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Background Paper: Advancing Regional Economic Integration and Quality Growth

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Submitted by: Peru



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Background Paper

Regional Economic Integration and Quality Growth

I. Background

Since its establishment, APEC's primary goal is to support sustainable economic growth and prosperity in the Asia-Pacific region. APEC is united in its drive to build a dynamic and harmonious Asia-Pacific community by championing free and open trade and investment, promoting and accelerating regional economic integration, encouraging economic and technical cooperation, enhancing human security, and facilitating a favourable and sustainable business environment.

In this regard, integrating the region and ensuring that goods, services and people move easily across borders is at the core of APEC's goals. Members facilitate trade through faster customs procedures at borders; more favourable business environments behind the border; and aligning regulations and standards across the region. For example, APEC's initiatives to harmonize regulatory systems are a key step towards the Asia-Pacific economy integration. A product can be easier to export if there is just one set of common standards across all economies.

Economic integration efforts in the Asia-Pacific region have entered a critical stage, and are now facing both challenges and opportunities. The proliferation of regional RTAs/ FTAs has created favourable trade liberalizing momentum that complements the multilateral trading system as embodied in the WTO. However, it has also resulted in a "spaghetti bowl" effect, posing complex new challenges to regional economic integration and to businesses.

In this regard, in 2006, APEC economies agreed to examine the long-term prospect of a Free Trade Area of the Asia Pacific (FTAAP). In 2010, APEC Leaders instructed APEC to take concrete steps toward realization of the FTAAP by developing and building on ongoing regional undertakings such as ASEAN + 3, ASEAN + 6, and the Trans-Pacific Partnership as possible pathways to FTAAP. At the same time, the Bogor Declaration issued during the 1994 APEC Economic Leaders' Meeting in Bogor, Indonesia established the direction for APEC's progress. APEC sets the Bogor Goals of: "the industrialized economies achieving the goal of free and open trade and investment no later than the year 2010 and developing economies no later than the year 2020".

This year APEC Leaders reaffirmed their commitment to the 2010 APEC Leaders' Growth Strategy by recognizing its continuing relevance in guiding APEC towards its fundamental purpose of providing prosperity to the region through trade and investment liberalization and facilitation. Last November in Manila, our aspirations towards a balanced, inclusive, sustainable, innovative, and secure growth in the APEC region were reaffirmed, by agreeing on an APEC Strategy for Strengthening Quality Growth until 2020 to bring greater focus to the importance of pursuing quality growth as envisaged in the 2010 APEC Growth Strategy.

II. Continuity

1. Free Trade Area of the Asia-Pacific (FTAAP)

In 2014 APEC Leaders decided to "kick off and advance the process in a comprehensive and systematic manner towards the eventual realization of the FTAAP" To this end, Leaders endorsed the Beijing Roadmap for APEC's Contribution to the Realization of the FTAAP. Through the implementation of this Roadmap, Leaders committed to "accelerate efforts on realizing the FTAAP on the basis of the conclusion of the ongoing pathways", and affirmed their "commitment

to the eventual realization of the FTAAP as early as possible by building on ongoing regional undertakings”.

Furthermore, APEC Leaders agreed, in their 2014 Declaration “to launch a collective strategic study on issues related to the realization of the FTAAP” and instructed officials “to undertake the study, consult stakeholders and report the result by the end of 2016.”

The APEC Ministers Responsible for Trade agreed the Terms of Reference (TOR) for the Collective Strategic Study in 2015, which sets out its objectives, drafting arrangements, timeline and structure. A Task Force to undertake the Collective Strategic Study was established comprising all the 21-member economies. A Core Drafting Group comprising 14 Task Force members was established to initiate and coordinate the drafting of each chapter of the Study. Subsequently, APEC Ministers agreed on a Mechanism for drafting and editing the study and welcomed the development of work plans for each chapter by lead drafting economies, as living documents to guide the preparation of the first draft chapters to be submitted by 15 January 2016. Peru considers the Collective Strategic Study as one of the main deliverables for 2016, and is fully committed towards its realization.

There are other undertakings established in the Beijing Roadmap, the first being the APEC Information Sharing Mechanism on RTAs/FTAs. This initiative seeks to increase transparency of existing RTAs/FTAs and better understanding among our economies of possible pathways which will contribute to building stakeholder support and lead to the eventual realization of a truly beneficial FTAAP. Its main annual deliverables include the realization of technical and high-level dialogues on RTAs/FTAs topics. Peru, as APEC host, is responsible for proposing a high-level dialogue, which to be organized by August 2016.

Other undertaking included in the Beijing Roadmap include the Capacity Building Needs Initiative (CBNI), which consists in a series of seminar/workshops targeting various FTA chapters which address capacity building requirements related to FTA negotiation and implementation. CBNI seeks to narrow gaps in capacities of economies and facilitate the realization of the FTAAP. Aligned with the CBNI, Peru is organizing two workshops related to negotiation of FTA services chapters and international investment agreements in 2016.

2. Bogor Goals

According to what was agreed in 2011¹, economies will be assessed in 2016, for a second term Bogor Goals review. Economies that were assessed in 2010 might give emphasis to areas where shortcomings were highlighted in the 2010 Leaders' Statement on Bogor Goals Assessment.

Preparations for the Second Term Review of the Bogor Goals were finalized in 2015. These included a revised Individual Action Plan (IAP) template for economies to report on progress, which among other things will **sharpen the focus of reporting on non-tariff measures (NTMs)**. The Committee on Trade and Investment agreed to the timeline and process for the Second-Term Review.

In this sense, Peru, as host economy, supported by the APEC Secretariat and the PSU, will lead the assessment based on the information provided in the IAP Template, and information setting out the prevailing situation of trade and investment liberalization and facilitation of the economies, and use, where possible, indicators to facilitate said assessment.

3. Global Value Chains

During 2015, discussions were conducted to take forward the APEC Strategic Blueprint for promoting Global Value Chains Development and Cooperation agreed by the Leaders in 2014.

¹ 2011/AMM/014app01

4. Trade Facilitation

In 2014, work continued to be developed on various initiatives related to the Supply-Chain Connectivity Framework Action Plan (SCFAP) with a view to achieving the APEC-wide goal of a 10% improvement in supply chain performance in terms of reduction of time, cost, and uncertainty of moving goods and services through the Asia-Pacific region by 2015.

Support to the Multilateral Trading System was also renewed. Under CTI and its sub-fora, views continued to be exchanged during its meetings on possible contributions they could make in support of the WTO. Particular attention was placed on the implementation of the WTO Trade Facilitation Agreement (TFA). Considering that entry into force of TFA requires ratification of more than two-thirds of WTO Members, Senior Officials endorsed recommendation by CTI at SOM1 on a statement requesting Senior Officials to urge member economies to notify the WTO of their acceptance of the TFA as quickly as possible.

Another important sub-fora outcome is related to the Single Window initiative. Since 2007, the Sub-Committee on Customs Procedures (SCCP) has implemented ground-breaking work to establish Single Window systems for streamlining the export-import process via an online system that links all government agencies responsible for permits, certificates and fees. To date, 15 APEC economies have implemented various stages of the Single Window system as a result of 2014 SCCP Single Window Survey. SCCP plans to continue providing capacity building and technical support for member economies to establish and improve their individual Single Window with the least delay possible. In addition, SCCP is also working towards realizing interoperability of Single Window systems amongst APEC member economies.

5. Quality growth

“Quality growth and Human development” is the main theme chosen by Peru for 2016. Given that the world economy is based more in knowledge and access to information, rather than in a mere accumulation of material wealth, it is desirable to refocus our approach to development into one that is people-centered. In this context, it is becoming more suitable to consider growth as a comprehensive goal, which shall encompass the cross-cutting nature of today’s developmental issues.

With the new APEC Strategy for Strengthening Quality Growth recently adopted by the Leaders in Manila, Peru will set the tone for its practical implementation as we move into 2016.

III. Areas of work and deliverables for 2016

1. Free Trade Area of the Asia-Pacific (FTAAP)

- To adopt the Collective Strategic Study on Issues Related to the Realization of the FTAAP. (Peru is co-leading chapter 8 of the current draft)
- Policy dialogues on RTAs / FTAs in the region.
- Capacity building on Existing International Investment Agreement (IIAs) in the APEC Region to address Coherence in Treaty Making
- Capacity building workshop on Negotiations of Services Chapters under FTAs with a negative list approach

2. Bogor Goals

- To present the Second Term Review of the Bogor Goals. (in coordination with the PSU)

3. Global Value Chains

- To develop an initiative to promote insertion of SMEs into GVCs of services-related sectors.²

4. Trade Facilitation

- Best Practices on Critical Issues in the Asia-Pacific Region for the Implementation of WTO Trade Facilitation Agreement
- Promote interoperability of foreign trade single window. Build a common understanding.
- Promote discussions to develop the second phase of the Supply Chain initiative

IV. Timeframe

Consultations on this background paper and proposals by economies, relevant working groups' Lead Shepherds and Chairs, shall be received until 21 January 2016.

Activities shall be included in annual working plans whenever possible.

² Due to the link between GVCs and SMEs related to this initiative, this is also mentioned in Background Paper: Towards the modernization of Small and Medium Enterprises (SMEs) 2016