

SUMMARY REPORT

APEC WORKSHOP ON FTAAP BUILDING BLOCKS: THE PACIFIC ALLIANCE CONTRIBUTION TO APEC WORK IN SERVICES, MSMEs AND TRADE FACILITATION

(26 August 2017, Ho Chi Minh City)

I. Background

APEC Leaders agreed to realize a Free Trade Area of the Asia-Pacific (FTAAP) “*building on ongoing regional undertakings*”, such as TPP, and RCEP. In this sense, the Collective Strategic Study, which was presented to Leaders at the end of 2016, discusses other regional undertakings that can contribute to FTAAP, including the Pacific Alliance (PA). In this context, it is crucial for trade officials from APEC economies to improve their understanding of these different regional undertakings, which may contribute to the realization of the FTAAP.

II. Introduction

The “APEC Workshop on FTAAP Building Blocks: The Pacific Alliance contribution to APEC Work in Services, MSMEs and Trade Facilitation” was held on 26 August 2017 in Ho Chi Minh City. It was aimed at providing an overview of the Pacific Alliance work agenda and achievements, considering the fact that the priorities and work currently undertaken by the Pacific Alliance has many similarities with APEC’s agenda. Thus, the workshop offered an opportunity to exchange best practices and generate regional peer learning on issues that include services, trade facilitation and MSMEs. Specifically, it showed how these subjects have been addressed within the PA, incorporating new and modern disciplines.

The main objective of this event was to increase the understanding of the PA among APEC economies, as an ongoing regional undertaking for the FTAAP. Furthermore, the workshop sought to analyze possible contributions and convergences between the PA and APEC, in the areas of services, MSMEs and trade facilitation, in order to share experiences already gathered when developing future initiatives in these areas.

This workshop also provided an overview of the Pacific Alliance’s principal features, objectives, work agenda and achievements, contributing to improve knowledge and awareness about the PA. Bearing in mind the Pacific Alliance's strong orientation toward engaging the Asia-Pacific, there is scope for more trade and economic exchanges between the two regions. In this sense, there is a unanimous recognition that Pacific Alliance constitutes an innovative organization bringing Chile, Colombia, Mexico and Peru to pragmatically work together to find new ways of economic integration and engage the global economy.

There were about 65 participants, including Senior Officials and representatives of member economies. The event also featured distinguished speakers from various APEC economies and the academia.

III. Opening Remarks

In her opening remarks, Ms Krasna Bobenrieth, Project Overseer and APEC Group on Services Covenor, presented an insight of the PA, emphasizing its main achievements. Her presentation also highlighted the PA projection towards the Asia Pacific Region, this through the two Informal dialogues between Pacific Alliance Presidents and APEC Leaders (2015 and 2016), ASEAN – Pacific Alliance Ministerial Meetings and the “High-Level Dialogue on Integration Initiatives in the Asia-Pacific Region: Challenges and Opportunities”, that took place last March. On the other hand, she mentioned the creation of "Associated State to the Pacific Alliance" category, this is, third states with which all Parties to the Pacific Alliance Framework Agreement celebrate and bring into force a binding agreement of high commercial and economic standards that contributes to the achievement of the objectives of the Pacific Alliance Framework Agreement.

Also, her presentation mentioned the various ways in which the PA is deepening the relation with its 52 Observer States, pointing out that 10 APEC member economies have that special status. In closing she referred to the PA Challenges for 2017 -2018, notably: the negotiation between the PA and Associated State candidates; the implementation of PA-ASEAN work plan; to deepen financial integration and trade in services; to progress in trade facilitation and customs cooperation; and the gradual construction of an information consultation mechanism for migration purposes.

Then, the agenda of the workshop covered three main topics: “The Pacific Alliance and its ties within the Pacific Region”; “The Pacific Alliance Contribution to APEC in MSMEs and Trade Facilitation”; and “The Pacific Alliance Contribution to APEC in Services”.

IV. The Pacific Alliance and its ties within the Pacific Region

In this session, three speakers presented an overview on the close ties that exist between the PA and the Asia Pacific Region.

Mr. Nicolás Palau, Director of Foreign Investment, Services and Intellectual Property at the Ministry of Trade, Industry and Tourism of Colombia, spoke on PA’s origins and main goals, the elements that differentiate it from other regional integration mechanisms, and some concrete cases that highlight the success of the PA, such as the development of a regional rule of origin, specific SPS measures, Digital Agenda, Single Windows interoperability, Authorised Economic Operator (AEO), shared embassies, and financial integration.

Mr. Jeffrey Schott, Senior Fellow at the Peterson Institute for International Economics, gave an overview of the PA as a driver of the Asia Pacific Regionalism. Professor Schott mentioned that PA members are trade-dependent economies with close ties to North America and East Asia, with strong interest in deeper Asia-Pacific integration. Thus, PA economies can play an important role in paving new pathways toward regional integration, supporting the TPP framework and promoting its extension to more Pacific Basin economies; and deepening existing commercial ties with US and China.

In this sense, Professor Schott estimated that PA economies can play an important role in Asia Pacific economic integration, as a catalyst for FTAAP, giving support for TPP-11 and its expansion; pursuing and conclude high-standard FTAs with Australia, New Zealand and others (Associated States candidates); and deepening longstanding trade and investment ties with the United States and China. He concluded that PA trade and investment initiatives can help develop FTAAP by strengthening linkages among the major economies in the Pacific Basin. Even tough PA itself cannot

be a pathway toward FTAAP, it can provide momentum for integration efforts by: broadening and deepening PA obligations; expanding PA membership; and negotiating high-standard trade and investment pacts with FTAAP participants. Finally, Mr. Schott stressed that PA economies should support APEC consideration of new members.

Mr. Jose Luis Parra, Executive Director of the Strategic Observatory of the Pacific Alliance, provided a summary of the benefits of the PA's Additional Protocol, which relate to the following elements: Market Access; Rules of Origin; Technical Barriers to Trade; Sanitary and Phytosanitary Measures; Trade Facilitation and Custom Cooperation; Public Procurement; Cross-border Trade in Services and Investment; Telecommunications; E-Commerce; Financial Services; and Solution of differences. In particular, his lecture served to understand the main achievements made in the field of cumulation of origin; global value chain promotion; integration of single windows for foreign trade; harmonization and simplification of custom processes; certification of Authorized Economic Operators; and PA's Digital Agenda Roadmap (which includes four pillars: Digital Economy, Digital Government, Digital Connectivity, and Digital Ecosystem).

Professor Parra stressed the importance of the Additional Protocol as a tool that should evolve to incorporate new and relevant means to increase trade intra and extra-PA. In the end, Mr. Parra drew attention to the relevance of the future negotiations with Associated States candidates, as a milestone that will define the PA's evolution.

V. The Pacific Alliance Contribution to APEC in MSMEs and Trade Facilitation

This session was devoted to share experiences and policies between PA and APEC with regards to trade facilitation and the development of more globalized MSMEs.

Mr. Julio Chan, official at the Vice Ministry of Foreign Trade of Peru, referred to the Pacific Alliance work in trade facilitation. After delivering some general information about the PA process and its organizational structure, Mr. Chan presented the Chapter on Trade Facilitation and Custom Cooperation of the PA Additional Protocol to the Framework Agreement. He noted that the main tasks of this chapter are: to give tools and legal instruments to traders especially MSMEs to produce competitive products and services (quality, timeliness, volume and price); and to promote faster, expeditious and efficient services by reducing paperwork, time and costs in trade and greater ease in collecting taxes on international transactions. In this way, this chapter eliminates 92% of PA tariffs, while the remaining 8% will have tariff reduction periods between 3 and 17 years (except for sugar). Furthermore, this chapter develops trade facilitation actions, such as the reduction of customs procedures through a framework for the interoperability of their foreign trade single windows; customs cooperation; and mutual assistance in data interchange.

Mr. Sebastian Sufan, advisor at the General Directorate of International Economic Affairs of Chile, made a comparison between APEC and PA's work in Trade Facilitation, emphasizing their similarities, especially regarding single-window interoperability; reduction of freight dispatch times; recognition of Authorized Economic Operators; identification of best practices; and exchange of information. Mr. Sufan presented the complementary and gradual convergence between PA and MERCOSUR as an example of joint working model in trade facilitation, single windows, customs cooperation, cumulation of origin and non-tariff barriers.

Finally, he identified possible next steps in the collaborative work between APEC and PA, such as: (i) to exchange information and experiences; (ii) to promote instruments to facilitate trade and advance on implementation of digital certificates of origin; (iii) to carry out meetings of custom

services, to implement concrete actions to expedite their procedures; and (v) to study the creation of a mechanism for exchanging information on NTM identified.

Mr. Alejandro Gonzalez, International Affairs Advisor at the National Institute of the Entrepreneur of Mexico, presented an overview of the PA's MSMEs agenda. In his presentation, Mr. Gonzalez highlighted that in May 2013, the PA SME Group was created to deepen the collaboration of good practices in public policies to support small and medium sized enterprises in order to strengthen them. The PA SME Group is one of the 21 technical groups of the PA, seeking to establish support mechanisms to ensure that SMEs benefit from regional opportunities offered by the Pacific Alliance, through the exchange of best practices and strengthening public policies of member economies. He pointed out the synergies of the PA SME Group with APEC projects, for example, the Vietnam's initiative entitled "Upgrading MSME Access to Finance in a Digital Age", which promotes better understanding and exchange of the cross-economics of the latest digital innovations and financial infrastructure reforms in support of SME financing, providing a platform for open dialogues between the public and private sectors.

Ms. Marcia Banda, advisor at the General Directorate of International Economic Affairs of Chile, reported on the achievements of the PA's MSMEs agenda. Ms. Banda specified the measures that the PA has adopted to promote MSMEs incorporation in international markets, such as MSMEs Conferences and Seminars; the creation of "Exporta Facil" program to facilitate their export activities; the development of Center Network of the Pacific Alliance to improve access to business advisory services for entrepreneurs, to promote and support job creation in MSMEs, and to encourage alliances and productive linkages between PA's enterprises; the implementation of seed and venture capital funds to facilitate MSME financing and investment; the development of the Regional Observatory MSME, an space of effective cooperation that promotes access to information relevant to entrepreneurs; and the implementation of MSMEs Business Roadshows.

VI. The Pacific Alliance Contribution to APEC in Services

This session was devoted to exchange best practices and generate regional peer learning on services. Specifically, it illustrated on how this subject has been addressed within the PA, incorporating new and modern disciplines.

Ms. Krasna Bobenrieth gave an overview of the work developed by the APEC Group on Services. She began her presentation mentioning that services accounts for around 60% of average GDP of APEC economies, and more than 70% of higher-income developed economies. Ms. Bobenrieth mentioned that services sector is an enabler of economic growth, inclusion, productivity increase, and higher levels of employment. However, many APEC service markets are relatively restricted, being required close regional cooperation to achieve progress. In this sense, the speaker identified the main factors that constrain growth in trade of services, such as trade barriers that arise from domestic regulations, and discriminatory regulations that impose restrictions on foreign competitors. Thus, there is a clear need for APEC economies to work together on the opening of service markets, through the application of MFN treatment, National treatment, and progressive liberalization.

Ms. Bobenrieth highlighted the work done by APEC through the APEC Services Competitiveness Roadmap (ASCR), with the aim to achieve (by 2025 and based on 14 wide actions) open, equitable and predictable economic environments; remove unnecessary restrictions; increase APEC economies share of services exports in the total world services exports; and increase trade in services in the APEC region exceeding the global average level.

Mr. Jorge Sahd, Director of the Center for International Studies, Pontifical Catholic University of Chile, told about how to move forward in trade in services, providing statistical data on the main challenges that trade is facing, in terms of corruption, globalization, increased protectionism, eroding social values, immigration, innovation, and growing support for anti-business policies. Professor Sahd presented an overview on the recent developments of multilateralism in the Asia Pacific region, introducing the Pacific Alliance as a remarkable effort of integration, especially in the field of trade in services. He mentioned that trade in services in PA has grown 70% between 2005-2016, due in large part to its Additional Protocol, which contains provisions on cross-border trade in services, access to markets, national regulation and transparency.

The expert noted that the PA can develop important synergies with APEC, especially to achieve common objective of opening services markets, enhancing its transparency and predictability. Today, as Professor Sahd said, it is necessary to move forward in APEC-PA convergence, suggesting to start working on the creation of a Joint Roadmap to facilitate services trade among both organizations; the development of a set of good practices on domestic regulations on service sectors, avoiding double taxation and harmonizing tax regulation; the promotion of free movement of people; and the alignment of custom procedures and digital certificates.

Mr. Pablo Nilo, advisor at the General Directorate of International Economic Affairs of Chile, spoke about the PA's latest developments in trade in services. Mr. Nilo introduced the Cross-Border Trade in Services Chapter of the Pacific Alliance and its main principles: (i) Non-discrimination; (ii) Fairness, objectivity, impartiality and opportunity of internal provisions; (iii) Market access; and (iv) Transparency. The expert introduced the audience about the initiatives presented by the PA's Services and Capitals Group in cooperation with the World Bank, as well as the main activities developed by the PA's Movement of People Group, particularly in migratory facilitation, visa waiver, and migratory, consular and border police cooperation.

VII. Wrap up session: Exploring possible areas of collaboration between APEC and the Pacific Alliance

On the basis of the preliminary analysis of PA's work in trade facilitation, services and the development of more globalized MSMEs, the participants discussed and identified possible contribution and convergence between PA and APEC, aimed at developing future joint initiatives in these three areas. To realize this goal, the following actions are recommended:

- To explore possible areas of cooperation in MSMEs, Trade Facilitation and Services, establishing the main collaborative activities that could be carried out between these two blocks, and identifying related or complementary approaches.
- To facilitate meetings between representatives of APEC and PA SMEs groups, to explore initial collaboration efforts.
- To exchange information, experiences and best practices between APEC and PA in identified areas of cooperation. At this point, it would be relevant to provide English versions of the most relevant Pacific Alliance instruments.

- To identify synergies between the on-going implemented initiatives of both fora to precisely define specific areas of cooperation in MSMEs, Trade Facilitation and Services, with concrete objectives and outcomes.
- To explore capacity building activities and potential partnerships with the private sector to increase cross-sectoral cooperation.

VIII. Closing remarks

Ms. Marcela Otero, Chilean APEC Senior Official, provided a summary of the previous discussions and welcomed the results of the workshop, in order to put forward possible areas of cooperation between PA and APEC. Ms. Otero highlighted that the workshop allowed to develop the path initiated by the informal dialogues held between the Pacific Alliance and APEC on the margins of the last two Leaders Summit, which provided an opportunity to examine the integration process of both mechanisms and identify possible areas of future collaboration.

She noted that the priorities and work currently undertaken by the Pacific Alliance have many similarities with APEC's agenda, particularly with respect to services, MSMEs and Trade Facilitation. Much of APEC's work has been directed towards developing the globalization of MSMEs, increasing the competitiveness of the services sector in the region, as well as improving the simplification and harmonization of international trade procedures. Bearing this in mind, Ms. Otero said that this seminar represented an important step towards exploring possible synergies in these areas, analyzing possible contributions and convergences between the Pacific Alliance and APEC. In the end, she expressed that the benefits of this workshop will be long lasting, providing useful and necessary information on a regional undertaking for the FTAAP, and intellectual input into the development of regional economic integration.