



**Asia-Pacific
Economic Cooperation**

2016/SOM1/CTI/055

Agenda Item: 6

MAG Convenor's Summary Report to CTI

Purpose: Consideration
Submitted by: MAG Convenor



**First Committee on Trade and Investment Meeting
Lima, Peru
28-29 February 2016**

MAG CONVENOR'S SUMMARY REPORT TO CTI1

1. PROPOSED WORK PLAN FOR 2016 IN RESPONSE TO 2016 APEC PRIORITIES, WITH PARTICULAR REFERENCE TO APEC LEADERS/ MINISTERS/SOM DECISIONS OF 2015:

A) SUPPORT THE MULTILATERAL TRADING SYSTEM (MTS)

Information Technology Agreement (ITA)

- MAG Convenor congratulated the 13 APEC ITA2 participating economies on the successful closing of the ITA2 deal at the WTO MC10 in Nairobi, Kenya. MAG Convenor noted that trade in the products covered by the agreement is valued at approximately 1.3 trillion US dollars each year. MAG Convenor noted that because it is a WTO agreement, all WTO members will benefit under the most-favoured nation principle. All members can eventually export these 201 products duty-free. APEC economies will also feel the knock-on benefits for other sectors. This agreement will support lower prices — which will help many other sectors that use IT products as inputs. It will create jobs and help to boost GDP growth around the world. It will improve productivity and market access, and enhance predictability for traders and investors. Noting that ITA agreement is open to all WTO members to join, **MAG Convenor urged APEC members to consider joining the ITA2.**

WTO Agreement on Trade Facilitation (TFA)

- MAG Convenor noted that since the last MAG meeting in Cebu, where 7 APEC economies have deposited their “instruments of acceptance” for the TFA, there were now, 13 APEC economies, who have deposited their instruments. MAG Convenor thanked the economies who made the extra effort to deposit their instruments in time for MC10. Noting that 69 out of 162 WTO members that have ratified the TFA (i.e. 43%) and that the WTO requires 2/3 in order to make the TFA come into effect, **MAG Convenor urged the remaining eight economies who have yet to deposit their instruments of acceptance to do so.**

APEC Environmental Goods (EG) List

- MAG Convenor noted that the APEC Secretariat has published the status of the economies' implementation of the APEC EG list in the APEC website. Noting that the information is now public, MAG Convenor asked members to check that the information is accurate as well as to check the latest status update as sent by APEC Secretariat. **MAG Convenor also urged economies that have yet to fully implement the 54 products to do so.**
- Indonesia updated MAG that owing the current economic circumstances, it would not be able to fully comply with the deadline. Indonesia will be reducing the remaining tariff lines gradually over five years. At the moment there are 16 products where the tariff lines are still higher than 5%. Indonesia expects to fully implement the EG by 2021.
- Japan expressed its expectation that economies that have yet to fully implement the APEC EG commitment reduce applied tariffs to five percent or less as early as possible.

Bogor Goals mid-term Assessment

- MAG Convenor noted that in 2016, there would be a Bogor Goals mid-term assessment and urged all economies to fully participate in the survey as requested by the APEC Secretariat & PSU.

Next Steps for the MTS

- MAG Convenor sought MAG members' views on the next steps. Noting that the ITA and APEC EG list had dealt with tariffs, MAG Convenor asked members for their views on a discussion on Non-Tariff Measures (NTMs) relating to IT products or Environmental Goods.
- In this regard, New Zealand shared some of its preliminary findings in their contribution to the section on NTMs in the FTAAP Collective Strategic Study. New Zealand shared the findings that as tariff levels have fallen over time, the use of NTMs has become more common. Though some NTMs serve legitimate purposes; other NTMs act more like traditional trade barriers and the analysis suggests that NTMs cost APEC economies three times as much as tariffs.
- MAG Convenor noted that input from the private sector and/or ABAC would be welcomed in the discussion on the NTMs and suggested that future MAG meetings could dedicate an hour or so to hear views from the private sector. The US supported having private sector share their views.
- Japan expressed its position in the WTO and MTS, noting that MC10 delivered a successful Nairobi package including export subsidies in agriculture, and concluded the ITA expansion agreement. Japan was of the view that it showed that WTO negotiation function is still working. In this regard, early entry into the Trade Facilitation Agreement (TFA), and the implementation of existing agreements are crucial as well. As for the coming WTO negotiations, the remaining Doha issues, including development, are still important. However, so as to keep the WTO relevant, there is a need to explore new approaches and "up-to-date" issues so as to revitalize and reinforce the WTO negotiation function. The successful conclusion of the ITA expansion negotiations is proof that plurilateral negotiations, where willing WTO members move forward on liberalization in a certain sector, is one of the most effective approaches to achieve concrete results from doability point of view. In this regard, plurilateral negotiations should be utilized as a negotiating method whereby WTO Members can achieve results with a sense of speed. As for WTO Environmental Goods negotiations, participating Members have made considerable progress in a relatively short period, 18 month, since its launch. Following APEC environmental good agreement, Japan targets to reach agreement on the broad goods subject to tariff elimination as early as possible in this year. As for new rule making, Japan was of the view that it should address the structural changes in the world economy such as the development of Global Value Chains and the technology innovation such as electronic commerce and consider the possibility and validity on a rule negotiation such as investment and electronic commerce. Japan expressed that APEC economies should also contribute to these discussions.

B) ADVANCING REGIONAL ECONOMIC INTEGRATION

- i) *Remanufactured Products -
Pathfinder on Facilitating Trade in Remanufactured Goods*
 - MAG noted the updates from the US on the Pathfinder on Facilitating Trade in Remanufactured Goods and noted that the US was looking into remanufactured health care products as one of the sectors.
 - MAG Convenor noted that there were currently 12 APEC members who had joined the Reman pathfinder and **welcomed more members to participate**.
 - The US encouraged the MAG to consider the rationale behind the disparate approaches APEC members take in regulating the import of remanufactured healthcare products. The US will circulate an information paper on the topic interessionally and proposes to place the issue on the MAG2 agenda for formal discussion.
- ii) *Web Trade Repository (WebTR) and APEC Trade Repository (APECTR)*

- MAG Convenor noted that the number of visitors and hits to the WebTR had declined slightly in 2015 compared to 2014 and noted that this could be also due to the launch of the APECTR in November 2015 which diverted traffic to the new website.
- The Philippines provided an update on the APECTR since its launch. The Philippines asked MAG members to continue to provide accurate and relevant information through the annual updates using the 2015 APECTR Reporting Template due every 30 September.
- **MAG Convenor urged economies to update the APECTR as soon as possible when changes to their domestic webpages were made.**
- MAG members discussed the possible duplication of the information in the WebTR and APECTR. The MAG Convenor noted that there were preliminary discussions at the APEC Secretariat on this duplication. Australia supported having just one website. Moving forward, the Philippines proposed for MAG to have an agreement on the future of both websites.

iii) *Increasing Transparency of Export-Related Measures*

- The US noted that will table a proposal for endorsement no later than CTI3 that will identify the scope, elements of transparency and method of notification of export-related measures based on the Osaka Action Agenda (OAA). MAG Convenor looked forward to receiving this proposal.
- Japan noted that Export Measures and Export Duties are one of the most important issues that could affect food security not only in developing economies but also in food importing economies. Japan therefore supported the US proposal.

iv) *APEC Model Wine Certificate*

- The US briefed the meeting on the work of the APEC Wine Regulatory Forum (WRF) and the model APEC Wine Certificate which would be used as a means to streamline export certificate requirement.
- MAG noted WRF's presentation. MAG Convenor noted that the model Wine Certificate could be replicated for other products' certificate and requirements and urged MAG members **to consider other products for which a model certificate could be used.**

C) STRENGTHENING COMPREHENSIVE CONNECTIVITY AND INFRASTRUCTURE DEVELOPMENT

(i) *Simplification of Documents and Procedures
(Enhancing Regional Connectivity and Promoting Trade Facilitation)*

- MAG Members welcomed the Philippines' proposal for APEC to adopt a reporting template for MAG in the implementation of the **Boracay Action Agenda to Globalize MSMEs (BAA)**. Members are encouraged to report their initiatives for the stocktaking exercise in 2018 and the final assessment in 2020.
- The Philippines presented a proposal on updating the findings of the **Information Gathering Exercise on Simplifying Documents and Procedures**

- (i) Validity period for Certificate of Origin (CO);
- (ii) Waiver of CO;
- (iii) Minimum data requirements; and
- (iv) Use of IT

- Japan suggested (i) Self certificate of origin system, (ii) issuance fee of CO, and (iii) purpose of CO to be included in the survey instrument.
- The Philippines will work with interested economies and will seek endorsement from MAG intersessionally. The APEC Secretariat will provide the Philippines the survey instrument which was used in the last information gathering exercise in 2011.
- MAG Convenor noted that at the last MAG meeting in Cebu, the Philippines and Chinese Taipei joined the **APEC Pathfinder for Self-Certification of Origin**. APEC now has 11 APEC economies participating in the pathfinder and encouraged other economies to join.

(ii) *Strengthening Comprehensive Connectivity*

Phase 2 of the Case Studies to Examine the Critical Role of Services Trade in Global Value Chains

- Australia updated members that, in the interests of cross-forum collaboration, phase two of the GOS-MAG project on Case Studies to Examine the Critical Role of Services Trade in GVCs would be taken forward by the PSU using data prepared for structural reform work in the Economic Committee. ToRs for phase two were agreed in September 2015 and the PSU had chosen the following consultants:
 - Institute for International Trade (IIT), University of Adelaide for Malaysia's health services sector;
 - Australian National University (ANU) for Australia's telecommunication sector;
 - Information Technology Services, University of Melbourne for Papua New Guinea's telecommunication sector
 - Developing Trade Consultants for Chile's transportation sector.

D) APEC GROWTH STRATEGY/STRENGTHENING QUALITY GROWTH

(i) Environmental Goods and Services (EGS) - (Green Growth)

- MAG Convenor noted that the APEC Growth Strategy was a commitment made by Leaders in 2010 and that at the recent AELM in Manila, Leaders agreed on an APEC Strategy for Strengthening Quality Growth for the period until 2020 to bring greater focus to the importance of pursuing quality growth. MAG Convenor noted that the three Key Accountability Areas (KAAs) of institution building, social cohesion, and environmental impact and five accompanying attributes of (i) balanced (ii) inclusive (iii) sustainable (iv) innovative and (v) secure.
- MAG Convenor suggested the areas where MAG could contribute to this effort is under four of these attributes. The Convenor suggested the following discussions to be carried out in MAG under each theme:
 - Open, well-functioning, transparent, better-regulated and competitive markets under Balanced Growth;
 - Initiatives to improve the business environment, increase management capacity, and expand access to relevant technologies under Inclusive Growth;
 - Initiatives to increase utilization of EGS, reduce barriers to trade and investment in EGS and enhance the capabilities of members to develop their EGS sector under Sustainable Growth;
 - Promotion of Digital Prosperity, adoption of policies and regulations to foster innovation and use of ICTs in the areas of Trade and Investment in ICT products and services under Innovative Growth.

2. OUTCOMES/DELIVERABLES FOR 2016

- *Discussion with the private sector on NTMs*
- *To update the 2010 information on Simplifying Documents and Procedures.*
- *To provide the first update at MAG2 on the Boracay Action Agenda based on the Implementation Plan*

3. DECISION POINTS NEEDED FROM CTI:

- Nil