

APPENDIX 2

Outline of the Collective Strategic Study on Issues Related to the Realization of the FTAAP

1. Background

APEC Leaders raised the vision of a Free Trade Area of the Asia-Pacific (FTAAP) in 2006. In 2010, APEC Leaders issued the “Pathways to FTAAP”, and instructed to take concrete steps toward realization of the FTAAP, as a major instrument to further APEC's regional economic integration agenda which should be pursued as a comprehensive free trade agreement by developing and building on ongoing regional undertakings. In this regard, APEC is expected to make an important and meaningful contribution as an incubator of the FTAAP through the following approaches; 1) providing leadership and intellectual input into the process of its development; 2) playing a critical role in defining, shaping, and addressing "next generation" trade and investment issues that the eventual FTAAP should contain; 3) contributing to the pursuit of the FTAAP by continuing and further developing its work on sectoral initiatives in such areas as investment, services, e-commerce, rule of origin, trade facilitation including supply chain connectivity and Authorized Economic Operator (AEO) programs, and environmental goods and services (EGS). APEC has conducted much meaningful work in pursuit of this vision, including: studies on the convergence and divergence of regional RTAs/FTAs, development of FTA model measures; identification of ASEAN+3, ASEAN+6 and the TPP as possible pathways to the FTAAP; and addressing the next generation trade and investment issues, as well as sectoral initiatives. In 2013, APEC Leaders reaffirmed their commitment to “achieve the FTAAP, including by continuing APEC's work to provide leadership and intellectual input into the process of regional economic integration.”

Currently, APEC economies are participating in a wide variety of economic integration efforts in the Asia-Pacific region, such as the TPP, RCEP, the Pacific Alliance, and CJK. These undertakings both promote trade and investment liberalization, facilitation and economic integration in the region, but may also result in multiple and overlapping regional architectures.

As an incubator for the FTAAP, APEC will contribute to regional economic integration through the promotion of mutual learning and reinforcement among regional RTAs/FTAs, and helping to create favorable conditions for eventual realization of the FTAAP. Pursuant to the 2010 Leaders' Declaration on “Pathways to FTAAP, the FTAAP should be “comprehensive, high quality and incorporate and address ‘next generation’ trade and investment issues”. By building on earlier efforts and espousing APEC's ethos, APEC economies are encouraged to work together and engage in more concrete actions toward the eventual realization of the FTAAP.

Considering the above background, and bearing in mind of the “step by step approach” to the FTAAP, it is proposed that APEC launch a collective strategic study on issues related to the realization of the FTAAP. The study will serve as a means to inform economies of how they can participate in the realization of the FTAAP. It does not constitute a commitment by APEC member economies to enter negotiations in any regional undertaking since economies will pursue FTAAP outside of APEC, parallel to the APEC process. APEC will maintain its non-binding, voluntary cooperation principles in its contributions to the realization of the FTAAP.

2. Title

The Collective Strategic Study on Issues Related to the Realization of the FTAAP.

3. Objectives

To prepare a sound basis for further consideration towards the eventual realization of the FTAAP in a “step by step” approach, and lay a solid foundation for the eventual realization of the FTAAP.

4. Scope of the Collective Strategic Study on Issues Related to Realization of the FTAAP

This study will be built on previous analytical work in APEC and outside of APEC, and aim to analyze a wide range of options for expanding Asia-Pacific trade and investment by way of eventual realization of the FTAAP. These include, but are not limited to, the following:

- Reviewing the status quo of industry structure, competitiveness, trade and investment relations of APEC economies, and analyzing the short- and medium-term economic impact, especially the potential benefits of the FTAAP for APEC economies amidst current development in regional integration.
- Identifying “next generation” trade and investment issues that the eventual FTAAP should contain.
- Analyzing measures affecting trade and investment between APEC economies including “behind-the-border” measures and structural challenges at the sectoral and economy-wide levels.
- Taking stock of existing RTAs/FTAs in Asia-Pacific region and studying their convergences and divergences. The stock take will review levels of liberalization, sectoral coverage, rules, WTO plus outcomes and approaches, coverage of trade and investment issues not covered by the WTO Agreement, ways in which APEC economies have addressed their bilateral trade and investment issues in FTAs/RTAs, and other elements, building on the previous work in and outside of APEC.
- Analyzing the outcomes of the previous APEC initiatives, including initiatives such as harmonization of certificates of origin and e-certification, Model Measures for RTAs/FTAs, next generation trade and investment issues, capacity building activities,

and others with the goal of identifying linkages and/or potential contributions to the FTAAP.

- Where appropriate and useful, updating previous analytical work related to the FTAAP, including the 2007 PECC and ABAC report 'An APEC Trade Agenda? The Political Economy of a Free Trade Area of the Asia-Pacific'; the 2008 study on 'Identifying Convergences and Divergences in APEC RTAs/FTAs'; and the 2010 'Further Analytical Study on the Likely Economic Impact of an FTAAP'.
- Analyzing the challenges and difficulties concerning the realization of the FTAAP.

5. Leadership

The CTI Friends of the Chair Group on Strengthening REI and Advancing FTAAP, led by member economies, will organize and lead a task force to undertake the study. The Group will seek contributions and expert support from interested APEC economies, the APEC Policy Support Unit, ABAC, PECC and APEC Study Centers. The linkage with the midterm review of Bogor Goals will be strengthened while carrying out this study. The CTI and SOM will review progress annually, finalize and submit the final report, along with any recommendations, to Ministers and Leaders by the end of 2016.

The ToR of the study will be developed by APEC economies later following the approval of the outline.

6. Timeline

- At CSOM 2014, economies to agree on the outline.
- At AELM 2014, APEC Leaders to announce the launching of the collective strategic study on issues related to the realization of the FTAAP.
- At CTI1 and SOM1 2015, economies to establish the task force under the CTI Friends of the Chair Group.
- At CTI2 and SOM2 2015, economies to agree on terms of reference of the study.
- At the margins of SOM3 2015, the CTI Friends of the Chair Group will hold the first group meeting to exchange information and views on the details of the study and produce a detailed research program. Then the leads of the CTI Friends of the Chair Group will report to CTI and SOM on the progress of the first meeting.
- By the end of 2016, economies will complete the study and prepare any results for consideration by Ministers and Leaders.