

FTAAP - CHARTING A PATHWAY FOR TRADE IN TURBULENT TIMES

Background note for PECC FTAAP Dialogue, 2 May 2023

The Dialogue on 2 May will discuss the PECC FTAAP Project. The aim is to share perspectives on the context in which we are taking forward work on FTAAP and on some of the key questions the Project will address. This will include consideration of specific issues on which PECC could initially focus to advance the FTAAP concept. A short concept note on the Project distributed to PECC members in February this year is attached as background.

How can we most usefully think about the FTAAP concept?

Session 1 will set out the broad approach being taken by the Project.

The PECC FTAAP Project is an opportunity to engage APEC economies, businesses and academics to develop a longer-term vision for trade and economic collaboration in the region. The goal is to support greater cooperation on trade and other economic issues, to build deeper understanding of the key drivers of future economic growth and welfare, and to help APEC chart a stronger, collective path to capture more fully the benefits of regional economic integration.

Why revisit FTAAP now?

Session 2 will explore the potential benefits that progress on the FTAAP concept could deliver, as well as the wider context in which this work needs to be taken forward.

While the APEC region remains the strongest driver of global economic growth, the trade landscape has changed in important ways since the FTAAP idea was first proposed. Recent developments and new challenges require a refreshed look at how best to make progress.

- Pathways have been put in place in the region with the conclusion of trade agreements including RCEP, CPTPP, USMCA and the Pacific Alliance amongst others. Other agreements have been concluded on specific matters, including on digital and sustainability issues.
- Geopolitical tensions are exacerbating differences on trade, making it more difficult to advance the case for open markets and for using the rules-based system to resolve disputes. Concerns about supply-chain vulnerabilities, underlined by the pandemic, are an additional factor reducing support for open trade. This is despite the well-documented, overall economic benefits of regional integration.
- Increasing divergences in applying rules-based frameworks for trade and investment are evident and there is growing risk of economic fragmentation. Greater use is being made of industry policy and differences of view exist on issues such as digital trade, subsidies and state-owned enterprises.
- New issues are emerging with major trade implications on which agreed policy frameworks are not well developed across the region or globally, including the digital economy, sustainability and inclusion.

- At the same time, there has been only limited progress on key trade issues where reform could deliver economic growth, including on services, agriculture, subsidies and non-tariff measures. While the WTO continues to provide the overarching global framework for trade, and the agreement on services domestic regulation is important, progress in Geneva is very difficult.

New ideas and increased regional cooperation are needed to help address these challenges. APEC can make an important contribution to this goal. APEC leaders and ministers have reiterated their support for work on the FTAAP concept to advance “market-driven integration in the region” in a manner that “contributes to high standard and comprehensive regional undertakings”. PECC is well placed to help take this forward in a way that adds value to the work on FTAAP already underway in the CTI and in ABAC.

How can the FTAAP concept add value on specific issues?

Session 3 will consider how PECC can build on existing work on FTAAP, including by considering specific topics for early attention. Participants in the Dialogue are encouraged to suggest priority topics.

As an initial step, PECC could undertake a critical assessment of existing frameworks and pathways (including trade agreements), as well as APEC and ABAC work programs relevant to FTAAP. Such a gap analysis would need to take into account the volume of earlier work. The goal would be to strengthen our understanding of how existing agreements and work programs contribute to the long-term vision of a more open, collaborative and integrated region. It could also help to identify best practices, where there are gaps and potential priorities for future work.

Another early step under the Project could be to identify some priority issues and to explore what approaches could help deliver stronger and more collaborative outcomes in those areas consistent with our longer-term FTAAP vision. The focus would be on practical outcomes to drive productivity, facilitate growth and respond to challenges for the longer term, including on sustainability and inclusion.

Selection criteria for topics on which the Project could focus initially include: issues of common interest and on which collaboration is realistic; key issues for future economic growth; issues of systemic concern, such as climate change; and issues important for trade and economic integration, such as supply chains and logistics services.

Some topics raised by Taskforce members for consideration are:

- Services and structural reform
- Digitisation of services
- Sustainability and carbon pricing
- Environmental goods and services
- Subsidies
- Digital trade and SMEs, and
- Trade adjustment programs.

Next steps

Following the Dialogue, short policy briefs on some of the priority topics identified will be commissioned. These will be used for future PECC events to engage experts and stakeholders, and for further research. A dedicated web resource will be developed to house and disseminate materials produced, including a recording of this Dialogue.