



**Asia-Pacific  
Economic Cooperation**

**Advancing** Free Trade  
for Asia-Pacific **Prosperity**

# **APEC Capacity Building Workshop on RTA/FTA Negotiation Skills for Micro, Small and Medium Enterprises**

Ho Chi Minh, Viet Nam | 19-19 July 2019

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# **APEC CAPACITY BUILDING WORKSHOP ON RTA/FTA NEGOTIATION SKILLS ON MICRO, SMALL AND MEDIUM ENTERPRISES**

**18 – 19 July 2019**

**Ho Chi Minh, Viet Nam**

## **Summary Report**

### **I. INTRODUCTION**

On 18 and 19 July 2019, the APEC Capacity Building Workshop on RTA/FTA Negotiation Skills on Micro, Small and Medium Enterprises (MSMEs), initiated by Viet Nam and co-sponsored by Canada; Indonesia; Japan; Malaysia; Papua New Guinea; Philippines; Russia; and Chinese Taipei was held in Ho Chi Minh, Viet Nam. Speakers and participants came from business associations; international organizations and research institutions and APEC member economies' relevant Ministries and government's agencies.

The Workshop aimed at the following objectives:

- Increased capacity of negotiators, policymakers, and regulators with practical relevance, to participate in negotiations and implementation of SME-related chapters in Free Trade Agreements (FTAs);
- Share best practices and experiences in preparing for, conducting of negotiations and implementation of the final outcomes;
- Provide an opportunity of networking among SME negotiators, policy-makers and regulators.

### **II. BACKGROUND**

The world has seen the proliferation of regional and free trade agreements (RTAs and FTAs). According to statistics of the World Trade Organization (WTO), as of January 2018, 284 RTAs were in force. As of June 2016, all WTO members now have an RTA in force.

In November 2014, APEC Economic Leaders encouraged economies “to design and conduct capacity building programs for specific sectors as lead economies.” APEC Ministers “welcomed the decision to approach capacity building activities with strategic foresight by undertaking multi-year projects, such as supporting APEC’s work to strengthen and deepen regional economic integration, and facilitating the realization of Free Trade Area of the Asia –

Pacific (FTAAP).” In the meantime, the APEC Capacity Building Needs Surveys<sup>1</sup> revealed that one of important areas that economies are interested in building and enhancing negotiation skills is small and medium enterprises (SMEs).

In the meantime, APEC has not conducted any workshop specifically aimed at building and enhancing FTA negotiation skills for personnel in SMEs. This Workshop, therefore, addressed the capacity building needs of APEC economies through a workshop to equip negotiators with relevant information, references, and preparation skills to participate in SME-related negotiations and maximise gains.

The Workshop was targeted to train mid-level and junior government officials, who were responsible for RTA/FTA coordination, negotiation and implementation on SMEs. Mid-level and junior government officials were important targets of this Workshop since they are potentials or already involved in SMEs-related RTA/FTA coordination, negotiation and implementation however they may lack certain skills, knowledge or experience to effectively coordinate, negotiate and implement SMEs related provisions in RTAs/FTAs.

It is expected that the trained officials will better understand and be equipped with negotiation skills through simulation exercises and sharing of experiences from invited speakers and participants to the Capacity Building Workshop. Thus, to some extent, the project will help to narrow the gaps in RTA/FTA capacity among APEC member economies.

The project also contributes to the Boracay Action Agenda to Globalize MSMEs as it helps MSMEs to benefit from free trade and investment through actual and specific commitments on SMEs in RTAs/FTAs.

Last but not least, this capacity building project is in among the sectors that are listed in the 3<sup>rd</sup> Regional Economic Integration (REI) Capacity Building Needs Initiative, which was endorsed in November 2017.

### **III. OPENING REMARKS**

In the opening remarks, **Ms Pham Quynh Mai (Viet Nam’s Senior Official to APEC and Deputy Director General, Multilateral Trade Policy Department, Ministry of Industry and Trade, Viet Nam)** stressed that the APEC Capacity Building Needs Initiative (CBNI) initiated by Korea, and with the active participation of the participating economies such as Viet Nam, United States, Peru, Japan etc. aims to build and enhance capacity for FTAs negotiations from developing APEC members in the proliferation of negotiated and concluded FTAs.

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<sup>1</sup> The survey on “APEC Capacity Building Needs Initiative” was prepared and led by Korea with the participation of APEC member economies under APEC Committee on Trade and Investment in the 4<sup>th</sup> quarter of 2017. The survey is designed to assess various aspects of the workshops that have been held so far during Phase II of the CBNI and to consult with member economies on how to better improve the CBNI in the future. The survey was the basis for developing the Action Plan Framework for the 3<sup>rd</sup> REI Capacity Building Needs Initiative.

Sharing information, knowledge and practical experience in domestic consultations, policies research and trade barriers elimination processes for FTA negotiators are useful and necessary in order to narrow the capacity gap between developed and developing APEC members. This is also one of the complementary activities to prepare a foundation for the realization of the Free Trade Area of the Asia-Pacific (FTAAP) in the future, after the Bogor goals have been accomplished.

As the progresses made in the Doha Round of the WTO was very slow, the Senior Official stated that implementation of the outcomes of WTO Ministerial Conferences in Nairobi and Buenos Aires showed little practical effect and economies in the region and around the world were turning to bilateral and plurilateral FTAs to promote trade and investment with potential partners. Along that line, besides traditional trade issues such as Trade in Goods, Trade in Services, Investment, etc. new issues have also been brought into FTA negotiations such as: labor, environment, intellectual property, small and medium enterprises. It is, therefore, crucial to understand and practice FTA negotiation skills and techniques in the topic of small and medium enterprises in order to most effectively negotiate and implement RTAs/FTAs. This Workshop, therefore, is expected to create favorable conditions for participants to exchange negotiating experience, preparation processes for FTA negotiation skills in SME-related Chapter or provisions.

Ms Pham hoped that the participants would be fully equipped with information about SME-related Chapter or provisions so as to gain and share valuable experience and enhance their understanding and negotiation capacities.

#### **IV. KEY ISSUES**

##### **1. The necessity of having SME Provisions/Chapter in FTAs**

- *Ms Emmanuelle Ganne (Senior Analyst, Economic Research and Statistics Division, World Trade Organization)* discussed the challenges faced by micro, small and medium-sized enterprises (MSMEs) in participating in international trade and gave an overview of MSME provisions in FTAs. While MSMEs account for more than 90 per cent of companies world-wide, their participation in international trade remains very limited due to lack of skills and knowledge about international markets, limited digital connectivity (developing economies), higher fixed costs, non-tariff barriers and difficulties to access trade finance. Governments are increasingly using FTAs to try and support MSMEs' participation in international trade. More than half of the FTAs notified to the WTO include MSME-related provisions (166 out of 312). Such provisions are featured primarily in six chapters: cooperation; government procurement; investment; e-commerce; trade in services; and customs and trade facilitation. Most MSME-related provisions take the form of cooperation provisions and exemptions from rules.

**2. Preparing for Negotiations, Ministry of International Trade and Industry, Malaysia) shared experience of Malaysia in negotiating the CPTPP (CPTPP: Comprehensive and Progressive Trans-Pacific Partnership) – SMEs Chapter with the first important thing is to identify the domestic priority. After thing SME Provisions/ Chapter in an FTA**

- *Mr Nik Mohd Salihin Nik Mustafa (Principal Assistant Director, Strategic Negotiation Division, the speaker presented about the FTA implementation of Malaysia in which it is important to understand the stakeholders. SME is considered as the backbone of the economy. He introduced some Chapters that related to SMEs such as: A standalone chapter on SMEs that promotes information sharing between parties, as well as establishes committee on SMEs to assist SMEs to take advantage of commercial opportunities under the CPTPP Agreement, sharing best practices and encouraging capacity building; Chapter 15 – Government Procurement (Facilitation of Participation by SMEs), The Parties recognize the important contribution that SMEs can make to economic growth and employment and the importance of facilitating the participation of SMEs in government procurement.*
- *Mr Tohru Nakanishi (Assistant Director, Ministry of Economy, Trade and Industry, Japan) presented about the status of MSMEs' EPA (EPA: Economic Partnership Agreement) utilization in Japan. He said that Japanese MSMEs' EPA utilization rate tends to be lower when compared to those of large companies. The biggest reason is that many Japanese MSMEs are not familiar with the EPA itself or its procedures. The Japanese government thinks it important to introduce a chapter or provisions for MSMEs in EPAs, which enable MSMEs to utilize EPAs as much as they can. In order to promote MSMEs' trade and investment through EPAs, it is important to engage in fact-finding before launching EPA negotiations. Japan has established a communication environment not only with these organizations, but with over 1,000 support agencies including local governments. To conclude the presentation, the speaker came up with some recommendations: necessary preparations before EPA negotiations are as follows; preliminary survey (understanding the actual situation of SMEs, identifying target economies, etc); collection of issues and needs; exchanging views with stakeholders; measures to support overseas expansion as an exit strategy.*

**3. Negotiating SME Provisions/ Chapter in an FTA**

- *Dr Christina Sevilla (Deputy Assistant U.S. Trade Representative for Small Business, Office of the U.S. Trade Representative (USTR), Executive Office of the President, USA) discussed benefits to SMEs from FTAs. Speaker emphasized that SMEs are the backbone of the U.S. economy, creating two-thirds of all new jobs in recent decades. The speaker shared that tariffs and non-tariff barriers can disproportionately burden SME businesses exporting to foreign markets. FTAs can reduce costs, save time, reduce risks and red tape, and help small business grow and expand their international sales.*

She shared experiences of the United States in domestic consultations and international negotiation on SMEs Chapter. Dr Sevilla presented an example of the United States-Mexico-Canada Agreement (USMCA) SME Chapter Text handout for full text including SME cooperation, information sharing tools for SMEs, an SME Committee comprised of government officials, an ongoing SME Dialogue, and mentioned some important Chapters with provisions that benefit SMEs such as: Customs and Trade Facilitation, Digital Trade, Intellectual Property, Cross Border Trade in Services, Good Regulatory Practices.

- *Mr Djatmiko Bris Witjaksono (Head of the Center for International Trade Cooperation, Trade Policy Analysis and Development Agency, Ministry of Trade, Indonesia)* divided his presentation into 4 main parts: (i) Coverage of FTA/CEPA (CEPA: Comprehensive Economic Partnership Agreement) Negotiation; (ii) Objectives of the Trade Agreement; (iii) SMEs Chapters; (iv) Conclusion & Recommendation. In the first part, he talked about objectives of the trade agreement which are designed to reduce the barriers to trade between two or more economies. Lowering barriers helps industries access new markets, boosting their reach and the number of people they can sell their products to. After that, he introduced a sample SMEs Chapter with a real case of EU-Japan Economic Partnership Agreement. At the end of the presentation, the speaker came up with some conclusions such as: (a) SMEs is one of stakeholders of CEPA and have an important role for individual economy as well as within region; (b) Every economy has their own definitions, policies, program, density/population, performance, and role of their SMEs; (c) It will be another meaningful benefits/outcomes to have a specific chapter of SMEs within FTA/CEPA Agreements; (d) It require comprehensive understanding, objectives, and readiness before entering the negotiation, due to the binding privilege of the FTA/CEPA as an international treaty. He finally suggested negotiators to know the economy's own environmental/ecosystem, set objective, and prepare multiple scenarios.

#### **4. Experiences in Coordination and Stakeholder Consultation**

- *Ms Nguyen Thi Thu Trang (Director, Center for WTO and Integration, Viet Nam Chamber of Commerce and Industry)* shared about consultation on SMEs issues in FTA negotiations focusing the Case of Viet Nam. Viet Nam Chamber of Commerce and Industry (VCCI) is the representative of the whole Viet Nam business community and the focal point for business voices in domestic and international trade policy. The speaker talked about 3 moments for the business community to engage which are: Pre-negotiation consultation, negotiation and internal approval. In the second part, Ms Trang introduced commitments of Viet Nam in some FTA such as SMEs commitments in CPTPP, EVFTA (EVFTA: FTA between the European Union and Viet Nam), Regional Comprehensive Economic Partnership Agreement (RCEP). She also mentioned about the desires and expectations in consultation. At the end of the



presentation, she suggested ways to make SMEs consultation more effective in FTA negotiation by make it more open, more substantial, and more categorized.

- *Ms Justine Grace Roberts (Policy Officer, Trade Policy Engagement Unit, Ministry of Foreign Affairs and Trade, New Zealand)* presented about the public engagement on trade in New Zealand. To begin the presentation, she listed out FTA that New Zealand is having with partners and its status of implementation. Engagement on trade in New Zealand includes calls for feedback, websites, face-to-face meetings, targeted emails and social media. The speaker presented briefly about the process of consultation for each period: (i) Feedback sought from public, (ii) Summary of feedback released, (iii) Trade-for-All Advisory Board. At the end of the presentation, Ms Robert introduced the tools for business which is used for tariff finder and report issues.

## **5. Best Practices in Post-negotiation Implementation**

- *Ms Mary Elizabeth Chelliah (Principal Trade Specialist, Ministry of Trade and Industry, Singapore)* recapped WTO Joint Ministerial Statement on MSMEs work program which aimed to favour horizontal and non-discriminatory solutions which are likely to yield benefits for the participation of MSMEs in international trade, taking into account the specific needs of developing and least-developed economies. She also introduced the work of Informal Working Group (WG) on MSMEs. WG is open to all WTO members and aims to address obstacles to MSME participation in International Trade. Current membership of group accounts for 78% of worlds exports. After that, she presented about CPTPP SMEs Chapter with its main clause “Information sharing”. She also mentioned about other issues such as: access to finance, better understanding of trade procedures and destination market via technical assistance and outreach activities, dealing with cultural and language differences, obtaining information via the internet. At the end of the presentation, she shared lesson learnt from SMEs chapter implementation and how to make it more effective and benefit for SMEs.
- *Mr Phan Manh Ha (Senior Official, External Economic Relations Division, ASEAN Secretariat)* started his presentation by giving brief information about SMEs’ role in the economy. He shared that SMEs account for between 88.8% and 99.9% total establishments in AMS (AMS: ASEAN Member States) and between 51.7% and 97.2% of total employment. The contribution of these enterprises to each AMS’ GDP (GDP: Gross Domestic Product) is between 30% and 53% and the contribution of SMEs to exports is between 10% and 29.9%. He showed that key players in implementing SMEs commitment are: Legislature, Government policy centres/ commissions and business entities. Negotiators should take the implementation process into account before, during and after negotiation. Mr Phan Manh Ha went through works for each stage of

consultation that need to be implemented and he came up with a graphic that showed the best practices in implementation.

## **6. Discussions**

- It is commented that companies – regardless of their sizes – can enjoy the tariff preferences if they can meet the rules of origin requirements. Thus, in RTAs and FTAs, SMEs can benefit.
- Key developments in the work of the WTO’s informal working group on SMEs: provide practical measures to assist SMEs, hold workshops on various topics to tackle with challenges that SMEs have to face, develop a set of recommendations (or guidelines) to support SMEs in international trade by the 12<sup>th</sup> Ministerial Conference (in June 2020), work with the World Bank to gather information on SMEs, come up with a check-list of issues to include in the Trade Policy Review that relates to MSMEs (micro, small and medium enterprises), etc.
- It is noted that lack of data on MSMEs (especially in developing economies) is a challenge. Some economies such as Malaysia is developing a database on MSMEs and stock-taking challenges relating to MSMEs.
- There is no common definition on SMEs in economies. A speaker shared that while negotiating the Trans-Pacific Partnership (TPP) agreement, there was a survey among parties showing that each party had a specific mechanism to assist SMEs and definitions on SMEs were differed (scopes of SMEs were also differed). Since it is difficult to harmonize definitions on SMEs, it was decided to leave TPP parties to define SMEs themselves. In Viet Nam, the Law on SMEs includes a definition on SMEs.
- Negotiators should not waste time on a definition on SMEs but to discuss on SMEs-related issues, what should be done to assist SMEs, how the Agreement can benefit SMEs.
- Regarding domestic consultations between the Government and SMEs, a speaker shared that Malaysia has held more than 300 consultations with stakeholders, including SMEs. Such consultations will be comprised of general consultations and consultations on specific topics. It is important to combine interests of all stakeholders and consider to include some in negotiations and feedback to stakeholders. In another economy, SMEs can submit their comments online or SME/industry association and other agencies (such as a trade advisory committee, an international trade committee) will also gather SMEs’ opinions.
- On how to map planning and research to prepare for negotiations, a speaker explained that conducting surveys is a tool to collect voices of the business community. JETRO (Japan External Trade Organization) will take responsibilities in undertaking surveys and prepare for mapping. JETRO will also hold briefing sessions on economic partnership agreements for SMEs, especially on investment mechanism, differences in rules of origin, etc.
- If there is any strong resistance from domestic industries on FTAs, the Government will react by trying to communicate with the industries and solve the issue(s). Consultations with stakeholders should be conducted as early as possible, and prior/ during negotiations as well as

in implementation process. Consultations can be made through exchange of emails or holding meetings with stakeholders.

- A speaker shared that 95 per cent of Vietnamese enterprises are SMEs. Viet Nam's Chamber of Commerce and Industry (VCCI) is a representative of SMEs. VCCI is in charge of providing training and education for the business community on FTA-related issues. It also develops a website with summaries of FTAs in a business-friendly language. VCCI works closely with the negotiation team on various issues and will harmonize requests from enterprises (choose most common issues/ comments).
- With comments through websites on SMEs- related texts (or Chapter), a speaker shared that there are available papers on negotiating mechanism for reference. If there is an issue, readers will know who they should contact to comment/ question. There is also a section on frequently asked questions in the Government's website providing relevant information to the public.
- On differences between the North American Free Trade Agreement (NAFTA) and the United States - Mexico - Canada Agreement (USMCA), a speaker briefed that USMCA includes an SME Chapter for the first time. . The SME Chapter under the USMCA focuses on cooperation, online information sharing tools to help SMEs better understand the benefits of the agreement and provide information useful to SMEs doing business in the region, an ongoing SME Dialogue, an SME Committee comprised of government officials, and highlights benefits to SMEs across the Agreement. Dispute settlement mechanism will not be applied to this Chapter but to other chapters relevant to SMEs such as customs procedures, trade in goods, trade facilitation, intellectual property etc.
- A speaker advised that an SMEs-friendly website should include a check-list for SMEs on steps to export goods/ services, step-by-step procedures, manuals, rules of origin, customized websites for SMEs.
- After negotiations, coordination and monitoring plays a pivotal role. Effective coordination will assure that the Agreement enters into force timely and precisely. To bring the most to SMEs, the Government should implement the whole Agreement, not only the SME Chapter. The Government should also select right FTA dissemination channels.
- ASEAN is changing their mind. Previously, there has not been an SME Chapter in ASEAN FTAs but negotiating the SME Chapter under the RCEP was concluded.
- A speaker shared that a general review on the utilization of the Agreement on ASEAN – Australia - New Zealand FTA revealed that the utilization rates in Laos, Cambodia and Myanmar were low as these economies used GSP (GSP: Generalized System of Preference) mechanism with MFN tariffs of 0%.

## V. SIMULATION EXERCISE

- Dr Rajan Sudesh Ratna (*Economic Affairs Officer, United Nations ESCAP, South and South West Asia Office, India*) conducted the Mock Negotiation on “Negotiating elements of a SME Chapter in a Free Trade Agreement”. The mock negotiation involved a negotiation on incorporating an Article on Small and medium enterprises (SMEs) since SMEs are the backbone of their economies in terms of their contributions to the economic growth and job creation. The details of the mock negotiation is at Annex 1 of this report. The participants were divided in two economy groups for this negotiation. The objective of the mock negotiation was to make the two groups reach an agreement on main elements of the SME Chapter in the FTA.
- The simulation involved three stages. The first stage was a preparatory process within the same economy group to prepare its negotiating position. The second stage was the mock negotiation, which also involved break outs and bilateral consultations and the last stage was for all the participants to share their experiences of this mock negotiation and the lessons learnt. The two economy groups first identified important elements (as per their perspective, in view of the brief prepared for the economy groups), which they thought are important to be included in the FTA chapter of SMEs. These included definition of SMEs, areas of cooperation, notification of nodal points for further communication, dispute resolution, transparency provisions etc. However, during the negotiations, both sides showed some flexibilities in accommodating other sides’ request, most of which related to areas of cooperation. Differences remained on the definition of SMEs and dispute resolution mechanism.
- Given that the time for the negotiation was short (around 90 minutes) a consensus on main elements were not reached, though there were agreements on certain elements like nodal points, cooperation areas etc. In the post-negotiation discussions, the participants expressed openly the lesson learnt and the challenges they faced. They also expressed that despite the fact that was only a ‘mock negotiation’, yet the negotiations were very intense and both sides were initially reluctant to table their proposals and rather waited for the other side to disclose. They felt that the most difficult issues that they faced during negotiations related to resolution of dispute settlement for SMEs and cooperation on non-tariff issues like SPS and TBT. The two sides showed no flexibility on these issues. The participants also expressed that discussing the institutional mechanism was though time taking, but that was another area where there was an agreement between two sides.

The participants expressed their happiness with the exercise and highlighted the lessons learnt from this mock negotiation exercise. They identified some of the important lessons that they learnt in the process, which included how important it is for them to prepare before going for any negotiation:

### *Lessons learnt from the simulation exercise:*

- Preparing for negotiations before going for the meeting is important;

- Analysing how an economy can affect the other economy is important;
- How to defend your point;
- Developed and developing economies have various SMEs-related issues and there are different ways to assist SMEs;
- Techniques to negotiate;
- Importance of the lead negotiator;
- Time pressure in negotiations.

***Lessons withdraw from the simulation exercise:***

- Domestic preparation (data, updated information, views of parties) before negotiation rounds is crucial;
- Prepare various perspectives as a change in negotiation may cause a change in perspective;
- There should be a specific CBNI program on dispute settlement;
- Each economy has its own domestic interests and negotiators want to protect their interests, however, sometimes negotiators need to compromise to get a landing zone;
- Clarity of information/ views is important;
- It is important to build a note of discussions on what agreed at the negotiation round;
- With a plan, negotiations would be easier;
- Negotiators should have a big picture on gain and trust;
- It is important to find common interests among parties.

***Dr Ratna highlighted his own experience and shared 10 perspectives which are important for any negotiation:***

- Know your BATNA (Best Alternative to Negotiate an Agreement) and prepare well before negotiations;
- Building relationship and trust;
- Deciding on the priorities;
- Not being afraid to offend;
- Patience to listen to the other side and ask questions;
- Caring too much on issues beforehand;
- Assume something non-negotiable (pre-judge);
- Not to focus on minor details at the beginning;
- Do not try to “WIN” (don’t argue endlessly); and
- Do not be offensive or threaten.

## **VI. RECOMMENDATIONS AND CONCLUSIONS**

During the final Session, participants shared what they learned from the Workshop and discuss the way forward for this project.

### **1. Take-away from the Workshop**

- Importance of stakeholder consultation;
- SME elements and the SME parameters in modern RTAs/FTAs;
- Experienced from other economies which already negotiated an SME Chapter;
- Technical skills in negotiating SME provisions/ Chapter;
- The composition of a SME Chapter in an FTA;
- Simulation exercises is a good way to learn dynamically and gets useful feedbacks, however it should give more time.

### **2. Recommendations to APEC/ individual economy**

- Capacity building (CB):
  - At domestic level: CB at targeted markets; Assist SMEs using Internet and digital tools to export; assist women owned/ managed SMEs;
  - CB at specific topics in an FTA;
  - A followed-up workshop based on this one.
  
- Activities/ initiatives:
  - A model Chapter on MSMEs in realization of FTAAP;
  - A portal (business matching) for SMEs?
  - Share experiences/ practices at provincial levels;
  - Create portal/ website that economies can share and access to SME-related information;
  - Horizontal issues such as gender.
  
- Actionable policies:
  - Create an APEC platform/ Committee on SMEs;
  - At coming APEC Summit: (i) select topic related to and of interests of SMEs, (ii) Dialogue between Leaders and SMEs;
  - Focus on: tariff, ROOs, trade facilitation (at APEC and WTO level);
  - Share best practices on SMEs provisions/ Chapter annually;
  - SME empowerment programs for women in rural areas.

## VII. ANNEX 1: CONTENT OF THE SIMULATION EXERCISE

Mock Negotiation: Negotiating elements of a SME Chapter in a Free Trade Agreement

### 1. *Introduction*<sup>2</sup>

Two economies “A” and “B” are negotiating a bilateral Free Trade Agreement (FTA). One of the important issues that they need to address in their negotiations relate to incorporating an Article on Small and medium enterprises (SMEs) since SMEs are the backbone of their economies in terms of their contributions to the economic growth and job creation.

SMEs represent over 60% of all companies in A and nearly 75% in B. In the FTA negotiations, A and B have to ensure that trade between the two partners are more transparent, easier and facilitate new regional and global value chains for their SMEs.

Parties agree that they want to enable SMEs to:

- Utilise FTAs for exporting to each other’s markets and increase bilateral trade and investment flows for SMEs. ;
- Be able to participate more in international supply chains, public procurement tenders and e-commerce activities.

In order to facilitate exports from SMEs, Parties agree that an Article on SMEs need to be incorporated in FTA text by providing special market access privileges to SMEs of A and B.

This Free Trade Agreement is, therefore, expected to represent an important mechanism for locking in meaningful market access gains and creating a fair, predictable and open regulatory system for SMEs.

### 2. *Scenario*

A Negotiating Group has been constituted to negotiate FTA text. You are a member of a negotiating team from one of two economies (A, B) (See list below of participants in each Team). Your team is responsible for negotiating the elements to be included in a SME Chapter.

A and B have differing economic characteristics and regulatory frameworks, as set out in the table below.

**The objective of the mock negotiation is to reach an agreement between two Parties on elements to be included in a SME Chapter in the FTA.**

Each team will have one hour to prepare for the mock negotiation and another hour to undertake the negotiation for defining what should be included in a SME Chapter. Each team is

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<sup>2</sup> Participants are encouraged to conduct research on SME policies and regulations, including within their respective economies, prior to attending the APEC training session and during breaks in order to familiarize themselves with the domestic policy and regulatory considerations.

encouraged to designate one person to act as a lead negotiator during the mock negotiation and the rest will be the advisors.

### **3. Characteristics of Each Participating Economy**

<p>Economy A</p>	<p>Economy A is the developed and large economy. In Economy A, the criteria for SME is the upper limit of employees. SMEs must have only up to 250 employees.</p> <p>In Economy A, SMEs are over 20 million in number. They: (i) provide 67% of the jobs in the private sector, (ii) generate nearly 58% of non-financial business economy added value in their economy, (iii) nearly a million of them export, and (iv) represent around 60% of A's total exporters.</p> <p>Economy A always requests an SME Chapter in all FTAs that they have negotiated in the past 5 years. In addition to above points, Economy A proposes to help SMEs to benefit fully from the trade agreement through an appropriate institutional set-up linked to the bodies created under an SME Chapter and other chapters of the agreement.</p>
<p>Economy B</p>	<p>Economy B is a developing economy with a middle-level GDP. It is a fast-growing economy with above average productivity rates, largely because it has embraced open trade and investment rules and a transparent, predictable regulatory system.</p> <p>Economy B applies a double criteria for SME - the upper limit of employment is 200 and a total annual turnover of the company of less than 8 million USD (in the sectors of agriculture, fishery, forestry, industry and construction) and 100 employees and total annual turnover of the company is less than 4 million USD (in the sectors of trading and services).</p> <p>In Economy B, SMEs (i) are over 17 million, (ii) employ 97% of the total workforce, (iii) generate about 60% of the value added in the economy, (iv) account for over 15% of the total exports of Economy B.</p>



## VIII. ANNEX 2: FINAL AGENDA OF THE WORKSHOP

<b>Thursday, 18 July 2019</b>	
<b>Time</b>	<b>Schedule</b>
08:30 – 09:00	<b>Registration</b>
09:00 – 09:15	<b>Opening Remarks</b> by Ms Pham Quynh Mai, Viet Nam’s Senior Official to APEC and Deputy Director General, Multilateral Trade Policy Department, Ministry of Industry and Trade, Viet Nam
09:15 – 09:25	<b>Participants introduction</b>
<b>Day 1: (i) Understanding SME Chapter/ Provisions; (ii) Prepare for Negotiating SME Provisions/ Chapter in an FTA</b>	
<b>Session 1</b>	
09:25 – 10:00	<p><b>The necessity of having SME Provisions/Chapter in FTAs</b></p> <p>The presentation(s) will review the proliferation of SME provisions/ Chapter(s) in free trade agreements. This Session will also introduce participants on how SME and trade are related and the rationale for including SME provisions in trade agreements.</p> <p>Moderator: Mr Nik Mohd Salihin Nik Mustafa, Principal Assistant Director, Strategic Negotiation Division, Ministry of International Trade and Industry, Malaysia</p> <p>Speaker: - Ms Emmanuelle Ganne, Senior Analyst, Economic Research and Statistics Division, World Trade Organization</p>
10:00 – 10:30	<b>Discussions</b>
10:30 – 11:00	<b>Coffee Break</b>
<b>Session 2</b>	
Session 2 11:00 – 11:45	<p><b>Preparing for Negotiating SME Provisions/ Chapter in an FTA</b></p> <p>During this Session, speakers will present on what to do before the negotiations begin. Speakers may also share good practices that they withdraw in this process.</p> <p><b>Moderator:</b> Ms Justine Grace Roberts, Policy Officer, Trade Policy Engagement Unit, Ministry of Foreign Affairs and Trade, New Zealand</p> <p><b>Speaker:</b></p>

	<p>- Mr Nik Mohd Salihin Nik Mustafa, Principal Assistant Director, Strategic Negotiation Division, Ministry of International Trade and Industry, Malaysia</p> <p>- Mr Tohru Nakanishi, Assistant Director, Ministry of Economy, Trade and Industry, Japan</p>
11:45 – 12:15	<b>Discussions</b>
12:15 – 14:00	<b>Lunch</b>
<b>Session 3</b>	
14:00 – 15:15	<p><b>Negotiating SME Provisions/ Chapter in an FTA</b></p> <p>In this Session, speakers will share practical experience in negotiating SME provisions/ Chapters in trade agreements. This Session will also discuss typical challenges in the negotiation of SME provisions/ Chapter in trade agreements.</p> <p><i><b>Moderator:</b></i></p> <p>Dr Rajan Sudesh Ratna, Economic Affairs Officer, United Nations ESCAP, South and South West Asia Office</p> <p><i><b>Speaker:</b></i></p> <p>- Dr Christina Sevilla, Deputy Assistant U.S. Trade Representative for Small Business, Office of the U.S. Trade Representative (USTR), Executive Office of the President, United State of America</p> <p>- Mr Djatmiko Bris Witjaksono, Head of the Center for International Trade Cooperation, Trade Policy Analysis and Development Agency, Ministry of Trade, Indonesia</p>
15:15 – 15:45	<b>Discussions</b>
15:45 – 16:15	<b>Coffee Break</b>
<b>Session 4</b>	
16:15 – 17:15	<p><b>Experiences in Coordination and Stakeholder Consultation</b></p> <p>Speakers will share various experience in coordinating and consulting stakeholders, including public engagement and social media. In this Session, speakers will be invited from negotiation team or the private sector, to share relevant perspectives.</p> <p><i><b>Moderator:</b></i></p> <p>Ms Emmanuelle Ganne, Senior Analyst, Economic Research and Statistics Division, World Trade Organization</p> <p><i><b>Speaker:</b></i></p> <p>- Ms Nguyen Thi Thu Trang, Director, Center for WTO and Integration, Viet Nam Chamber of Commerce and Industry</p>

	- Ms Justine Grace Roberts, Policy Officer, Trade Policy Engagement Unit, Ministry of Foreign Affairs and Trade, New Zealand
17:15 – 17:45	<b>Discussions</b>
17:45 – 17:55	<b>Introduction of the simulation exercise of Day 2</b>

<b>Friday, 19 July 2019</b>	
<b>Time</b>	<b>Schedule</b>
<b>Day 2:</b>	
<ul style="list-style-type: none"> <li>- <b>Simulation exercise</b></li> <li>- <b>Post-negotiation implementation</b></li> </ul>	
<b>Session 5</b>	
9:00 – 11:45	<b>Simulation exercise</b> (Coffee and snack is served outside of the Conference room at 10.30 AM) Moderator: - Dr Rajan Sudesh Ratna, Economic Affairs Officer, United Nations ESCAP, South and South West Asia Office
11:45 – 12:00	<b>Lessons from simulation exercise</b>
12:00 – 13:30	<b>Lunch</b>
<b>Session 6</b>	
13:30 – 14:30	<b>Best Practices in Post-negotiation Implementation</b> (Action plan, cost/opportunities/benefit analysis, dissemination, review etc)  <b>Moderator:</b> Dr Christina Sevilla, Deputy Assistant U.S. Trade Representative for Small Business, Office of the U.S. Trade Representative (USTR), Executive Office of the President, United State of America  <b>Speaker:</b> - Ms Mary Elizabeth Chelliah, Principal Trade Specialist, Ministry of Trade & Industry of Singapore - Mr Phan Manh Ha, Senior Official, External Economic Relations Division, ASEAN Secretariat
14:30 – 15:00	<b>Discussions</b>
15:00– 15:50	<b>The Way Forward</b> <b>Moderator:</b> Mr Phan Manh Ha, Senior Official, External Economic Relations Division, ASEAN Secretariat

15:50 – 16:00	<b>Closing remarks</b> by Ms Pham Quynh Mai, Viet Nam’s Senior Official to APEC and Deputy Director General, Multilateral Trade Policy Department, Ministry of Industry and Trade, Viet Nam
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