



**Asia-Pacific
Economic Cooperation**

2016/SOM3/DIA1/010

Session 4.1

**APEC Public-Private Dialogue on Identifying and
Addressing Difficulties and Challenges That Hinder
SMEs from Taking Trade Benefit and Advantages of
RTA/FTA in the Region**

Submitted by: Viet Nam



**Dialogue on Regional Trade Agreements and Free
Trade Agreements
Lima, Peru
25 August 2016**



APEC Public - Private Dialogue on Identifying and Addressing Difficulties and Challenges that Hinder SMEs from Taking Trade Benefit and Advantages of RTA/FTA in the Region

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(25 August 2016, Lima, Peru)*





- ▶ Speakers and participants came from seven APEC member economies (Japan, Mexico, Malaysia, Peru, the Philippines, Thailand and Viet Nam).
- ▶ Most of the Dialogue participants: from the public sector, academic institutions and the private sector relating to FTA/RTA.



- ▶ *Purposes:*
 - + increase the awareness of both public and private sectors about the great trade and investment benefits of the implementation of signed RTAs/FTAs to SMEs.
 - + Develop a set of policy recommendations to address potential difficulties and challenges that hinder SMEs from taking advantage of trade and investment benefits of signed RTAs/FTAs.
 - + sharing best practices and experiences of how to utilize trade and investment opportunities from RTAs/FTA



► **This project:**

- + is in line with the APEC 2015 theme of Inclusive Growth;
- + is designed to implement APEC Leaders and Ministers' instructions in 2011, 2012 and 2013 as well as the Boracay Action Agenda to Globalize MSMEs of MRT 21;
- + greatly contributes to one of the main objectives of the 2013-2016 SMEWG Strategic Plan

Themes covered



- *(i) Overview on RTAs/FTAs Utilization of SMEs in the Region*
- *(ii) Government's Policies and Approaches in RTAs/FTAs Utilization of SMEs in the Region*
- *(iii) Difficulties and Challenges that Hinder SMEs from Taking Trade Benefits and Advantages of RTA/FTAs in the Region – Perspectives of the Academic Sector*
- *(iv) Difficulties and Challenges that Hinder SMEs from Taking Trade Benefit and Advantages of RTAs/FTAs in the Region – Perspectives from the Private Sector*
- *(v) Case Study of Good Practices on Assisting SMEs from Taking Trade Benefits and Advantages of RTAs/FTAs in the Region.*

Session 1: *Overview on RTAs/FTAs Utilization of SMEs in the Region*



Some issues covered:

- ▶ The current state-of-play and trends of RTA/FTA (eg: the MFN tariff rates, the costly certificate of rules of origin).
- ▶ Analysis about the advantages and disadvantages of RTA, especially in the Asia-Pacific region.

Conclusion:

-> as long as the benefit of using FTA is greater than the cost of using FTA, FTA is utilized.

Session 2: *Government's Policies and Approaches in RTAs/FTAs Utilization of SMEs in the Region*



▶ Some issues covered:

- ▶ barriers to SMEs (limited understanding of FTA commitments, limited information to locate/analyze markets, shortage of capital to finance exports, weak ability to contact overseas customers and lack of managerial time, skill and knowledge)
- ▶ high – standard FTA are coming soon: nearly 100% of tariffs elimination, provide self-certification regime, liberalize access for services, new issues such as labor, GP, environment, SOE, high-standard IPR, e-commerce, etc.

Session 3: *Difficulties and Challenges that Hinder SMEs from Taking Trade Benefits and Advantages of RTA/FTAs in the Region – Perspectives of the Academic Sector*



- ▶ Some issues covered:
 - ▶ The case of Korea: some domestic opposition against active FTA promotion and the utilization of FTAs by SMEs was low. New policies that encourage FTA business information, business capacity building, external affairs and domestic FTA support
 - ▶ Some recommendations such as a multi-prolong approach to finance, improve business and investment environment, capacity building and sharing lesson learnt by those SMEs participating in production networks/GVCs, promote SMEs to participate more effectively and strengthening regional arrangements for supporting SMEs.

Session 4: *Difficulties and Challenges that Hinder SMEs from Taking Trade Benefit and Advantages of RTAs/FTAs in the Region – Perspectives from the Private Sector*



- ▶ Some issues covered:
 - ▶ The difficulties and challenges for SMEs in participating in RTA/FTAs: weak competitiveness leads to losing the domestic market; the capacity of inter-economy's integration is limited; the awareness of RTAs/FTAs is still limited; non-tariff barriers, financial management capacity and the size of the business, synchronized, stable and consistent policy system.
 - ▶ Recommendations:
 - > encourage each economy to establish MRA amongst themselves and or align their regulations with international regulatory body



Session 5: Case Study of Good Practices on Assisting SMEs from Taking Trade Benefits and Advantages of RTAs/FTAs in the Region.

- ▶ Four case studies including:
 - ▶ The Utilization of Existing ASEAN FTAs by Micro, Small, Medium – sized enterprises;
 - ▶ The Impact of Free Trade Agreements on Business Activity: A Survey of Firms in the People's Republic of China, Yunling Zhang;
 - ▶ How do FTA Affect Exporting Firms in Thailand
 - ▶ Best practice from: Maximizing the Utilization of ASEAN-Led Free Trade Agreements: The potential roles of micro, small and medium-sized enterprises



▶ **Outcomes:**

The Dialogue included two days for presentations and discussions:

- +on the current state-of-play and trends of RTAs/FTAs utilization of SMEs in the region
- +prospects and challenges for SMEs to minimize the costs of RTAs/FTAs while maximizing their benefits,
- +impediments to increase RTAs/FTAs utilization by SMEs and policies to promote RTAs/FTAs utilization by SMEs

Key recommendations:



- ▶ Government agencies need to act as facilitator;
- ▶ Needs to look into new things as new SMEs emerging such as online business, social enterprises, services industry and tourism;
- ▶ Seminar on global enterprises for SMEs;
- ▶ Develop strategies to promote innovation and technology transfer to improve the competitiveness of SMEs;
- ▶ Best practices on innovation and entrepreneurship;
- ▶ The Internet: important infrastructure to help SMEs do business and export. On this point, it is shared that APEC may develop a work plan to enabling the participation of SMEs in digital trade;
- ▶ Impacts of FTAs/RTAs on agriculture.

THANK YOU!!!