

## FTAAP - PATHWAYS TO PROSPERITY

### Summary of the PECC FTAAP Project Taskforce Meeting, 14 December 2023

The Taskforce managing the PECC Signature Project, *FTAAP - Pathways to Prosperity*, met on 14 December 2023. In attendance were representatives from PECC Australia, Canada, Chile, New Zealand and Thailand, along with participants from ABAC Australia and New Zealand. The meeting was briefed by the authors of the policy briefs commissioned for the Project. The meeting discussed the APEC leaders' meeting in November, Peru's forthcoming year as APEC host, progress on the policy briefs and next steps on the PECC FTAAP project. Key points are summarised below.

The goal of the PECC FTAAP Project was reaffirmed as helping to advance a more collaborative and open regional economy. The focus is on building the substance of what an FTAAP might eventually include, from the bottom up, and on identifying areas where incremental steps between willing partners can be taken.

#### **APEC leaders meeting**

Taskforce Chair, Craig Emerson from AusPECC, briefed the meeting on the APEC leaders' meeting in November. Leaders continued to support the FTAAP vision in general terms. They talked positively about the importance of trade and investment openness, as well as of the rules-based trading system centred on the WTO and its dispute settlement system. The challenges encountered by some APEC members in separate negotiations on IPEF, as well as high-level discussions between the US and China on climate change, were also noted.

#### **Peru's plans for 2024**

Peru says it aims to make FTAAP a theme of its APEC host year, building on the 2016 Lima Declaration. It is looking to hold dialogues on the FTAAP concept under the Committee for Trade and Investment (CTI). Peru has suggested these dialogues could potentially discuss the PSU study on FTA convergences and divergences (currently underway); efforts to build on existing elements in regional arrangements; and new issues (such as inclusion, resilience, connectivity and sustainability). Peru has also indicated it welcomes PECC's work on FTAAP and would like PECC to contribute to the planned dialogues.

#### **ABAC**

ABAC briefed the meeting on its substantial existing FTAAP work program. In 2024, ABAC will look to contribute to Peru's proposed dialogues, including on sustainability, digital and inclusion issues. On sustainability and climate, the focus would be on how trade could help businesses respond while avoiding protectionism. Other priorities include building on digital economy agreements, creating an environment for digitally enabled services, and, potentially, non-tariff barriers. It was also noted that most ABAC members tend to favour a whole-of-APEC approach on FTAAP, building the concept from the bottom up by aggregating elements in existing regional arrangements.

## **Progress on policy briefs**

The lead authors briefed the meeting on the scope of the three initial policy briefs being prepared under the FTAAP Project, on Trade and Climate Change, Professional Services and Mutual Recognition Agreements, and Services and Good Regulatory Practice.

### ***Trade and Climate Change***

- The paper outlines the challenges for governments and the implications for trade arising from the range of response measures being employed across APEC to tackle the market failure associated with climate change.
- Three key issues are explored in detail. First, carbon leakage and the implications of responses to this, including carbon border adjustment mechanisms. Second, significant escalation of tariff and non-tariff barriers, particularly for emissions-intensive activities (such as automobile manufacture) and the impacts on competitiveness. And third, subsidies, both implicit and explicit, and their potential costs. Other relevant issues include regulations, standards and government procurement.
- Ways in which an FTAAP could potentially help address these issues are noted, including the adoption of equivalence and mutual recognition approaches.

### ***Professional Services and Mutual Recognition Agreements***

- The paper focuses on three areas: new drivers and developments in professional services trade; current pathways and arrangements for recognition; and guiding principles for, and pathways towards, an FTAAP.
- The interrelationship between mutual recognition, professional services and digitalisation is explored in detail, including the potential opportunities of digital platforms.
- Potential pathways focus on practical ways in which to build incrementally common approaches that facilitate MRAs and the movement of professional services. A starting point is to consider options for scenarios where there are differences in standards and practices, where there is already substantial equivalence, and where developments are creating new standards.

### ***Services and Good Regulatory Practice***

- The paper explains why good regulatory practice is important and why it matters for the FTAAP vision, noting the growing importance of services to trade and economic activity.
- A gap analysis of current arrangement examines the instruments APEC members currently have developed on good regulatory practice, and the provisions on services in regional trade agreements that are relevant to good regulatory practice. Two new drivers of change are explored in detail - digitalisation and artificial intelligence (AI) – and the challenges they present for good regulatory practice and services. On AI, for example, the compliance costs of regulation and how best to facilitate innovation are raised.
- The paper recommends how to move forward with the FTAAP vision by addressing gaps and emerging challenges.

For further details see the presentations on our project webpage [here](#).

## Next steps

- While the focus for now is on the three policy briefs underway, there was a discussion at the meeting about other issues worth considering under the PECC FTAAP Project. Paperless trade was raised as a relevant issue which could deliver large economic benefits. Some Taskforce members noted that work on paperless trade was already underway in several forums.
- Peru's focus on FTAAP next year is timely and presents an opportunity for the project to substantially contribute to the FTAAP agenda in APEC over the next 12 months. It will be important to consider how the policy briefs, and wider project activities, can feed into Peru's FTAAP activities during the year. Further engagement with the Peruvians is envisaged to explore areas of cooperation.
- The Taskforce and Project team will continue to engage and update the CTI on progress. There may be ways in which project activities can feed into CTI's FTAAP focus areas. Similarly, the project team will continue to engage and update ABAC on progress.
- Given resource constraints, the immediate focus of the Project, at least for the first quarter of 2024, is to continue with the topics already chosen. Once these are well advanced, the Taskforce can then consider others, including a potential brief on paperless trade.