policy agenda for the Ministers and Leaders, who meet on a yearly basis at the Annual Ministerial Meeting (attended by Foreign and Economic/Trade Ministers) and the Economic Leaders' Meeting, respectively.

The APEC Secretariat is the entity providing support for the APEC process. It provides coordination, technical and advisory support as well as information management, communications and public outreach services. The APEC Secretariat performs a central project management role, assisting APEC members, Committees and Working Groups with overseeing APEC-funded projects⁸.

⁸ See <http://www.apec.org/en/About-Us/APEC-Secretariat.aspx>.

D. APEC'S GENERAL FEATURES

APEC members seek to promote mutual cooperation on a comprehensive range of topics. As a consultative forum, APEC members interact through dialogue under the principles of **equity, equality** and **mutual benefit**. In that regard, decisions in APEC are made via **consensus**, which guarantees that all APEC members will discuss any topic at an equal level.

APEC faces the challenge that its members are not homogenous in terms of socio-economic development and government systems. Similarly, APEC members face different domestic regulations and constraints. In this sense, the decisions undertaken in APEC are **non-binding** and actions are implemented on a **voluntary** basis. Members put into practice a mechanism called **concerted unilateralism**, since it is up to each member to decide on the manner and the timing on how to implement each action.

Following this concept of **voluntary** actions, APEC has not constituted any regional enforcement mechanism. However, APEC members encourage others to implement their actions by using **peer pressure**. For example, APEC members typically report on what actions they have been taking to achieve a certain goal. This encourages members to not stay behind in terms of policy implementation and to take as reference what others have done successfully in order to deliver good outcomes.

APEC seeks for “advancing free trade for Asia-Pacific prosperity”⁹. In this way, the pursuit of an open and free trade system in the region, as mentioned in the Bogor Declaration, follows a **GATT/WTO approach**, which means that actions should be **non-discriminatory**, with limited exceptions and strict conditions as established by the WTO. The concept of **open regionalism** is embedded into this principle.

APEC provides enough **flexibility** to members regarding the application of measures. When differences in the level of development are relevant, APEC has agreed on differentiated time tables to reach certain goals. For example, the Bogor Goals established that industrialized members should achieve them by 2010, whereas developing members could do so by 2020. Also, differences in domestic regulations make the implementation of certain proposals more difficult for some APEC members. In these situations, APEC has promoted the use of pathfinder initiatives to allow its members to join those initiatives only when they are ready. For example, the APEC Business Travel Card (ABTC), which allows card holders to travel visa free for business purposes, started in 1997 with only a few members. Now, all APEC members are part of the ABTC scheme (18 of them on a full basis and three of them on a transitional basis).

⁹ APEC Secretariat (2009), What you Need to Know.

2. THE TPSEP AND THE TPP

A. INCEPTION

The origins of the Trans-Pacific Partnership (TPP) date back to October 2002 when the Leaders of Chile, New Zealand and Singapore announced on the sides of the APEC Leaders' Meeting in Los Cabos, Mexico, their intention to start negotiations for a Free Trade Agreement (FTA).

The negotiations among these three parties officially started in September 2003 in Singapore when delegations from the three sides met to discuss a comprehensive range of issues. In July 2004, Brunei Darussalam was invited to participate in the negotiations as an observer during the second round of negotiations that took place in Wellington, New Zealand¹⁰. It was not until April 2005, at the fifth round of negotiations in Singapore, that Brunei Darussalam decided to join the negotiations in full capacity¹¹.

Chile, New Zealand and Singapore signed the Trans-Pacific Strategic Economic Partnership (TPSEP) on 18 July 2005. Brunei Darussalam was incorporated into this agreement on 2 August 2005. The TPSEP entered into force for New Zealand and Singapore on 1 May 2006, whereas Brunei Darussalam implemented the agreement on a partial basis on 12 June 2006 and on a full basis since 12 July 2009. In the case of Chile, the TPSEP entered into force on 8 November 2006.

After its implementation, the TPSEP signatory parties started negotiations on investment and financial services in March 2008, based on articles 20.1 and 20.2 of the TPSEP, which stated that the parties should begin negotiations on those chapters "no later than 2 years after the entry into force of this Agreement". Also in 2008, the United States participated in three negotiation rounds with the TPSEP signatory parties while deciding whether to join negotiations on a more comprehensive basis.

Following meetings with the TPSEP signatory parties, the United States announced its intention to join comprehensive negotiations in September 2008. Australia and Peru followed the same path in November 2008. At the same time, Viet Nam also requested to join as an observer. The negotiations with these new parties started on 15-19 March 2010 in Melbourne, Australia. Since then, the number of negotiating parties at full capacity has increased. Malaysia officially joined the negotiations in October 2010¹² and Viet Nam fully joined in November 2010 after completing the necessary domestic procedures¹³.

TPSEP's Article 20.6 provided a possible way to start these comprehensive negotiations, as it states that "the agreement is open to accession on terms to be agreed among the parties, by any APEC Economy or other State"¹⁴. However, in the course of these talks, the approach on

¹⁰ See http://www.fta.gov.sg/press_home_detail.asp?id=52&txt_rdate=0&txt_ftalist=0.

¹¹ See http://www.fta.gov.sg/press_home_detail.asp?id=49&txt_rdate=0&txt_ftalist=12.

¹² See http://www.sice.oas.org/TPD/TPP/Negotiations/Malasya_joinsTPP_e.pdf.

¹³ See <http://www.dfat.gov.au/fta/tpp/101213-tpp-stakeholder-update-4.html>.

¹⁴ This accession clause follows the WTO-approach by being not discriminatory since it is open to any third party. Nonetheless, the TPSEP agreement is the first FTA that highlights that the accession is open to APEC members, without excluding others.

a possible extension of the TPSEP switched to the negotiation of a new agreement, as all the parties agreed that existing RTA/FTAs in force among any of them will coexist with the new agreement. There was also an understanding that there should be coherence between the new agreement and those RTA/FTAs already in force¹⁵. The current process is known as the TPP negotiations.

B. OBJECTIVE AND SCOPE OF WORK

The TPSEP establishes a Free Trade Area among the signatory parties. Article 1.2 of the TPSEP agreement states that this has been achieved consistent with Article XXIV of GATT and Article V of GATS.

According to New Zealand's Ministry of Foreign Affairs and Trade, the objective of the TPP negotiations is "to create a trade agreement that could be seen as a model within the Asia-Pacific region and could potentially attract new members"¹⁶.

At the current TPP negotiations, participants have described their expectations regarding the TPP using some common expressions such as a high-quality and comprehensive 21st century agreement. These negotiations are seen as an opportunity to build an FTA with those features that become a stepping stone for a true regional agreement.

The current negotiations are discussing all the topics already included in the existing TPSEP: trade in goods¹⁷, rules of origin, customs procedures, trade remedies, sanitary and phytosanitary measures, technical barriers to trade, competition policy, intellectual property, cross-border trade in services, temporary entry of business persons, dispute settlement, cooperation¹⁸, and institutional matters.

Furthermore, the negotiation process includes topics that were not included in the TPSEP agreement such as financial services, telecommunications, electronic commerce and investment. Moreover, negotiation groups in labour and environment have also been created. The TPSEP agreement did not include chapters on these two topics. However, the TPSEP signatory parties signed in parallel the "Environment Cooperation Agreement among the Parties to the Trans-Pacific Strategic Economic Partnership Agreement" and the "Memorandum of Understanding on Labour Cooperation among the Parties to the Trans-Pacific Strategic Economic Partnership Agreement".

As opposed to the TPSEP, the present TPP negotiations are also discussing some horizontal matters at the heads of delegation level concerning regulatory coherence, competitiveness (for instance: issues related to supply-chain connectivity), small and medium enterprises, and development.

¹⁵ See http://www.acuerdoscomerciales.gob.pe/images/stories/tpp/2da_Ronda_informe.pdf

¹⁶ See <http://www.mfat.govt.nz/Trade-and-Economic-Relations/Trade-Relationships-and-Agreements/Trans-Pacific/index.php#UnderstandingTPP>.

¹⁷ As opposed to the existing TPSEP, the TPP negotiations concerning trade in goods (market access) has been divided into three groups (general, agriculture and textiles).

¹⁸ The TPSEP includes a chapter on Strategic Partnership that provides a framework for cooperation among the signatory parties. The TPP negotiations include a negotiation group on cooperation and capacity building.

C. ORGANIZATION¹⁹

The TPSEP established the Trans-Pacific Strategic Economic Partnership Commission as the main body in charge of the administration of the agreement. This Commission can meet at the level of Ministers or senior officials as mutually determined by the signatory parties.

According to Article 17.2, this Commission supervises the work of the Committees and working groups established under the TPSEP. By the time of the signing of the TPSEP agreement, the parties had constituted Committees on Trade in Goods, Sanitary and Phytosanitary Measures and Technical Barriers to Trade.

Article 17.2 of the TPSEP also mentions that the Commission is in charge of any matters concerning the implantation of the agreement; the review of the agreement and consideration of proposals for amendments; exploring measures for further expansion of trade and investment among the parties and identifying areas of commercial, industrial and technical cooperation; and considering any matter that may affect the operation of the agreement.

The TPSEP also establishes the mechanism to set up an Arbitral Tribunal when a dispute cannot be resolved through consultations or other procedures involving good offices, conciliation and mediation. The final report of an Arbitral Tribunal is binding and not subject to appeal.

D. GENERAL FEATURES

The TPSEP agreement is the outcome of **trade negotiations** by four parties to establish a **Free Trade Area** having recourse to GATT's Article XXIV and GATS's Article V. The agreement follows **WTO-consistency** by seeking to improve **market access** by liberalizing "**substantially all-the-trade**" between the parties and including "**substantial sector coverage**" with regard to trade in services²⁰.

Also, as mentioned before, the TPSEP is an agreement with **potential for expansion**, since it is **open to accession** for other APEC economies or States subject to the terms to be agreed among the parties involved.

The agreed provisions covered in the TPSEP are **binding**, which means that the signatory parties must fulfil all the obligations under the agreement, unless otherwise stated. If one of the parties considers that another party has implemented any action that is inconsistent with the agreement, the affected party has the right to invoke the mechanisms established in the agreement for dispute settlement.

The TPSEP provides proper **flexibility** to members when necessary, for example, when any of the parties involved did not have the capacity to meet any of the obligations due to existing incompatibility of domestic regulations with any of the clauses in the TPSEP. In this

¹⁹ As the TPP negotiations are still ongoing, TPP's organizational structure has not been defined yet. Since further topics are being negotiated at TPP in comparison with the TPSEP, the TPP's structure will probably include a greater number of Committees and Working Groups.

²⁰ There is no established definition for "**substantially all-the-trade**". Nonetheless, the common practice among WTO members is to cover all sectors and eliminate barriers for a significant amount of trade volume and tariff lines in a reasonable period of time. Regarding the "**substantial sector coverage**", this is understood in terms of the number of sectors, volume of trade affected and modes of supply.

agreement, this issue has been addressed in several ways, such as the inclusion of an annex of non-conforming measures for issues concerning cross-border trade in services; clauses in the Final Provisions chapter giving special treatment to one of the signatory parties due to particular circumstances²¹; or clauses in the Exceptions chapter specifying that nothing in the agreement should preclude the adoption of measures by a specific party in certain circumstances²².

The **co-existence** among the TPSEP and any other mutual bilateral FTA signed by two TPSEP signatory parties is allowed. For example, New Zealand and Singapore are currently part of the TPSEP and have also put in force a bilateral FTA. Businesses from both sides are allowed to choose which agreement to use in order to benefit from preferential treatment.

Since the TPP is still under negotiation, it is not possible to say which features it will include. However, it is likely that a future TPP agreement include similar characteristics to those of the TPSEP, as current negotiating parties have incorporated many of them in recent FTAs signed.

²¹ For example, Article 20.5 mentions that the chapter on Competition Policy will only apply to Brunei Darussalam after it develops a competition law and establishes a competition authority.

²² For example, Article 19.5 allows New Zealand to implement measures to give favorable treatment to Maori in order to fulfill its obligations under the Treaty of Waitangi.

3. APEC AND TPP'S DIFFERENT APPROACHES

From the beginning, APEC's interest to promote regional economic integration in its working agenda has been one of the keys to encourage its members to move ahead towards the goal of an open and free trade and investment system, known as the "Bogor Goals". As part of these efforts, APEC has been exploring several ways to strengthen economic integration within the Asia-Pacific in a way consistent with WTO and within the APEC framework of implementing initiatives on a voluntary basis.

In 2005, APEC Ministers endorsed the Mid-Term Stocktake of Progress towards the Bogor Goals, which pointed out the importance that "*APEC does not interpret the goals of free and open trade and investment in a finite or static manner*"²³. In this regard, it was shown that trade liberalization had achieved good progress, but that more attention needed to be paid to initiatives on facilitation and behind-the-border issues, such as standards and conformance, customs procedures, e-commerce and business mobility in order to take full advantage of the liberalization measures.

In addition, this constant evolution of the international trade agenda has also had an impact on the ways that APEC members are pursuing to reduce barriers to trade. In the last decade, the negotiation of RTA/FTAs as a tool to achieve that goal has intensified, in part due to the slowdown of the WTO Doha Round of multilateral negotiations and the convenience to negotiate liberalization concessions in order to obtain reciprocal treatment from other partners. This new scenario was brought to the attention of APEC Leaders, who recognized in the 2005 Leaders' Declaration that "*high-quality RTA/FTAs were important avenues to achieve free and open trade and investment*"²⁴.

In this context, how does the TPP process fit into the APEC agenda? Part of the answer is found in the 2010 Leaders' Declaration, in which the APEC Leaders stated the following:

*"We will take concrete steps toward realization of a Free Trade Area of the Asia-Pacific (FTAAP), which is a major instrument to further APEC's regional economic integration agenda. An FTAAP should be pursued as a comprehensive free trade agreement by developing and building on ongoing regional undertakings, such as ASEAN+3, ASEAN+6, and the **Trans-Pacific Partnership**, among others. To this end, APEC will make an important and meaningful contribution as an **incubator** of an FTAAP by providing leadership and intellectual input into the process of its development, and by playing a critical role in defining, shaping, and addressing the "next generation" trade and investment issues that FTAAP should contain"*²⁵.

In other words, APEC recognizes the role that the TPP process may have, together with other regional integration schemes, as one of a number of possible building blocks to achieve a broader FTAAP. Nonetheless, the contribution of APEC towards the creation of a

²³ APEC (2005), "A Mid-term Stocktake of Progress towards the Bogor Goals – Busan Roadmap to Bogor Goals", 17th APEC Ministerial Meeting, Busan, Korea, 15-16 November, p. 2.

²⁴ See APEC (2005a), Busan Declaration – Towards One Community: Meet the Challenge, Make the Change, http://www.apec.org/Meeting-Papers/Leaders-Declarations/2005/2005_aelm.aspx.

²⁵ See APEC (2010), Yokohama Declaration – The Yokohama Vision – Bogor and Beyond, http://www.apec.org/Meeting-Papers/Leaders-Declarations/2010/2010_aelm.aspx.

comprehensive FTA in the Asia-Pacific region is not by having APEC as a forum to negotiate any FTA, but by providing a medium to share experiences, exchange information and carry out non-binding discussions in order to develop guidelines, principles or initiatives that APEC members should keep in mind in their behind-the-borders (domestic) agendas and trade negotiations in order to enjoy the benefits of high-quality FTAs, including the TPP, that allow individual and collective welfare gains to be maximized. Discussions in APEC help ideas to be matured in a cooperative way.

APEC is better suited to continue its current role as incubator of ideas, rather than changing to an RTA/FTA-negotiating role. As a non-binding forum, APEC can explore ideas in a much easier way, by discussing issues that its members are not willing to talk about at the negotiation table. At trade negotiations, parties are careful in the messages being conveyed to counterparts, as they can be used by other parties in the process to obtain or refuse concessions. APEC, at the opposite end, is a forum in which its members can build consensus by maturing ideas in a collaborative atmosphere.

The nature of APEC prevents trade agreements to be negotiated within such a forum. To start with, APEC as a non-binding body cannot negotiate any instrument such as an RTA/FTA, which has binding commitments. Initiatives in APEC are implemented on a voluntary basis and each member takes into account the right timing in its own agenda to do so. In contrast, RTA/FTAs impose mandatory obligations on the signatory parties after the agreement is in force. If the obligations are not met by one of the parties, the affected parties can activate the agreed dispute settlement mechanisms and seek compensation, whereas as a cooperative forum, APEC does not have an enforcement body and its members use their best endeavours to put into practice any action.

Turning APEC into a forum to negotiate any RTA/FTA, such as the TPP or any other regional initiative, would be too costly for APEC. It is better to conduct the negotiation of trade agreements in a mechanism or forum not belonging to APEC. Otherwise, APEC would lose its comparative advantage of being the most relevant consultative forum in the Asia-Pacific in which its members can cooperate to develop and mature ideas on a voluntary basis. If that were to happen, then discussions in APEC would inevitably be affected since APEC members would probably not be willing to talk openly about several issues. Therefore, it would limit the number of topics in the APEC agenda.

Another limitation within APEC to negotiate RTA/FTAs is related to the member coverage of the initiatives that could serve as building blocks for a future FTAAP. At present, only nine out of the 21 APEC members are taking part in the TPP negotiations. If the negotiation of any possible building block takes place in APEC, it would be difficult to include in the negotiation rounds the APEC members that are either not prepared or have not shown interest in being part of these schemes. This situation would contravene the spirit of mutual benefit within APEC²⁶.

The aforementioned arguments show that it is reasonable for APEC to keep its stance as an incubator of ideas, despite suggestions by some experts to consider switching APEC's trade agenda to negotiation mode in order to revive APEC's agenda and/or have an alternative plan

²⁶ On the opposite, a negotiation outside APEC could be more convenient to facilitate the realization of the TPP and other building blocks towards the FTAAP. Similarly to the APEC pathfinder approach, APEC members express their willingness to join in the process only when they are ready. In principle, benefits will be greater for the participating parties as more APEC members are willing to join in the process to achieve a larger RTA/FTA.

in case it is not possible to reach an agreement at the Doha Round of multilateral trade negotiations²⁷.

Instead of focusing itself into a negotiating forum, APEC's new trade agenda should address the "next generation" trade and investment issues mentioned in the 2010 Leaders' Declaration. APEC's initial efforts on liberalization in the 1990s mainly focused on tariffs. A report by the APEC Policy Support Unit has shown that progress in tariff reduction has been substantial across the APEC region since the simple average tariff in APEC went down from 16.9% in 1989 to 6.6% in 2008²⁸. Liberalization efforts to reduce tariff rates should continue, but as the 2010 Leaders' Declaration highlights, APEC should also "*work to address non-tariff barriers to trade, including by increasing regulatory cooperation and improving the use of good regulatory practices among APEC economies*"²⁹.

Moreover, APEC's agenda should also include initiatives in topics related to investment, services, electronic commerce, rules of origin, standards and conformance, trade facilitation and environmental goods and services, as noted in the 2010 Leaders' Declaration.

In particular, facilitation issues are becoming a key component of the APEC agenda since they supplement liberalization efforts in order to take full advantage of the policies that APEC members are implementing in terms of trade and investment. For example, the 2010 Leaders' Declaration highlighted the need for APEC to "*commit to address impediments to moving goods and services through Asia-Pacific supply-chains by implementing the APEC Supply-Chain Connectivity Action Plan with a view to achieving an APEC-wide target of a ten percent improvement in supply-chain performance by 2015, in terms of reduction of time, cost, and uncertainty of moving goods and services through the Asia-Pacific region, taking into consideration individual economy's circumstances*"³⁰.

TPP's negotiating parties could benefit by taking a comprehensive approach to include these "next generation" issues on trade and investment identified within APEC in order to achieve a high-quality FTA. Other RTA/FTA negotiations should follow in the same way.

Despite the clear differences between APEC and TPP's approaches, both have the same aspirations to reduce transaction costs in order to foster trade and investment. This common link means that no matter the existing differences, APEC can benefit from the TPP negotiations towards a high-quality trade agreement and TPP can benefit from the work of APEC. In other words, there is a mutual usefulness between APEC and TPP.

²⁷ For example, Yamazawa (2009) argued that APEC could set a post-Bogor agenda for APEC's developed members and others that have achieved significant progress in terms of liberalization and facilitation. Yamazawa suggests that this agenda may include the FTAAP or TPP as a long-term target in which the members that are ready may go ahead of others. Also, Bergsten (2007) is optimistic in changing the focus of APEC towards a "negotiating forum" in order to pursue an FTAAP. He argues that doing this would strengthen APEC by restoring purpose and credibility to APEC.

²⁸ See APEC Policy Support Unit (2010). "Progressing towards the APEC Bogor Goals: Perspectives of the APEC Policy Support Unit", November, p. 27, http://publications.apec.org/publication-detail.php?pub_id=1083.

²⁹ See APEC 2010 Leaders' Declaration, Yokohama Declaration – The Yokohama Vision – Bogor and Beyond.

³⁰ Ibid.

4. APEC'S USEFULNESS FOR TPP

Despite its non-binding and voluntary nature, APEC can positively contribute to the TPP negotiations. In fact, several initiatives undertaken within APEC contain ideas that can assist TPP's negotiating parties to help them in achieving a high-quality FTA. The list of initiatives is long. Due to space constraints, this section only includes a non-exhaustive list of four relevant APEC initiatives that can be useful for the TPP negotiations. These initiatives are described below.

A. APEC BEST PRACTICES FOR RTA/FTA³¹

APEC is aware of the problems that complex trade agreements may cause to the private sector, which in the worst scenario, would prevent the business community from using them as a tool to obtain preferential treatment and therefore face lower transaction costs.

Inspired by those concerns, at the 12th APEC Economic Leaders' Meeting in Santiago, Chile, APEC Leaders endorsed a set of **APEC Best Practices for RTA/FTAs**, which consist of general guidelines with the intention of maximizing the benefits of RTA/FTAs on trade and investment. The current TPP negotiations should keep in mind these Best Practices and include them to the extent possible in the final text agreement.

This initiative points out that RTA/FTAs should be **consistent with the Bogor Goals** of free and open trade and investment, as well as **with existing WTO principles and obligations**. Agreements should **go beyond WTO commitments**. WTO obligations should be the starting point in RTA/FTAs, especially in areas covered by the WTO. Parties should explore commitments in trade and investment areas not covered or partially covered by the WTO.

In addition, the APEC Best Practices include the **need for comprehensiveness** in RTA/FTAs in terms of scope, including trade in goods (tariffs and non-tariffs), services and investment. Furthermore, in terms of liberalization, the RTA/FTAs should provide for **liberalization in all sectors**. Phase-out periods for tariffs and quotas in sensitive sectors should be kept to a minimum and **take into account the different levels of development** among the parties.

Additionally, this initiative **promotes transparency** of RTA/FTAs. All the agreements should be publicly available after being signed, including a version in the English language wherever it is possible. RTA/FTAs should also be notified to the WTO.

In terms of facilitation, these Best Practices encourage the **inclusion of practical measures** to facilitate trade and reduce trade transaction costs. They also support the use of **simple rules of origin** to maximize trade creation and minimize trade distortion. The rules of origin should be as consistent as possible across all RTA/FTAs.

APEC Best Practices also include paragraphs on **cooperation and sustainable development**, in which RTA/FTAs should promote economic and technical cooperation and discuss areas

³¹ APEC (2004), "Best Practice for RTAs/FTAs in APEC", document 2004/AMM/003, 16th APEC Ministerial Meeting, 17-18 November.

of possible future interaction, including topics such as economic and social development and environmental protection.

Finally, these APEC Best Practices on RTA/FTAs seeks to provide **certainty to business**. In this sense, the initiative recognizes the importance for RTA/FTAs to have **mechanisms for consultations and dispute settlement**. Also, this initiative provides flexibility by allowing the **periodic review of the RTA/FTAs** and keeping open the **accession of third parties** under negotiated terms and conditions.

B. APEC MODEL MEASURES FOR RTA/FTA³²

In 2005, APEC Leaders welcomed the initiative to develop model measures for RTA/FTAs in their efforts to promote consistency in RTA/FTAs across the region.

The **APEC Model Measures for RTA/FTAs** consists of **indicative examples** that could be used as useful references for APEC members in negotiating RTA/FTAs, including the current TPP negotiations. They provide guidance on the kind of provisions that might be included in the RTA/FTAs and are **neither mandatory nor exhaustive**.

The Model Measures are **not drafted in legal language** and they **do not prejudice the position of any APEC member** with respect to the negotiation of current or future RTA/FTAs. For example, on Safeguards, regarding the application of global safeguards, the Model Measures lists the options in respect to the treatment of safeguards: a) the parties reaffirm their rights pursuant to Article XIX of the GATT and the WTO Agreement on Safeguards; b) the parties tighten conditions under which safeguard measures may be invoked against each other; or c) the parties agree that a Party when taking any measure pursuant to Article XIX of GATT and the Safeguard Agreement may exclude imports of an originating good from the other party from the action if such imports are non-injurious³³.

So far, APEC has endorsed Model Measures was endorsed in the areas of Trade Facilitation, Trade in Goods, Technical Barriers to Trade, Transparency, Government Procurement, Cooperation, Dispute Settlement, Electronic Commerce, Rules of Origin and Procedures, Sanitary and Phytosanitary Measures, Safeguards, Competition Policy, Environment, Temporary Entry for Business Persons, and Customs Administration and Trade Facilitation.

The APEC Committee on Trade and Investment has been working on the preparation of Model Measures covering Trade in Services, Investment, Anti-Dumping, Subsidies and Countervailing Measures, and Labour Cooperation. Additionally, possibilities to expand the Model Measures in Trade Facilitation have been being explored since it is intended to provide more specificity and content³⁴.

³² APEC (2008), APEC Model Measures for RTAs/FTAs. In Committee on Trade and Investment – 2008 Annual Report to Ministers, appendix 2.

³³ Ibid.

³⁴ APEC (2009), Committee on Trade and Investment – 2009 Annual Report to Ministers, p. 7, 39.

C. APEC PRINCIPLES FOR CROSS-BORDER TRADE IN SERVICES³⁵

In 2009, APEC Ministers endorsed the **APEC Principles for Cross-Border Trade in Services** developed as part of the efforts to create a comprehensive policy framework to support the expansion of services trade in APEC³⁶. The inclusion of these principles in a prospective TPP agreement will help to increase the volume of services trade between the participating parties.

In terms of the promotion of an **open market in services**, this initiative encourages **most-favoured nation treatment** to services suppliers from another APEC economy in similar circumstances to suppliers from any other economy. Also, it fosters the application of **national treatment** to services suppliers from other APEC economies in similar circumstances to domestic services suppliers.

Similarly, APEC economies are also **encouraged, to the extent possible, not to demand local presence** to services suppliers in order to provide a service in their territory. In the same way, APEC economies are **discouraged to place numerical limitations** on the number of suppliers of any service provided within their territories.

APEC concedes that existing **domestic regulations** or particular circumstances may prevent the application of all these principles in APEC economies. Instead, APEC economies should endeavour **to refrain from introducing new measures that would make things more restrictive** to services suppliers and eliminate existing measures not consistent with this principle or make those **measures progressively less restrictive** for services suppliers.

The initiative promotes **regulatory cooperation** among its members in order to achieve high-quality regulation compatible with APEC objectives. These principles also recognize the right of each member to regulate and introduce new **regulations for a legitimate purpose** (for example, to protect public health and public morals, to maintain public order, or to adopt prudential regulations, among others). With regard to measures related to licensing requirements, procedures, and technical standards, these should be **consistent with GATS's Article VI**.

The APEC Principles for Cross-Border Trade in Services also includes suggestions to **enhance transparency and predictability**, in order to publish the laws and regulations concerning services trade. Regulatory procedures to obtain authorization to provide a service should be publicly available.

Moreover, these principles also cover the **publication of regulatory proposals and the opportunity for services suppliers to comment on them** in a reasonable time. Additionally, they consider the **provision of information from one APEC economy to another**, under request, on existing or proposed measures that affect cross-border trade in services. The establishment of **mechanisms to respond to enquiries from interested persons** regarding regulations on services trade is also encouraged.

³⁵ Op. Cit, p. 77-81.

³⁶ See <http://www.apec.org/Groups/Committee-on-Trade-and-Investment/Group-on-Services.aspx>. This initiative delimits the scope of application of the principles by modes of services supply (only for cross-border trade, movement of consumers and temporary movement of services providers) and particular sectors (it is not intended to apply to some activities that are usually not included in any RTA/FTA such as air transport services, government procurement, and financial services, among others).

Regarding the principles to **facilitate services delivered electronically**, this initiative takes into account the **consumer protection for electronic transactions**, the **facilitation of cross-border information flows**, and the **copyright protection** for works distributed over the Internet.

On the principles to **facilitate services delivered through the presence of natural persons**, APEC considers that its members should enhance the **mobility of business persons** subject to their domestic regulations. The information on requirements and procedures for temporary entry, as well as renewal of entry status, should be made available by APEC members.

These principles also include provisions to **encourage APEC members to recognize the education or experience obtained by a natural person** in another APEC member economy. This recognition could be made on a unilateral basis or based on agreements reached among the APEC members involved.

D. APEC NON-BINDING INVESTMENT PRINCIPLES³⁷

The **APEC Non-Binding Investment Principles** represents a good reference for member economies to pursue actions consistent with the Bogor Goals. These principles were endorsed in November 1994 in Jakarta, Indonesia, but their relevance has been maintained across the time. In fact, most of the APEC members have reported that their investment regimes and FTAs and investment agreements are fully or mostly consistent with these principles³⁸. The preparation of an investment chapter in the TPP negotiations should include these useful principles to the extent possible.

This initiative encourages **transparency** in order to make available laws, regulations, procedures and policies related to investment in an accessible manner. It also promotes the application of **non-discrimination and national treatment principles** to investors from other APEC economies. In other words, the treatment that each APEC member grants to domestic investors should be extended, in similar circumstances, to investors from other APEC economies³⁹.

The initiative also highlights that APEC members should **not relax health, safety and environmental regulations** as an incentive to encourage foreign investment. It also encourages APEC members to **minimize the use of performance requirements** that distort or limit the expansion of trade and investment.

In terms of **expropriation and compensation**, this initiative considers that APEC members should not expropriate foreign investment, except for **public purposes** and on a **non-discriminatory basis**. **Adequate and effective compensation** should be granted to the investor if expropriation occurs.

³⁷ See http://www.apec.org/Meeting-Papers/Ministerial-Statements/Annual/1994/~media/Files/MinisterialStatements/Annual/1994/94_amm_non-binding%20investment%20principles.ashx.

³⁸ See APEC Policy Support Unit (2010). "Progressing towards the APEC Bogor Goals: Perspectives of the APEC Policy Support Unit", November, p. 84, http://publications.apec.org/publication-detail.php?pub_id=1083.

³⁹ The initiative also makes a declaration on investor behaviour, in which it mentions that "*the acceptance of foreign investment is facilitated when foreign investors abide by the host economy's laws, regulations, administrative guidelines and policies, just as domestic investors should*".

Regarding financial issues, APEC members are encouraged to further **liberalize towards the goal of free and prompt transfer of funds** related to foreign investment in a freely convertible currency. Furthermore, these principles mention that APEC members should **minimize regulatory and institutional barriers to the outflow of investment**. Also, in terms of taxation, it encourages APEC members to endeavour to **avoid double taxation** related to foreign investment.

These principles also accept that **disputes** in connection with foreign investment can be settled through **consultations or negotiations** between the parties involved. In case of failure to solve the dispute in that way, it recognizes the **right of the parties to proceed with arbitration** in accordance with international commitments or any other acceptable approach.

Similar to the reasons for which it was raised by the APEC Principles on Cross-Border Trade in Services, this initiative also encourages APEC members to **allow the temporary entry of business persons**. In this case, it is about key foreign technical and managerial personnel for the purpose of activities connected with foreign investment, subject to domestic regulations.

5. TPP'S USEFULNESS FOR APEC

TPP and APEC are two different processes in nature and substance as explained in the previous sections. However, they complement each other and have a common vision of strengthening economic integration across the Asia-Pacific region. In this sense, TPP negotiations can lead to an outcome that also helps to advance APEC's agenda. The following discussion describes several ways in which the TPP can be useful to APEC.

A. TPP CONTRIBUTES TO APEC'S AGENDA ON REGIONAL ECONOMIC INTEGRATION

For several years, APEC has been working to strengthen regional economic cooperation by proposing initiatives on trade and investment liberalization and facilitation with the objectives of contributing to the sustainable development of the region, improving living standards and strengthening a sense of Asia-Pacific community. A high-quality TPP agreement will positively contribute towards achieving these objectives.

In terms of the economic significance of the TPP process in APEC, statistics show that the relevance of TPP in APEC would rise substantially if the negotiations are concluded in a satisfactory manner. In 2009, the nine economies participating in the TPP accounted for 51.5% of APEC's Gross Domestic Product (GDP). These economies also explained 62.3% of the total outward FDI stock and 57.8% of the total inward FDI stock in the APEC region. These nine economies also registered 36.2% of the total goods trade in APEC and 47.2% of the total services trade in APEC.

Figure 5.1. Importance of TPP Negotiating Partners in the APEC Region in 2009

Indicator	Share in APEC of TPSEP signatory parties	Share in APEC of TPSEP signatory parties + AUS + MAS + PE + US + VN
Gross Domestic Product	1.3%	51.5%
Goods Trade	5.9%	36.2%
Services Trade	7.6%	47.2%
Outward FDI Stock	3.4%	62.3%
Inward FDI Stock	7.6%	57.8%

Sources: StatsAPEC, World Bank, IMF, WTO and UNCTAD

The attainment of any high-quality RTA/FTA involves a process of domestic adaptation and implementation of the agreed clauses. This process usually creates additional incentives to the signatory parties to push for behind-the-borders policies in order to develop better systems, especially if the agreement is signed with a counterpart or a group of partners that jointly explain a significant percentage of their total trade. In this context, TPP could accelerate, within the participating APEC economies, the implementation of behind-the-borders policies that are captured by APEC initiatives such as the Trade Facilitation Action Plan II, the Investment Facilitation Action Plan and the Supply-Chain Connectivity Initiative to reduce trade transaction costs and therefore maximize the benefits of a comprehensive TPP.

As mentioned before, the TPP is one of the main stepping stones within the Asia-Pacific region towards the FTAAP. TPP can trigger the discussion of alternative ways to achieve this

goal. The concepts of RTA/FTA enlargement, docking and merging already discussed within APEC fora would probably be examined in a deeper way if the current TPP negotiations are successful.

B. TPP IS AN ADDITIONAL TOOL TO ACHIEVE A FREE AND OPEN TRADE AND INVESTMENT SYSTEM IN THE ASIA-PACIFIC REGION

The establishment of the Bogor Goals in 1994 towards a free and open trade and investment system has been an inspiration for APEC members to eliminate or gradually reduce barriers to trade and investment. APEC provides enough flexibility for members to decide the best way to achieve this goal.

In this sense, APEC members have implemented measures by using different approaches that are consistent with WTO principles. On the one hand, APEC members have been reducing barriers to trade in a negotiated way in order to obtain favourable market access and other benefits from partners at both the multilateral level (e.g., through efforts in the WTO) and the bilateral/regional level (e.g., via RTA/FTAs, such as the TPP). On the other hand, APEC members have been implementing measures at the unilateral level in order to reduce costs, promote efficiency, and allocate resources in a more effective way.

A prospective TPP agreement with high-quality features, including no exclusions in tariff liberalization schedules, would significantly increase the share of trade covered by the TPSEP agreement with respect to total trade within the APEC region. When the TPSEP entered into force in 2006 between Brunei Darussalam, Chile, New Zealand and Singapore, trade among these APEC members totalled USD 5.83 billion and represented only 0.1% of total intra-APEC trade (exports + imports). Based on the latest trade data available from 2009, a prospective TPP agreement among TPSEP signatory parties, Australia, Malaysia, Peru, the United States and Viet Nam would increase the amount of trade covered by the agreement to USD 551.86 billion, covering 6.7% of total intra-APEC trade⁴⁰.

From the individual perspective of an APEC member participating in the TPP negotiations, a successful extension of the TPP would represent a significant increase in the share of trade covered under the TPP FTA with respect to each participating APEC economy. Intra-TPSEP trade by each of the TPSEP signatory parties as a share of their total world trade ranged from 0.2% to 12.2% in 2006 when the TPSEP was implemented by four APEC economies. If the ongoing negotiations among the nine parties are successful and create TPP agreement, the shares of trade covered by the new TPP agreement would range from 17.9% to 38.2% for the four TPSEP signatory parties (see figure below).

⁴⁰ Intra-APEC trade refers to the trade flows among each of the 21 APEC member economies. Calculations have been made by the PSU using data from the IMF's Direction of Trade Statistics database.

Figure 5.2. Trade by TPP Negotiating Parties (USD millions)

APEC Member Status in TPP	Trade with World		Trade Covered		Share of Trade	
			Current TPSEP	Prospective TPP	Current TPSEP	Prospective TPP
Current TPSEP Members	2006	2009	2006	2009	2006	2009
Brunei Darussalam	9,060	9,009	1,104	2,644	12.2%	29.3%
Chile	93,190	93,454	148	16,706	0.2%	17.9%
New Zealand	48,876	50,661	1,846	19,335	3.8%	38.2%
Singapore	511,348	517,012	2,732	133,502	0.5%	25.8%
New Economies Joining TPP Negotiations	2006	2009	2006	2009	2006	2009
Australia	268,534	330,239	N/A	67,730	N/A	20.5%
Malaysia	291,146	281,262	N/A	81,370	N/A	28.9%
Peru	39,998	49,781	N/A	11,651	N/A	23.4%
United States	2,956,360	2,660,630	N/A	146,813	N/A	5.5%
Viet Nam	84,717	127,045	N/A	28,868	N/A	22.7%

Source: IMF, Direction of Trade Statistics

N/A: Not applicable

A successful conclusion of the TPP negotiations among the nine APEC members involved at the present time will create one of the largest free trade areas within the APEC region⁴¹. This scenario will also probably increase the interest of other APEC members to start talks to be part of this agreement. An indication of this is illustrated by the current TPP negotiation process. Viet Nam asked to participate in the process as an observer, after the TPSEP signatory parties, Australia, Peru and the United States agreed to be part of the TPP negotiation process in 2008. Later, Viet Nam and Malaysia joined the negotiations in their full capacity⁴². Other APEC economies have also been actively exploring the possibility to be part of the TPP process.

C. TPP COULD FACILITATE CONVERGENCE IN THE APEC REGION

The TPP agreement would bring together a significant number of APEC members from both sides of the Pacific Rim under a single FTA. The impact of this possibility would be significant. If the current negotiations are successful, at least nine APEC members would be subject to similar rules mutually agreed.

For example, in terms of the rules of origin, the “spaghetti bowl” problem faced by the business community in the APEC region would be substantially reduced by agreeing to a common set of rules of origin. Similarly, the steps to apply for preferential treatment could be improved, for example, by establishing common procedures.

Analogous examples can also be derived from other areas. For instance, in customs procedures, similar timelines could be agreed by all partners regarding the release of goods, advance rulings, express shipments and consultations, among others.

⁴¹ At present, no intra-APEC RTA/FTA is comprised by more than nine APEC members, which is the number of APEC members currently negotiating the TPP.

⁴² Experiences outside the TPP bring some support to this observation. One example is the expansion of ASEAN, as well as the independent negotiation processes among ASEAN and other parties to form free trade areas. Another example corresponds to the integration process in the European Union that has witnessed an enlargement of its membership on several occasions.

An agreement with many parties involved will also increase the opportunities for cooperation. There would be more chances for the exchange of information, promotion of best practices and capacity building activities that could increase the chance for convergence.

6. FINAL COMMENTS

Throughout this report, it has been shown that APEC and TPP were conceived with different intentions. Their features and *modus operandi* differ to a large extent in many cases. Despite not sharing an identical approach, both processes share some common elements that make them mutually useful. As opposed to what some experts think, APEC and TPP do not compete with each other.

The work undertaken in APEC since its inception provides useful guidance and reference for the participants in the current TPP negotiations. APEC's role as an incubator of ideas, as reinforced by the APEC Leaders in 2010, is very clear. Thanks to APEC, many ideas have matured after being discussed and analysed by its members before being implemented.

Likewise, TPP represents a boost to the APEC agenda, no matter APEC's condition as a non-binding and non-negotiating forum, since current TPP negotiations have the potential to generate a substantial outcome that allows APEC to achieve great progress in strengthening its regional economic integration work program, meeting the Bogor Goals of free and open trade and investment, and promoting convergence across the APEC region. If successful, an expanded TPP is a good opportunity to have a large number of APEC members under a single FTA.

As well as many other integration schemes within the APEC region, the TPP is an attractive stepping stone towards the realization of the FTAAP. However, it is premature to say that this integration scheme will lead the process towards the FTAAP. For sure, nobody currently knows how the APEC members will give shape to the FTAAP. It might involve an enlargement process by having the TPP, ASEAN or another initiative as a starting point; or require a docking or merging mechanism among two or more integration schemes; or begin the process from ground zero. However, it is more likely that market forces will play a big role in influencing government decisions on the way forward.

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