

Annex A: Lima Declaration on FTAAP

Recommendations

1. Goals and Principles

- We reaffirm our commitment to advance the process in a comprehensive and systematic manner towards the eventual realization of the FTAAP as a major instrument to further APEC's regional economic integration agenda;
- We reaffirm that APEC's core objective will be to attain the Bogor Goals by 2020, and that efforts in support of the realization of the FTAAP will serve as a driving force to further advance regional economic integration;
- We reaffirm that the FTAAP will be realized outside of APEC, parallel with the APEC process;
- We reaffirm that the eventual FTAAP should do more than achieve liberalization in its narrow sense; it should be high quality and comprehensive, and incorporate and address 'next generation' trade and investment issues;
- We recognize that APEC has a critical role to play in shaping and nurturing regional economic integration, upholding the principles of openness, inclusiveness and cooperation under a win-win spirit, promoting profound economic restructuring, deepening and strengthening regional economic integration, and give greater impetus to the sustainable development of the Asia-Pacific. In this sense, APEC encourages unilateral economic reforms and the conclusion of comprehensive and high quality RTAs/FTAs.

2. Completing and Enhancing the Possible Pathways

- We recognize that regional and bilateral trade agreements (RTAs/FTAs) have enhanced regional economic integration, while at the same time APEC members' different stages of development, and RTAs/FTAs with various levels of liberalization and coverage may pose challenges to achieving full regional integration. Thus, we reaffirm our commitment that the FTAAP should be built upon ongoing regional undertakings, and through possible pathways including the Trans-Pacific Partnership (TPP) and Regional Comprehensive Economic Partnership (RCEP). We welcome other regional integration undertakings to make meaningful contributions to the eventual realization of the FTAAP;
- We encourage that all regional undertakings, including TPP and RCEP, remain open, transparent and inclusive and draw on each other so as to jointly contribute to the trade and investment liberalization and facilitation in the region and the eventual realization of the FTAAP;
- We also reaffirm our vision contained in the Pathways to FTAAP. In this connection, we note recent developments on RTAs/FTAs in the region and the progress of the possible pathways to the FTAAP, including efforts by TPP signatories to complete their domestic processes and efforts by RCEP parties to accelerate towards the completion of the

negotiations to achieve a modern, comprehensive, high-quality and mutually beneficial agreement.

- We encourage the progress of the FTAAP pathways and progress of implementation of the initiatives identified in this document to be reported to the CTI as appropriate including under the Information Sharing Mechanism. Further, this report may be included in the CTI/SOM Report to Ministers and/or AELM.
- To maintain momentum and focus work towards an eventual FTAAP, APEC economies will examine, by no later than 2020, the contribution of current Pathways to the realization of the FTAAP. The examination will identify specific areas of work that could be done to further promote the regional free and open trade and investment and that would support advancement toward an eventual FTAAP. In addition, this examination, and the work programs noted below, will help APEC determine what areas remain the most challenging in meeting regional economic integration goals and an eventual FTAAP. Following the examination, all APEC economies may engage in a collective discussion on what role APEC can play toward addressing these challenges in a manner that is inclusive, balanced, and beneficial to all economies and consider next steps APEC can take towards the eventual realization of an FTAAP.

3. Continuing APEC's Role as an Incubator and Strengthening Existing APEC Initiatives that support FTAAP Objectives

- We commit that APEC should continue to be an important contributor to advancing towards the eventual realization of an FTAAP. APEC plays a key role as an incubator of issues related to the FTAAP by providing leadership, intellectual inputs and capacity building including but not limited to the APEC Information Sharing Mechanism on RTAs/FTAs; the Action Plan Framework of the 2nd Capacity Building Needs Initiative (CBNI); and advancing sectoral initiatives, and promoting Policy Coordination/Coherence, and conducting Industry/Sector Dialogue, etc., so as to facilitate the eventual realization of the FTAAP.
- We agree that APEC should continue to identify and address next generation trade and investment issues and advance new initiatives in areas identified by APEC economies as critical for achieving an eventual FTAAP. Therefore, we encourage officials, through the Committee on Trade and Investment and its sub-fora to advance potential areas of work arising from this Study by consensus, including in areas already under consideration as either identified or potential next generation trade and investment issues;
- We agree that APEC should advance Structural Reform with a view toward improving the business environment. In line with the Ease of Doing Business Action Plan, APEC should continue to identify ways to improve the regulatory climate for starting a business, obtaining permits, accessing credit, trading across borders, and enforcing contracts, among others;
- We agree that APEC should increase efforts to improve trade facilitation. APEC has been a leader in developing capacity building programs designed to help economies implement obligations under the WTO Trade Facilitation Agreement (TFA). APEC should continue to advance capacity building projects in this area.

4. New Initiatives to Advance Regional Economic Integration

- The Collective Strategic Study identified a number of remaining challenges, gaps and areas of divergence among APEC economies, including in RTAs/FTAs. The discussion started in the Study should continue, including on potential elements to be addressed in the FTAAP and additional work in support of the eventual realization of the FTAAP. APEC's work should focus on bridging these gaps in order to ensure APEC economies are continuing along a pathway towards productive regional economic integration.
- APEC will focus work to address areas of divergence and convergence in RTA/FTA practice, including on the possible pathways for the FTAAP, and in the areas identified in the Collective Strategic Study, while also implementing capacity building programs to increase understanding of these agreements and members' capacity to participate in high quality, comprehensive and ambitious free trade agreements.
- As the next step in advancing the Beijing Roadmap, we instruct officials to undertake a stock take as to how next generation trade and investment issues are dealt with in existing FTAs/RTAs in the APEC region and other regions and in the WTO;
- We further instruct officials to use the stock take to develop dedicated initiatives, including through capacity building, to close the gaps between different treatment of these issues by economies as revealed by the stock take. Initiatives should be developed within the relevant APEC fora and included in each forum's work plan on an annual basis from 2018 onwards;
- We instruct Officials to continue to work on measures affecting trade and investment as identified in the Study that support the achievement of the Bogor Goals, and to advance the vision for the eventual realization of the FTAAP. To achieve these goals, APEC could embark on work programs to build consensus and capacity for economies in the following areas including, but not limited to:
 - On tariffs, the work program should focus on lowering remaining tariffs and examining market access commitments under the identified pathways to find areas of convergence and divergence.
 - On NTMs, the work program could prioritize collaboration with ABAC, based on their recommendations to Leaders in 2015, to identify and address NTMs affecting trade and aid economies' understanding of NTMs and their potential impacts.
 - On services, the work program should support the implementation of the APEC Services Competitiveness Roadmap as a way to spur economic growth and improve services competitiveness in individual APEC economies and the APEC region.
 - On investment, the focus should be to help economies clearly identify the areas of convergence in investment practice and exchange experiences on the negotiation and implementation of IIAs.

- On Rules of Origin (ROO), the work program should address best practices in customs origin procedures to facilitate economies' progress towards existing APEC goals on the simplification of ROO.
- To support a balanced and inclusive discussion on these issues, we instruct officials to focus on addressing the recommendations in this document through the Committee on Trade and Investment and its sub-fora, and encourage participation of the private sector and other stakeholders in these discussions including through Trade Policy Dialogues.

5. Strengthening Consultation with Stakeholders

- APEC should increase engagement with stakeholders in the region, including ABAC and PECC, in its efforts to support the realization of the FTAAP.

6. Reporting on Progress

- We instruct officials to undertake work on the recommendations through the Committee on Trade and Investment and to report back to Leaders on progress towards the realization of the FTAAP, particularly with regard to the new initiatives identified in this document. The reporting should be done separately but in parallel with the Bogor Goals reporting milestones which occur in 2018 and 2020.