

SUMMARY ON SOM SYMPOSIUM ON HOW FTAs AND RTAs CAN CONTRIBUTE TOWARDS ECONOMIC GROWTH

Introduction

The SOM Symposium on how FTAs and RTAs can contribute towards Economic Growth was held on 18th August, 2018 in Port Moresby, Papua New Guinea and was well attended by APEC Economies.

The Symposium was an experience-sharing activity to discuss practical measures that could be implemented to ensure that trade contributes to economic growth, and where domestic structural reform resulting from implementation of FTAs/RTAs can also contribute to achieving benefits from trade. The symposium also provided a platform for economies to share policy ideas to identify how trade and international cooperation more broadly, can support a more inclusive economic environment.

The symposium was divided into two sessions.

Understanding the Nexus Between Trade Liberalisation, Growth and Development

Under this session, there were presentations from the PSU, OECD, the Australian National University, the University of Adelaide in Australia and ASEAN.

The PSU presentation noted that the number of RTAs/FTAs between APEC economies is increasing and there appears to be a positive correlation between trade liberalisation and poverty reduction as RTAs/FTAs can help domestic reforms and help attract investors, explore new business opportunities and could create new jobs. However, open trade and investment systems are not sufficient, as they have to be complimented with domestic structural reform policies in a wide range of areas to maximise the benefits.

In the OECD presentation, the need to bundle trade and investment together was highlighted as foreign direct investments (FDIs) create jobs and add value to host economies. More FTAs are including investment provisions. APEC economies are doing okay regarding investment, but since the crises, some people are been left behind as inequality within economies is growing, there is also inequality of opportunity as low income households struggle to invest in human capital and some regions are been left behind. In this regard, an integrated approach both domestically and internationally is needed to make the system work better and bring the benefits to more people.

The Australian National University presentation focused on the academic perspective of RTAs/FTAs. The principle of Comparative Advantage stipulates that a country's economic activities should be consistent with its endowment factors and thus there should be no constraints at the border and behind the border. Focusing on the Law of Comparative Advantage will ensure pro-poor growth for APEC economies. Further, undertaking diagnostic assessment on binding constraints is necessary to establish what the constraints may be in supply responses to an FTA and a Framework for Identifying Binding Constraints on high cost of finance, poor returns to investment and difficulty in retaining returns to investments were shared. While trade reforms are the most difficult due to adjustment costs as well as political and technical factors however most benefits come from investor friendly environments that foster innovation and entrepreneurship among others by addressing issues relating to Education; Land; Investment law; Infrastructure; Innovation climate.

From the Australian University of Adelaide, while trade agreements are needed, they are not free as there are a lot of restrictions at the border and behind the border and as such utilisation may not be 100%. Preferential trade agreements play a role in minimising these restrictions and economies that

have taken unilateral actions to allow free flow of trade and investment such as Singapore are experiencing maximum benefits. It is also important to continuously monitor, evaluate and review the regulatory environment.

From the ASEAN experience, signing FTAS/RTAS is one thing but implementation is important. As such, it is important to ensure that the commitments are translated into domestic implementation through infrastructure and connectivity, services, trade facilitation and other appropriate reforms. Again the point on continuous review and improvements was also raised.

Some other issues highlighted are that leadership is very crucial in undertaking reforms as well as deploying a very transparent and wide communications strategy so that dialogue is maintained at all levels and relevant sectors.

Benefits and Challenges of FTAS/RTAS

In the second session, there were experience sharing presentations from New Zealand private sector, Australia, Philippines and Chile on the benefits and challenges of the FTAS/RTAS that they are involved in.

In the New Zealand experience, it was heard that trade liberalisation and structural reform is a virtuous cycle as FTAs and RTAs can benefit from structural reforms. As such, benefits will increase from domestic structural reforms. The risks of effective implementation of structural reforms such as inappropriate and inferior rules and poor process including lack of transparency and proper cost benefit analysis were highlighted. To avoid these, examples of New Zealand's approaches to structural reforms captured in FTAS/RTAS such as framework chapters and building on existing FTAS/RTAS were presented. The importance of developing "principles" to guide structural adjustment processes was also emphasized.

In the Australian experience sharing, prosperity is linked to the type of FTAs/RTAs that are negotiated. As such, they ensure that the FTAs/RTAs they negotiate foster free trade and investment flows, encourage business productivity, promote regional integration, and enhance competitiveness and attract foreign investment. The presentation focused on benefits and challenges in trade in services – particularly education services and highlighted how they deliver their education services through RTAS/FTAS to provide assurances through rule setting and non-discriminatory rules such as "national content"; and ensuring that quality assurance is maintained. Further, FTAS give certainty to the education providers through qualification recognition, cooperation and mobility. The challenges faced after the entry into force of agreements to improve their utilisation such as advocacy and outreach as well as emerging issues in FTAs/RTAs such as e-commerce were also highlighted.

Philippines in sharing its experience attributed its current strong growth rate to Strong Government; Strong investment and an Open Economy characterized by enhanced engagement with major and new trading partners. Its trade policy strategy is implemented at different levels, domestic, bilateral, regional and multilateral. The domestic level focuses on reforms, addressing unfair trade practices and dealing with adjustment costs while it uses the WTO as the basis for all its FTAS which are development centred. FTAs/RTAs are also a practical way to address new and emerging issues.

The presentation also highlighted Philippine's national programs such as "One Country, One Voice" to promote transparency and accountability and inclusion of stakeholders in the formulation of its trade policy as well as implementation.

The final presentation was from Chile and in their experience, openness, trade liberalisation through unilateral tariff reductions and export promotion policies have been the engine for Chile's growth. The

presentation highlighted the objectives of their trade policy, the benefits they are enjoying as a result of entering into RTAS/FTAS as well as the challenges they are facing and how they plan to address these challenges and the new issues they wish to address in their trade policy. These are the motivation for their theme and priorities for APEC 2019 with people at the centre.

Conclusion

The Symposium was very worthwhile in understanding the linkages between Trade Liberalisation, Growth and Development and the role that FTAs/RTAs can play in fostering reforms and addressing emerging and new issues in trade as well as contributing towards growth and development of SMEs. As such more SOM dialogue on FTAS/RTAS should continue in APEC especially in more experience sharing and selected sectors such as the education sector that was shared by Australia.