

APEC SOM Dialogue on RTAs/FTAs

Ho Chi Minh city, Viet Nam

I. Introduction

On 27 August 2017, the APEC SOM Dialogue on RTAs/FTAs, initiated by Viet Nam and co-sponsored by Australia; China; Chile; Indonesia; Japan; New Zealand; Peru; Chinese Taipei; Thailand, China, was held in Ho Chi Minh city, Viet Nam. Over 180 participants joined the Dialogue, including Senior Officials, Heads of Delegations, APEC Secretariat, representatives of public, private and academic sectors.

The Dialogue was intended to share outcomes and experiences regarding RTAs/FTAs negotiations/ ratifications in the region. It also aimed at discussing possible options and approaches for enhancing regional economic integration through high-quality RTAs/FTAs

II. Background

Promoting regional economic integration was a key priority of APEC. The SOM Dialogue on RTAs/FTAs helped to implement APEC Ministers' instructions in 2014 to enhance transparency among regional RTAs/FTAs and to share and assess information on WTO-plus elements of RTAs/FTAs in order to strengthen and deepen regional economic integration and facilitate the realization of the FTAAP (APEC 2008, 2009, 2010, 2011, 2014, 2015, 2016).

The Dialogue fell under the work plan of the Committee on Trade and Investment (CTI) Friends of the Chair Group on Strengthening Regional Economic Integration (REI) and Advancing FTAAP. The Dialogue on RTAs/FTAs was one of the activities under the *APEC Information Sharing Mechanism on RTAs/FTAs*.

The Dialogue was divided into 5 Sessions: (i) *Overview of recent APEC work on RTAs/FTAs*; (ii) *Trade in Services and Investment in RTAs/FTAs*; (iii) *Stakeholder Engagement in RTAs/FTAs*; (iv) *Lessons Learnt from RTAs/FTAs and Impact Assessments*; (v) *Continued Work for APEC*.

III. Key Discussions

In the first session, the speakers presented 'Annual Report on Trends and Developments in Provisions and Outcomes of RTA/FTAs Implemented in 2016 by APEC Economies' and summarized the outcomes of the CTI Trade Policy Dialogue on WTO-plus Aspects of RTAs/FTAs. The evolution of RTA/FTAs by APEC economies within the APEC region with the rest of the world was analyzed. The speakers also suggested future areas/issues for CTI/SOM for further discussions such

as rules of origin, trade remedies, labor, environment, transparency and anti-corruption, dispute settlement. Next steps should focus on exploring further economic and technical cooperation initiatives; intensifying capacity building activities directed to RTAs/FTAs (best practices, negotiations in RTAs/FTAs); continuing to support and capitalize on CBNI-related initiatives and exchanging of views with the private sector and under the Compendium of APEC Information Sharing Mechanism.

In the second session, the speakers provided an in-depth look at the WTO-plus elements of trade in services and investments in RTAs/FTAs within and outside the APEC region, the impediments that economies encounter when concluding such negotiations and the consequent contribution to greater integration of markets. One speaker highlighted the growing share of trade linked to the productions networks and main factors contributing to global value chains (market access, cost efficiency and low transactional/trade costs, services and investment, quality of supply). The speakers reiterated that barriers in trade in services and investment rules were still obstacles in many economies while concerns on inclusivity, equality, fairness and sustainability were not addressed. One speaker observed that a higher degree of financial integration would result in a lower macroeconomic volatility for developed economies and a larger volatility for developing economies in the Asia - Pacific region. Meanwhile, multilateral trade agreements were more preferable than bilateral trade agreements due to their significant impacts on investment.

In the third session, speakers shared diversified and interesting information on stakeholder consultation in negotiating and implementing RTAs/FTAs. During negotiations, the negotiation team from an economy would publish a paper setting out objectives of that economy and summarize the results of negotiating rounds. All requests for official information would be responded in a consistent manner. Several challenges were listed, such as scope of negotiations (new areas), complexity of new issues, technology (social media and dissemination of misinformation), RTA/FTA commitments (public participation, transparency clauses etc.). One speaker observed that technical assistance should be provided to business in order to raise awareness and build capacity.

In the fourth session, statistics showed that trade of an economy increased significantly in the past years thanks to trade liberalization. One speaker mentioned that tariff concessions in East Asian RTAs/FTAs were not high enough while larger economic benefits were expected from reductions of non-tariff measures. It was also observed that ASEAN and other economies would primarily benefit from their own RTA/FTA policy measures.

In the fifth session, it was commonly agreed that impacts of RTAs/FTAs were positive but political economy, especially rising protectionism, was a challenge. Some speakers recommended that APEC should focus its work on trade policy to achieving a Free Trade Area of the Asia-Pacific (FTAAP). Others suggested APEC to (i) encourage and support structural reforms in APEC economies to upgrade administrative capacity and physical infrastructure, (ii) help developing economies to

accelerate implementation of WTO trade facilitation commitments, (iii) promote regulatory reforms in infrastructure services (finance, telecommunications, transport) and (iv) advance work on non-tariff measures and regulatory cooperation.

IV. Conclusions

It was essential to ensure and to stimulate active business involvement in RTA/FTA negotiation process. Challenges still remained: (i) Significant domestic structural reforms were required to fulfill RTAs/FTAs commitment, especially in developing member economies; (ii) Rising protectionism was a serious threat to RTAs/FTAs proliferation; (iii) Slower global trade and economic growth and domestic fear for opening up of investment and service markets might have negative impacts on RTA/FTA negotiations and would require balancing the focus/ interest areas of developed and developing economies; (iv) Once an RTA/FTA comes into force, there might be changes in the global value chains. For mega or big RTA, this change in GVC was apparent but consequently the challenge was how our SMEs could reap the benefits of RTAs/FTAs and effectively participate in the global value chains.

Key themes that emerged in the discussions:

- Take practical actions and channels to ensure transparency and to engage the business community and other stakeholders in RTA/FTA negotiations;
- Encourage and support structural reforms in APEC economies to upgrade administrative capacity and physical infrastructure;
- Strengthen regulatory cooperation;
- Facilitate intense capacity building for negotiators and stakeholders;
- Consider special arrangements for developing economies so they can participate in a future high quality FTAAP;
- Focus on “new issues” under RTAs/FTAs such as e-commerce, NTBs.