ABAC

APEC Business Advisory Council

SOM2 2024 | CTI FTAAP Dialogue

Presentation by Evelyn Manaloto, ABAC Secretariat
12 May 2024

The 'building blocks' approach

- FTAAP can be built from the "**top down**"
  - Pathways: convergences and divergences
  - *Plus* regional sectoral trade agreements on digital, sustainability, inclusion
- But it can and should also be built from the "**bottom up**"
  - Dynamic and incremental achievement of concrete deliverables, within the framework of an overarching vision and work plan

- Many regional initiatives have used this model of economic integration, for example:
  Aus-NZ Closer Economic Relations (1983) ⇢ Single Economic Market
  ASEAN Free Trade Area (1992) ⇢ ASEAN Economic Community

Case study: Australia-NZ Single Economic Market

Signing of CER, March 1983

Annual SEM talks, Feb 2024

- Original vision: Closer Economic Relations
  - 1983 CER started with duty-free **goods trade**, based on agreed **ROO**
  - 1989 **services**, progressively liberalised through to 2014
  - 1995 Joint **Food Standards** system
  - 1996 Trans-Tasman **Mutual Recognition** Arrangement (occupational registration and goods standards)
  - 1990s – early 2000s Progressive **business law harmonisation** (e.g. company accounting standards, consumer protection, patents, business regulation, mutual recognition of business registration)

- 2009 onwards: the Single Economic Market Agenda
  - Focus on "**3rd generation** issues" e.g.
  - 2011 **Investment** Protocol
  - 2016 Mutual recognition of **trade facilitation** tools
  - 2018 **e-invoicing** (2018)
  - **Digital identities** (ongoing), and many more.

➢ Enabled a unique trade negotiation: CER + ASEAN = AANZFTA (2010)

Building blocks

2024 ABAC recommendations for "early harvest" initiatives:
- Women's inclusion in trade & access to capital
- A New Services Agenda
- A Greener Trade Framework
- Coherent Digital Trade Provisions
- Resilient Supply Chains

Case Study: A New Services Agenda

Chart 19: Global exports of digitally delivered services, 2005-2023
Index 2005=100
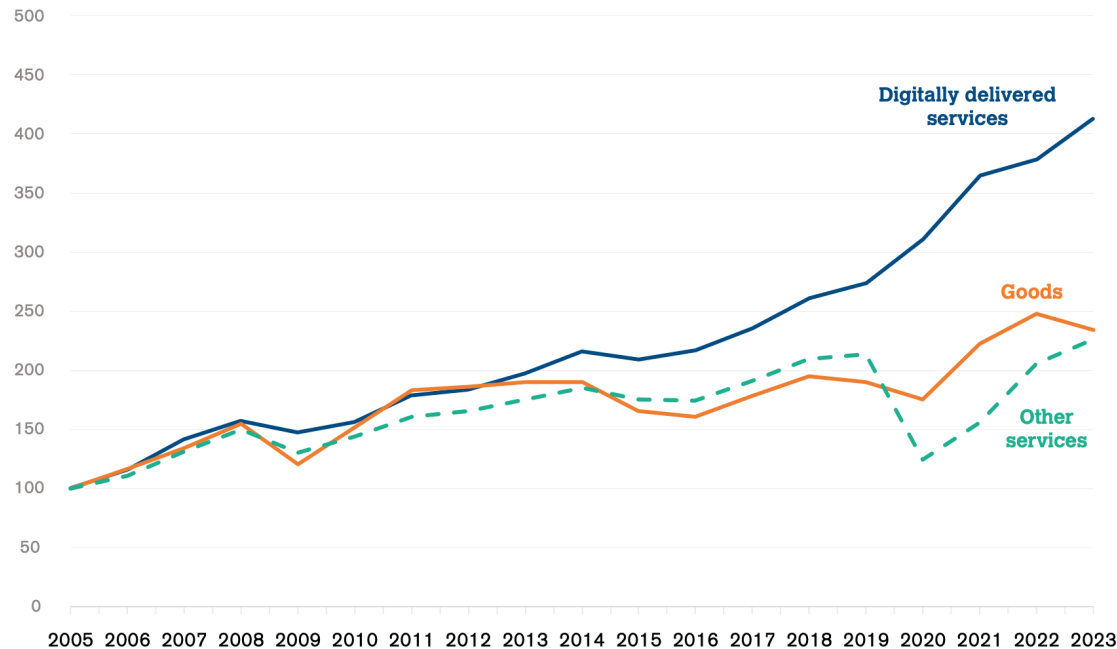
- Digitally-delivered services worth **$4.25 trillion** in 2023
- **Growing faster** than goods & other services
- Half of APEC economies are in the top 30 exporters

"...Digitally-delivered services can have a catalytic effect and should be first on the APEC MSME agenda.

Focusing on digitally-delivered services and building the digital market infrastructure needed to support them addresses challenges faced by all MSMEs. Harmonizing regulations and trade rules among economies, resolving challenges of non-collateral financing, ensuring more timely payment periods, and improving the operating and regulatory environments are all essential to allowing digitally delivered services to prosper."

'The New MSME Economy – Post-Pandemic Drivers for Growth', Marshall School report for ABAC, 2022

Source: WTO, Global Trade Outlook and Statistics, April 2024

An enabling environment

Trade barriers

- *"Digital" trade barriers*
  - Data barriers, restrictions on e-payments, competition, telecoms
  - Lack of regulation or restrictive regulation on innovative services

- *"Services" trade barriers*
  - Market access barriers for particular services (e.g. financial services, law, architecture) and modes (e.g. commercial presence and movement of professionals to support digital delivery)
  - Local presence/joint venture requirements, mutual recognition of qualifications, IP issues etc.

Capacity and 'operating environment' barriers/challenges:

- Lack of skills: need for capacity-building and awareness-raising
- Lack of/access to infrastructure
- Inadequate cybersecurity, consumer trust and protection, timely payments
- Fragmented regulatory approaches across markets

A "New Services Agenda"

- APEC should develop a "New Services Agenda" for post-ASCR

- Focus: To facilitate and enable digitally-deliverable services

- Fits within the Putrajaya Vision/Aotearoa Plan of Action:
  - *Trade & investment: progress services liberalisation, facilitation and cooperation*
  - *Structural reform: collaborate across relevant APEC fora on issues related to structural reform, including for services and the digital economy*
  - *Enabling digital environment and digital transformation: promote digital trade; promote interoperable approaches; support MSMEs to take advantage of the digital economy; address the digital divide*

➢ **Possible work plan:**
  - **Map current barriers** to digitally-deliverable services
  - Design roadmap for **trade reform** & **trade facilitation,** with business input and early deliverables
  - **Build capability** for MSMES, women, Indigenous businesses

Thank you