



Asia-Pacific
Economic Cooperation

**FOURTH APEC SOM POLICY DIALOGUE ON
RTAs/FTAs**

**28 May 2006
Ho Chi Minh City, Viet Nam**

Proceedings

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APEC PUBLIC-PRIVATE DIALOGUE ON TRADE FACILITATION

(Project No. CTI 01/2006T)

Executive Summary

The APEC Public and Private Dialogue on Trade Facilitation under the Project No. CTI 01/2006T was held at Sofitel Plaza Hotel, Ho Chi Minh City, Vietnam on 23-24 May 2006.

The Dialogue aimed at (i) communicating the outcomes of 5 year implementation of APEC Trade Facilitation Action Plan (APEC TFAP 2001-2006) and (ii) brainstorming next step of trade facilitation activities in APEC in the period of 2006-2010, targeting further 5% reduction in transaction costs in the APEC region.

In the two day meeting, the Dialogue covered a wide spectrum of trade facilitation issues raised in APEC region and world-wide, ranging from stocktaking of APEC works on trade facilitation, the negotiation going on under DDA, works done by other organizations such as the World Bank and UNCTAD to technical issues related to customs, standards and secured trade. The Chairs of CTI, ABAC, SCSC and alternate Chair of SCCP also participated and shared with the Dialogue their views related to trade facilitation.

Interim report of Final Review was presented at the Dialogue by consultants. Final review of TFAP 2001-2006 provided useful reference to work out new plan. Though quantitative assessment could not be carried out in full scale, it gave a clear picture of where improvement needs to be made based on statistical analysis of pending issues in the 4 areas of the Menu of Actions. The Review showed that in e-commerce area, 17% of measures selected are still pending. The figures are respectively 14% in customs, standards and 11% in business mobility. Qualitative assessment provides some hints on the reason behinds the uncompleted measures, which are divergence on measures taken among members, regulatory environment and technical infrastructure bottle-ness.

Recommendations

After the presentations and discussions in one day and a half, the Dialogue has come up with the following recommendations to the CTI *for consideration*:

1. Need for a collective action plan to implement Trade Facilitation initiatives

Views shared at the Dialogue seem to support a collective approach to APEC Trade Facilitation. Key features of such an approach could be focused, targeted and action-oriented and well-coordinated. The Menu of Actions and Measures carried out by APEC members in the last few years remain a good basis to start things in collective manner. However, it would be valuable for APEC members to agree on a short list of actions that all will implement. Some major issues emerged business environment and

in doing business, as reported by the World Bank annual report are also important source of reference.

The next phase of the TFAP should therefore concentrate attention on those activities:

- which build on successful experience, including the experience of the TFAP so far;
- where collective action can add value to the efforts of the participating economies;
- whose progress can be measured;
- a group of pathfinder initiatives should be elaborated and voluntarily committed to achieving targeted progress and addressing newly emerged issues.

2. Need for a more effective implementation mechanism and progress reporting

The Dialogue stressed on the point that any good action plan will only take effect if it is accompanied by an effective implementation mechanism. A number of good ideas were proposed, such as a peer review process, valuation benchmarking, specific timelines and strong monitoring mechanism. The Dialogue also noted the importance of adopting more concrete quantitative targets to supplement and contribute to the overall goal of a 5% reduction in transaction costs. The World Bank's Doing Business indicators and the World Customs Organization's Time Release Surveys were both cited in this context.

Implementation should also pay due attention to coordination between and among APEC sub fora, ABAC and other international organizations. In this connection, public and private partnership should be strengthened.

3. Call for enhanced Public-Private Partnership

The enhanced relationship between government and business community could narrow the gap of expectations by governments and businesses through information sharing, engagement in policy-making process, infrastructure improvement, human resource development and institutional capacity building and outreach activities.

Public-Private Partnership should also capture attention and interest from both private sector and international organizations through out the spectrum of action: from agenda making, policy consultation, capacity building and investment in infrastructure. The engagement of private sector is not merely confined to formulating policies but follow up with capacity building actions to implement the adopted policies. Meanwhile, private sector is encouraged to make efforts with government by investing in infrastructures.

4. Targeted and sustainable Capacity Building

The Dialogue subscribed to the view that limits of capacity are the binding constraints on progress in most dimensions of trade facilitation. APEC human and financial resources are limited. Special effort should be therefore concentrated on designing

focused and targeted capacity building programs in partnership with other organizations and stakeholders. There is a scope for improving synergy between APEC, ABAC and other international organizations including the OECD, UNCTAD, the World Bank and other international financial institutions, and sectoral bodies such as the ITU and UNCITRAL.

Attachment

Summary of Discussions

Background settings

The Dialogue reviewed regional and global trade environment, clearly demonstrating the evolving nature of business landscape which has been witnessing such features as, to name a few, the growing importance of production networks, the increasingly rapid proliferation of Preferential Trade Arrangements, the emergence of recent secure trade measures, the ongoing developments in terms of WTO negotiations and infrastructure bottlenecks, economics of containerization. Busan Business Agenda – the centre-piece of the endorsed Busan Roadmap, other initiatives of relevant APEC fora also noted down as background-setting elements. In that line, trade facilitation seems to be “MFN” for every economies. In other words, trade facilitation actions and measures are open to all economies to benefit from. A whole-of-APEC approach to trade facilitation, possible collective action plans where measurable measures included, therefore are high on the “to-do list” for APEC.

The Dialogue saw the greater importance of International Organizations’ potentials to contribute to APEC’s works on trade facilitation. The Representative from the World Bank shared information on trade-related works undertaken by the Bank, emphasizing the goal of helping different economies implement comprehensive trade strategies that could address both the trade policy issues as well as the business climate behind the border agenda. The Canadian Representative, on behalf of co-organizers - New Zealand and Canada, briefed the Dialogue key outcomes of the Symposium on Private Sector Development which was held on 9-10 May 2006 in Montreal, Canada. Notably, one key element in this Symposium is the results of World Bank project on “Ease of Doing Business”. The striking significance of this event was the role of bridge which IOs can play to bridge APEC governments with private sector in the sense that for the first time an international organization undertook a work on firms and make it available to APEC. The Dialogue discussed various ways that IOs, say the World Bank can contribute to APEC’s works as the whole region. For instance, the Bank could provide a nice source of benchmarks with their analytical capacity and expertise. In this regard, the question of what APEC can plug in the existing efforts by IOs to help them accomplish their mandate was raised and noted with high attention. Addressing this question, the role of channeling information to the IOs that APEC can play was floated, for APEC is unique in the ability to bring ideas out from grassroots, pull out concerns from more than one APEC economy to the Leaders and vice versus. Such kind of inputs could be of help to the IOs.

The latest developments regarding trade facilitation negotiations within the WTO, specifically the works of Negotiating Group on Trade Facilitation (NGTF) very much contributed to set the overall picture of trade facilitation at global level. The Dialogue discussed the concerns left from Hong Kong Ministerial Conference. They are to work towards a set of multilateral commitments on trade facilitation and accelerate to draft mode early enough after the Conference noting the overall deadline for finishing the negotiations. Looking at the way forward, all shared the point that it’s necessary to distill the commonalities from the proposals and turn them into binding commitments in form of legal text and attached great importance to technical assistance, capacity

building and special and differential treatment (S&DT). What APEC can advance ahead in this area of work within the WTO is through the role of APEC Geneva Caucus which can help channel business concerns.

Interim Progress Report on Final Review of TFAP in 2001-2005.

The above presentation and discussion set an overall background for participants to engage in the following session, focusing on final review assessment on a preliminary basis and efficiency of cost reducing generated by trade facilitation actions and measures.

Against this background, the Dialogue discussed the interim progress report on Final Review of TFAP over the past 5 years, provided by commissioned consultants from Vietnam and Canada. The interim report is attached for reference and expected to be discussed in the CTI meeting. In a nutshell, there are certainly improvements compared to the achievements in the Midterm review. It is extremely difficult to come up with measure reduction in transaction costs on an aggregate average. The accumulated achievements in implementing TFAP are not necessarily interpreted in numerical indicators. Instead, using a set of indicators to score the outcomes at sectoral level, say the auto industry, could be helpful. The report also touched upon the capacity building, the role of public-private partnership, reporting mechanism etc.

Complimentary to the final assessment of cost reductions, the Dialogue also looked at the impacts of trade facilitation activities on private sector by the UNCTAD and World Bank. From national perspectives, there is no loser of trade facilitation as minority benefits from the lack of facilitative environment and majority stands to gain from trade facilitation programs. SMEs, in the case of India, stand as the most beneficiaries from trade facilitation initiatives thanks to enhanced transparency, simpler border-crossing and administrative procedures and documentation, predictable formalities, fees and charges and reliable transport operations etc. To meet the expectations of private sectors in terms of ongoing negotiations on trade facilitation – related articles (Article V, VIII and X), in the short term, UNCTAD can provide technical assistance to enable negotiators to “better evaluate the implications” of the negotiated trade facilitation rules on their development policies and objectives. In the longer run, UNCTAD is willing to provide technical assistance aimed at enhancing national capabilities to effectively implement the negotiated trade facilitation rules. This will contribute to support reforms in national policy-making, as well as institutional and infrastructure development.

In addition, the World Bank representatives shared its 7 priorities in terms of what can be done to lower trade transaction costs, namely automation; harmonization of systems, procedures and documentation in line with international standards; measurement of performance; transparency; cooperation and partnership with the private sector; risk management and human resource management. He also wrapped up works in relevant APEC sub-fora and provided suggestions for higher facilitative efficiency.

APEC Trade Facilitation from Business Perspectives

The morning session of the 2nd day was designed to capture perspectives from businesses in different areas facilitating trade such as standards and standard conformity, business mobility as well as customs. Representative from Fedex, U.S.A shared its experience on benefits gained from the backing of governments for their businesses by citing good examples of cooperation with customs agency. In its views, close cooperation between government and businesses, particularly in the area of express delivery could help enhance efficiency of border management and risk management, improve confidence for consumers, predictability and transparency. All that could help generate higher rate of return or economic benefits for businesses.

In a separate presentation, New Zealand representative informed the Dialogue of standards-related issues and the impact on private sector business operation. The speaker emphasized the need for standards harmonization, mutual recognition, regulator-to-regulator dialogue and increased involvement of private sector in the process of regulations making. Also, it is necessary for regulators, while making laws, to reserve enough time for private sector to get familiar with new regulations and amendments (if any).

At the Dialogue, Japanese representative also shared views on business mobility activities in the APEC region. The updated developments related to APEC Business Travel Card Scheme, including difficulties and suggestions to improve the effectiveness of such a program were raised and shared with interest by participants.

Participating in the Dialogue, SCSC Convenor and Alternating Convenor of SCCP also briefed the audience the achievements gained in their working groups and their future works to facilitate trade.

Analysis on public-private partnership (PPP) in trade facilitation was also touched upon by Final Review consultant. The role of PPP has been enhancing compared with what can be seen in the Midterm Review exercise. It is initial findings and may well be developed further in the future.

Most of the time in this session, participants discussed and shared the view that collective action plan is needed but only a few specific and defined measures. Economies shall commit themselves to those actions and measures, unless it would be a failure to reach the goals. ABAC Chair 2006 addressed the audience on the role the public-private partnership in capacity building activities, highlighting its ECOTECH priorities (strengthening standard body, improving SMEs, ensuring strong financial systems in the region and anti-corruption and transparency) and possible contribution ABAC can make in this process.

Agenda
4th SOM Policy Dialogue on RTAs/FTAs
Ho Chi Minh City, 28 May 2006

- 09:00 - 12:00:** **SOM Dialogue with Private Sector Representatives**
- 09:00 - 09:10:** **Welcome by SOM Chair**
- 09:10 - 09:20:** **Introduction by Mrs. TRAN Thi Thu Hang, Viet Nam Senior Official**
- 09:20 - 10:40:** **Overview of RTAs/FTAs developments from a business perspective: Private Sector Representatives to present their views on benefits, opportunities and challenges which FTAs bring about as well as possible policy options for avoiding a “spaghetti bowl” of RTAs/FTAs in the region.**

*Chaired by Mrs. TRAN Thi Thu Hang, Viet Nam Senior Official
Facilitator: Mr. Teng Theng Dar, Chief Executive Officer, Intraco Ltd
Singapore*

4 presentations, 15 minutes each, plus 20 minutes for discussion:

- 1. FTAs’ perspective from developing economy** – Mr. Hoang Van Dung, First Vice President, Viet Nam Chamber of Commerce and Industry;
- 2. Mexico, perspective of an economy with multiple RTAs/FTAs, the benefits, opportunities and challenges** - Mr. Luis Martinez Arguello, Chairman & Coordinador General, Mexican Foreign Trade Business Organizations Network;
- 3. Multilateral trade liberalization is most desirable way for development** – Mr. Ralph Carter, Alternate US ABAC Member, Fedex Senior Executive;
- 4. FTAs/EPAs – Will they bring a rosy future to us? Perspectives from SMEs** – Mr. Hidetaka SAEKI, Founder and President of IRIS Research Institute.

10:40 - 10:55: Coffee break

10:55 - 12:00: **Possible business contributions to APEC work on RTAs/FTAs: Private sector to provide its views on elaborating possible model measures on RTAs/FTAs, and assistance it can provide to APEC’s technical work and capacity-building initiatives on RTAs/FTAs.**

*Chaired by Mrs. TRAN Thi Thu Hang, Viet Nam Senior Official
Facilitator: Mr. Hidetaka SAEKI, Japan*

2 presentations, 5 minutes each, plus 30 minutes for discussion:

- 1. Trans-Pacific Strategic Economic Partnership, Singapore's Experience in RTAs/FTAs** - Mr. Teng Theng Dar, Chief Executive Officer, Intraco Ltd Singapore;
- 2. RTAs/FTAs: Perspective from business. Recommendations for SOM Policy Response** - Mr Brian Lynch, Chairman of the Horticultural Export Authority, Director of the New Zealand Institute of International Affairs

12:00 - 14:00:

Lunch.

All Senior Officials, speakers and other participants are invited.

14:00 - 17:00:

Dialogue among Senior Officials

Co-chaired by APEC 2006 SOM Chair, Mr. LE Cong Phung and Mr. David SPENCER, Senior Official for Australia

- 1. Opening remarks by SOM Chair;**
- 2. Comments and discussion on the recommendations from morning session;**
- 3. Discussion on other aspects of APEC's work on RTAs/FTAs;**
- 4. Comments on other RTAs/FTAs developments in the APEC region.**

END OF PROGRAMME

Opening Remarks

28th May 2006

Thong Nhat Palace, Ho Chi Minh City, Viet Nam

*by H.E. Mr. LE Cong Phung
First Deputy Minister
Ministry of Foreign Affairs, Viet Nam
APEC SOM Chair 2006*

***Distinguished guests,
Ladies and Gentlemen,***

At the outset, I would like to express my warm welcome to all APEC Senior Officials, distinguished speakers from business sector and all APEC participants to the 4th APEC SOM Policy Dialogue on RTAs/FTAs. We deeply appreciate your presence, especially of those who have traveled thousands of miles to join us.

We gather here today for a dialogue on the very issue of our common interest, that is the development of regional and bilateral free trade arrangements in the region and possible policies options that APEC can take. We are witnessing the proliferation of RTAs/ FTAs not only in our APEC region but worldwide. In the APEC region alone, more than 34 FTA/RTA have been emerged. A recent study shows that since the establishment of GATT, around 325 RTAs/FTAs have been notified to the GATT and WTO. Out of that number, more than 200 were notified to the WTO over the last eleven years. It is also estimated that there are additional sixty or so RTAs/FTAs in operation but not notified to WTO. New RTAs/FTAs are being notified at the rate of 11 agreements per year, compared with an annual average of three or less during the almost five decades of GATT. The WTO estimated that by the end of last year, slightly more than fifty-one percent of all world merchandise was traded under preferential agreements.

The current situation in Geneva regarding DDA negotiations, as you all know, may add more new RTAs/FTAs in our inventory. Yes, we are facing possible impacts of spaghetti bowls, but we are also having chances to benefit from greater market access opportunities for our goods and services if we can find good policy responses to the issues of RTAs and FTAs. Built on APEC comparative advantages and its own strength of 17 years of existence, I believe we can achieve good policies if we are resolved to work together with our stakeholders. That is why we have this dialogue today with the representatives from the private sector. We wish to hear from you practical views on the impacts of RTAs/FTAs and what you expect from the work of APEC on RTAs and FTAs.

Now let me briefly set the scene of what APEC has been doing in this important area. Since 2003, the RTA/FTA issues have been footing in the APEC agenda. We acknowledge that high quality RTAs/FTAs are important avenues to achieve free and open trade and investment and we are pursuing work to ensure high quality, transparency and broad consistency in RTAs/FTAs in the region. We worked out Best Practices as a good references to guide the negotiation of RTA/FTs in the region. A comprehensive database on RTA/FTA engaged by APEC members has been made available in APEC Website. Last year, we endorsed a model provision for trade facilitation negotiated under RTA/FTA. The effort does not stop there. Our Leaders agreed on an ambitious target that from now till

2008, we will build as many as possible model provisions for commonly agreed RTAs/FTAs chapters. All these efforts mean that we are working hard to promote high quality RTA and FTA in the region, avoiding trade divergence effects of preferential trade arrangement and better respond to the concerns of the private sector. This was clearly manifested in the APEC Leaders' Declaration in Busan, Korea in 2005.

In this spirit, I am confident that this 4th SOM dialogue on RTAs/FTA, with your active participation and wonderful contribution, will achieve great results for our common goal in RTAs/FTAs.

Finally, may I wish the dialogue a great success and wish you all a pleasant stay in Ho Chi Minh City

Thank you for your attention./.



Asia-Pacific
Economic Cooperation

2006/SOM2/FTA-RTA/003

Viet Nam & FTA/RTAs - Perspective from a Developing Economy

Purpose: Consideration
Submitted by: Viet Nam



**4th SOM Policy Dialogue on RTAs/FTAs
Ho Chi Minh City, Viet Nam
28 May 2006**

Vietnam and FTA/RTAs

Perspective from a developing economy

By Viet Nam Chamber of Commerce and Industry

Good morning ladies and gentlemen,

First of all I would like to thank the SOM Chair for inviting me to speak at this important meeting. As a representative of VCCI, I would like to share with you some ideas on how Vietnamese businesses see the FTAs/RTAs in the region.

As you all know, since 1986, the Vietnamese government launched the "Doi Moi" or all-round renovation process, stepping in the general development trend and the process of gradual globalization and regionalization. With renovation process, Vietnam step by step surpassed many difficulties, hindrances, and achieved great results. In deed, developments of world trade, infrastructure upgrade with a focus on transportation, and a boom in information technology have necessitated trade liberalization and a transition of economic structure. Particularly, Vietnam's integration into the regional and global economy is indeed a "must". Vietnam has established diplomatic relations with nearly 170 economies, trade relations with 165 economies, attracting foreign investment from more than 70 economies and territories. In fact, we have signed bilateral trade agreement with 72 economies, investment protection agreement with 42 economies & taxation agreement with 38 economies. Vietnam is now member of many international organizations including ASEAN, APEC which has a politically and economically important voice in the world arena. Vietnam is also striving to join the WTO and making its biggest efforts toward that goal.

However Vietnam is still a new comer in the world of FTA/RTA. Up to the moment, it only joins the free trade agreements under the frame of ASEAN. Besides CEPT Agreement, as an ASEAN member, Vietnam also joins negotiations with Japan and the Republic of Korea on free trade at the regional level.(ASEAN+3). Nevertheless, Vietnam has not yet signed an FTA with any separate economy. (Vietnam has reached an investment agreement with Japan, and a bilateral trade agreement with the US. These agreements, however, are not FTAs.)

Therefore, now I would like take the example of AFTA to explain how RTA has effected our economy, especially business community in Vietnam. Under the CEPT Agreement, ASEAN member states give each other preferential tariff rates of 0-5%. By 2006, Viet Nam is supposed to cut its import tariffs on 10,150 items already identified in its 2003-2006 CEPT/AFTA Tariff List to under 5 percent, with 60 percent to be subject to a tax rate of zero percent. The tariff reduction helps Vietnamese products to *access a regional market* that incorporates many substantial advantages: a population of more than 80 million, convenient transportation systems and relatively moderate requirements on product quality. Moreover, the reduction in import tariffs or duties lowers investment costs, thereby *enhancing the competitiveness* of Vietnamese products in the regional market.

Besides, throughout the realization of CEPT, *changes in trade structure* will also arise. The reason is that the regional trade liberalization allows intra-regional trade at lower prices due to lower tariff rates. Meanwhile, the same products produced by a non-ASEAN economy at lower or equal production costs may become more expensive. This blocks inflows of goods from non-ASEAN economies into Vietnam, thereby inducing a loss in taxation revenue (import duties) and raising import prices instead of lowering these.

Besides tariff reduction, AFTA also cover the *liberalization of services trade and investment*. The implementation of the AFTA commitments will lead to market expansion and trade liberalization which will substantially contribute to a boost of intra-ASEAN flows of capital, labour and technology. In recent years, *FDI to Vietnam from ASEAN has strongly improved*, of which Singapore and Malaysia were two of the ten biggest investors in Vietnam. This will help Vietnam as well as other member states to speed up the *transformation of the structure of production*. Vietnam is now actively seeking and determining its comparative economic advantages. Tropical agriculture and an abundant source of labour with various skills are eminent examples of Vietnam's advantages.

Nevertheless, influences of free trade often are two-sided. On the one hand, free trade helps to create large markets and *encourage production and exports*. On the other hand, if the domestic economy as a whole is not strong and competitive enough, many economic sectors may forfeit even in the home market. Put simply, the *home market will shrink and lots of enterprises* that are rather weak and uncompetitive will be in danger of bankruptcy. Moreover, to obtain the benefits of RTA/FTA we have a simple rule of origin and a effective customs procedure otherwise administrative

complications could severely diminish any potential benefits of FTA and further accentuate *trade and investment diversion*.

Trade liberalization is proving to be the common trend, and all economies must pursue this goal. We support the idea of PECC which have been endorsed by APEC leaders that a “best practice” RTAs should among other things:

1. go beyond minimum WTO requirements
2. being comprehensive in scope, providing for liberalization in all sectors
3. phase-out periods for liberalizing of sensitive products to be kept to a minimum
4. are seen as first steps towards multilateral liberalization at a later stage
5. have simple rule of origin
6. allow wider accession on negotiated terms and conditions

In particular, ABAC Vietnam strongly supports ABAC ideas that it is important that FTAs and RTAs remain WTO plus that is they provide a degree of liberalization and commitments to issues such as trade facilitation and protection of intellectual property rights that go beyond the level being negotiated in the WTO. ABAC commends APEC’s efforts to develop model measures for common chapters in FTAs and RTAs. The Model Measures for Trade Facilitation provide a basis for negotiation and development of a high quality trade facilitation chapter. We should continue to identify new FTA/RTA chapters for the development of model measures while considering chapters which would be most beneficial to the private sector and best serve to enhance trade and investment in the region. We ABAC also at the moment in coordinate with PECC to conduct a study on FTAAP and we are preparing a catalogue of FTAs and RTAs in the APEC region which will serve as a useful tool for trade negotiators, business persons and others to obtain a panoramic view of trade agreements in the APEC region. The catalogue will analyze the various FTAs/RTAs and provide a matrix of whether these agreements are WTO plus agreements. I hope some of my ABAC colleagues will later brief with you further on ABAC works.

Thank you very much for your attention.



Asia-Pacific
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2006/SOM2/FTA-RTA/004

Mexico
**Perspective of an Economy with Multiple FTAs/RTAs,
the Benefits, Opportunities and Challenges**

Purpose: Consideration
Submitted by: Mexico



4th SOM Policy Dialogue on RTAs/FTAs
Ho Chi Minh City, Viet Nam
28 May 2006

MEXICO
PERSPECTIVE OF AN ECONOMY WITH MULTIPLE FTAs / RTAs,
THE BENEFITS, OPPORTUNITIES AND CHALLENGES

Good Morning.

On behalf of COECE, I should like to thank the organizers of SOM II of the ASIA-PACIFIC ECONOMIC COOPERATION (APEC) for inviting me to briefly comment, during this important meeting, on some of the results Mexico has accomplished through the RTAs and FTAs it has negotiated in an effort to benefit the country through foreign trade.

Globalization is not a new concept; in fact, trading between countries and regions dates back to ancient times.

An example of this is the Ocean Routes that existed from the 16th to the 18th century. Many European countries, such as Holland, England, Portugal, and Spain, controlled extensive trade routes and their ships sailed around the world in search of new commercial opportunities.

In the 16th Century, almost 500 years ago, New Spain, now known as Mexico, joined in the transpacific trading.

Magellan reached the Philippine Archipelago in the year 1521. This was the beginning of an important cycle of maritime expeditions setting sail from Mexico to the Far East.

In 1527, Hernán Cortés – Mexico's conqueror - sent three ships built in Zacatula on the Mexican Pacific coast to the Moluccas in Indonesia. Only La Florida reached its destination and set off for Mexico with a cargo of cinnamon. Unfortunately, it could not find the return route and was stranded on the island of Timor.

In 1565, Miguel de Urdaneta, another Spanish explorer, departed from the port of Navidad on the Mexican Pacific coast, traveled to the Philippines then managed to make his way back to Acapulco.

Transpacific Spanish trade had been established between Mexico, China, Japan, Formosa (Chinese Taipei), Philippines, Indonesia, Cambodia, Siam (Thailand), Malaysia, India, Ceylon (Sri Lanka), Persia (Iraq), and other Asian countries.

The hub ports were Manila and Acapulco.

From Acapulco, some of the goods crossed New Spain to the port of Veracruz on the Atlantic coast and were sent to Seville in Spain, where they were sold and distributed to other countries in Europe.

Seville and Veracruz represented the hub ports for the return trade route from Europe to Asia. This commerce lasted for over 250 years, until the early nineteenth century (1565-1815).

Mexico became an important logistic and strategic commercial country.

The principal products that crossed the Pacific were silk and cotton, as well as spices: mainly cinnamon from Mindanao Island, pepper from the Moluccas, and cloves. Other interesting products included dishware—mainly from China and Japan.

Silver was the most outstanding item of the Mexican exports. It was shipped in the form of eight-real peso coins, —the Mexican currency of the time—in order to buy new products from Asian merchants who arrived in Manila.

The need for all these products on both sides of the Pacific gave rise to the most important transpacific trade route, up to the nineteenth century.

Now, I would like to mention very briefly some of the results achieved by Mexico in relation to several aspects of its foreign trade: the **benefits** obtained, the existing **opportunities**, and the **challenges** the country faces in order to overcome the economic and structural difficulties it has undergone over the past few years.

Some time ago I enjoyed reading “THE NEW ASIAN WAY” by Foong Wai Fong, which describes Asia’s development after its 1997 economic crisis. I shall never forget a phrase that perfectly reflects Asian pragmatism and that can be applied to today’s phenomenon of

globalization, even though it is a thought that was expressed many centuries ago by the Chinese scholar Guan Zhong from the Spring and Autumn Period:

“DO NOT DWELL IN THE PAST,
DO NOT STAY IN THE PRESENT,
CHANGE WITH THE TRENDS,
CHANGE WITH THE TIMES”.

Thus Mexico, changing with the trends and the times, decided in 1986, a little bit behind schedule – there had been several previous attempts – to participate in the globalization process appearing worldwide by opening its economy unilaterally, which was the sole advantage it achieved, and joining the General Agreement on Tariffs and Trade (GATT). One of the aims of this decision was to open up the hitherto closed and protected Mexican market, in order to reduce the nation’s hyperinflation, which at that point was about 160% annually (the official figure), for the benefit of Mexican consumers.

This strategy led us to increase the country’s trade liberalization. In 1992, the Mexico-Chile FTA came into effect; in 1993, Mexico joined APEC; in 1994, Mexico was accepted as a member of OECD, and also NAFTA, signed with the USA and Canada, came into effect; in 1995, it signed the G3 with Colombia and Venezuela, as well as FTAs with Bolivia and Costa Rica; in 1998, the FTA with Nicaragua came into effect; in 2000, the FTA with Israel and the highly important Economic Association Agreement with 15 European Union nations, which incorporates cooperation aspects into this FTA, came into force; in 2001, the agreement entered into with the four EFTA member states complemented the partnership with the EU and that same year Mexico also signed the FTA with the Northern Triangle; in 2002, CEA negotiations with MERCOSUR on Frame and Automotive agreements were reviewed; and in 2004, the 10 new EU members joined the EPA with Mexico, and the FTA with Uruguay and the EPA with Japan both came into force. The EPA with Japan not only includes traditional FTA aspects, such as market access, rules of origin, investment, services; but also cooperation facets, such as support industry, technology transfer, SMEs.

Bilateral negotiations between Mexico and South Korea, Singapore, New Zealand, and Australia are underway, and negotiations to complement the existing CEAs with Peru, Argentina, and NASPA are ongoing.

With regard to multilateral negotiations, Mexico is working mainly in APEC, WTO, and FTAA.

Therefore, Mexico has privileged access to the marketplaces of 43 countries located in diverse regions of the planet, including agreements with the world's largest economies: the United States, the European Union, and Japan.

These trade pacts represent temporary advantages that diminish when the country that granted us preferential treatment does the same for the other countries with which it negotiates new trade agreements. As a result, we must make the most of these opportunities.

Undoubtedly, the main purpose of a trade agreement must be the economic benefits to be obtained for both parties. Can clearly anticipate cost-benefit outcomes. This has been the case for the agreements entered into by Mexico with 43 countries.

Mexico is a strong promoter of free trade and, without ruling out the progress achieved and that which can be added through multilateral mechanisms such as the World Trade Organization (WTO) and the Asia Pacific Economic Cooperation (APEC), we can testify the high value added provided by bilateral agreements, based on the results obtained from the free trade agreements we have entered into.

The negotiations of the North American Free Trade Agreement, conducted by the United States, Canada, and Mexico, anticipated important breakthroughs such as the liberalization of services, which, even today, go deeper than the ones included later by the World Trade Organization.

We feel that bilateral agreements have a potential that is higher than that of multilateral mechanisms favoring free trade, because they can be encompassed in one single instrument without the interference of other wills, components providing added value. They also produce results in a much shorter term; we Mexicans know it thanks to our own experience with over thirty trade agreements.

A generalized but incorrect notion of trade agreements refers only to reciprocal duty concessions. In our view, a Bilateral Trade agreement goes far beyond tariff reductions. Instead, its main purpose consists of providing a sound basis for greater economic exchange.

In this respect, it must be recognized that Bilateral Agreements have certain advantages over Multilateral Agreements, for example:

- Providing a definition of criteria to promote business development: rules of origin, standards, dispute settlement, etc.
- Establishing simpler mechanisms for negotiations, monitoring and control.
- Promoting greater participation of the Business Community.
- The fact that there are fewer participants makes it easier to reach consensus.
- Invariably, they are aligned with the World Trade Organization's principles.
- More importantly, by nature, their expectations are attainable in a shorter period of time than would be the case with multilateral agreements.

Furthermore, Bilateral Agreements commit the political will of governments and citizens and thus offer guidance and long-term certainty. In addition, Multilateral Agreements are not as effective in promoting trade and investment. Thus, both parties profit from a synergic effect, utilizing the comparative and competitive advantages of both nations.

In Mexico what we desire is a new generation of trade agreements: EPAs, leading us to exchange the largest amount possible of the products we already produce and market as well as new commodities and services, achieving ultimately, the full development of our economy.

Economic development must be translated eventually into well being not into self-sufficiency. This is not possible in a world that becomes more globalize day by day; we need each other. Agreements seek to broaden horizons rather than restrict prerogatives, while business opportunities reinforce one another.

In 2005, Mexico's foreign trade rose to 434 billion dollars, which represents approximately 60% of its GNP estimated at 760 billion dollars. Total exports reached 214 billion dollars and imports 221 billion dollars.

These figures reveal a 7.5 billion-dollar **integral trade deficit**, which represents 1% of the GNP.

The country's monetary reserves, estimated at 75 billion dollars, are more than enough to offset this trade deficit.

One of the most frequent arguments used by some sectors in Mexico who oppose free trade agreements is that most of our trade is carried out with the USA (70% of the country's foreign trade in 2005). Trade with the US represented 86% of our exports and 53.5% of our imports, but benefited our foreign trade enormously since the final trade surplus reached 65 billion dollars.

In order to achieve this surplus, a large amount of the inputs that are incorporated into the export products in both the maquiladora and non-maquiladora manufacturing industries must be imported.

One of the criticisms most often heard among the sectors that oppose the continued liberalization of the Mexican market is precisely the volume of imports from other countries needed to be able to export, mainly to the North-American market, the figures that make the aforementioned surplus possible. The diverse industries imported in 2005 163 billion dollars in intermediate products and 26 billion dollars in capital goods, representing 86% of the country's total imports.

As long as we do not change our economic model or increase our competitiveness with a series of reforms that we will discuss later on and that represent the main challenges that Mexico has to overcome, imports will continue to grow in order to meet our foreign trade's international commitments. This will also help to achieve a greater diversification in our exports, gradually reducing their level of concentration in the North-American market.

In contrast, many Mexicans, myself included, think that we are extremely fortunate to be the neighbor of the largest consumer country in the world and that we still have a long way to go to satisfy this market's needs.

The **benefits** that foreign trade can bring to a country cannot be considered as standard for all the different economies, since this basically depends on the economies' level of competitiveness as well as on innumerable other factors. As the challenges facing an economy are gradually solved, the possibilities of obtaining an increase in the final benefits rise.

We believe that some of the specific **benefits** obtained by economies from liberalization are:

The **benefits obtained by consumers** as a result of greater competition in the internal market arising from trade liberalization, providing advantages in acquiring inputs to be incorporated into their production or in capital goods in order to enhance their operations, or in consumer acquisitions.

Furthermore, the non-tariff barriers, which are frequently maintained to protect inefficient sectors, must be reduced in order to truly benefit the country's consumers and economy.

Other advantages of negotiating FTAs and RTAs lie in the **opportunities to access new markets with preferential treatment**. A well-defined strategy for generating productivity and competitiveness must be created simultaneously, together with an export strategy that would make it possible to take advantage of the opportunities negotiated in the free-trade agreements.

In this case, it is crucial to analyze the existing barriers in order to establish a specific strategy and gradually diminish the problems caused by such barriers. This constant quest for solutions is reflected in the challenges that each economy will have to overcome in order to increase its efficiency and better exploit the temporary advantages of the trade liberalization that has been negotiated.

Another significant **benefit** is the **legal certainty** obtained from FTA and RTA negotiations, which guarantees the ability to plan the future of the investments made or about to be made with confidence and conviction. This legal framework clearly defines the ways of obtaining the required protection for issues such as the security of the factors that are indispensable for economic activity, intellectual property, the solution of unfair business practices and disputes, personal and company safety, among several other legal matters.

The legal certainty obtained in these negotiations helps to accomplish measures for trade facilitation in FTAs and RTAs, such as transparency, consistency and predictability, impartiality, sets out rules applying to the release of goods, cooperation, risk management, review and appeal, confidentiality and others.

With regard to **opportunities**, these should match each nation's production in goods and services, the advantages it possesses to attract investment, the added value it gives to its products, whether it is constantly innovating, and whether its economy is industrialized or developing, as stipulated by APEC in the Bogor Goals.

It also depends on a country's level of openness, on the level of development in its private and public administration, its competitiveness, whether or not it has qualified labor and how much, which raw materials it possesses, its technological advancement, and on countless other characteristics that make it possible, to a greater or lesser extent, to take advantage of the opportunities offered by the international marketplace.

Opportunities are closely related to each country's capacities, which increase as the nation progresses and finds solutions to the **challenges** presented by its particular economy.

In order to make headway in obtaining opportunities and benefits, Mexico must solve the countless challenges that are hindering its progress in the world economy.

Even though Mexico has signed FTAs and RTAs with 43 nations, its economy is one of the least competitive in the world.

Its economic growth rate has fallen and its per capita GDP has come to a standstill. For fifty years (1932-1982), the domestic product and the per capita GDP grew at an average rate of 6.2% and 3% respectively, while over the past few decades, the product's growth has dropped to an annual rate of 2.2% and the per capita GDP has practically stagnated at 0.3% annually.

In the labor sector, Mexico's lack of economic growth has led to difficulties in the area of employment. From the year 2000 to date, approximately 300 thousand formal jobs have been

lost and the 5 million formal new jobs required were not created, resulting in an increase in informal employment and in migration, mainly to the USA.

Mexico has to solve some important challenges, such as putting the Structural Reforms into effect, particularly in the fiscal and education sectors; improving the social regulation framework; enhancing the administration of justice; and developing its internal market through innovation, a better regulation of the competition framework, increasing the availability of financing for companies, especially SMEs, and encouraging private saving.

A “significant investment” in public, industrial, and technological infrastructure is indispensable.

To illustrate this point, in its World Competitiveness 2006 yearbook, a renowned Swiss institution, the International Institute for Management Development (IMD), ranked Mexico 53rd out of the 61 economies evaluated.

This result was obtained by analyzing more than 300 factors that determine an economy’s competitiveness.

The private sector in this meeting do not have the responsibility to make political decisions, but we are responsible for freely and with intellectual honesty and to the best of our abilities, telling our governments, what in our view is fair, including academic thought and business expertise.

Our governments will have to decide on and if appropriate, shape an eventual trade agreement; however we will share their responsibility with our judgments, suggestions and proposals.

More headway will be made in our work a better balance achieved in the final results; the fewer subjects are left outside our discussion, as well as from the agenda of future negotiators.

Our ability will be more effective to reach a desirable result the more our positions coincide.

I think that this information is sufficient, given the time assigned to me for this speech, to give you an idea of Mexico's progress in this issue, as well as of the countless and difficult challenges we are currently facing.

Thank you very much.



Asia-Pacific
Economic Cooperation

2006/SOM2/FTA-RTA/005

Multilateral Trade Liberalization the Most Desirable Way for Development

Purpose: Consideration
Submitted by: FedEx, US



**4th SOM Policy Dialogue on RTAs/FTAs
Ho Chi Minh City, Viet Nam
28 May 2006**

4th SOM Policy Dialogue on RTAs/FTAs Ho Chi Minh City, 28 May 2006

Remarks by Ralph Carter, ABAC Alternate Member, Managing Director, FedEx Express

Thank you, I am pleased to offer some thoughts on trade agreements from a developed economy business perspective and, since FedEx is in the service sector I will talk a little about the benefits and challenges of services liberalization.

- First of all free trade agreements are important to business. We like lowering barriers and simplifying the rules under which we operate. The US business community spends an incredible amount of money, time and energy in support of trade liberalization.
- I think most business, if offered a choice, would prefer to liberalize trade through the multilateral or WTO approach. The WTO has the benefit of lowering barriers and establishing uniform rules across the globe - this is a significant benefit.
- However, as the Doha round has shown us, the WTO process is becoming much more difficult. The low hanging fruit has been picked - now the difficult issues are being negotiated like agriculture. In addition, many of the remaining barriers to trade are not tariffs, but rather regulatory issues, which in some cases reflect different cultural values. These issues are very contentious and make modern day trade negotiations quite difficult.
- It remains to be seen whether Doha will succeed or not. If it fails it will be a major set back for free trade. Likewise, if governments sign a weak agreement that too would be a very bad result for free trade. It will only put off meaningful global liberalization for many more years and could provoke steps backwards towards protectionism. We hope that does not happen.
- But today we are talking about FTAs and RTAs. Business as you know, is at the end of the day practical, we will take liberalization where we can get it. So while we strongly support liberalization through the WTO we also support liberalization through bi-lateral and, in some cases, regional processes.
- So that leads me to my assigned topic: benefits and challenges of FTAs and RTAs
- First I want to talk about the service sector. As you know, historically trade talks have focused on reducing tariffs on industrial goods and those efforts have largely been successful with the average world tariff rates quite low. But with the shifting of the global manufacturing from developed to developing worlds the negotiating objectives of the developed world have increasingly moved to new sectors, like services.
- Agriculture and industrial goods will always be important for US negotiators. But trade

negotiators and law makers know, or at least I hope they know, that services now make up about 80% of the US economy and job market. So the US has a huge interest in opening up foreign markets to US service providers.

- Telecommunications, banking, insurance and of course express delivery service providers are taking the lead in pushing for services liberalization in the WTO and in US FTAs.
- Benefits of FTAs:
 - The US has been a leader in negotiating Free Trade Agreements: In the APEC region we have agreements with Canada, Mexico, Australia, Chile, Singapore.
 - FTAs can be quite successful in stimulating trade. They open up new markets, and products, they can expand investment opportunities; they can lower the cost of doing business, they can provide important legal protections for investors and operators. All of these are important benefits and that is why business supports them.
 - FedEx research shows that our volumes do increase after FTAs are signed. Of course, the bigger the market the bigger the impact.
 - FTAs can serve as building blocks for further trade liberalization: WTO Plus FTAs can serve as a positive force in raising the bar for future agreements by generating ever greater degrees of liberalization.
 - Express Delivery is an example. Until recently express delivery was not recognized as a distinct industry in the CPC of the WTO. This meant that we were not getting the full protections afforded by the WTO.
 - We have worked hard to include specific language recognizing and protecting express delivery services as a part of the DDA. We have also ensured that EDS language will be part of every US bi-lateral FTA.
 - The reason this was important is that of the main concerns of the service industry is to achieve level playing field in terms of regulatory environment in the countries where we operate and compete with local providers. EDS language in the WTO and FTAs will help provide this protection, o Finally, as Fred Bergsten points out, FTAs can be used to foster "competitive liberalization." The negotiations between the US and Korea could be an example - a US-Korea FTA could make US-Japan FTA more likely.
- Challenges of FTAs
 - Can create a web of different rules that companies must comply with - the infamous "Spaghetti Bowl."

- There are often no standards to go by and no common understanding of what a FTA should look like. Some are "high quality" others are not and don't really liberalize much trade at all- they are formed for political or other non-trade reasons.
- Many FTAs are with small markets that don't mean much for business -just symbolic gestures, more for political reasons than trade reasons.
- FTAs can distort trade - ie move production to places it would not normally go to. Economists believe this is inefficient and many oppose FTAs for this reason. Jagdish Bagwati.
- I will use this opportunity to mention a project that FedEx is leading through ABAC - and that is a guidebook on FTAs in Asia. This comprehensive guide will assess 22 separate FTAs in regards to rules of origin, sector coverage, tariff rates etc. We will also look at whether the agreements are WTO plus, ie whether they go further than the WTO disciplines, or whether they fall short of WTO standards. We think this will be a very useful guidebook for anyone interested in trying to unravel the Spaghetti Bowl.
- Benefits of Regional Free Trade Agreement
 - If done properly can of course generate a great deal of trade if the deal is high quality.
 - RTAs can also minimize the impact of the spaghetti bowl by harmonizing the rules of trade among the participants.
 - Like FTAs, RTAs can also serve as building blocks for even wider or global trade liberalizations.
- Challenges of RTAs
 - Difficult to do - more countries, more rules, different interests and different objectives, different stages of development - starts to look like the WTO. FTAA is the example. The idea of an FTAAP may be an example of an idea that on paper makes perfect sense but in the real world could be very difficult to negotiate.
 - This is why the move towards model measures in FTAs is the right one. The more similar we can make the FTAs the easier it is to later join them as building blocks and make larger, simpler and more productive regional agreements.
 - Anytime a group of countries gets together for a trade deal the question becomes who is in and who is out? The risk is that this can produce rival trading blocks and regional protectionism - which would not be in the interest of free trade.
 - Much has been said about the various options for the trade "architecture" in Asia - some of those plans are rumored to exclude the US. As a US company we would certainly not

want that to happen. And to again to quote Mr. Bergsten we would not want to see a line down the Pacific.

- Finally, as the developing and least developed world would not likely to be invited to participate in a regional deal - they would be left out and this would certainly hurt their chances for development.
- So to sum up, I would rank the business preference for trade deals as follows:
 - First preference - high quality, comprehensive WTO agreements. That is why we are pushing so hard for the DDA.
 - Second choice - high quality, comprehensive FTAs (or RTA) with a large market country (or countries)
 - Third - high quality FTA with small market country(ies).
- What we do not want and will not support are weak agreements that don't offer meaningful liberalization. That is why the service industry has stated repeatedly that we will not support a weak DDA that does not deliver significant liberalization in the key service sectors that we are fighting for.
- A weak agreement would do more harm than good - it would yield few results and would only mean that we would all have to come back to the table sometime in the future and do this all over again to try to achieve what we should have achieved in this round.
- Weak agreements can also make businesses and countries more cynical about the process and could reduce support for future agreements.
- Finally, a weak WTO agreement could also push some countries towards a more protectionist path - ie begin to roll back previously granted market access due to the failure to gain new concessions from their trading partners.

- I was also asked to provide a recommendation on addressing the Spaghetti Bowl question. I've said that efforts to identify and implement Model Measure is the right thing to do and we would encourage APEC to continue to do this.
- But maybe the best way to address the Spaghetti Bowl right now is to agree on a comprehensive Doha agreement.
- Thank You.



Asia-Pacific
Economic Cooperation

2006/SOM2/FTA-RTA/006

FTA/EPA - Will They Bring a Rosy Future to Us? Perspectives from SMEs

Purpose: Consideration
Submitted by: Japan



**4th SOM Policy Dialogue on RTAs/FTAs
Ho Chi Minh City, Viet Nam
28 May 2006**

**FTA/EPA –Will they bring a rosy future to us?
From the perspectives of SMEs**

Memo by
HIDETAKA SAEKI, Japan
2006/05/28

1. FTA as a fashion, and a reality

2. Basic suspicion on FTA

- : Is it not a dangerous path to Block Economy?**
- : APEC was suspicious.**
- : Japan was suspicious.**
- : Where have these suspicions gone?**

3. What is FTA after all?

- : Does not it need certain level of similarity on social value standard?**
- : Can we become like EU?**
- : Is EU such a success story?**
- : Whom do you mean by “We”? - Issue of Identity.**

4. Will FTA bring Utopia to us?

- : Ideal mechanism for globalized company, but what about SMEs?**
- : Winners and Losers. Shadowy side of FTAs.**
- : Accelerate the widening of the gap between the Winners and Losers?**
- : Economic Reform – fine, beautiful words, but is it politically popular?**
- : Which side should the government stand for?**
- The Winners? Or The Losers?**
- : Politics is not the outcome of “economic calculation”**
, But,
It is the result of aggregated sum of “individual emotions”
- : ‘What is good for Big Guys (globalized companies)’ may not be equal to**
‘What is good for the country as a whole’

5. What FTA can do and can not do.

- : There are areas which are better addressed in FTAs.**
- : There are areas which are better addressed in bigger fora (such as WTO or APEC)**

: Does it have effective “TEETH”?

: What happens if dispute arises? Do we have any third party- “fair judge” in FTA?

6. Nevertheless, let us face the reality.

: What can APEC do?

Two concrete proposals:

① to become a mechanism to help Losers= give a second chance to Losers

: give them a business opportunity which is normally monopolized by Big Guys

② to become a mechanism to play a roll of ‘fair judge’ among FTA partners within APEC

: create Quasi-judicial committee in APEC, together with the endorsement and commitment by member economies



Asia-Pacific
Economic Cooperation

2006/SOM2/FTA-RTA/007

Trans-Pacific Strategic Economic Partnership Singapore's Experience in RTAs/FTAs

Purpose: Consideration
Submitted by: Singapore



**4th SOM Policy Dialogue on RTAs/FTAs
Ho Chi Minh City, Viet Nam
28 May 2006**

**SPEECH FOR Mr. TENG THENG DAR AT 4th APEC SOM DIALOGUE ON
RTAs/FTAs**

(TPSEP, RTAs, FTAs - The Singapore's Experience)

Slide 1

Good morning.

My name is Teng Theng Dar, and I am indeed honoured to be able to be part of this seminar, as a representative of ABAC and ABAC Singapore to share with you my presentation.

Slide 2

My presentation today will cover the following:

- i) Why the Trans-Pacific Strategic Economic Partnership or TPSEP in short is a pro-business agreement
- ii) How it translate into tangible benefits to companies
- iii) Singapore's experience in the various RTAs and FTAs
- iv) and finally to share with you some case study on Singapore's success with existing agreements

Slide 3

I do not want to focus too much on the principles of the TPSEP which I believe you are very familiar with you by now. I would rather like to touch on the economics' aspect of it.

In ABAC's communication with APEC member economies, we have articulated our vision of an APEC Community. The creation of such a community would help business expand trade and investment activities across the Asia-Pacific region.

By reducing tariff and non-tariff barriers, creating a transparent and predictable operating environment, reducing barriers and impediments to foreign direct investment, liberalising services trade and ensuring that administrative

requirements are not overly burdensome, the TPSEP delivers good progress on many of the cross border elements in the Business Vision of an APEC Community.

Slide 4

But the TPSEP builds towards the Vision of an APEC Community in other ways. Reducing tariff and non-tariff barriers to trade and investment is only one side of the equation. By creating greater awareness of the economic opportunities that lie across the Asia-Pacific, the TPSEP has helped bring down an intangible, yet very real barrier to trade and investment – lack of knowledge and familiarity with overseas markets.

Slide 5

We are all aware of the theoretical benefits of the TPSEP but the true value of this agreement is when these are transformed into tangible comparative advantages for our business communities.

Our business communities need to understand the fact that such agreements can actually help them in their business activities. As such it is prudent for governments to specifically market the TPSEP to them to increase their awareness that they can use this agreement for their benefit.

At the same time the information on TPSEP should be readily available and going one step further be disseminated to companies.

Slide 6

After the awareness of TPSEP has been built up, the next crucial step is for businesses to know exactly how this can affect their activities. The complexities and implications of such trade agreements could not be learnt merely by reading publications or websites. Education is required to enable companies to fully understand it.

To keep the business community informed and engaged in the FTA process, our MTI and its economic agencies conduct regular consultations, seminars and

workshop, feedback sessions with companies and business associations such as the Singapore Business Federation.

For instance, Singapore recently held a 3-day FTA Certification Program to equip Singapore-based companies with the necessary skills to interpret and implement FTA knowledge.

Companies have benefited from learning how their products and services will be liberalized under the various FTAs and how to apply the skills and knowledge immediately to your job upon completion of the programme.

Similar courses can also be conducted in the context of TPSEP.

Slide 7

Like all FTAs, time is needed before the full-fledged effects can be felt in the economy brought about by improvements in trade and investments.

With this come other benefits trickling down to the general public as a whole. The transfer of knowledge and technology could generate synergy between the countries and lead to higher productivity gains.

With the increase in investments like foreign companies setting up offices or opening a factory, this will also bring about an increase in employment and an update of skill sets through the training and education brought in by foreign entities.

Of course with the expansion of trade, consumers now have a wider choice for consumers in terms of products and services. Although this could mean competition for local manufacturers or service providers, this would spur local companies to improve on their product offerings and compete.

This will also mean that the people will be exposed to the various cultures, be it through doing business with business partners or being exposed to the influx of goods and services from a different culture.

Slide 8

The possible outcomes of a successful FTA is limitless. I will use example of Singapore's experience to illustrate the success we had with our existing FTAs.

Of course there will be some negative outcomes but these would be corrected during the reviews and I believe the TPSEP will stay committed to fine-tune these should they come our way.

Including the TPSEP, Singapore has concluded 10 FTAs, many of which are with APEC members, such as with the US, New Zealand, Japan, Australia and Korea.

Through FTAs, trade barriers are lowered or removed, and there can therefore be a freer movement of talent, goods, services and investment. This helps ensure that resources are used in the most efficient way possible, and businesses are given more room to expand and grow globally. FTAs allow for faster trade liberalization, and are complementary to our WTO and other regional commitments.

Through our years of efforts in engaging other likeminded partners, Singapore is now an FTA hub with linkages to more than 20 countries. Reaching far and deep into economies ranging from the traditional powers like the US and Japan to the emerging powers like China and India, our network of FTAs allows companies with global aspirations to enjoy enhanced market access into these markets.

We are positive that the success of Singapore's existing FTAs can be replicated with the TPSEP.

The agreement with New Zealand is the first comprehensive bilateral FTA that was ever signed involving Singapore, initiating the process of "new regionalism" in Asia. Besides the expansion of trade as noted by the improvement in ranking and trade volume, other spin-offs of the agreement can be seen from the flow of knowledge-based investments that have facilitated innovation and creativity between the 2 countries. An example is the creation of New Zealand- Singapore Film Co-production. The first Asian country to sign such an agreement with New Zealand, the co-operation will allow film, TV, animation and special effects companies in Singapore to tap their New Zealand counterparts' know-how, nurture talent and develop the local industry through skills training and development.

Much attention has been placed on the India - Singapore Comprehensive Economic Cooperation Agreement. The CECA with Singapore is India's first such agreement with any country and also the first bilateral agreement in services. During 2004 while negotiations were still ongoing, bilateral trade has improved significantly and India's exports grew faster than exports to any of India's other trading partners.

Besides enhancing trade expansion, another tangible outcome of a FTA should be the lowered business costs and improvement in the efficiency of industrial production like in the case of the Japan- Singapore Economic Partnership.

Singapore and Japan adhere to different technical standards in certain areas like telecommunications and manufacturing. Singapore's standards are geared towards the US standards, while Japan's standards now serve mainly (and protect) the Japanese economy. This difference in technical standards would present an obstacle to the free movement of goods between Singapore and Japan.

With the JSEPA coming into force, a mutual recognition agreement (MRA) would lead to the harmonization of standards of products. With the reduction in differences in technical specifications, the range of products that can be traded between the two countries would increase, hence leading to the expansion of trade. It would also improve the efficiency of industrial production. This would translate into reduced business costs and increased consumer welfare for both countries. The agreement would also remove duplicative testing and certification procedures and thus shorten the time needed for products to reach the markets. The MRA would also help to position Japan and Singapore as the conformity assessment hubs in this region and thereby also help to draw more

As such looking at these examples of the outcomes from Singapore's existing FTAs, it is rationale to predict that such outcomes would be possible with the TPSEP in full force.

Slide 9

The US which is Singapore's largest foreign investor, pumped US\$6.6 billion into the country in 2004. This brought US cumulative investments in Singapore to US\$56.9 billion, the second largest stock of USFDI in the Asia-Pacific region. This investment resulted in a yielded income of US\$7.83 billion (without current-cost adjustment and net of withholding taxes, a return of 13.8% (income divided by cumulative investments) which is a four- year high for US MNCs.

Singapore's investment in the US also increased from US\$1.5 billion in 2003 to US\$1.8 billion in 2004. The investments flowed mainly into the wholesale trade as well as real estate and related rental and leasing business.

A worldwide shortage is driving up commodities and raw materials. And Australia, being a key producer, is enjoying a boom. This is trickling down to the consumer side because of the feel-good factor.' A number of Singapore companies have benefited from the increased opportunities brought about by the FTAs, which came into effect in 2003. GN Packaging Industries, for instance, has clinched more deals from Australian-based clients, while trophy maker Eng Leong Medallion Industries can offer lower selling prices to Australian customers because of tariff savings.

Slide 10

I have touch on the TPSEP and use the Singapore's experience to illustrate the economic benefits which can bring about from the various FTAs.

ABAC is now moving ahead with its feasibility study of the FTAAP, where in a way I believe can be considered as a TPSEP + model.

With the education and awareness of TPSEP and/or the FTAAP among our business communities, businessmen will be able to fully utilize the agreement to the benefit of their companies' activities.

For TPSEP we predict there will be an increase in overall trade and investment among the P4 countries as highlighted by my case study on Singapore's experience with FTAs earlier. This will bring about a general improvement in the economy as well as the fringe advantages that come along with it.

In conclusion, we hope that the TPSEP leading to the FTAAP will mature into an agreement that could eventually include more APEC economies, so that it will fulfill its potential of helping us achieve the Bogor Goals of free and open trade and investment.

Thank you for your kind attention.

TPSEP, RTAs, FTAs - The Singapore's Experience

Presentation by Mr Teng Theng Dar
ABAC Singapore Member

Outline

- TPSEP is pro-business
- Translating into tangible business benefits
- Singapore's RTAs/FTAs experience
- Singapore's success with existing agreements

The TPSEP is pro-business

- The Business Vision of an APEC Community
 - the absence of tariff and non-tariff barriers
 - a transparent and predictable operating environment
 - a reduction of barriers and impediments to foreign direct investment
 - liberalisation of services trade
 - administrative requirements that are not overly burdensome

The TPSEP is pro-business

- The TPSEP goes beyond
 - Creates greater awareness of economic opportunities
 - Brings down intangible, but very real barrier to trade and investment – lack of knowledge and familiarity with overseas markets

Translating into tangible benefits

- **Targeted marketing of TPSEP to business community**
 - Increase awareness of TPSEP and market benefits to businesses
 - Make information readily and widely available to be disseminated to companies

Translating into tangible benefits

- **Requires extensive education and outreach to business community**
 - How to apply TPSEP to businesses
 - How TPSEP affects products and services etc
- E.g. Singapore recently held a 3-day Free Trade Agreement (FTA) Certificate Programme to equip Singapore-based companies with the necessary skills to interpret and implement FTA knowledge.
- **Similar courses can be conducted for companies interested in TPSEP**

TPSEP could bring about improvements in economies

- **Not limited to solely increase in trade and investments**
 - Transfer of knowledge and technology
 - Higher productivity gains
 - Possible increase in employment and update of skills sets through training
 - Wider choice for consumers in terms of products and services
 - Intercultural exposure

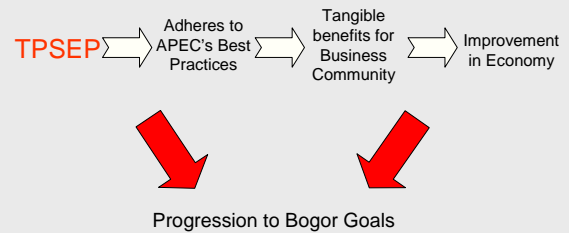
Singapore's FTA network & success

- ANZSCEP (Nov 2000)
 - Ranking of New Zealand and Singapore's total merchandise trade improved from position of 27th to the 23rd over 2001- 2004.
 - Between 2004 to 2005, total trade volume increased by 20%
 - Increase in knowledge-based investments; creation of Zealand-Singapore Film Co-production
- CECA (29 June 2005) India's first ever CECA after 13 rounds of negotiation
 - Over the last year, while negotiations were ongoing, bilateral trade with India increased by almost half, from S\$7.8 billion in 2003, making India our fastest growing trading partner among the major economies.
 - Indian statistics also show that in 2004-5, India's exports to Singapore grew faster than exports to any of India's other trading partners.
- JSEPA (30 November 2002)
 - Reduction in costs of business and improve efficiency of industrial production (MRA- Mutual recognition agreement calls for harmonization of standards of products)

Singapore's FTA network & success

- USSFTA (signed on May 2003)
 - Tariff savings of \$53 million (est.) for Singapore-based companies on exports of electronics, infotech, precision instruments and automotive equipment to US
 - 13% increase in FDI to Singapore since 2003; pumped US\$6.6 billion in 2004
 - Resulted in a yielded income of US\$7.83 billion, a return of 13.8% which is a four- year high for US MNCs
- SAFTA (came into force 28 July 2003)
 - Increased business opportunities for companies
 - E.g. GN Packaging Industries, for instance, has clinched more deals from Australian-based clients, while trophy maker Eng Leong Medallic Industries can offer lower selling prices to Australian customers because of tariff savings.

Conclusion



THANK YOU



Asia-Pacific
Economic Cooperation

2006/SOM2/FTA-RTA/008

RTAs/FTAs: Perspective from Business Recommendations for SOM Policy Response

Purpose: Consideration
Submitted by: New Zealand



**4th SOM Policy Dialogue on RTAs/FTAs
Ho Chi Minh City, Viet Nam
28 May 2006**

4th SOM Policy Dialogue on FTAs/PTAs
Ho Chi Minh City, 28 May 2006

**Summary of Remarks by Brian Lynch, ABAC New Zealand
Chairman, New Zealand Horticulture Export Authority
Director, New Zealand Institute of International Affairs**

1. Thank you for the invitation to help bring a regional business viewpoint to your discussions at this forum. The mood of my ABAC colleagues at the ABAC meeting in Montreal earlier this month highlighted the importance of regular dialogue and interaction between business and the APEC policy community. The 2006 ABAC Interim Report to APEC Leaders speaks of the relationship between governments and business being at a “critical juncture.” The point at which political aspiration and commercial ambition encounter each other can be a friendly interface or an unstable faultline. Both parties have to work to ensure the latter doesn't occur.
2. We were pleased at the Montreal meeting to involve a number of key SOM members in our informal plenary session. That exchange of views followed immediately the successful and well-attended symposium on promoting private sector development, that was termed ‘the ease of doing business’, co-hosted by Canada and New Zealand. The symposium brought a tighter focus to long-standing ABAC concerns about complex taxation regimes, problems in accessing finance, the growing burden of regulation, and rigid labour laws.
3. I welcome the opportunity today to also bring the perspective of New Zealand export business to your consideration of FTAs-PTAs. The future of our economy is heavily dependent on the wellbeing and progress towards open regionalism of Asia-Pacific. Over seventy per cent of New Zealand's exports and imports are generated within the region. The percentage is increasing. Thirty per cent of our trade is now with partners in bilateral or sub-regional trade agreements. That would rise to over forty per cent with completion of agreements under negotiation.
4. Yet to date only one of New Zealand's preferential agreements is with a major trade partner- Australia. We are faced with the reality of being disadvantaged as a consequence of being excluded from agreements among two or more of our other partners. We are concerned about the prospect of distortionary trade flows. Most of our exporters fall into the SME category who find it harder to cope. So the theme and content of your deliberations and the possible policy conclusions that arise from this seminar are of particular interest to those involved in the export of New Zealand goods and services. Just as your findings will be of keen concern to our business colleagues in other APEC economies.
5. I have been asked as an ABAC participant to focus my remarks today on ‘model measures’ for FTAs-PTAs, on capacity building implications, and on the concept of a Free Trade Agreement of the Asia-Pacific (FTAAP).
6. ABAC is a staunch supporter of the multilateral approach to trade reform. Again this year, in the Interim Report, we are exhorting Leaders to bring pressure in global forums to achieve a meaningful result to the Doha Development Round. We are pleading once more for stronger efforts to reach the Bogor Goals, on time and in full.
7. Like Mother Nature, however, business abhors-distrusts and dislikes- a vacuum. Hence, in the absence of persuasive signs of progress in the wider international and trans-regional settings, unhesitatingly we support the aims and objectives behind the expanding network of sub-regional agreements. Admittedly, many of them are sub-optimal in ambition. But all, in varying degrees, have the potential to be useful tools of liberalization.
8. That comment may seem lukewarm. It simply reflects ABAC's less than total enthusiasm for the sub-regional approach to free and open trade. But let me assure you that ABAC recognizes the forty or so FTA/PTA agreements in place or being negotiated across the APEC community will influence future trade patterns. In what products, in what volume, among and to whom, at this

stage it is difficult to forecast. Trade will follow the flag, as for centuries it has. But the process of adjustment will be gradual. It will happen, but dramatic and early shifts in trade flows are unlikely.

9. On that point, ABAC members are aware of some criticism at government and official level that regional business has been slow to seize upon the new and seemingly tempting opportunities available in agreements already reached. Often with some puzzlement, business is asked by trade negotiators: "We've done the hard work; the door is now open, why don't you walk through?"
10. The explanation is that business does not respond to the same set of imperatives that drive the work of political Leaders and their policy advisors. Agendas, incentives, behavioural patterns; they all differ between the two settings.
11. Typically, company executives contemplating overseas ventures will take into account five key factors. All five of these fundamental considerations intersect. What are they? For ease of description, imagine the Olympic flag with its five linked circles:
 - PD; existing and potential demand for product
 - PP; likelihood of obtaining preferred price
 - PE; is the operating environment predictable
 - EA; ease of access to the market(s) in question
 - EODB; ease of doing business in that market(s)
12. Assessment of the first two of those five factors is a matter for business, largely on its own. On the last three, the actions of governments obviously determine how friendly or otherwise the prospective market may appear to business outside. But even the most benign regulatory environment has limited appeal if demand and likely return from that market are questionable.
13. Of course, business leaders prefer to be regarded as patriots and good regional citizens. But to be frank, wholesome thoughts about the welfare of one's domestic economy do not routinely motivate crucial export decisions. They are usually driven by the pursuit of a worthwhile return on investment; of being in a position to pass on a dividend of sufficient size to keep the shareholder happy, and of the prospect of retained earnings being at a level to underpin further market development.
14. I noted earlier that 'regional business abhors a vacuum'. At the same time, the typical business leader in all APEC economies is by nature cautious and conservative; compulsively wary of venturing into the unknown; of putting shareholders funds at risk and maybe their own. What they seek in the operating commercial environment for their offshore activities in and around the region is certainty, clarity, simplicity, consistency, and transparency. "Rules" that is, that undeniably and unambiguously are 'fit for purpose'.
15. That may strike you as a pretty tall order. You may well ask; how does it relate to today's topic? In essence, regional business has three core expectations:
 - the maximum level of assurance that the administrative and regulatory regime surrounding FTAs-PTAs is the result of sound and credible analysis;
 - that it has emerged from a process of robust and broad-based engagement with the parties that stand to be affected by any eventual agreement, and notably the business community;
 - and that procedures and protocols envisaged will be created only when a clear case for doing so has been established.
16. In other words, that the regulatory framework with which business must cope is justified, beyond argument, and does not merely reflect the risk averse tendencies of the regulators.
17. In the nature of things, true to its entrepreneurial character, regional business wants to benefit in all possible ways: to have:
 - a regulatory environment that is straightforward and secure, yet at the same time does not threaten to constrain their ability to innovate and exploit new opportunities;

- and where adherence to regulations is closely monitored, they would nevertheless prefer to be permitted to develop their own compliance solutions to suit their own particular circumstances.
18. It's also the case that the mindset of someone owning and operating an SME can differ from that of an executive responsible for the bottom line of a multinational corporate entity. The 'little guy' wants to know that simple, clear rules will apply and be administered honestly and equitably. Big business wants that too, but is more likely to be moved as well and to argue on the grounds of principle as much as prescription; in the case for example of cost recovery-where is the policy line to be drawn between profit and public good?
 19. Which brings me back to the context of today's dialogue. What's the attitude expected of regional business, contemplating the emerging patchwork quilt of forty or more FTAs-PTAs and the evolving pattern of trade hubs and spokes? Is there 'method' behind what at first glance might appear to be a bewildering mish-mash of disparate agreements? Is the urgency behind the proliferation of agreements not in reality what, from the business perspective, could seem to be a bizarre sort of race among APEC economies to see who can get the 'most runs on the board' in the shortest time?
 20. To say that of course is to severely overstate the situation and to risk belittling the underlying political and strategic motivations of governments. But I wouldn't want to underestimate the magnitude of the challenge facing APEC Leaders and officials. It's no small task to convince regional business that the expanding tapestry of agreements is truly designed and has genuine scope to promote economic growth, to foster commercial confidence, and to make domestic business sectors more globally and regionally competitive.
 21. Confirmation of the task of persuading business is not hard to find. At one level, there's evidence of 'survey fatigue' as ever fewer companies are ready to put time aside to complete the growing number of questionnaires officials put in front of them, or their trade associations do so at the request of officials.
 22. At the macro level, the spread of preferential-type arrangements in the region and concern whether the Doha Round will eventually succeed, help explain the proposal to establish an all-embracing Free Trade Agreement for Asia-Pacific; the FTAAP concept. Regional business is uneasy that under current trends markets will become increasingly fragmented. And exporters will have to absorb added transaction costs through the requirement to meet varying sets of compliance expectations as their products move between one regulatory framework and another; the spectre of dealing with differing sets of rules of origin is a good example.
 23. In case those comments strike you as too bleak by far, they are meant only to convey an impression of the stark realities that regional business, in its darker moments, perceives in the FTA-PTA trend. Be assured we see a lighter side to the picture.
 24. The proposed 'Catalogue of Agreements' ABAC is working on will be submitted to APEC for approval. A positive response would be taken as a sign of good faith that economies accept the need to provide their business sectors with a panoramic view of the emerging pattern of trade accords. This includes individual agreements being benchmarked against WTO compatibility or better. ABAC will not waver from its position that every regional agreement should aim to be WTO-plus.
 25. Likewise, ABAC commends APEC'S efforts, illustrated by this seminar, to develop model measures for common chapters in agreements. The Model Measures for Trade Facilitation adopted by Leaders in 2005 provide a valuable case-study; they offer a basis for negotiation of a high quality trade facilitation chapter.
 26. The opportunity given ABAC to contribute to the trade facilitation model measures was a reassuring precedent. Concerns over access to trade laws and regulations, release of goods regimes, impartial and predictable administration, paperless trading, and fair treatment of fees and charges; all these have featured prominently in ABAC submissions on facilitation issues to Leaders, ministers and officials.

27. Going forward, ABAC will look to work just as willingly on model measures in relevant fields such as standards and conformance, IP protection, e-commerce, anti-corruption, competition policy and government procurement. There are sensitive issues involved. Moreover, it is acknowledged that model measures are non-binding and without prejudice to the content of individual agreements. Within those limitations, ABAC's goal will be to have every agreed 'measure' achieve the highest possible level of objective standard of best practice. This includes a commitment to assist with capacity building in particular economies where necessary, and in meeting the region's ECOTECH needs.

Recommendations

28. I will conclude these remarks in the form of six key findings and/or recommendations. I believe they capture the thrust of the main points ABAC would want to submit as being appropriate to this seminar and through you convey to the MRT/Leaders:

- without prejudice to its support for the primacy of the multilateral trading system, ABAC recognises that high quality sub-regional agreements have value and are of potential benefit to business;
- in that context there is strong ABAC support for the 'model measures' exercise, objectively-based, and maintains its interest in further active participation in drafting additional chapters that reflect particular ABAC priorities;
- there is special support in ABAC for a comprehensive, easy-to- follow, 'Catalogue of Agreements', and the final document will be presented to APEC for endorsement as a valuable 'tool' for business and negotiators;
- the themes and specific recommendations from the May 2006 Montreal symposium on 'an enabling business environment for private sector development' are worthy of serious attention from Leaders, MRT and officials, especially the link identified between an economy's regulatory framework and its economic performance. The exercise should be repeated in 2007.
- ABAC urges a sympathetic and informed understanding of the reasons behind its decision to commission a feasibility study of the FTAAP concept;
- this dialogue between SOM and private sector representatives should become a regular feature on the annual work programmes of both parties.



Asia-Pacific
Economic Cooperation

2006/SOM2/FTA-RTA/009

The 4th SOM Policy Dialogue on RTAs/FTAs - Chair's Summary

Purpose: Consideration
Submitted by: SOM Chair



**4th SOM Policy Dialogue on RTAs/FTAs
Ho Chi Minh City, Viet Nam
28 May 2006**

THE 4th SOM POLICY DIALOGUE ON RTAs/FTAs

28th May 2006

Thong Nhat Palace

Ho Chi Minh City, Viet Nam

CHAIR'S SUMMARY

The 4th SOM Policy Dialogue on RTAs/ FTAs was held in Ho Chi Minh City, Viet Nam on 28 May 2006 with the participation of APEC Senior Officials, various speakers from private sector and participants from APEC member economies. The morning session was devoted to a dialogue between APEC Senior Officials and representatives from the private sector for discussion on the development of RTAs/FTAs in the APEC region and their impacts on the business sector. Business representatives suggested practical recommendations for SOMs' consideration, in particular possible ways in which APEC future work on RTAs/FTAs can help facilitate business in the region (detailed recommendations are reflected in ANNEX I). The main recommendations can be summarized as follows:

1. The multilateral trade liberalization system remains the first priority with RTAs/FTAs being complementary mechanisms to achieve free trade.
2. Businesses support trade liberalization in a very practical way. Businesses expect APEC governments to progress trade liberalization in many ways through multilateral, regional or bilateral tracks.
3. The new environment resulting from trade liberalization should be as predictable and transparent as possible, to facilitate business transactions and investment decisions.
4. A fair playing field and opportunities should be open to all, especially SMEs and Micro-enterprises (MEs) since the opportunities are normally monopolized by the major players in the region. New mechanisms to

assist SMEs and MEs to benefit from RTAs/FTAs should also be prioritized.

5. APEC should encourage development of comprehensive FTAs encouraging substantial trade in the region. In that regard, business strongly supports APEC development of Model Measures for FTAs and RTAs. This will help us in addressing the RTAs/FTAs “spaghetti bowl” problem.
6. Trade liberalization, either under the framework of FTAs, RTAs or WTO should ensure that entrepreneurs will be able to take on opportunities regardless of their size. Therefore technical cooperation and elements such as technology transfer could be included in trade agreements.
7. Trade liberalization and therefore FTAs/RTAs are not a panacea for growth and prosperity - it is just one avenue, and must be accompanied by micro-and macro-economic reforms, behind-the-border initiatives and structural adjustment programs in APEC member economies.
8. Harmonization of standards and simplification of regulatory frameworks are also crucial elements of high quality RTAs/FTAs.
9. Business would like to see APEC give consideration to the idea of an APEC-wide FTA, currently being examined by ABAC.
10. APEC governments should undertake outreach and training activities to raise awareness of the economic opportunities of new RTAs/FTAs as they are negotiated and concluded.
11. Closely related is the need to strengthen the capacity of the APEC Secretariat to support work on RTAs/FTAs and these related agendas.
12. This RTAs/FTAs policy dialogue between SOM and private sector representatives should become a regular feature on the annual APEC work program.

During the afternoon session, Senior Officials had very productive discussion on the recommendations raised by business representatives and how to accommodate those recommendations into APEC future works on RTAs/FTAs. Senior Officials in general support the practical recommendations, including on the issues of (i) the development of non-binding model measures for RTAs/FTAs as an useful tool of reference for APEC member economies; (ii) the need for enhancing RTAs/FTAs related capacity building programs; (iii) the necessity of further assisting SMEs and MEs to benefit from RTAs/FTAs; and (iv) the need for awareness raising for businesses with regard to RTAs/FTAs. Senior Officials also appreciated the usefulness of this informative and constructive dialogue and stressed that such a dialogue should become a regular item on the annual APEC work program.

Senior Officials agreed to note those recommendations from the private sector and to report to MRT 12 for Trade Ministers' consideration.

ANNEX

SPECIFIC POINTS OF BUSINESS RECOMMENDATIONS

I. Recommendations from presentation: “Viet Nam & FTA/FTAs: Perspective from a developing economy” by Viet Nam Chamber of Commerce & Industry (VCCI).

VCCI Viet Nam noted that influences of free trade often are two-sided. On the one hand, free trade helps to create large markets and encourage production and exports. On the other hand, if the domestic economy as a whole is not strong and competitive enough, many economic sectors may forfeit even in the home market. Put simply, the home market will shrink and lots of enterprises that are rather weak and uncompetitive will be in danger of bankruptcy. Moreover, to obtain the benefits of RTA/FTA we have a simple rule of origin and effective customs procedure otherwise administrative complications could severely diminish any potential benefits of FTA and further accentuate trade and investment diversion.

The VCCI support the idea of PECC which have been endorsed by APEC leaders that a “best practices” RTAs should among other things:

1. go beyond minimum WTO requirements
2. being comprehensive in scope, providing for liberalization in all sectors
3. phase-out periods for liberalizing of sensitive products to be kept to a minimum
4. are seen as first steps towards multilateral liberalization at a later stage
5. have simple rule of origin
6. allow wider accession on negotiated terms and conditions

In particular, VCCI supports ABAC ideas that it is important that FTAs and RTAs remain WTO plus that is they provide a degree of liberalization and commitments to issues such as trade facilitation and protection of intellectual property rights that go beyond the level being negotiated in the WTO. ABAC commends APEC’s efforts to develop model measures for common chapters in FTAs and RTAs. The Model Measures for Trade Facilitation provide a basis for negotiation and development of a

high quality trade facilitation chapter. We should continue to identify new FTA/RTA chapters for the development of model measures while considering chapters which would be most beneficial to the private sector and best serve to enhance trade and investment in the region

II. Recommendations from presentation: “Mexico, perspective of an economy with multiple RTAs/FTAs, the benefits, opportunities and challenges”, by Mexican Foreign Trade Business Organizations Network (MFTBON)

1. MFTBON believes that an FTA have certain advantages over Multilateral Agreements, such as: (i) Providing a definition of criteria to promote business development: rules of origin, standards, dispute settlement, etc.; (ii) Establishing simpler mechanisms for negotiations, monitoring and control; (iii) Promoting greater participation of the Business Community; (iv) The fact that there are fewer participants makes it easier to reach consensus; (v) Invariably, they are aligned with the World Trade Organization’s principles and (vi) Partners’ expectations are attainable in a shorter period of time than multilateral agreements.
2. The benefits obtained by consumers as a result of greater competition in the internal market arising from trade liberalization, providing advantages in acquiring inputs to be incorporated into their production or in capital goods in order to enhance their operations, or in consumer acquisitions. Other advantages of negotiating FTAs and RTAs lie in the opportunities to access new markets with preferential treatment. Another significant benefit is the legal certainty obtained from FTA and RTA negotiations, which guarantees the ability to plan the future of the investments made or about to be made with confidence and conviction.
3. The private sector does not have the responsibility to make political decisions, but they are responsible for freely and with intellectual honesty and to the best of our abilities, telling our governments, what in our view is fair, including academic thought and business expertise. The governments will have to decide on and if appropriate, shape an eventual trade

agreement; however businesses will share government's responsibility with its judgments, suggestions and proposals.

III. Recommendations from presentation: “Multilateral trade liberalization is most desirable way for development” by US ABAC Member, FedEx Senior Executive

FedEx representative is of the view that while multilateral liberalization of trade is most desirable because of it simplifies administrative burdens for business people, companies such as his will continue to support liberalization on a bilateral or regional basis as this method has yielded more results than the WTO. FedEx stressed that efforts to identify and implement Model Measures for RTAs/FTAs is the right thing to do and that it encouraged APEC to continue to do this.

IV. Recommendations from presentation: FTAs/EPAs - Will they bring a rosy future to us? Perspectives from SMEs by Founder and President of IRIS Research Institute, Japan

1. IRIS focused on the issue of Winners and Losers as well as the shadowy side of FTAs. FTAs might accelerate the widening of gap between the Winners and the Losers. In this process, big companies are always in the Winner position and the SMEs and Micro- enterprises are in the opposite position of the Losers. The 1st recommendation for the APEC governments is to become a mechanism to help the Losers, in other words, to give a second chance to Losers. Appropriate policy is the main instrument to help achieve this goal. The government should give business sector, especially SMEs and Micro-enterprises the opportunities which are normally monopolized by the major players.
2. IRIS also raised the question of what happens if dispute arises and “does private sector have any third party namely “fair judge” in FTA?” From that point, the second issue for APEC government is to establish a mechanism to play a role of “fair judge” among FTA partners within APEC by creating a Quasi-judicial committee in APEC, together with the endorsement and commitment by member economies.

V. Recommendations from presentation: Trans-Pacific Strategic Economic Partnership, Singapore's Experience in RTAs/FTAs by the CEO, Intraco Ltd Singapore.

1. Reducing tariff and non-tariff barriers to trade and investment is only one side of the equation. By creating greater awareness of the economic opportunities that lie across the Asia-Pacific, the RTAs/FTAs in general and the TPSEP in particular have helped bring down an intangible, yet very real barrier to trade and investment;
2. RAISING AWARENESS: Business communities need to understand the fact that FTAs can actually help them in their business activities. As such it is prudent for governments to specifically market the RTAs/FTAs to them to increase their awareness that they can use this agreement for their benefit;
3. Appropriate education is required to enable companies to fully understand how RTAs/FTAs can affect their activities in doing businesses. For instance, Singapore recently held a 3-day FTA Certification Program to equip Singapore-based companies with the necessary skills to interpret and implement FTA knowledge;
4. The matter of strengthening technology transfer and capacity building among member economies with an aim of generating synergy between economies and it will lead to higher productivity gains;
5. ABAC is now moving ahead with its feasibility study of the FTAAP, where in a way that can be considered as a TPSEP + model. The TPSEP leading to the FTAAP will mature into an agreement that could eventually include more APEC economies, so that it will fulfill its potential of helping us achieve the Bogor Goals of free and open trade and investment. Considering the possibility of developing and establishing an FTAAP for the sake of APEC business community.

VI. Recommendations from presentation: RTAs/FTAs: Perspective from business by the Chairman of the Horticultural Export Authority and Director of the New Zealand Institute of International Affairs

Chairman of the New Zealand Horticultural Export Authority, Mr. Brian Lynch focused on the “model measures” for FTAs-PTAs, on capacity building implications, and on the concept of a Free Trade Agreement of the Asia-Pacific (FTAAP).

1. The main factors businesses, especially SMEs and Micro-enterprises consider in making their decisions about trying to enter overseas markets. There are many difficulties in this process and it is even more difficult for enterprises in the context of the RTAs/FTAs spaghetti bowl in the APEC region and the world;
2. The Model Measures for Trade Facilitation adopted by Leaders in 2005 provide a valuable case-study; they offer a basis for negotiation of a high quality trade facilitation chapter. Going forward, ABAC will look to work just as willingly on measures in relevant fields such as standards and conformance, IP protection, e-commerce, anti-corruption, competition policy and government procurement. It is acknowledged that model measures are non-binding and without prejudice to the content of individual agreements. Within those limitations, ABAC's goal will be to have every agreed ‘measure’ achieve the highest possible level of objective standard of best practice. This includes a commitment to assist with capacity building in particular economies where necessary, and in meeting the region’s ECOTECH needs
3. Mr. Brian Lynch also came up with six key findings and/or recommendations to SOM and higher levels as follows:

- (i) Recognizing that high quality sub-regional agreements have value and are of potential benefit to business;
- (ii) ABAC supports for the 'model measures' exercise, objectively-based, and its interest in further active participation in drafting additional chapters that reflect particular ABAC priorities;
- (iii) Special support for a comprehensive, easy-to- follow, 'Catalogue of Agreements';
- (iv) The themes and specific recommendations from the May 2006 Montreal symposium on "an enabling business environment for private sector development" are worthy of serious attention from Leaders, MRT and officials, especially the link established between an economy's regulatory framework and its economic performance;
- (v) Urges a sympathetic and informed understanding of the reasons behind its decision to commission a feasibility study of the FTAAP concept; and
- (vi) Dialogue between SOM and private sector representatives should become a regular feature on the annual work program of both parties.