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Revisiting Sectoral Liberalization:
An Alternative to the FTAAP? Implications
on the Philippines

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Revisiting Sectoral Liberalization

An Alternative to FTAAP?

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Objectives

1. Discuss rationale and feasibility of the FTAAP
2. Present alternative modality for trade liberalization in APEC
3. Assess relative position of individual APEC members in the proposed liberalization scheme: Philippines as a case study

Merits of the FTAAP

To energize APEC trade goals
As catalyst to the Doha Round
Need for a back-up plan to DDA
At least that is the idea...

Features:

Far more ambitious endeavor
than the WTO

Requires the elimination of
tariffs on 'substantially all
trade' ~ 90% of tariff lines?

Must be 'high quality'

Demands more negotiating
resources

Feasibility of the FTAAP

Serious questions about the feasibility of the FTAAP in the foreseeable future

Sheer number and heterogeneity of participants

Divergent priorities and approaches to trade treatise

Persistence of sticky issues

Weak political salability

Sensitive political dynamics among members

An Alternative Strategy?

If one were to push the trade liberalization agenda in APEC, on an MFN basis, how would you do it?

An alternative approach:

Open Regionalism?

- Liberalization on an MFN basis
- Liberalization on a sectoral basis
- Key is to have an analytical basis for the choice of the sector

Politically acceptable

Minimize 'free riders'

ISSUE: How do you choose the sector?

The 'Free Rider' Problem

What sectors should you liberalize?

Concerns of 'free-riding' by non-APEC members as tariff reductions are automatically extended via the MFN principle

Wonnacott addressed the issue of 'free riding' in 1995

The 'Principal supplier' or 'dominant supplier' approach

tariff reduction only on goods where APEC is a dominant supplier

Intuitively, the benefit of tariff reductions on these goods would only accrue to APEC members, simply, because non-APEC members do not export them

Theoretical Foundation

The Non-Preferential Trading Club

Raimondos-Moller & Woodland (2006)

A variant of 'open regionalism'

A group of countries that agree to coordinate their non-discriminatory tariff policies and to undertake internal income transfers.

Improve the efficiency of the resource allocation and welfare of the members of the club, at the same time leave the welfare of the non-members untouched, i.e. a Pareto-improvement.

An important feature though is that the 'coordinated tariff reforms' of the club members requires some members to raise their tariffs and some to fall or even allow subsidies

Consistent with the spirit of the WTO in that whatever arrangements members make to improve their welfare, does not harm the welfare of the rest of the world

Theoretical Foundation

The Non-Preferential Trading Club

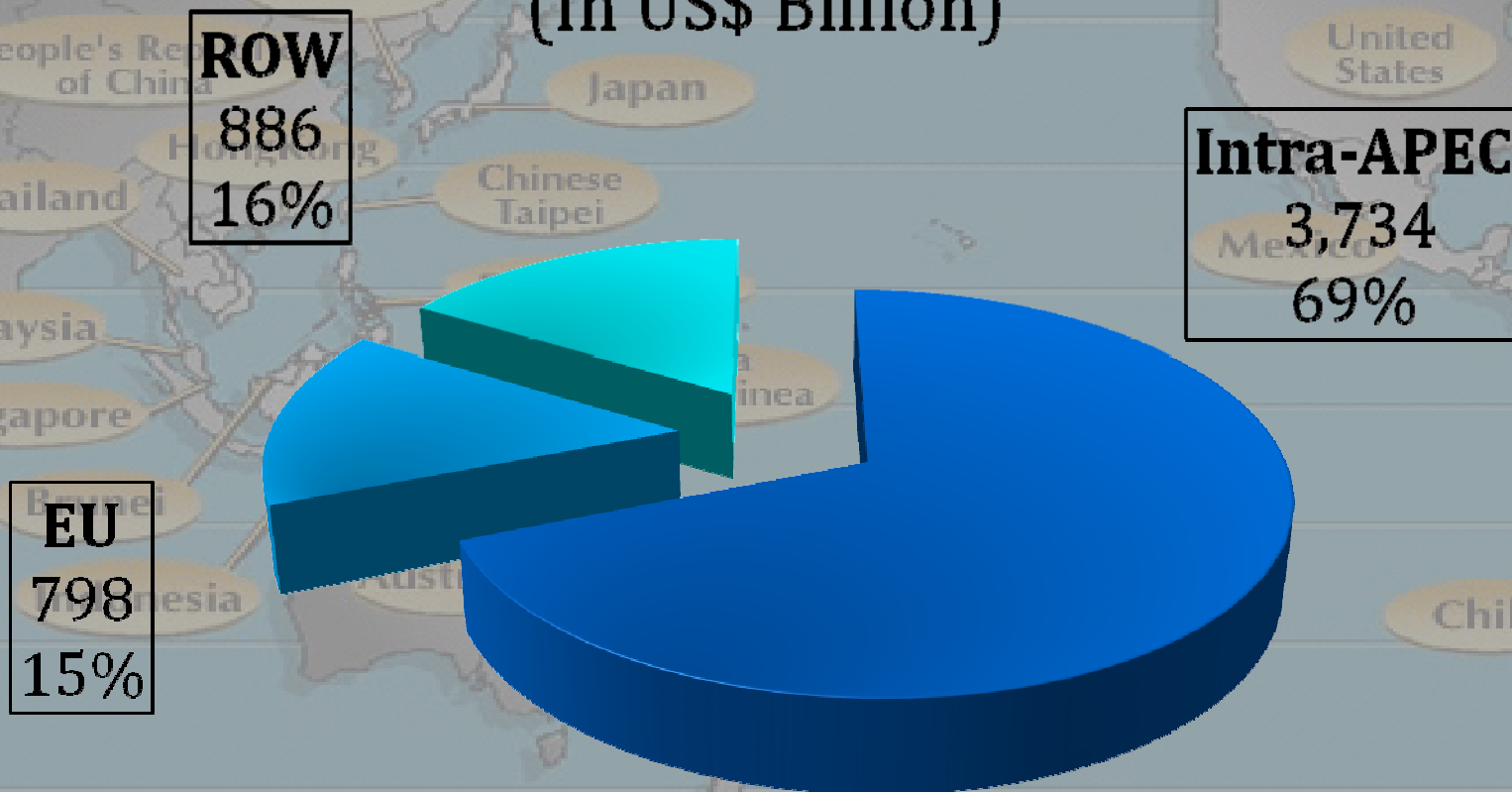
Raimondos-Moller & Woodland (2006)

The proposed sectoral liberalization modality share many characteristics of a non-preferential trading club.

- ✓ Liberalization is being undertaken on an MFN basis, is non-preferential.
- ✓ Undertaken by a subset of the global economy, in this case APEC members.
- ✓ Should not leave the rest of the world worse-off, by keeping the prices to non-members unchanged despite the internal changes among club members
 - Obviously world prices would not be held constant in the process of the APEC sectoral liberalization, as the APEC members are dominant producers and consumers in the aforementioned sectors.
 - However, because the tariff movements of the APEC members are, of course, downwards, and granted on an MFN basis, the non-members will not likely be harmed

Intra-APEC Export Share

APEC Exports in 2006
(In US\$ Billion)



`Principal Supplier' Approach

By Cut-off level:

- 1. Rank the products according to APEC Exports as a Percentage of World Exports.**
- 2. Decide what products would APEC be the main supplier based on a specific cut-off percentage of APEC Exports/ World Exports.**
- 3. From the list of products where APEC is a principal supplier, determine the potential market, share of products in member's exports and share of products in member's imports.**
- 4. Analyze the export-import share discrepancy per country.**

'Principal Supplier' Approach By Cut-off Level

Top 20 Selected Products for which APEC is a 'Principal Supplier' (2005)

Rank	HS Code	Description	Exports (US\$ Billion)			Share (In Percentage)	
			APEC	World	World Less Intra- EU Trade	To World	To World Less Intra- EU Trade
1	854219	Monolithic integrated circuits, nes	3,564	3,564	3,564	100.00	100.00
2	900120	Sheets and plates of polarising material	4,241	4,253	4,245	99.71	99.89
3	901380	Optical devices, appliances and instruments, nes, of this Chapter	28,838	29,387	29,167	98.13	98.87
4	847010	Electronic calculators capable of oper w/o an external source of power	1,535	1,700	1,554	90.30	98.79
5	845691	Machine tools for dry etching printed circuits	2,672	2,729	2,706	97.91	98.74
6	851999	Sound reproducing apparatus, not incorporating a sound recorder, nes	8,902	9,579	9,023	92.93	98.66
7	950639	Golf equipment nes	1,790	1,861	1,823	96.22	98.23
8	852713	Radio apparatus nes with sound recording/reproducing	2,329	2,906	2,372	80.16	98.19
9	852290	Parts and accessories of apparatus of heading Nos 85.19 to 85.21, nes	14,065	15,035	14,337	93.55	98.11
10	950410	Video games of a kind used with a television receiver	5,994	7,041	6,114	85.14	98.05
11	854240	Hybrid integrated circuits	18,980	19,995	19,379	94.92	97.94
12	852320	Unrecorded magnetic discs	3,412	3,651	3,497	93.46	97.59
13	852731	Radio broad rece combin with sound recordg or reproducg apparatus nes	2,932	3,442	3,006	85.18	97.55
14	850780	Electric accumulators, nes	7,754	8,534	7,988	90.86	97.07
15	854290	Parts of electronic integrated circuits and microassemblies	10,616	11,155	10,948	95.17	96.97
16	851650	Microwave ovens	2,843	3,428	2,933	82.93	96.92
17	950490	Art funfair,game tab,pintab,sp tab casino game&auto bowl alley equip	7,836	9,185	8,086	85.32	96.91
18	950341	Stuffed toys representing animals or non-human creatures	2,309	2,748	2,386	84.02	96.75
19	852190	Video recording or reproducing apparatus nes	12,705	16,096	13,165	78.93	96.51
20	900211	Objective lenses f cameras,projectors/photographic enlargers/reducers	2,490	2,760	2,581	90.23	96.48

Source: Authors' calculations using ITC TradeMap data

Cut-Off Level	APEC Member																					APEC
	Australia	Brunei	Canada	Chile	China	Hong Kong	Indonesia	Japan	Malaysia	Mexico	New Zealand	Papua New Guinea	Peru	Phil.	Russia	Singapore	South Korea	Taiwan	Thailand	US	Vietnam	
Panel A: Market Potential – Imports by APEC Partner Countries of Selected Goods, 2005 (US\$ Billion)																						
70%	1,905	1,940	1,834	1,934	1,617	1,768	1,931	1,776	1,880	1,848	1,934	1,940	1,938	1,915	1,922	1,849	1,840	1,861	1,899	1,350	1,933	
75%	1,434	1,455	1,837	1,451	1,618	1,309	1,450	1,318	1,402	1,388	1,452	1,455	1,454	1,432	1,445	1,379	1,368	1,390	1,426	1,093	1,450	
80%	1,234	1,249	1,203	1,246	988	1,112	1,246	1,128	1,201	1,195	1,246	1,249	1,248	1,227	1,242	1,181	1,172	1,189	1,224	958	1,245	
85%	1,011	1,023	995	1,020	791	899	1,021	930	978	982	1,021	1,023	1,022	1,001	1,018	968	951	974	1,002	805	1,020	
90%	572	579	564	577	454	516	578	530	546	558	578	579	579	563	576	555	541	550	565	446	578	
Panel B: Share of Products in Country’s Exports, 2005 (In Percentage)																						
70%	33.36	0.54	33.27	61.11	53.46	60.10	37.89	50.12	57.76	42.49	13.25	43.23	58.48	75.41	8.31	58.05	57.95	59.73	50.11	36.15	31.62	45.63
75%	23.99	0.44	14.56	56.45	43.83	51.20	32.96	34.50	51.06	28.51	6.69	21.80	39.07	71.05	5.31	39.97	50.97	53.12	40.53	25.89	21.47	34.60
80%	21.90	0.38	10.25	51.83	39.90	47.45	29.63	26.18	48.65	23.16	5.33	21.59	26.98	64.49	4.11	33.75	46.23	48.58	34.88	18.99	19.80	29.42
85%	4.54	0.07	5.76	25.67	34.40	42.99	22.20	21.63	44.35	11.85	4.54	21.54	16.60	62.99	1.56	29.78	42.59	43.61	29.30	14.25	15.70	24.05
90%	0.86	0.05	2.32	9.59	23.69	21.58	13.98	10.59	29.07	5.43	2.99	1.29	8.23	50.54	1.10	13.84	27.02	28.95	21.71	6.67	9.59	13.97
Panel C: Share of Products in Country’s Imports, 2005 (In Percentage)																						
70%	30.44	23.03	33.90	23.85	48.99	57.42	16.72	32.00	53.24	41.91	26.09	14.99	22.02	54.66	18.52	35.20	50.27	43.80	34.89	34.12	23.76	38.45
75%	17.85	17.01	21.66	13.75	43.59	48.64	8.98	26.55	46.40	30.28	14.81	7.77	13.24	49.41	10.12	29.32	43.55	36.12	25.24	20.90	16.67	28.83
80%	13.03	8.55	14.63	10.78	39.53	45.52	6.04	23.44	42.15	24.35	10.80	4.15	9.85	46.72	7.44	26.22	38.51	33.29	21.41	16.80	12.72	24.74
85%	9.97	6.30	8.68	8.15	35.05	41.14	3.91	18.04	38.87	18.39	8.11	3.30	5.98	45.35	4.92	21.01	35.96	26.67	17.69	12.55	9.22	20.26
90%	6.33	4.20	4.78	6.17	19.01	20.93	1.60	9.44	29.04	9.56	5.16	1.33	3.60	34.63	3.29	9.34	19.26	16.13	11.82	7.69	4.27	11.47

'Principal Supplier' Approach

By Cut-off Level

Importance of 'Principal Supplier' Goods to APEC by Cut-off Level (2005)

Cut-off Level	Share in APEC Exports (%)	Share in APEC Imports (%)	Difference in EX-IM Shares (%)	Intra-Bracket Difference in EX Shares (%)	Ave. Increments per 5% Bracket (%)
70%	45.63	38.45	7.18		
75%	34.60	28.83	5.77	11.03	2.21
80%	29.42	24.74	4.68	5.18	1.04
85%	24.05	20.26	3.79	5.37	1.07
90%	13.97	11.47	2.50	10.08	2.02

Source: Authors' calculations using ITC TradeMap data

Notes:

Share in APEC Exports = Share of products for which APEC provide 70% of world exports, in APEC's total exports.

Share in APEC Imports = Share of products for which APEC provide 70% of world exports, in APEC's total import

Difference in EX-IM Shares = Share in APEC Exports – Share in APEC Imports

Intra-Bracket Difference = Ex. Share in APEC Exports (70%) – Share in APEC Exports (75%)

Ave. Increments per 5% Bracket = Ex. [Share in APEC Exports (70%) – Share in APEC Exports (75%)] ÷ 5

'Principal Supplier' Approach

By Cut-off Level

Discrepancy in Export and Import Shares by APEC Member

APEC Member	Share in Total Exports (%)	Share in Total Imports (%)	Difference in EX-IM Shares (%)
Chile	61.11	23.85	37.26
Peru	58.48	22.02	36.46
Papua New Guinea	43.23	14.99	28.24
S.Korea	58.05	35.20	22.85
Indonesia	37.89	16.72	21.17
Philippines	75.41	54.66	20.75
Japan	50.12	32.00	18.12
Chinese Taipei	59.73	43.80	15.93
Thailand	50.11	34.89	15.22
Vietnam	31.62	23.76	7.86
Singapore	57.95	50.27	7.68

APEC Member	Share in Total Exports (%)	Share in Total Imports (%)	Difference in EX-IM Shares (%)
Malaysia	57.76	53.24	4.52
China	53.46	48.99	4.47
Australia	33.36	30.44	2.92
Hong Kong	60.10	57.42	2.68
United States	36.15	34.12	2.03
Mexico	42.49	41.91	0.58
Canada	33.27	33.90	-0.63
Russia	8.31	18.52	-10.21
New Zealand	13.25	26.09	-12.84
Brunei	0.54	23.03	-22.49

Source: Authors' calculations using ITC TradeMap data

'Principal Supplier' Approach

By Sector:

- 1. Rank the products according to APEC Exports as a Percentage of World Exports.**
- 2. Decide what products would APEC be the main supplier based on a cut-off percentage of APEC exports/ World Exports.**
- 3. Classify the products according to major product categories.**
- 4. Determine the net trade positions of each APEC member along these product categories.**

APEC Partner 5	APEC Member																						APEC
	Australia	Brunei	Canada	Chile	China	Hong Kong	Indonesia	Japan	Malaysia	Mexico	New Zealand	Papua New Guinea	Peru	Philippines	Russia	Singapore	South Korea	Taiwan	Thailand	United States	Vietnam		
Panel A: Market Potential - Imports by APEC Partner Countries of Selected Goods, 2005 (US\$ Billion)																							
Electronics	778	787	765	786	631	689	785	735	749	750	786	787	787	770	781	725	745	748	768	612	786		
Transport equipments	241	249	214	247	239	248	247	240	246	234	247	249	249	248	246	244	245	246	245	108	248		
Machineries	447	456	431	455	367	418	455	417	444	437	455	457	456	452	453	431	437	439	448	321	455		
Metal and metal products	57	57	54	57	40	55	57	54	56	54	57	57	57	57	57	56	53	53	55	45	57		
Wood and wood products	41	41	40	41	37	41	41	34	41	40	41	41	41	41	41	41	40	40	41	20	41		
Textile and garments	31	31	30	31	27	25	31	28	31	30	31	31	31	31	31	31	31	31	31	20	30		
Footwear and headgear	24	25	24	25	25	20	25	22	25	25	25	25	25	25	25	25	25	25	25	11	25		
Agricultural goods and raw materials	71	72	69	70	62	71	71	43	71	69	72	72	71	71	71	72	61	67	71	67	71		
Plastics and rubbers	85	87	82	87	71	80	87	81	85	79	87	87	87	87	86	85	84	85	85	63	87		
Chemicals	40	40	39	40	25	39	39	38	39	38	40	40	40	40	40	39	37	35	39	34	40		
Miscellaneous manufactures	56	58	53	58	57	51	58	52	58	56	58	58	58	58	57	57	57	57	58	24	58		
TOTAL	1,871	1,905	1,801	1,898	1,583	1,737	1,895	1,744	1,845	1,812	1,898	1,905	1,902	1,879	1,887	1,805	1,815	1,827	1,866	1,325	1,897		
Panel B: Share of Products in Country's Exports, 2005 (In Percentage)																							
Electronics	1.20	0.03	3.59	0.09	19.45	31.91	6.39	16.88	30.41	20.48	2.04	0.03	0.26	48.07	0.28	34.69	26.16	30.89	16.57	11.19	4.90	17.17	
Transport equipments	2.39	0.01	15.43	0.56	2.80	0.36	1.33	13.58	0.57	8.41	0.86	0.61	0.01	4.55	0.52	1.42	10.41	2.82	6.37	7.58	0.81	6.39	
Machineries	1.63	0.03	3.00	0.21	17.72	14.75	3.61	13.16	17.49	8.59	1.20	0.04	0.09	19.44	0.24	16.63	12.49	15.00	13.89	9.54	1.91	11.30	
Metal and metal products	1.21	0.00	1.20	29.58	0.71	0.76	3.19	1.51	0.44	0.55	0.24	0.00	13.30	0.95	1.66	0.41	2.12	2.72	0.86	0.59	0.24	1.35	
Wood and wood products	0.18	0.00	3.18	4.60	0.31	0.08	1.90	0.03	1.09	0.06	5.29	0.40	0.18	0.41	2.33	0.03	0.12	0.07	0.26	0.71	0.13	0.72	
Textile and garments	1.35	0.43	0.12	0.05	2.36	2.55	1.18	0.26	0.27	0.28	0.77	0.00	0.24	0.64	0.01	0.15	1.62	1.80	1.04	0.25	2.61	0.94	
Footwear and headgear	0.01	0.01	0.03	0.01	2.15	1.82	1.35	0.00	0.07	0.05	0.10	0.00	0.05	0.08	0.00	0.04	0.05	0.07	0.70	0.04	12.31	0.62	
Agricultural goods and raw materials	20.66	0.00	1.97	24.63	1.45	0.02	12.76	0.11	3.08	0.41	0.46	21.35	25.92	0.09	2.24	0.06	0.04	0.01	1.82	2.00	3.30	2.11	
Plastics and rubbers	0.22	0.01	1.56	0.41	1.91	2.42	4.80	1.93	2.98	1.37	1.07	0.19	0.34	0.60	0.26	1.16	2.82	3.80	6.59	1.88	1.49	2.01	
Chemicals	0.02	0.00	1.29	0.01	0.10	0.13	0.65	1.83	0.70	0.14	0.01	0.00	0.00	0.00	0.75	2.87	1.84	1.38	0.61	0.93	0.00	0.94	
Miscellaneous manufactures	1.31	0.14	1.34	0.40	0.12	2.28	0.08	0.94	0.15	0.64	1.20	0.07	0.26	0.29	0.16	0.19	0.27	0.24	0.16	3.75	0.14	1.24	
TOTAL	30.18	0.67	32.72	60.55	49.07	57.06	37.24	50.24	57.24	40.98	13.22	22.70	40.64	75.12	8.44	57.64	57.93	58.79	48.88	38.47	27.85	44.79	
Panel C: Share of Products in Country's Imports, 2005 (In Percentage)																							
Electronics	7.97	4.04	7.10	5.85	23.74	32.91	3.40	10.19	33.50	17.08	6.10	1.77	6.33	36.72	6.76	31.44	16.18	21.94	16.53	10.10	5.15	15.60	
Transport equipments	7.05	4.65	11.21	5.00	1.44	0.47	3.96	1.65	2.40	6.63	7.84	6.13	2.72	1.67	3.45	2.60	1.67	1.43	3.02	8.15	3.23	4.93	
Machineries	7.99	8.64	8.02	4.04	13.50	12.88	3.01	7.65	10.75	8.86	6.18	4.48	4.19	10.40	3.89	12.79	7.50	9.71	7.27	7.83	5.02	9.05	
Metal and metal products	0.41	0.39	1.01	0.35	2.58	0.79	1.11	0.68	1.57	1.38	0.52	0.23	0.49	0.46	0.36	0.57	1.47	2.16	2.12	0.71	2.02	1.14	
Wood and wood products	0.57	0.13	0.40	0.30	0.65	0.17	0.42	1.44	0.23	0.59	0.31	0.05	0.58	0.43	0.06	0.12	0.59	0.52	0.56	1.23	0.55	0.82	
Textile and garments	0.36	1.93	0.32	0.65	0.68	1.99	0.24	0.63	0.08	0.71	0.50	0.03	0.72	0.71	0.25	0.18	0.18	0.12	0.29	0.63	3.35	0.62	
Footwear and headgear	0.50	0.23	0.33	0.84	0.03	1.51	0.03	0.54	0.04	0.16	0.53	0.17	0.47	0.05	0.28	0.08	0.18	0.17	0.04	0.79	0.02	0.49	
Agricultural goods and raw materials	0.24	0.45	0.84	4.14	1.41	0.26	1.67	5.60	0.60	1.18	0.61	0.54	2.96	2.28	0.94	0.11	3.99	2.72	0.64	0.29	1.05	1.42	
Plastics and rubbers	1.74	1.73	1.85	1.63	2.46	2.54	0.93	1.30	1.81	3.60	1.69	1.22	2.54	1.11	1.62	0.95	1.14	1.38	1.80	1.43	1.90	1.73	
Chemicals	0.28	0.10	0.36	0.31	2.21	0.31	1.76	0.34	0.85	0.87	0.46	0.16	0.52	0.44	0.32	0.67	1.33	2.60	0.70	0.34	0.82	0.79	
Miscellaneous Manufactures	1.17	0.59	1.54	0.52	0.13	2.22	0.11	1.09	0.18	0.62	0.99	0.13	0.35	0.14	0.40	0.22	0.29	0.25	0.15	1.96	0.14	1.14	
TOTAL	28.29	22.88	32.97	23.61	48.82	56.06	16.67	31.10	52.03	41.68	25.73	14.90	21.87	54.41	18.34	49.73	34.52	42.99	33.12	33.45	23.25	37.73	

'Principal Supplier' Approach By Sector

Importance of 'Principal Supplier' Goods to APEC by Sector (2005)

SECTORS	APEC		
	Share in Total APEC Exports (%)	Share in Total APEC Imports (%)	Difference in EX-IM Shares (%)
TOTAL 'Principal Supplier' Goods	45.63	38.45	7.18
TOTAL Sectors	44.79	37.73	7.06
Sectors:			
Electronics	17.17	15.60	1.57
Transport equipments	6.39	4.93	1.46
Machineries	11.30	9.05	2.25
Metal and metal products	1.35	1.14	0.21
Wood and wood products	0.72	0.82	-0.10
Textile and garments	0.94	0.62	0.32
Footwear and Headgear	0.62	0.49	0.13
Agricultural goods and raw materials	2.11	1.42	0.69
Plastics and rubbers	2.01	1.73	0.28
Chemicals	0.94	0.79	0.15
Miscellaneous manufactures	1.24	1.14	0.10

Source: Authors' calculations using ITC TradeMap data

Implications on Individual APEC Members

Sectoral liberalization based on the 'Principal Supplier' approach would be beneficial to APEC as a whole.

There are bound to be 'winners and losers' on the individual member-level.

Let us examine the results for the Philippines...

'Principal Supplier' Approach By Cut-off Level

Importance of 'Principal Supplier' Goods to the Philippines by Cut-off Level (2005)

Cut-Off Level	Philippines					
	Market Potential (US\$ B)	Share in Total Phils. Exports (%)	Share in Total Phils. Imports (%)	Difference in EX-IM Shares (%)	Intra-Bracket Difference in EX Shares (%)	Ave. Increments per 5% Bracket (%)
70%	1,915	75.41	54.66	20.75		
75%	1,432	71.05	49.41	21.64	4.36	0.87
80%	1,227	64.49	46.72	17.77	6.56	1.31
85%	1,001	62.99	45.35	17.64	1.50	0.30
90%	563	50.54	34.63	15.91	12.45	2.49

Source: Authors' calculations using ITC TradeMap data

Notes:

Market Potential = for products that APEC members export 70% of world exports, the Philippine's APEC trading partners imported \$1,915 billion in 2005.

Share in Total Exports = Share of products for which APEC provide 70% of world exports, in the Philippine's total exports.

Share in Total Imports = Share of products for which APEC provide 70% of world exports, in the Philippine's total imports.

Intra-Bracket Difference = Share in the Philippines' Exports (70%) – Share in the Philippines' Exports (75%)

Ave. Increments per 5% Bracket = [Share in APEC Exports at (70%) – Share in APEC Exports (75%)] ÷ 5

'Principal Supplier' Approach By Sector

Importance of 'Principal Supplier' Goods to the Philippines Sector (2005)

Sector	Market Potential (US\$ B)	Share in Total Phils. Exports (%)	Share in Total Phils. Imports (%)	Difference in EX-IM Shares (%)
TOTAL 'Principal Supplier' Goods	1,915	75.41	54.66	20.75
TOTAL Sectors	1,880	75.12	54.41	20.71
Sectors:				
Electronics	770	48.07	36.72	11.35
Transport equipments	248	4.55	1.67	2.88
Machineries	452	19.44	10.40	9.04
Metal and metal products	57	0.95	0.46	0.49
Wood and wood products	41	0.41	0.43	-0.02
Textile and garments	31	0.64	0.71	-0.07
Footwear and Headgear	25	0.08	0.05	0.03
Agricultural goods and raw materials	71	0.09	2.28	-2.19
Plastics and rubbers	87	0.60	1.11	-0.51
Chemicals	40	0.00	0.44	-0.44
Miscellaneous manufactures	58	0.29	0.14	0.15

Source: Authors' calculations using ITC TradeMap data

Implications on Individual APEC Members

OFFENSIVE INTEREST

**Improved market access
pursuits**

INDICATORS:

**importance of products in
exports**

**tariffs facing exports in
partners' markets**

DEFENSIVE INTEREST

Generate fiscal revenue

**Shield politically-sensitive
sectors**

**Nurture potentially-competitive
fledgling industries**

INDICATORS:

higher than average tariff

incidence of tariff peaks

sensitive list

Implications on Individual APEC Members

OFFENSIVE INTEREST

Category A:

Share in total world exports is 5% and above
AND at least US\$500 Million in export value;
AND
Partners' Ave. Applied MFN Tariff is 10% and above

Category B:

Share in total world exports is 5% and above
OR at least US\$500 Million in export value;
AND
Partners' Ave. Applied MFN Tariff is between 9.99% and 3%

Category C:

Partners' Ave. Applied MFN Tariff is 3% and below

DEFENSIVE INTEREST

Category A:

No tariff peaks
Simple Ave. Applied MFN tariff < 3%

Category B:

Tariff peak in 20% of tariff lines
Simple Ave. Applied MFN tariff of 'Principal Supplier' Goods < Simple Ave. Applied MFN tariff

Category C:

Tariff peak in 20% of tariff lines; AND
Simple Ave. Applied MFN tariff of 'Principal Supplier' Goods > Simple Ave. Applied MFN tariff

Implications on the Philippines

Indicative Offensive and Defensive Interest

Indicative Offensive and Defensive Interests Matrix

Sector	Offensive Interest	Defensive Interest
TOTAL 'Principal Supplier' Goods	B	B
TOTAL Sectors	B	B
Sectors:		
Electronics	B	B
Transport equipments	C	C
Machineries	C	B
Metal and metal products	C	C
Wood and wood products	C	C
Textile and garments	C	B
Footwear and headgear	C	C
Agricultural goods and raw materials	C	B
Plastics and rubbers	C	C
Chemicals	C	A
Miscellaneous manufactures	C	C

Source: Authors' calculations using ITC TradeMap and WTO IDB data

Final Remarks

Refine offensive interest indicators by taking into account RTAs

Examine policy and political feasibility of the initiative among APEC members

Assess offensive and defensive interests of APEC members

An idea of who will be in favor/against

Requires research support

Thanks...