



## ECONOMY

# Regional Trade Agreements in the Asia-Pacific: An Evaluation



Published 32 mins ago on October 7, 2020

By **Dr. Ramzi Bendebka**



0  
Comments

The World Bank defines a regional trade agreement (RTA) as a “treaty between two or more governments that define the rules of trade for all signatories.” There has been a substantial increase in the formation of RTAs over the last few decades. While only 10 RTAs were in operation in 1990, more than 300 had come into being in 2020. The increasing global interest in RTAs. It is essential to see the commitment and involvement of Asia Pacific countries towards economic agreements to realize the objective of liberalization in the region. In doing so, the Asia Pacific Economic Cooperation (APEC) can be useful as a case study for the reasons that it includes the majority of economies in the region as well as it is easy to maintain the needed data for evaluation.

[Privacy & Cookies Policy](#)

The Asia Pacific region is no exception. Since 1990, RTAs have been seen to overcome economic isolation and cut costs of trade. Moreover, negotiating as a region with trading partners offered greater leverage and better deals. The formation of Asia Economic Cooperation (APEC) in 1989 helped accelerate trade liberalization and create more economic opportunities for the member countries.

Pertinently, during the Shanghai summit of APEC leaders in 2001, a declaration was made to promote free and open trade. The leaders reached an agreement, which allows members to proceed faster in their trade liberalization if they chose to do so. Since then, APEC leaders have endorsed RTAs even at sub-regional and bilateral levels.

It is important to note that APEC is akin to a forum. It is not a supranational entity like the European Union. APEC allows member countries to take different perspectives and approaches to trade liberalization. Countries like Singapore and South Korea set deadlines to complete discussions of trade liberalization trade process with other members. Others take it slow.

In the late 1990s, Japan reversed its position on RTAs and began to pursue bilateral deals with several countries in the Asia Pacific. The Japanese tended to strike free trade agreements mostly with other members of APEC, including Singapore, Mexico, the Philippines, Malaysia, Chile, Thailand and Indonesia.

The recent surge in RTAs in the Asia Pacific region indicates a political momentum among APEC economies to accelerate regional and unilateral trade liberalization. APEC member states have a clear intention for extensive trade liberalization that acts in parallel with the World Trade Organization (WTO). Therefore, APEC has the potential to boost global trade and be strategically significant to developed countries like Japan, China, the US and Australia for their trade goals.

Most importantly, during the Shanghai summit of APEC leaders in 2001, a declaration was made to promote free and open trade. The agreement allows members to proceed in trade liberalization. As a result, APEC leaders have endorsed RTA strategies — sub-regional and bilateral — that are already effective in the Asia Pacific. Consequently, APEC economies have joined the global market trend toward bilateral and sub-regional preferential trade agreements. Yet this approach ran directly counter to APEC's free trade and liberalization that should be open to all members. Even as RTAs proliferate, it is worth noting that not one free trade agreement signed in the Asia Pacific region since the

foundation of APEC lives up to the Bogor Goals. As per this declaration, signed by leaders in 1994, the Asia Pacific region aims for “free and open trade and investment later than 2010 for developed countries and the year 2020 for under-developed countries.”

A real issue has been discussed on the trade agreement functions in APEC. For instance, Australia has different types of agreements with various countries within the region. The Thailand-Australia deal, under this agreement, Australia is permitted to extend no nuisance tariffs — very low tariffs that are costly to collect — on textiles, clothing and footwear beyond 2010. On the other hand, the Australia-US free trade agreement provides no new Australian market access in sugar and fast ferries for American companies and places limitations on other goods that break with the spirit of the Bogor Goals. As APEC's functions have become more and more unclear as there is no unification of agreements among APEC economies. This is to show that some economies within the region still practicing protectionism and in some sorts contradict the free and open trade targets.

Fourthly, it is well known that RTAs are very extensive and often cover many trade areas like the focus on small and medium-sized enterprises and their role in increasing trade and cooperation. However, reducing and eliminating tariffs is still the leading indicator of measuring the level of cooperation and free trade. The tariff reduction mechanism of realizing open trade can also be seen as a way of measurement in order to evaluate APEC performance. The table below shows the APEC countries' tariff reductions from 1995 till 2018.

**Table. APEC Progress on Tariffs Reduction, 1995-2018.**

<i>Members</i>	1995 (%)	2010 (%)	2018 (%)
<b><i>Australia</i></b>	7.6	3.3	3.3
<b><i>Brunei Darussalam</i></b>	3.8	3.1	0.2
<b><i>Canada</i></b>	9.4	2.9	2.5
<b><i>Chile</i></b>	11	6.0	6.0
<b><i>People's Republic of China</i></b>	23	9.3	9.5
<b><i>Hong Kong, China</i></b>	—	—	—
<b><i>Indonesia</i></b>	16.2	7.3	8.6

<b>Japan</b>		3.7 2.9 2.8
<b>South of Korea</b>		7.8 7.4 7.5
<b>Malaysia</b>		11 6.5 6.2
<b>Mexico</b>		13.3 7.5 5.7
<b>New Zealand</b>		6.4 2.7 2.4 (2017)
<b>Papua New Guinea</b>		— 3.2 2.2
<b>Peru</b>	13.3 (1997)	5.5 2.8
<b>The Philippines</b>		19.9 6.0 5.7
<b>Russia</b>		12.2 8.6 5.8
<b>Singapore</b>		— — —
<b>Thailand</b>		21 8.9 8.4 (2015)
<b>United States</b>		5.8 3.9 3.8
<b>Vietnam</b>	16.3 (1999)	9.1 8.7

**Source:** Based on the [World Bank database](#)(1995; 2010; 2018).

Average tariffs in APEC countries declined significantly from 16.6% in 1989 to 6.4% in 2005. Moreover, average taxes are now less than 5%. Aside from Hong Kong and Singapore, which both have 0% tariffs, there are eight members — Australia, Japan, Brunei, Canada, Papua New Guinea, the US and New Zealand — that have tariffs less than 4%. On the other hand, six countries — Chile, South Korea, Indonesia, Russia, Philippines, Malaysia, and Mexico — have a tariff between 5% and 8%. As of 2018, China has the highest tariff at over 9.5%. The Middle Kingdom is still protective of its domestic production. Peru remarkably cut its rate from 13.3% to 2.8% between 1995 and 2018. Thailand also made a noteworthy reduction from 21% in 1995 to almost 8% in 2015. Malaysia reduced its tariffs from 11% in 1995 to 6.2% in 2018.

The above statistics show that protectionism is still active in some countries like China, Indonesia and Mexico, Vietnam, Chile and Russia. Therefore, the goals of free trade are not realized as the countries agreed, 2010 and 2020. However, the current situation with the coronavirus pandemic cannot be an indicator of economic type or approach as all countries in the world are trying different solutions to protect the whole economy from collapse. However, the post-pandemic era can showcase in the Asia Pacific how it can change the bilateral and regional relations as countries may cooperate more and use their economies to overcome the cost of COVID-19.



Even the reduction on tariffs and free trade, however, the free trade objective is not complete for the bilateral relationships between economies where there are FTAs. According to [Inter-American Development Bank](#) "When the criterion is expanded to include all applied ad valorem tariffs of 5% or lower, the shares expand to 82 percent and 56 percent, respectively, a significant improvement, but still well short of all trade liberalization. Therefore, APEC economies need to work more on bilateral relations by engaging the advantages of FTAs.

[The simple average applied duties](#) on all products have fallen from 6% to 4% in the APEC industrial economies and from 13% to 7% for the 16 APEC developing economies. Moreover, these reductions in applied rates do not take into account some of the multilateral trade successes over the last few years. For example, the conversion of tariff barriers to import duties and increases in binding coverage contribute to trade predictability. As a result of that, this can increase the trade among the countries in Asia Pacific, as well as; it can give more opportunities for Direct Investment. The movement of investment and non-tariff barriers have increased the level of employment in the region. For example, a lot of companies have moved from China, Japan and Australia to Singapore, Malaysia and Thailand. This movement has allowed more opportunities to be fixed on receiving countries.

On the other hand, the ongoing trade liberalization in the Asia Pacific countries has been progressively moving to access RTAs in the region. The reduction of tariffs is the core feature of APEC's progress toward trade liberalization. For instance, APEC economies pursued tariff reductions by implementing commitments made in RTAs since the declaration in 1994. They have been successful in accomplishing the agreement to reduce differences between countries in implementing tariff reductions based on different approaches used.

Not only have achievements been made in cutting tariffs, but countries have also increased the proportion of goods imported tariff-free and reduced non-tariff measures. Furthermore, countries in the Asia Pacific are trying to open up more services, expand trade and liberalize investment through facilitation initiatives.

Yet new challenges could derail the process. The COVID-19 pandemic and the ensuing lockdowns, in particular, could potentially harm the future of RTAs and trade liberalization as it will increase the protectionism approach among some countries like China, Indonesia, Vietnam, Chile and Russia. However, [the current situation](#) can also be

opportunity for more open trade to overcome the economic cost and issues raised by the pandemic, as well as, it may give a new direction to RTAs and cooperation in the region...

## Share this:



### Related

[The Implication of China's Diplomacy in APEC and ASEAN](#)

November 16, 2018

In "East Asia"

[ABAC Release: Achieving Integration and Inclusion in the Age of Disruption](#)

February 19, 2020

In "Newsdesk"

[APEC to Bring a New Vision in 2020](#)

January 26, 2020

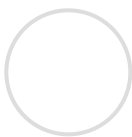
In "Newsdesk"

RELATED TOPICS: [#APEC](#) [#ASEAN](#) [#ASIAPACIFIC](#) [#ECONOMICS](#) [#FEATURED](#)

### DON'T MISS



**The Transformation of the U.S. Financial Ecology in the Context of Excess Capital**



**Dr. Ramzi Bendebka**

### YOU MAY LIKE



[Privacy & Cookies Policy](#)

The Transformation of the U.S.  
Financial Ecology in the Context of

Innovation and Inclusivity in the  
Age of COVID-19: Southeast

Saudi chairmanship of C  
to be mixed blessing

Eight Principles of the “Greater  
Eurasian Partnership”

A Closer Look at the American  
Tech Ban and its Consequences

Russia-Africa: Time to /  
interview with Alexand

COMMENTS

## ECONOMY

# The Transformation of the U.S. Finan Ecology in the Context of Excess Capi



Published 19 hours ago on October 6, 2020  
By **He Jun**

The U.S. stock market has long been dominated by institutional investors, with retail investors accounting for only about 10% of the trading volume. In mid-2018, U.S. institutional investors accounted for a whopping 93.2% of the market capitalization, while retail investors accounted for less than 6%. The latest data shows that the retail trading boom is reshaping the U.S. stock market in the wake of the Covid-19 outbreak. Retail stock trading in the United States is at its highest level in a decade. In the U.S. stock market, which has traditionally been dominated by institutional investors, the trend of retail investors picking up is becoming a new phenomenon with structural implications for U.S. capital markets.

**CONTINUE READING**



*ECONOMY*

# Innovation and Inclusivity in the Age COVID-19: Southeast Asia's Path to a Resilient Digital Economy



Published 23 hours ago on October 6, 2020

By **Danny Phan**

Today, we face one of the greatest challenges of our generation. In just a short span of time, the coronavirus pandemic has upended lives and livelihoods around the world, exacerbating longstanding socioeconomic inequalities and plunging global financial

[Privacy & Cookies Policy](#)

markets into a deep recession. As the virus gradually made its way throughout South Asia earlier this year, border controls further debilitated economies around the region many of which were reliant on both regional and international tourism as a main driver of economic growth. Yet, despite the heavy toll of the coronavirus pandemic on the ASEAN economy, several jurisdictions have emerged more resilient than ever.

[CONTINUE READING](#)

---

## *ECONOMY*

# Pandemic Recovery: Million-Job Creation Strategies



Published 2 days ago on October 5, 2020  
By **Naseem Javed**

**The extreme abnormal is now the new normal;** across the world, the pandemic affecting hundreds of millions small medium businesses but soon will come back with double the bounce, because the billion plus displaced workers may never go back to previous mandates. The technology revolutions and national mobilization of entrepreneurialism will create quantum leaps in growth of these new SME creations. Government agencies already mandated to foster economic growth, will highly appreciate acquiring the new well-framed narratives with special skills on mobilization to tackle mammoth challenges and downstream right guidance.

[CONTINUE READING](#)

## TRENDING

MIDDLE EAST / 3 days ago

**Recep Erdogan in a Russian Minefield**

ENERGY NEWS / 3 days ago

**Countries Look to Advance Green Hydrogen Production for a Deep Energy Transformation**

RUSSIA / 3 days ago

**Development of h  
key goal of BRICS;  
BRICS Civil Forum**

REPORTS / 2 days ago

RUSSIA / 2 days ago

[Privacy & Cookies Policy](#)

ERN EUROPE / 2 days ago

**Improved capital markets can support  
Portugal's COVID-19 recovery**

**Eight Principles of the “Greater  
Eurasian Partnership”**

**Between poverty  
Syrian mercenaries  
Azerbaijan**

**modern**diplomacy



[AGENDA](#) [BUSINESS](#) [REGIONS](#) [SECURITY](#) [OUR BOARD](#) [PARTNERS](#)

Copyright © 2019 Modern Diplomacy