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Supporting WTO and Pathways to the Free Trade Area of the Asia Pacific (FTAAP)

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

Supporting WTO and Pathways to the Free Trade Area of the Asia Pacific (FTAAP)

Erlinda M. Medalla and Angelica B. Maddawin

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Supporting WTO and Pathways to the Free Trade Area of the Asia Pacific (FTAAP)¹

Abstract

The discussions on the Free Trade Area of the Asia Pacific (FTAAP) have evolved in the Asia-Pacific Economic Cooperation (APEC) meetings since 2004 when the APEC Business Advisory Council (ABAC) presented a study suggesting a possible integration of the Asia-Pacific region. The most recent development in this regard is the support of China during its hosting and the formulation of a roadmap about the APEC's Contribution to the Realization of the FTAAP. The paper revisits the factors that could shape the way forward, and some implications on what position the Philippines should take. In particular, it looks at the emerging mega blocks in the APEC region— the Trans-Pacific Partnership (TPP) and Regional Comprehensive Economic Partnership (RCEP), and possible scenarios. The paper highlights the important role of APEC as venue for discussions to steer the region towards regional integration that is supportive of the WTO and APEC goals, and act as a mechanism for enhancing ECOTECH and capability building efforts to prepare less developed countries in deeper and wider areas of liberalization.

Keywords: Free Trade Area of the Asia Pacific, Asia Pacific Economic Cooperation, World Trade Organization, Trans-Pacific Partnership, Regional Comprehensive Economic Partnership, 2015 APEC Hosting

¹ This paper is an output of the APEC 2015 Research Project commissioned by the Department of Foreign Affairs. The main objective of the project is to provide the analytical framework that will form part of the basis for the substantive priorities the Philippines will push for as APEC host economy in 2015. The project's main output is a set of policy studies with recommendations that can serve APEC 2015 purposes and can be used as inputs to the Philippine government's future development planning, strategizing, and visioning exercise in a post-2015 scenario.

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Supporting WTO and Pathways to Free Trade Area of the Asia Pacific (FTAAP)

Erlinda M. Medalla and Angelica B. Maddawin²

Introduction

The WTO Doha Development Round closely avoided a collapse with the conclusion of the 9th Ministerial Conference (MC9) in Bali. However, the work of APEC in supporting WTO is far from over. The Bali package is much smaller than what the Doha Development Agenda (DDA) intended to cover. Moreover, regional and global interrelationships will continue to become increasingly complex, and the need remains for cooperation and coordination that cannot be handled within the WTO framework. More than ever, APEC would need to be more effective in achieving its vision for the region.

This paper looks into how APEC could best uphold WTO and achieve its goal of regional economic integration given the emerging trend of mega bloc formation within APEC. Could the formation of the Free Trade Agreement of Asia Pacific (FTAAP) be a feasible and acceptable solution? Could TPP and RCEP processes converge to form the pathway to FTAAP. What stance should the Philippines take in the APEC discussions? To shed light on these questions, the paper has three sections. The first section presents a brief background on the evolution of the APEC view of the FTAAP. The second section discusses TPP and RCEP in relation to APEC and FTAAP, and the perspective from the Philippines. The third section provides the recommendations. This final section looks at how APEC has dealt with the rise in Free Trade Agreements in general, and what more it can do to enable the convergence of these mega blocs while bolstering its support for WTO.

1. Evolution of FTAAP discussion in APEC

Support for WTO, along with the Bogor goals, is at the core of APEC. With the rise in the number of FTAs, and the long drawn process of the WTO Doha Development Agenda (DDA), a proposal for the formation of the Free Trade Agreement of Asia Pacific (FTAAP) was first introduced in APEC discussions during Chile's APEC hosting in 2004. The proposal was endorsed by ABAC (APEC Business Advisory Council) based on its study on the feasibility and potential scope and features of FTAAP supporting the "Santiago Initiative for Expanded Trade in APEC." Bergsten called it, "the best possible Plan B available as an FTAAP will provide the biggest single liberalization in history and could restart WTO's multilateral negotiations."³ Supporters at the time envision a FTAAP to unify the integration efforts in the region and prevent competitive liberalization in

² PIDS Senior Research Fellow and PIDS Research Assistant respectively.

³ Bergsten, C. Fred. A Free Trade Area of the Asia Pacific in the Wake of the Faltering Doha Round: Trade Policy Alternatives for APEC. <http://www.pecc.org/ftaap>

Americas and Asia. It was also seen as a means for the US and China to address trade tensions and strengthen the mandate and effectiveness of APEC.

However, most APEC economies were hesitant about embarking on a FTAAP at that time, mainly because of questions about readiness and capability (including the capability to negotiate). Instead, APEC Leaders agreed to utilize existing measures as building blocks before embarking on FTAAP, and would await further studies on the issue. China, in particular, at that time would support pursuing instead regional economic integration (REI), with the view of achieving FTAAP in the long run. REI has become a core priority issue in APEC.

The interest in pursuing FTAAP waned somewhat in the following years, focusing more on REI efforts. However, with more FTAs being formed and the conclusion of the WTO DDA remaining elusive, more serious discussion of pathways to FTAAP started to gain ground during the past years. To illustrate, below is a summary of inclusion of FTAAP in the Ministerial and Leaders Meeting in APEC from 2004 to 2013.

The Timeline of FTAAP discussions in the APEC Ministerial and Leaders Meeting (2004- 2013)⁴

2004

In 2004, the APEC Business Advisory Council (ABAC) which is a non-government entity created by APEC Leaders to respond to business-related issues in the APEC region, presented a study on the feasibility and potential scope and features of FTAAP in support to the *Santiago Initiative for Expanded Trade in APEC*. The *Santiago Initiative for Expanded Trade in APEC* was the major result of the 12th APEC Economic Leader's Meeting in Santiago, Chile. The Santiago Initiative aims to complement the achievement of free and open trade in the region. It has two components: (1) trade and investment liberalization and (2) trade facilitation. During this year, not all APEC leaders were amenable to the formation of FTAAP. A number of leaders were hesitant about the FTAAP and they said that they should rather utilize the existing measures as building block than embarking on new FTA efforts such as the FTAAP.

2005

No discussion on FTAAP

⁴ This subsection draws heavily from various APEC Leaders Declarations and APEC Ministerial Statements issued from 2004 to 2013. <http://mddb.apec.org/>

2006

The feasibility study that the ABAC proposed in 2004 was brought up in the 18th APEC Ministerial Meeting in 2006 in Hanoi, Vietnam with the support of Pacific Economic Cooperation Council (PECC). PECC is a unique tripartite partnership of senior individuals from business and industry, government, academic and other intellectual circles. Its role in APEC is to serve as a regional forum for cooperation and policy coordination to promote economic development in the Asia-Pacific region. During this year, the Ministers were able to come up with the *Hanoi Action Plan* acknowledging that FTAAP may not be viable in the near term; it nevertheless should be actively considered future goal for realizing regional economic integration and a complement to the ongoing multilateral efforts and the Bogor goals.

2007

It was in 2007 in Australia at the 13th Meeting of APEC Ministers Responsible for Trade (MRT) that FTAAP was carried forward with a further examination on its prospects. The Ministers initiated to finalize a draft report relating to the pursuit of a regional economic integration with various ways to achieve free trade in the region including the possibility of FTAAP as a long-term prospect.

This *2007 report on promoting regional economic integration* was then finalized during the 19th APEC Ministerial Meeting on that year and was submitted to the APEC Leaders in support for the regional economic integration agenda.

The report outlines a wide range of practical actions that the APEC member economies can take to promote and reinforce in the integration. It includes a *Framework for Strengthening Regional Economic Integration* which consists of four key elements. The first element discusses a way that will lay a foundation for FTAAP. By further liberalizing the trade in goods and services and investment flows, it will support the FTAAP in the longer term. The agreed actions in examining the options and prospects of FTAAP are the following:

1. compiling an inventory of issues relevant to an FTAAP that would need to be addressed as part of a possible preparatory process and examining their possible implications;
2. conducting an analytical study of existing bilateral and plurilateral free-trade agreements in the region with the aims of increasing knowledge of their similarities and differences, as well as enabling economies to identify possible ways in which the FTAAP concept could be furthered;
3. undertaking a review of existing analytical work relevant to a possible FTAAP and assessing the need for any additional analytical work; and
4. examining the feasibility of docking or merging existing free trade agreements.

It was further suggested in the report that it would be helpful to come up with an additional Senior Officials Meeting (SOM) Trade Policy Dialogues to discuss various aspects of

possible FTAAP. Finally, the report was then recognized in the 15th APEC Leaders' Meeting on that year.

2008

In the meeting of the APEC Ministers Responsible for Trade (MRT) in 2008 at Arequipa, Peru, the Ministers reiterated the importance of further analyzing the prospect of the FTAAP including its implications. They instructed the officials to continue the intensive work program being carried out. They also supported the *Study on Identifying Convergences and Divergences in APEC's RTAs/FTAs*, a proposal from the SOM Policy Dialogue. They thought that the study was a helpful tool for promoting better understanding of the similarities and differences among the provisions within the existing RTAs/FTAs in the region. For the Ministers, FTAAP should help address the complexity created by the current array of FTAs and RTAs in the region. It should be WTO consistent and should promote greater regional economic integration than what is currently achieved from the multilateral system. It is expected to have implications for APEC's existing processes and would require additional capacity-building.

The *Study on Identifying Convergences and Divergences in APEC's RTAs/FTAs* is expected to provide a guide in identifying concrete ways to further examine the concept of an FTAAP. It was elevated to the 20th APEC Ministerial Meeting on the same year, thinking that it will provide a useful tool for further examining the possible development of the FTAAP because the result was found to be relevant to a possible FTAAP. The recommendations of the study were then noted for additional work. Even back then, the analysis on FTAAP was trusted to generate economic gains in the region and promote global free trade. So the Ministers instructed the officials to undertake further analysis on the likely economic impact, benefits and challenges of the FTAAP until the next year.

The *2007 report on promoting regional economic integration* is progressing in 2008; hence, the leaders, during the 16th APEC Leaders' Meeting, asked the Ministers and the officials to conduct further analytical work on the likely economic impact of FTAAP and a discussion on a possible capacity building requirements for possible future negotiations.

2009

In the 2009 Meeting of APEC Ministers Responsible for Trade (MRT) in Singapore, the Ministers pronounced that they are expanding the *Study on Identifying Convergences and Divergences in APEC's RTAs* and FTAs to include additional 12 agreements and to provide analysis on electronic commerce provisions. They also reported a progress on the *2007 report on promoting regional economic integration*. In particular, they refer to the development of a preliminary inventory of issues that are needed to be addressed as part of the preparatory process for a possible FTAAP under the "agreed actions" in the *Framework for Strengthening Regional Economic Integration*. The Ministers asserted a continued effort in analyzing the economic impact of FTAAP that the APEC Leaders entrusted them to accomplish.

Also in this year A *Further Analytical Study on the Likely Impact of FTAAP* was proposed during the 21st APEC Ministerial Meeting on the same year. The study aims to illustrate the possible economic benefits and challenges of establishing an FTAAP.

After the study has been conducted, it was reported in the 17th APEC Economic Leaders' Meeting. The result found to have significant economic benefits from FTAAP so the Leaders expressed an interest for an exploration of a range of possible pathways to FTAAP.

2010

In the 2010 Meeting of APEC Ministers Responsible for Trade in Japan, the Ministers asked the senior officials to report the outcomes of their exploration of a range of possible pathways to achieve an FTAAP. They said that the outcomes might give useful contributions from the efforts being made to strengthen some of the work that had been undertaken in the key areas of REI such as investment, standards and technical regulations, trade facilitation, rules of origin (ROOs), intellectual property rights (IPR), environmental goods and services (EGS), and Ease of Doing Business.

More concrete steps towards the realization of FTAAP were highlighted in the 18th APEC Economic Leaders Meeting, same year. FTAAP is aspiring to be supported by the development of the ongoing regional blocs such as ASEAN+3, ASEAN+6, and the Trans-Pacific Partnership (TPP), etc. To this end, APEC is believed to make an important and meaningful contribution as an incubator of an FTAAP especially by playing a critical role in defining, shaping, and addressing the "next generation" trade and investment issues of FTAAP. The anticipated APEC's contribution to the pursuit of FTAAP dwells more on sectoral initiatives such as investment; services; e-commerce; rules of origin; standards and conformance; trade facilitation; and environmental goods and services.

The following were the identified considerations that should be taken into account in pathways to a Free Trade Area of the Asia Pacific:

- the changing contours of the global economic and trade architecture, particularly the proliferation of Free Trade Agreements and Regional Trade Agreements in the Asia-Pacific region;
- the progress toward achieving the Bogor Goals of free and open regional trade and investment within APEC economies by 2020;
- the non-binding nature and voluntarism of APEC;
- the importance of advancing conventional "at the border" trade and investment issues, and at the same time more actively working toward addressing non-tariff or "behind the border" barriers and other "next generation" trade and investment issues to further deepen economic integration in the region; and
- APEC's longstanding support for the multilateral trading system.

2011

To fulfill the mandate discussed in 2010 in defining, shaping, and addressing the ‘next generation’ trade and investment issues to be covered in the FTAAP, the APEC Ministers Responsible for Trade, identified the issues and ways on how to address them during the 2011 meeting. The following were the identified issues and the means of addressing them: facilitating global supply chains; enhancing small and medium-sized enterprises participation in global production chains; and promoting effective, non-discriminatory, and market-driven innovation policy.

2012

The 2012 meeting of APEC Ministers Responsible for Trade in Russia, brought up the noted proposal on the discussion of a possible capacity building requirement from 2008’s ministerial meeting. So an action plan framework on Capacity Building Needs Initiative (CBNI) was implemented with the leadership of Korea and in cooperation with Chile, Peru and Philippines to discuss the possible capacity building requirements for any possible future negotiations. They proposed and conducted a survey to identify the capacity-building needs of the APEC economies. Korea then proposed a multiyear work plan in support for the REI CBNI. One of the objectives in the initial outline of the REI CBNI Action Plan Framework is to identify challenges to FTAAP and explore possible pathways to overcome them.

Also in this year, the APEC Leaders included ‘transparency’ as a new next generation trade and investment issue. They endorsed the APEC Model Chapter on Transparency for RTAs/FTAs to be used as a guide by APEC economies. This work is seen to contribute to the successful implementation of APEC’s regional economic integration agenda, especially as a means to promote convergence on how APEC economies address transparency issues in their RTAs/FTAs and provide for concrete steps towards establishment of a FTAAP.

2013

In the 2013 Meeting of Ministers Responsible for Trade in Indonesia, the ministers promoted the transparency initiative in 2012 by agreeing to report regularly to APEC and share information on the developments related to RTA/FTA initiatives including TPP and RCEP. In the Leaders Meeting, they agreed to hold a policy dialogue on regional RTAs/FTAs with enhance communication and high capacity to engage in substantive negotiations within the APEC.

2014

The recent development for FTAAP in 2014 is to translate it from a vision to reality by establishing a new Committee on Trade and Investment (CTI) Friends of the Chair (FotC) Group on Strengthening REI and Advancing FTAAP to kick off and advance the process in a comprehensive and systematic manner towards the eventual realization of an FTAAP. The Group will coordinate and advance APEC work in this area and intensify the efforts

on: enhancing transparency among regional RTAs/FTAs; strengthening capacity building activities; formulating a Roadmap for APEC's Contribution to the Realization of an FTAAP; and enhancing the analytical work of an FTAAP.

In sum, in the three APEC hosting since it was introduced in APEC discussions in 2004, the general reception to the FTAAP proposal was one of caution, hesitance and ambivalence. It was even missing in the agenda the year after. However, the FTAAP proposal started to get more serious consideration during the Australian APEC hosting in 2007, becoming part of the APEC Leaders Meeting statement that “through a range of practical and incremental steps, we will examine the options and prospects for a Free Trade Area of the Asia-Pacific (FTAAP).” This was followed through in the Peru APEC hosting the following year, which chose strengthening regional economic integration as a priority and “a comprehensive and ambitious work plan for APEC's agenda.” As part of this work plan, the prospect of an FTAAP would be further analyzed.

The APEC hosting in the succeeding years continued to look into pathways to FTAAP, adding on to previous work and deliberation, and discussing practical and concrete actions towards the achievement of a FTAAP. Various components that would be included in the FTAAP, including identifying and addressing ‘next generation’ issues to tackle, were included in the priority areas for discussion. These include ‘facilitating global supply chains; enhancing small and medium-sized enterprises participation in global production chains; and promoting effective, non-discriminatory, and market-driven innovation policy. This would relate to further steps to open up the markets, including behind-the-border impediments and regulatory coherence during the USA hosting in 2011. In 2012, Russia continued the momentum by focusing on Capacity Building Needs Initiative (CBNI) related to the challenges to FTAAP and possible measures to overcome them.

In 2013, there was a more categorical support for the formation of the FTAAP as indicated in the Bali Declaration. This was made clear in the 6th statement as follows:

“We reaffirm our commitment to achieve a Free Trade Area of the Asia-Pacific (FTAAP), including by continuing APEC's work to provide leadership and intellectual input into the process of regional economic integration. APEC has an important role to play in coordinating information sharing, transparency, and capacity building, and will hold a policy dialogue on regional RTAs/FTAs. We agreed to enhance communication among regional RTAs/FTAs, as well as increase the capacity of APEC economies to engage in substantive negotiations.”

At the same time, categorical **support for the Multilateral Trading System and Attaining the Bogor Goals** remains, as indicated in the 8th statement as follows:

“Realizing that the Doha Development Agenda negotiations are at a critical juncture, with significance for the broader multilateral system, we have issued a separate statement supporting the multilateral trading system and the 9th Ministerial Conference of the World Trade Organization.”

Hence, the APEC objective of regional economic integration has been transformed back into the goal of achieving FTAAP. And this year, with China as host, this goal of achieving FTAAP has taken even firmer root in the APEC agenda. China supported a more generic objective of regional economic integration (REI) when FTAAP was first proposed. During its hosting China chose ‘Shaping the Future Through Asia Pacific Partnership’ as theme for 2014. Its choice of the theme and the corresponding APEC priority agenda signal its more active support for forging FTAAP. This indicates a shift away from its initial ‘non-committal’ policy stance.

2. TPP, RCEP and FTAAP

The Asia Pacific region is seeing the emergence of two mega blocs: the Trans Pacific Partnership (TPP), and the Regional Comprehensive Economic Partnership (RCEP).

The TPP started out as a partnership agreement, signed and entered into force in 2006, among the four countries across the Pacific consisting of Brunei, Chile, New Zealand, and Singapore (the so-called P4). Its impact was hardly felt until the United States declared its intention to join the P4 in early 2008 and less than a year later, announced that it would enter into negotiations to join TPP. With the United States as its primary driver, more countries became interested and to date, the TPP is now a negotiating body of 12 countries, with Australia, Vietnam, Peru, Malaysia, Canada, Mexico and Japan in addition to the five countries. The first round of negotiations including the United States did not begin until 2010. Since then, there have been 19 rounds of TPP negotiations. The TPP is considered as the 21st century regional agreement. It is envisioned to be a “high-quality agreement” because of its more encompassing coverage. It aims to forge an agreement with broader and deeper liberalization of the services sector and investments. The United States is also negotiating for stronger and more coherent regulatory environment covering intellectual property rights, stricter labor and environmental standards, regulatory discipline of state-owned enterprises, transparency, among others.

The other emerging mega bloc in APEC is RCEP, which involves ASEAN and its plus 1 FTA partners, namely China, Korea, Japan, Australia, New Zealand, and India. A key motivation for ASEAN in forging the ASEAN+1 FTAs with their dialogue partners is to leverage on the strength of the region. However, this resulted in a ‘noodle-bowl’ set of FTAs for ASEAN that retains significant impediments to the flow of goods, services and factors of production and regional production networks. As such, in November 2011, the East Asian Leaders endorsed the framework for RCEP negotiation during the 19th ASEAN Summit. RCEP will cover goods, services, investment, economic and technical cooperation, intellectual property, competition, dispute settlement and other issues. RCEP works on an open accession principle which allows participation of any of the ASEAN FTA partners, either from the outset or when they are ready to join at a later date. It also

takes into consideration the different levels of development of the participating countries thereby including appropriate forms of flexibility.⁵

Both the TPP and RCEP are considered to be more than the 'old' generation FTAs which cover mainly trade in goods. However, they are seen to differ in their levels of ambition in terms of extent and depth of coverage of the other areas of liberalization and cooperation. The TPP seeks higher standards of commitments equally from all negotiating parties. On the other hand RCEP opts for a more flexible approach, although its long run goal is also one of 'high quality' FTA.

RCEP partnership is based on geographical proximity, a natural alliance among economies. RCEP, with its open accession principle, could enlarge in geographic coverage (and extend its proximity). On the other hand, the TPP cuts across Asia Pacific, and already serves as a bridge between the two sides of the Pacific. The question is would these emerging blocs ultimately pave the way for the FTAAP?

Although TPP negotiation was conceived earlier, RCEP probably has a higher chance of concluding earlier because of its more flexible approach and thus a lower level of ambition⁶ than the TPP. In addition, it is built on existing partnerships. Nonetheless, there have been delays in the conclusion of the negotiations for both cases, indicating the difficult and wide sets of issues that need to be tackled and agreed on. However, with China now appearing to be at the helm of moving FTAAP forward, FTAAP becomes a more feasible option, in addition to RCEP and TPP. This is not a bad prospect, especially for APEC economies not in TPP negotiations.

The Philippine Perspective

With China moving FTAAP forward, there is now a chance for the Philippines to form a partnership with the United States other than striving to join the TPP. Studies indicate that there are gains from joining these various blocs (RCEP, TPP and FTAAP). They also generally show that the larger the economic grouping, the higher the economic (GDP) gains. (See U-Prime Rodriguez study on *Impact of Free Trade Area of the Pacific on Production, Consumption, and Trade of the Philippines* and Mitsuyo Ando study on *Impacts of FTAs in East Asia: CGE Simulation Analysis*, for example) Hence, in theory, the Philippines would gain most by joining FTAAP.⁷ However, the question for the Philippines is not so much what has a potentially higher impact on GDP, but rather, which

⁵ Medalla and Mantaring. *The Philippines and East Asia: Building on Partnerships to Take Part in the Region's Dynamism*. Policy No. 2012-21. PIDS. December 2012

⁶ at least in the interim, until the less developed economies are given enough time to bridge the gap in capability.

⁷ The Philippines already has existing FTAs with Japan, China, Korea, Australia and New Zealand. It will still benefit from the consolidation of its various ASEAN+1 FTAs into RCEP and its current RCEP negotiation would not lose its importance and significance.

is more feasible between TPP and FTAAP. Because FTAAP is a larger group, will it be less feasible for the Philippines?

In practical terms, the major interest for Philippine business in joining TPP is market access and defending its market share in the United States. The Philippines already has an FTA with more than half of the other member APEC economies. Among the non-FTA partners, the United States is the only major trading partner of the Philippines. The rest (the 4 Latin American countries, Canada, Russia) are minor trading partners, and except for Russia, at the other side of the Pacific. Hence, a FTAAP will not need more adjustment than TPP in terms of increased competition.

On the other hand, the TPP is supposed to be of 'high quality,' most likely more ambitious than a FTAAP. As such, because of capability and constitutional constraints, the Philippines would have more difficulties in committing to reforms covered by TPP than in the case of FTAAP. As such, FTAAP would offer more gradualism, and thus imply more feasibility.

Again, with China at the helm, the prospects for moving FTAAP are enhanced. Still, for FTAAP to happen, China would need to build the bridge between developed and developing economies, covering difficult areas, such as those dealing with services, investments and agriculture. It would need to also work with the United States and get its support and cooperation to conclude a FTAAP.

3. Recommendations

When APEC announced in 2007 that they will examine a long-term prospect of the FTAAP and discuss its full range of issues as a support for the regional economic integration agenda, discussions on FTAAP progressed in the succeeding years. There were analytical works done such as the multi-year study on convergences and divergences in APEC FTAs and the study on the likely impact of FTAAP. And in 2010, APEC decided to come up with more concrete ways to possible pathways to FTAAP. By that time, FTAAP has been regarded as a major instrument of the REI, the traditional APEC's priority initiative.

With the APEC's goal of ensuring transparency, information sharing, cooperation and capacity-building activities, relevant committees and working groups in APEC undertook studies on best practices of APEC RTAs/FTAs, and came up with an APEC Model Chapter in 2012. In particular, an important objective is to enhance communication among the RTAs/FTAs. An APEC Committee on Trade and Investment Friends of the Chair (CTI FoTC) group was thus established. It was formed to strengthen communication and interaction between various regional architectures and to provide transparency mechanism for RTAs. These efforts aim to help the APEC economies arrive at a consensus of diverse interests. It would serve to facilitate needed institutional arrangement among the vast number of APEC economies.

What more can it do to enable the convergence of these mega blocs while bolstering its support for WTO?

Ensuring that these mega blocs lead to the formation of FTAAP would best serve both APEC's goal of FTAAP and support for the WTO. That countries could form smaller alliances, and then consolidate and adopt an 'open accession' principle for other economies to join, attest to the viability of regionalism to become a stepping stone to multilateralism. This is thus the task of APEC. It should make sure that the formation of these mega blocs will eventually converge. It should find ways such that these developing mega blocs would be made complementary. FTAs become exponentially more difficult to forge with more countries involved. Perhaps, encouraging the formation of these mega blocs, with some oversight from the APEC process is the most feasible pathway to FTAAP.

As earlier mentioned, with China firming up its support for FTAAP, the feasibility of moving FTAAP forward, possibly opening the door to the negotiation process, is enhanced. This would provide a chance for partnership with TPP countries even without joining TPP for countries that are not part of the TPP negotiation process.

There are two possible scenarios that could happen. One possible scenario is that FTAAP would be concluded ahead of RCEP and TPP.

If the tendency for FTAAP is to be in between RCEP and TPP in terms of the breadth and depth of liberalization, it could spur RCEP negotiations to aim higher. Otherwise, concluding an inferior (RCEP) agreement to FTAAP would not yield any additional benefits to the RCEP parties. Hence efforts to move FTAAP forward, made more possible with the weight of China's support, could go hand in hand with leveling up RCEP. However, if the tendency is for FTAAP to have a lower ambition than RCEP, RCEP could proceed as before. In either case, the incentives remain for TPP negotiations to continue and conclude a higher quality FTA.

The other scenario is for RCEP and TPP to conclude before FTAAP. In this case the task for APEC is again to make sure that they become building blocks for FTAAP and multilateralism. This would only be possible if APEC continues to serve as channel for communication and transparency.

Another important task for APEC in both scenarios is enhancing ECOTECH and capability building efforts to better equip less developed countries to later engage in FTAAP which would include deeper and wider areas of liberalization and cooperation.

If indeed, RCEP and TPP are realized, inter-bloc engagement, similar to what is happening with ASEAN and its dialogue partners, could become feasible, eventually paving the way for the FTAAP. In the meantime, as negotiations proceed for these mega blocs, the provisions proposed or eventually included should be made transparent and consistent with APEC goals and WTO guidelines. In addition, there should be a venue for discussions within APEC about the implications of these provisions on the different member countries.

Finally, at the very least, prioritization and pronouncement should be included in the 2015 APEC hosting in the Philippines about its support for WTO and moving FTAAP forward.

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