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Revisiting Sectoral Liberalization: an Alternative to the FTAAP? Implications on the Philippines

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Philippine Institute for Development Studies
Surian sa mga Pag-aaral Pangkaunlaran ng Pilipinas

Revisiting Sectoral Liberalization:
An Alternative to the FTAAP?
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George Manzano and Myrene Bedaña

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PHILIPPINE APEC STUDY CENTER NETWORK
UNIVERSITY OF ASIA AND THE PACIFIC

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This paper develops a modality of liberalization for APEC, based on a sectoral level, as an alternative to the politically-sensitive Free Trade Area of the Asia-Pacific (FTAAP). This model, originally developed by Wonnacott (1994), argues for the liberalization of sectors on an MFN basis, where APEC members are principal suppliers. The main advantage of this option is that it skirts the free rider problem that usually afflicts MFN liberalization. While this approach would benefit APEC as a group, it impacts different members differently. The paper examines the implications of such liberalization modality on the offensive and defensive interests of the Philippines in APEC.

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Keywords: Asia-Pacific Economic Cooperation (APEC), Early Voluntary Sectoral Liberalization (EVSL), Free Trade Area of the Asia-Pacific (FTAAP), 'principal supplier' approach, sectoral liberalization, trade liberalization.

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Executive Summary

After the initial enthusiasm of Bogor waned in the wake of the Asian financial crisis, APEC tried to revive the trade liberalization agenda. The constant search for fresh impetus to revive trade liberalization inspired APEC members to consider the preferential route. The Free Trade Area of the Asia Pacific (FTAAP) has not been met by an overwhelming show of support by all members. While ambitious, a multitude of political sensitivities and the general RTA 'fatigue' factor prevented the FTAAP from advancing forward strongly. Nonetheless, while the recommendation for an FTAAP did not galvanized APEC to initiate negotiations, Leaders did mandate officials "to examine the prospects and options of a possible FTAAP as a long-term prospect".

In view of the sensitive political dynamics among major players and practical difficulties in negotiating a large-scale arrangement, one can well query, "what's a suitable alternative?" The one considered in this paper is sectoral liberalization. The proposed sectoral modality is based on non-discriminatory MFN liberalization, founded on the analytical basis of the 'principal supplier' approach and a variant of the non-preferential trading club. In a departure from the ill-fated Early Voluntary Sectoral Liberalization (EVSL) where the 'voluntary' nomination of sectors for early liberalization is based, to some extent, on the mercantilist interests of individual members, the proposed initiative chooses the sectors to be liberalized on the basis of minimizing free riding of non-APEC members. This paper also provides a system of assessing the offensive and defensive interests of individual members in light of the liberalization methodology proposed.

The 'Principal Supplier' Criteria

Following Wonnacott's (1994) methodology, the paper employs the 'principal supplier' criterion in identifying the sectors that can be considered for MFN liberalization. The methodology by Wonnacott prescribes that in order to minimize the free rider problem, tariff reduction should be undertaken on the goods where APEC is a dominant global supplier. The sectoral liberalization on an MFN basis, using the 'principal supplier' approach is designed to maximize the benefits for APEC members collectively.

In the selection of potential candidates for liberalization, the share of APEC in the world exports of goods was used as basis. A large percentage share of exports is taken to indicate that 'free riding' by non-members would be less problematic. As in Wonnacott's study, the export shares of APEC in total world trade are compared with their share in total world exports less intra-EU trade.

Considering those products that APEC corners a share of 70% and above in world exports, the exercise identified a total of 282 commodities. The list is quite varied, reflecting the wide range of products where APEC members have comparative advantage. There is the preponderance of labor-intensive manufactures in the list including electronic parts and components, machineries, clothing, footwear, and toys and games. The list also includes resource-intensive exports with the presence of minerals, metal and non-metal ores, ferrous and non-ferrous metals, wood and wood manufactures, processed vegetable oils and cereals among the identified products. In addition, , counted in the list are commodities that are highly capital-intensive, including machinery, motor vehicles, plastics, organic chemicals, rubber, textile yarns and fabrics, iron and steel, other manufactured metals, and miscellaneous articles.

Implications on APEC

To analyze the importance of the selected products in the trade of individual APEC members, these products are classified based on their trade shares and assigned under their corresponding cut-off levels. An assessment of the shares of APEC as a group in the world exports and world imports of the identified commodities indicates that the regional grouping has clear advantage in the export of these

items. At every percentage cut-off, the selected products' shares in exports are much greater than the corresponding share in imports. For instance, the share of the products at the 70% cut-off level in the export of APEC members as a group stands at almost 46%, while the share of these products in the grouping's imports is much lower at 38%. On the other hand, products where APEC accounts for 90% of world trade, comprise only around 14% of world export trade and 11% of world import trade. The implication is that the free riding problem is minimized.

As indicated by the share of APEC as a whole in world exports, 70% may be a reasonable cut-off level because going this far would cover almost half of APEC exports. It is also at the 70% cut-off level where the discrepancy between the share of APEC exports and imports is greatest. The implication here is that the offensive interest of APEC, as a whole, is well-served at this benchmark. In addition, it appears that there will be much to gain from a negotiation which covers products where APEC members provide 70% or more of world exports as the portion of APEC exports covered by a negotiation that only considers the next upper bracket of 75%, is only around 35% of APEC exports.

The selected APEC products were classified by sector. Eleven (11) sectors have been identified for this study – electronics, transport equipments, machineries, metal and metal products, wood and wood-based products, textile and garments, footwear and headgear, agricultural products and raw materials, plastics and rubbers, chemicals, and miscellaneous manufactures.

For every sector, APEC's share in world exports is greater than its share in world imports. However, the discrepancy is very minimal at an average of 2% for all sectors, indicating that while APEC members are strong suppliers of these goods, they are also strong consumers of such items. Of the commodities identified, 78 items or 28% of the total belong to the electronics product group that includes electronic parts and components, consumer electronics, office equipment, and telecommunications equipment. Combined, these products corner 17% of total APEC exports and 16% of total APEC imports, highlighting the trade importance of this set of electronics products.

Implications on the Philippines

While the APEC, as a collective, stands to benefit from the proposed sectoral liberalization, its impact on individual members will vary. Obviously, members have different degrees of offensive and defensive interests within and across the sectors. Of interest however, is the overall assessment of the proposed modality. This could be important because the liberalization that is proposed is essentially a package. To examine how APEC members might fare in light of the proposed sectoral modality given their current trade structures, this study provides a system of assessing members' offensive and defensive interests, as aid in decision-making. This paper applies the system to examine the implications of such liberalization modality on the offensive and defensive interests of the Philippines.

For the products in which APEC members provide 70% and more of world exports (less intra-EU trade), the Philippines' APEC partners (that is, all APEC members except the Philippines) imported US\$1,915 B in 2005 from all sources. This, quite simply, means that the Philippines, along with everybody else, has improved market access equivalent to the aforementioned value. At the 90% cut-off level, market potential available to the Philippines is significantly reduced by more than two-thirds to US\$563 B.

The products where APEC supplies 70% and above of the world's exports constitute close to 75% of total Philippine exports in 2005. This indicates that the Philippine is a dominant supplier for the set of products and that there is relatively little free riding. For the Philippine case, however, a 75% cut-off appears to be most advantageous because the difference between export and import shares is greatest at this level. At the sectoral level, however, there are only around two major sectors – electronics and machineries, which dominate Philippine exports. The rest of the broad sectors do not even account for 1% of total Philippine exports.

For the purpose of evaluating the extent to which the offensive and defensive interests of the Philippines will be served by the sectoral liberalization proposal, a set of criteria is proposed. The system classifies the intensities of the Philippines' offensive and defensive interests into levels (Categories A, B or C) consistent with a set of criteria specified for the level. The indicators for the offensive interest includes the magnitude of the potential export capability and the current average MFN tariff levied by APEC partners on the sectors programmed for liberalization. On the other hand, indicators for the defensive interest include the presence of tariff peaks and relative magnitudes of the MFN tariffs of the sectors in the region against the national average for the broad sector. The offensive and defensive interests are deemed stronger if the variables identified in the criteria are simultaneously met. The position is said to be moderate or weak when either one of the criteria are met, but not simultaneously.

The case study on the Philippines showed that sectoral liberalization, whilst serving its offensive interests, have a negative impact on the defensive interests in some sectoral categories. The sectors identified account for around 75% of total Philippine exports (primarily because electronics is part of the list). While initial observation would indicate a very strong offensive interest, an examination of the current tariff facing the Philippines in electronics would reveal very low tariffs. On the other hand, the sectors include footwear, garments and other items where the Philippines may have sensitivities. In addition, the analysis of the offensive and defensive interests is augmented by considerations of whether the tradeable commodities specified in the identified sectors are indeed produced in the Philippines. Clearly because of the trade-offs, a balancing of the political economy of sectoral liberalization has to be struck.

Final Remarks

This paper puts forward sectoral liberalization on an MFN basis as alternative to the FTAAP. In a departure from the failed EVSL, the proposed initiative chooses the sectors to be liberalized on the basis of minimizing free riding of non-APEC members. Candidates for sectoral liberalization are those sectors where APEC economies supply a significant portion of world exports.

In the case of the Philippines, this paper concludes that the Philippines has moderate offensive and defensive interests in the sectors identified for liberalization. Of course, this analysis did not take into consideration the increase in consumer welfare that liberalization makes possible.

Admittedly, the proposed sectoral initiative has a more modest claim to liberalization outcomes compared to the FTAAP. However, the outcomes may be more politically acceptable to members because of the manner in which the free rider problem is skirted. Thus, there could be greater scope for APEC members to harmonize their liberalization efforts by targetting the selected sectors. In addition, because of its MFN characteristic, it is more in keeping with the WTO principle, and could, in fact, be a catalyst in pushing forward the DDA. This is open regionalism.

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This paper develops a modality of liberalization for APEC, based on a sectoral level, as an alternative to the politically-sensitive Free Trade Area of the Asia-Pacific (FTAAP). This model, originally developed by Wonnacott (1994), argues for the liberalization of sectors on an MFN basis, where APEC members are principal suppliers. The main advantage of this option is that it skirts the free rider problem that usually afflicts MFN liberalization. While this approach would benefit APEC as a group, it impacts different members differently. The paper examines the implications of such liberalization modality on the offensive and defensive interests of the Philippines in APEC.

I. Introduction

The concept of open regionalism is a fuzzy one. Bandied about when APEC was newly formed and subsequently echoed by F. Bergsten (1997), this concept was understood as a concerted unilateral liberalization. However, the euphoria in the APEC process that emanated from the Bogor meetings waned as the Asian financial crisis struck in 1997. As most of Asia grappled with the crippling effects of the crisis, and as a backlash against 'globalization' grew in intellectual circles, the political support for trade liberalization across APEC faltered or at least failed to match the rhetoric of previous leaders' declarations. In addition, as the Doha Round bogged down amidst squabbles on agriculture trade, regional trade agreements (RTAs) proliferated. Even within APEC, a multitude of RTAs bloomed, threatening to overshadow APEC's role as a driver of trade. In an effort to put the APEC profile back to its prominence, the Free Trade Area in the Asia-Pacific (FTAAP) was proposed in 2004. However, given the current trade tensions among some members, the political support for such an agreement has become questionable. Yet, there remains the imperative for fresh initiatives to keep the bicycle of trade liberalization moving. Given this backdrop, this paper presents another modality to support APEC's trade liberalization pillar and to provide an alternative to the FTAAP proposal.

This paper develops a modality based on sectoral liberalization, reminiscent of the Early Voluntary Sectoral Liberalization (EVSL). However, in contrast to the ill-fated EVSL, where the 'voluntary' nomination of sectors for early liberalization is based, to some extent, on the mercantilist interests of individual members, the proposed paper will employ a more analytical method for identifying the sector to be slated for liberalization. Central to this modality is the basis for selection of sectors to be liberalized. Following Wonnacott's (1994) methodology, the paper will use the 'principal supplier' criterion in identifying the sectors that can be considered for MFN liberalization.

The sectoral liberalization on an MFN basis, using the 'principal supplier' approach is designed to maximize the benefits for APEC members, as a whole. However, it affects different members in different ways, depending on their offensive and defensive interests. To highlight the implications of the sectoral liberalization on individual members, a case study of the Philippines will be conducted.

II. FTAAP Anyone?

Currently, there is an increasing risk that the APEC will miss the Bogor goals, launched amidst great fanfare in 1994. Hence, the constant search for fresh impetus to revive trade liberalization under the APEC context. One initiative to push for the Bogor goals is via the preferential route, i.e., creating a massive RTA encompassing all APEC members. The proposed RTA, dubbed as the FTAAP, represents a significant departure from APEC's approach to trade liberalization. APEC distinguishes itself from conventional preferential models with its strict adherence to 'open regionalism'. Specifically, the organization subscribes to the 'concerted unilateralism' variant of the broad concept that entails the simultaneous unilateral action on the part of APEC members to spur more trade in a less discriminatory manner. This unique character of APEC seeks to ensure that it will serve as a 'building block' to global trade liberalization, rather than a 'stumbling block'. Clearly, an RTA would involve a complete overhaul of the APEC modality to trade liberalization – from a non-discriminatory approach to trade liberalization underpinned by voluntary and non-binding commitments towards an explicit preferential arrangement established through negotiations of reciprocal trade concessions that are legally-binding.

An RTA among APEC members is expected to have a profound influence in global economic affairs. By virtue of members' combined sizes, the FTAAP would easily be one RTA megabloc. Hence, given that all APEC members participate in the proposed integration, any major action by APEC under the FTAAP would definitely have far-reaching feedback and flow-through effects. An APEC-wide RTA would also make good geopolitics. As APEC members move as one block they could enjoy greater negotiating leverage than they would individually as they are able to potentially negotiate for more concessions from prospective partners.

Context of the FTAAP. The interest in the APEC RTA concept is motivated by a set of reinforcing factors. As mentioned earlier, the primary motive emanates from the challenge for APEC to revitalize its faltering trade agenda. In addition, the FTAAP is a response to the gridlocked WTO negotiations, as well as the proliferation of preferential agreements in the Asia Pacific region.

APEC at a crossroad. APEC has drawn considerable criticism over the years for its stalled trade agenda. Critics point to the demise of the EVSL scheme and the ineffectiveness of the Individual Action Plan (IAP) process as the drag on APEC's credibility and momentum. The string of unsuccessful attempts leave members unenthused and less willing to engage actively and invest resources in the organization – thus, undermining support.

The failure of the EVSL in the late 1990s was a defining moment for APEC. It revealed that the mechanisms by which the organization operates, while well-received, are practicably-flawed. For one, the outcome has demonstrated that significant trade liberalization may not be achieved by mere reliance on voluntary action by members kept in check only by friendly reminders by peer groups.

Disappointing WTO outcomes. APEC leaders have, in times past, been expected to give a resounding call for a speedy conclusion of the current WTO round. However, the Doha round on reducing global trade barriers remains deadlocked after a series of failed attempts to address some sensitive issues particularly the modalities for phasing-out farm tariffs and subsidies. Despite intense negotiations during the last week of July 2008, the expected breakthrough did not materialize amidst disagreement on the provisions on special safeguards for farm products.

The absence of credible progress towards the target of global free trade in the multilateral system, however, has compelled most APEC members to look for alternative means to advance their trade interests. The route of engaging in preferential trading arrangements appears to be the more popular mode. Whether this route undermines the 'open regionalism' nature of APEC, will depend on how one views RTAs – either as 'building blocks' or 'stumbling blocks' to the multilateral process, as will

be discussed below. At any rate, given the administrative and organizational demands of engaging in RTAs, there could be real possibilities of resource diversion away from APEC matters towards the RTAs.

RTA flurry in the Asia Pacific. When the roadblocks to the successful completion of the Doha Round seemed intractable the appeal of the preferential route intensified more. RTA activity is most conspicuous in the Asia Pacific region as demonstrated by the formation of new bilaterals, enlargement of existing arrangements, and coalescence of existing bilateral and plurilateral arrangements.

The RTA trend is unlikely to reverse especially in the near term due the 'domino effect' that stirs countries to aggressively pursue RTAs as a defensive maneuver. In order to maintain parity in market access in their major trading partners, countries are left with little choice but to join existing RTAs or seek their own free trade pacts, especially when direct competitors in export products have already secured, or are in the process of negotiating their own preferential trade agreements. As a consequence of being excluded, certain countries would inevitably see their trading positions eroded resulting in the decline in their market shares.

A general concern relating to the active participation by APEC members in RTAs is that it puts the relevance of APEC and WTO at risk. This line of reasoning follows the 'stumbling block' argument of Bhagwati and Panagariya (1996). As interest, political focus and administrative capacity are invested towards designing, negotiating, and implementing RTAs; fewer and fewer resources are made available to these two fora.

Furthermore, to a certain extent, it could be said that participation in RTA has diminished countries' efforts to gradually liberalize trade unilaterally as committed in APEC. Members may have held back their liberalization efforts for them to use remaining trade barriers as 'bargaining chips' in negotiations. Intuitively, countries that have gone the farthest in liberalizing their trade regimes have not much left to offer prospective partners, and with their concessions seen as too minimal or insignificant are disadvantaged to cut more attractive trade deals.

Merits of an FTAAP. There are a number of compelling reasons why the FTAAP should be considered according to the presentation by the ABAC (2004) and Bergsten (2007). Most importantly, the FTAAP is seen as an effective way to keep APEC from languishing, to provide the much-needed impetus to the stalled Doha Round, to keep the 'bicycle' of trade liberalization rolling if the round continues to be derailed, and to arrest the exploding proliferation of RTAs.

To breathe new life into APEC. Trade liberalization is one of the three main pillars of APEC. APEC's 'value' is linked inextricably on its progress in achieving the goals it has declared in Bogor. However, the credibility of APEC is imperiled as the Bogor targets remain elusive.

The big question mark is whether the organization in its present form would be able to meet this challenge. Perhaps, there seem to be some disconnect between the expectations and actual performance of APEC on policy outcomes. APEC was never meant to be a forum for negotiations, and its decision-making mechanism is based on consensus. The emphasis on consensus and flexibility in the spirit of the 'ASEAN way', may make it unsuitable for hard actions as the EVSL demonstrated. The FTAAP is considered to be an effective way to energize APEC and to get it right back on the trade liberalization track.

Need for a back-up plan. The FTAAP is considered to be a plausible fallback plan should the DDA falter (ABAC, 2004; and Bergsten, 2007). With fewer parties involved, compared to the WTO, it is expected that the FTAAP would be relatively easier and expedient to negotiate, with the resulting framework agreement tailored-fit to regional conditions.

The FTAAP is considered to be a far more ambitious endeavor than the DDA in a certain sense. To pass the WTO-consistency test, the FTAAP must eliminate tariffs on 'substantially all trade'. In addition,

note that the tariffs negotiated in FTAs are the applied, ones hence there is no ‘water’ that can serve as policy space¹. Furthermore, if the FTAAP would be of ‘high-quality’ then it would conceivably put on the agenda those issues that do not even register in the current WTO menu such as the ‘Singapore issues’.

To untangle the enmeshed RTA web. Observably, RTAs are especially in vogue in the Asia Pacific as virtually every possible combination of countries in the region has already inked a trade pact, is currently engaged in RTA negotiations, preliminary discussions or, at least, in the feasibility studies stage.

One of the key advantages of the FTAAP is that it could potentially embrace the smaller deals already in place and harmonize the hodge-podge of rules governing several unrelated framework agreements – for example, the multiple interim timetables, system of rules of origin (ROOs), list of exclusions, and product standards, which have raised compliance and transactions costs, with those dealing with ROOs considered to be the most costly and cumbersome of all. A single RTA that would meld the multitude of RTAs in the region and rationalize the different provisions contained in these arrangements could well be the solution to the ‘spaghetti bowl’ or ‘noodle bowl’ effect of overlapping RTAs. Currently, there are already initiatives being tabled such as the study of the convergence and divergence of existing RTAs among APEC members. If there are considerable commonalities among existing agreements, then merging or docking should be more plausible. On the other hand, should there be significant differences observed, cooperative efforts can be directed towards searching for solutions.

Feasibility of the FTAAP. As discussed earlier, while the FTAAP possesses certain merits there are serious questions about its feasibility in the foreseeable future. One difficulty pertains to the plethora of interests and sensitive political dynamics among major players, which makes it difficult to peddle the FTAAP. There are also a number of practical difficulties in negotiating such a large-scale arrangement which could dampen the expectations of a successful conclusion in the near future.

First and foremost, the extraordinary heterogeneity of APEC members, especially in their stages of economic development, acts as a very significant roadblock in the way of the FTAAP. Because of the variety of APEC’s composition, with members ranging from small to large developed, developing, and transition economies, finding common grounds will not be very easy.

Negotiations are expected to bring to surface divergent priorities and approaches to trade accords. Developed members would likely bat for a ‘high-quality’ agreement with a more expansive agenda, covering aside from merchandise trade, provisions on investment, services, trade facilitation, intellectual property rights, and competition policy among many others. Whereas developing members that are used to having some ‘breathing room’ in the implementation of their trade liberalization commitments would put more focus on negotiating flexibility in the form of special and differential treatment, trade remedy measures, etc. (Bergsten, 2007).

Secondly, though the FTAAP would only involve 21 economies in contrast to the 153-member WTO, there is no guarantee that negotiations would be more manageable. It is likely that the polarized interests of developed and developing members at the WTO would reappear in the FTAAP. Expectedly, sticky issues that are hard to tackle in the Doha negotiations would be as difficult in the FTAAP.

Thirdly, while several controversial issues have to do with economics, a number of issues are more political in nature, including historical grievances (i.e., China-Chinese Taipei), geopolitical rivalries (i.e., US-Japan and China-Japan), and strained diplomatic relations (i.e., US-China). Specifically, Aggarwal (2007) considers the reported trade deficit of the US with China, which has ballooned from US\$83.8 B in 2000 to US\$256.3 B in 2007², makes any bid for an RTA with the trade giant “dead on arrival” in the US congress.

¹ In the WTO, what is negotiated is the ‘bound’ tariff. The difference between the bound and the applied tariff is termed ‘water.’

² US Census Bureau, Foreign Trade Statistics.

Morrison (2007) expressed strong apprehension that members would entertain the FTAAP idea for its overall political unpalatability. The FTAAP would necessitate a modification of the fundamental characteristics of APEC – from ‘voluntary’, ‘non-binding’, and ‘non-discriminatory’ to its absolute anti-thesis, ‘obligatory’, ‘legally-binding’, and ‘discriminatory’ – considering that most members would resist the change is enough to shoot down the proposal. Furthermore, members fully aware of the difficulties of negotiating such a large-scale arrangement and given the unimpressive track record of APEC are not much inspired by the idea. In addition, the long period of time it would take to hammer out the RTA and the suggested standstill of all other on-going integration negotiations are particularly discouraging. The negotiations would also require strong leadership by key APEC economies throughout the process, particularly US, Japan, and China, either singly or in some combination; however, these economies harbor political sensitivities involving trade that may work against the FTAAP.

Lastly, APEC negotiators have a gargantuan task ahead of them if the FTAAP proposal advances. Designing, negotiating and implementing RTAs consume significant policymaking and capital resources. The capacity to take part in the RTA is not symmetric among APEC members and most of them are not well-prepared to enter into negotiations of such a large-scale arrangement. In fact, in many developing members scarce analytical and negotiating capacities are already being overstretched given their current participation in too many RTAs. Hence, the FTAAP would well be ‘crowding out’ resources from members.

III. EVSL Redux

In view of these thorny issues revolving around the FTAAP and the gridlock on the DDA, one can well query, “what’s a suitable alternative?” Certainly, unilateral liberalization is one. While the economic arguments for this modality are many, a negative feature is that it would amount to giving the rest of the world a ‘free ride’ as non-members automatically benefit from the tariff reductions by APEC members without making corresponding liberalization measures. Another avenue is sectoral liberalization. Central to the aforementioned modality is the selection criteria of the sectors. Unlike the *ad hoc* nature of sector selection in the failed EVSL, the selection criterion has more analytical basis.

A. Theoretical Foundations

To the knowledge of the authors, there is no paper in the literature that specifically provides a theoretical justification for sectoral liberalization on an MFN basis, along the ‘principal supplier’ criteria in Wonnacott (1994). There is a related literature that explains the merits of a non-preferential trading club, which is one interpretation of ‘open regionalism’.

Raimondos-Moller and Woodland (2006) wrote the first paper that discussed the theoretical foundation of the advantages of ‘open regionalism’. One variant of ‘open regionalism’ is the non-preferential club which is a group of countries that agree to coordinate their non-discriminatory tariff policies and to undertake internal income transfers. They argue that a non-preferential trading club, by undertaking coordinated tariff reforms, can improve the efficiency of the resource allocation and welfare of the members of the club, at the same time leave the welfare of the non-members untouched, i.e. a Pareto-improvement. An important feature though is that the ‘coordinated tariff reforms’ of the club members requires some members to raise their tariffs and some to fall or even allow subsidies. They argue that a non-preferential club is consistent with the spirit of the WTO in that whatever arrangements members make to improve their welfare, does not harm the welfare of the rest of the world.

The proposed sectoral liberalization modality proposed in this paper, share many characteristics of a non-preferential trading club. First, the liberalization, being undertaken on an MFN basis, is non-preferential. Second, it is to be undertaken by a subset of the global economy, in this case APEC members. Third, it should not leave the rest of the world worse-off, by keeping the prices to non-

members unchanged despite the internal changes among club members. Obviously world prices would not be held constant in the process of the APEC sectoral liberalization, as the APEC members are dominant producers and consumers in the aforementioned sectors. However, one may argue that because the tariff movements of the APEC members are, of course, downwards, and granted on an MFN basis, the non-members will not likely be harmed.

B. The 'Principal Supplier' Criteria

To lessen the possibility of outsiders free riding on the trade liberalization efforts by APEC, the challenge is to identify those areas in which the benefits of trade liberalization would redound mostly on APEC members than on non-members. Earlier work that addressed the issue of free riding is by Wonnacott (1994) that suggested a trade liberalization scheme on a selective product-by-product basis wherein countries choose the commodities for early liberalization based on a pre-defined criteria. Specifically, the methodology by Wonnacott prescribes that in order to minimize the free rider problem, tariff reduction should be undertaken on the goods where APEC is a dominant global supplier. Intuitively, the benefits of tariff reductions on these goods would largely accrue to APEC members, simply, because non-APEC members do not export them in a major way.

In the selection of potential candidates for liberalization, the share of APEC in the world exports of goods was used as basis. A large percentage share of exports is taken to indicate that 'free riding' by non-members would be less problematic. As in Wonnacott's study, the export shares of APEC in total world trade are compared with their share in total world exports less intra-EU trade. Trade between EU member countries is discounted on the ground that it is becoming more and more concentrated between them. For this exercise, commodities are examined at a fairly disaggregated 6-digit level based on the Harmonized System (HS) Commodity Classification Code.

The products in which the built-in incentives for early liberalization for APEC are the greatest because of the predominance of APEC in trade are enumerated in Table 1. Presented are the products that APEC enjoys a share of at least 70% of world exports (not counting intra-EU trade).

The list contains a total of 282 commodities. The list is quite varied, reflecting the wide range of products where APEC members have comparative advantage. There is the preponderance of labor-intensive manufactures in the list including electronic parts and components, machineries, clothing, footwear, and toys and games. Low wages in developing members is the main source of APEC's advantage in this area. The list also includes resource-intensive exports since many APEC members are richly-endowed with natural resources and land. Hence, the presence of minerals, metal and non-metal ores, ferrous and non-ferrous metals, wood and wood manufactures, processed vegetable oils and cereals among the identified products.

Counted in the list are commodities that are highly capital-intensive, including machinery, motor vehicles, plastics, organic chemicals, rubber, textile yarns and fabrics, iron and steel, other manufactured metals, and miscellaneous articles.

Table 1: 'Principal Supplier' Goods: Products for which APEC Provide the Principal Supply in World Exports³

Rank	HS Code	Description	Exports (In US\$ Billion)			Share (In Percentage)		
			APEC	World	World Less Intra-EU Trade	To World	To World Less Intra-EU Trade	Difference
1	854219	Monolithic integrated circuits, nes	3,564	3,564	3,564	100.00	100.00	0.00
2	900120	Sheets and plates of polarising material	4,241	4,253	4,245	99.71	99.89	0.18
3	901380	Optical devices, appliances and instruments, nes, of this Chapter	28,838	29,387	29,167	98.13	98.87	0.74
4	847010	Electronic calculators capable of oper w/o an external source of power	1,535	1,700	1,554	90.30	98.79	8.49
5	845691	Machine tools for dry etching printed circuits	2,672	2,729	2,706	97.91	98.74	0.83
6	851999	Sound reproducing apparatus, not incorporating a sound recorder, nes	8,902	9,579	9,023	92.93	98.66	5.73
7	950639	Golf equipment nes	1,790	1,861	1,823	96.22	98.23	2.01
8	852713	Radio apparatus nes with sound recording/reproducing	2,329	2,906	2,372	80.16	98.19	18.03
9	852290	Parts and accessories of apparatus of heading Nos 85.19 to 85.21, nes	14,065	15,035	14,337	93.55	98.11	4.56
10	950410	Video games of a kind used with a television receiver	5,994	7,041	6,114	85.14	98.05	12.91
11	854240	Hybrid integrated circuits	18,980	19,995	19,379	94.92	97.94	3.02
12	852320	Unrecorded magnetic discs	3,412	3,651	3,497	93.46	97.59	4.13
13	852731	Radio broad rece combin with sound recordg or reproducg apparatus nes	2,932	3,442	3,006	85.18	97.55	12.37
14	850780	Electric accumulators, nes	7,754	8,534	7,988	90.86	97.07	6.21
15	854290	Parts of electronic integrated circuits and microassemblies	10,616	11,155	10,948	95.17	96.97	1.80
16	851650	Microwave ovens	2,843	3,428	2,933	82.93	96.92	13.99
17	950490	Art funfair,game tab,pintab,sp tab casino game&auto bowl alley equip	7,836	9,185	8,086	85.32	96.91	11.59
18	950341	Stuffed toys representing animals or non-human creatures	2,309	2,748	2,386	84.02	96.75	12.73
19	852190	Video recording or reproducing apparatus nes	12,705	16,096	13,165	78.93	96.51	17.58
20	900211	Objective lenses f cameras,projectors/photographic enlargers/reducers	2,490	2,760	2,581	90.23	96.48	6.25
21	741021	Foil of refined copper, backed	2,539	2,854	2,639	88.96	96.19	7.23
22	853222	Electrical capacitors, fixed, aluminium electrolytic, nes	2,874	3,329	2,989	86.32	96.12	9.80
23	390330	Acrylonitrile-butadiene-styrene (ABS) copolymers	6,022	6,954	6,266	86.60	96.09	9.49
24	261390	Molybdenum ores and concentrates nes	3,248	3,383	3,380	96.01	96.09	0.08
25	392640	Statuettes and other ornamental articles, of plastics	1,902	2,197	1,985	86.57	95.84	9.27
26	640219	Sports footwear, outer soles and uppers of rubber or plastics, nes	2,117	2,591	2,210	81.70	95.79	14.09
27	847130	Portable digital computers <10kg	44,529	56,003	46,504	79.51	95.75	16.24
28	852390	Prepared unrecorded media for sound recording or other phenomena nes	9,432	12,186	9,855	77.41	95.71	18.30
29	840721	Outboard motors, spark-ignition reciprocating or rotary type	1,943	2,455	2,035	79.12	95.48	16.36
30	901390	Parts and accessories of optical appliances and instruments, nes	8,960	9,753	9,387	91.88	95.45	3.57
31	420212	Trunks,suit-cases&sim container w/outer surface of plastics/textiles	4,271	5,068	4,475	84.27	95.44	11.17
32	151190	Palm oil and its fractions refined but not chemically modified	6,094	6,963	6,388	87.51	95.39	7.88
33	854250	Electronic microassemblies	7,588	8,382	7,966	90.53	95.26	4.73
34	160590	Molluscs and other aquatic invertebrates prepared or preserved	1,613	1,960	1,699	82.32	94.96	12.64
35	261310	Molybdenum concentrates, roasted	4,427	5,848	4,665	75.69	94.90	19.21
36	854230	Monolithic integrated circuits	72,896	82,689	76,876	88.16	94.82	6.66
37	950390	Toys nes	6,118	7,941	6,455	77.05	94.78	17.73
38	020319	Swine cuts, fresh or chilled, nes	1,650	5,369	1,745	30.74	94.58	63.84
39	851890	Parts of microphones,loudspeaks,headphones,earphones&elec sound ampli	2,168	2,565	2,293	84.54	94.56	10.02
40	841451	Fans: table,roof etc w a self-cont elec mtr of an output nt excdgd 125W	2,591	2,974	2,741	87.14	94.54	7.40
41	871140	Motorcycles with reciprocating piston engine displacg > 500 cc to 800 cc	2,203	3,282	2,332	67.11	94.44	27.33
42	080212	Almonds,fresh or dried,shelled or peeled	1,552	2,270	1,646	68.38	94.33	25.95
43	900691	Parts and accessories for photographic cameras	2,012	2,297	2,139	87.59	94.09	6.50
44	401519	Gloves nes of rubber	1,823	2,116	1,942	86.17	93.90	7.73
45	853120	Indicator panels incorporatg liquid crystal device/light emitting diode	9,293	12,453	9,897	74.62	93.89	19.27
46	852721	Radio rece nt capabl of op w/o ext source of power f motor veh,combind	5,257	8,386	5,605	62.68	93.78	31.10
47	640319	Sports footwear,o/t ski,out sole of rbr/plas/leather&upper of leather	3,518	4,411	3,756	79.76	93.67	13.91
48	853224	Electrical capacitors, fixed, ceramic dielectric, multilayer, nes	5,101	5,970	5,447	85.43	93.64	8.21
49	854121	Transistors,oth than photosensit,w a dissipation rate < 1 W	4,568	5,111	4,881	89.39	93.59	4.20
50	851830	Headphones, earphones and combined microphone/speaker sets	2,619	3,417	2,801	76.66	93.52	16.86

³ The list is continued in Annex A.

To analyze the importance of the selected products in the trade of individual APEC members, these products are classified based on their trade shares. Panel A in Annex B shows the imports of APEC partners above each cut-off level. The figures shown here give a rough approximation of the value of the market that would be opened for each APEC member indicated when APEC partners bring down their tariffs on the items that lie above the chosen cut-off lines. Panels B and C convey much useful information of the stakes of individual APEC members as it identifies the importance of these products, given by their shares in the export and import trade of members. Panel D provides the difference between the shares in total exports and shares in total imports.

Table 2: Importance of ‘Principal Supplier’ Goods to APEC by Cut-off Level (2005)

Cut-off Level	Share in Total APEC Exports (%)	Share in Total APEC Imports (%)	Difference in EX-IM Shares (%)	Intra-Bracket Difference in Export Shares (%)	Ave. Increments per 5% Bracket (%)
70%	45.63	38.45	7.18		
75%	34.60	28.83	5.77	11.03	2.21
80%	29.42	24.74	4.68	5.18	1.04
85%	24.05	20.26	3.79	5.37	1.07
90%	13.97	11.47	2.50	10.08	2.02

Source: Authors’ calculations using ITC TradeMap data

Notes:

Share in APEC Exports = Share of Goods in the cut-off level and above in Total APEC Exports

Share in APEC Imports = Share of Goods in the cut-off level and above in Total APEC Imports

Difference in EX-IM Shares = Share in APEC Exports - Share in APEC Imports

Intra-Bracket Difference = Ex. Share in APEC Exports (70%) - Share in APEC Exports (75%)

Ave. Increments per 5% Bracket = Ex. [(Share in APEC Exports (70%) - Share in APEC Exports (75%))] ÷ 5

Looking at the shares of APEC as a whole in the world exports and world imports of the identified commodities in Table 2 indicates that the regional grouping has clear advantage in the export of these products. For example, the share of the products at the 70% cut-off level in the export of APEC members as a group stands at almost 46%, while the share of these products in the grouping’s imports is much lower at 38%. On the other hand, products where APEC accounts for 90% of world trade, on the other hand, comprise only around 14% of world export trade and 11% of world import trade. At every percentage cut-off, the selected products’ shares in exports are much greater than the corresponding share in imports. The implication is that the free riding problem is expected to be small.

What could be a suitable benchmark to distinguish a product or sector to be one where APEC is a principal supplier? In the first place, the cut-off level measured by the share of APEC exports to world exports should be that which maximizes the gap between the share of APEC exports to world exports and its corresponding share of world imports. The idea is to look for cut-off level where the offensive interest, as proxied by the relative share of APEC exports to world exports, is secured relative to the defensive interests, as represented by the relative share of APEC in world imports. As indicated by the share of APEC as a whole in world exports, 70% may be a reasonable cut-off level because going this far would cover almost half of APEC exports. Additionally, as Table 2 reports, it is at the 70% cut-off level where the discrepancy between the share of APEC exports and imports is greatest (Column 4). The implication here is that the offensive interest of APEC, as a whole, is well-served at the benchmark for the ‘principal supplier’ at the 70% level. In addition, it appears that there will be much to gain from a negotiation which covers products where APEC members provide 70% or more of world exports. As mentioned earlier, at a cut-off rate of 70%, the percentage of APEC exports covered is close to 46% which is quite sizeable already. At the same time, the portion of APEC exports covered by a negotiation that only considers the next upper bracket of 75%, is only around 35% of APEC exports. As Column 5 of Table 2 shows, the average coverage of APEC exports that will not be included in the sectoral negotiations is greatest when the cut-off point is raised from 70% to 75%.

Specifically, the portion of APEC exports that is not covered declines by 11.03%, representing an average decrease of 2.21% per percentage rise of cut-off between 70% and 75%.

For tractability, the selected APEC products were classified by sector. Eleven (11) sectors have been identified for this study – electronics, transport equipments, machineries, metal and metal products, wood and wood-based products, textile and garments, footwear and headgear, agricultural products and raw materials, plastics and rubbers, chemicals, miscellaneous manufactures. The commodity coverage of the sectors of interest is presented in Table 3.

Table 3: Product Coverage of Selected Sectors

Sector	HS Commodity Classification
Electronics	Ch. 85
Transport equipments	Ch. 86 - 89
Machineries	Ch. 84 and 90
Metal and metal products	Ch. 72 - 83
Wood and wood products	Ch. 42 - 49
Textile and garments	Ch. 50 - 63
Footwear and headgear	Ch. 64 - 65
Agricultural goods and raw materials	Ch. 01 - 23 and 26 - 27
Plastics and rubbers	Ch. 39-40
Chemicals	Ch. 26 - 27
Miscellaneous manufactures	Ch. 91 - 98

Table 4: Importance of 'Principal Supplier' Goods to APEC by Sector (2005)

Sector	Share in Total APEC Exports (%)	Share in Total APEC Imports (%)	Difference in EX-IM Shares (%)
TOTAL 'Principal Supplier' Goods	45.63	38.45	7.18
TOTAL Sectors	44.79	37.73	7.06
Sectors:			
Electronics	17.17	15.60	1.57
Transport Equipments	6.39	4.93	1.46
Machineries	11.30	9.05	2.25
Metals and metal products	1.35	1.14	0.21
Wood and wood products	0.72	0.82	-0.10
Textile and garments	0.94	0.62	0.32
Footwear and headgear	0.62	0.49	0.13
Agricultural goods and raw materials	2.11	1.42	0.69
Plastics and rubbers	2.01	1.73	0.28
Chemicals	0.94	0.79	0.15
Miscellaneous manufactures	1.24	1.14	0.10

Source: Authors' calculations using ITC TradeMap data

Notes:

Share in APEC Exports = Share of Goods in the sector in Total APEC Exports

Share in APEC Imports = Share of Goods in the sector in Total APEC Imports

Difference in EX-IM Shares = Share in APEC Exports - Share in APEC Imports

Of the commodities identified, 78 items or 28% of the total belong to the electronics product group that includes electronic parts and components, consumer electronics, office equipment, and telecommunications equipment. Combined, these products corner 17% of total APEC exports and 16% of total APEC imports, highlighting the trade importance of this set of electronics products.

Many of the developing members of APEC specialize in labor-intensive assembly-type operations. Particularly, APEC's East Asian members have been playing an increasing role in these

supply networks, especially with regard to trade in parts and components of electronic products, indicating their importance in international production sharing.

For every sector, APEC's share in world exports is greater than its share in world imports. However, the discrepancy is very minimal at an average of 2% for all sectors, indicating that while APEC members are strong suppliers of these goods, they are also strong consumers of such items⁴.

IV. Implications on the Philippines

Earlier, it was argued that the sectoral liberalization based on the 'principal supplier' approach would be beneficial to APEC as a whole. However, the impact on the individual members would vary. What are the implications of the proposed modality of liberalization on the Philippines? More specifically, to what extent does the sectoral liberalization serve its offensive and defensive interests?

Based on Table 5, for the products in which APEC members provide 70% and more of world exports (less intra-EU trade), the Philippines' APEC partners (that is, all APEC members except the Philippines) imported US\$1,915 B in 2005 from all sources. This, quite simply, means that the Philippines along with everybody else have improved market access (due to sectoral liberalization) equivalent to the aforementioned value. It could be seen that at the 90% cut-off level, market potential available to the Philippines is significantly reduced by more than two-thirds to US\$563 B.

The figures computed were highest in the case of the Philippines, implying the importance of the products involved in the country's trade (Refer to Annex B). First of all, the products where APEC supplies 70% of the world's exports constitute close to 75% of total Philippine exports in 2005. This indicates that the Philippine is a dominant supplier for the set of products and that there is relatively little free riding. Furthermore, the difference at the 70% and 75% between share of selected products in total exports and imports respectively, are quite substantial.

Table 5: Importance of 'Principal Supplier' Goods to the Philippines by Cut-off Level (2005)

Cut-Off Level	Market Potential (US\$ Billion)	Share in Total Phils. Exports (%)	Share in Total Phils. Imports (%)	Difference in EX-IM Shares (%)	Intra-Bracket Difference in Export Shares (%)	Ave. Increments per 5% Bracket (%)
70%	1,915	75.41	54.66	20.75		
75%	1,432	71.05	49.41	21.64	4.36	0.87
80%	1,227	64.49	46.72	17.77	6.56	1.31
85%	1,001	62.99	45.35	17.64	1.50	0.30
90%	563	50.54	34.63	15.91	12.45	2.49

Source: Authors' calculations using ITC TradeMap data

Notes:

Share in Total Exports = Share of Goods in the cut-off level and above in Total Philippine Exports

Share in Total Imports = Share of Goods in the cut-off level and above in Total Philippine Imports

Difference in EX-IM Shares = Share in Total Exports - Share in Total Imports

Intra-Bracket Difference = Ex. Share in APEC Exports (70%) - Share in APEC Exports (75%)

Ave. Increments per 5% Bracket = Ex. [(Share in APEC Exports (70%) - Share in APEC Exports (75%)) ÷ 5]

⁴ A comparison of the 'principal supplier' goods with the products proposed for sectoral liberalization in the WTO Non-Agricultural Market Access (NAMA) in August 2008 is reported in Annex D. One notes that 65% of goods under the NAMA correspond to the items in the 'principal supplier' goods. Among the sectors with the highest incidence of correspondence are: electronics, machineries, wood, and chemicals. Annex D also reports the correspondence of the 'principal supplier' goods with the goods proposed under the 1998 APEC EVSL. In contrast to the NAMA comparison, only 45% of the 1998 APEC EVSL 'goods' are found in the list of the 'principal supplier' goods indicating that the latter has a wider scope for liberalization than the EVSL.

For the Philippine case, however, the optimum cut-off appears to be around 75%, where the difference between export and import shares is greatest. One may note as well, that as one increases the cut-off from 75% to 80%, the portion of Philippine exports that are not covered by the sectoral agreement will fall by almost 7% that is equivalent to an average decrease of 1.31% per percentage point increase between these two aforementioned cut-off levels.

Table 6: Importance of 'Principal Supplier' Goods to the Philippines by Sector (2005)

Sector	Market Potential (US\$ Billion)	Share in Total Phils. Exports (%)	Share in Total Phils. Imports (%)	Difference in EX-IM Shares (%)
TOTAL 'Principal Supplier' Goods	1,915	75.41	54.66	20.75
TOTAL Sectors	1,880	75.12	54.41	20.71
Sectors:				
Electronics	770	48.07	36.72	11.35
Transport Equipments	248	4.55	1.67	2.88
Machineries	452	19.44	10.40	9.04
Metals and metal products	57	0.95	0.46	0.49
Wood and wood products	41	0.41	0.43	-0.02
Textile and garments	31	0.64	0.71	-0.07
Footwear and headgear	25	0.08	0.05	0.03
Agricultural goods and raw materials	71	0.09	2.28	-2.19
Plastics and rubbers	87	0.60	1.11	-0.51
Chemicals	40	0.00	0.44	-0.44
Miscellaneous manufactures	58	0.29	0.14	0.15

Source: Authors' calculations using ITC TradeMap data

Notes:

Share in Total Exports = Share of Goods in the sector in Total Philippine Exports

Share in Total Imports = Share of Goods in the sector in Total Philippine Imports

Difference in EX-IM Shares = Share in Total Exports - Share in Total Imports

At the sectoral level, however, there are only around two major sectors – electronics and machineries, which dominate Philippine exports. Eight of the broad sectors do not even account for 1% of total Philippine exports (see Table 6).

Table 7 reports the MFN tariffs of the Philippine's APEC partners in the broad sectoral categories for which sectoral liberalization is proposed. To illustrate, the average tariffs facing Philippine exporters of electronics (or electronic products where APEC's share in the world exports is 70% or greater) in the APEC market is 4.38%. If the proposed sectoral liberalization proceeds, then this figure represents the extent of additional market access made available to the Philippines. As such, the average tariffs can be a measure of the offensive interest of an APEC member from the modality. The larger the prevailing tariffs facing the member in a particular sector, the greater the market access accorded under a sectoral liberalization program. Note, however, that the tariffs as reported in the table may be overstated because of the overlapping preferential trade agreements currently in place among many APEC members. One limitation of this study is that it does not take into account the current RTAs of APEC members in computing for the incremental market access due to sectoral liberalization.

Table 7: Simple Average Applied MFN Tariffs of APEC Partners on Philippine Exports of ‘Principal Supplier’ Goods⁵

Products	APEC Trading Partners’ Ave. MFN Tariff
TOTAL ‘Principal Supplier’ Goods	4.38
TOTAL Sectors	4.29
Sectors:	
Electronics	1.71
Transportation Equipments	7.69
Machineries	1.40
Metals and Metal Products	3.41
Wood and Wood Products	3.08
Textile & Garments	17.12
Footwear & Others	8.19
Agriculture& Raw Materials	17.19
Rubbers and Plastics	4.66
Chemicals	1.34
Miscellaneous Manufactures	2.33

Source: Authors’ calculations

The analysis of the impact of the proposed modality of the offensive and defensive interests of the Philippines can be refined further by considering the current capability of the country to produce the products of the sectors proposed for liberalization. The inclusion of the productive capacity as a variable is intended to give a clearer specification of the ‘effective’ offensive and defensive interests. The analysis is quite straightforward. First, classify the sectors according to three types: a) locally-produced (LP); b) locally-produced but not in sufficient quantity (LP-NSQ); and c) not locally-produced (NLP). The information for the classification, admittedly, is quite general in the absence of systematic and comprehensive collection of data. The information on the productive capacity on a detailed level is not part of the data set collected by the statistical authorities. Nevertheless, the information gathered from the Philippine Tariff Commission is the best available one. Second, classify the data of Philippine exports and imports of the identified sectors, according to their status in production. Thus, import and export data are mapped according to whether these are LP, LP-NSQ, or NLP.

Under this scheme, the offensive interest could be served more solidly if the Philippines actually exports the products of the sectors slated for liberalization. Furthermore, the defensive interest is not harmed if the Philippines does not produce the goods under a sector that is going to be liberalized. Under this circumstance, there is no industry to protect, anyway. On the other hand, the defensive interest is compromised if the Philippines produces the product of the liberalized sector but continues to be big importer, i.e. the product is an importable. If tariffs were to be eliminated among these products, then the Philippine industries will be affected by more intense import competition.

⁵ The average tariff of the Philippines’ APEC partners per sector is computed using the following equation:

$$\text{Product's Ave. Applied MFN Tariff} = AT_i = \frac{\sum_{j \in K^*} X_{ij} T_j}{\sum_{j \in K^*} X_{ij}}$$

$$\text{Sector's Simple Ave. Applied MFN Tariff} = AT_s = \frac{\sum_i AT_i}{l}$$

- Let: X = the value of exports in a given year
T = the applied *ad valorem* MFN tariff
j = any APEC member
k = any APEC partner; k* = any APEC partner where trade is non-zero
K = all APEC partners; K* = all APEC partners where trade is non-zero
i = any of the selected products
l = no. of commodities identified in a sector
s = any sector

Table 8: Indicative Offensive Interest: Philippine Exports of ‘Principal Supplier’ Goods Classified Acddg. to Local Production

Products	No. of Export Lines (to APEC)	Exports to APEC		No. of Export Lines (to World)	Exports to the World		APEC Trading Partners' Ave. Applied MFN Tariff
		Value (US\$ Million)	Share (%)		Value (US\$ Million)	Share (%)	
TOTAL ‘Principal Supplier’ Goods	217	20,553	61.50	224	31,086	75.41	4.38
LP	157	19,696	58.93	163	29,666	71.97	5.42
LP/NSQ	60	857	2.56	61	1,420	3.44	1.66
NLP	-	-	-	-	-	-	-
TOTAL Sectors	209	20,443	61.17	215	30,970	75.12	4.29
LP	149	19,587	58.60	154	29,550	71.69	5.36
LP/NSQ	60	855	2.56	61	1,419	3.44	1.66
NLP	-	-	-	-	-	-	-
Sectors:							
Electronics	69	11,438	34.22	71	19,816	48.07	1.71
LP	52	11,300	33.81	55	19,626	47.61	1.61
LP-NSQ	17	138	0.41	16	190	0.46	2.00
NLP	-	-	-	-	-	-	-
Transportation Equipments	13	1,200	3.59	14	1,874	4.55	7.69
LP	10	1,101	3.29	10	1,517	3.68	9.84
LP-NSQ	3	99	0.30	4	357	0.87	0.54
NLP	-	-	-	-	-	-	-
Machineries	38	6,746	20.18	38	8,015	19.44	1.40
LP	19	6,173	18.47	19	7,193	17.45	2.23
LP-NSQ	19	573	1.72	19	822	1.99	0.57
NLP	-	-	-	-	-	-	-
Metals and Metal Products	11	386	1.16	11	392	0.95	3.41
LP	8	381	1.14	8	386	0.94	3.76
LP-NSQ	3	5	0.02	3	6	0.01	2.47
NLP	-	-	-	-	-	-	-
Wood and Wood Products	9	142	0.43	11	168	0.41	3.08
LP	7	142	0.43	8	168	0.41	3.96
LP-NSQ	2	0	0.00	3	0	0.00	0.00
NLP	-	-	-	-	-	-	-
Textile and Garments	13	189	0.56	14	265	0.64	17.12
LP	12	188	0.56	13	264	0.64	17.30
LP-NSQ	1	0	0.00	1	1	0.00	14.94
NLP	-	-	-	-	-	-	-
Footwear and Others	7	26	0.08	7	33	0.08	8.19
LP	7	26	0.08	7	33	0.08	8.19
LP-NSQ	-	-	-	-	-	-	-
NLP	-	-	-	-	-	-	-
Agriculture and Raw Materials	8	38	0.12	8	39	0.09	17.19
LP	6	38	0.11	6	38	0.09	22.92
LP-NSQ	2	0	0.00	2	0	0.00	0.00
NLP	-	-	-	-	-	-	-
Rubbers and Plastics	23	191	0.57	23	248	0.60	4.66
LP	18	153	0.46	18	208	0.50	5.07
LP-NSQ	5	38	0.11	5	40	0.10	3.19
NLP	-	-	-	-	-	-	-
Chemicals	5	1	0.00	5	1	0.00	1.34
LP	1	0	0.00	1	0	0.00	0.00
LP-NSQ	4	1	0.00	4	1	0.00	1.67
NLP	-	-	-	-	-	-	-
Miscellaneous Manufactures	13	86	0.26	13	119	0.29	2.33
LP	9	85	0.25	9	117	0.28	2.45
LP-NSQ	4	1	0.00	4	2	0.01	2.04
NLP	-	-	-	-	-	-	-

Source: Authors' calculations using ITC TradeMap. Latest applied *ad valorem* MFN tariffs from the WTO-IDB: Australia (2006); Brunei (2005); Canada (2006); Chile (2006); China (2005); Hong Kong (2006); Indonesia (2004); Japan (2006); Malaysia (2005); Mexico (2004); New Zealand (2005); Papua New Guinea (2004); Peru (2004); Russia (2001); Singapore (2005); S.Korea (2006); Chinese Taipei (2006); Thailand (2006); US (2005); and Vietnam (2005)

Source of basic data on the status of local production: Philippine Tariff Commission. Authors converted entries of NLP to LP-NSQ when actual exports are recorded

Notes: LP = Locally-produced; LP-NSQ = Locally-produced but not in sufficient quantity; NLP = Not locally-produced

Table 9: Indicative Defensive Interest: Philippine Imports of 'Principal Supplier' Goods Classified Accdg. to Local Production

Products	No. of Import Lines (from APEC)	Imports from APEC		No. of Import Lines (from APEC)	Imports from the World		Simple Ave. Applied MFN Tariff (2007)
		Value (US\$ Million)	Share (%)		Value (US\$ Million)	Share (%)	
TOTAL 'Principal Supplier' Goods	266	23,661	59.16	270	25,664	54.66	6.21
LP	178	21,604	54.02	182	23,218	49.45	7.69
LP-NSQ	66	1,551	3.88	66	1,886	4.02	3.38
NLP	22	506	1.26	22	560	1.19	2.39
TOTAL Sectors	257	23,515	58.80	262	25,552	54.41	6.11
LP	170	21,459	53.65	174	23,105	49.21	7.61
LP/NSQ	65	1,552	3.88	66	1,886	4.00	3.36
NLP	22	504	1.26	22	560	1.20	2.39
Sectors:							
Electronics	73	15,896	39.75	77	17,243	36.72	3.51
LP	53	15,461	38.66	57	16,670	35.50	3.42
LP-NSQ	18	432	1.08	18	569	1.21	3.96
NLP	2	3	0.01	2	3	0.01	2.00
Transportation Equipments	21	666	1.66	21	782	1.67	15.23
LP	15	573	1.43	15	607	1.29	17.72
LP-NSQ	4	93	0.23	4	175	0.37	10.25
NLP	2	0	0.00	2	0	0.00	6.50
Machineries	47	4,681	11.71	47	4,884	10.40	2.19
LP	22	3,869	9.67	22	3,973	8.46	3.08
LP-NSQ	19	791	1.98	19	889	1.89	1.27
NLP	6	21	0.05	6	22	0.05	1.83
Metals and Metal Products	19	201	0.50	19	216	0.46	4.25
LP	12	183	0.46	12	195	0.42	4.50
LP-NSQ	4	1	0.00	4	1	0.00	3.75
NLP	3	17	0.04	3	20	0.04	3.89
Wood and Wood Products	12	192	0.48	12	203	0.43	7.95
LP	9	160	0.40	9	170	0.36	9.22
LP-NSQ	3	32	0.08	3	34	0.07	4.14
NLP	-	-	-	-	-	-	-
Textile and Garments	14	111	0.28	14	334	0.71	9.41
LP	13	84	0.21	13	304	0.65	9.60
LP-NSQ	1	27	0.07	1	30	0.06	7.00
NLP	-	-	-	-	-	-	-
Footwear and Others	7	22	0.06	7	23	0.05	15.00
LP	7	22	0.06	7	23	0.05	15.00
LP-NSQ	-	-	-	-	-	-	-
NLP	-	-	-	-	-	-	-
Agriculture and Raw Materials	14	1,017	2.54	14	1,072	2.28	10.76
LP	10	630	1.57	10	657	1.40	13.77
LP-NSQ	2	36	0.09	2	38	0.08	3.00
NLP	2	351	0.88	2	377	0.80	3.50
Rubbers and Plastics	25	493	1.23	25	522	1.11	8.14
LP	18	415	1.04	18	436	0.93	10.41
LP-NSQ	6	68	0.17	6	73	0.16	2.67
NLP	1	9	0.02	1	13	0.03	0.00
Chemicals	11	177	0.44	12	207	0.44	1.42
LP	1	13	0.03	1	16	0.03	3.00
LP-NSQ	4	62	0.16	5	66	0.14	1.60
NLP	6	103	0.26	6	125	0.27	1.00
Miscellaneous Manufactures	14	59	0.15	14	66	0.14	8.80
LP	10	49	0.12	10	54	0.12	10.13
LP-NSQ	4	10	0.02	4	11	0.02	5.50
NLP	-	-	-	-	-	-	-

Source: Authors' calculations using ITC TradeMap. Latest applied *ad valorem* MFN tariffs from the WTO-IDB for the Philippines (2007)

Source of basic data on the status of local production: Philippine Tariff Commission

Notes: LP = Locally-produced; LP-NSQ = Locally-produced but not in sufficient quantity; NLP = Not locally-produced

One may note that the prevailing MFN tariffs facing the bulk of Philippine exports in the selected candidate sectors for liberalization have low MFN tariffs. Electronics and machineries have MFN tariffs of only 1.71% and 1.40% respectively, indicating that the degree of offensive interest of the Philippines, in terms of incremental market access may be limited. The degree of offensive interest in footwear, textile, rubber, and transportation equipment is rather considerable, in view of the magnitude of tariffs that will be cut by the rest of the APEC members. However, the volume of Philippine exports in the aforementioned sectors, save transportation equipment, is not very substantial (Table 8). Perhaps the reason for the low volume of exports of the Philippines in footwear, textile, etc. to other APEC economies is due to high tariffs. Thus, the existing profile of tariffs facing Philippine exports also influences the current distribution and volume of exports among the sectors.

Table 9 indicates that of the total imports from APEC, of the selected sectors, more than 90% are in tariff lines where the Philippines have local production. The bulk of the imports from APEC among the selected sectors where there is local production in the Philippines is accounted for by electronics and machineries. Does this feature imply that the Philippine's defensive position in these two major industries are compromised by a sectoral liberalization type modality?

For electronics imports of the Philippines, close to 98% of the imported items are goods that the Philippines also produce. The same holds true for machineries where 82% of the imported items are goods which are locally produced. On the surface, the fact that the bulk of electronic imports are in the sectors that the Philippines produce indicates that the defensive interest is being eroded. However, given the nature of the electronics and machineries sector – global supply chain driven, intra-industrial trade rather than inter-industrial, extensive differentiation, etc. – it may not be very surprising that imports are high. A good portion of imported items are actually inputs to exportables. Therefore, the defensive interests of the Philippines in electronics and machineries would not necessarily be compromised. The same argument could be said of the automotive subsector where the trade in parts and components among APEC economies are fairly substantial.

For the rest of the sectors, particularly the footwear, rubber, metals, wood products, etc. the dominant share of imported items where there is local production indicates erosion of the defensive interest. Incidentally, these are the sectors where Philippine tariffs are highest. For agriculture and raw material imports, although the share of imports where there is local production is high, the share of imported items which are not locally-produced is not insignificant. Therefore, the defensive interest is not too weakened. In chemicals, on the other hand, most of the imported items are in categories which are not locally-produced. The implication is that there is virtually no defensive interest in this sector and such sectoral liberalization will not be problematic in a narrow perspective.

By and large, this analysis reveals that there are indeed defensive interests of the Philippines among the sectors proposed for sectoral liberalization, following the dominant supplier criteria. Overall, the share of import items (in value) proposed for liberalization where the Philippines have local production among the tariff line is 90%. However because the bulk of these imports are in electronics and machineries, sectors which are marked by differentiation and intra-industry trade, the defensive interests is not too compromised.

The following tables provide an additional indicator for assessing the defensive interest. More specifically, the defensive interest of the Philippines can partially be gauged from the current levels of tariffs it imposes on the candidate sectors for sectoral liberalization, with emphasis on tariff peaks. Table 11 reports the tariff profile of the Philippines on the sectors of interest. In many instances, the average tariff levels of the Philippines on the selected products are higher than the corresponding average tariffs of its APEC trade partners. As expected, the MFN tariffs on electronics and machineries are quite low indicating that the defensive interest is rather weak. Interestingly the average tariff of the selected chemical sectors is quite low. On the whole, the average tariffs of the selected products for the Philippines is slightly higher than the simple average for the whole range of products in the Philippines indicating that there could be sensitivities among the selected products. Actually, 20% of the tariff lines in the selected products have tariff peaks, defined as tariffs beyond

15%, in the Philippines (See Table 11). Tariff peaks abound in the footwear, transport equipment, textile/garments and miscellaneous sectors.

Table 10: Simple Average of Applied MFN Tariffs of APEC Members (2007)

Products	Simple Ave. of Applied MFN Tariffs of APEC Members
Ave. Tariff	6.92
Ave. Tariff (Agriculture)	13.35
Ave. Tariff (Industrial)	6.11
Sector:	
Animal Products	11.99
Dairy Products	31.86
Fruit, vegetables, plants	12.81
Coffee, tea	13.98
Cereals & preparations	20.51
Oilseeds, fats & oils	8.39
Sugars and confectionery	15.32
Beverages & tobacco	32.21
Cotton	3.27
Other agricultural products	5.19
Fish & fish products	9.10
Minerals & metals	4.81
Petroleum	3.66
Chemicals	3.76
Wood, paper, etc.	5.80
Textiles	8.48
Clothing	16.01
Leather, footwear, etc.	8.37
Non-electrical machinery	3.80
Electrical machinery	5.54
Transport equipment	8.24
Manufactures, n.e.s.	5.84

Source: WTO Tariff Profile 2006

Table 11: Summary Profile of Applied MFN Tariffs for the 'Principal Supplier' Goods in the Philippines (2007)

Sector	No. of Import Lines	MFN Applied Rate			Percentage of Duties		
		Simple Ave.	Min.	Max.	Duty Free	0% < x < 15%	x ≥ 15%
TOTAL 'Principal Supplier' Goods	270	6.21	0.00	40.00	18.52	61.11	20.37
TOTAL Sectors	262	6.11	0.00	40.00	19.08	61.60	19.47
Sectors:							
Electronics	77	3.51	0.00	18.33	36.36	54.55	10.39
Transport equipments	21	15.23	1.00	30.00	0.00	57.14	42.86
Machineries	47	2.19	0.00	15.00	36.17	61.70	21.28
Metal and metal products	19	4.25	1.00	15.00	0.00	94.74	5.26
Wood and wood products	12	7.95	0.00	15.00	8.33	58.33	33.33
Textile and garments	14	9.41	1.00	15.00	0.00	64.29	35.71
Footwear and headgear	7	15.00	15.00	15.00	0.00	0.00	100.00
Agricultural goods and raw materials	14	10.76	1.00	40.00	0.00	64.29	35.71
Plastics and rubbers	25	8.14	0.00	15.00	4.00	68.00	28.00
Chemicals	12	1.42	0.00	3.00	25.00	75.00	0.00
Miscellaneous manufactures	14	8.80	1.00	15.00	0.00	64.29	35.71

Source: Authors' calculations using WTO IDB data

The discussions in the previous sections raised issues on using indicators to assess the offensive and defensive interests of the Philippines given the sectors slated for liberalization. As expected, the Philippines has different degrees of offensive and defensive interests within and across the sectors. Because the sectors are quite broadly defined, it is not uncommon within one sector can be found subsectors where there are export potentials and others where import-competing firms predominate. The practice of intra-industry trade and outsourcing likewise can account for the profile of differing interests among the list of sectors.

Of interest however, is the overall assessment of the proposed modality given current Philippine trade structure. This could be important because the liberalization that is proposed is essentially a package. In fact, the analytical base precludes the practice of picking sectors for the liberalization on mercantilist grounds. One method to generate an overall desirability of the sectoral liberalization on members is the Computable General Equilibrium (CGE) model. An alternative method is to classify the intensity of interest into levels (Categories A, B or C) consistent with a set of criteria that defines the level. Of course, this method suffers from being static, short term, and *ad hoc* in formulation. On the other hand, it is quite flexible (the policymaker can devise their own criteria to suit their priorities) and could easily be understood by the stakeholders. Thus, the overall assessment of the list of sectors is always dependent on the set of criteria, i.e. subjective.

Box 1: Criteria for Indicative Offensive and Defensive Interests

Offensive

Category A:

1. Share in total world exports is 5% and above AND at least US\$500 Million in export value; AND
2. Partners' Ave. Applied MFN Tariff is 10% and above

Category B:

1. Share in total world exports is 5% and above OR at least US\$500 Million in export value; AND
2. Partners' Ave. Applied MFN Tariff is between 9.99% and 3%

Category C:

1. Partners' Ave. Applied MFN Tariff is 3% and below

Defensive

Category A:

1. No tariff peaks
2. Simple Ave. Applied MFN tariff < 3%

Category B:

1. Tariff peak in 20% of tariff lines
2. Simple Ave. Applied MFN tariff of 'Principal Supplier' Goods < Simple Ave. Applied MFN tariffs of APEC Members

Category C:

1. Tariff peak in 20% of tariff lines; AND
2. Simple Ave. Applied MFN tariff of 'Principal Supplier' Goods > Simple Ave. Applied MFN tariffs of APEC Members

For purpose of evaluating the extent to which the offensive and defensive interests of the Philippines will be served by the sectoral liberalization proposal, a set of criteria is proposed. Among the variables to be considered are relative share of the sector to total APEC exports, the absolute export figure and the average applied MFN tariffs of its APEC partners. To have a significant offensive interest, the sector to be slated for liberalization should be a sizeable exportable of the Philippines already. By specifying a minimum export value hurdle, the criterion ensures that the Philippines has the capacity to exploit the market access improvement brought about by the sectoral liberalization. The current average MFN tariff levied by APEC partners on the sectors programmed for liberalization is a strong measure of the incremental market access potential. The higher the average tariffs currently, obviously, the greater market access created as a result of sector liberalization. The tariff computed is the average of the MFN tariffs levied by APEC partners on the sectors. In order to determine the impact of the sectoral liberalization, the APEC partners' tariffs should be weighed by the shares of the APEC members' imports in the total APEC exports of the Philippines in these sectors.

One limitation of this indicator is that it does not take into account the existing RTAs that the Philippine has concluded with APEC members, indicating a possible overstatement of the offensive interest. As outlined in Box 1, the intensity of the offensive interest is governed not only by the magnitude of the potential export capability, nor only by the current average levels of tariffs on Philippine exports by its APEC partners, but also by the combination of variables. Thus, the offensive interest is deemed stronger if the variables identified in the criteria appear simultaneously,

On the other hand, indicators for the defensive interest include the presence of tariff peaks in at least 20% of the tariff lines under the identified sector. The tariff peak can be regarded as indicative of the sensitivity of the sector, particularly to international competition. In addition, one may also compare the average MFN tariff of the Philippines for the ‘principal supplier’ goods with the average MFN tariff of the APEC member economies for the sectors proposed for sectoral liberalization. If the APEC average MFN tariff of the sector in question exceeds that of the national average, then one can infer that the defensive interest in that sector is relatively pronounced. As the box shows, the intensity of the defensive interest is a function of the prevalence of tariff peaks and relative magnitudes of the MFN tariffs of the sector in the region against the national average. Under this scheme, defensive interest is considered strong when the criteria of the incidence of tariff peaks and the magnitude of average sectoral tariffs are simultaneously met. The position is said to be moderate or weak when the either one of the criteria are met, but not simultaneously.

Again, the criteria outlined in the box can be changed depending on the preference of the policymakers. Consequently, the definitions of strong, moderate or weak interest could vary depending on the criteria set. While this feature may render the process quite *ad hoc*, it nevertheless makes it quite flexible for purpose of policy research.

Table 12: Indicative Offensive and Defensive Positions of the Philippines*

Sector	Offensive Interest	Defensive Interest
TOTAL ‘Principal Supplier’ Goods	B	B
TOTAL Sectors	B	B
Sectors:		
Electronics	B	B
Transport equipments	C	C
Machineries	C	B
Metal and metal products	C	C
Wood and wood products	C	C
Textile and garments	C	B
Footwear and headgear	C	C
Agricultural goods and raw materials	C	B
Plastics and rubbers	C	C
Chemicals	C	A
Miscellaneous manufactures	C	C

*Conditional to the criteria in Box 1.

V. Final Remarks

APEC, it is said, has been on the crossroads for a number of years already. After the initial enthusiasm of Bogor waned in the wake of the Asian financial crisis, APEC tried to revive the trade liberalization agenda. The current initiative, the FTAAP, has not been met by an overwhelming show of support by all members. While ambitious, a multitude of political sensitivities and the general RTA 'fatigue' factor prevent the FTAAP from advancing forward strongly. Yet, it is still one of the most concrete ideas on offer at the moment in the pillar of trade liberalization.

This paper puts forward an alternative to the FTAAP. The alternative is sectoral liberalization on an MFN basis, founded on the analytical basis of 'principal supplier' approach and a variant of the non-preferential trading club. In a departure from the ill-fated EVSL, the proposed initiative chooses the sectors to be liberalized on the basis of minimizing free riding of non-APEC members. Candidates for sectoral liberalization are those sectors where APEC economies supply a significant portion of world exports. Using a cut-off rate of 70%, over 282 products are identified for sectoral liberalization. These products, in total, constitute close to half of all APEC exports and around 40% of APEC imports.

Of course, while the APEC, as a collective, stands to benefit from the proposed sectoral liberalization, its impact on the individual member differs from one economy to another. The case study on the Philippines showed that sectoral liberalization, whilst serving its offensive interests, have a negative impact on the defensive interests in some sectoral categories. The sectors identified account for around 75% of total Philippine exports (primarily because electronics is part of the list). While initial observation would indicate a very strong offensive interest, an examination of the current tariff facing the Philippines in electronics would reveal very low tariffs. On the other hand, the sectors include footwear, garments and other items where the Philippines may have sensitivities. In addition, the analysis of the offensive and defensive interests is augmented by considerations of whether the tradeable commodities specified in the identified sectors are indeed produced in the Philippines. Clearly because of the trade-offs, a balancing of the political economy of sectoral liberalization has to be struck. This paper provides a system of assessing the offensive and defensive interest of members in light of the liberalization methodology proposed, as an aid for decision-making.

Given a set of criteria that includes export shares, incidence of tariff peaks, etc., the Philippines has moderate offensive and defensive interests in the sectors identified for liberalization. Of course, this analysis did not take into consideration the increase in consumer welfare that liberalization makes possible.

Admittedly, the proposed sectoral initiative has a more modest claim to liberalization outcomes compared to the FTAAP. However, the outcomes may be more politically acceptable to members because of the manner in which the free rider problem is skirted. Thus, there could be greater scope for APEC members to harmonize their liberalization efforts by targetting the selected sectors. In addition, because of its MFN characteristic, it is more in keeping with the WTO principle, and could, in fact, be a catalyst in pushing forward the DDA. This is open regionalism.

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Annex A: Products for which APEC Provide the Principal Supply of World Exports (2005)

Rank	HS Code	Description	Exports (US\$ Billion)			Share (In Percentage)		
			APEC	World	World Less Intra-EU Trade	To World	To World Less Intra-EU Trade	Difference
51	901049	Apparatus for drawing semiconductor circuits nes	1,675	1,805	1,794	92.80	93.36	0.56
52	853400	Printed circuits	25,963	30,150	27,846	86.11	93.24	7.13
53	400121	Natural rubber in smoked sheets	1,860	2,004	2,001	92.84	92.94	0.10
54	847170	Computer data storage units	41,091	56,180	44,219	73.14	92.93	19.79
55	640299	Footwear, outer soles/uppers of rubber or plastics, nes	6,882	8,796	7,411	78.24	92.86	14.62
56	950510	Articles for Christmas festivities	1,849	2,327	1,993	79.47	92.78	13.31
57	854190	Parts of mounted piezo-electric crystals and semiconductor devices	3,406	3,787	3,674	89.95	92.72	2.77
58	851829	Loudspeakers, nes	2,593	3,218	2,798	80.58	92.67	12.09
59	852090	Magnetic tape recorders and other sound recording apparatus, nes	1,878	3,346	2,027	56.12	92.61	36.49
60	400122	Technically specified natural rubber (TSNR)	3,963	4,321	4,284	91.72	92.51	0.79
61	900912	Electrostatic photo-copying apparatus, indirect process type	3,331	5,614	3,604	59.33	92.42	33.09
62	903141	Optical instruments for checking semiconductor wafers	1,569	1,722	1,698	91.09	92.38	1.29
63	860900	Cargo containers designd to be carrid by one o more modes of transport	6,333	7,289	6,859	86.87	92.33	5.46
64	291736	Terephthalic acid and its salts	5,902	7,480	6,396	78.90	92.28	13.38
65	871200	Bicycles and other cycles (including delivery tricycles),not motorised	3,211	4,857	3,480	66.11	92.27	26.16
66	640411	Sports footwear w outer soles of rubber o plastics&suppers of tex mat	1,687	2,851	1,828	59.16	92.25	33.09
67	847160	Computer input/outputs, with/without storage	54,827	73,517	59,457	74.58	92.21	17.63
68	950691	Gymnasium or athletics articles and equipment	2,934	3,898	3,184	75.28	92.17	16.89
69	800110	Tin not alloyed unwrought	2,242	2,543	2,437	88.17	92.01	3.84
70	852313	Unrecorded magnetic tapes, of a width exceeding 6.5 mm	1,989	2,945	2,162	67.54	91.99	24.45
71	841510	Air conditioning machines window or wall types, self-contained	6,075	7,245	6,608	83.86	91.93	8.07
72	851721	Facsimiles machines	1,685	2,350	1,835	71.70	91.83	20.13
73	290321	Vinyl chloride (chloroethylene)	1,602	1,916	1,748	83.61	91.65	8.04
74	854091	Parts of cathode-ray tubes	1,528	1,834	1,668	83.29	91.58	8.29
75	852830	Video projectors	4,268	5,771	4,663	73.95	91.53	17.58
76	721030	Flat rolled i/nas, electrolytically zinc coated >600mm	2,350	4,041	2,570	58.16	91.46	33.30
77	900190	Prisms,mirrors andother optical elements of any material,unmounted,nes	4,669	5,337	5,108	87.48	91.41	3.93
78	854140	Photosensitive semiconduct device,photovoltaic cells&light emit diodes	12,001	15,736	13,139	76.26	91.33	15.07
79	400129	Natural rubber in other forms nes	1,820	2,034	1,992	89.47	91.33	1.86
80	600292	Knitted or crocheted fabrics, of cotton, nes	4,676	5,360	5,121	87.23	91.30	4.07
81	903082	Instruments for checking semiconductor wafers	2,573	2,899	2,829	88.76	90.96	2.20
82	441213	Plywood, outer ply of tropical hardwood, ply <6mm	1,635	2,152	1,798	75.98	90.94	14.96
83	470321	Chemical wood pulp,soda or sulphate,coniferous,semi-bl or bleached,nes	6,538	9,616	7,209	68.00	90.69	22.69
84	440320	Logs, poles, coniferous nes	3,892	5,515	4,294	70.56	90.63	20.07
85	847180	Units of automatic data processing equipment nes	18,093	27,349	20,009	66.16	90.42	24.26
86	851711	Line telephone sets with cordless handsets	4,010	5,369	4,443	74.69	90.27	15.58
87	854110	Diodes, other than photosensitive or light emitting diodes	5,496	6,808	6,094	80.73	90.19	9.46
88	852821	Color video monitors	3,732	5,470	4,140	68.23	90.16	21.93
89	854129	Transistors, other than photosensitive transistors, nes	11,432	13,614	12,688	83.97	90.10	6.13
90	540752	Woven fabrics,>=85% of textured polyester filaments, dyed, nes	3,930	4,696	4,366	83.69	90.02	6.33
91	510111	Greasy shorn wool, not carded or combed	1,551	1,853	1,724	83.70	89.96	6.26
92	390740	Polycarbonates	5,249	6,748	5,840	77.79	89.89	12.10
93	847330	Parts&accessories of automatic data processg machines&units thereof	139,201	184,665	154,876	75.38	89.88	14.50
94	840790	Engines, spark-ignition type nes	1,701	2,123	1,895	80.14	89.79	9.65
95	900990	Parts and accessories for photo-copying apparatus	4,673	7,383	5,209	63.29	89.71	26.42
96	940179	Seats with metal frames, nes, other than those of heading No 94.02	1,572	2,262	1,757	69.49	89.45	19.96
97	852990	Parts suitable f use solely/princ w the app of headings 85.25 to 85.28	65,018	80,750	72,684	80.52	89.45	8.93
98	854213	Metal oxide semiconductors	132,426	167,716	148,166	78.96	89.38	10.42
99	850450	Inductors, electric	3,706	4,854	4,153	76.35	89.24	12.89
100	851840	Audio-frequency electric amplifiers	1,534	2,058	1,720	74.52	89.17	14.65
101	550320	Staple fibres of polyesters, not carded or combed	2,386	3,002	2,677	79.45	89.10	9.65
102	903089	Instruments&apparatus for measurg or checkg electrical quantities nes	2,210	2,736	2,486	80.79	88.91	8.12

Rank	HS Code	Description	Exports (US\$ Billion)			Share (In Percentage)		
			APEC	World	World Less Intra-EU Trade	To World	To World Less Intra-EU Trade	Difference
103	151110	Palm oil, crude	2,295	2,644	2,586	86.82	88.77	1.95
104	292610	Acrylonitrile	1,708	2,405	1,927	71.03	88.66	17.63
105	620293	Womens/girls anoraks and similar article of man-made fibres, not knitted	2,116	3,142	2,387	67.36	88.64	21.28
106	540761	Woven fabric >85% non-textured polyester filaments	2,587	3,267	2,919	79.16	88.62	9.46
107	850910	Domestic vacuum cleaners	3,220	4,599	3,636	70.01	88.55	18.54
108	851719	Telephone sets, nes	3,082	4,578	3,493	67.33	88.22	20.89
109	620193	Mens/boys anoraks and similar articles, of man-made fibres, not knitted	2,569	3,720	2,913	69.06	88.20	19.14
110	871419	Motorcycle parts nes	2,949	4,538	3,346	64.99	88.14	23.15
111	854430	Ignition wrg sets&oth wrg sets usd in vehicles, aircraft etc	9,990	18,101	11,352	55.19	88.00	32.81
112	940490	Articles of bedding/furnishing, nes, stuffed or internally fitted	3,075	4,619	3,498	66.58	87.92	21.34
113	854160	Mounted piezo-electric crystals	3,162	3,961	3,598	79.82	87.86	8.04
114	290243	P-xylene	5,457	6,636	6,212	82.24	87.84	5.60
115	871150	Motorcycles with reciprocating piston engine displac more than 800 cc	3,068	4,844	3,497	63.34	87.74	24.40
116	392099	Film and sheet etc, non-cellular etc, of plastics nes	1,971	2,774	2,250	71.06	87.59	16.53
117	600293	Knitted or crocheted fabrics, of manmade fibres, nes	2,507	3,406	2,866	73.62	87.49	13.87
118	850140	AC motors, single-phase, nes	2,575	3,809	2,945	67.61	87.44	19.83
119	480100	Newsprint, in rolls or sheets	6,123	9,444	7,024	64.83	87.17	22.34
120	260300	Copper ores and concentrates	14,594	17,087	16,797	85.41	86.89	1.48
121	871499	Bicycle parts nes	1,879	2,766	2,165	67.94	86.81	18.87
122	370790	Chemical preps f photographic uses, put up in measurd portions, nes	3,460	5,806	3,998	59.60	86.54	26.94
123	901910	Mechano-therapy appl, massage app, psychological aptitude-testg apparatus	1,626	2,274	1,883	71.52	86.36	14.84
124	854389	Electrical machines and apparatus nes	12,502	16,922	14,480	73.88	86.34	12.46
125	731816	Nuts, iron or steel, nes	2,676	3,578	1,953	62.88	86.18	23.30
126	441011	Waferboard, including oriented strand board of wood	1,666	2,176	1,933	76.55	86.17	9.62
127	420292	Containers, with outer surface of sheeting of plas or tex materials, nes	2,898	4,468	3,366	64.86	86.09	21.23
128	640419	Footwear o/t sports, w outer soles of rubber/plastics&uppers of tex mat	2,109	3,340	2,464	63.16	85.61	22.45
129	590320	Textile fabrics impregnated, ctd, cov, or laminated with polyurethane, nes	2,198	3,478	2,571	63.19	85.49	22.30
130	850610	Manganese dioxide primary cells and batteries	1,919	3,578	2,248	53.65	85.37	31.72
131	851822	Multiple loudspeakers, mounted in the same enclosure	1,841	2,734	2,157	67.33	85.32	17.99
132	854890	Electrical parts of mach	3,164	4,890	3,712	64.70	85.22	20.52
133	903090	Parts and access for inst and app for meas or checkg electrical quantities	3,019	3,953	3,560	76.38	84.81	8.43
134	841590	Parts of air conditioning machines	4,674	7,715	5,519	60.58	84.69	24.11
135	290250	Styrene	5,789	8,782	6,841	65.92	84.63	18.71
136	410121	Bovine hides, whole, fresh or wet-salted	1,682	2,889	1,990	58.23	84.53	26.30
137	852812	Colour television receivers	27,321	45,768	32,358	59.69	84.43	24.74
138	420222	Handbags w outer surface of sheetg of plastics o of textile materials	3,067	4,347	3,644	70.55	84.18	13.63
139	847141	Non-portable digital edp machines w processor and i/o	5,772	9,944	6,870	58.05	84.02	25.97
140	270112	Bituminous coal, whether or not pulverised but not agglomerated	33,199	41,018	39,526	80.94	83.99	3.05
141	650590	Hats&other headgear, knitted or made up from lace, or other textile mat	1,791	2,581	2,133	69.37	83.96	14.59
142	270111	Anthracite, whether or not pulverised but not agglomerated	1,637	2,198	1,957	74.48	83.64	9.16
143	160232	Fowl (gallus domesticus) meat, prepared/preserved	1,551	2,914	1,857	53.25	83.55	30.30
144	854451	Electr conductors, for a voltage >80V but < V connectrs w fitted>	4,233	6,449	5,067	65.63	83.53	17.90
145	847350	Parts and accessories for more than one office machine	2,220	2,908	2,663	76.36	83.36	7.00
146	870829	Parts and accessories of bodies nes for motor vehicles	22,065	41,989	26,488	52.55	83.30	30.75
147	611090	Pullovers, cardigans&similar articles of oth textile materials, knitted	1,887	2,596	2,266	72.67	83.25	10.58
148	391590	Plastics waste and scrap nes	1,590	2,117	1,910	75.10	83.24	8.14
149	850110	Electric motors of an output not exceeding 37.5 W	5,654	8,674	6,795	65.19	83.20	18.01
150	830230	Mountings, fittings&similar articles of base metal f motor vehicles, nes	1,599	3,122	1,925	51.23	83.08	31.85
151	940190	Parts of seats other than those of heading No 94.02	8,278	16,974	9,988	48.77	82.88	34.11
152	720270	Ferro-molybdenum	1,789	4,327	2,164	41.35	82.69	41.34
153	381800	Chemical compds, chem elem in the form of disc, wafer etc, dopd f electr n	5,389	7,118	6,535	75.71	82.46	6.75
154	854011	Cathode-ray television picture tubes, inc video monitor tubes, colour	4,230	5,987	5,140	70.66	82.29	11.63
155	400219	Styren-butadien rubber(SBR)/carboxyltd styren-butadien rubbr(XSBR) nes	2,091	3,255	2,554	64.22	81.86	17.64
156	845811	Horizontal lathes numerically controlled for removing metal	2,302	3,704	2,819	62.15	81.66	19.51
157	292250	Amino-alcohol-phenol, amino-acid-phenol&oth amino-compds w oxygen func	2,311	3,465	2,832	66.69	81.60	14.91
158	880320	Aircraft under-carriages and parts thereof	1,886	2,559	2,314	73.69	81.50	7.81
159	392310	Boxes, cases, crates and similar articles of plastic	3,732	6,889	4,580	54.17	81.49	27.32

Rank	HS Code	Description	Exports (US\$ Billion)			Share (in Percentage)		
			APEC	World	World Less Intra-EU Trade	To World	To World Less Intra-EU Trade	Difference
160	853641	Electrical relays for a voltage not exceeding 60 volts	1,818	3,011	2,235	60.36	81.31	20.95
161	847149	Digital data processing systems, nes	6,260	9,435	7,706	66.35	81.24	14.89
162	850431	Transformers electric power handling capacity not exceeding 1 KVA, nes	2,436	3,787	3,001	64.33	81.17	16.84
163	850440	Static converters, nes	14,305	21,978	17,626	65.09	81.16	16.07
164	871120	Motorcycles with reciprocating piston engine displac > 50 cc to 250 cc	3,353	5,051	4,132	66.39	81.14	14.75
165	840991	Parts for spark-ignition type engines nes	11,632	21,785	14,371	53.39	80.94	27.55
166	430310	Articles of apparel and clothing accessories of furskin	2,423	3,216	2,997	75.35	80.86	5.51
167	391000	Silicones in primary forms	1,958	3,179	2,428	61.61	80.65	19.04
168	390319	Polystyrene nes	3,388	5,780	4,202	58.62	80.65	22.03
169	441214	Plywood, outer ply of non-conifer wood nes,ply <6mm	1,830	3,039	2,269	60.20	80.63	20.43
170	600230	Knitted/crocheted tex fab,width > 30 cm,>=5% of elastomeric/rubber,nes	2,697	3,972	3,350	67.90	80.51	12.61
171	852691	Radio navigational aid apparatus	3,081	5,857	3,829	52.61	80.46	27.85
172	820730	Tools for pressing, stamping or punching	2,196	3,888	2,731	56.47	80.39	23.92
173	442190	Wood articles nes	2,090	3,924	2,605	53.27	80.25	26.98
174	540233	Textured yarn nes,of polyester filaments,not put up for retail sale	1,547	2,423	1,927	63.84	80.24	16.40
175	390190	Polymers of ethylene nes, in primary forms	3,322	5,695	4,142	58.33	80.19	21.86
176	854390	Parts of electrical machines and apparatus having individual functions, nes	4,342	6,304	5,416	68.88	80.18	11.30
177	390760	Polyethylene terephthalate	4,551	8,053	5,678	56.51	80.14	23.63
178	740311	Copper cathodes and sections of cathodes unwrought	17,411	23,998	21,741	72.55	80.08	7.53
179	611120	Babies garments and clothing accessories of cotton, knitted	2,292	3,489	2,867	65.71	79.95	14.24
180	854150	Semiconductor devices, nes	3,330	4,685	4,180	71.08	79.67	8.59
181	854411	Insulated (including enamelled or anodised) winding wire of copper	1,879	3,602	2,360	52.16	79.61	27.45
182	950699	Articles & equip for sports & outdoor games nes & swimming & paddling pools	2,048	3,354	2,575	61.06	79.54	18.48
183	842952	Shovels and excavators with a 360 revolving superstructure	8,551	14,803	10,750	57.76	79.54	21.78
184	903290	Parts & access for automatic regulating or controlling instruments & app, nes	2,924	4,810	3,679	60.78	79.46	18.68
185	840734	Engines, spark-ignition reciprocating displacing more than 1000 cc	12,521	24,917	15,758	50.25	79.46	29.21
186	851290	Parts of electrical lighting, signalling and defrosting equipment	1,545	3,268	1,947	47.26	79.35	32.09
187	270400	Coke & semi-coke of coal, lignite or peat, agglomerated or not, retort carbon	3,520	6,248	4,438	56.34	79.31	22.97
188	392321	Sacks and bags (including cones) of polymers of ethylene	3,382	5,857	4,265	57.74	79.29	21.55
189	850131	DC motors, DC generators, of an output not exceeding 750 W	2,120	3,690	2,679	57.45	79.13	21.68
190	740200	Copper unrefined, copper anodes for electrolytic refining	1,884	3,338	2,386	56.43	78.96	22.53
191	853221	Electrical capacitors, fixed, tantalum, nes	1,625	2,288	2,063	71.00	78.77	7.77
192	160520	Shrimps and prawns, prepared or preserved	2,152	3,308	2,733	65.04	78.73	13.69
193	392062	Film and sheet etc, non-cellular etc, of polyethylene terephthalates	1,929	3,413	2,451	56.52	78.70	22.18
194	851220	Lighting or visual signalling equipment nes	2,525	6,243	3,212	40.45	78.62	38.17
195	870321	Automobiles w reciprocating piston engine displac not more than 1000 cc	3,513	7,710	4,474	45.56	78.51	32.95
196	720918	Cold rolled iron/steel, coils >600mm x <0.5mm	2,546	3,554	3,243	71.64	78.51	6.87
197	940320	Furniture, metal, nes	3,708	6,854	4,741	54.10	78.21	24.11
198	870333	Automobiles with diesel engine displacing more than 2500 cc	6,831	20,972	8,735	32.57	78.21	45.64
199	880390	Parts of balloons, dirigibles, and spacecraft nes	2,360	3,854	3,026	61.24	77.98	16.74
200	853669	Electrical plugs and sockets, for a voltage not exceeding 1,000 volts	4,130	6,795	5,309	60.78	77.80	17.02
201	731815	Bolts o screws nes, with o without their nuts o washers, iron o steel	4,978	9,183	6,398	54.20	77.79	23.59
202	845710	Machining centres, for working metal	3,339	5,439	4,297	61.40	77.71	16.31
203	852491	Recorded media (except sound/image) nes	1,828	2,934	2,355	62.31	77.62	15.31
204	870840	Transmissions for motor vehicles	14,068	25,179	18,149	55.87	77.51	21.64
205	750110	Nickel mattes	1,856	2,399	2,396	77.36	77.44	0.08
206	841582	Air conditioning units, inc a refrigerating unit	1,607	2,902	2,075	55.38	77.44	22.06
207	850490	Parts of electrical transformers, static converters and inductors	4,576	7,070	5,916	64.72	77.35	12.63
208	843143	Parts of boring or sinking machinery, whether or not self-propelled	9,041	12,177	11,694	74.25	77.32	3.07
209	890120	Tankers	13,386	18,251	17,345	73.34	77.17	3.83
210	901812	Ultrasonic scanning apparatus	1,748	2,773	2,265	63.04	77.17	14.13
211	851750	Apparatus for carrier-current/digital line systems	12,681	20,412	16,440	62.12	77.14	15.02
212	853690	Electrical app for switching/protecting elec circuits, not exceeding 1,000 V, nes	14,496	24,104	18,831	60.14	76.98	16.84
213	230120	Flour, meal & pellet of fish, crust, mol/oth aqua invert, unfit human cons	1,824	2,657	2,371	68.68	76.96	8.28
214	391990	Self-adhesive plates, sheets, film etc, of plastic nes	3,344	6,419	4,358	52.10	76.74	24.64
215	870839	Brake system parts nes for motor vehicles	6,914	14,809	9,034	46.69	76.54	29.85
216	848071	Moulds, injection or compression types, for rubber or plastics	4,240	7,265	5,541	58.37	76.52	18.15

Rank	HS Code	Description	Exports (US\$ Billion)			Share (in Percentage)		
			APEC	World	World Less Intra-EU Trade	To World	To World Less Intra-EU Trade	Difference
217	940540	Electric lamps and lighting fittings, nes	2,964	5,518	3,880	53.72	76.40	22.68
218	310420	Potassium chloride, in packages weighing more than 10 kg	3,486	4,711	4,572	74.00	76.25	2.25
219	841861	Compression type refrigeratg/freez equip whose condensrs are heat exch	2,017	3,933	2,650	51.29	76.10	24.81
220	847190	Automatic data processing equipment nes	4,041	6,583	5,317	61.39	76.01	14.62
221	390730	Epoxide resins	2,532	4,597	3,343	55.07	75.73	20.66
222	848210	Bearings, ball	4,331	8,892	5,722	48.70	75.68	26.98
223	841430	Compressors of a kind used in refrigerating equipment	5,231	9,411	6,927	55.58	75.51	19.93
224	880330	Aircraft parts nes	20,534	36,708	27,200	55.94	75.49	19.55
225	810890	Titanium and articles thereof, nes	1,550	2,653	2,056	58.42	75.40	16.98
226	711210	Waste&scrap of gold,incl met clad w gold exc sweepgs contg/o prec met	1,878	2,616	2,495	71.80	75.30	3.50
227	847150	Digital processing units not sold as complete systems	12,378	31,316	16,449	39.53	75.25	35.72
228	260800	Zinc ores and concentrates	2,211	3,573	2,942	61.88	75.16	13.28
229	480411	Paper, Kraftliner, in rolls, unbleached, uncoated	1,615	3,203	2,152	50.40	75.04	24.64
230	870870	Wheels including parts and accessories for motor vehicles	5,078	11,314	6,772	44.88	74.99	30.11
231	7108	Gold (incl. gold plated w/ platinum) unwrought/semi-manufactured or powdered	22,584	31,732	30,223	71.17	74.73	3.56
232	293090	Organo-sulphur compounds, nes	2,797	5,023	3,754	55.68	74.50	18.82
233	850880	Tools, nes, hand-held, with selfcontained electric motor	2,324	4,518	3,123	51.45	74.42	22.97
234	880330	Aircraft parts nes	20,534	36,708	27,200	55.94	75.49	19.55
235	810890	Titanium and articles thereof, nes	1,550	2,653	2,056	58.42	75.40	16.98
236	711210	Waste&scrap of gold,incl met clad w gold exc sweepgs contg/o prec met	1,878	2,616	2,495	71.80	75.30	3.50
237	847150	Digital processing units not sold as complete systems	12,378	31,316	16,449	39.53	75.25	35.72
238	260800	Zinc ores and concentrates	2,211	3,573	2,942	61.88	75.16	13.28
239	480411	Paper, Kraftliner, in rolls, unbleached, uncoated	1,615	3,203	2,152	50.40	75.04	24.64
240	870870	Wheels including parts and accessories for motor vehicles	5,078	11,314	6,772	44.88	74.99	30.11
241	7108	Gold (incl. gold plated w/ platinum) unwrought/semi-manufactured or powdered	22,584	31,732	30,223	71.17	74.73	3.56
242	293090	Organo-sulphur compounds, nes	2,797	5,023	3,754	55.68	74.50	18.82
243	850880	Tools, nes, hand-held, with selfcontained electric motor	2,324	4,518	3,123	51.45	74.42	22.97
244	854449	Electric conductors, for a voltage not exceeding 80 V, nes	2,138	4,025	2,876	53.13	74.35	21.22
245	841810	Combined refrigerator-freezers, fitted with separate external doors	3,347	6,005	4,516	55.74	74.11	18.37
246	440710	Lumber, coniferous (softwood) 6 mm and thicker	12,029	22,614	16,244	53.19	74.06	20.87
247	392410	Tableware and kitchenware of plastics	2,188	4,231	2,956	51.72	74.02	22.30
248	720917	Cold rolled iron/steel, coils >600mm x 0.5-1mm	4,316	7,747	5,841	55.71	73.90	18.19
249	401120	Pneumatic tires new of rubber for buses or lorries	7,178	13,744	9,723	52.22	73.82	21.60
250	853190	Parts of electric sound or visual signalling apparatus	1,573	2,787	2,143	56.45	73.42	16.97
251	441890	Builder's joinery and carpentry of wood nes	2,047	4,210	2,791	48.63	73.36	24.73
252	611030	Pullovers, cardigans and similar articles of man-made fibres, knitted	7,701	13,293	10,527	57.94	73.16	15.22
253	392690	Articles of plastics or of other materials of Nos 39.01 to 39.14 nes	13,671	29,644	18,708	46.12	73.08	26.96
254	8525	Transmission apparatus for radio-telephony/-telegraphy/-broadcasting or TV	104,045	186,238	142,721	55.87	72.90	17.03
255	901819	Electro-diagnostic apparatus, nes	3,858	6,068	5,294	63.59	72.88	9.29
256	441219	Plywood nes, at least 1 outer ply of coniferous wood (ply's <6 mm)	1,774	2,973	2,435	59.67	72.86	13.19
257	640399	Footwear, outer soles of rubber/plastics uppers of leather, nes	10,858	21,847	14,907	49.70	72.84	23.14
258	852910	Aerials&aerial reflectors of all kinds;parts suitable f use therewith	4,202	7,523	5,772	55.86	72.80	16.94
259	284410	Natural uranium&its compounds;mixtures cntg natural uranium/its compds	1,962	2,731	2,700	71.82	72.66	0.84
260	890190	Cargo vessels nes&both vessels for the transport of both persons&goods	18,248	26,828	25,143	68.02	72.58	4.56
261	902780	Instruments and apparatus for physical or chemical analysis, nes	3,431	5,807	4,734	59.09	72.49	13.40
262	381121	Lubricatg oil additives cntg pet oils/oils obtained from bitu minerals	2,005	3,927	2,768	51.06	72.44	21.38
263	721070	Flat rolled prod,i/nas,painted,varnished or plast coated,>/=600mm wide	1,843	4,594	2,547	40.13	72.37	32.24
264	440799	Lumber, non-coniferous nes	2,363	3,699	3,266	63.87	72.35	8.48
265	740811	Wire of refind copper of which the max cross sectional dimension > 6mm	4,298	8,977	5,943	47.87	72.32	24.45
266	100590	Maize (corn) nes	6,035	10,124	8,359	59.62	72.20	12.58
267	847989	Machines andmechanical appliances nes having individual functions	20,841	33,939	28,879	61.41	72.17	10.76
268	8704	Motor vehicles for the transport of goods.	40,479	82,000	56,105	49.37	72.15	22.78
269	870324	Automobiles with reciprocating piston engine displacing > 3000 cc	78,339	118,245	108,610	66.25	72.13	5.88
270	721913	Flat rolld prod,stainless steel,hr in coil,w>/=600mm,3<>	2,374	4,035	3,299	58.85	71.98	13.13
271	853650	Electrical switches for a voltage not exceeding 1,000 volts, nes	5,859	12,433	8,141	47.12	71.97	24.85
272	851790	Parts of electrical apparatus for line telephone or line telegraphy	15,839	26,351	22,015	60.11	71.94	11.83
273	401110	Pneumatic tire new of rubber f motor car incl station wagons&racg cars	9,274	21,665	12,901	42.81	71.89	29.08

Rank	HS Code	Description	Exports (US\$ Billion)			Share (in Percentage)		
			APEC	World	World Less Intra-EU Trade	To World	To World Less Intra-EU Trade	Difference
264	292910	Isocyanates	2,045	3,924	2,846	52.11	71.85	19.74
265	391910	Self-adhesive plates,sheets,film etc,of plastic in rolls <20 cm wide	1,646	3,641	2,293	45.22	71.78	26.56
266	853710	Boards,panels,includg numerical control panels,for a voltage < V>	10,123	18,876	14,111	53.63	71.74	18.11
267	392490	Household and toilet articles nes, of plastics	2,156	3,885	3,014	55.50	71.55	16.05
268	870899	Motor vehicle parts nes	41,582	88,153	58,131	47.17	71.53	24.36
269	732393	Table,kitchen or other household art&parts thereof,stainless steel,nes	1,922	3,271	2,688	58.74	71.48	12.74
270	230910	Dog or cat food put up for retail sale	1,680	5,645	2,353	29.77	71.43	41.66
271	720421	Waste and scrap, stainless steel	2,057	5,502	2,881	37.39	71.42	34.03
272	854212	Cards incorporating electronic integrated circuits	3,143	5,733	4,409	54.83	71.30	16.47
273	100190	Wheat nes and meslin	9,247	16,166	13,021	57.20	71.01	13.81
274	711719	Imitation jewellery nes of base metal whether o not platd w prec metal	1,690	3,088	2,382	54.75	70.97	16.22
275	721934	Flat rolled prod, stainless steel, cr,w/=/600mm,0.5mm<	1,879	4,475	2,647	41.98	70.97	28.99
276	711311	Articles of jewellery&pts therof of silver w/n platd/clad w/o prec met	1,705	2,803	2,414	60.83	70.63	9.80
277	903289	Automatic regulating or controlling instruments and apparatus, nes	5,865	11,922	8,304	49.20	70.63	21.43
278	621210	Brassieres and parts thereof, of textile materials	3,409	6,234	4,832	54.69	70.56	15.87
279	691110	Tableware and kitchenware of porcelain or china	1,790	3,193	2,542	56.05	70.41	14.36
280	392329	Sacks and bags (including cones) of plastics nes	1,592	3,159	2,265	50.41	70.32	19.91
281	940350	Bedroom furniture, wooden, nes	3,083	6,472	4,385	47.64	70.31	22.67
282	850410	Ballasts for discharge lamps or tubes	1,577	3,028	2,247	52.09	70.20	18.11

Source: ITC TradeMap

Annex B: Importance of 'Principal Supplier' Goods to APEC Members by Cut-off Level (2005)

Percent Cut-Off	APEC Member																					
	Australia	Brunei	Canada	Chile	China	Hong Kong	Indonesia	Japan	Malaysia	Mexico	New Zealand	Papua New Guinea	Peru	Philippines	Russia	South Korea	Singapore	Chinese Taipei	Thailand	United States	Vietnam	APEC
	Panel A: Market Potential – Imports by APEC Partners of 'Principal Supplier' Goods, 2005 (US\$ Billion)																					
70%	1,905	1,940	1,834	1,934	1,617	1,768	1,931	1,776	1,880	1,848	1,934	1,940	1,938	1,915	1,922	1,849	1,840	1,861	1,899	1,350	1,933	
75%	1,434	1,455	1,837	1,451	1,618	1,309	1,450	1,318	1,402	1,388	1,452	1,455	1,454	1,432	1,445	1,379	1,368	1,390	1,426	1,093	1,450	
80%	1,234	1,249	1,203	1,246	988	1,112	1,246	1,128	1,201	1,195	1,246	1,249	1,248	1,227	1,242	1,181	1,172	1,189	1,224	958	1,245	
85%	1,011	1,023	995	1,020	791	899	1,021	930	978	982	1,021	1,023	1,022	1,001	1,018	968	951	974	1,002	805	1,020	
90%	572	579	564	577	454	516	578	530	546	558	578	579	579	563	576	555	541	550	565	446	578	
	Panel B: Share of Products in APEC Members' Exports, 2005 (Percentage)																					
70%	33.36	0.54	33.27	61.11	53.46	60.10	37.89	50.12	57.76	42.49	13.25	43.23	58.48	75.41	8.31	58.05	57.95	59.73	50.11	36.15	31.62	45.63
75%	23.99	0.44	14.56	56.45	43.83	51.20	32.96	34.50	51.06	28.51	6.69	21.80	39.07	71.05	5.31	39.97	50.97	53.12	40.53	25.89	21.47	34.60
80%	21.90	0.38	10.25	51.83	39.90	47.45	29.63	26.18	48.65	23.16	5.33	21.59	26.98	64.49	4.11	33.75	46.23	48.58	34.88	18.99	19.80	29.42
85%	4.54	0.07	5.76	25.67	34.40	42.99	22.20	21.63	44.35	11.85	4.54	21.54	16.60	62.99	1.56	29.78	42.59	43.61	29.30	14.25	15.70	24.05
90%	0.86	0.05	2.32	9.59	23.69	21.58	13.98	10.59	29.07	5.43	2.99	1.29	8.23	50.54	1.10	13.84	27.02	28.95	21.71	6.67	9.59	13.97
	Panel C: Share of Products in APEC Members' Imports, 2005 (Percentage)																					
70%	30.44	23.03	33.90	23.85	48.99	57.42	16.72	32.00	53.24	41.91	26.09	14.99	22.02	54.66	18.52	35.20	50.27	43.80	34.89	34.12	23.76	38.45
75%	17.85	17.01	21.66	13.75	43.59	48.64	8.98	26.55	46.40	30.28	14.81	7.77	13.24	49.41	10.12	29.32	43.55	36.12	25.24	20.90	16.67	28.83
80%	13.03	8.55	14.63	10.78	39.53	45.52	6.04	23.44	42.15	24.35	10.80	4.15	9.85	46.72	7.44	26.22	38.51	33.29	21.41	16.80	12.72	24.74
85%	9.97	6.30	8.68	8.15	35.05	41.14	3.91	18.04	38.87	18.39	8.11	3.30	5.98	45.35	4.92	21.01	35.96	26.67	17.69	12.55	9.22	20.26
90%	6.33	4.20	4.78	6.17	19.01	20.93	1.60	9.44	29.04	9.56	5.16	1.33	3.60	34.63	3.29	9.34	19.26	16.13	11.82	7.69	4.27	11.47
	Panel D: Discrepancy in APEC Members' Share of Exports and Share of Imports, 2005 (Percentage)																					
70%	2.92	-22.49	-0.63	37.26	4.47	2.68	21.17	18.12	4.52	0.58	-12.84	28.24	36.46	20.75	-10.21	22.85	7.68	15.93	15.22	2.03	7.86	7.18
75%	6.14	-16.57	-7.1	42.7	0.24	2.56	23.98	7.95	4.66	-1.77	-8.12	14.03	25.83	21.64	-4.81	10.65	7.42	17	15.29	4.99	4.8	5.77
80%	8.87	-8.17	-4.38	41.05	0.37	1.93	23.59	2.74	6.5	-1.19	-5.47	17.44	17.13	17.77	-3.33	7.53	7.72	15.29	13.47	2.19	7.08	4.68
85%	-5.43	-6.23	-2.92	17.52	-0.65	1.85	18.29	3.59	5.48	-6.54	-3.57	18.24	10.62	17.64	-3.36	8.77	6.63	16.94	11.61	1.7	6.48	3.79
90%	-5.47	-4.15	-2.46	3.42	4.68	0.65	12.38	1.15	0.03	-4.13	-2.17	-0.04	4.63	15.91	-2.19	4.5	7.76	12.82	9.89	-1.02	5.32	2.50

Source: Authors' calculations using ITC TradeMap data

Annex D: Comparative Analysis of 'Principal Supplier' Goods and the Products in the 1998 APEC EVSL Sectors and 2008 WTO NAMA Sectoral Proposal

Sector	'Principal Supplier' Goods		In 1998 APEC EVSL		In 2008 WTO NAMA Sectoral Proposal	
	No. of Tariff Lines	Share to Total 'Principal Supplier' Goods (%)	No. of Tariff Lines	Share to Sector (%)	No. of Tariff Lines	Share to Sector (%)
TOTAL 'Principal Supplier' Goods	282	100.00	123	45.04	189	67.02
TOTAL Sectors	272	96.45	127	43.62	186	65.96
Electronics	77	27.30	24	8.51	75	26.60
Transport equipments	21	7.45	9	3.19	10	3.55
Machineries	49	17.38	32	11.35	45	15.96
Metal and metal products	20	7.09	5	1.77	1	0.35
Wood and wood products	12	4.26	12	4.26	12	4.26
Textile and garments	15	5.32	0	0.00	0	0.00
Footwear and headgear	7	2.48	0	0.00	0	0.00
Agricultural goods and raw materials	18	6.38	10	3.55	0	0.00
Plastics and rubbers	26	9.22	8	2.84	20	7.09
Chemicals	13	4.61	13	4.61	13	4.61
Miscellaneous manufactures	14	4.96	10	3.55	10	3.55

Source: Authors' calculations based on APEC (1998) and WTO (2006)

Annex E: Application of the Indicative Offensive and Defensive Criteria

Sector	Offensive Interest				Defensive Interest			
	Value of Phils. Exports to APEC (US\$ Million)	Share to Phils. Exports to APEC (%)	APEC Partners' Ave. Applied MFN Tariff (% <i>Ad valorem</i>)	Category	Simple Ave. of the Applied MFN Tariffs of APEC Members* (% <i>Ad valorem</i>)	Phils. Simple Ave. Applied MFN Tariff (% <i>Ad valorem</i>)	Share of Imports with Tariff Peaks (%)	Category
TOTAL 'Principal Supplier' Goods	20,553	61.50	4.38	B	6.92	6.21	20.37	B
TOTAL Sectors	20,443	61.17	4.29	B	6.68	6.11	19.47	B
Sectors:								
Electronics	11,438	34.22	1.71	B	5.54	3.51	10.39	B
Transport equipments	1,200	3.59	7.69	C	8.24	15.23	42.86	C
Machineries	6,746	20.18	1.40	C	4.67	2.19	21.28	B
Metal and metal products	386	1.16	3.41	C	4.81	4.25	5.26	C
Wood and wood products	142	0.43	3.08	C	5.80	7.95	33.33	C
Textile and garments	189	0.56	17.12	C	12.25	9.41	35.71	B
Footwear and headgear	26	0.08	8.19	C	8.37	15.00	100.00	C
Agricultural goods and raw materials	38	0.12	17.19	C	15.55	10.76	35.71	B
Plastics and rubbers	191	0.57	4.66	C	3.76	8.14	28.00	C
Chemicals	1	0.00	1.34	C	3.76	1.42	0.00	A
Miscellaneous manufactures	86	0.26	2.33	C	5.84	8.80	35.71	C

Source: Authors calculations using ITC TradeMap and WTO IDB data

Note: *Based on the figures in the 2008 WTO World Tariff Profile in Table 10.

Electronics: Average of the Simple Average MFN Applied Tariffs of the 21 APEC Member Economies for the Eletrical machinery sector.

Transport equipments: Average of the Simple Average MFN Applied Tariffs of the 21 APEC Member Economies for the Transport equipments sector.

Machineries: Average of the Simple Average MFN Applied Tariffs of the 21 APEC Member Economies for the Non-electrical machinery and Electrical machinery sectors

Metal and metal products: Average of the Simple Average MFN Applied Tariffs of the 21 APEC Member Economies for the Minerals and metals sector.

Wood and wood products: Average of the Simple Average MFN Applied Tariffs of the 21 APEC Member Economies for the Wood, paper, etc. sector.

Textile and garments: Average of the Simple Average MFN Applied Tariffs of the 21 APEC Member Economies for the Textiles and clothing sector.

Footwear and headgear: Average of the Simple Average MFN Applied Tariffs of the 21 APEC Member Economies for the Leather, footwear, etc. sector

Agricultural goods and raw materials: Average of the Simple Average MFN Applied Tariffs of the 21 APEC Member Economies for Animal products; Dairy products; Fruit, vegetables, and plants, Coffe and tea; Cereals and preparations; Oilseeds, fats, and oils, Sugar and confectionery; Beverages and tobacco; Cotton; and Other agri sectors.

Plastics and rubbers: Average of the Simple Average MFN Applied Tariffs of the 21 APEC Member Economies for the Chemicals sector.

Chemicals: Average of the Simple Average MFN Applied Tariffs of the 21 APEC Member Economies for the Chemicals sector.

Miscellaneous manufactures: Average of the Simple Average MFN Applied Tariffs of the 21 APEC Member Economies for the Manufactures, nes. sector.