



Strengthening Regional Economic Integration

A report on regional economic integration, including a possible Free Trade Area of the Asia-Pacific as a long-term prospect



Executive summary

In Hanoi last year, Leaders called for *“further studies on ways and means to promote regional economic integration, including a Free Trade Area of the Asia-Pacific as a long-term prospect, and report to the 2007 APEC Economic Leaders’ Meeting in Australia”*.

This report sketches out significant existing trends sweeping the region and sets out a range of agreed actions designed to give a significant boost to APEC’s efforts to promote regional economic integration. This initiative will lead to greater growth and increased prosperity for the people of the Asia-Pacific.

The agreed actions build on the dynamic economic developments in the Asia-Pacific region in recent years and address in particular the issues arising from the increase in the number of free-trade agreements among APEC economies and the challenges this poses for business.

The report and the agreed actions outline our commitment to:

- ◆ continuing support for the multilateral trading system through strong commitments and concrete actions;
- ◆ achieving the Bogor Goals and taking concrete actions towards free and open trade and investment;
- ◆ through a range of practical incremental steps we will take forward our examination of the options and prospects for a Free Trade Area of the Asia-Pacific (FTAAP);
- ◆ strengthening APEC’s work to promote high-quality free-trade agreements;
- ◆ refocusing APEC’s trade and investment agenda through concrete initiatives that accelerate regional economic integration and reduce behind-the-border barriers;

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- ◆ strengthening APEC's work on structural reform;
 - ◆ intensifying efforts to strengthen and deepen financial markets in the region;
 - ◆ sharpening ministerial agendas to place a greater focus on initiatives that promote regional economic integration and exploring new work on issues expected to support the region's economic growth and development over the longer term;
 - ◆ developing a strategic approach to the expanding capacity-building activities flowing from APEC's strengthened work on regional economic integration; and.
 - ◆ providing the APEC secretariat with greater resources and institutional capacity to support this work.



The APEC Initiative for Strengthening Regional Economic Integration

This report outlines a wide range of actions aimed at strengthening work towards regional economic integration among the APEC economies. It builds on, and develops further, APEC's commitment to achieve economic growth and prosperity through collective and individual actions, supported by targeted capacity-building programs.

APEC's commitment to regional economic integration

APEC was founded in 1989 on a common commitment to cooperation and the pursuit of economic prosperity in the Asia-Pacific region. When they met for the first time at Blake Island in the United States in 1993, APEC Economic Leaders espoused a shared commitment to a deeper *"spirit of community based on a shared vision of achieving stability, security and prosperity for our peoples"*. At the heart of this vision was a commitment to boosting economic growth through regional integration and free and open trade and investment.

In 1994, at Bogor, Indonesia, APEC Leaders demonstrated this commitment by setting in place the Bogor Goals, a bold vision to achieve free and open trade and investment in the Asia Pacific region by 2010 for developed economies and 2020 for developing economies. The *Osaka Action Agenda*, updated in 2002, remains the underlying plan for progress in APEC towards achieving the Bogor Goals.

In 1996, APEC agreed to use Individual Action Plans (IAPs) as tools to track progress towards achieving the Bogor Goals. This was supplemented with a program of peer reviews that began in 1997. The peer review process offers the opportunity to learn from other economies' reform experiences and generally encourages open markets and measures to reduce the cost of doing business.

The 2001 *Shanghai Accord* recognised the importance of trade facilitation and the gains to be made from a reduction in business transaction costs. It

launched the first *Trade Facilitation Action Plan* (TFAP), which met its overriding goal of reducing transaction costs by five percent. Building on this effort, APEC Trade Ministers endorsed a second TFAP in July 2007 to reduce trade transaction costs by another 5 percent by 2010.

In 2005, APEC Leaders endorsed in Busan, Korea, the *Mid-term Stocktake of Progress Towards the Bogor Goals*, which concluded that APEC had contributed significantly to the growth and prosperity in the Asia-Pacific region through promoting free and open trade and investment and reducing barriers to trade and investment – a result that helped the region outperform the rest of the world in terms of economic growth, employment, reductions in poverty, and access to education.

The changing trade and investment environment


The trade and investment policy landscape in the APEC region has changed considerably since the creation of APEC in 1989. The multilateral trading system remains the basic framework for the conduct of economic relations by APEC economies. But economies are turning to regional trade agreements and free-trade agreements (RTAs and FTAs) to pursue liberalisation and economic engagement objectives. More complex and efficient supply chains have emerged in response to lower trade barriers and regional economic integration. The services sector has become the largest component of many regional economies, and business is increasingly concerned about the efficiency, availability and security of economic infrastructure and supply chains.

Developments in information and communications technology, changing demographics, and increasing prosperity are increasingly bringing communities together through, *inter alia*, expanded tourism, international education services, and business mobility. In addition, greater prosperity in the region has been accompanied by demands in areas such as cleaner development, stronger intellectual property rights, more robust financial markets and greater certainty and transparency in business law.

Small and medium-sized enterprises (SMEs) have become key players in the new global business environment. They represent 90 percent of businesses in the APEC region. The effect of these developments on SMEs varies considerably. APEC therefore must be alert to the needs of SMEs to ensure they reach their full potential.

In 2005 Leaders developed the *Busan Roadmap* as a key component of the Mid-term Stocktake. The Roadmap outlined six key priorities to redefine and broaden APEC's work and in particular to accelerate





progress towards the Bogor Goals. These priorities are: (1) support for the multilateral trading system, (2) strengthening collective and individual actions, (3) promoting high-quality RTAs/FTAs, (4) implementing the *Busan Business Agenda*, (5) implementing a strategic approach to capacity building, and (6) utilising the Pathfinder approach better. The Busan Roadmap called for development of a comprehensive business facilitation program, with due consideration to private sector development, to include such areas as customs procedures, standards and conformance, business mobility, electronic commerce, transparency, anti-corruption and corporate governance, food cooperation, security in trade, intellectual property rights protection and enforcement, structural and regulatory reform, competition policy and financial systems. The *Hanoi Action Plan*, endorsed by Leaders in 2006, was developed to set out specific actions to implement the Busan Roadmap.

The APEC Framework for Strengthening Regional Economic Integration

The proposed framework for strengthening regional economic integration in the APEC region consists of four key elements:

- ◆ first, it promotes and supports further liberalisation of trade in goods and services and investment flows in a manner that reflects the Bogor Goals and supports the multilateral trading system. In this way it will also lay the foundation for a possible Free Trade Area of the Asia-Pacific (FTAAP) in the longer term;
- ◆ second, it places a greater focus on behind-the-border reform and a business environment conducive to maximising the benefits obtainable from cross-border liberalisation;
- ◆ third, the framework seeks to strengthen and deepen regional financial markets to make it easier to mobilise financial resources; and
- ◆ fourth, this effort to strengthen regional economic integration will include initiatives in specific sectors, such as transport and communications.

For these elements to be sustained, it is essential that we improve the ability of the APEC Secretariat to respond to and support Leaders' and Ministers' directives.

The multilateral trading system represented by the World Trade Organization (WTO) provides the all-encompassing framework for

strengthening economic integration in the Asia-Pacific region. APEC economies are committed to continuing their active and positive involvement in the WTO and the Doha Development Agenda (DDA) negotiations, and they will continue to see it as the best vehicle for enhancing regional economic integration.

The regional economic integration framework is dynamic. It is based on the willingness and commitment of APEC economies to give it momentum. Its components are specific and action-oriented.

A targeted and effective capacity-building program

APEC economies have a firm belief that trade and investment liberalisation will progress at a faster pace if sustained by well targeted economic and technical cooperation. This is fundamental to the achievement of Bogor Goals of free and open trade and the overall process of regional economic integration.





Agreed actions

Charting a way forward: opportunities and challenges ahead

The Bogor Goals, to which APEC members remain committed, continue to be a key organising principle and driving force for APEC. The various cooperation activities derived from the Bogor Goals have not only promoted the sustainable and stable economic development of APEC member economies, but also made substantial contribution to Asia-Pacific economic integration. That progress has been underpinned by impressive and continuing economic growth derived in large part from trade and investment with other parts of the world. This in turn points to the reality that greater non-discriminatory trade liberalisation under the multilateral system will remain a principal driver of further regional economic growth and integration.

The future for economic integration in the Asia-Pacific region is promising – driven by open markets and rising living standards. While much of this process will be organic – as businesses and consumers respond to factors such as emerging technologies and demographic trends – our economies have a crucial role to play in shaping and nurturing economic integration. Poor policy choices are likely to result in slower growth and render the region as a whole less competitive globally.

The challenges ahead should not, however, be discounted. As well as the common challenge of meeting economic needs, economies in the region will have to deal with a range of demographic and structural changes, rising demand for energy and infrastructure, and environmental consequences. All of these challenges can be managed without putting future growth and development at risk. Cooperation between APEC members in developing policy responses will help support stable long-term regional economic development and integration.

APEC already has an extensive work program to promote regional economic integration. APEC economies also have a long history of working together to advance economic reform. APEC's robust trade and investment liberalisation and facilitation agenda continues to open markets in ways that yield countless benefits to the people of the APEC economies. APEC's intensified focus on structural reform policies adds weight to the pro-reform voices in individual economies. APEC is also

ideally suited to provide needed capacity building to strengthen the institutions that support strong and effective domestic markets.

Supporting the multilateral trading system

The APEC region, consisting of 21 global traders, places paramount importance on the effective functioning of the multilateral trading system. Since its inception in 1989, APEC has been a strong advocate and consistent supporter of non-discriminatory trade liberalisation first under the GATT and later the WTO. More recently, APEC has played a similarly positive role in advancing the Doha Development Agenda negotiations by providing crucial support at key junctures in the negotiations.

Agreed actions:

- ◆ We will continue to support the multilateral trading system through strong and unambiguous political commitments as well as a range of supportive, practical and concrete actions.
- ◆ We reaffirm that the Doha Round of multilateral negotiations provides the best opportunity for achieving trade liberalisation and that it remains our first priority.

Reaffirming our commitment to the Bogor Goals

The Bogor Goals remain a key organising principle and driving force for APEC. They have helped the APEC economies not only to promote sustainable and stable economic development, but they have also made a considerable contribution to Asia-Pacific economic integration.





Agreed actions:

- ◆ We reaffirm our commitment to achieve the Bogor Goals and will continue to take concrete actions towards free and open trade and investment.
- ◆ We underline in particular the role played by the Busan Roadmap and the Hanoi Action Plan to advance this goal.

Exploring a Free Trade Area of the Asia-Pacific

In 2006 we called for recommendations concerning the possibility of a Free Trade Area of the Asia-Pacific (FTAAP) as a long-term prospect. An FTAAP could make a considerable contribution to economic integration in the Asia-Pacific region, but its implications are not yet fully understood. Nor are the issues that would need to be addressed clearly identified.

Several plurilateral free-trade agreements involving members of APEC are already in place, and others are at various stages of consideration (see attachment). A considerable quantity of analytical material concerning bilateral and plurilateral free-trade agreements is available for examination. It is nevertheless clear that more could be learned from intensified work among the APEC economies on the opportunities an FTAAP could provide, as well as the challenges it could present. Additional SOM Trade Policy Dialogues to discuss various aspects of a possible FTAAP would be helpful.

Agreed actions:

- ◆ Through a range of practical incremental steps, we will examine the options and prospects for a FTAAP, including:
 - ◆ compiling an inventory of issues relevant to an FTAAP that would need to be addressed as part of a possible preparatory process and examining their possible implications;

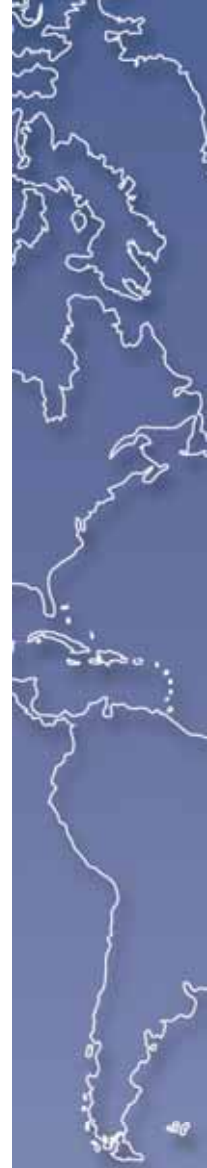
- ◆ conducting an analytical study of existing bilateral and plurilateral free-trade agreements in the region with the aims of increasing knowledge of their similarities and differences, as well as enabling economies to identify possible ways in which the FTAAP concept could be furthered;
- ◆ undertaking a review of existing analytical work relevant to a possible FTAAP and assessing the need for any additional analytical work; and
- ◆ examining the feasibility of docking or merging existing free trade agreements.


Supporting regional economic Integration through RTAs/FTAs

APEC has consistently stressed the importance of high-quality and comprehensive RTAs/FTAs, achievement of trade and investment liberalisation and facilitation and achievement of the Bogor Goals. At the same time, member economies are aware of business concerns about unnecessary complexity in trade agreements as well as marked divergences among them. For this reason, APEC has pioneered the promotion of high-quality agreements through the development of the APEC Best Practices and the model measures for RTAs/FTAs.

Increasing the number of agreed sets of model measures would strengthen the ability of policy-makers to negotiate high-quality agreements. In addition, the effectiveness of the model measures can be enhanced through capacity-building activities aimed at making them better understood.

Preferential rules of origin offer another possible area of future work on RTAs/FTAs. Differences between and complexities in these rules are often cited by business as an impediment to better utilisation of preferential trade agreements. An exploration of the various rules of origin used in the APEC region therefore could be undertaken, possibly followed by an exploration of how they might be rationalised.





Agreed actions:

- ◆ We will strengthen APEC's work promoting high-quality, comprehensive RTAs/FTAs that open markets and promote economic integration while seeking to promote consistency among agreements and maximise their trade and economic benefits. In this regard, we will:
 - ◆ complete by 2008 the program of comprehensive and high-quality model measures of commonly accepted chapters for RTAs/FTAs and identify ways to facilitate their use as a guide to negotiating RTAs/FTAs;
 - ◆ examine the various types of preferential rules of origin used in the APEC region with the aim of increasing knowledge of their similarities and differences;
 - ◆ explore in close cooperation with the business sector how rules of origin used in economies' RTAs/FTAs might be rationalised;
 - ◆ expand dialogue on examining ways to achieve greater consistency in key provisions of RTAs/FTAs in the region; and
 - ◆ undertaking a study of bilateral investment agreements and core investment-related elements of existing free-trade agreements with a view to developing principles for investment agreements; and
 - ◆ exploring the possibility of building on the model measures for trade facilitation to provide more specificity and content.

Facilitating business activity through an expanded trade and investment agenda

APEC continues to place a central focus on promoting regional growth and cooperation through increased trade and investment liberalisation and facilitation. This has been a core objective of APEC from the outset and covers work in areas such as customs, standards, intellectual property rights, transparency, and competition policy. As trade barriers have gradually fallen, burdensome or inconsistent regulatory frameworks

affecting trade and investment have emerged as significant impediments to business activity and competitiveness. APEC should therefore not only place a greater focus on trade and investment liberalisation initiatives that contribute to regional economic integration, but also put an increased emphasis on reforms that address behind-the-border barriers that impede trade and hinder economic growth.

APEC economies have undertaken substantial investment liberalisation and reform in recent years. APEC has an important role to play in further investment reform in the region. The key to improving investment climates in member economies is a home-grown strategy that would remove or reduce the impact of regulatory barriers to investment. It is not sufficient to identify where the barriers are – it is equally important to provide help in how to go about removing them in a coherent way. This can be done collectively (e.g. experience-sharing, institutional stocktake) and by assisting member economies to understand fully the benefits of reform. Targeted capacity building that benefits individual member economies' reform efforts should also be encouraged.

Agreed actions:

- ◆ We will refocus APEC's trade and investment liberalisation and facilitation agenda on concrete initiatives that accelerate regional economic integration and reduce behind-the-border barriers, particularly in ways that would improve the investment climate in APEC economies and their competitiveness, including:
 - ◆ reducing trade transaction costs by implementing APEC's second Trade Facilitation Action Plan – addressing in particular collective actions on standards and conformance, customs procedures, e-commerce and business mobility. In particular, we agree to:
 - advance the single customs windows initiative that will provide a strategic direction and common understanding for single windows in APEC economies; and
 - pursue international implementation of the APEC Privacy Framework through the development of a voluntary cross-border system of data privacy rules;
 - ◆ launching the region-wide Cooperation Initiative on Patent Acquisition Procedures;





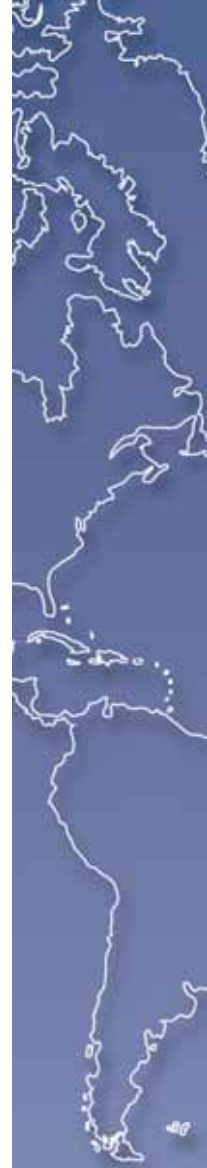
- ◆ launching a customs clearance initiative that would facilitate customs procedures for low-risk shippers;
 - ◆ pursuing membership in the APEC Business Travel Card (ABTC) scheme by all member economies;
 - ◆ exploring ways to reduce barriers to trade in environmental goods and services; and
 - ◆ encouraging collaboration with other international organisations to help achieve the economic and trade goals of APEC member economies.
- ◆ We are determined to improve further the investment climate in APEC economies and the Asia-Pacific region by reducing major impediments to investment. In that regard, we agree to:
- ◆ identify domestic restrictions that have the effect of deterring investment to complement the work done on border measures;
 - ◆ develop an Investment Facilitation Action Plan in APEC;
 - ◆ give high priority to focused capacity building activities to assist investment climate reform and promote investment liberalisation and facilitation, for example:
 - the use of diagnostic tools developed by relevant international organisations;
 - expand dialogue on how APEC member economies undertake investment policy reform and share the experiences and lessons among member economies; and
 - undertake work on risk-sharing Public-Private Partnerships, where appropriate, as a means of increasing investment levels.

Supporting structural reform

Addressing structural impediments to growth, investment and competitiveness will have positive economic follow-on effects for the region. Appropriate domestic policies and targeted structural reform policies remain essential for achieving higher productivity and international competitiveness. The Busan Roadmap and the Hanoi Action Plan help pave the way for advances on the structural reform front: yet structural reform is specific to an economy and dependent on unilateral action. Such reforms can also be politically difficult. All economies can learn from each other and share best practices. Within APEC, there is considerable scope for assisting each other through individually tailored capacity-building programs.

Agreed actions:

- ◆ We will strengthen APEC's work on structural reform and provide greater resources and institutional capacity to support it. In this regard, we will:
 - ◆ strengthen the capacity of the APEC Secretariat to assist member economies in policy dialogue on structural reform and in strengthening domestic institutions and policies that support the reform process;
 - ◆ identify and prioritise reform initiatives under the five Leaders' Agenda on Structural Reform (LAISR) themes of competition policy, regulatory reform, strengthening economic and legal infrastructure, corporate governance and public sector management with the best potential to improve economic growth and trade;
 - ◆ accelerate the work being undertaken under the Private Sector Development Agenda, using the World Bank's Ease of Doing Business indicators as a guide to best practice; and
 - ◆ provide high-level guidance for this agenda by calling a meeting on structural reform issues at a ministerial level.





Strengthening financial markets

Recalibrating and bolstering APEC's work on financial sector issues geared toward promoting regional economic integration would do much to promote growth and reform in the region. Well-functioning financial sectors are necessary for facilitating investment as they provide markets and intermediaries for matching savings and financing requirements, exercising market discipline and spreading risks. Underdevelopment of financial sectors in some APEC economies, combined with a lack of harmonisation and coordination in regulation and enforcement, create impediments to domestic and cross-border investment in the region. Financial sector reform priorities include strengthening legal and regulatory frameworks, in particular addressing gaps in property rights, creditor rights and insolvency regimes in some economies; making improvements in disclosure and corporate governance requirements; and improving physical infrastructure, such as payments systems.

Agreed actions:

- ◆ We will intensify efforts to strengthen and deepen financial markets within the APEC region. In this regard, we will:
 - ◆ explore options to secure diversified and deeper capital markets;
 - ◆ address domestic structural policies and systems that pose barriers to deepening and developing financial markets through capacity building and information sharing in ways that corresponds to member economies' individual circumstances; and
 - ◆ examine options for greater cooperation in the development of financial systems and capital markets and identify appropriate capacity-building and information-sharing initiatives, including initiatives to enable financial institutions in APEC economies to achieve global standards.

Sectoral issues and private sector engagement

APEC has a long history of promoting economic growth and reform on a sector-by-sector basis, convening regular sectoral ministerial meetings to address prominent new and ongoing issues, in such areas as Energy, Mining and Transportation. In light of the focus Leaders are placing on promoting regional economic integration, these ministerial meetings should recalibrate their agendas to fulfil more effectively this broad mandate.

APEC's work in recent years has benefited from dialogue and cooperation with the business community, which is a key driver of economic integration in the region. As APEC's work on regional economic integration intensifies, it will be important to maintain close engagement with the APEC Business Advisory Council (ABAC) and other representatives of the business community.

Agreed actions:

- ◆ We instruct APEC to place a greater focus in sectoral ministerial meetings on initiatives that promote economic development and integration in the APEC region. This may include:
 - ◆ Transport—Review the implementation of the APEC Eight Options for More Competitive Air Services (air carrier ownership and control, doing-business matters, air freight, multiple airline designation, tariffs, charter services, cooperative arrangements between airlines, and market access) and identify further steps to liberalise air services in accordance with the Bogor Goals; identify measures to improve maritime port efficiency and foster competition in maritime transport;
 - ◆ Minerals and mining—Examine the recommendations made in the 2007 study on impediments to trade and investment in mining and propose possible actions for APEC by 2008 APEC Ministerial Meeting;
 - ◆ Environment—Support the work being done in ICAO to develop a balanced approach to addressing emissions from aviation operations;





- ◆ Telecommunications—Implement mechanisms to achieve the Asia Pacific Information Society;
- ◆ Small and Medium-Sized Enterprises (SMEs)—Promote the appropriate economic environment to foster the establishment, growth and development of micro, small and medium-sized enterprises and develop strategies to increase their competitiveness in the global trading system; and
- ◆ Energy—Commission an expert study to identify barriers to trade and investment in energy, including behind-the-border barriers, to the adoption of new, cleaner and more efficient fuels and technologies. Form an APEC Energy Investment and Trade Roundtable of senior energy, environment, finance and trade experts, plus private sector representatives, to develop a plan of action to address identified barriers, tailored to the needs of individual economies.
- ◆ We will strengthen dialogue and cooperation with the private sector, including through the APEC Business Advisory Council (ABAC).
- ◆ We will also intensify efforts to strengthen APEC public-private sector dialogues to promote regional economic growth and integration and improve the business environment.
- ◆ We instruct officials to work with ABAC to identify potential joint activities that would benefit the APEC business community by facilitating trade and investment and addressing structural reform issues.
- ◆ We also instruct officials to explore new work in APEC on issues expected to impact on the region's economic growth and development over the longer term, and their implications for regional economic integration.

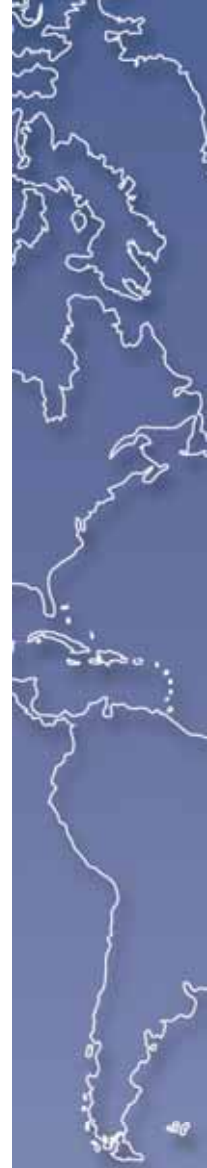
Strategic approach to expanding capacity building

Strengthening regional economic integration will yield better results if it is accompanied by targeted capacity-building activities. This strategic approach should place a priority on carrying out the specific recommendations in this report and promoting regional economic integration generally. A number of the recommendations suggested in the preceding sections are capacity-building in nature. A more focussed and long-term approach in addressing the capacity-building needs of APEC members would contribute to more coordinated effort and outcome in enhancing regional economic integration.

To increase APEC's effectiveness in promoting such integration, relevant expertise and funding should be provided in response to identified capacity-building needs.

Agreed actions:

- ◆ We will develop and implement capacity-building activities in support of APEC's work on regional economic integration. In that regard, we will:
 - ◆ provide targeted trade-related technical assistance and capacity building to strengthen capacities of developing economies to participate in the multilateral trading system and ultimately better use trade policy to help achieve their development goals;
 - ◆ strengthen the APEC Secretariat's ability to provide analysis and evaluation capacity, and assist in coordinating related capacity building for the development and implementation of APEC's trade, investment and economic reform agenda, including through a new Policy Support Unit and a dedicated evaluation unit in the Secretariat;
 - ◆ develop and implement longer term sustainable capacity building projects reflecting the extended time horizons involved in undertaking work on regional economic integration;
 - ◆ ensure that the allocation of APEC resources reflects priorities in Leaders' Declarations and Ministerial Statements, including promoting regional economic integration;





- ◆ encourage contributions to the APEC Support Fund by member economies and other interested parties;
- ◆ encourage contributions by member economies to the Trade and Investment Liberalisation and Facilitation Fund; and
- ◆ encourage engagement with international financial institutions and other relevant international organisations.

Attachment

Free-trade agreements in the APEC region

The development of intra-APEC free-trade agreements began slowly. The Australia New Zealand Closer Economic Relations Trade Agreement (ANZCERTA) led the way in 1983. It was followed in 1992 by the ASEAN Free Trade Agreement (AFTA) in 1992 and the North American Free Trade Agreement (NAFTA) in 1994. Other agreements concluded in the 1990s were those between Canada and Chile (1997) and Mexico and Chile (1999).

The number of agreements entering into force has picked up greatly in this decade. In 2001 there was New Zealand–Singapore, followed in 2002 by Japan–Singapore and the following year by Singapore–Australia. In 2004 Chile–Korea, China–Hong Kong, China, United States–Chile and United States–Singapore were added to this list. In 2005 Australia–United States, Japan–Mexico, New Zealand–Thailand and Thailand–Australia entered into force. A further four followed in 2006: Chile–China, Japan–Malaysia, Korea–Singapore and the P–4 Agreement (Brunei Darussalam, Chile, New Zealand and Singapore) and Japan–Chile in 2007.

Several agreements are awaiting ratification by the parties. Among these are Indonesia–Japan, Japan–Brunei, Japan–Philippines, Japan–Thailand, Korea–United States and United States–Peru. Map 1 on page 23 shows clearly the growing number of linkages between economies in the APEC region.

Many other bilateral agreements are at various stages of negotiation. Additionally, several feasibility studies now under way suggest that economies are increasingly prepared to look at new combinations and that the trend towards free-trade agreements will continue for some yet.



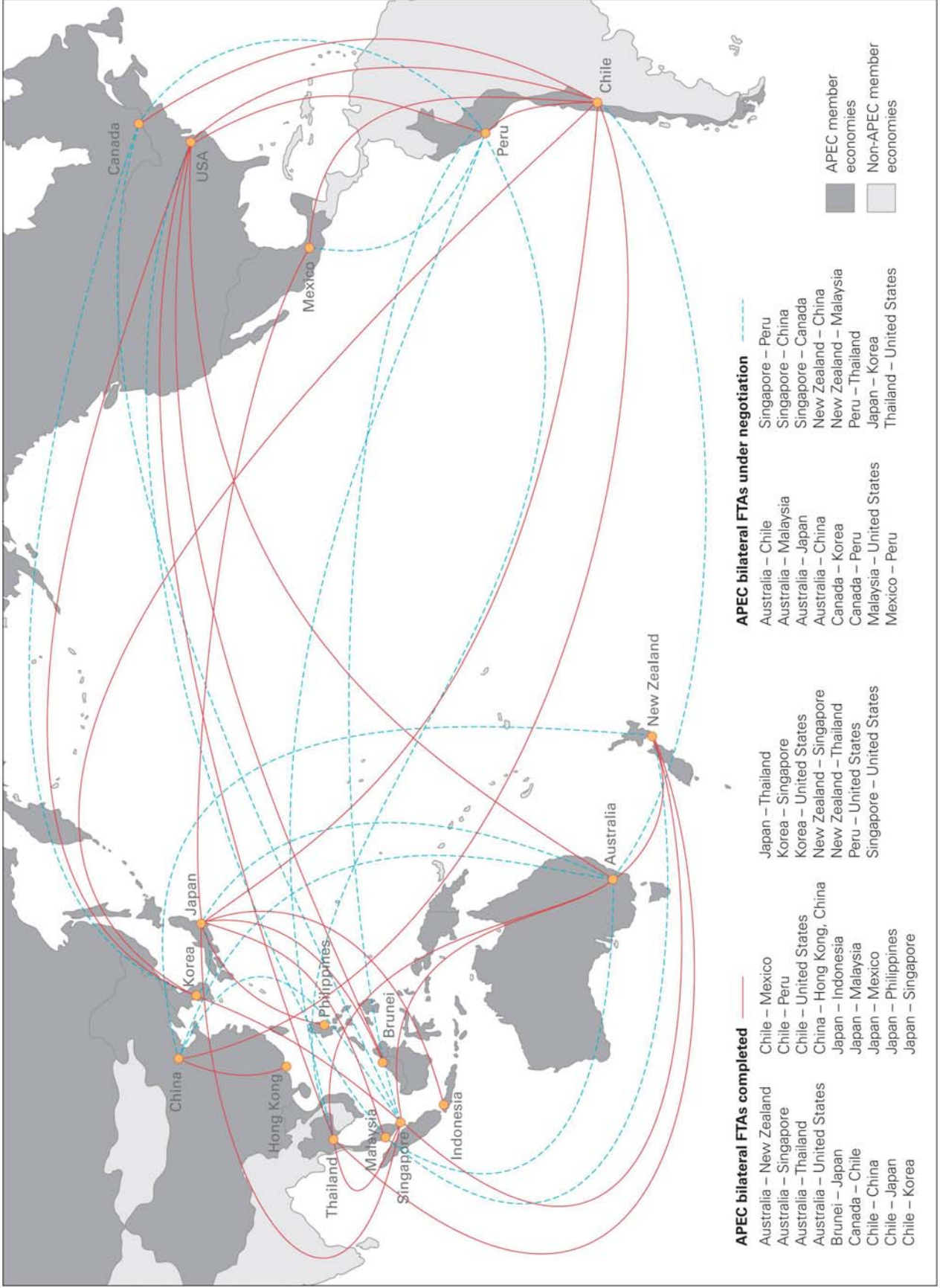


Plurilateral free-trade agreements

AFTA and NAFTA (the largest free-trade agreement in existence), are early examples of plurilateral free-trade agreements in the APEC region. In both cases, the parties are in the same geographical area, and some of them share borders. The P-4 Agreement is different: its members are located on both sides of the Pacific. It is also the only agreement covering international air transport services.

Some APEC economies are now examining the possibility of even more ambitious free-trade areas. One of these is the ASEAN+3 free-trade area (ASEAN members plus China, Japan and Korea). Another is the ASEAN+6 proposal (ASEAN members plus Australia, China, India, Japan, Korea and New Zealand). Map 2 on page 24 shows the potential geographical coverage of these agreements.

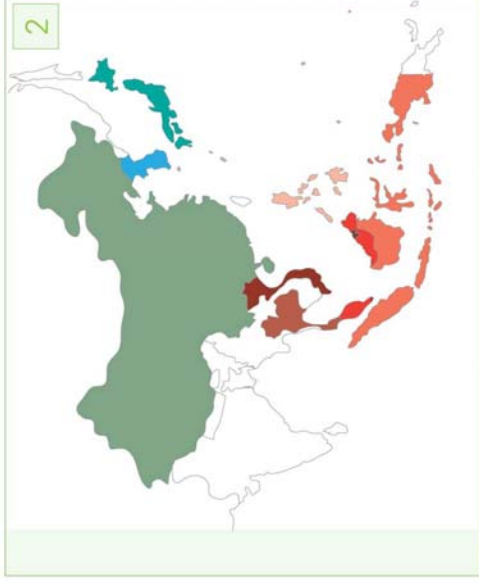
APEC bilateral free-trade agreements completed or under negotiation



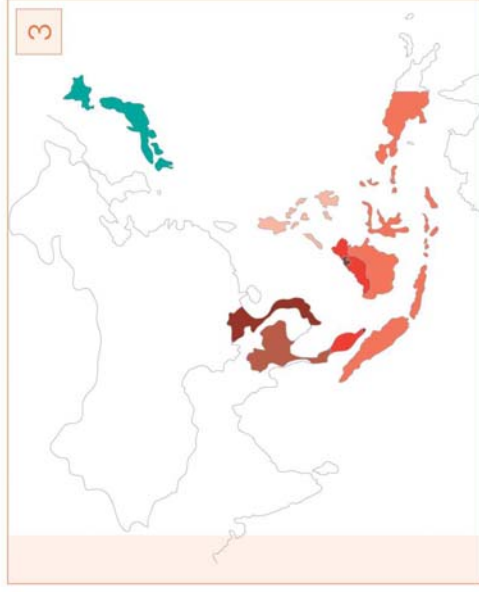
APEC plurilateral free-trade agreements under negotiation or consideration



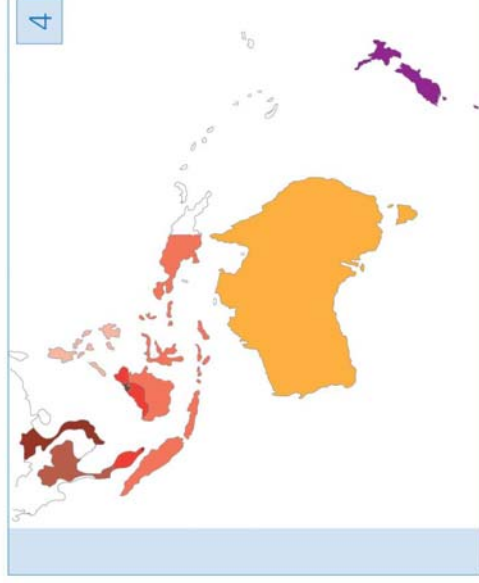
1 ASEAN + 6 Free Trade Agreement
(China – Japan – Korea – Australia – India – New Zealand – Brunei – Indonesia – Malaysia – Philippines – Singapore – Thailand – Vietnam)



2 ASEAN + 3 Free Trade Agreement
(China – Japan – Korea – Brunei – Indonesia – Malaysia – Philippines – Singapore – Thailand – Vietnam)

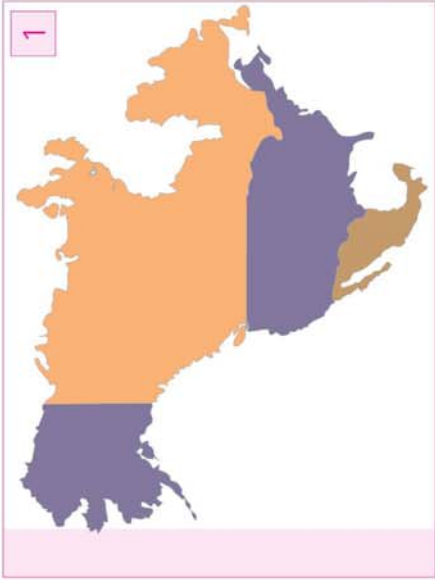


3 ASEAN – Japan Comprehensive Economic Partnership Agreement
(Japan – Brunei – Indonesia – Malaysia – Philippines – Singapore – Thailand – Vietnam)



4 ASEAN – Australia and New Zealand Free Trade Agreement
(Australia – New Zealand – Brunei – Indonesia – Malaysia – Philippines – Singapore – Thailand – Vietnam)

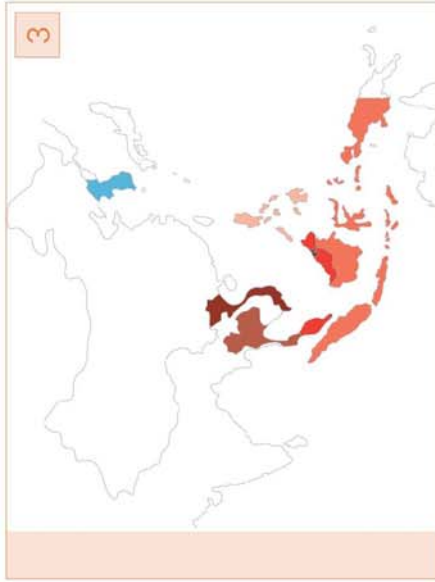
APEC plurilateral free-trade agreements completed



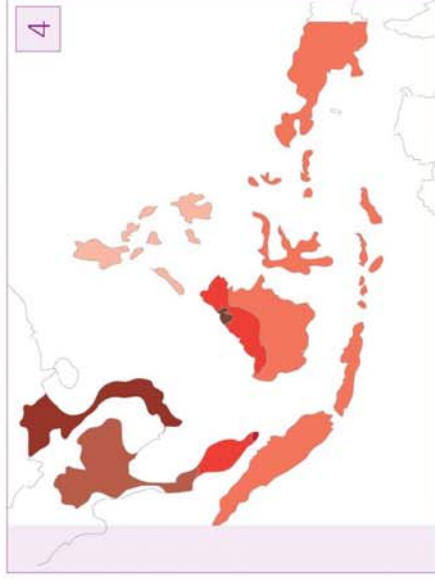
1 North American Free Trade Agreement (NAFTA) (United States – Mexico – Canada)



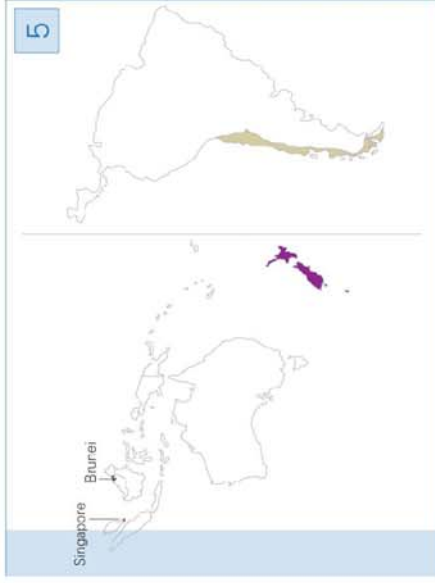
2 China – ASEAN Free Trade Agreement (China – Brunei – Indonesia – Malaysia – Philippines – Singapore – Thailand – Vietnam)



3 Korea – ASEAN Framework Agreement (Korea – Brunei – Indonesia – Malaysia – Philippines – Singapore – Thailand – Vietnam)



4 ASEAN Free Trade Area (AFTA) (Brunei – Indonesia – Malaysia – Philippines – Singapore – Thailand – Vietnam)



5 Trans-Pacific Strategic Economic Partnership Agreement (P-4 Agreement) (Brunei Darussalam – Chile – New Zealand – Singapore)