

PRESS RELEASE

Need to improve SME access to international trade to promote inclusive growth

22 May 2015 (Boracay, Philippines) – Regional trade ministers gathering in Boracay for APEC should make improving the access of small companies to compete in global markets a top priority. In a survey conducted by the Pacific Economic Cooperation Council (PECC), 52 percent of respondents rated the facilitation of small and medium enterprises (SMEs) in global value chains as a top 5 priority for APEC, followed by the achievements of the Bogor Goals and the Free Trade Area of the Asia-Pacific (FTAAP); services sector reforms and liberalization; the design of trade policy in response to global value chains; and how economies can move to upgrade their participation in global value chains.

“The emphasis on the role of global value chains reflects the changing nature of how international trade takes place,” said Mr. Eduardo Pedrosa, Secretary General of the PECC. “Being an effective exporter also requires being an efficient importer, having high barriers to trade is the worst thing an economy can do if it wants to benefit from trade. Parts move from one place to another before final assembly and reaching the consumer - small trade costs are magnified by the number of times the parts move.”

While trade growth is expected to remain below levels before the global financial crisis, the policy community does expect growth to be stronger over the next 5 years. Export grew by 4.6 percent in 2013 and slightly slowed to 4.5 percent in 2014 while expectations for 2016 through 2017 are at 5.2 percent.

More policy reforms are needed to help especially small companies enter the global market directly and enter global values chains. This includes simplifying compliance with the rules of origin.

“Improving services efficiency is critical to increase competitiveness across all parts of the economy – agriculture, manufacturing and services,” said Mr. Pedrosa. “For example, to improve farmers’ incomes there is a need for efficient transportation, storage, water provision and other services that they use.”

Regulatory measures such as telecoms, finance, and transport were ranked as the top impediments to trade and were considered the third highest trade issue priority for APEC to address.

While the completion of identified pathways such as the Trans-Pacific Partnership (TPP) and the Regional Comprehensive Economic Partnership (RCEP) were seen as the top priority for achieving an eventual Free Trade Area of the Asia-Pacific (FTAAP) across the region, for Southeast Asian respondents, the top priority was capacity building programs to ensure that APEC member economies can meet the standards of a potential FTAAP. “This should be the focus of APEC work in this area so all regional economies can benefit from the process,” said Mr Pedrosa.

In addition to technical capacity, the region needs to address supply side constraints to ensure that the benefits of economic integration are more broadly shared. While the region is moving towards a Free Trade Area of the Asia-Pacific, the report suggested that there is a need to think carefully about design citing low utilization of existing agreements. Over 77 percent of respondents rated complex rules of origin as being important or very important in terms of its impact on the ability of

businesses to use regional and free trade agreements. “APEC can do a lot to promote the participation of smaller companies in international trade by reducing compliance costs through a well-designed FTAAP,” he explained.

Of 304 opinion-leaders who contributed to the PECC trade survey, 106 were from the business sector, 51 from government, and 147 from the academia, media, and civil society.

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