



# Trade Facts

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## APEC Ministers Endorse Best Practices for Free Trade Agreements (FTAs) and Regional Trading Arrangements (RTAs)

At their meeting in Santiago, APEC Ministers endorsed high-level standards for Free Trade Agreements (FTAs) and Regional Trading Arrangements (RTAs) by APEC economies. Dozens of FTAs and RTAs are now being negotiated by trading partners in the Asia Pacific region, although the level of commitments and comprehensiveness varies significantly.

These APEC Best Practices are state-of-the-art and a timely response that will help ensure that FTAs and RTAs now under negotiation maximize trade creation and minimize trade distortion, are WTO-consistent and go beyond WTO commitments in certain areas.

The twenty-one APEC economies collectively account for 47 percent of world trade and over 60 percent of global GDP. Currently, between 50 to 100 Free Trade Agreements and Regional Trading Arrangements are under way or being proposed by APEC economies. Examples include Japan-Korea; China-ASEAN; Singapore-Korea; Australia-Thailand; New Zealand-Chile-Singapore; and many others.

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In order to maximize the benefits to economies, it is important that these agreements are trade-creating rather than trade-distorting, and reflect the high standards of U.S. FTAs and RTAs negotiated with trading partners.

### APEC Best Practices

APEC Ministers recognized the growing number of these agreements and endorsed the following high-standard Best Practices for FTAs and RTAs involving APEC economies:

- Consistency with APEC principles of free and open trade and investment in the Asia Pacific; and promoting structural reform through transparent and open regulatory procedures and decision-making processes;
- Consistency with the disciplines of the WTO and the relevant provisions of GATT and GATS;
- Go beyond WTO commitments, building upon existing WTO obligations, so that that APEC economies are in a better position to provide leadership in WTO negotiations;
- Comprehensiveness in scope, to deliver maximum economic benefits and benefits to all sectors of the economy;
- Transparency by ensuring that texts of FTAs/RTAs are readily available and in English where possible on official websites;

- Trade facilitation provisions to reduce transaction costs for exporters. Opaque regulatory and administrative requirements can particularly hurt small businesses;
- Mechanisms for consultation and dispute settlement to reduce uncertainty and prevent and resolve disagreements in an expeditious manner; and cooperation commitments between the parties to develop common understandings;
- Simple rules of origin to reduce compliance costs for business and recognize the increasingly globalized nature of production;
- Sustainable Development recognizing that trade is an integral component of APEC economies sustainable development, and that economic development, social development and environmental protection are mutually supportive;
- Openness to accession by third parties to contribute to the momentum for liberalization throughout the APEC region, and periodic review to ensure full implementation of the terms of agreement.

The 21 APEC members are: Australia, Brunei, Canada, Chile, China, Hong Kong, Indonesia, Japan, Korean, Malaysia, Mexico, New Zealand, Papua New Guinea, Peru, the Philippines, Russia, Singapore, Taiwan, Thailand, United States and Vietnam.

### **Background**

The United States is working to open markets globally in the Doha World Trade Organization (WTO) negotiations; regionally through the APEC and the Free Trade Area (FTAA) of the Americas negotiations; and bilaterally, with FTAs.

Among APEC countries, the United States has FTAs with Canada and Mexico in NAFTA, and last year concluded free trade agreements with Singapore and Chile. In May 2004 the United States and Australia signed only the third FTA between developed countries, and this summer the U.S. began FTA negotiations with Peru and Thailand.

The Administration is also using the Enterprise for ASEAN initiative to further open markets of interest in this region to U.S. farmers, ranchers, workers, manufacturers and services providers. The U.S. has Trade and Investment Framework Agreements (TIFAs) with Indonesia, the Philippines, and Brunei and Malaysia is completing TIFA negotiations with Cambodia. The U.S. is also working with the Government of Vietnam in its goal to accede to the WTO.

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