

CTI FTAAP DIALOGUE
9am Sunday 12 May 2024

The ABAC perspective

Thank you for the opportunity to share ABAC's views on FTAAP. We warmly welcome the chance to participate in this Dialogue. I am making this presentation on behalf of Rachel Taulelei, who is the Chair of ABAC's Regional Economic Integration Working Group. We have also prepared some slides which are being distributed in hard copy.

Regional economic integration is the founding concept of APEC. This simple idea has equipped our region to become the centre of economic gravity for the world. FTAAP is the logical next step in our collective process.

In fact, we see the need for FTAAP as stronger now than ever. The global trading system is under significant stress. After a difficult few years, we see rising protectionism and growing economic fragmentation. This creates an operating environment that is very difficult to navigate for small economies, small businesses and the most vulnerable in our communities. Our work on FTAAP is an essential antidote to these trends.

The focus for this second dialogue is on possible strategies, approaches, methods or ways that we can inject more dynamism and relevance into the FTAAP process. ABAC has given this question considerable thought. To date, the main focus has been on a "top down" approach. The top-down approach focuses on how to bring together the major pieces of regional economic architecture, such as CPTPP and RCEP. ABAC certainly supports this work – and we see it not just involving the major RTAs, but also recent innovative sectoral agreements, especially on digital trade, sustainability and inclusion.

However, the top-down approach by itself is not sufficient, particularly to deliver dynamic and relevant outcomes. We believe we need a "bottom up" approach too. What do we mean by this? It means that we should work on **incremental, tangible and practical initiatives** that can be delivered in the near term. This should be an iterative process, with the list of initiatives constantly being updated and expanded as we achieve particular wins. In fact, this is the APEC way – seeking opportunities for alignment and agreement, building capacity where needed, and finding consensus on issues where possible.

We need to focus on tangible outcomes **in the short term**, because our businesses and our communities cannot afford to wait 20 years for improvements. And the specific ideas we should focus on are those **relevant to the modern economy**, especially the digital economy, as well as our broader policy goals of enhancing sustainability and inclusion.

This bottom-up approach is a fundamentally Asia-Pacific way of doing things. We can see it in operation within ASEAN, in the Pacific Alliance and in North America. This model has also operated between Australia and New Zealand.

The Australia-New Zealand relationship is a great case study. The Closer Economic Relations Agreement between Australia and New Zealand was first established in 1983 with a very simple document. This document set out the aim of eliminating barriers to trade “in a gradual and progressive manner”. It originally only focused on goods trade.

Over the next 30 years, from that simple starting point, and within a broad political commitment, new initiatives were built up, often focusing on small, practical issues. Progress was possible thanks to close working relationships between regulators and regular engagement with business – just as we see in the APEC context.

The so-called Single Economic Market is now one of the deepest and most comprehensive free trade agreements in existence. It covers goods, services, investment, joint and aligned institutions for standards and professional registration, harmonised business law and even cutting-edge digital economy issues like e-invoicing. In turn, this deep relationship enabled the unique bloc-to-bloc trade negotiation between CER and ASEAN, the AANZFTA agreement.

Within the political framework of FTAAP, therefore, we think we can make a strong case for incremental integration. We can use specific ABAC ideas as building blocks for the eventual FTAAP. These ideas include improving women’s access to capital, a Greener Trade Framework to allow us to leverage trade tools for the climate fight, practical approaches to resilient supply chains and more coherent digital trade frameworks. These specific, practical initiatives also link closely to the Aotearoa Plan of Action. In all cases, we see an important role for engagement with the business community, to understand what would really shift the dial in a given area.

I would like to explain another of our proposed initiatives, the “New Services Agenda”, in more detail. We believe that a new approach should be developed to enable and facilitate trade in digitally-deliverable services. This category is growing strongly, and far outpacing trade in goods or other services. It was worth \$4.25 trillion, or 14% of global trade, last year. Trade in this type of services also has a powerful catalysing effect on inclusion, allowing groups such as MSMEs and women entrepreneurs to engage in and benefit from trade.

Unfortunately, however, there are also plenty of impediments, including trade barriers in both the “digital” and “services” spheres, and capacity challenges. ABAC recommends that APEC start to develop a ‘New Services Agenda’. This could replace the APEC Services Competitiveness Roadmap. It could focus on facilitating and enabling digitally-deliverable services trade, removing barriers and building capacity and infrastructure. It could start by mapping barriers and gaps in capacity, and discussing with business where the quick wins might lie. And it is something that we could start working on *today*, in a very practical way, with a view to implementing specific areas of progress within a short period. For our part, ABAC is itself doing additional work to build out this concept further.

Colleagues, I will leave the presentation there, but we urge you to give close consideration to this “bottom up” approach, as a pragmatic way to inject dynamism and relevance into the FTAAP process. Thank you