

## Proposed Asia-Pacific free trade area signals start of new era of trade cooperation

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*The Free Trade Area of the Asia-Pacific, which includes China and the US, is the most extensive plan for regional economic integration to date*

The proposed Free Trade Area of the Asia-Pacific (FTAAP), which includes China and the United States, would one day render Apec redundant, according to the latter's executive director, Alan Bollard.

The FTAAP, which will contain all of the Asia-Pacific Economic Cooperation's 21 member economies, is the most extensive plan for Asia-Pacific economic integration to date, far exceeding the membership of two other regional blocs also in the works: the Trans-Pacific Partnership (TPP) and the Regional Comprehensive Economic Partnership (RCEP).

The US-led TPP, which includes Japan and 10 other Apec countries but excludes China, seeks to eliminate tariffs and is aimed as the biggest free-trade agreement for the US.

The 16-member RCEP - comprising the 10 member states of the Association of Southeast Asian Nations and six states with which Asean has free-trade agreements, including China - is more focused on market access.

"FTAAP could render TPP and RCEP unnecessary in the long run, but it's quite a long run," Bollard said. "FTAAP could also render Apec unnecessary, and if that happens, that's for the good."

But he emphasised it is still a distant scenario as Apec's 21 members have only just agreed to begin a "strategic study" of the FTAAP - a prerequisite for actual negotiations - in a breakthrough achieved at the Apec meeting in Beijing in November, years after the idea was first mooted.

"We are thinking most probably it's 2020s [that the FTAAP could be realised]," Bollard said.

China has been pushing for FTAAP to pre-empt the US from reasserting its leadership as a Pacific power through TPP.

Negotiations for TPP started in 2005 but have dragged on because of the difficulties of getting all the members to agree on the thorny issues of intellectual property, labour and environmental standards, and also because of differences within the American political dispensation.

"We are hearing there is a US political window of opportunity over the next couple of months, where there might be an agreement between Congress and the president on fast-track authority," Bollard said.

President Barack Obama, who is seeking trade promotion authority from his own Democratic Party as well as the Republicans, last week said in his State of the Union address to Congress that the US, not China, should be writing world trade rules.

"I think he's just saying to his countrymen that they've got a chance to set the standard with TPP that would be a new standard for regional and international trade agreements. That's a visionary statement, [but] yet to be seen whether achievable," Bollard said.

No one country should be writing world trade rules, he said. "The WTO should write the rules.

"The only way these trade agreements could be signed is by consensus ... The FTAAP should be looking at the best rules wherever we can find them."

The TPP might be forged earlier than the RCEP, Bollard said, although expectations on both might have to be lowered to achieve consensus.

"At the moment, chief negotiators for TPP are meeting in New York and the hope is that they might get something that is pretty close to being able to go to the ministers for sign-off, [but even] then it will still be pretty long term before anything practical happens as all 12 member states will need to ratify it," he said.

"RCEP is going to take longer. It does have a deadline at the end of this year but I think the general feeling is that it will take longer."

How to move services, people and capital, rather than just goods, across borders would be the common challenge in global trade negotiations in the new era, Bollard said.

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