

**FACTS ABOUT
THE ASIA-PACIFIC TRADE AGREEMENT
(BANGKOK AGREEMENT)**

Informal Information Note

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TRADE AND INVESTMENT DIVISION

**Economic and Social Commission for Asia and the Pacific
Bangkok, Thailand**

I. OVERVIEW OF THE APTA

Background

In 1963 the United Nations Economic Commission for Asia and the Far East (ECAFE) convened the 1st Meeting of the Council of Ministers on Asian Economic Cooperation. The aim of the meeting was to allow countries to present their views to the ECAFE secretariat on ways and means to promote regional cooperation. Subsequently, the 4th Meeting of the Council of Ministers on Economic Cooperation held in December 1970 adopted a resolution now known as the Kabul Declaration, which called upon ECAFE (now ESCAP, for United Nations Economic and Social Commission for Asia and the Pacific) to develop measures for intra-regional trade expansion and other measures for economic cooperation.

ESCAP's International Trade Division began to identify possibilities for trade liberalization schemes in the region. An Intergovernmental Committee on Trade Expansion Programme met in 1971 and recommended the establishment of a Trade Negotiations Group (TNG), which in turn convened for the first time in February 1972, with the assistance of the United Nations Conference on Trade and Development (UNCTAD). At the 2nd TNG Session, ground rules for the TNG were adopted. In August 1973 thirteen countries attended the 3rd TNG Session which considered tariff reduction among participating States. Lists of requests submitted by participating states were examined in three TNG meetings held in 1974. In July 1975 seven countries, namely, Bangladesh, India, Lao People's Democratic Republic, the Republic of Korea, Sri Lanka, the Philippines and Thailand, met at Bangkok and agreed to a list of products for mutual tariff reduction. This resulted in the signing the First Agreement on Trade Negotiations Among Developing Member Countries of ESCAP, known as the Bangkok Agreement. The Agreement was ratified by five of the seven countries, excluding the Philippines and Thailand. China acceded to Bangkok Agreement in 2001. In Nov 2005, the first session of the Ministerial Council of the Bangkok Agreement adopted the revised text of the Agreement and adopted the new name of "Asia-Pacific Trade Agreement" of the Agreement.

Objectives

The objectives of APTA, as stipulated in Article 2 of the revised text, "are to promote economic development through a continuous process of trade expansion among the developing member countries of ESCAP and to further international economic cooperation through the adoption of mutually beneficial trade liberalization measures consistent with their respective present and future development and trade needs". In order to achieve these objectives, the participating states agreed to establish a trade expansion programme among their respective countries on a multilateral basis within the framework of the Agreement.

APTA is essentially a preferential trading arrangement designed to liberalize and expand trade progressively in the ESCAP region through such measures as the relaxation of tariff and non-tariff barriers and trade-related economic cooperation. The Agreement is not designed to divert or restrict trade from countries but to expand mutual trade through fuller exploitation of their trade potential, expansion of productive capacities and higher economic growth. The GATT Council approved the Bangkok Agreement in March 1978, "provided that any preferential treatment under the Agreement shall be designed to facilitate trade between the participating states and not to raise barriers to trade of other contracting parties". Its rules and regulations are meant, inter alia, to ensure non-discriminatory and fair trade practices and to preserve the value of the preferences including compensatory action where the value of the preference is reduced or abrogated. It also aims at cooperation in matters such as customs administration, standardization of procedures and formalities relating to mutual trade,

adoption of a common tariff nomenclature and harmonization of rules of origin and of dumping.

Constitutional Framework

The revised text of the Asia-Pacific Trade Agreement has a preamble, eight Chapters consisting of 40 Articles and two Annexes.

Chapter I covers Articles 1 to 3 which cover definitions, objectives, and principles respectively.

Chapter II covers Articles 4 to 11 which set out the programme of trade liberalization. Articles 5 and 6 are statements about the application of tariff and non-tariff concessions. Article 7 provides for special and differential treatment for least developed member countries based on non-reciprocity. Article 8 makes the rules of origin an integral part of the Agreement. Articles 9 and 10 cover provisions related to the preservation of the value of concessions in the event of changes in the tariff structure of member countries. Article 11 specifies the coverage of the Agreement.

Chapter III covers Articles 12 to 16, dealing with various elements which contribute to trade expansion like most favoured nation treatment, national treatment, exceptions to MFN, special consideration for least developed country members, etc.

Chapter IV covers Articles 17 to 21 which deal with safeguard measures and consultations. These provisions are a combination of safeguard measures, balance of payments restrictions, and dispute settlement procedures.

Chapter V covers Articles 22 to 24 which describe a Standing Committee, Ministerial Council and the administrative procedures for the Agreement.

Chapter VI covers Articles 25 to 29 which deal with review and modifications.

Chapter VII covers Articles 30-32 which pertain to accession and withdrawal.

Chapter VIII covers Articles 33-40 which contain the miscellaneous and final provisions, including exceptions to and non-application of the Agreement. Article 40 formally changes the official name of the Bangkok Agreement from First Agreement on Trade Negotiations Among Developing Member Countries of the Economic and Social Commission for Asia and the Pacific to Asia-Pacific Trade Agreement.

Annex I consists of National Lists of Concessions as forming an integral part of the Agreement as stipulated in Article 5.

Annex II provides for the rules of origin under the Agreement forming an integral part of the Agreement.

Membership

The five original members of APTA are Bangladesh, India, the Republic of Korea, Lao People's Democratic Republic and Sri Lanka. Lao PDR has not issued customs notification on the tariff concessions granted, and in this respect is not an effective participating member. Some other members have however extended their concessions to include Lao PDR.

In an important recent event, China formally became a member of APTA in 2001. China's accession has major implications for the Bangkok Agreement and for trade in the Asia-Pacific region.

Papua New Guinea, the Philippines and Thailand acceded to the, though the Agreement was not yet ratified by these countries. Pakistan notified its intention to accede to the Agreement in February 1998, but the process of accession has not commenced yet.

All developing member countries of ESCAP are eligible to accede to the Agreement.

Institutional Arrangements

Since the inception of the Agreement, a Standing Committee, consisting of the representatives of the countries participating in the Agreement, has performed the duties of reviewing the application of the Agreement, carrying out consultations, making recommendations and taking decisions as required. It meets once a year in principle or as frequently as is required. Each member state has traditionally designated a national focal point and alternate focal point responsible for handling and communicating matters relating to APTA.

Member countries have recently established a Ministerial Council under APTA. The Standing Committee will continue in its functions, but the Ministerial Council will take the overall responsibility for supervising and coordinating the implementation of the Agreement. The Council will meet at least once every two years.

At present, there is no permanent secretariat for the Agreement, and the Trade and Investment Division of ESCAP assumes the role of an interim secretariat.

Coverage

APTA at this time covers only tariff concessions on goods. Members are however aware of the need to eventually broaden the scope of the Agreement to deal with non-tariff barriers and trade in services.

II. EXCHANGE OF CONCESSIONS

Three rounds of negotiations have been completed under the Bangkok Agreement. The First Round of negotiations was concluded in 1975, leading to the signing of the Agreement by the participating states. The Second Round of negotiations was completed in 1990.

First Round of negotiations

The total number of products for which tariff preferences were granted as a result of the First Round of negotiations was 104, in addition to 15 items on which special concessions were extended to Lao PDR.

Tariff preferences were however renegotiated and revised in 1979 as some countries felt that a balance of advantage between the participating states had not been achieved in the First Round, with certain participating states granting more concessions than others.

The total number of product items for which tariff preferences were extended in the renegotiations was 93 items. Of 93 products the *ad valorem* duties of 80 products were reduced by an average of 23 percent, and the tariff of 9 products were bound at the existing tariff levels. In the case of the 4 remaining products, specific duties were reduced, ranging from 10 percent to 67 percent.

In addition, special tariff concessions were granted to the two least developed countries - for Bangladesh on three product items and for Lao PDR on 16 product items.

Second Round of negotiations (Seoul Round)

With a view to enabling the developing countries of the region to derive more significant benefits from mutual trade co-operation, the Standing Committee of the Bangkok Agreement, at its thirteenth session in 1984, decided to launch the Second Round of negotiations. The first session of the Second Round was held in June 1985 aiming at enlarging the membership, widening the product coverage and increasing tariff and non-tariff preferences, as well as introducing other forms of trade co-operation such as long- and medium-term contracts, joint ventures and industrial co-operation agreements. The second session held in October 1986, adopted an action plan in connection with other forms of trade co-operation covering a period of three years.

Bilateral negotiations on tariff and non-tariff preferences commenced at the third session, held in May 1988. The fourth session was opened on 5 September 1988 and was adjourned on 12 September 1988. The resumed session was held from 1 to 4 May 1990 to conclude bilateral negotiations on tariff preferences and to finalize the multilateralization of the agreed concessions among all participating states of the Agreement.

During the Second Round of negotiations, China, Indonesia, the Islamic Republic of Iran, Malaysia, Nepal, Pakistan, Papua New Guinea, the Philippines and Thailand were represented as observers at various sessions.

The Second Round of negotiations resulted in tariff concessions being exchanged on 438 items in addition to 63 items for which special concessions were extended to Bangladesh. The extent of tariff concessions varied among the participating states ranging from 13 to 30 percent.

Third Round of negotiations

After the conclusion of the Second Round, the national lists of concessions of participating states have been occasionally modified. Members have broadened their offers, and China's offer list itself has provided a substantial increase in the number of items being given preferential treatment. The number of products in China's list of concessions upon its accession was 739, in addition to 18 items for which special concessions have been offered to least developed member countries.

The Third Round of negotiations, including consolidation of the results of the Third Round with those of the Second Round was held from October 2001 to mid-2005. The results in terms of the number of products covered by concessions and the margins of preference are presented in the following table:

Table. Results after the 3rd round: number of products covered by concessions and margins of preferences (MOP)

Concession Offering States	After Third Round			
	No. of Products covered by concessions		Margin of Preference (MOP)	
	General Concessions	Special Concessions	General Concessions	Special Concessions
Bangladesh	209	--	14.1	--
China	1,697	161	26.7	779
India	570	48	23.9	39.7
Republic of Korea	1,367	306	35.4	64.6
Sri Lanka	427	72	14.0	12.0
Total	4,270	587	26.8	58.8

Notes: 1. Special concessions are to LDC members
2. MOP is the simple average of all items expressed in percentage terms.

III. TASKS AHEAD: THE REVITALIZATION PROCESS AND BEYOND

The international trading system has evolved substantially since the Bangkok Agreement came into force in the mid-1970s. Multilateral negotiations have resulted in global trade liberalization and the establishment of a rules-based trading system. At the regional level, many preferential trading arrangements formed after the Bangkok Agreement currently offer more in terms of concessions, and have contributed to significantly boosting intra-member trade flows.

APTA has huge potential, given that membership is open to all developing member countries of ESCAP. Taking into account only its current members, it is also the only truly 'regional' trading arrangement in Asia-Pacific, since membership spans various subregions. APTA Participating States have recognized these facts, but have also seen that the Agreement is in need of modernization and change if it is to achieve its true potential in the new trading environment. In this regard, member countries recently launched a process of revitalization within the APTA, requesting ESCAP, as the secretariat to the Agreement, to oversee the process.

The revitalization process consists of a number of measures as follows:

- Amended text of the Agreement: The text of the Bangkok Agreement has been amended to reflect changes that have taken place in the international trading system since the original text of the Agreement entered into force. The amended text contains the common rules of origin.
- Ministerial Council: Members have established a Ministerial Council under the Bangkok Agreement to provide overall policy direction for the future negotiating agenda of the Agreement. The First Session of the Ministerial Council was held on 2 November 2005 in Beijing, China.
- Third Round of negotiations: Members have recognized that in order to allow the Bangkok Agreement to realize its full potential, trade between members must be further liberalized. It is in this spirit that the Third Round of negotiations was launched in October 2001, with the goal of deepening and widening concessions so as to increase intra-member trade flows to significantly higher levels than is currently the case. Members have now completed the Third

Round, consolidated the results with those of the Second Round, and the concessions entered into effect on 1 September 2006.

- Expansion of membership, gradually fulfilling the Agreement's potential as a region-wide preferential trade agreement. National seminars are being organized for selective prospective members on implications of APTA membership.
- Engagement of the business sector: creating modalities for government-private sector dialogue; awareness creation of APTA preferences to private sector; exploring possibility to establish APTA Business Forum. The Asia-Pacific Business Forum (APBF) will also be used for this purpose.

Membership to the APTA can be expected to increase in the near future. China's accession to the Bangkok Agreement sparked renewed interest in the Agreement from prospective members, and as the results of the revitalization process become visible, membership will become ever more attractive. Members currently have preferential access to the two giant markets of the region – India and China – as well as access on preferential terms to other major markets, notably the Republic of Korea.

Implementation of the revitalization measures will surely allow APTA to move closer to realizing its true potential. As discussions on cooperation on other matters such as non-tariff barriers and services eventually commence, region-wide integration in trade will strengthen. Indeed, the framework for a region-wide trade agreement is already to be found in the Agreement.

IV. ACCESSION PROCESS

Which countries are eligible to accede?

Accession provisions are covered in Chapter VII – Accession and Withdrawal - of the amended Agreement. According to Article 30 (i) all developing member countries of ESCAP are eligible to accede to the Agreement. The applicant country may accede to the Agreement if at least two thirds of participating states recommend its accession. If any of the member countries objects to such accession, however, the provisions of the Agreement will not apply as between that country and the acceding country.

What is the accession procedure?

Article 30 (ii) to (vi) covers the accession procedures. However, no formal procedures as yet exist though efforts are being made by the member countries to draw up a formal accession document. In principle, the accession process is initiated when the applicant country notifies the Executive Secretary of ESCAP of its intention to accede to the Agreement. The Executive Secretary will in turn inform the existing member countries of that intention. The ESCAP secretariat will prepare a programme of negotiations for approval by the members. During the negotiations, the ESCAP secretariat will also monitor the progress on the basis of the agreed programme and will ensure the confidentiality of negotiations between the applicant country and the members. After the bilateral negotiations have been completed, a meeting of the Standing Committee of the APTA will be convened to finalize the outcome of the bilateral negotiations between the applicant country and the members as well as for the multilateralization of agreed concessions.

The Agreement will come into force for an eligible acceding country on the date of deposit of its corresponding instrument of accession, accompanied by the National List of Concessions and the related administrative notification (e.g. a government notification, such as a customs notification), with the Executive Secretary of ESCAP.

Support during accession

The ESCAP secretariat will provide support to acceding countries through the whole process so as to allow the accession to proceed smoothly and rapidly.

V. OBTAINING FURTHER INFORMATION

General information on APTA can be found on the Internet at:

<http://www.unescap.org/tid/apta.asp>

The amended text of the Agreement and consolidated lists of concessions are only accessible to member countries.

For further information, please contact:

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Developing member countries of ESCAP interested in learning more about APTA and the implications of membership may, through appropriate Government channels, submit a written request to the Executive Secretary of ESCAP. ESCAP will explore all options available to respond appropriately to the request.