



Exchange Faculty Program

Universitas Terbuka –

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APEC and Trade



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APEC



- Asia-Pacific Economic Cooperation
- Cooperative, multilateral economic and trade forum
- 21 members with broad regional focus
 - Australia, Brunei Darussalam, Canada, Chile, China (PRC), Hong Kong (China), Indonesia, Japan, Korea (ROK), Malaysia, Mexico, New Zealand, Papua New Guinea, Peru, The Philippines, Russia, Singapore, Taipei (China), Thailand, USA, Vietnam
- Estab. 1989
- APEC aims to “create greater prosperity for the people of the region by facilitating balanced, inclusive, sustainable, innovative, and secure economic growth and by accelerating economic integration
- Indonesia – a respected leader in the group



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APEC: some stats



- More than 2.7 billion people
- 53% of world real GDP
- 44% of world trade
- Most economically dynamic region in the world
- Ave. annual growth of 3.5% (vs. 3.0% for non-APEC)



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APEC goals



- Can raise generic issues that cut across region
- Explore various alternatives
- Can deal with important new challenges: pandemics, countering terrorism, addressing climate change, and implementing structural policy reform



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Initial Objectives



- Develop and strengthen the multilateral trading system
- Increase the interdependence and prosperity of member economies, and
- Promote sustainable economic growth



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Bogor Goals



- Free and open trade and investment (Bogor goals) by further reducing barriers in the region and by promoting the free flow of goods, services, and capital among APEC economies.
- 2010 for industrialized economies
- 2020 for developing countries
- Bogor goals are voluntary, based on good faith and a pledge of best endeavor



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Results to date



- Average tariffs in the region have fallen from 17% to 6.1% in 2009.
- Non-tariff barriers have also been substantially reduced.
- Most of these are WTO-consistent measures
- Improved movement of goods, services, and people (more secure and efficient)
- Commitment to a “standstill” (no new protectionist barriers through the end of 2015)



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Cooperation and Consensus



- Decision making is reached by consensus (all members must agree)
- No binding commitments
 - “Pathways” are plans agreed to by all economies for the implementation of an initiative within or between all economies
- Compliance is achieved through discussion and mutual support in the form of economic and technical cooperation



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APEC Structure



- Heads of state
- APEC Ministers, Senior Officials, and APEC Business Advisory Council (ABAC)
- Four core committees:
 - Committee on Trade and Investment
 - Steering Committee on Economic and Technical Cooperation
 - Economic Committee
 - Budget and Management Committee
- Subcommittees, Experts' Groups, Working Groups, and Task Forces
- Permanent Secretariat based in Singapore



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Issue coverage



Action plans; agriculture; agriculture biotechnology; anti-corruption; APEC Business Advisory Council; APEC study centers; automotive; chemicals; competition policy; consumer protection; counter-terrorism; customs; data privacy; deregulation; economic and technical cooperation; education; electronic commerce; emergency preparedness; energy; finance; fisheries; food system' free trade agreements and regional trade agreements; gender issues; health; human resources development; illegal logging; import regulation; intellectual property; investment; life sciences;



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Issue coverage, cont



- marine conservation; market access; mining; mobility of business people; Osaka action agenda; rules of origin; science and technology; services trade; small and medium sized enterprises; standards and conformance; structural reform; tariff and non-tariff measures; telecommunications and information; tourism; trade facilitation; transparency; transportation; youth



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Some successes



- Align standards regimes with international norms to facilitate innovation and new technologies and to offer consumers better prices and greater choice
- Harmonize, standardize, and simplify customs procedures
- Technical assistance projects which develop skills and strengthen economic infrastructure
- APEC Business Travel Card (ABTC) – used by over 100,000 travellers



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APEC focus: 3 areas



1. Trade and Investment Liberalization

- Opening markets and reducing tariff and non-tariff barriers
- Since 1989, average tariffs have declined by 70%
- Development of “model” regional trade agreements (RTAs) and free trade agreements (FTAs)

2. Business Facilitation

- Helps importers and exporters conduct business more efficiently
- Focus has been on reducing business transaction costs
 - Reduction of 5% between 2002 and 2006
 - A further 5% reduction achieved between 2007 and 2010



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APEC Focus (cont)



- Business facilitation (cont)
 - Reducing behind-the-border and across-the-border barriers, 5 areas
 - Regulatory reform
 - Competition (anti-trust) policy
 - Public sector governance
 - Corporate governance
 - Strengthening economic and legal infrastructure
 - 2010: New Strategy for Structural Reform aims to promote balanced and sustainable growth by fostering transparency, competition, and better functioning markets
 - Includes opportunities for women, more education, and SME growth



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APEC Focus (cont)



2. Business Facilitation (cont)

- APEC's work on logistics and transport networks aimed at enhancing physical connectivity across-the-border (under APEC Supply Chain Connectivity Initiative) with goal of 10% improvement in supply-chain performance by 2015

3. Economic and Technical Cooperation

- Training and other cooperative activities; capacity building

In short, APEC promotes market driven policies



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Goals into action



- Osaka Action Agenda: Strategic roadmap agreed at Osaka, Japan in 1995
- Includes the following General Principles:
 - Comprehensiveness
 - WTO-consistency
 - Comparability
 - Non-discrimination
 - Transparency
 - Standstill (do not increase levels of protection)
 - Simultaneous start, continuous process, and differentiated timetables
 - Flexibility (taking into account differing levels of economic development)
 - Cooperation



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Individual Action Plans (IAPs) vs Collective Action Plans (CAPs)



- “Regular” reports on member economies (IAPs) and joint actions (CAPs)
- IAPs and CAPs contain chapters on:
- Tariffs; non-tariff measures; services; investment; standards and conformance; customs procedures; intellectual property; competition policy; government procurement; deregulation/regulatory review; WTO obligations (including Rules of Origin); dispute mediation; mobility of business people; official websites that gather economies’ information; transparency; and regional trade agreements/free trade agreements



2011 APEC Ministerial Meeting

November 11, 2011



- Three priority areas for 2011 (results at meeting)
 1. Strengthening Regional Economic Integration and Expanding Trade
 2. Promoting Green Growth
 3. Advancing Regulatory Convergence and Cooperation



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November 11, 2011



1. Strengthening Regional Economic Integration and Expanding Trade

- Recognizes that trade and investment are critical to job creation and greater economic prosperity
- Addressing next generation trade and investment issues
 - Free Trade Area of the Asia-Pacific (FTAAP)
 - Enhance small and medium-sized enterprises (SMEs) participation in global production chains
 - Promote effective, non-discriminatory, and market-driven innovation policy
- Reporting on progress towards achievement of the Bogor Goals
 - Encourage economies to report on progress in 2012 IAPs
 - Urged creation of a “dashboard” of easy-to-understand figures to summarize advances toward regional economic integration



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2011 APEC Ministerial Meeting

November 11, 2011, cont.



1. Expanding trade and regional integration, cont
 - Reducing trade transaction costs
 - APEC has achieved the Leaders' goal of a 5% further reduction in trade transaction costs over the 2nd Trade Facilitation Action Plan (TFAP II) 2007-2010
 - Improving supply chain performance
 - Enhancing supply chains to reduce the time, cost, and uncertainty of moving goods and services throughout the region
 - Aiming for 10% improvement in supply chain performance by 2015.
 - Agreed on the following actions:
 - Establish a commercially useful *de minimus* values that under normal circumstances exempt express and postal shipments from customs duties or taxes and from certain entry documentation requirements
 - De minimus threshold of \$100 would save up to \$19.8 billion
 - 7-10% of trade is indirect costs associated with documentation



2011 APEC Ministerial Meeting

November 11, 2011, cont.



1. Expanding trade and regional integration, cont
 - Endorsed the APEC Authorized Economic Operator (AEO) Capacity Building Plan
 - Endorsed the Guidelines for Customs Border Enforcement of Counterfeiting and Piracy to assist customs authorities in identifying effective practices for intellectual property enforcement at the border.
 - Welcomed the success of Operation on Counterfeit Pharmaceuticals (led to enforcement actions on over 1,000 shipments of suspected counterfeit pharmaceuticals)
 - Addressing barriers to SMEs trading in the region
 - At Big Sky, Montana meeting, identified top barriers to SMEs
 - Establishing cross-border privacy rules to enhance consumer privacy
 - Enables greater information flows to support innovation and promote interoperability across global data privacy regimes
 - Common principles, coordinated legal approaches



2011 APEC Ministerial Meeting

November 11, 2011, cont.



1. Expanding trade and regional integration, cont
 - Addressing unauthorized camcording in cinemas
 - Facilitating investment
 - Endorsed APECs Investment Facilitation Action Plan (IFAP)
 - Endorsed APECs non-binding investment principles
 - Strengthening food security
 - Securing regional food supply from shortages and price shocks requires open markets, increased transparency, and information sharing on stocks and production
 - As well as deepening commitment to long-term investments
 - Progress on Niigata Declaration on APEC Food Security
 - Implementing the APEC new strategy for structural reform
 - Specific reform priorities and capacity building initiatives in each economy



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2011 APEC Ministerial Meeting

November 11, 2011, cont.



1. Expanding trade and regional integration, cont
 - Improving ease of doing business (EoDB)
 - Aspirational goal of 25% improvement in EoDB by 2015
 - Renewed commitment to make it cheaper, faster, and easier to do business in APEC region
 - Facilitating regional travel
 - APEC represents the world's biggest passenger aviation market
 - APEC Travel Facilitation initiative
 - APEC Business Travel Card program (ABTC)
 - Facilitating secure trade
 - Endorsed APEC Consolidated Counter-Terrorism and Secure Trade Strategy to make regional commerce and travel more secure, efficient, and resilient.
 - Covers natural disasters and other major disruptions, such as terrorist attacks.



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2011 APEC Ministerial Meeting

November 11, 2011 (cont)



- Three priority areas:

2. Promoting Green Growth

- 600 million MORE people will be living in cities in the Asia-Pacific region in 2035 than now
- 38% jump in 25 years
- Raises concerns about traffic congestion, air pollution, green house gas emissions, and overwhelming demands for energy
- Goal to reduce energy intensity by 45% by 2035
- Focus on energy efficiency and green goods
 - Speed transition to low-carbon economy



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2011 APEC Ministerial Meeting

November 11, 2011 (cont)



- 2. Promoting Green Growth, cont
- Leaders singled out the need for increased energy efficiency: cut demand for fossil fuels, reduce emissions, and save money.
- Encourage development of energy-smart, low-carbon communities [Energy Smart Communities]
 - 30 projects:
 - Smart transport
 - Smart building (including retrofit, incl. roofs, windows, ventilation)
 - Smart communities (incl. smart electricity grids: Smart Grid
 - Smart-job education and training



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2011 APEC Ministerial Meeting

November 11, 2011 (cont)



- 2. Promoting Green Growth, cont
- Increase the flow of Green Goods
 - Reduce tariff and non-tariff barriers
 - Eliminate “local content” requirements that businesses source their goods locally
 - Reduce tariff rates to 5% or less by 2015
 - Harmonize standards
 - Promote development and trade of alternative fuels such as biofuels.
- Speed transition toward a global low-carbon economy
 - Develop an APEC list of environmental goods that directly and positively contribute to green growth and sustainable development initiatives
- Prohibit trade in illegally harvested forest products; combat illegal logging and associated trade



2011 APEC Ministerial Meeting

November 11, 2011 (cont)



2. Promoting Green Growth, cont

More specifically at ministerial:

- Promoting liberalization of trade and investment in environmental goods and services
- Streamlining import procedures for energy-efficient demonstration vehicles
 - To allow temporary access for non-salable, alternative-fueled demonstration vehicles by the end of 2012
 - Produce effective, targeted research outcomes
 - Permit extended, public on-road demonstrations
 - Streamline import procedures by providing expedited approval processes and duty- and tax-exempt treatment during the demonstration period



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2011 APEC Ministerial Meeting

November 11, 2011



2. Promoting Green Growth, cont

- **Facilitating trade in remanufactured products**
 - Make existing and future tariff and non-tariff measures publicly available, electronically, in their domestic languages, and, where possible, in English.
 - Provide meaningful process for stakeholders to comment
 - Undertake additional capacity-building activities on trade in remanufactured goods and remanufacturing
- **Rationalizing and phasing-out fossil fuel subsidies that encourage wasteful consumption**
 - Report on an annual basis, voluntarily
 - Build regional capacity for subsidy reform



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November 11, 2011



- 2. Promoting Green Growth, cont.
- Reducing aggregate energy intensity
 - Reducing aggregate energy intensity by at least 45% by 2035, (using 2005 as a base year)
- Developing low-emissions strategies
 - Encouraged APEC economies to elaborate low-emission strategies as part of their broader economic growth plans and in line with the Cancun Agreements adopted in December 2010
 - Focus this work on energy, transportation and land-use
 - Transition to low-carbon, green economies
- Promoting SMEs participation in green growth sectors
 - Encourage sharing best practices



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Emerging Green Technologies



- 2. Promoting Green Growth, cont
- APEC Regulatory Cooperation Advancement Mechanism (ARCAM) on Trade-Related Standards and Technical Regulations
- Smart Grid interoperability standards
 - To achieve environmental sustainability, energy security, and economic growth
- Recommendations:
 - Promote transparency, collaboration, and global solutions
 - Use international standards wherever possible
 - For equipment, devices, and systems
 - Enable competition and innovation; develop shared objectives
 - Represent ARCAM outcomes in other bilateral, regional, and international fora



Environmental Goods and Services (EGS)



- 2. Promoting Green Growth, cont
- In 2012, economies will work to develop an APEC list of EGS that directly and positively contribute to green growth and sustainable development
- Reduce applied tariff rates to 5% or less by 2015
- Eliminate local content requirements by 2012
- Ensure that government support and incentive programs are transparent and consistent with WTO obligations
- Promote regulatory coherence and cooperation, incl. better aligning approaches to standards and conformance



Green buildings and green growth



- Meeting in Washington, DC, March 3-4, 2011
- Many differences exist related to
 - “green” definitions
 - Criteria of green building policies
 - Various methods of implementing standards between economies
 - Lack of commonality in conformity assessment procedures
 - Difficulty in conveying meaning and scientific rigor behind various “green labels” in APEC markets
 - EPA says over 500 “green” product labels in global market
 - “green washing”
 - Confusing performance targets and rating systems for sustainable buildings “green” definitions
 - Divergent approaches and lack of predictability for market access



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Green buildings and green growth



- Common challenges:
 - Language
 - Climate
 - Green washing
 - Urban environmental needs
- Potential barriers:
 - Multiple labeling
 - Certification marks
 - Rating systems
 - Associated marketing costs



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More on Green Growth



- Other work being done on solar:
 - Photovoltaic (PV) technologies
 - Concentrated solar power (CSP)
 - Solar Water Heating (SWH) technologies
- Similar issues:
 - Policy makers need to understand standards and infrastructure (standards, codes, and conformity assessment organizations)
 - Mix of mandatory codes and voluntary
 - Need greater consistency in use of existing terms
 - Build on international standards
 - Better communication among stakeholders



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2011 APEC Ministerial Meeting

November 11, 2011 (cont)



- Three priority areas:

3. Advancing Regulatory Convergence and Cooperation

- Strengthening implementation of good regulatory practices
- Advancing regulatory cooperation on emerging standards and regulatory issues
 - Prevent unnecessary technical barriers to trade related to emerging standards and regulatory issues in the areas of smart grid, green buildings, and solar technologies
 - Promote interoperable standards for smart grid
 - APEC Regulatory Cooperation Advancement Mechanism on Trade-Related Standards and Technical Regulations (ARCAM)



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November 11, 2011 (cont)



- 3. Advancing Regulatory Convergence and Cooperation, cont
- Establishing an APEC regulatory cooperation action plan
 - To improve efficiency and effectiveness of regulations
 - Build public trust in regulations
 - Improve consumer confidence in globally traded products
- Achieving regulatory convergence on medical products procedures by 2020
 - Will allow patients more timely access to innovations
 - Ensure transparency and stakeholder consultation
- Promoting regulatory cooperation on chemicals
 - Endorsed the Globally Harmonized System (GHS) principles to classification and labeling of consumer products



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November 11, 2011 (cont)



- 3. Advancing Regulatory Convergence and Cooperation, cont
- Promoting regulatory cooperation on services
 - Welcomed Services Trade Access Requirements (STAR) database, that catalogs regulatory requirements in a range of services sectors
 - Single-window resource for market entry information
 - Encourage increased transparency and cooperation of regulatory issues affecting services trade
- Promotion regulatory cooperation on wine
 - Reduce unnecessary testing and streamlining paperwork
- Strengthening food safety in the region
 - Strengthen food safety systems, better align domestic regulations to international standards, and expand the use of preventive controls in food supply chaings in APEC



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November 11, 2011 (cont)



- 3. Advancing Regulatory Convergence and Cooperation, cont
- Facilitating trade in products derived from innovative agriculture technologies
 - Reaffirmed commitment to promote and adopt regulatory approaches that are transparent, science-based, consistent with international obligations, and to take into account, where appropriate, existing international standards
 - Publicize existing regulatory approaches for these technologies by 2012, conduct periodic self-reviews of these regulatory approaches, provide meaningful and transparent public consultation and stakeholder input into the development of these regulatory approaches, and conduct capacity-building activities supporting the above stated goals by the end of 2012



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November 11, 2011 (cont)



- 3. Advancing Regulatory Convergence and Cooperation, cont
- Ensure implementation of APEC anti-corruption and open government commitments by 2014 through deeper cooperation in APEC
- Regulatory reform, including eliminating unjustifiably burdensome and outdated regulations, can boost productivity and promote job creation, while also protecting the environment and public health, safety, and security.



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Addressing Key Cross-Cutting Issues



- Addressing women and the economy
 - San Francisco declaration on Women and the Economy
 - Four challenges
 - Access to capital
 - Access to markets
 - Capacity and skills building
 - Women's leadership
- Strengthening Health systems
 - Reduce the economic burden of disease by sharing best practices
 - Establishment of innovative public-private partnerships for the prevention and control of non-communicable diseases
 - APEC cooperation with WHO to develop a strategy on aging
- Advancing sustainable development of oceans
 - Commitment to sustainable development of oceans and fisheries



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New Trends and Problems



- No such thing as “free trade”
 - All nations restrict in some way
- Much more difficult to tell “who is us”
 - Global supply chains
 - You don’t know if you are helping or hurting “domestic” industry (because you may be hurting partners)
- Trade policy does not stop with “border barriers”
 - “Unfair trade” and competitiveness issues permeate society:
 - Health standards, environmental regulations, antitrust enforcement, tax incentives, etc.
 - Trade has become the interface between different societies’ ways of structuring themselves
- Trade (economic) issues underlie tensions: talk or fight?



Questions?



- Any questions?
- Thank you for your attention



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