



APEC convened on May 14 its Second Senior Officials' Meeting of 2014 in Qingdao, Shandong Province.

# Free Trade Area of the Asia-Pacific in Prospect

By HE MAOCHUN

THE 2014 informal meeting of the Asia-Pacific Economic Cooperation (APEC) is to be themed "Shaping the Future through Asia-Pacific Partnership." The meeting this year will focus on three topics – advancing regional economic integration, promoting innovative development, economic reform and growth, as well as strengthening interdependence and infrastructure. The summit will also discuss the feasibility of the Free Trade Area of the Asia-Pacific (FTAAP) and determine if the Free Trade Area can be started.

## Bright Future for the FTAAP

Founded in 1989, APEC, as an intergovernmental organization operating on the basis of non-binding commitments, open dialogue and equal respect for its 21 member economies, is devoted to facilitating economic

growth, cooperation, trade and investment. "Advancing regional economic integration" is a longstanding goal of APEC meetings. The long-term goal of APEC is to liberalize and facilitate trade and investment. However, due to the huge disparity between APEC members, APEC set two timeframes. First, the 1994 Bogor Declaration set the goal of free and open trade and investment by 2010 for industrialized economies and by 2020 for developing ones. Second, APEC's Osaka Action Agenda in 1995 and Manila Action Plan in 1996 were reached to ensure that the Bogor Declaration would be implemented through individual and collective action plans.

Although APEC first proposed the FTAAP in 2006, the issue has foundered in debate and argument. Today the FTAAP has finally entered the process of pragmatic discussion. The APEC meeting will set new goals for advancing the FTAAP and seek to introduce "acceptable" plans and routes under the APEC trade frameworks and mechanisms.



The establishment of the FTAAP will substantially improve the environment for trade and investment, help realize the Bogor goals and seek new vitality and direction to lead the Asia-Pacific economic cooperation. It conforms with the objectives of APEC – to maintain economic growth and development, promote economic interdependence, strengthen the open multilateral trading system, and safeguard the common interests of the people in the Asia-Pacific region.

Regional economic integration is for the common good of APEC member states. It is essential for reviving the Asia-Pacific economy, enhancing regional competitiveness and boosting employment in the member economies. Therefore, we should make concerted effort to promote the liberalization and facilitation of trade and investment.

### Many Difficulties, but More Solutions

In recent years, the slow revival and outdated development modes of the Asia-Pacific economy forced the region to seek new modes of cooperation. The successful examples of other areas have boosted the integration of the Asia-Pacific region. However, APEC is at cross-roads, facing the awkward choice of fragmentation or economic integration.

The difficulties are as follows. The first is the different directions and priorities in regional economic cooperation. The 21 member states of APEC, in terms of geography, are located in North America, South America, East Asia and Oceania. They include developed industrialized and developing countries; capitalist and socialist countries; and they are further diversified in religion and culture. The diversity of its member states is the basis for APEC's existence, as well as the premise that must be considered when formulating any guiding principles. Over the past 10 years, trade volume within Asia has increased from US \$1 trillion to US \$3 trillion, climbing from 30 percent to 50 percent of all Asian trade. How-

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ever, compared with that of the EU, the gap is still huge.

The second is fragmentation and subregional interests. There are several culprits: some developed member states hold a negative attitude towards economic and technical cooperation and often operate on a unilateral basis. Although the Trans-Pacific Partnership (TPP) and Regional Comprehensive Economic Partnership (RCEP) are workable pathways to realize the FTAAP, some countries still act independently without coordinating with other members. Diversity within APEC is also an obstacle to

cooperation. Political factors, including issues related to history, territory and culture clashes, also negatively affect cooperation. Moreover, recent years have seen diversified forms of free trade area worldwide. The free trade agreements within the Asia-Pacific region have seen rapid development. Although they are conducive to trade development, they still cause the "spaghetti bowl" effect of many differing agreements that make it difficult for enterprises to adapt to local conditions. For example, if different treatments are applied to the same product of an enterprise in different free trade areas, the requirements for their Certificate of Origin are also different. A Free Trade Area can end the "spaghetti bowl" effect that all APEC members are facing now.

The third obstacle is the shortage of feasible and workable mechanisms and funds for regional development.

Despite all of that, the progress of the FTAAP has entered a relatively mature stage. There are many difficulties ahead, but more solutions.

First of all, the revival of the Asia-Pacific economy, especially that of the economy of East Asia, provides huge market demand, capital reserve and convenience. APEC members are increasingly reaching consensus in fields where they had previously disagreed. The re-proposal of the FTAAP has won joint and active response from Asia-Pacific countries, including the U.S. and Japan. China proposes to promote the interaction of free trade areas such as TTP and RECP under the APEC framework and discuss and formulate the routes and patterns to realize the FTAAP. Feasibility studies shall be started as early as possible and the establishment of the FTAAP shall be launched, as is also suggested by China. The above proposals have won active response from relevant parties.

Second, APEC members have never stopped their endeavor in recent years and are very close to success. The member states have made commitments through their individual action plans. Since 1994 when the long-term goal was set, APEC has made progress in trade liberalization. However, investment liberalization is still confined to information exchange and policy dialogue. Under the



The second round of negotiations for an FTA among China, Japan and Korea was held in Shanghai from July 30 to August 2, 2013.



impact of the financial crisis, APEC's pace in promoting trade and investment liberalization slowed down in 1999, but the member states generally approved the goal of liberalization. In their individual action plans (IAP), member states have improved their measures to move towards trading goals. In 2000, APEC member states decided to adopt Electronic Individual Action Plans (e-IAPs), submitting and publicizing online the measures that member states adopt to facilitate and liberalize trade and investment. Thereafter slow progress has been made in APEC integration.

Finally, other regional integration organizations, such as the EU and North American Free Trade Agreement (NAFTA), have provided valuable experience. China proposes to establish a special work team to study the feasibility of the FTAAP.

### **The Key of Asia-Pacific Cooperation Lies in East Asia**

For the three East Asian countries – China, Japan and South Korea, the FTAAP can satisfy their long-term needs, but can't resolve immediate concerns.

If the East Asian region, as an APEC sub-region, can't reach consensus, the FTAAP will founder. The integration of the three East Asian countries is the core issue that APEC faces. In other words, if the problems of East Asia are solved, the problems of the Asia-Pacific will lessen.

For a long time, geographical neighbors have been uniting as groups to seek common development. There is the EU in Europe, NAFTA in North America, Union of South American Nations (UNASUR) in South America, Eurasian Economic Union in post-Soviet states, the Arab League in the Arab world, Association of Southeast Asian Nations (ASEAN) in Southeast Asia, South Asian Association Regional Cooperation (SAARC) in South Asia and the African Union in Africa.

Three East Asian countries are working actively to build the China-Japan-South Korea Free Trade Agreement. China, Japan and South Korea are important keystones in the world economy, with their economic aggregate accounting for 70 percent of Asia's total and 20 percent of the world's total. Although the trade volume among the three countries accounts for less than 20 percent of their total foreign trade volume, commercial circles of the three countries are still working tirelessly to build the China-Japan-South Korea Free Trade Agreement. In May of 2012 the Japan-China-South Korea Trilateral Investment Agreement was formally signed in Beijing. The first talks on the free trade agreement were held in Seoul in 2013. In 2014, the participants negotiated on the China-South Korea FTA, China-Japan-South Korea FTA and Regional Comprehensive Economic Partnership (RCEP), while some observers worried that the progress of negotiations would be hampered by territorial disputes among the participants.

Economic cooperation among the three countries will promote cultural cooperation in East Asia, which is conducive to not only boosting mutual trust and peace, but

also reviving the core values of the Oriental civilization; therefore guiding world development towards the right direction of justice, harmony and unity.

In Chinese the pronunciation of "Kochipan," the abbreviation of South Korea, China and Japan is similar to the one meaning "something to be expected" or "in prospect." I hope it signifies peace and auspiciousness and the region's awakening. ■

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### **The Chinese Dream in Full Swing**

Speech Extracts from the International Dialogue on the Chinese Dream Forum

## **A Strategic Prospect that Can Be Realized**

By MOHAMED NOMAN GALAL

THE Chinese Dream encompasses four main visions: a renewed, powerful China; a civilized China governed by equality and fairness; a harmonious China in which all social strata coexist peacefully; and a beautiful China with a clean environment.

Despite China's well-known difficulties – pollution, corruption, and economic inequality – China possesses distinct advantages as well as disadvantages. These include its huge population which is, of course, also the country's burden in some way, vast territory and abundant resources, as well as a political system that can effectively mobilize people for any challenge. China has a unique civilization which values modesty and hard work, and a cultural soft power which never seeks to impose its values on others or resolve problems by force. In addition, China's strong military strength and its foreign policy, with peaceful coexistence as the guiding principle, can be also taken as the country's merits.

We are confident that the visions of the Chinese Dream can be realized, restoring the vitality of China's culture and civilization and creating a well-off society with a sound social welfare system. In other words, the Chinese Dream is a strategic prospect for China that can indeed be realized. ■

The author is a member of the Egyptian Council for Foreign Relations.