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Improving Utilization of Agreements

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ABAC 2016APEC SOM DIALOGUE ON RTAs and FTAs
Improving Utilisation of Agreements

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The problem with Trade Agreements...

- **The purpose of trade agreements is growth and economic integration. To do that they must become more accessible to business.**
- **FTA and RTA texts are often long, legal, difficult to understand and expensive to use.**
- **The proliferation of agreements results in overlapping administrative burdens and confusion.
The “spaghetti bowl effect”**

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Factors affecting utilisation:



- Lack of information.
- The complexity of agreements can be discouraging.
- Firm size and experience in trading with FTA partners influences utilisation.
- A firm's age, and research and development expenditures affect utilisation.
- Investment in acquiring information on FTAs .
- Membership of industrial clusters.

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Factors affecting utilisation:



- Low margins of preference.
- Delays and administrative costs associated with rules of origin.
- Export processing zones might provide alternative incentives.
- Concerns about corruption by customs and other regulatory authorities.
- The benefits might be too low to compensate for the costs of using FTAs and RTAs.
- Some businesses already benefit from duty free access through other programs.

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Raising utilisation :



- **Requires clearer and more easily understood trade agreements.**
- **Greater awareness of FTA provisions, including the phasing out of tariff schedules.**
- **The availability of public information must be improved.**
- **Bureaucratic impediments must be reduced.**
- **The support provided to business using trade agreements must be improved.**
- **Simpler and more transparent administrative procedures for compliance with rules of origin.**

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Raising utilisation :



- **Measures to encourage utilisation will have to address barriers other than tariffs.**
- **Significant margins of preference at the product level.**
- **Assisting MSMEs upgrade their quality and technical standards would assist participation.**

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Assisting MSMEs :



- **97% of businesses in the region are MSMEs**
- **Must offer smaller businesses and wider groups of workers, tangible, direct benefits.**
- **Inclusiveness through cross cutting approaches and special chapters aimed at smaller enterprises.**
- **An MSME focus - capacity building, technology development, transparency and access to and predictability of the regulatory environment.**

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Assisting MSMEs:



- **Provisions that make technology and online information widely available across markets.**
- **Provisions – perhaps in a development chapter – providing for capacity building, training and mechanisms that promote market access and technology transfer.**
- **Raising technologies and skills to globally competitive levels by differential implementation.**
- **Policies that promote broad progress on environmental quality and working conditions.**

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Thank you

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