



Exchange Faculty Program

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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



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)



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



Initial Objectives



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



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



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)



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



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



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;



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



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



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



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



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



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



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



2011 APEC Ministerial Meeting

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



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



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.



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



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



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



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



2011 APEC Ministerial Meeting

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



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



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



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



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)



2011 APEC Ministerial Meeting

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



2011 APEC Ministerial Meeting

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 chains in APEC



2011 APEC Ministerial Meeting 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



2011 APEC Ministerial Meeting 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.



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



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

