



**Asia-Pacific
Economic Cooperation**

Progressing towards the APEC Bogor Goals Perspectives of the APEC Policy Support Unit

APEC Policy Support Unit
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FOREWORD

The 1994 Bogor Declaration provided “APEC’s best known and most important decision”¹ – the adoption of “the long-term goal of free and open trade and investment in the Asia-Pacific.” This single commitment, which has entered the lexicon as the Bogor Goals, has provided a driving but cohesive force for APEC since the 1994 Leaders’ Declaration.

Much has been said and written about the (im)precise meaning of the Bogor Goals. They lack specificity about how they would be achieved within a group of economies who acted in a voluntary and consensual framework.²

The report concentrates on progress made by the five economies regarded by APEC as industrialized and the eight economies which volunteered to be assessed in 2010. It does not go into a detailed theoretical or complex analysis – to do so would risk an outcome of false precision against latent ambiguity.

The report seeks to offer a simple yet persuasive analytical narrative, drawing from a number of data sources. It concludes that despite all the conundrums associated with the Bogor Goals, the economies being assessed in 2010 have indeed been “further reducing barriers to trade and investment since 1994”. So too has APEC as a whole. Encouragingly, the data also indicate that the group of developing economies has also made progress en-route to their assessment in 2020. Progress has also been made in achieving higher level goals of APEC in terms of sustainable growth and development.

There is no claim that the Bogor Goals were fully responsible for the outcomes achieved. But through a combination of:

- APEC’s continuing focus on the Bogor Goals and measures to achieve them;
- the APEC agendas and action plans such as the Osaka Action Agenda and Busan Roadmap; and
- an operating framework for APEC that encourages collective, unilateral and pathfinder approaches to adopt measures;

the Bogor Goals inspired and contributed to the achievements and outcomes recorded in this report.

In the context of the gravity model, the impetus provided by the Bogor Goals to APEC members has reduced the economic distance between economies while increasing the economic weight of each economy.

The report comprises two main sections. Using available data which provide outcomes that are observable, measurable and transparent, the first section provides a statistical picture of the progress made by the industrialized and volunteering APEC economies between the

¹ Damond (2003) as quoted by Soesastro (2009), p.67.

² Essays in *APEC at 20: Recall, Reflect, Remake*, K. Kesavapany & H. Lim (ed.), Singapore: Institute of Southeast Asian Studies, including “Leaders did not provide a clear definition of what these goals meant in practice... [and] did not specify the modality by which the goal will be achieved” Soesastro (2009) p.69.

Bogor Declaration and the most recent year for which data is available³. Because the Bogor Declaration goes wider than the Bogor Goals, a wide range of economic, trade, investment and social measures are included. This section concentrates on outcomes and results and not on the modalities by which they were achieved.

The second section provides a synopsis of responses from the industrialized and volunteering APEC economies to a template questionnaire which focused on the Osaka Action Agenda, adopted by APEC in 1995 as the embodiment of political will to carry through the commitments made in the Bogor Declaration. By its nature, this section is largely descriptive.

What is evident from both sections is that concerted action has occurred in each economy and progress has occurred across a wide array of economic, trade, investment and social measures. Within this overall tenor of progress, it is important to note that tariffs remain and in some areas, resistance to reform remains. This is one issue that neither APEC, nor WTO members, should resile from increasing efforts. Importantly, progress has occurred not only in each of the industrialized and volunteering APEC economies which made 2010 their target date for achieving the Bogor Goals, but, as the aggregated data shows, APEC has benefited as a whole. This deserves recognition and provides encouragement for the 2020 group of developing economies.

This overall outcome was also foreseen by APEC Leaders who made the Bogor Declaration. They recognized in 1994 the “growing interdependence of our economically diverse region, which comprises developed, newly industrializing and developing economies.” They also forecast that the Asia-Pacific industrialized economies would provide opportunities for developing economies to increase further their economic growth and their level of development. This “pull” factor, couched in terms similar to theoretical catch up or convergence propositions, was also joined by an exhortation for developing economies to “strive to maintain high growth rates with the aim of attaining the level of prosperity now enjoyed by the newly industrializing economies.”

In conclusion, Leaders noted that “The narrowing gap in the stages of development among the Asia-Pacific economies will benefit all members and promote the attainment of Asia-Pacific economic progress as a whole.” Evidence in this report indicates the prescience of this forecast.

I thank the PSU staff who contributed tirelessly to this report, but, as PSU Director, I take responsibility for any errors and omissions.

Philip Gaetjens

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³ Because of the lags in availability, data is current mainly to 2007 and 2008.

1. HIGHLIGHTS

A. TRADE AND INVESTMENT BARRIERS HAVE FALLEN

- The average MFN-applied tariff across the APEC region fell from 16.9% in 1989 to 6.6% in 2008. Average tariffs were 3.9% for the five industrialized economies and 6.4% for the eight volunteering economies, compared to the WTO world average of 10.4% in 2008.
- Zero-tariff product lines as a percentage of all lines in the APEC region rose to 40% in 2008 from 29% in 1996. The percentage of imports covered by zero-tariff lines increased from 34% to 57% over this period.
- Non-tariff barriers were also substantially reduced across the APEC economies, with most of those reported being WTO-consistent.
- Progress has been made to remove barriers on trade in services and investment, with the industrialized economies leading the way. Many APEC economies have made further commitments to liberalizing their services market through revised offers to the WTO. In addition, industrialized members and other APEC members also use RTAs, FTAs, BITs and unilateral domestic measures to expand liberalization beyond WTO commitments.

B. POSITIVE EFFORTS IN TRADE AND INVESTMENT LIBERALIZATION AND FACILITATION

- APEC economies had signed 111 RTA/FTAs as of December 2009, 43 of which were intra-APEC agreements. 94 of these RTA/FTAs were in force as of December 2009, 37 of them being intra-APEC agreements.
- APEC has been at the forefront in pursuing trade facilitation. A 5% reduction in trade transaction costs between 2002 and 2006 was reported from APEC's first Trade Facilitation Action Plan (TFAP). Recent calculations to assess the progress in TFAP II, estimate that trade transaction costs decreased 1.7% in the period 2007-2008, which represents savings for APEC member economies equivalent to USD 14 billion.
- A preliminary study of APEC's Investment Facilitation Action Plan (IFAP) indicates that APEC economies made progress in terms of investment facilitation between 2005 and 2009.

C. TRADE AND INVESTMENT FLOWS HAVE INCREASED

- APEC's trade in goods with the world increased 7.1% per year since 1994 for both exports and imports, reaching USD5.6 trillion in exports and USD5.8 trillion in imports in 2009. Intra-APEC trade in goods nearly tripled in value over this period.
- Exports of goods and services made up 26.5% of GDP for economies in 2008 compared to 15.7% in 1994. For the APEC-industrialized economies, exports as a

share of GDP grew from 11.1% to 16.3%; whilst for the APEC-volunteering economies, the export share went up from 46% to 70.2%. Imports of goods and services increased to 27.4% as a share of GDP in 2008 from 15.9% in 1994. This share grew from 11.5% to 19.7% in the APEC-industrialized economies and from 48.4% to 68.9% in the APEC-volunteering economies.

- FDI inflows to the APEC region increased four-fold from 1994 to 2008, growing 13% per year and reaching nearly USD791 billion in 2008. FDI outflows from APEC economies also increased at 13% per year over this period, reaching a peak of USD782 billion in 2008.

D. APEC'S ECONOMIC GROWTH OUTPERFORMED GLOBAL OUTCOMES

- Real GDP in the APEC region grew by 54% between 1994 and 2008, contributing 62% of world growth over this period. Real GDP per capita in the APEC region increased 37% from 1994 to 2008, outperforming the rest of the world.
- APEC's employed labor force increased by 14% between 1996 and 2007. Unemployment in the region steadily declined between 2003 and 2007. For the industrialized APEC economies, the unemployment rate declined to 4.5% in 2007, falling below the level in 1996.

E. SOCIAL OUTCOMES HAVE IMPROVED

- Poverty in the APEC region has fallen substantially. In 1994, 34.3% of the population in the APEC region was living on less than USD1.25 per day. By 2007, this share had dropped to just over 12%, or 324 million people. Similarly, in 1994, nearly 52% of the population in the APEC region was living on less than USD2 per day. By 2007, this proportion had fallen to 27%, or 718 million people.
- Life expectancy at birth across the APEC region rose to 74 years in 2008, with life expectancy in the industrialized APEC economies rising to nearly 80 years. Infant mortality has also fallen considerably in the APEC region – from 29 deaths per 1000 live births in 1995 to 16 in 2008.
- Adult literacy in the APEC region increased to almost 94% in 2008 from 82% in 1990. Large gains were also made in secondary schooling, with the gross enrolment ratio increasing to 82% in 2008 from 56% in 1990.
- Access to improved sanitation facilities and drinking water had improved across the APEC region from 1995 to 2008. In 2008, 74% of the APEC population, or 1.9 billion people, had access to improved sanitation facilities and 91%, or 2.4 billion people, had access to improved drinking water.
- APEC as a region outperforms the world average in six dimensions of governance and is especially strong in government effectiveness and regulatory quality.

F. ENVIRONMENTAL OUTCOMES ARE MIXED

- Environmental production efficiency has steadily improved in the region – from 0.66 kilograms of CO₂ emissions per unit of GDP in 1994 to 0.55 kilograms in 2007. But emissions per capita have increased across APEC.

2. CONTEXT OF THE ASSESSMENT

A. WHAT ARE THE BOGOR GOALS?

In 1994, APEC Leaders gathering in Bogor, Indonesia, issued a Declaration of Common Resolve, which stated that APEC needed to reinforce cooperation in the Asia-Pacific region and lead the way in:

- Strengthening the open multilateral trading system
- Enhancing trade and investment liberalization in the Asia Pacific
- Intensifying Asia Pacific development cooperation

The Bogor Declaration included a series of actions for APEC member economies to implement in order to achieve these high-level objectives. For instance, to strengthen the open multilateral trading system, APEC members committed to accelerate the implementation of the Uruguay Round, deepen and broaden its outcome, as well as continue the process of unilateral trade and investment liberalization.

In the same way, APEC members recognized the importance of intensifying Asia-Pacific development cooperation. To foster stronger links in the region, the Bogor Declaration mentioned that efforts to attain sustainable growth and equitable development among APEC members could facilitate the growth of trade and investment in the region. Cooperation programs in human resource development, science and technology; the development of APEC Study Centres; measures to promote small and medium enterprises and improve economic infrastructure were included in the Declaration to contribute to this purpose.

The objective of APEC members to enhance trade and investment liberalization in the Asia-Pacific region was stated in the Bogor Declaration as follows:^{4 5}

With respect to our objective of enhancing trade and investment in the Asia-Pacific, we agree to adopt the long-term goal of free and open trade and investment in the Asia-Pacific. This goal will be pursued promptly by further reducing barriers to trade and investment and by promoting the free flow of goods, services and capital among our economies. We will achieve this goal in a GATT-consistent manner and believe our actions will be a powerful impetus for further liberalization at the multilateral level to which we remain fully committed.

We further agree to announce our commitment to complete the achievement of our goal of free and open trade and investment in the Asia-Pacific no later than the year 2020. The pace of implementation will take into account differing levels of economic development among APEC economies, with 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.

⁴ See http://www.apec.org/apec/leaders_declarations/1994.html

⁵ It is important to highlight that APEC is not a negotiating forum nor does it bind members.

The Bogor Declaration provides guidance but no prescription as to how the long-term goal of free and open trade and investment in the Asia-Pacific should be pursued. First, it says that there should be a further reduction of barriers to trade and investment, without specifying any specific level of reduction. Second, the Declaration states that the goal should be achieved in a GATT/WTO-consistent approach, which means that it should follow the rules and principles in force under the WTO. Third, in recognition of the uneven economic development within APEC, a differentiated timeline for industrialized and developing economies was adopted, with the achievement of the goal by 2010 for industrialized members and 2020 for the developing economies.

On this basis, the goal of free and open trade and investment refers to a deep reduction of barriers with a WTO-consistent approach, not to a full elimination of barriers. In this regard, the concept of reduction of barriers entails the application of the principle of non-discrimination which underlies APEC's open regionalism approach. By applying this principle, economies cannot discriminate between trading partners and therefore, any policy measure should benefit all WTO members in the same way. Exceptions are granted in the following cases: 1) integration arrangements, where preferences are given only to partner economies; 2) unilateral preferential market access treatment to developing economies; and 3) implementation of trade-related measures when goods with specific features and origin represent a threat to legitimate public interests such as health and safety, among others; or those are traded at unfair conditions and harm domestic producers⁶.

APEC member economies have reduced barriers to trade and investment in many different ways. On a unilateral basis, as a way to promote efficiency, reduce costs and allocate resources more efficiently and in a negotiating context, in order to obtain better market access conditions in partner economies⁷.

To be consistent with WTO, the negotiated approach must follow Article XXIV from GATT, which states that FTAs should cover "substantially all the trade" between the partner economies and that the duties and other regulations applicable to the parties not included, should not be higher than the existing ones in the partner members before the formation of the FTAs⁸. Also, FTAs should comply with GATS Article V, which means that FTAs should have "substantial sector coverage" in the case of trade in services⁹. This includes investment as one of the modes in the provision of services (commercial presence, mode 3).

⁶ In the first two cases, the exception to the principle of non-discrimination is accepted because the different treatment given to partner economies is through the reduction (and not increase) of barriers. Hence, these exceptions are compatible with the intention of achieving a free and open trading system. For more information, see http://www.wto.org/english/thewto_e/whatis_e/tif_e/fact2_e.htm.

⁷ Negotiations have taken place at a multilateral, regional or bilateral level. Difficulties to reach an agreement at the current Doha Round in WTO have motivated economies to pursue Free Trade Agreements (FTAs) with the objectives of obtaining market access concessions and establishing clearer trade rules with other trade partners.

⁸ There is no definition for "substantially all the trade". Nonetheless, the common practice is to cover all sectors and eliminate barriers for a significant amount of trade volume and tariff lines in a reasonable period of time. This period should exceed 10 years only in exceptional cases.

⁹ Regarding the "substantial sector coverage", this is understood in terms of the number of sectors, volume of trade affected and modes of supply. See GATS' footnote # 1 (http://www.wto.org/english/docs_e/legal_e/26-gats_01_e.htm).

In this sense, to move towards the achievement of the Bogor Goals, APEC members need to implement liberalization measures covering “substantially all the trade” and “substantial sector coverage”.

The Bogor Declaration also refers to the importance of implementing facilitation programs to complement efforts in trade and investment liberalization. Measures to raise efficiency by improving standards and administrative procedures create additional incentives to increase trade and investment flows and maximize benefits across APEC economies.

In this context, APEC has been consistent in encouraging member economies to put into practice trade and investment facilitation measures. The endorsement of the APEC Trade Facilitation Action Plans (TFAP I and II) and the Investment Facilitation Action Plan (IFAP) represent important pillars towards the achievement of the Bogor Goals. More recently, in 2010 APEC has developed the Supply-Chain Connectivity Framework Action Plan, which aims to improve the connectivity of logistics and transport networks. These plans have set guidelines for APEC economies to implement policies conducive to improved conditions within the region and to encourage more trade and investment transactions.

B. MID-TERM STOCKTAKE OF THE BOGOR GOALS

A Mid-Term Stocktake of Progress Towards the Bogor Goals (MTST) was endorsed by APEC during the 17th APEC Ministerial Meeting in Busan, Korea, on November 2005¹⁰.

The MTST report recognized the importance of the commitment of the Bogor Goals. It stressed the fact that the goal of free and open trade and investment should not be interpreted in a finite or static manner¹¹. In this regard, the MTST made clear that, in terms of the achievement of the Bogor Goals, the facilitation and behind-the-border issues are as important as the issues related to trade and investment liberalization.

The report identified good progress towards the Bogor Goals between 1989 and 2004. In this sense, many trade and investment barriers fell substantially and efforts in facilitation started to be implemented in APEC during that period. According to the MTST report¹²:

- Average applied tariff rates of APEC economies went down by 11.4 percentage points¹³;

¹⁰ This report intends to provide similar inputs available in public reports prepared in occasion of the MTST. See <http://aimp.apecc.org/MDDDB/Pages/search.aspx?setting=ListMeeting&DateRange=2005/05/01%2C2005/05/end&Name=Bogor%20Goals%20Mid-Term%20Stocktake%20Symposium%202005>. In particular, this report follows the format use in the report called “Open Economies Delivering to People 2005: Regional Integration and Outcomes in the APEC Region” by the Centre of International Economics (2005). See http://aimp.apecc.org/Documents/2005/SOM/MTST/05_som_mtst1_005.pdf

¹¹ APEC (2005), p.3-8.

¹² Ibid.

¹³ In the MTST discussion paper, the average APEC tariff rate in 2004 is based on differing calculations of the average tariff rate for each economy. For some economies, the average tariff rate is a trade weighted average across the tariff lines, while for other economies, the average tariff rate is a simple average. (Note that trade weighted average tariffs are normally much lower than simple averages) The average APEC tariff rate in 2008 of 6.6% used in this report is based on the consistent calculation of the simple average tariff rate for each

- A number of non-tariff barriers were either removed or converted into tariffs, leading to a reduction in the levels of overall protection;
- Efforts in the APEC region to eliminate restrictions on market access and extend national and Most Favored Nation (MFN) treatment led to reduced services trade barriers;
- The APEC region became more open to Foreign Direct Investment (FDI) by eliminating restrictions, improving investment promotion measures and reducing administrative procedures;
- APEC started to show more willingness to work on initiatives in order to improve performance in areas related to trade and investment facilitation.
- A correlation existed between the reduction of trade and investment barriers and the increase of trade in goods, services and investment flows. Moreover, variables such as real GDP, real GDP per capita and employment levels grew substantially across the APEC region.

The MTST report also referred to the important role played by WTO-consistent and high-quality RTA/FTAs in contributing towards the Bogor Goals. The MTST recognized that these agreements can be helpful in opening markets and show the positive effects of trade liberalization¹⁴.

C. RTA/FTAS AND REGIONAL ECONOMIC INTEGRATION WITHIN THE APEC REGION

APEC has been a strong and consistent advocate for a successful conclusion of the WTO Doha Round consistent with the Bogor Goals. However, the stalemate in the current multilateral negotiations at the Doha Round has motivated APEC members to pursue negotiations at a bilateral or sub-regional level. As of December 2009, APEC members had signed 111 RTA/FTAs, 43 of them being intra-APEC agreements. Among these RTA/FTAs, 94 of them, including 37 intra-APEC RTA/FTAs, were already in force at that time.

Besides their contribution towards the Bogor Goals, the RTA/FTAs are useful tools in deepening links among APEC members. By opening markets, providing stable and clear regulation and promoting the application of best practices, RTA/FTAs encourage the development of new transactions and set pillars to strengthen economic integration among the signatory sides. High quality RTA/FTAs can also aid progress in the WTO by establishing high benchmarks for trade liberalization¹⁵.

RTA/FTAs create benefits for the communities by allowing consumers to get better prices, quality and variety. In addition, transparency and stability foster new businesses, which create more jobs, more competition, facilitate the transfer of technology and increase the tax base.

economy. Additionally, for each economy, non ad-valorem tariffs have been converted into ad-valorem equivalents when possible to better capture the actual applied tariffs.

¹⁴ APEC (2005), p.3-8.

¹⁵ High quality RTA/FTAs encourages trade creation and lessens negative effects by trade diversion.

Through the use of RTA/FTAs, APEC member economies are also liberalizing trade and investment flows in a WTO-consistent way. The percentage of trade of APEC members with FTA partners worldwide has increased significantly in most of the cases for both exports and imports. In 1996, some APEC members had not any FTA in force and only in two cases for exports and four cases for imports did the share of trade with in-force FTA partners exceed 40%. In 2009, however, 12 APEC members had their share of exports exceed that level; whilst 14 registered a share of imports above that level.

Table 2.1 Percentage of trade with in-force FTA partners

%	Exports		Imports	
	1996	2009	1996	2009
APEC-industrialized				
Australia	8.8	15.0	6.2	27.4
Canada	82.7	77.6	69.9	59.2
Japan	0.0	16.3	0.0	16.7
New Zealand	20.2	36.7	24.2	41.6
United States	31.3	40.1	29.4	30.1
APEC-developing				
Chile	13.3	87.3	17.4	91.3
Hong Kong, China	0.0	51.1	0.0	46.4
Korea	0.0	12.7	0.0	13.0
Malaysia	28.2	52.8	19.7	61.4
Mexico	87.4	89.7	78.0	77.5
Peru	7.2	46.0	15.4	58.6
Singapore	28.2	66.2	22.0	65.6
Chinese Taipei	0.0	0.2	0.0	0.1
Brunei Darussalam	21.4	87.6	42.7	80.2
China	0.0	23.9	0.0	13.1
Indonesia	15.1	53.0	11.9	66.0
Papua New Guinea	29.9	30.0	55.2	42.8
Philippines	13.1	55.2	9.6	56.2
Russia	18.2	10.8	31.6	9.5
Thailand	18.9	52.9	12.3	58.4
Viet Nam	22.1	37.9	25.7	56.9
Weighted average				
APEC-industrialized	28.2	37.3	26.4	31.1
APEC-volunteering	19.0	45.5	16.0	44.4
APEC-ind & vol	24.8	40.9	22.7	36.0
APEC	22.6	36.5	21.0	33.0
APEC-developing	16.2	35.9	14.3	34.5

Note: To put the emphasis on the thirteen economies taking part in the 2010 Bogor Goals assessment, the five industrialized APEC economies are listed first, then the eight volunteering economies followed by the remaining APEC economies. Within each group, the economies are listed alphabetically. Tables throughout this report follow this format.

Source: International Monetary Fund (IMF), Direction of Trade Statistics online database; Chinese Taipei's Bureau of Foreign Trade. (See Technical note # 1.)

In February 2009, APEC Senior Officials agreed that APEC's best contribution to sustaining growth in the Asia-Pacific region over the medium-term would be through accelerating regional economic integration. A study completed by APEC concluded that the high level of

convergence and similarities found in some RTA/FTAs chapters, open the possibility for a deeper and less complex integration in the region, even though the level of divergence in some key areas may require further study¹⁶.

In this regard, the process of harmonization of agreements in the APEC region becomes relevant, since having homogeneous rules can increase the benefits, especially for small and medium enterprises, of trade liberalization through RTA/FTAs. This process sets a basis for discussing alternatives to achieve a more thorough convergence, which could lead toward a Free Trade Area of the Asia Pacific (FTAAP) in the long term. The identification of possible avenues for a future FTAAP and its effects in APEC member economies have become key topics in the current APEC trade agenda.

D. THE BOGOR GOALS AND APEC'S ULTIMATE OBJECTIVES

The Bogor Declaration states in its third paragraph:

We set our vision for the community of Asia-Pacific economies based on a recognition of the growing interdependence of our economically diverse region, which comprises developed, newly industrializing and developing economies. The Asia-Pacific industrialized economies will provide opportunities for developing economies to increase further their economic growth and their level of development. At the same time developing economies will strive to maintain high growth rates with the aim of attaining the level of prosperity now enjoyed by the newly industrializing economies. The approach will be coherent and comprehensive, embracing the three pillars of sustainable growth, equitable development and national stability. The narrowing gap in the stages of development among the Asia-Pacific economies will benefit all members and promote the attainment of Asia-Pacific economic progress as a whole.

Considered in this broader context, the Bogor Goals are not an end unto themselves. They are being pursued to achieve APEC's ultimate objectives of equitable development and strengthening the sense of community within the Asia-Pacific.

i. Sustainable Growth and Equitable Development

The accomplishment of the Bogor Goals is a necessary, but not sufficient, condition to achieve sustainable and equitable development. This wider context has served to see APEC's agenda cover not only trade and investment liberalization and facilitation as narrowly viewed by the WTO and OECD, but also to widen the boundaries of facilitation. APEC is at the forefront of international fora to consider and implement action plans on topics such as structural reform, noting the interaction between trade and structural reform¹⁷. More recently, and in the context of the emergence from the 2008 Global Economic Crisis, APEC has commenced consideration of a new growth paradigm, in which to shape recovery from the global 2009 recession and support future growth.

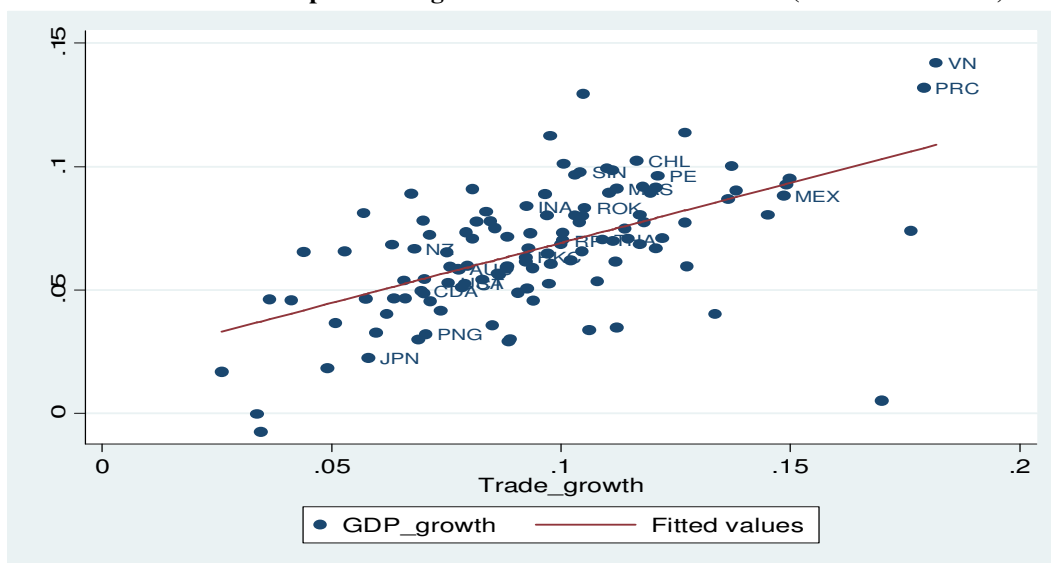
¹⁶ APEC (2008).

¹⁷ For more details on the interaction between trade and structural reform, please see APEC Policy Support Unit (2008).

APEC's pursuit of free and open trade and investment has been driven by the positive relationship between trade and overall growth rates. This has been extensively reviewed in the economic literature. For example, the World Bank (2005) recognized that growth rates are influenced by openness to trade, as well as other key factors such as macroeconomic stability, enforcement of property rights and good governance, among others.

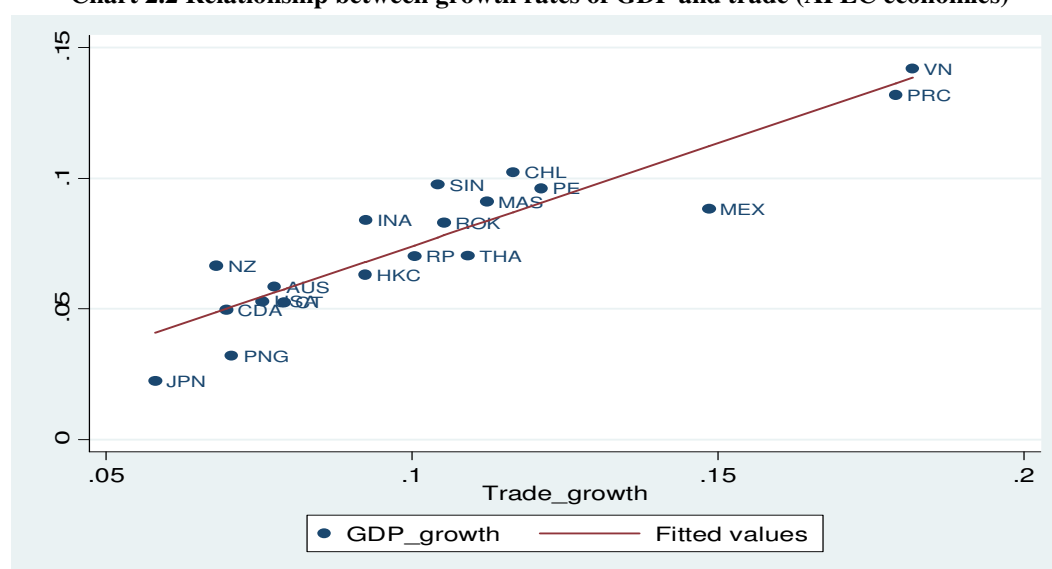
More recently, a paper by the APEC Policy Support Unit (Lee and Hur, 2009) found that it is very likely that freer and more open trade is going to further stimulate economic growth of APEC economies. The authors also found that the positive relationship between GDP and trade growth is greater within APEC compared with the rest of the world. (See charts 2.1 and 2.2).

Chart 2.1 Relationship between growth rates of GDP and trade (World economies)



$$\text{GDP_growth} = 0.02^{***} + 0.49^{***}\text{Trade_growth}; \quad \# \text{ Obs} = 118; R^2 = 0.329$$

(3.17) (7.54)

Chart 2.2 Relationship between growth rates of GDP and trade (APEC economies)

$$\text{GDP_growth} = -0.00 + 0.79^{***}\text{Trade_growth}; \quad \# \text{ Obs} = 19; R^2 = 0.832$$

(0.54) (9.17)

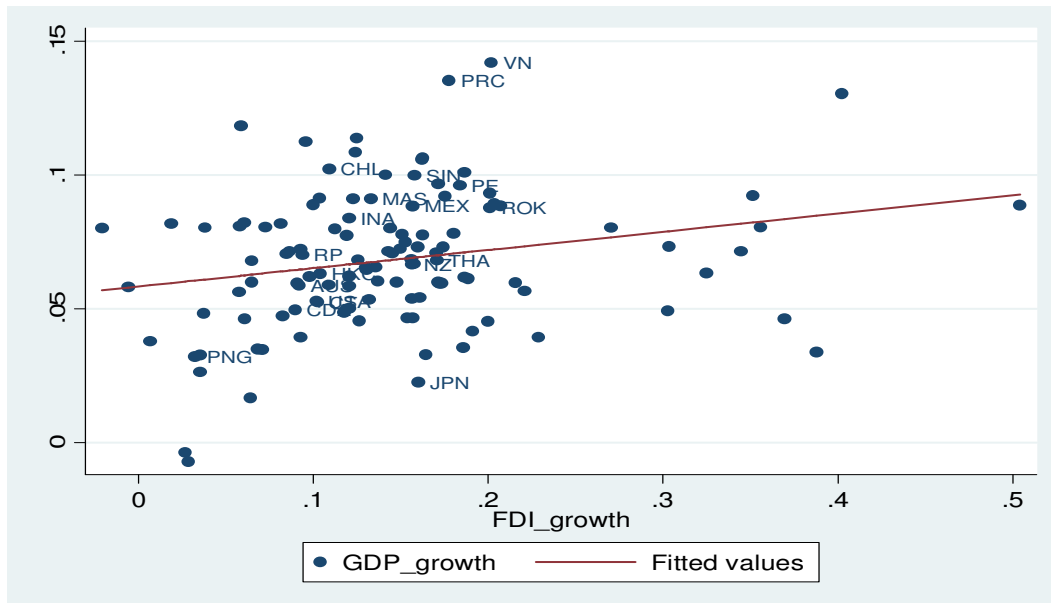
Source: APEC Policy Support Unit (Lee and Hur, 2009).

The effect of trade on growth could be larger if trade barriers are reduced. In addition, multiplier effects derived from trade and production growth could bring positive consequences into the economy through stronger internal demand, job creation and diffusion of knowledge and technology, among others. In this way, a WTO-consistent open and free trading system could be a very important instrument for APEC economies to improve welfare conditions and enjoy the benefits of sustainable and equitable development.

The relationship between GDP and FDI growth is also positive (Chart 2.3). However, the effect of FDI on growth was found to be six times larger¹⁸ for APEC members than the world average effect (Chart 2.4).

¹⁸ This is based on a comparison of the coefficients from the linear regressions presented in the charts. (The coefficient for the world is 0.07, while the coefficient for APEC economies is 0.42.)

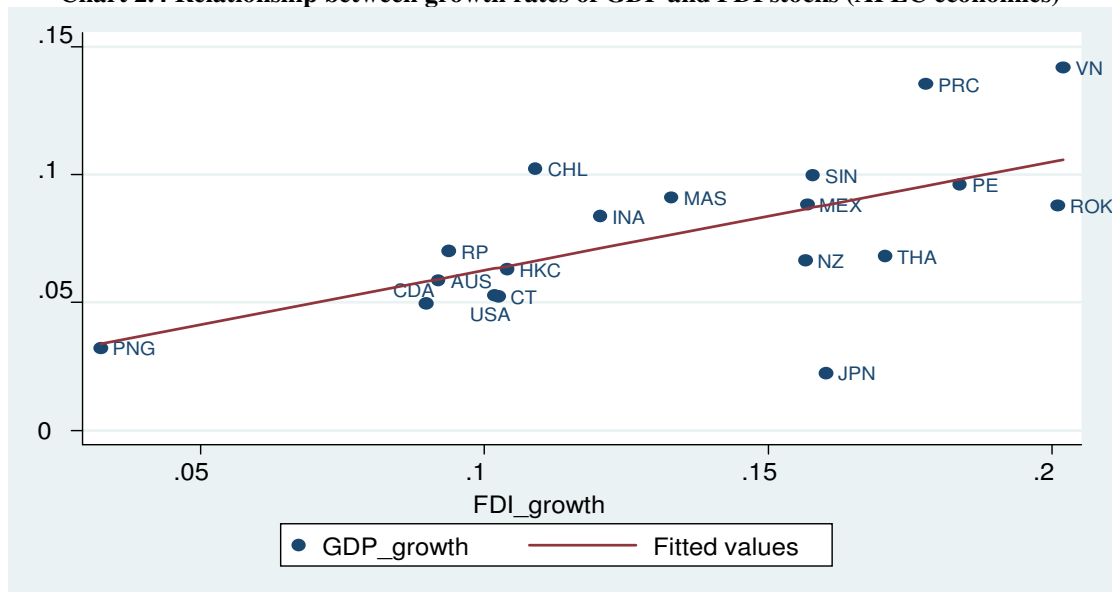
Chart 2.3 Relationship between growth rates of GDP and FDI stocks (World economies)



$$\text{GDP_growth} = 0.06^{***} + 0.07^{**} \text{ Inward FDI Stocks_growth; } \# \text{ Obs} = 118; R^2 = 0.054$$

(13.05) (2.58)

Chart 2.4 Relationship between growth rates of GDP and FDI stocks (APEC economies)



$$\text{GDP_growth} = 0.02 + 0.42^{***} \text{ Inward FDI Stocks_growth; } \# \text{ Obs} = 19; R^2 = 0.380$$

(1.08) (3.28)

Source: PSU estimation based on data from United Nations Conference on Trade and Development (UNCTAD), Foreign Direct Investment Statistics online database; and World Bank, World Development Indicators online database.

ii. Strengthening the Asia Pacific Community

The launch of APEC in 1989 was a very important step to improve the relationships within the Asia Pacific region. APEC became the first forum, at a transpacific level, where member economies could propose and discuss initiatives to strengthen their economic relationships. A tangible indication of APEC's value as a forum is that its membership has increased from 12 economies in 1989 to 21 currently.

Since its creation, APEC has proved to be a durable forum, bringing together economies at different level of development and cultural backgrounds and with sometimes difficult historical relationships. The non-binding engagement principles of APEC have allowed fruitful discussions which enable views and experiences to be shared and voluntary actions to be adopted.

Outcomes are progressed and achieved through informal channels within the unique membership of the APEC forum, in which discussions do occur and might not take place in a more formal atmosphere. APEC brings government officials, academia and business representatives to meetings every year and, as Drysdale¹⁹ puts it: "Considerable progress that otherwise would have been unlikely has been possible by at once both ensuring the economic sovereignty of member states and promoting the convergence of policy on issues of importance to the regional economy.

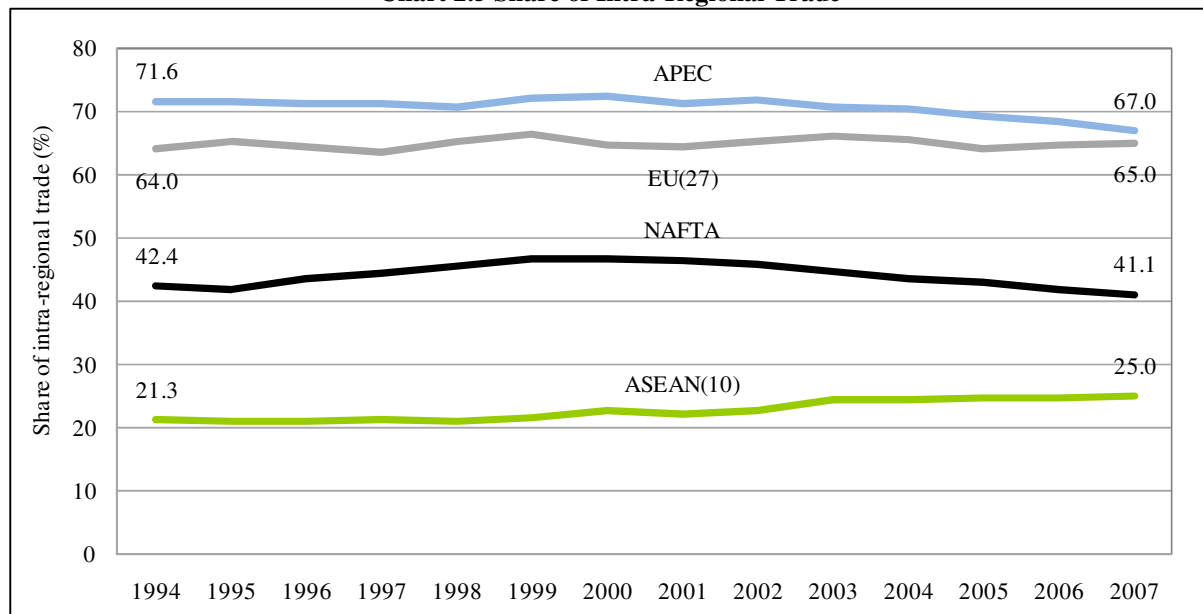
A positive "APEC effect" is also evident from empirical research. The APEC Policy Support Unit (Lee and Hur, 2009) found that APEC economies are likely to export to each other three times more than to non-members and import from each other twice as much compared to non-members. These findings from the gravity model mean that the results were obtained after taking account of the usual factors that influence trade.

The report also mentions that there is evidence that APEC members as a whole are enjoying a high degree of de facto integration. For instance, the report shows that the share of intra-regional trade is larger than the comparative estimates for the EU region and that the share of the APEC membership effect on bilateral trade is positive and similar in size to the effect by bilateral and sub-regional RTA/FTAs. In this sense, these facts represent an indication of the benefits of APEC's common purpose, and its non-binding approach of trade liberalization in the context of open regionalism²⁰.

¹⁹Drysdale (2009), p.20.

²⁰ APEC Policy Support Unit (Lee and Hur, 2009), p. 37.

Chart 2.5 Share of Intra-Regional Trade



Note: The chart includes data from previous work by the APEC Policy Support Unit (Lee and Hur, 2009)

Similarly, Armstrong and Drysdale (2009) found that APEC has not shown evidence of trade diversion as opposed to other integration arrangements and that APEC, since its formation, has increased trade among members as well as between members and non-members.

APEC's efforts to promote free and open trade and investment, even with a non-binding approach, and its success in improving trade facilitation, have been able to essentially reduce the economic distance and increase the volume of trade between APEC members and with non-members²¹ – progress that is paving the way towards achievement of the Bogor Goals.

The APEC Policy Support Unit (Lee and Rajan, 2009) also found that significant trade links between APEC member economies are causing them to engage more intensively with each other in terms of FDI flows. Armstrong and Drysdale (2009) concluded from research into the influence of economics and politics on trade and investment flows that "...there is a measurable and positive 'APEC effect' on members' trade and investment with each other as well as on their...investment globally" (p.23).

²¹ Trade data shows that APEC members as a whole have been able to increase their trade flows at greater rates than the rest of the world. For additional details, see section 3 and APEC Policy Support Unit (Lee and Hur, 2009), p. 7.

3. PROGRESS TOWARDS BOGOR GOALS

A. TRADE AND INVESTMENT PERFORMANCE

i. Trade in Goods and Services

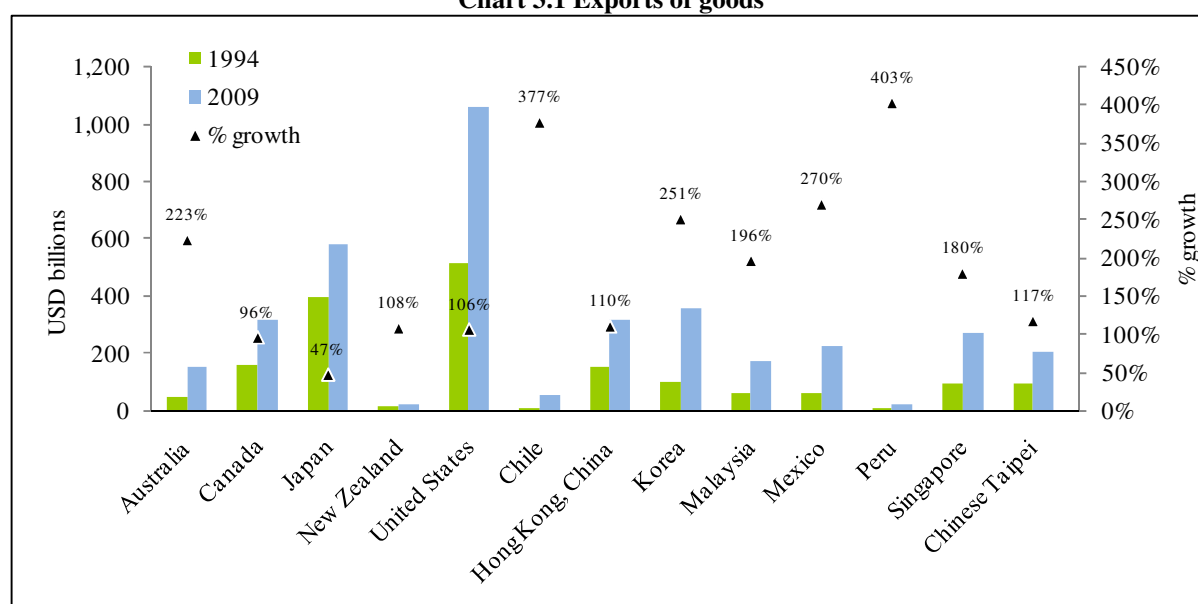
The nominal value of goods exported by the APEC region increased substantially from USD 2.0 trillion in 1994²² to USD 5.6 trillion in 2009 (chart 3.1). Similarly, the nominal value of goods imported by the APEC region increased from USD 2.1 trillion to USD 5.8 trillion over this period (chart 3.2). Since 1994, the value of APEC's trade in goods with the world increased at an annualized rate of 7.1% (for both exports and imports).

In terms of APEC's bilateral trade, the value of intra-APEC trade in goods in 2009 was 2.8 times larger compared to 1994. However, the value of APEC's trade in goods with the rest of the world grew faster during this period, increasing its share, from 28% in 1994 to 33% in 2009.

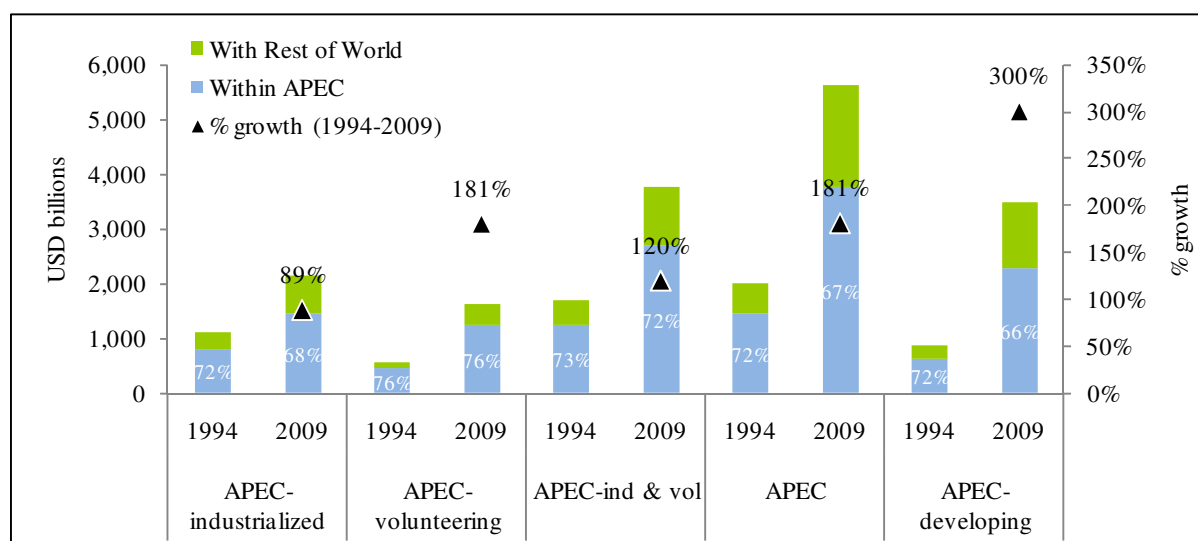
Since this report focuses on the industrialized APEC economies, the APEC economies throughout this report are divided into APEC-industrialized; APEC-volunteering; APEC-industrialized & volunteering (APEC-ind & vol); and APEC-developing.

- The APEC-industrialized group comprises the following five economies: Australia; Canada; Japan; New Zealand; and United States.
- The APEC-volunteering group comprises the following eight developing economies: Chile; Hong Kong, China; Korea; Malaysia; Mexico; Peru; Singapore and Chinese Taipei.
- The APEC-ind & vol group includes the five APEC-industrialized economies and the eight APEC-developing economies that have volunteered to be part of the 2010 Bogor Goals assessment.
- The APEC-developing group comprises the 16 APEC members that are not in the industrialized group: Brunei Darussalam; Chile; China; Hong Kong, China; Indonesia; Korea; Malaysia; Mexico; Papua New Guinea; Peru; Philippines; Russia; Singapore; Chinese Taipei; Thailand; and Viet Nam.

²² 1994 is generally used as the benchmark year to be compared with the most recent data in order to assess progress made since the Bogor Declaration. However, different time periods may be used in the report due to data availability.

Chart 3.1 Exports of goods


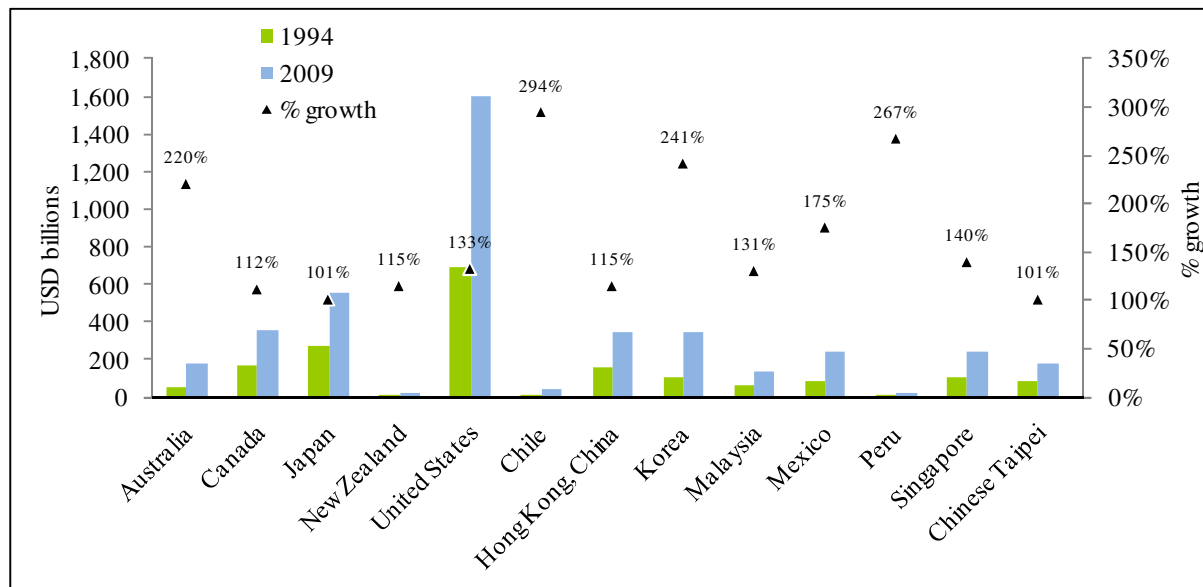
Note: Levels in 1994 and 2009 are shown by the columns against the left-hand axis. Simple growth rates between 1994 and 2009 are shown by the triangles against the right-hand scale.



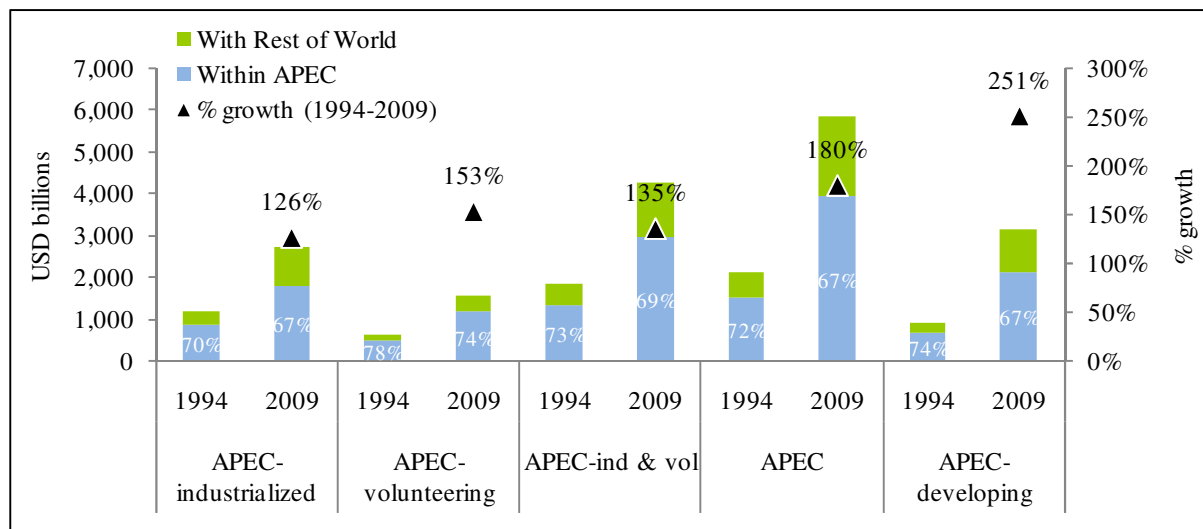
Note: Levels in 1994 and 2009 are shown by the columns against the left-hand axis. Simple growth rates between 1994 and 2009 are shown by the triangles against the right-hand scale; intra-regional APEC exports as a percentage of total exports are shown inside each column.

Source: International Monetary Fund (IMF), Direction of Trade Statistics database. (See Technical note # 2)

Chart 3.2 Imports of goods



Note: Levels in 1994 and 2009 are shown by the columns against the left-hand axis. Simple growth rates between 1994 and 2009 are shown by the triangles against the right-hand scale.



Note: Levels in 1994 and 2009 are shown by the columns against the left-hand axis. Simple growth rates between 1994 and 2009 are shown by the triangles against the right-hand scale; intra-regional APEC imports as a percentage of total imports are shown inside each column.

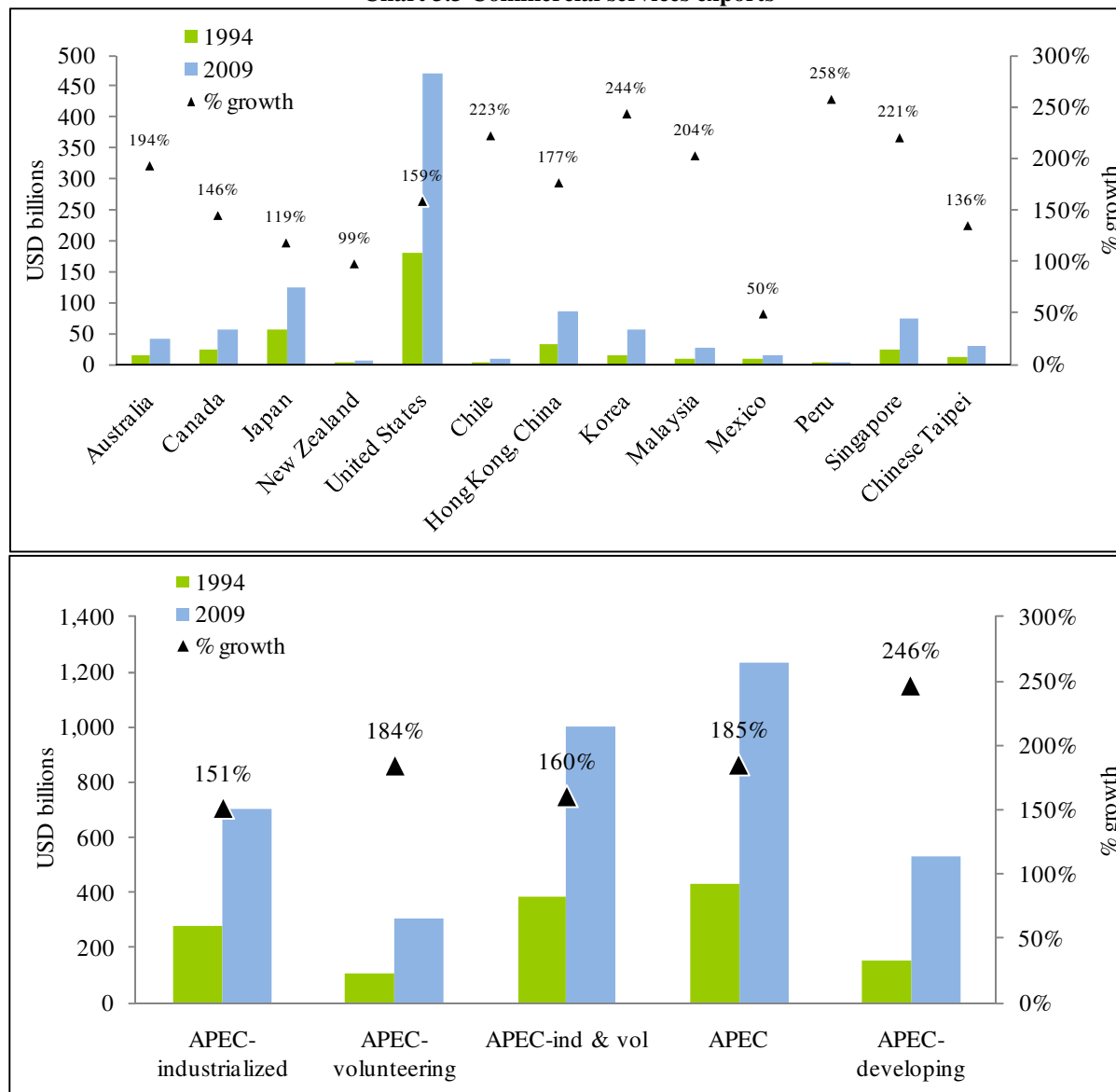
Source: International Monetary Fund (IMF), Direction of Trade Statistics database. (See Technical note # 2)

Trade in commercial services is becoming more important across the APEC region. The nominal value of commercial services exported by the APEC region increased significantly from USD 432.4 billion in 1994 to over USD 1.2 trillion in 2009, an annualized rate of 7.2% (chart 3.3).

Similarly, the nominal value of commercial services imported by the APEC region increased from USD 439.7 billion in 1994 to nearly USD 1.2 trillion in 2009, an annualized rate of 6.8%.

For both exports and imports of services, the higher growth rates for APEC as a whole indicate that growth rates by developing economies have been greater than those registered by the APEC-industrialized and APEC-volunteering groups.

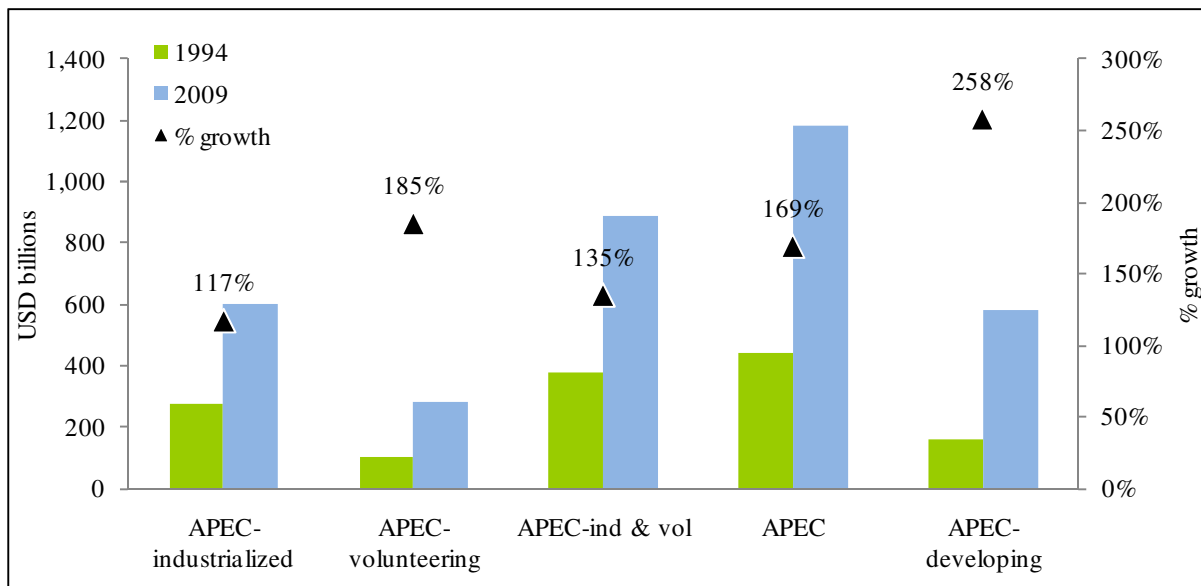
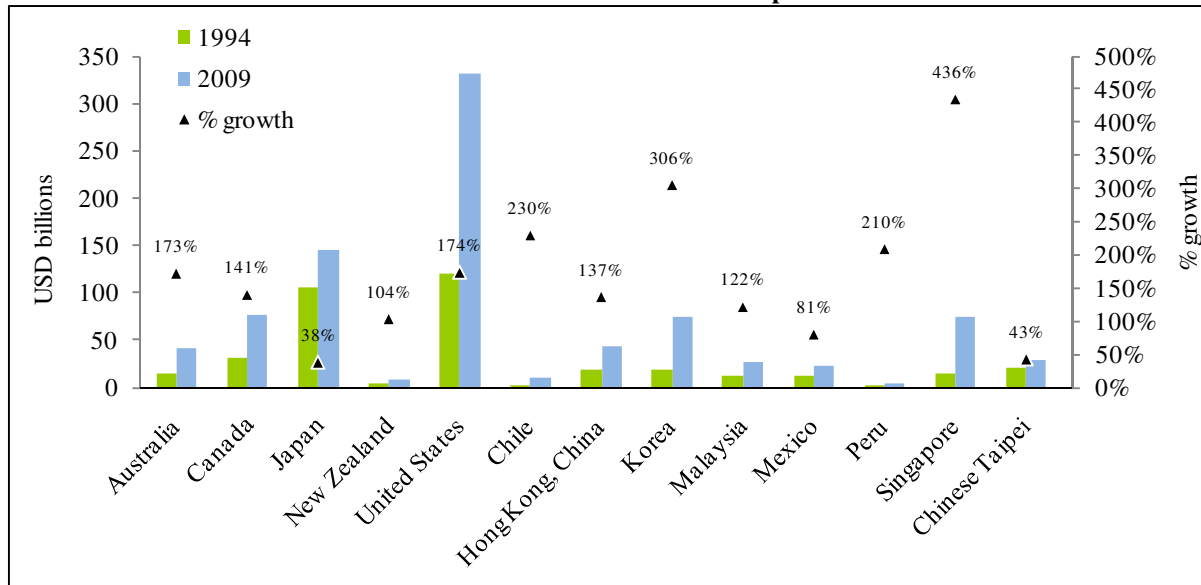
Chart 3.3 Commercial services exports



Note: Levels in 1994 and 2009 are shown by the columns against the left-hand axis. Simple growth rates between 1994 and 2009 are shown by the triangles against the right-hand scale.

Source: Asia-Pacific Economic Cooperation (APEC), StatsAPEC - Key Indicators Database; World Trade Organization (WTO), Time Series on International Trade online database. (See Technical note # 3)

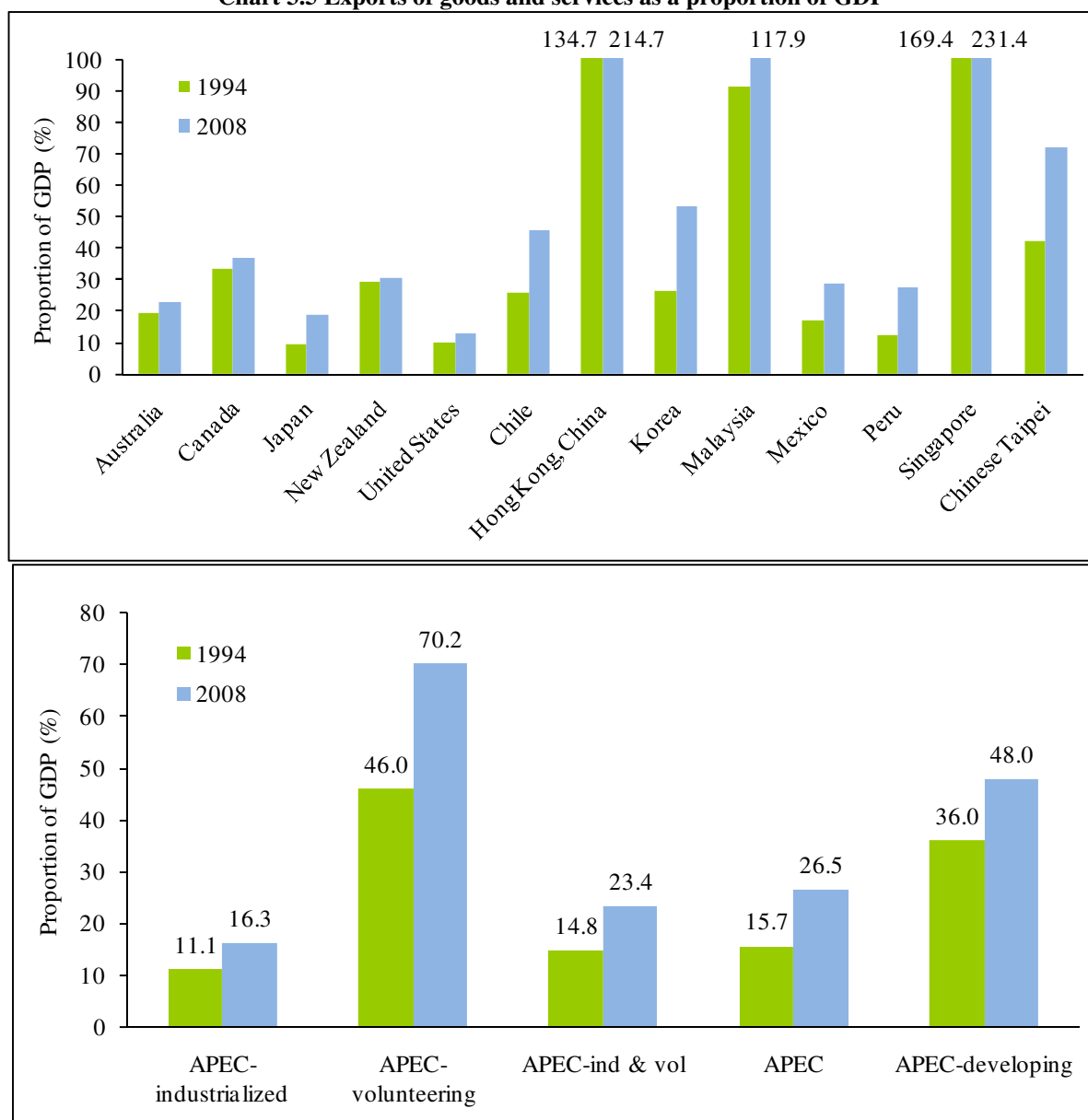
Chart 3.4 Commercial services imports



Note: Levels in 1994 and 2009 are shown by the columns against the left-hand axis. Simple growth rates between 1994 and 2009 are shown by the triangles against the right-hand scale.

Source: Asia-Pacific Economic Cooperation (APEC), StatsAPEC - Key Indicators Database; World Trade Organization (WTO), Time Series on International Trade online database. (See Technical note # 3)

As a percentage of GDP in the APEC region, total exports of goods and services increased from 15.7% in 1994 to 26.5% in 2008 (chart 3.5). For the industrialized APEC economies, the share went up from 11.1% in 1994 to 16.3% in 2008. Exports as a share of GDP in the developing APEC economies has been especially strong, rising from 36% in 1994 to 48% in 2008.

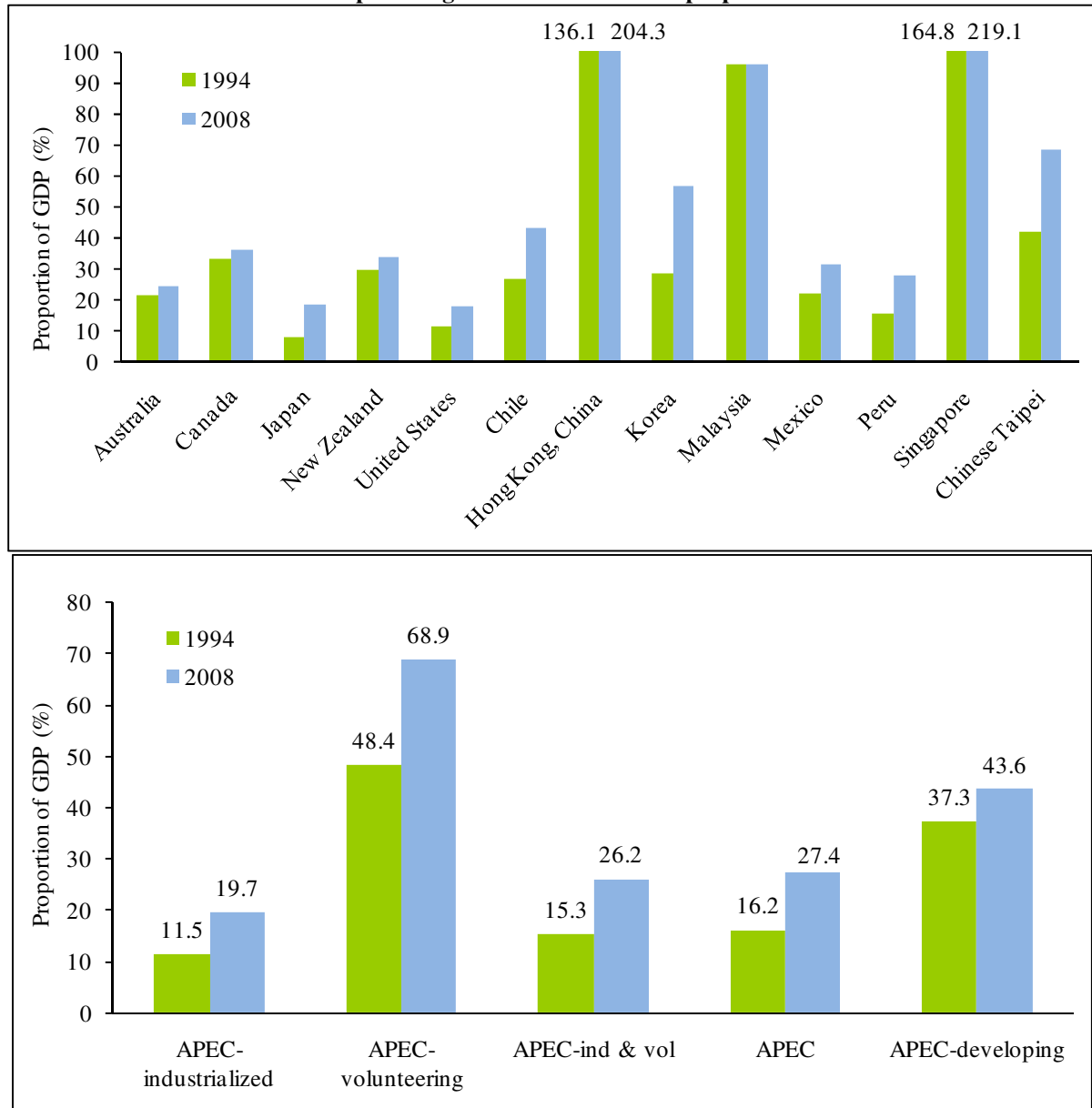
Chart 3.5 Exports of goods and services as a proportion of GDP

Note: Percentage of GDP values are shown at the top of each column.

Source: Asia-Pacific Economic Cooperation (APEC), StatsAPEC - Key Indicators Database; World Trade Organization (WTO), Time Series on International Trade online database. (See Technical note # 4)

Similarly, total imports of goods and services as a percentage of GDP in the APEC region has increased from 16.2% in 1994 to 27.4% in 2008 (chart 3.6). However, imports to industrialized APEC economies as a share of GDP have exhibited stronger growth than their exports, resulting in trade deficits. The opposite situation has occurred in the developing APEC economies, in which their exports as a share of GDP grew much faster than their imports, resulting in trade surpluses. The sharp increase in commodity prices during the last decade is a likely contributing factor.

Chart 3.6 Imports of goods and services as a proportion of GDP



Note: Percentage of GDP values are shown at the top of each column.

Source: Asia-Pacific Economic Cooperation (APEC), StatsAPEC - Key Indicators Database; World Trade Organization (WTO), Time Series on International Trade online database. (See Technical note # 4)

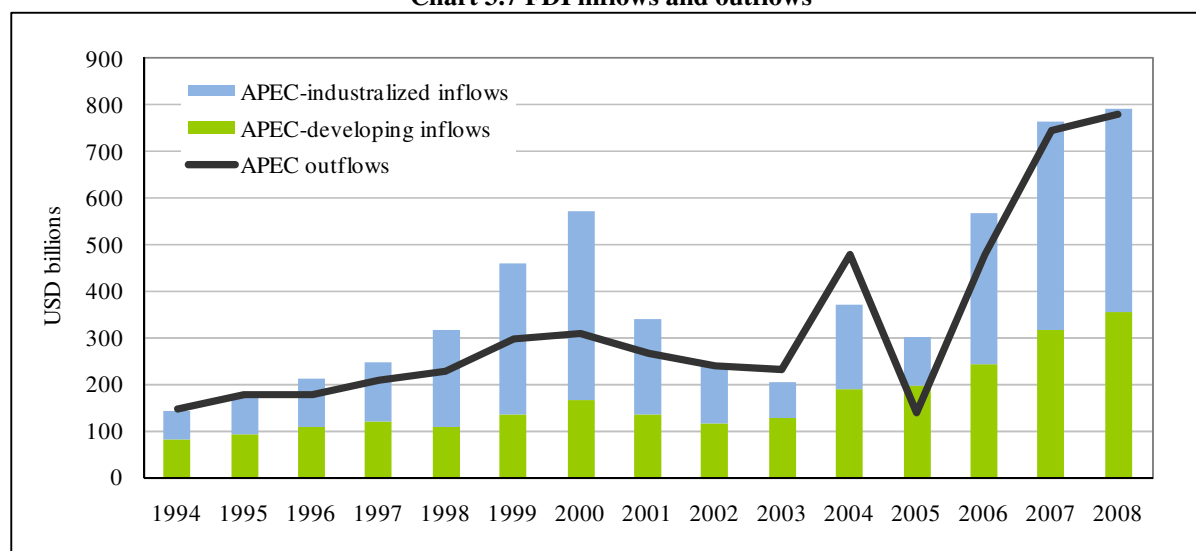
ii. Foreign Direct Investment

APEC's FDI inflows and outflows have shown an upward trend since 1994 despite volatility in the early 2000s.

FDI inflows to the APEC region increased more than four-fold from 1994 to 2008, growing at an annualized rate of 13.0% per year and reaching nearly USD 791 billion in 2008 (Chart 3.7). For the industrialized APEC economies, FDI inflows increased at an annualized rate of 14.9% over this period, slightly above the world growth rate of 14.4% per year. However, FDI inflows to the developing APEC economies grew at a lower rate of 11.1% only.

FDI outflows from APEC economies also exhibited substantial growth from 1994 to 2008, increasing at an annualized rate of 12.7% and reaching a peak of USD 782 billion in 2008. While outflows from the industrialized APEC economies grew at an annualized rate of 12.6% over this period, outflows from the developing APEC economies increased 12.9% per year and reached USD 228 billion in 2008.

Chart 3.7 FDI inflows and outflows

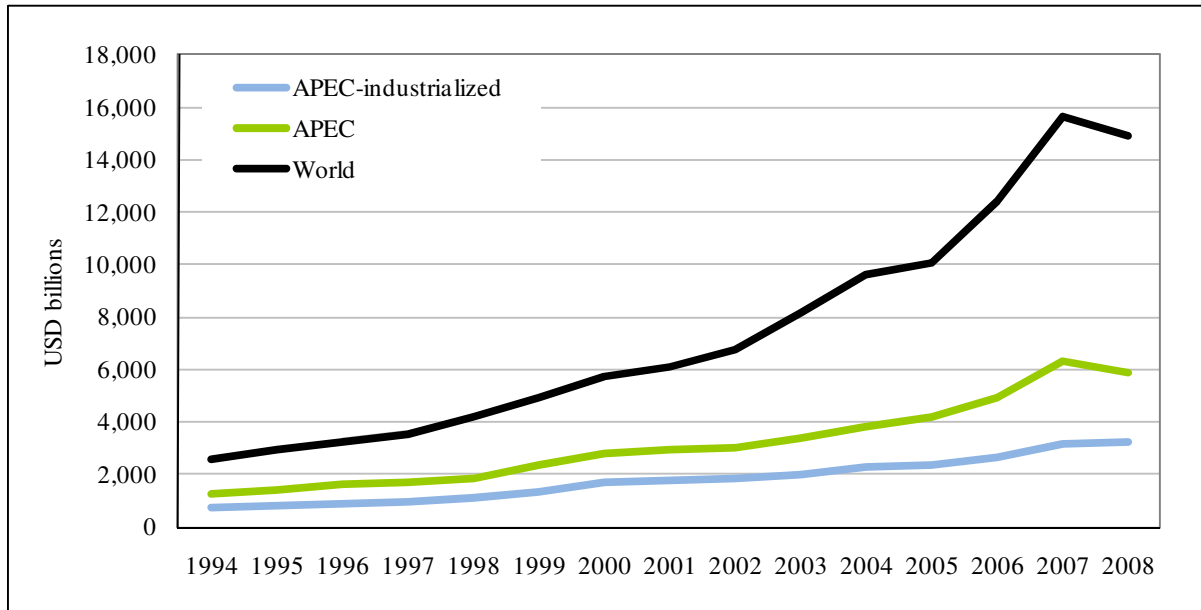


Source: Asia-Pacific Economic Cooperation (APEC), StatsAPEC - Key Indicators Database; United Nations Conference on Trade and Development (UNCTAD), Foreign Direct Investment Statistics online database. (See Technical note # 5.)

Although inward FDI stocks in the region have increased, APEC's share of world inward FDI stocks decreased from 48% in 1994 to 39% in 2008. Inward FDI stocks in the APEC region grew at an annualized rate of 11.8% over this period, reaching USD 6 trillion in 2008 (chart 3.8). In 1994, 59% of inward FDI stocks in the APEC region were in the industrialized economies. In 2008, this share had fallen to 55% as a greater proportion was in the developing APEC economies²³. While inward stocks in the industrialized APEC economies grew at 11.2% per year, FDI stocks in developing APEC economies increased at an annualized rate of 11.8%, compared with a world growth rate of 13.4% per year.

²³ Russia increased its share of total inward FDI stocks in the APEC region from 0.3% in 1994 to 5.4 % in 2007, while the United States reduced its share from 39% to 34.5%

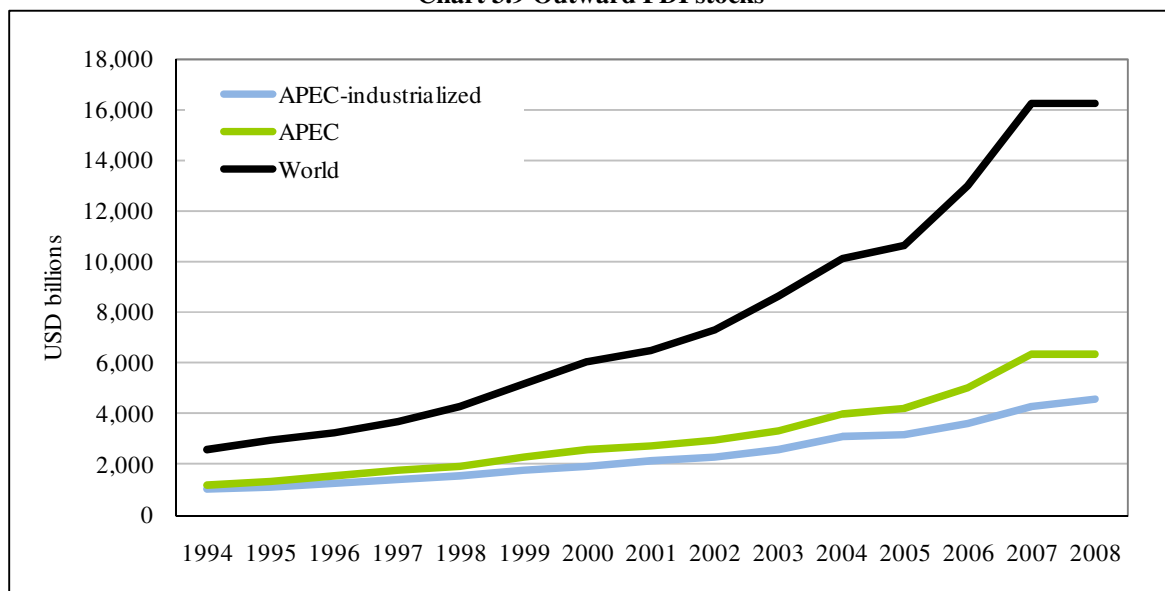
Chart 3.8 Inward FDI stocks



Source: Asia-Pacific Economic Cooperation (APEC), StatsAPEC - Key Indicators Database; United Nations Conference on Trade and Development (UNCTAD), Foreign Direct Investment Statistics online database.

Similarly, APEC's share of world outward FDI stocks decreased from 47% in 1994 to 39% in 2008. Outward FDI stocks from the APEC region grew at an annualized rate of 12.5% during this period, reaching USD 6 trillion in 2008 (chart 3.9). In 1994, 86% of outward FDI stocks from the APEC region were from the industrialized economies. In 2008, this share had fallen to 72% as a greater proportion came from the developing APEC economies²⁴. FDI stocks from the industrialized APEC economies increased at 11.1% per year, while outward stocks from the developing APEC economies grew at an annualized rate of 18.4%, compared with a world growth rate of 14.0% per year.

Chart 3.9 Outward FDI stocks



²⁴ Hong Kong, China increased its share of total outward FDI stocks in the APEC region from 4.8% in 1994 to 12.2% in 2008; while Japan reduced its share from 22.7% to 10.7%.

Source: Asia-Pacific Economic Cooperation (APEC), StatsAPEC - Key Indicators Database; United Nations Conference on Trade and Development (UNCTAD), Foreign Direct Investment Statistics online database. (See Technical note # 6)

B. PROGRESS ON TRADE AND INVESTMENT LIBERALIZATION

i. Tariffs

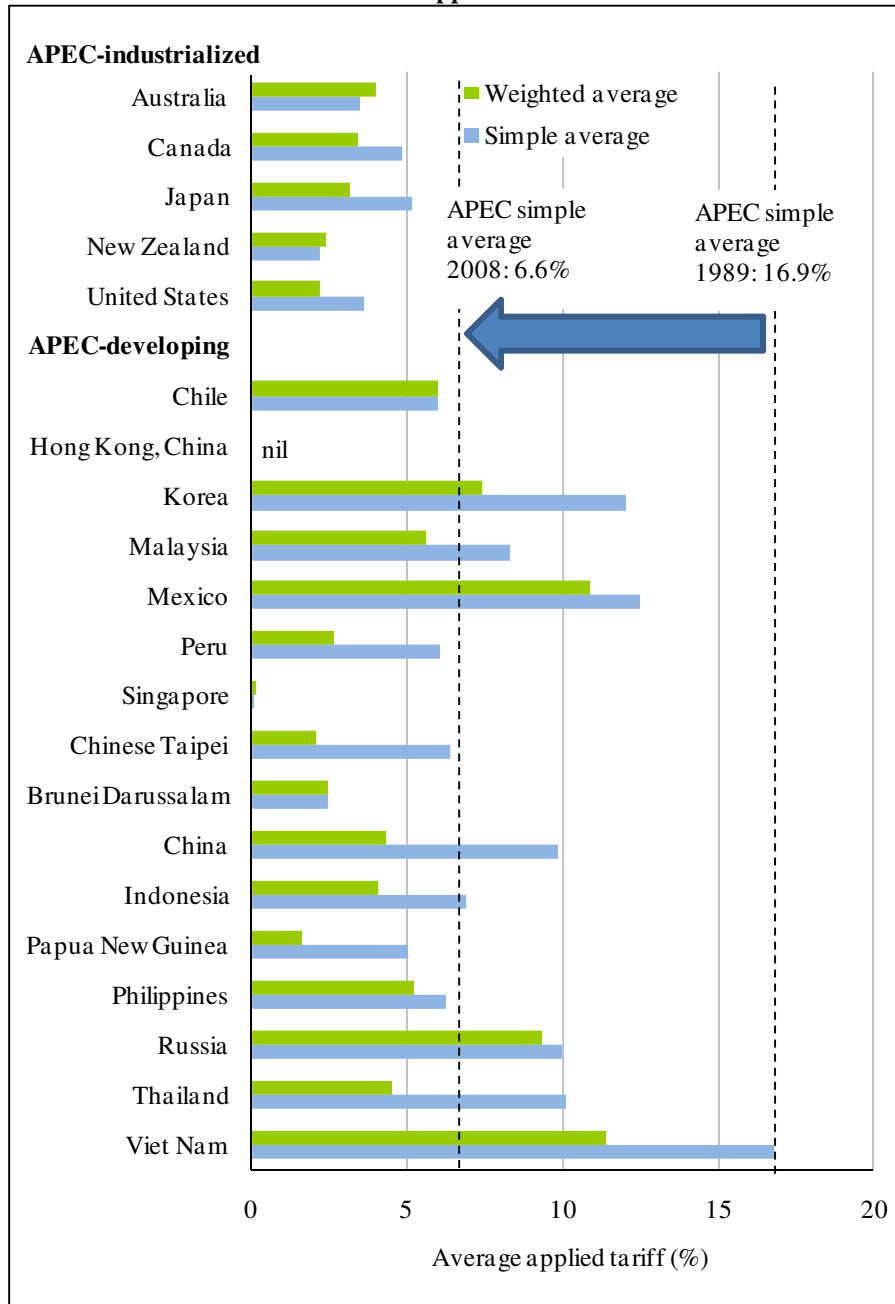
APEC economies have recorded a significant decline in their MFN tariff values. The simple average MFN applied tariff across the APEC region has more than halved since 1989 from 16.9%²⁵ to 6.6% in 2008. The following chart illustrates the magnitude of tariff reduction in each APEC member economy.

The average applied tariff has been reduced to 3.9% for the industrialized APEC economies and 7.4% for the developing economies. This progress in tariff reduction has been achieved across the region notwithstanding that some economies have significantly reduced less transparent non-tariff barriers by converting them into tariffs. It is also important to note that the effective average tariff applied in APEC economies is actually lower than the levels indicated in Chart 3.10 because the preferential tariff rates in force through RTA/FTAs are not included.

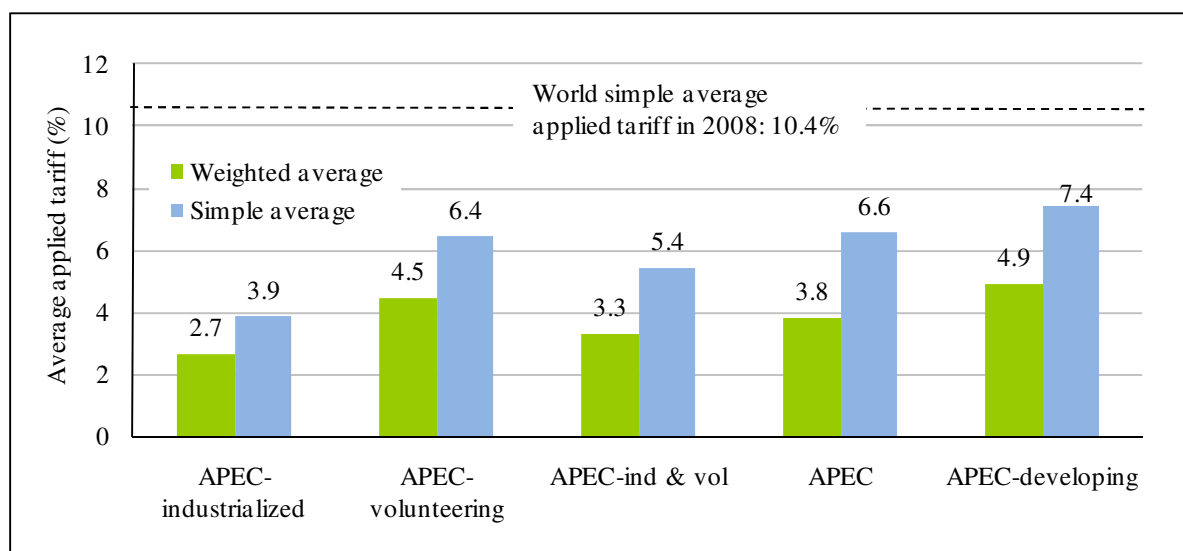
To test the robustness of our tariff calculations, the PSU compared them to data recently published in *World Tariff Profiles 2009* by the WTO and found that our simple average MFN-applied tariffs calculated for each economy are consistent with those published by the WTO, both of which show an average tariff of 6.6% across the APEC region. The WTO data also allows a comparison to the average MFN-applied tariff across the world of 10.4%, indicating that the average tariff across the APEC region in 2008 was considerably lower than the global average.

²⁵ APEC (2005), p.4.

Chart 3.10 MFN applied tariffs – 2008



Note: All tariffs are as reported in 2008, except for Indonesia; Malaysia; Papua New Guinea; Thailand; and Viet Nam, which are as reported in 2007.



Note: All tariffs are as reported in 2008, except for Indonesia; Malaysia; Papua New Guinea; Thailand; and Viet Nam, which are as reported in 2007. The MFN applied tariff values are shown at the top of each column.

Source: PSU calculations based on data from World Trade Organization (WTO), Tariff Download Facility online database; United Nations Conference on Trade and Development (UNCTAD), TRade Analysis and INformation System (TRAINS) online database. (See Technical note # 7)

Whilst progress has been made in liberalizing tariff barriers, tariffs still remain - and at significant levels for some sectors regarded as sensitive. MFN applied tariffs vary across sectors in the APEC region, with agricultural products and textiles and clothing having the highest tariffs within APEC (chart 3.11). To provide some context to this outcome being interpreted by some as not meeting the ambitiousness of Bogor, Elek (2009) notes:

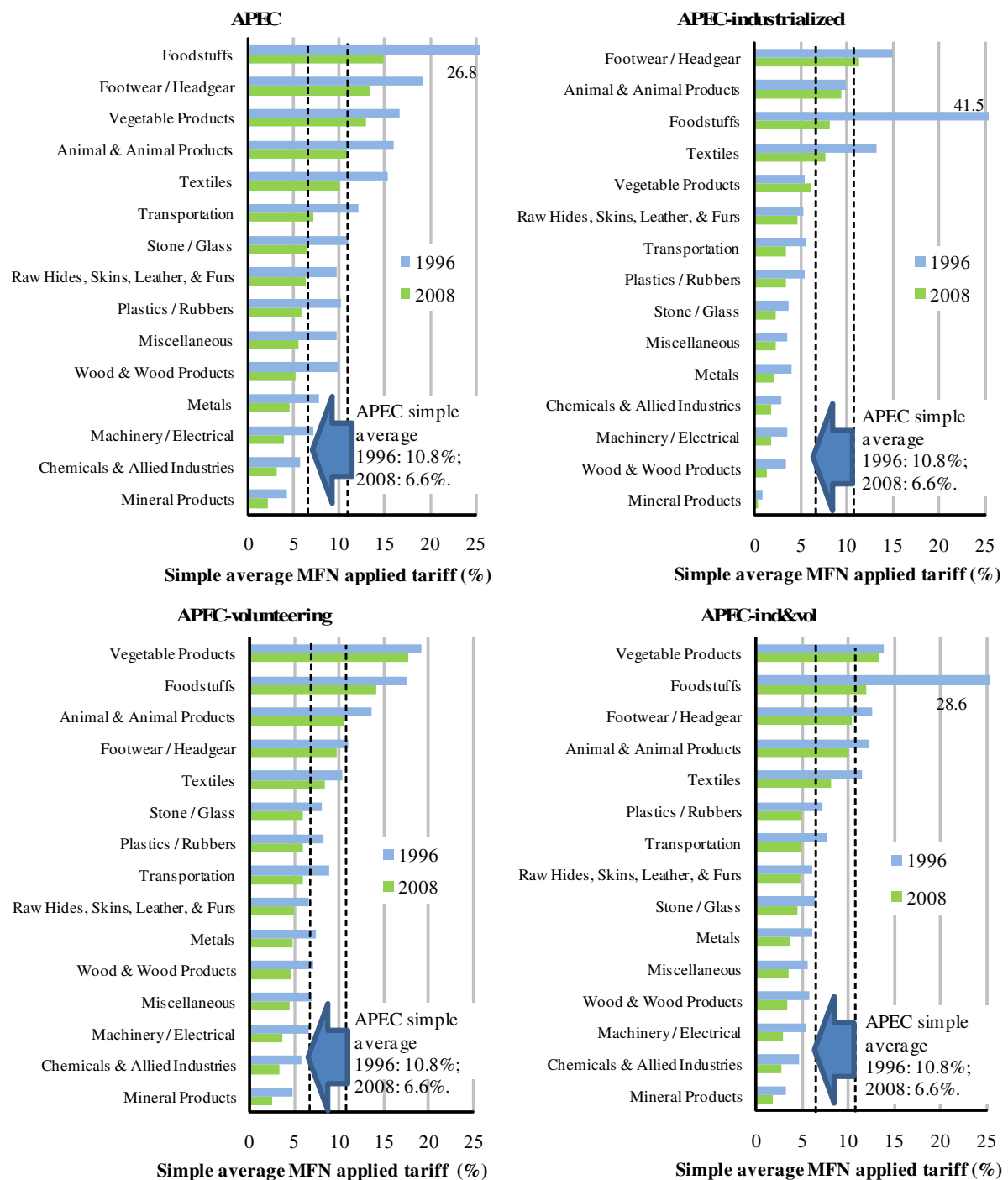
Not even the European Union has achieved anything like free trade in services among members. Nor has the WTO ever set itself the objective of eliminating all obstacles to trade and investment. (p.9)²⁶

Chart 3.11 shows that both the APEC-industrialized and APEC-volunteering economies have made substantial progress in reducing tariffs in all sectors, but that further effort is still needed, particularly in foodstuffs, vegetable products, animal and animal products, textiles, and footwear/headgear. On average, these five sectors continue to have the highest MFN applied tariff rates in all of the different APEC groupings.

Sensitive sectors are usually those that are most intensive in the use of labor or land. On the contrary, the sectors which register the lowest MFN applied tariffs within APEC include raw materials, as well as intermediate and capital goods. Mineral products, chemicals and allied industries, machinery/electrical appliances, metals, and wood and wood products were the sectors with the lowest MFN applied tariffs in both APEC-industrialized and APEC-volunteering economies.

²⁶ Elek (2009) made this point not so much to justify the outcome but to question the “unrealistic expectations” raised by the Bogor Declaration on trade liberalization, especially for sensitive products. Beyond Bogor, he cautioned that “without some imaginative reorientation, APEC risks a perception of always falling short of self-imposed deadlines which cannot be met”(p.11)

Chart 3.11 MFN applied tariffs across sectors – 1996 & 2008

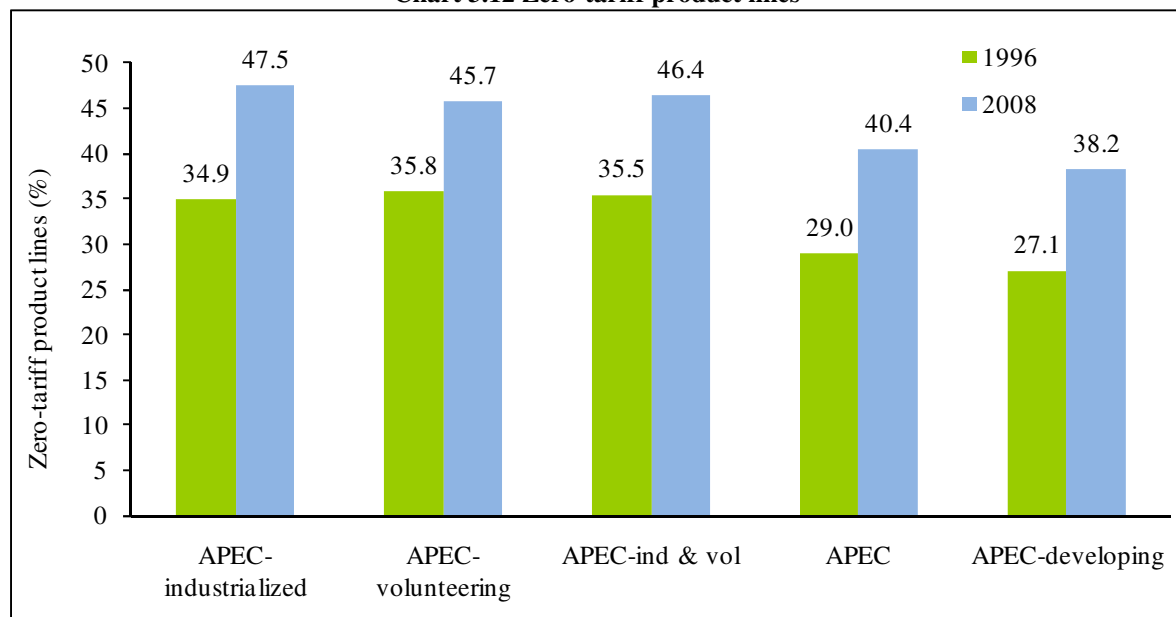


Source: World Trade Organization (WTO), Tariff Download Facility online database; United Nations Conference on Trade and Development (UNCTAD), TRade Analysis and INformation System (TRAINS) online database. (See Technical note # 8)

Most APEC economies have substantially increased their number of zero-tariff lines since 1996. On average, APEC members increased the percentage of zero-tariff lines to 40% in 2008 from 29% in 1996, while the percentage of imports covered by zero-tariff lines increased from 34% to 57% over this period. During this period, the industrialized APEC economies reduced tariffs to zero on nearly 13% of their tariff lines, covering approximately 18% of their imports. The developing APEC economies made even greater progress. The

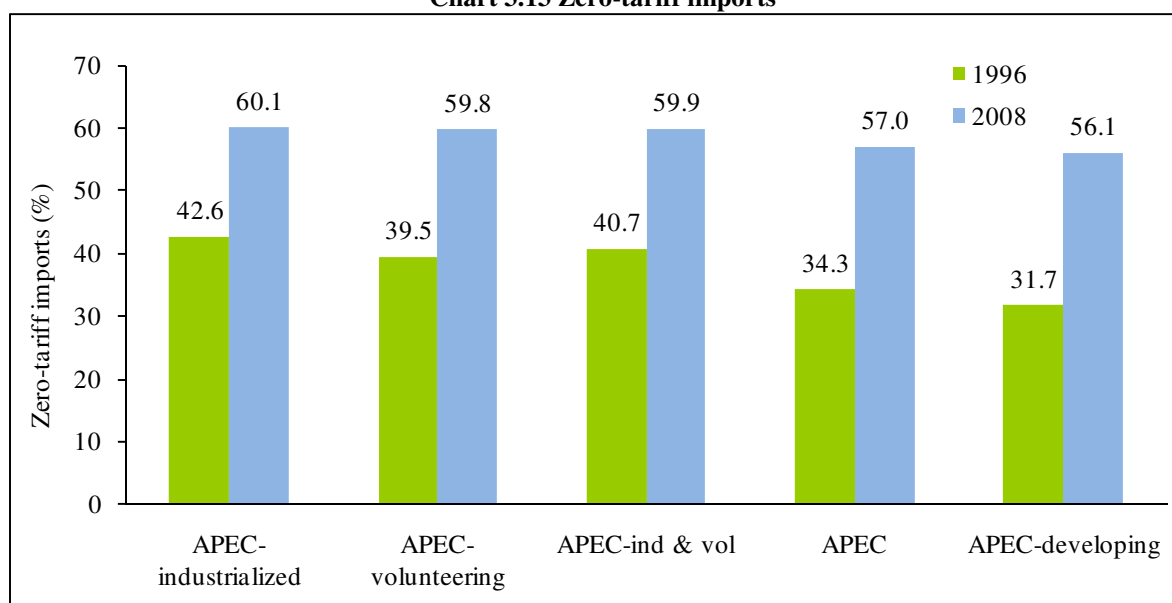
percentage of zero-tariff lines rose from 27% in 1996 to 38% in 2008, nearly doubling the percentage of imports covered by zero-tariff lines from 32% to 56% over this period²⁷.

Chart 3.12 Zero-tariff product lines



Note: The percentages of product lines with zero tariffs are shown at the top of each column.

Chart 3.13 Zero-tariff imports



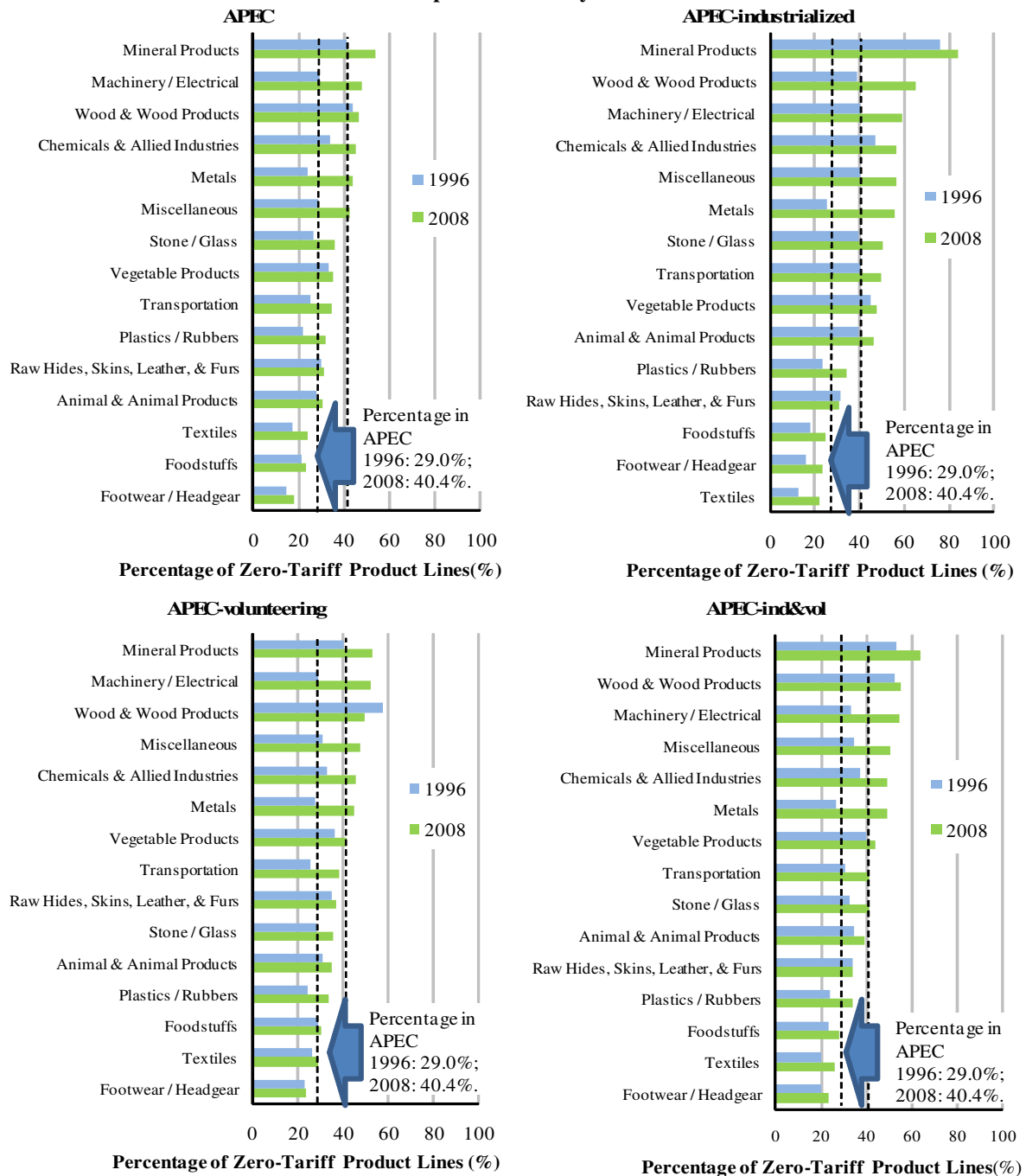
Note: The percentages of imports with zero tariffs are shown at the top of each column.

Source: World Trade Organization (WTO), Tariff Download Facility online database; United Nations Conference on Trade and Development (UNCTAD), TRade Analysis and INformation System (TRAINS) online database. (See Technical note # 9)

²⁷ The zero-tariff indicators have some limitations as sign of progress in advancing toward trade liberalization. These indicators do not necessarily reflect the efforts by APEC member economies with flat tariff rates or low tariff dispersion to reduce their tariff rates. In addition, these figures do not reveal tariff peaks, as well as the elimination of tariff rates via RTA/FTAs.

The number of zero-tariff product lines increased in all sectors between 1996 and 2008, in both APEC-industrialized and APEC-volunteering economies. Mineral products, machinery/electrical appliances, wood and wood products, chemicals and allied industries, metals, and miscellaneous are the sectors with the largest proportion of zero-tariff product lines. Conversely, foodstuffs, textiles, and footwear/headgear registered the lowest share of zero-tariff product lines. As opposed to the results concerning the highest average MFN tariffs across sectors, vegetable products and animal and animal products did not appear among the sectors with the lowest percentage of zero-tariff product lines, suggesting a higher dispersion of tariff rates in these two sectors.

Chart 3.14 Zero-tariff product lines by sector – 1996 & 2008



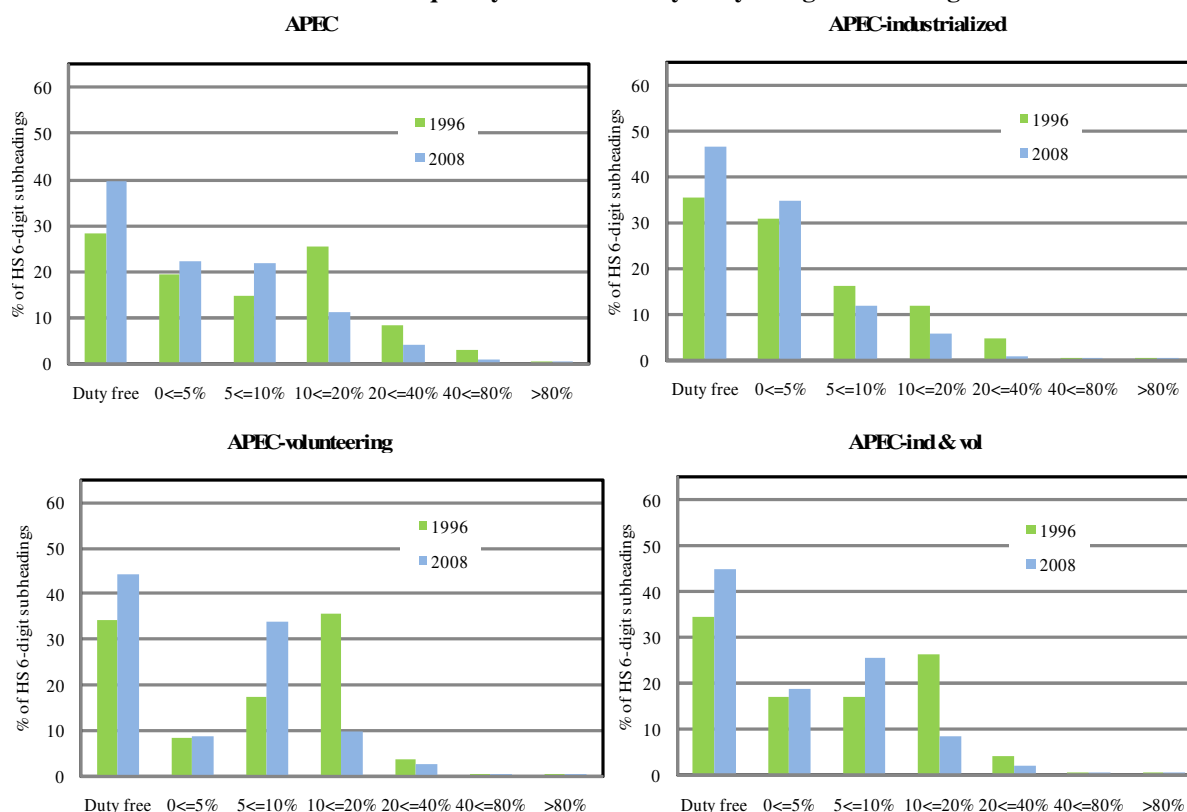
Source: World Trade Organization (WTO), Tariff Download Facility online database; United Nations Conference on Trade and Development (UNCTAD), TRade Analysis and INformation System (TRAINS) online database. (See Technical note # 8)

A simple comparison of the frequency distribution of tariff rates by duty ranges between 1996 and 2008 shows a clear trend toward the reduction and elimination of MFN tariff duties. The percentage of duty free product lines in APEC increased from less than 30% to around 40% and this significant increase occurred in both APEC-industrialized and APEC-volunteering economies. Similarly, the proportion of product lines with MFN tariffs between 0% and 5% also went up in all groupings, although it was more evident among the APEC-industrialized economies.

Another important finding is that the percentage of product lines with a MFN tariff rate above 10% decreased drastically over this period, in the APEC-volunteering economies in particular, from more than 35% in 1996 to less than 10% in 2008.

The progress in reducing MFN tariffs in APEC has been significant. However, there is still room for further tariff reduction across APEC. For instance, a small proportion of product lines at the HS 6-digit level still experience MFN tariffs above 40%, in both APEC-industrialized and APEC-volunteering economies, despite the fact that the share fell between 1996 and 2008.

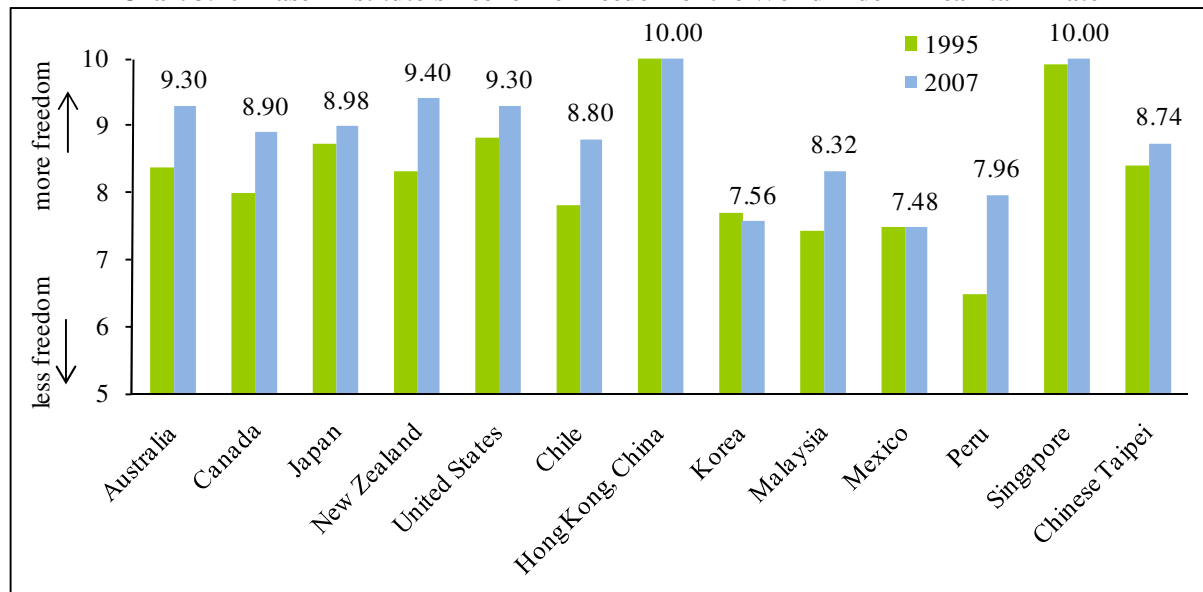
Chart 3.15 Tariff Frequency Distribution by Duty Ranges - HS 6-digit Level



Source: World Trade Organization (WTO), Tariff Download Facility online database; United Nations Conference on Trade and Development (UNCTAD), TRade Analysis and INformation System (TRAIS) online database. (See Technical note # 10)

The Fraser Institute's Economic Freedom of the World Index also includes a rating indicator of the mean tariff rate around the world and is based on tariff data from the World Trade Organization's *World Tariff Profiles*. Using this measure, the mean tariff rate in the APEC region has fallen between 1995 and 2007, in both the industrialized and developing APEC economies.

Chart 3.16 Fraser Institute's Economic Freedom of the World Index - mean tariff rate



Note: Ratings are on a 0-to-10 scale, with 10 being allocated to economies that do not impose tariffs. As the simple mean tariff rate approaches 50%, the rating assigned to the economy declines towards zero. Simple average aggregate index ratings are shown at the top of each column.

Source: Asia-Pacific Economic Cooperation (APEC), StatsAPEC - Key Indicators Database; Gwartney, James, et al, Economic Freedom of the World, The Fraser Institute (2009). (See Technical note # 11)

ii. Non-Tariff Measures (NTM) /Non-Tariff Barriers (NTB)

There are many definitions on Non Tariff Measures (NTM²⁸). Pasadilla and Liao (2006) of the Organization of Economic Cooperation and Development (OECD) defined NTM as “any measure other than a tariff that distorts trade²⁹. Pasadilla and Liao also found that Baldwin (1970) defined NTM as “any measure (public or private) that causes internationally traded goods and services, or resources devoted to the production of these goods and services, to be allocated in such a way as to reduce potential real world income”.

Besides the variety of definitions, the typology of NTMs also varied. According to Pasadilla and Liao, UNCTAD classified NTMs as the following³⁰:

- non-tariff charges,
- quantitative restrictions,
- government participation in trade and similar restrictive policies,
- customs procedures and administrative policies, and
- technical standards: SPS (Sanitary and phytosanitary standards), technical barriers to trade (TBT).

Within the World Trade Organization (WTO), the Negotiating Group on Market Access for Non-agricultural Products (NAMA) for Inventory of Non-tariff Measures groups NTMs as³¹:

²⁸ In general, scholars used NTMs and NTBs interchangeably. World Bank (2008a) noted that if the measure is imposed explicitly to protect domestic industry by restricting import demand, it is also known as non-tariff barrier or NTB. Other definitions imply that NTBs are measures which are inconsistent with WTO rules.

²⁹ Deardorff and Stern (1997) noted that the difficulty in identifying NTMs or NTBs is because they are defined by what they are not.

³⁰ UNCTAD excluded measures applied to exports and production (CIE 2006).

1. government participation in trade and restrictive practices tolerated by the government;
2. customs and administrative entry procedures;
3. technical barriers to trade;
4. sanitary and phytosanitary measures;
5. specific limitations;
6. charges on imports; and
7. other.

1. Progress of NTM/NTB reduction

In general, APEC members do not make use of non-tariff measures, except mostly for legitimate health, security, safety and environment reasons. Most of those NTM/NTBs are reported to be WTO-consistent. Also, many of the NTM/NTBs are listed within the respective APEC economies' official website and notified to the WTO.

Progress is evident among APEC members in reducing NTM/NTBs. **Australia** implemented the reforms for its import risk analysis (IRA) process in September 2007. Key features of the new process include a more transparent and timely process; regulation of the key elements of the process; greater opportunity for scientific issues to be independently reviewed; and improved consultation with stakeholders.³² **Canada** has implemented the LDC market access initiative starting 1 January 2003. This initiative provides duty free and quota free access to imports from 48 of the world's least developed countries (LDCs), with the exception of supply-managed agricultural products (dairy, poultry and eggs).³³ There has also been a sharp reduction in Canada's use of contingency measures; Canada had 48 anti-dumping (AD) measures in force at the end of June 2006, compared with 91 measures in 2003³⁴.

Japan has brought a new electronic system (JETRAS-Japan Electronic Open Network Trade Control System) to full operation in April 2000 to expedite import/export processing of goods into/from Japan. This system allows filing for import/export permits and approvals under provisions of the Foreign Exchange and Foreign Trade Law.³⁵

New Zealand has eliminated all global import licensing protection (since 1992), and does not maintain export subsidies³⁶. The **United States** removed all textile and clothing quotas as of January 1, 2005, except for certain types from China. The quotas on Vietnam were removed upon the accession of Vietnam into WTO in 2007. At the end of 2007, the United States maintained no safeguard measures.³⁷

Among the developing economies, **Chile** removed three export subsidy programs in 2003 and does not apply market access, quantitative restrictions of national treatment limitations with

³¹ World Bank (2008) noted that both the WTO and UNCTAD classification appear to have a heavy focus on measures that are applied at the border.

³² Australia APEC 2008 IAP.

³³ Canada APEC 2003 IAP.

³⁴ WTO Secretariat (2007), Trade Policy Review – Report by the Secretariat – Canada, WT/TPR/S/179/Rev.1, 4 June 2007, p. 25.

³⁵ Japan APEC 2009 IAP.

³⁶ New Zealand APEC 2006 IAP.

³⁷ United States APEC IAP Peer Review (2008).

the exception to some used motor vehicles³⁸. **Hong Kong, China** mentioned the removal of the following: rice import quotas, quantitative export restrictions on textiles and clothing products, licensing requirements for left hand drive vehicles and outboard engines, licensing requirements for exports of TV sets and VCRs/players. Non-tariff border measures are also almost absent³⁹.

Korea abolished import levies on salt and removed all quantitative restrictions on textiles and clothing in accordance of the Agreement on Textiles and Clothing⁴⁰. Moreover, Korea reported the elimination of all export subsidies, as well as quantitative export restrictions or voluntary export restraints that were not WTO-consistent⁴¹.

Malaysia removed import licensing requirements on 48 tariff lines for machinery and equipment, electrical and electronic products in the year 2008. In 2009, import licenses on port cranes such as gantry cranes, hydraulic loading cranes and crawler cranes and heavy machinery such as bulldozers and road rollers were abolished as well⁴².

Likewise, **Mexico** has also removed import licensing requirements for a number of products. For example, in 2008, Mexico excluded from this requirement certain health care products, vehicles under franchise for certain purposes and goods temporarily exported for processing, transforming or repairing under the terms of Article 117 of the Customs (including mineral fuels, mineral oils, and vehicles, among others)⁴³.

Peru also eliminated export restrictions on guano (fertilizer of animal origin). It does not maintain import/export levies, import/export licensing, voluntary export restraints or export subsidies and only keeps restrictions to protect cultural heritage, biodiversity or for safety and sanitary and phytosanitary reasons⁴⁴.

Singapore reported that it has regularly reviewed NTMs in light of technical, medical and other advances, with a view to streamline unnecessary measures, licensing requirements and certification procedures.⁴⁵ Singapore in 2005 abolished its long standing prohibition of gambling and allows casinos to operate; while in 2007 the postal sector was liberalized, ending a 15-year monopoly in the basic mail services market by SingPost.⁴⁶

Chinese Taipei removed many NTMs after its accession to WTO in 2002, which consisted mostly of import bans on a number of products, as well as quantitative import restrictions⁴⁷. All quantitative import restrictions have been abolished and the number of import prohibitions went down from 252 to 63 between January 2002 and September 2009⁴⁸.

³⁸ Chile APEC IAP Peer Review (2008).

³⁹ Hong Kong, China APEC IAP Peer Review (2007).

⁴⁰ Korea APEC IAP Peer Review (2007)

⁴¹ Korea APEC 2006 IAP.

⁴² Malaysia APEC IAP Peer Review (2009)

⁴³ Mexico APEC 2009 IAP.

⁴⁴ Peru APEC IAP Peer Review (2008).

⁴⁵ Singapore APEC 2009 IAP.

⁴⁶ WTO Secretariat (2009), Trade Policy Review – Report by the Secretariat – Singapore, WT/TPR/S/202/Rev.1, 26 September 2009, p. x.

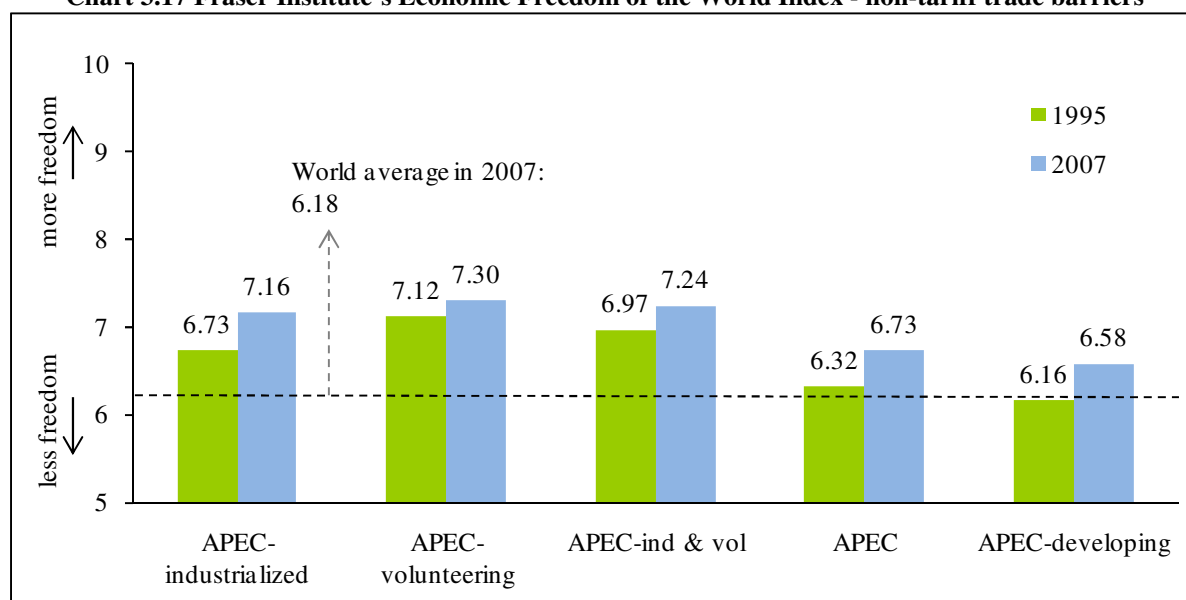
⁴⁷ Chinese Taipei APEC IAP Peer Review (2007)

⁴⁸ Chinese Taipei APEC 2009 IAP.

A recent report by the WTO (2009) also identified that some APEC member economies have implemented trade-opening and facilitation measures despite the global financial crisis. In particular, this report mentioned that Australia; Canada; Malaysia and Mexico had introduced cuts in import duties, fees and surcharges and the removal of non-tariff barriers in several products⁴⁹.

In addition, the perception on the application of NTBs and their effects has improved within APEC. The Fraser Institute's Economic Freedom of the World Index includes a measure of non-tariff trade barriers, which is based on the World Economic Forum's *Global Competitiveness Report's* survey question on whether tariff and non-tariff barriers significantly reduce the ability of imported goods to compete in a particular domestic market. Using this indicator, the business sector's perception of the incidence of non-tariff barriers on trade in the APEC region has improved between 1995 and 2007 for both the industrialized and developing APEC economies.

Chart 3.17 Fraser Institute's Economic Freedom of the World Index - non-tariff trade barriers



Note: Ratings are on a 0-to-10 scale, with 10 being the highest possible rating, indicating the perception that there is a low incidence of non-tariff trade barriers. Simple average aggregate index ratings are shown at the top of each column.

Source: Asia-Pacific Economic Cooperation (APEC), StatsAPEC - Key Indicators Database; Gwartney, James, et al, *Economic Freedom of the World*, The Fraser Institute (2009). (See Technical note # 11)

2. Independent views of NTM Faced by Businesses in APEC

Due to limitations on available information, it is difficult to conduct a quantitative analysis of NTMs within APEC or even the WTO. The different nature of particular measures plus the difficulties to gather the information represent a challenge to build global databases on NTM/NTB. Previous efforts, such as UNCTAD's Trains, only reported NTB data until 2001 for some members.

⁴⁹ WTO (2009a), p.A-21. Other APEC economies referred to as implementing beneficial measures were China, Indonesia, Philippines, Russia and Viet Nam. This report also indicated that new import restrictions introduced worldwide between October 2008 and October 2009 cover no more than 1% of global trade flows at a maximum.

Despite these problems, some studies done independently of APEC have reported findings based on the frequency of occurrence of the measures. For an APEC-focus, APEC could consider initiating its own information base, more comprehensive than the selective coverage in IAPs, for transparency and analysis of NTM and NTB.

A 2005 OECD study (reported by Pasadilla and Liao) found that of the categories of NTMs, Technical Barriers to Trade (with 530 NTM entries) constituted almost half of the total; Customs and Administrative Procedures (with 380 entries) came up second; and Sanitary and Phytosanitary Measures (with 137 entries), third.

Donnelly and Manifold (2006) examined the United States Trade Representative's National Trade Estimate Report on Foreign Trade Barriers, the European Union's Market Access Database, and the WTO's Trade Policy Reviews. Their work showed that technical barriers to trade in the form of standards, testing, certification, and labeling were the third most widespread category of NTMs.

Also, based on the reports by European-based companies on market access barriers worldwide, the European Union has developed the Market Access Database⁵⁰, which describes the problems faced by these companies in having access to external markets. In this database, customs-related measures, SPS and technical measures are the top three NTMs found in APEC economies^{51 52}.

Table 3.1 summarizes the types of NTMs within APEC that can be derived from the EU Market Access Database, while Table 3.2 shows that at the sectoral level, agriculture, automotive, pharmaceuticals and textiles are usually among the most affected sectors by those NTMs.

Table 3.1 Types of NTMs within APEC

number	APEC- industrialized	APEC- volunteering	APEC-ind & vol	APEC	APEC- developing
Competition Issues	3	1	4	4	1
Government Procurement	11	2	13	15	4
Other Non-tariff Measures	11	2	13	15	4
Quantitative Restrictions and Related Measures	6	0	6	8	2
Registration, Documentation, Customs Procedures	12	6	18	31	19
Sanitary and Phytosanitary Measures	18	26	44	59	41
Standards and Other Technical Requirements	15	11	26	35	20
Subsidies	15	1	16	16	1
Total	91	49	140	183	92

Note: Data for Brunei Darussalam, Papua New Guinea, and Viet Nam are not available.

⁵⁰ See European Union Market Access Database (<http://mkacddb.eu.int/mkacddb2/indexPubli.htm>). The views from the EU may differ from those of individual APEC member economies. These measures have been verified by the European Commission after being reported by business associations and individual companies. This database includes, from a business perspective, a list of measures identified within APEC member economies that are either non WTO-consistent or considered as trade-restrictive. It is likely that a number of these measures affect trade regardless of the origin of the trading partner.

⁵¹ Brunei, Papua New Guinea and Viet Nam are not included due to unavailability of data.

⁵² Regionally, the ASEAN Secretariat provides information on the occurrence of NTM (see <http://www.aseansec.org/16355.htm>). According to the ASEAN Non-Tariff Measure Database, customs surcharges (on 2683 tariff lines), technical measures (on 568 tariff lines), and product characteristic requirement (on 407 tariff lines) are the most prevalent type of NTMs in ASEAN.

Source: PSU compilation based on EU market access database (<http://mkacddb.eu.int/mkacddb2/indexPubli.htm>). The views from the EU may differ from those of individual APEC member economies. These measures have been verified by the European Commission after being reported by business associations and individual companies. This database includes, from a business perspective, a list of measures identified within APEC member economies that are either non WTO-consistent or considered as trade-restrictive. It is likely that a number of these measures affect trade regardless of the origin of the trading partner.

Table 3.2 Types of NTMs within APEC, sectoral level

number	APEC- industrialized	APEC- volunteering	APEC-ind & vol	APEC	APEC- developing
Agriculture and Fisheries	33	27	60	75	42
Aircraft	2	0	2	2	0
Automotive	4	1	5	7	3
Chemicals	2	0	2	3	1
Cosmetics	2	1	3	5	3
Electronics	1	1	2	3	2
Horizontal	16	5	21	31	15
Iron, Steel and Non-Ferrous Metals	2	0	2	2	0
Machinery	0	1	1	1	1
Other Industries	3	1	4	7	4
Pharmaceuticals	7	5	12	14	7
Services - Communication, incl. postal services	2	0	2	2	0
Services - Construction	1	0	1	1	0
Services - Distribution	0	0	0	0	0
Services - Financial	4	0	4	4	0
Services - Transport	6	0	6	6	0
Shipbuilding	1	1	2	2	1
Telecommunications Equipment	0	0	0	2	2
Textiles and Leather	4	5	9	11	7
Wines & Spirits	1	0	1	4	3
Wood, Paper and Pulp	0	1	1	1	1
Total	91	49	140	183	92

Note: Data for Brunei Darussalam, Papua New Guinea, and Viet Nam are not available.

Source: PSU compilation based on EU market access database (<http://mkacddb.eu.int/mkacddb2/indexPubli.htm>). The views from the EU may differ from those of individual APEC member economies. These measures have been verified by the European Commission after being reported by business associations and individual companies. This database includes, from a business perspective, a list of measures identified within APEC member economies that are either non WTO-consistent or considered as trade-restrictive. It is likely that a number of these measures affect trade regardless of the origin of the trading partner.

Some NTMs, like health standards, have a legitimate basis and can improve consumers' well-being.

Technical standards can benefit the consumers by ensuring product quality and protection from damaged or dangerous goods but they may also become barriers and reduce trade. A good illustration, which demonstrates also why NTMs are a more complicated and less straight forward issue compared with tariffs, is when technical standards are more stringent

than those that are internationally accepted. Resulting compliance burdens, especially for SMEs, can be costly and act as a significant barrier to trade.

iii. Services⁵³

1. *WTO Commitments on Trade in Services*

A conservative way to measure the depth of the liberalization of trade in services in the APEC region is by analyzing the level of commitments made by APEC economies in the negotiating context in the WTO^{54 55}. The level of WTO commitments reflects a starting point for negotiations and the minimum level of openness that WTO members are willing to implement. They indicate a willingness of each WTO member to give binding concessions in exchange at the Uruguay Round or the accession negotiations to be a WTO member.

Actual liberalization of trade in services by WTO members as a result of unilateral measures or commitments made in RTA/FTAs is usually deeper than indicated by the starting offer of WTO commitments.

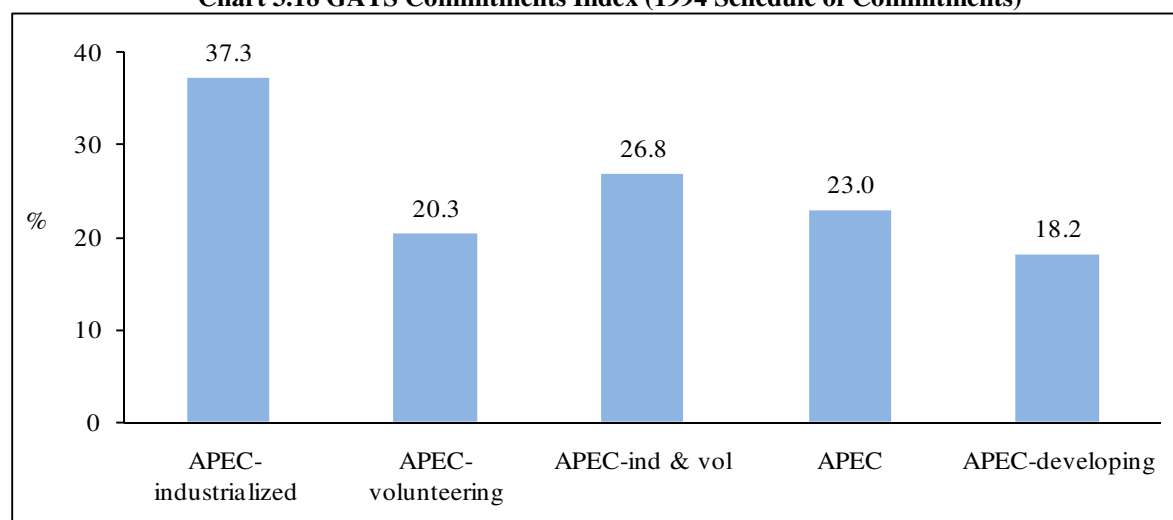
Each entry of the individual economy's commitments in WTO is assigned with a score to reflect the intrinsic restrictiveness. The full commitment (no restriction, declared as "None") as entry is scored to be 1, the zero commitment (which means any restriction can be applied, is declared as "Unbound") as entry is scored to be 0, and the in-between situation is taken as 0.5. The overall score for each economy is the proportion of sum of the scores against the full score 1240.

The Schedule of Commitment (1994) sets the starting point of service trade liberalization for each individual economy. Although GATS has shaped the Schedule of Commitments with "Guidelines and Procedures for the Negotiations", we can still see great variations of initial liberalization within APEC.

⁵³ The services sector, in general, maintains a high participation the world economy. According to Braga and Brokhaug (2005), services account for roughly two-thirds of global output (69 per cent in high-income economies, 55 per cent in middle-income economies, and 44 per cent in low-income economies). In terms of employment, services are a major contributor for the high income economies (70% share) but not so for most of the low income economies (less than 30 per cent).

⁵⁴ In this negotiating context at the multilateral level, the agreed commitments might not include all measures that parties are willing to concede. Thus, this approach would cover "minimum" levels that the parties are able to liberalize. In fact, parties usually offer bilateral concessions in RTA/FTAs that go beyond what was offered in WTO at the multilateral negotiations.

⁵⁵ The methodology used is the GATS Commitment Index reported by Hoekman (1995). Following the GATS Services Sectoral Classification List (CPC code), the methodology puts the same weight on the 155 sector and subsectors in this list, on the 4 modes of service supply, and on the declared commitments to open "market access" and providing "national treatment" to foreign service suppliers.

Chart 3.18 GATS Commitments Index (1994 Schedule of Commitments)

Source: PSU calculation based on the WTO Schedule of Commitments from APEC member economies. (See Technical note # 12)

The 1994 data indicates that industrialized economies offered more commitments on services liberalization compared with APEC as a whole and the group of developing economies. Outside APEC, Hoekman (1995) also found that high income economies offer significantly more commitments compared with their counterparts from developing economies. These findings are logical to GATS' Article XIX, which provides developing economies some flexibility by allowing them to open fewer sectors, liberalize fewer types of transactions and progressively extend market access in line with their development situation.

Table 3.3 GATS Commitments Index by sectors (1994 Schedule of Commitments)

%	APEC-industrialized	APEC-volunteering	APEC-ind & vol	APEC	APEC-developing
1. Business Services	46.0	24.4	32.7	26.3	19.7
2. Communication Services	35.5	23.5	28.1	24.1	20.3
3. Construction And Related Engineering Services	59.5	30.6	41.7	34.6	26.3
4. Distribution Services	46.5	13.6	26.3	19.4	10.4
5. Education Services	22.3	7.3	13.1	11.4	7.8
6. Environmental Services	47.8	13.9	26.9	22.2	13.6
7. Financial Services	51.1	29.0	37.5	36.3	31.4
8. Health Related And Social Services	9.4	8.2	8.7	7.3	6.6
9. Tourism And Travel Related Services	58.8	33.4	43.1	37.3	30.2
10. Recreational, Cultural And Sporting Services	28.8	7.0	15.4	11.3	5.5
11. Transportation Services	19.8	6.0	11.3	11.1	8.2

Source: PSU calculations based on the WTO Schedule of Commitments from APEC member economies. (See Technical note # 12.)

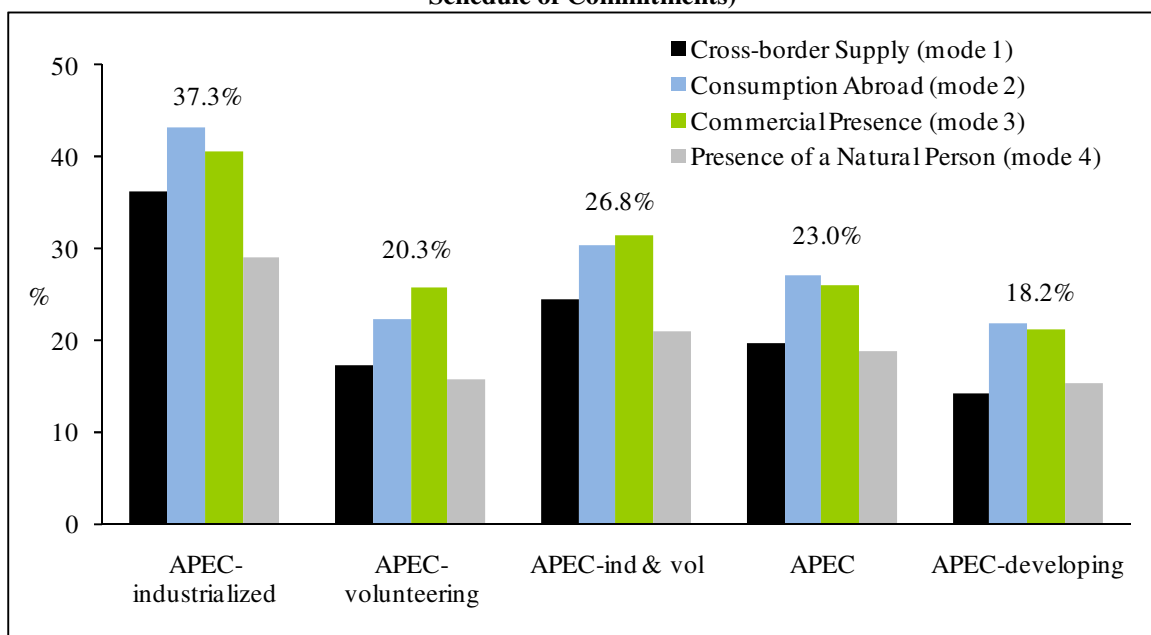
The sectoral analysis indicates that the health related and social services category was the sector with less binding commitments within APEC, with only 6 out of 20 APEC member economies in WTO making partial commitments in this sector⁵⁶. Tourism and travel related services (37%), financial services (36%) and construction and related engineering services (35%) are the most liberalized sectors across APEC members.

⁵⁶ As of September 2010, Russia is the only APEC member economy without WTO membership.

The values on average level of commitments were the lowest on health and social services (7%), recreational, cultural and sporting services (11%), and transportation services (11%). The differences in level of commitments among industrialized and developing economies were quite significant for recreational and transportation services. Adlung (2003) noted that the health and social services have attracted fewer commitments in current schedules than virtually all other sectors, and that health and social services are the only large sectors on which no member has circulated specific negotiating proposals.

APEC industrialized economies do show a much higher level of binding commitments than APEC developing economies, especially in business services, construction and related engineering services, distribution services, environmental services and tourism and travel related services.

Chart 3.19 GATS Commitments Index: overall liberalization and comparison by mode of supply (1994 Schedule of Commitments)



Note: Overall liberalization for each group of member economies is shown at the top of the columns.

Source: PSU calculations based on the WTO Schedule of Commitments from APEC member economies. (See Technical note # 12)

The previous two charts show both the overall level of liberalization and mode specific liberalization based on 1994 Schedule of Commitments. Among the 4 different modes of supply⁵⁷, mode 2 is seen to be the most liberalized, while Mode 4 is the least liberalized in APEC and APEC industrialized economies. Mode 3 under GATS is a vehicle for negotiating market access and national treatment for foreign direct investment; therefore, the scores on mode 3 are an indication of the economies' openness towards FDI. For the APEC volunteering economies, the commitments in mode 3 are the highest among the four modes

⁵⁷ According to GATS, **cross-border supply (mode 1)** is defined to cover services flows from the territory of one Member into the territory of another Member (e.g. banking or architectural services transmitted via telecommunications or mail); **consumption abroad (mode 2)** refers to situations where a service consumer (e.g. tourist or patient) moves into another Member's territory to obtain a service; **commercial presence (mode 3)** implies that a service supplier of one Member establishes a territorial presence, including through ownership or lease of premises, in another Member's territory to provide a service (e.g. domestic subsidiaries of foreign insurance companies or hotel chains); and **presence of natural persons (mode 4)** consists of persons of one Member entering the territory of another Member to supply a service (e.g. accountants, doctors or teachers).

of supply. Among the reporting 2010 economies, the APEC industrialized economies show the highest level of openness.

2. *Progress of Liberalization on Trade in Services*

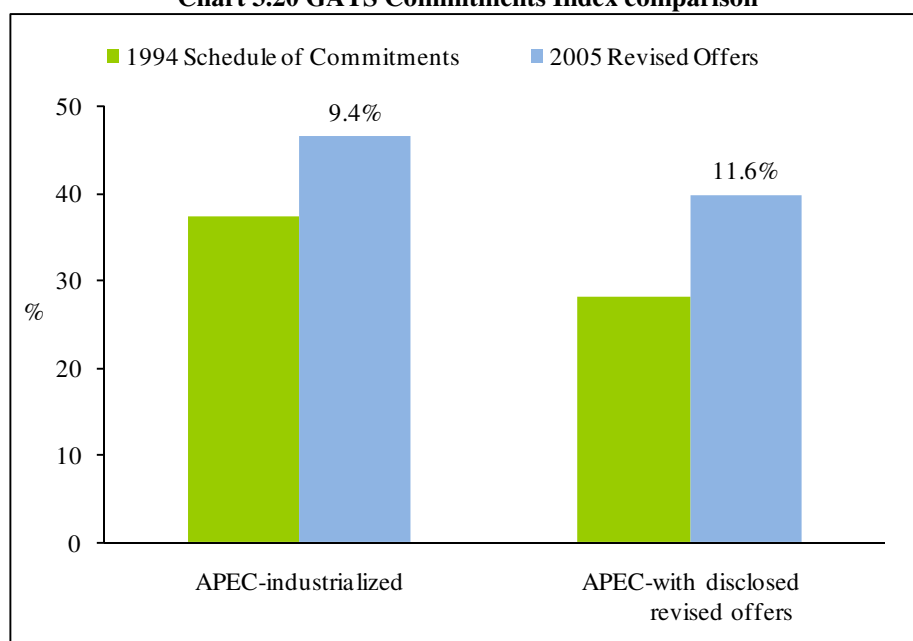
Evaluating the progress done by APEC member economies since the conclusion of the Uruguay Round is not an easy task. The Doha Round has not concluded yet and most of the APEC member economies have not declassified (or made public) their current offers on the commitment on trade in service, which makes it not possible to compare the commitments in force with their current degree of willingness to deepen their existing commitments.

However, an examination of the declassified Revised Offers presented in the current WTO Doha Round Negotiations by APEC members⁵⁸, the commitments assumed by economies in recent FTAs, and the unilateral domestic reforms in services undertaken by member economies provides a perspective on how much the APEC economies are willing to move ahead in the liberalization of trade in services.

a. *WTO Commitments and Revised Offers*

Using the 1994 Schedule of Commitment as the starting point of liberalization, the 2005 Revised Offer reflects the willingness of member economies to undertake further liberalization in the current Doha Round Negotiations. The difference between the index on Schedule of Commitment and index on the Revised Offer can be regarded as a conservative proxy for the progress that has been made by member economies to liberalize their trade in services⁵⁹.

Chart 3.20 GATS Commitments Index comparison



⁵⁸ The Revised Offers were made public in 2005.

⁵⁹ It is important to clarify that the Revised Offers do not represent the final position of the WTO members at the Doha Round. The Revised Offers provide a reference on the level of concessions WTO members are willing to concede given the state of the multilateral negotiations in the Doha Round.

Note: The difference between the 1994 Schedule of Commitments and the 2005 Revised Offer liberalization level is shown at the top of the 2005 Revised Offers column. This index only includes the APEC economies that disclosed their corresponding 2005 Revised Offers (Australia, Canada, Chile, Japan, Korea, New Zealand, Peru and United States)

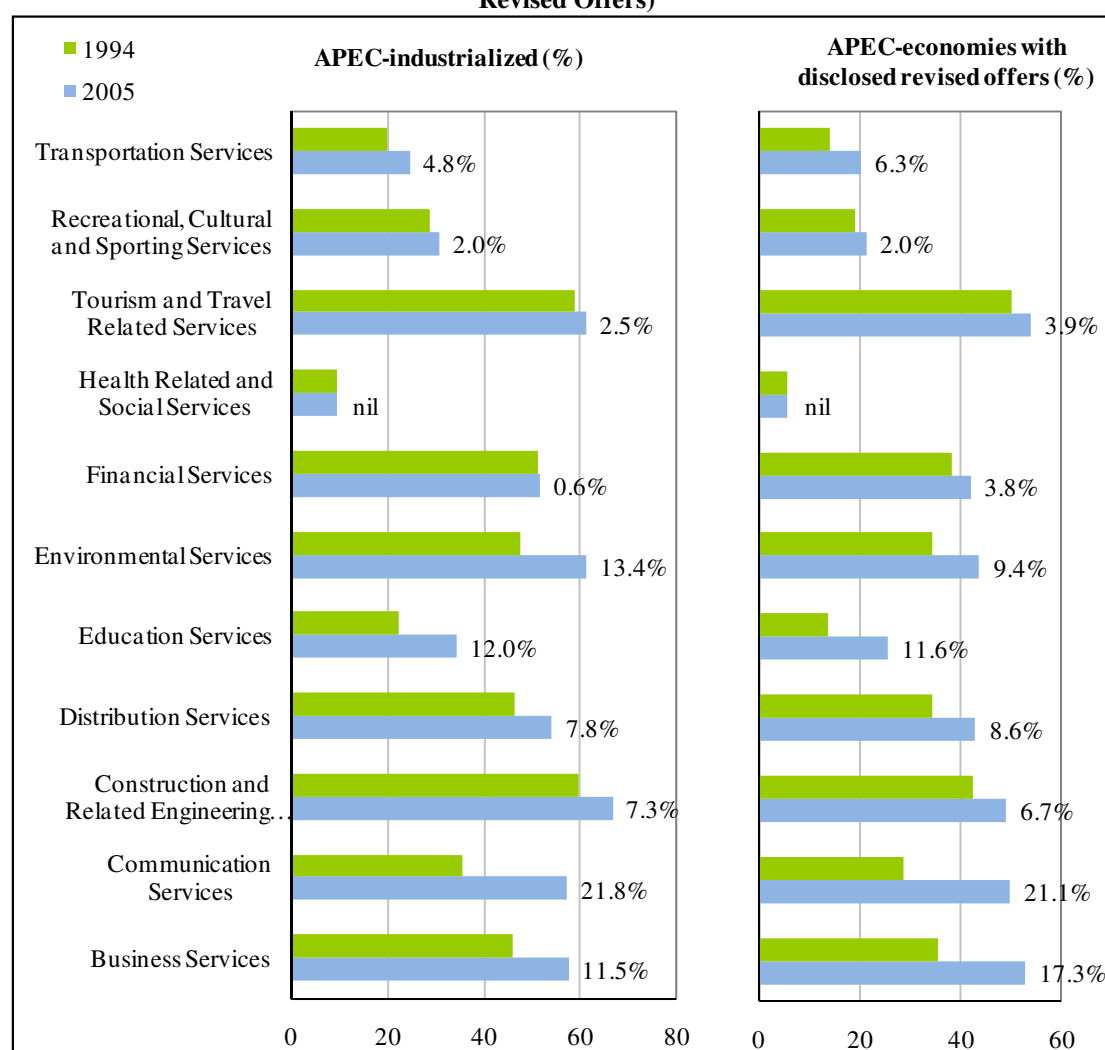
Source: PSU calculations based on the WTO Schedule of Commitments and Revised Offers from APEC member economies. (See Technical note #12)

The revised offer on GATS commitment in 2005 only covers eight member economies (Australia, Canada, Chile, Japan, Korea, New Zealand, Peru and United States). In general, an average of almost 10% of further liberalization has been offered by those economies, which shows the willingness to make progress on broadened sector/mode coverage, and greater degree of liberalization. On the individual level, greatest willingness to progress is seen from Peru, Japan and Korea with 23%, 14% and 13% improvement in services liberalization, respectively.

The United States is the APEC economy with the highest level of GATS commitments and deepest revised offer. According to the United States' Individual Action Plan Peer Review (2008), the most recent Doha Development Agenda Offer from the United States improves its GATS commitments in telecommunications, business services, higher education, transportation and energy services.⁶⁰

At the sectoral level, the most apparent progress is shown in communication services, business services, education services and environmental services.

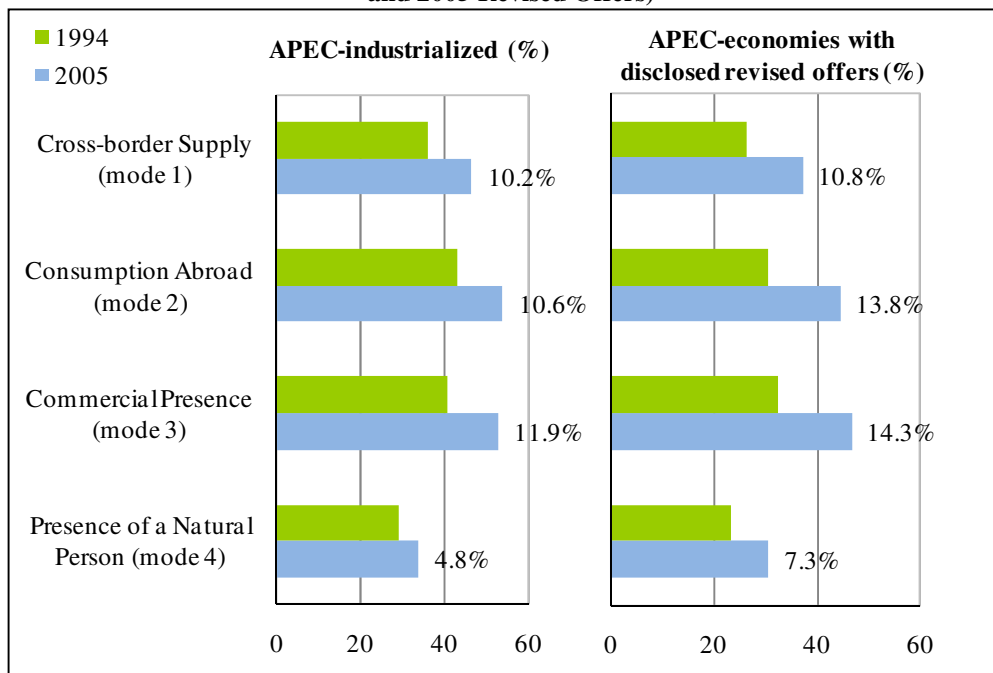
⁶⁰ United States APEC IAP Peer Review (2008).

Chart 3.21 GATS Commitments Index: comparison by sector (1994 Schedule of Commitments and 2005 Revised Offers)

Note: The difference between the 1994 Schedule of Commitments and the 2005 Revised Offer liberalization level is shown at the top of the 2005 Revised Offers column. This index only includes the APEC ind & vol economies that disclosed their corresponding 2005 Revised Offers (Australia, Canada, Chile, Japan, Korea, New Zealand, Peru; United States).

Source: PSU calculations based on the WTO Schedule of Commitments and Revised Offers from APEC member economies. (See Technical note #12)

By modes of service supply, compared to their existing 1994 Schedule of Commitments, Australia and Peru have expressed greatest willingness to move forward (16%) in the current negotiations for mode 1; Japan; Korea and Peru are the most willing to go further for mode 2 (18%). Also, among the industrialized economies, Japan is the economy most willing to go further for mode 3 (19%); whilst Peru stands out among the volunteering economies (31%). For Mode 4, all five industrialized members shows a more conservative approach compared to the other modes of supply.

Chart 3.22 GATS Commitments Index: comparison by mode of supply (1994 Schedule of Commitments and 2005 Revised Offers)

Note: The difference between the 1994 Schedule of Commitments and the 2005 Revised Offer liberalization level is shown at the top of the 2005 Revised Offers column. This index only includes the APEC ind & vol economies that disclosed their corresponding 2005 Revised Offers (Australia, Canada, Chile, Japan, Korea, New Zealand, Peru; United States).

Source: PSU calculations based on the WTO 1994 Schedule of Commitments and 2005 Revised Offers from APEC member economies. (See Technical note #12)

b. RTA/FTAs

In addition to WTO services commitments, APEC member economies and WTO members also use RTA and FTAs to improve their degree of openness in trade in services at the regional or bilateral levels. The agreed commitments in the RTA/FTAs tend to be deeper than those in GATS/WTO. A number of independent studies that explore these issues have been released in recent years. Some of the findings from those studies are summarized below⁶¹.

The World Bank (2008), noted in a study covering the East Asian region, that among the reporting economies, Korea, Japan and Singapore have made extensive use of FTAs to subscribe to greater openness in services. Singapore stands out with 86% of sub-sectors and modes showing improved or new commitments across 12 FTAs, while for Korea and Japan this share stands at 76% and 71%, respectively. Chinese Taipei also showed improved commitments in 64.1% of the subsectors. (See Table 3.4)

⁶¹ In addition to those studies, the dataset of services commitments in preferential trade agreements used in Marchetti and Roy, ed. (2009), which details the level of services commitment by WTO members in 40 FTA/RTAs (including 16 intra-APEC agreements and 22 FTA/RTAs with at least one APEC member economy), shows that signatory parties in all those FTA/RTAs made deeper commitments than those in GATS.

Table 3.4 Commitments on services in FTAs

%	Number of FTAs	GATS only		FTA improvements		FTA new sectors		Unbound
		Partial	Full	Partial	Full	Partial	Full	
Brunei Darussalam	2	8.0	3.6	0.8	0.0	15.3	9.3	63.1
China	3	31.0	18.2	10.9	0.0	3.9	0.0	36.0
Indonesia	2	9.3	1.9	7.8	4.1	8.1	2.1	66.7
Japan	4	11.0	13.8	26.0	6.0	21.6	17.9	3.7
Korea	3	1.8	11.4	33.4	4.5	32.8	5.5	10.6
Malaysia	3	22.6	8.1	11.9	0.2	8.1	1.9	47.2
Philippines	3	9.7	3.7	9.9	1.1	23.5	5.8	46.1
Singapore	12	1.9	9.1	18.8	4.7	39.4	22.6	3.4
Chinese Taipei	3	12.7	20.0	29.1	5.2	14.4	15.7	2.9
Thailand	3	16.6	4.1	11.5	0.3	12.2	1.0	54.4
Viet Nam	3	39.3	16.7	2.8	0.3	0.3	0.2	40.4

Source: World Bank (2008), p.641-673. (See Technical note # 13.)

In addition, a WTO paper by Roy, Marchetti and Lim (2006) identified the types of new/improved RTA/FTAs commitments that have been done by, among others, the following APEC economies:

- **Australia:** Binding commitments going beyond GATS cover the following sectors (for example): improved commitments on legal services, on retailing (no limitation with regard to the dispensing of pharmaceuticals), on tourism (through the removal of a commercial presence requirement for travel agencies/tour operators services), and on financial services (in particular through permitting branching for life insurance); new commitments on courier services and audiovisual services; and improved and new commitments in relation to rail transport services. Several of these improvements over GATS were contracted in Australia's FTA with the US, but not others.
- **Chile:** In general, Chile's commitments in FTAs improve on the country's GATS commitments in sectors such as professional services, courier services, telecommunications, construction services, financial services, maritime services, and services auxiliary to all modes of transport. Chile's FTA commitments go even further than the offer submitted to the WTO in some professions and business services (particularly with regard to mode 1). The commitments undertaken by Chile in its FTA with the US go further than the others in key sectors such as professional services; telecommunications, by allowing access to its local market; and financial services, by allowing more services to be supplied on a cross-border basis, and by allowing US insurance companies to establish as branches.
- **Japan:** Improvements on the FTA commitments advance beyond GATS in transport services, business services, as well as in the expansion of product coverage in distribution services. The FTA with Singapore tends to have fewer commitments than those signed with Mexico and Malaysia. However, this may be explained because the agreement with Singapore was signed in 2002, while those with Mexico and Malaysia were signed in 2004 and 2005, respectively.
- **Peru:** In the FTA with the United States, Peru binds full openness under mode 1, which was unbound in GATS, and undertakes new commitments on commission agents' services, with the exception of handicrafts. Also, Peru undertook deeper

commitments in education, including all education sub-sectors, in comparison to GATS⁶².

- **United States:** FTA commitments go beyond the GATS schedule/offer in a number of sectors. In financial services, new commitments are undertaken under mode 1 for insurance intermediation and with respect to certain portfolio management services. Other GATS+ commitments include new commitments on repair and maintenance of vessels, on certain port-related activities, as well certain improvements in relation to air, road, rail, and auxiliary transport services. FTAs also provide, among other things, for new commitments on R&D services.

The Inter-American Development Bank (IADB) also released a study by Estevadeordal, Shearer and Suominen (2008) which analyzed the liberalization of trade in services in the Americas through various RTA/FTAs. It noted that more than 60 percent of the RTAs covering the Americas include a large number of specific services provisions on modes 1 and 2. The service chapters in NAFTA (Canada, Mexico and United States) and United States' FTAs with Australia, Chile, Peru and Singapore have a comprehensive coverage⁶³. For the investment chapters, those FTAs involving the United States cover a wider array of disciplines compared to others⁶⁴.

A comparative analysis on several RTA/FTAs by Heydon and Woolcock (2009) shows that Japan's agreements are GATS-plus in a large number of sub-sectors and modes and that the depth of liberalization in its RTA/FTAs is more modest, in part because it reflects already liberal commitments of Japan under GATS. In addition, this study mentions some examples where Japan's RTA/FTAs commitments are GATS-plus. For example, the agreement with Singapore contains provisions that go beyond the GATS Annex on Telecommunications. Similarly, Japan's agreement with Thailand includes provisions in sectors where no specific commitments were undertaken in GATS⁶⁵.

On Singapore's agreements, Heydon and Woolcock (2009) consider that they follow GATS-plus commitments in services, as well as comprehensive provisions in investment. To illustrate, the study mentions that the FTAs with Korea and Australia are GATS-plus in many aspects. For example, both agreements advance beyond GATS in telecommunications and financial services. In addition, the agreement with Korea includes further commitments in maritime transport and the development of professional standards⁶⁶.

Substantial progress on the liberalization of services through RTA/FTAs in APEC economies has also been reported by several Trade Policy Review reports elaborated by the WTO Secretariat. In this regard, some of the findings are summarized as follows:

⁶² These commitments in education services are subject to a reservation that allows keeping existing restrictions or undertake new restrictions in relation to public education.

⁶³ The United States International Trade Commission produced a series of reports to analyze the sectoral effects of the FTAs signed by the United States with Australia, Chile, Peru and Singapore. Those reports identified potential benefits from these agreements, one of them being the deeper coverage of several commitments beyond those in GATS. (See http://www.usitc.gov/research_and_analysis/commission_publications_yearly.htm)

⁶⁴ Estevadeordal, A, M. Shearer and K. Suominen (2008), p.36-40.

⁶⁵ Heydon, K. and S. Woolcock (2009), p. 100-104.

⁶⁶ Ibid.

- Australia (2007)⁶⁷: Free trade in services in the Australia–New Zealand Closer Economic Relations Trade Agreement (ANZCERTA). Within ANZCERTA, Australia only has reservations in air services, coastal shipping, broadcasting and television, third-party insurance and certain postal services. Also, Australia has undertaken commitments beyond GATS in its revised offer in the agreement with the United States, particularly in sectors such as financial, legal, travel agencies and tour operator services.

The Australia-Thailand FTA shows some GATS-plus commitments undertaken by Australia as well, especially with regards to e-commerce and temporary entry of business persons.

- Chile (2009)⁶⁸: Most of Chile's RTA/FTAs contain provisions on trade in services and cover important areas, such as telecommunications, professional services and temporary entry of business persons.
- Hong Kong, China (2007)⁶⁹: The Closer Economic Partnership Agreement with China (CEPA) includes liberalization measures in 27 services areas⁷⁰ (the number of services areas has increased to 42 in 2009⁷¹). This agreement is reciprocal and Hong Kong, China has committed not to impose any new discriminatory measure on China's services and services suppliers in the areas that China is offering liberalization measures to Hong Kong, China. This goes beyond Hong Kong, China's GATS commitments, both in sector coverage and in the extent of liberalization.
- Korea (2008)⁷²: All of Korea's RTA/FTAs include commitments in services that go beyond GATS. This includes the RTA/FTAs already in force with ASEAN, Chile and Singapore. In the case of the agreement with ASEAN, the number of sectors and sub-sectors open to foreign suppliers increased, and limitations on both market access and national treatment in certain sectors and sub-sectors decreased. The agreement with Singapore has few exceptions in terms of coverage and prohibition to require local presence.

⁶⁷ WTO Secretariat (2007), Trade Policy Review - Report by the Secretariat - Australia – Revision, WT/TPR/S/178/Rev.1, 1 May 2007, p. 91-92.

⁶⁸ WTO Secretariat (2009), Trade Policy Review - Report by the Secretariat - Chile – Revision, WT/TPR/S/220/Rev.1, 5 November 2009, p. 108.

⁶⁹ WTO Secretariat (2007), Trade Policy Review - Report by the Secretariat – Hong Kong, China – Revision, WT/TPR/S/173/Rev.1, 13 March 2007, p. 80.

⁷⁰ The following services sectors are included in CEPA: accounting, advertising, air transport, audiovisual, banking, cultural, convention and exhibition, distribution, freight forwarding agency, individually owned stores, information technology, insurance, job referral agency, job intermediary, legal, logistics, management consulting, medical and dental, patent agency, professional qualification examinations, real estate and construction, storage and warehousing, securities and futures, telecommunications, tourism, trade-mark agency, and transport (including road freight/passenger transportation and maritime transport).

⁷¹ The additional 15 services sectors are: building-cleaning, computer and related services, environmental services, market research, photographic services, printing, public utility, rail transport, related scientific and technical consulting services, research and development, services incidental to mining, services related to management consulting, social services, sporting, and translation and interpretation.

⁷² WTO Secretariat (2008), Trade Policy Review - Report by the Secretariat – Republic of Korea – Revision, WT/TPR/S/204/Rev.1, 4 December 2008, p. 26-28.

- Malaysia (2010)⁷³: The FTA with Japan includes commitments on trade in services beyond its GATS commitments. In this FTA, the four modes of supply are included and covers sectors such as communication services, financial services, tourism and travel-related services, computer-related services, construction and related engineering services, educational services, hospital services, other business services and professional services.
- Mexico (2008)⁷⁴: Preferential agreements are more liberal than the commitments in GATS. No restriction on foreign capital participation in banking services through subsidiaries of foreign financial institutions from economies with which Mexico has an RTA/FTA that includes a chapter on financial services. Subsidiaries can offer the same services as commercial banks, subject to the provisions of RTA/FTAs, and provided that the sponsoring foreign financial institution offers similar services in their place of origin.

In the case of insurance companies with a majority of foreign-owned capital, the foreign institution must come from an economy with which Mexico has signed a free trade agreement that includes a financial services chapter. These foreign institutions must establish themselves in Mexico through subsidiaries.

- New Zealand (2009)⁷⁵: New Zealand seeks liberalization of trade in services and disciplines on domestic regulation that are more robust than existing GATS disciplines in the RTA/FTAs negotiations. The Trans-Pacific Strategic Economic Partnership Agreement (TransPac) is more comprehensive than GATS commitments. Similarly, the bilateral agreement with Singapore has an increased coverage in business services, communication services, distribution services, financial services, health related and social services, tourism and travel related services, and transport services.

The FTA with China also includes a series of understandings beyond GATS commitments in sectors such as other education services, environmental services, computer services (maintenance and repair of office machinery and equipment, including computers; and other computer services), photographic and duplicating services and construction services (consultancy related to construction services).

- Peru (2007): The FTA with Chile includes provisions on cross-border trade in services and temporary entry of business people; investment; and a future commitment to negotiate the mutual recognition of diplomas. The FTA with United States covers investment, cross-border services, financial services, telecommunications and e-commerce⁷⁶.

⁷³ WTO Secretariat (2010), Trade Policy Review - Report by the Secretariat – Malaysia – Revision, WT/TPR/S/225/Rev.1, 15 February 2010, p. 19.

⁷⁴ WTO Secretariat (2008), Trade Policy Review - Report by the Secretariat – Mexico – Revision, WT/TPR/S/195/Rev.1, 2 May 2010, p. x.

⁷⁵ WTO Secretariat (2009), Trade Policy Review - Report by the Secretariat – New Zealand – Revision, WT/TPR/S/216/Rev.1, 10 July 2009, p. 24-30, 84.

⁷⁶ WTO Secretariat (2007), Trade Policy Review - Report by the Secretariat – Peru – Revision, WT/TPR/S/189/Rev.1, 17 December 2007, p. 21-22.

- Singapore (2008): Singapore's commitments under its bilateral FTAs are deeper than those in GATS, including in financial services, business and professional services, telecommunications, education and transport services. The FTAs with New Zealand, Japan, Australia and the United States are good examples of this further commitment⁷⁷.

Information from official websites also reports benefits for the services sectors in terms of comprehensive coverage in RTA/FTAs. For example, New Zealand's Ministry of Foreign Affairs and Trade states that New Zealand only keeps reservations in two sectors (airway services and coastal shipping) in the ANZCERTA. Moreover, it specifies that a person who is registered to practice an occupation in one of the parties is entitled to do the same in the other party (with medical practitioners as the only exception)⁷⁸.

In the same way, Australia's Department of Foreign Affairs and Trade identifies some benefits for Australian services providers in the FTA with the United States. The agreement allows Australia to enjoy WTO-plus privileges in sectors such as educational, financial and professional services, among others⁷⁹. Likewise, it also recognizes WTO-plus benefits in the FTA with Chile. In particular, Australian providers will enjoy these benefits in engineering and consulting, franchising, education and training, information technology, tourism and infrastructure⁸⁰.

Similarly, Canada's Department of Foreign Affairs and Trade details the benefits in trade in services obtained in the FTA Canada-Peru. Through this FTA, Canada has obtained enhanced market access, well beyond Peru's GATS commitments, in key service sectors of interest, including mining, energy and professional services (engineering, architectural, environmental, distribution, financial and information technology). Canada and Peru have also agreed on comprehensive disciplines in the FTA for the financial services sector, including banking, insurance and securities. The financial services chapter of the FTA will enshrine access to markets for both cross-border financial service providers and financial institutions established in each jurisdiction.⁸¹

Hong Kong, China's Trade and Industry Department also lists the key outcomes obtained in trade in services with the subscription of the Hong Kong, China – New Zealand Closer Economic Partnership Agreement. In this agreement, both Hong Kong, China and New Zealand have made broad commitments covering a wide range of services including maritime transport services, logistics and related services, audiovisual services and various business services, and computer and related services. Many of the commitments go beyond not only their existing commitments in WTO, but also their offers in the current WTO services negotiations⁸².

⁷⁷ WTO Secretariat (2008), Trade Policy Review - Report by the Secretariat – Singapore – Revision, WT/TPR/S/202/Rev.1, 26 September 2008, p. 30, 81-82.

⁷⁸ See <http://www.mfat.govt.nz/Trade-and-Economic-Relations/0--Trade-archive/0--Trade-agreements/Australia/0-cer.php>.

⁷⁹ See http://www.dfat.gov.au/trade/negotiations/us_fta/outcomes/05_services.html.

⁸⁰ See http://www.dfat.gov.au/geo/chile/fta/deal_at_a_glance.pdf.

⁸¹ See <http://www.international.gc.ca/trade-agreements-accords-commerciaux/assets/pdfs/fs-services-en.pdf>

⁸² See http://www.tid.gov.hk/english/trade_relations/hknzcep/index.html

c. Domestic Measures and Other Liberalization Initiatives

Besides the measures implemented by APEC member economies as a result of trade negotiations at the multilateral, regional or bilateral level, APEC member economies have also advanced towards the liberalization of cross-border trade in services and investment through the accomplishment of unilateral domestic reforms or through the implementation of specific international sectoral agreements.

In terms of unilateral domestic reforms, APEC member economies have reported good progress. In the case of the APEC industrialized economies, overall, the level of openness has already been high for many years. Nevertheless, as shown in the APEC Individual Action Plans and WTO documents, these economies have still found room for improvement in a number of sectors. Some examples are listed as follows:

Australia recorded notable developments in telecommunications liberalization and competition, passing new legislation that includes the improvement of the investment certainty in relation to telecommunications infrastructure, the operational separation of Telstra, the privatization of Telstra, and removal of price regulation from services provided to large business customers.⁸³ Similarly, Australia has introduced further reforms to its business and real estate investment regimes in the second half of 2009, which provide a clearer pathway for foreign investors and generally allows unrestricted investment in Australian companies below an indexed threshold of AUD 231 million⁸⁴.

Canada's market access in services is relatively liberal, but has been further enhanced since 1998⁸⁵. According to Canada's IAP Peer Review (2008), it was noted that market access improvements in services trade were achieved by reducing discriminatory provincial requirements affecting the provision of professional, business, and tourism and transport services. Canada also highlighted the elimination of citizenship requirements with respect to engineering services, integrated engineering services, and related scientific and technical consulting services in the Energy Services sector.

The WTO Secretariat noted that **Japan** has continued to promote structural reforms, especially those pertaining to energy, financial services, and air transport, among others. Japan has further liberalized its gas sector to promote competition. Recent improvements for services liberalization include the audio-visual communication services, with improvements on foreign entry, as well as the transport and energy services, with improvements on operational, licensing and qualification requirements of services providers⁸⁶.

New Zealand's services sector has remained relatively liberal and competitive, with low barriers to entry⁸⁷. In recent years, there have been important reforms in the energy sector. Amendments were made to the Electricity Industry Reform Act 1998 to relax the rules restricting cross-involvement between electricity lines businesses and supply businesses.

⁸³ Australia APEC IAP Peer Review (2007).

⁸⁴ See

<http://www.treasurer.gov.au/DisplayDocs.aspx?doc=pressreleases/2009/089.htm&pageID=003&min=wms&Year=2009&DocType=0>.

⁸⁵ WTO Secretariat (2000), Trade Policy Review - Report by the Secretariat – Canada – Revision, WT/TPR/S/78, 15 November 2010, p. vii.

⁸⁶ Japan APEC IAP Peer Review (2007).

⁸⁷ WTO Secretariat (2009), Trade Policy Review - Report by the Secretariat – New Zealand – Revision, WT/TPR/S/216/Rev.1, 10 July 2009, p. x.

Also, in accounting services, changes were made in order to reduce compliance costs for businesses by removing filing requirements for non-large companies with 25% or more overseas ownership⁸⁸.

A report by the WTO Secretariat mentions that the **United States** has long maintained a policy of national treatment of foreign direct investment, subject to sector-specific considerations, prudential concerns, and national security⁸⁹. This report stresses the fact that the telecommunications market is open to foreign participation and highly competitive. Some measures have been implemented in this sector to improve competition, such as the elimination of certain unbundling requirements to level the regulatory playing field between broadband internet access providers and the facilitation for video services providers to enter into the domestic market⁹⁰. Efforts at the state level have taken place as well. For example, the State of Virginia became the most recent U.S. state to adopt rules for licensing of foreign legal consultants (FLC), raising the total number of states with FLC rules to 30⁹¹.

The APEC volunteering economies have achieved considerable progress in the implementation of domestic measures to liberalize cross-border services and investments. A study by Dihel and Shepherd (2007) to assess barriers and the effects of liberalization in services showed considerable progress in the liberalization of insurance and fixed telecommunications services in Chile, distribution services in Mexico, and insurance, banking and telecommunications services in Peru⁹².

In the APEC Individual Action Plans, the volunteering economies have also reported a comprehensive list of measures in their efforts to liberalize cross-border services and investments. The WTO Secretariat gives emphasis to these efforts in their Trade Policy Review reports. Some illustrative examples from these sources are described below.

In **Chile**, telecommunications services, including domestic and international phone services, mobile telephones and value-added network services are completely open to competition from both national and foreign providers. In addition, Chile does not have foreign ownership restrictions in the telecommunications sector⁹³.

Hong Kong, China remains receptive to foreign investment and does not discriminate between foreign and domestic investors. The presence of international banks in Hong Kong, China's highly external-oriented banking sector is among the largest in the world (69 of the world's 100 largest banks are established in Hong Kong, China)⁹⁴. In telecommunications services, the market has been progressively deregulated. Fixed line telecommunication network services were fully liberalized at the beginning of 2003, while market entry requirements for wireless networks were substantially reduced⁹⁵.

⁸⁸ New Zealand, 2007-2009 APEC IAP Update.

⁸⁹ WTO Secretariat (2008), Trade Policy Review - Report by the Secretariat – United States – Revision, WT/TPR/S/200/Rev.1, 12 August 2008, p. vii.

⁹⁰ Ibid, p. xi.

⁹¹ United States APEC IAP 2009.

⁹² Dihel, N. and B. Shepherd (2007), p. 20-27.

⁹³ Chile APEC IAP 2009.

⁹⁴ WTO Secretariat (2007), Trade Policy Review - Report by the Secretariat – Hong Kong, China – Revision, WT/TPR/S/173/Rev.1, 13 March 2007, p. viii, 80.

⁹⁵ Hong Kong, China APEC IAP Peer Review (2007).

Korea has unilaterally liberalized foreign ownership in telecommunications beyond GATS commitments. Measures to open the banking sector to foreign direct investment have increased competition and labor productivity⁹⁶. In terms of educational services, Korea has decided to make the participation of foreigners to establish or operate cyber universities more flexible in certain cases⁹⁷.

According to the WTO Secretariat, since April 2009, **Malaysia** has been unilaterally liberalizing its services sector and is intending to improve its offers in areas where domestic services suppliers are ready to compete with foreign suppliers⁹⁸. Progress to open the market to foreign competition has been evident in financial services, particularly in Islamic banking, insurance and capital market⁹⁹.

Mexico's market access provisions in its domestic legislation and preferential agreements are more liberal than the commitments undertaken in GATS¹⁰⁰. Mexico's APEC IAP Peer Review (2008) noted that improvements have been implemented in telecommunications, broadcasting, tourism and travel-related services, financial services, and natural gas services, all of which are very sensitive sectors. Reform was also undertaken in financial services. Further improvements targeted towards telecommunications and natural gas services were planned. The Mexico 2009 IAP also noted that Mexico is the first Latin American economy accepting number portability. This scheme has become an important element in competition and convergence in telecommunications, since it enables service providers to compete fairly.

Peru generally does not apply limitations on national treatment in banking, insurance and private pension funds¹⁰¹. In telecommunications, the liberalization of the sector has made progress since 2000 and the sector's regulatory framework has seen changes with the objective of reducing the barriers to the entry of new operators in the market¹⁰².

In general, **Singapore** keeps open investment policies and is becoming more open for utilities and services. For instance, in the electricity sector, restructuring and privatization has begun with the three leading power-generation companies. Deregulation has continued in the gas sector with the approval of non-discriminatory terms and conditions for gas transportation throughout the Singapore network. Furthermore, a significant degree of liberalization in the financial and telecommunications sectors has been achieved. Regarding professional services, Singapore has increased market access for certain kinds of foreign professionals, notably lawyers. The postal sector was liberalized in April 2007¹⁰³.

Chinese Taipei has pursued liberalization measures to facilitate domestic structural reform and provide better market access for non-Chinese Taipei firms. For example, reforms in

⁹⁶ WTO Secretariat (2008), Trade Policy Review - Report by the Secretariat – Republic of Korea – Revision, WT/TPR/S/204/Rev.1, 4 December 2008, p. xi.

⁹⁷ Korea APEC IAP 2009.

⁹⁸ WTO Secretariat (2010), Trade Policy Review - Report by the Secretariat – Malaysia – Revision, WT/TPR/S/225/Rev.1, 15 February 2010, p. 17.

⁹⁹ Malaysia APEC IAP Peer Review (2009).

¹⁰⁰ WTO Secretariat (2008), Trade Policy Review - Report by the Secretariat – Mexico – Revision, WT/TPR/S/195/Rev.1, 2 May 2008, p. x.

¹⁰¹ Peru APEC IAP Peer Review (2008).

¹⁰² WTO Secretariat (2007), Trade Policy Review - Report by the Secretariat – Peru – Revision, WT/TPR/S/189/Rev.1, 17 December 2007, p. 63.

¹⁰³ WTO Secretariat (2008), Trade Policy Review - Report by the Secretariat – Singapore – Revision, WT/TPR/S/202/Rev.1, 26 September 2008, p. viii-x.

telecommunications include the liberalization of mobile communication services; opening of satellite communications market; easing of licensing conditions and issuing licenses for fixed network services and 3G mobile communication services; liberalization of domestic leased circuit services; among others. In this context, the state-owned dominant carrier (Chunghwa Telecom) was privatized in August 2005¹⁰⁴.

Liberalization in some sectors can also be achieved through the implementation of sectoral agreements. Air transport services are a clear example. Grosso and Shepherd (2009) noted that although restrictions to air cargo services remain in place in many bilateral trade agreements, there has been some progress in easing them by APEC economies. Fifty-six ASAs (air service agreements) have incorporated open route schedules for cargo, representing about 20% of the agreements for which data on this component are available. Open 3rd and 4th freedom rights are in general as common as 5th freedom, even though restrictions to the latter remain widespread (106 ASAs, over 50% of the total). Notably, 25 bilateral ASAs grant 7th freedom rights for cargo services¹⁰⁵. In addition, tariff restrictions for freight transport have been liberalized in almost 50 bilateral agreements. Also significant is the headway achieved in introducing domestic competition in the provision of ground handling services (over 60% of ASAs) and on self-handling, allowed by as many as 73 agreements. Liberalization in air transport services are an important part of trade and transport facilitation.

The analysis in this section indicates that while data allowing quantitative analysis of services liberalization is limited, services restrictions remain. However, progress has been made by APEC member economies in liberalizing their trade in services, albeit slower than trade in goods. Although the degree of further liberalization differs, the willingness toward more liberalized trade in services means -as shown in the GATS commitments, RTA/FTAs progress, and other unilateral domestic initiatives- that APEC member economies are acting in the direction of the Bogor Goals.

iv. Investment

1. Initiatives on Investment Liberalization

The Osaka Action Agenda (OAA) provides guidance in achieving the Bogor Goals. In terms of investment, the OAA aims to liberalize respective investment regimes by, inter-alia, progressively providing for MFN treatment and national treatment and ensuring transparency. Since the endorsement of the OAA, APEC member economies have made substantial progress toward the achievement of the Bogor Goals by unilaterally adopting various liberalization initiatives and revising domestic laws and regulations to conduct reforms that assist in the attraction of investments.

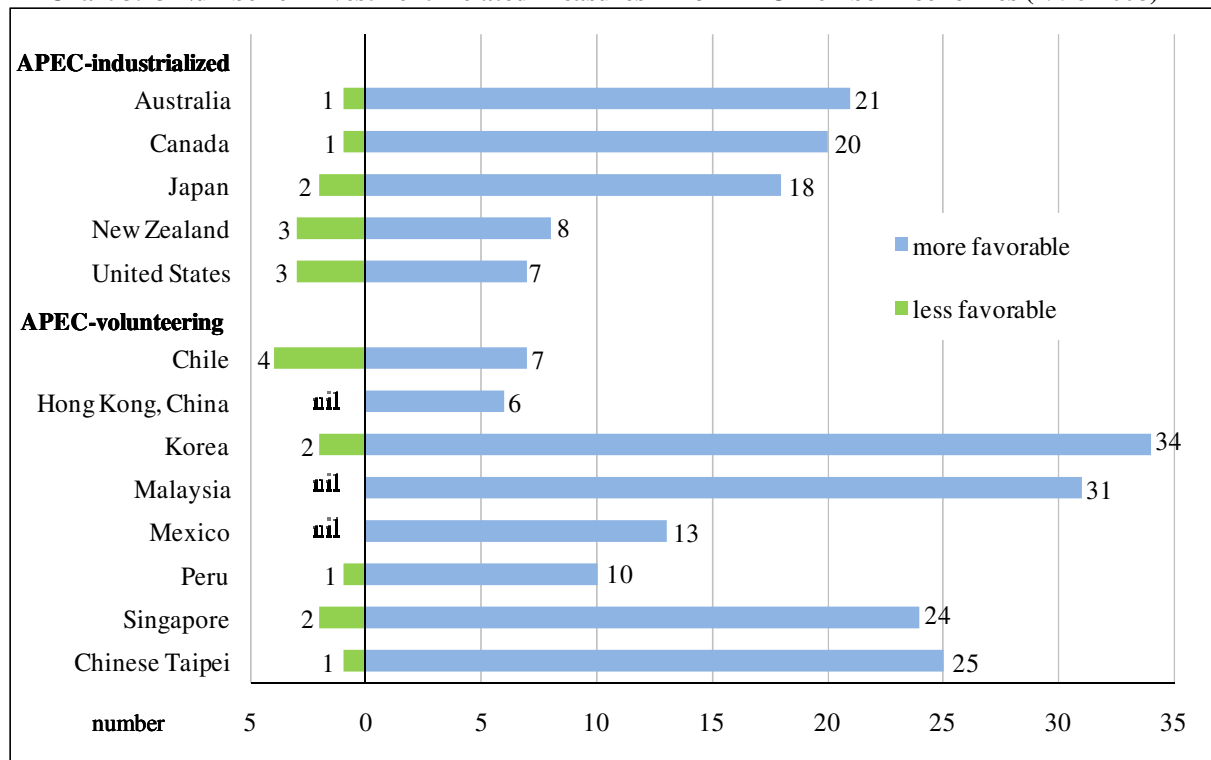
According to UNCTAD (2010), between 1996 and 2008, the five APEC industrialized economies and the eight APEC volunteering economies issued a total of 242 investment-related measures. Most of these measures (224) made the investment environment more

¹⁰⁴ WTO Secretariat (2006), Trade Policy Review - Report by the Secretariat – Chinese Taipei – Revision, WT/TPR/S/165/Rev.1, 10 October 2006, p. 65, 79-80.

¹⁰⁵ See http://www.icao.int/icao/en/trivia/freedoms_air.htm for a description of all the air freedom rights.

favorable to foreign investors, for example, by promoting and liberalizing investment and by enhancing investor protection.¹⁰⁶

Chart 3.23 Number of Investment-Related Measures in 13 APEC member Economies (1996-2008)



Source: UNCTAD (2010).

Based on information mostly from APEC Individual Action Plans, WTO Trade Policy Reviews, as well as UNCTAD reports, this section provides some illustrative examples on investment liberalization within APEC. In terms of the APEC-industrialized economies:

Australia made gradual liberalization progress in the telecommunication, banking, air transportation and media sectors. Also, the completion of the privatization of major capital city airports took place in 2002. Although an investment screening regime has been maintained to safeguard national interests, at the end of 2006, the general screening threshold was raised from AUD50 million to AUD100 million¹⁰⁷. Moreover, further liberalization measures were announced by the Australian Treasurer in 2009, such as replacing the four lowest thresholds for private business investments with a single threshold of AUD219 million¹⁰⁸, indexing the new unified threshold on 1 January every year to keep pace with inflation, and abolishing the existing requirement that private investors notify the Government when establishing a new business in Australia valued above AUD10 million.¹⁰⁹

¹⁰⁶ UNCTAD (2010), Assessment of Liberalization and Facilitation of FDI in Thirteen APEC Economies, Preliminary Findings, 2 June 2010, p. 15.

¹⁰⁷ Australia APEC IAP Peer Review (2007). The general screening threshold refers to the monetary threshold for foreign investors to acquire interest in an Australian business.

¹⁰⁸ For foreign investors, to acquire interest in an Australian business or conduct offshore takeover, the previous thresholds were equal to AUD100 and 200 million, respectively. In the case of US investors conducting sensitive sector acquisition or offshore takeover, the previous thresholds amounted to AUD110 and AUD219 million respectively. Currently, there is only one single threshold equivalent to AUD219 million for these four cases.

¹⁰⁹ For more information, please see the following media release by The Treasury, Australian Government:

As a general rule, foreign investment in **Canada** to establish a new business or to acquire control of an existing one is subject only to notification to Industry Canada, except for investments in cultural business, which are to be notified to Canadian Heritage.¹¹⁰ In the sphere of domestic policies, a new framework for entry of foreign banks was developed in 1997, which eased constraints on providing financial services, allowing foreign banks to branch directly into Canada and permitting foreign banks to own the same range of investments as local banks¹¹¹. Currently, except for cultural sectors, there is no review requirement on the establishment of new businesses (i.e. Greenfield investments). Reviews are only for mergers or acquisitions of Canadian businesses by non-Canadian investors if the amount does not exceed the threshold equivalent to CDN312 million¹¹².

Generally, **Japan** does not discriminate against foreign investors in terms of establishment of local branches, diversification of businesses and operations¹¹³. The Corporate Code of 2005 laid out measures, such as abolishing the minimum capital requirement, to facilitate the creation of new corporations and deregulate the restrictions on merger considerations among others. In addition, Japan relaxed barriers on foreign investment in telecommunications, broadcasting, mining and finance during the last decade. Substantial liberalization progress has been also reflected by the privatization of postal services and public corporations engaged in activities such as highways, housing loans, urban development and petroleum development.¹¹⁴

New Zealand maintains a very open investment regime. Most sectors already allow for 100% foreign ownership¹¹⁵. The Overseas Investment Act was reviewed in 2003/2004 to ensure maintenance of a liberal foreign investment regime with reduced compliance costs that meet government's domestic objectives. A number of improvements to the regime were implemented in 2005 in order to provide additional flexibility to foreign investors, including an increase in the screening threshold for investments from NZD50 million to NZD100 million, and a removal of the requirement for consent for land with an unimproved value of over NZD10 million where the land is not screened for other reasons established under New Zealand's laws.¹¹⁶

The **United States** provides nondiscriminatory treatment to foreign investors in almost all sectors of its economy, and it allows foreign equity participation in virtually all sectors and all types of firms¹¹⁷. Over the past decade the United States has worked to deregulate the communications, energy, financial, transportation, and other industries, with implementation typically including pro-competitive market access provisions benefitting foreign as well as

<http://www.treasurer.gov.au/DisplayDocs.aspx?doc=pressreleases/2009/089.htm&pageID=003&min=wms&Year=2009&DocType=0>

¹¹⁰ WTO Secretariat (2007), Trade Policy Review – Report by the Secretariat - Canada - Revision, WT/TPR/S/179/Rev.1, 4 June 2007, P. 14.

¹¹¹ Department of Finance Canada, available at <http://www.fin.gc.ca/foreign-etrangere/for-etran1-eng.asp>

¹¹² Canada APEC 2009 IAP.

¹¹³ According to the Japan APEC 2009 IAP, Japan extends national treatment to foreign investors with exceptions as provided for in domestic laws, regulations and policies in sectors such as mining, broadcasting, ownership and operation of Japanese nationality vessels and aircraft, among others.

¹¹⁴ UNCTAD (2010), p. 20

¹¹⁵ New Zealand APEC IAP Peer Review (2007)

¹¹⁶ New Zealand APEC 2006 IAP. For instance, consent must be sought to purchase land that is, or includes, foreshore or seabed without any minimum threshold.

¹¹⁷ United States APEC IAP Peer Review (2007)

U.S. investors. Besides, the United States has put in great efforts to push for further liberalization through bilateral and multilateral agreements, which seek to provide national treatment or MFN treatment for the full cycle of investment¹¹⁸.

Regarding the APEC-volunteering economies, significant progress has been achieved so far. For example:

Chile has been committed to investment liberalization for a long time. For instance, the privatization of Chile's telecommunications sector started as early as in 1987. In general, foreign investors in Chile have access to and enjoy national treatment in all sectors of the economy with limited exceptions in certain sectors such as coastal shipping, air transport, fisheries and media.¹¹⁹ Under the Foreign Investment Statue (Decree Law 600), foreign investors wishing to invest more than USD5 million must file an application with the Foreign Investment Committee, which is responsible to review and approve the applications. Nonetheless, it is important to note that the Committee did not reject any application during the review period concerning Chile's most recent Trade Policy Review under WTO¹²⁰. In recent years, the provisions in the Decree Law 600 were relaxed to simplify procedures and eliminate certain restrictions. In this context, foreign investors were allowed to reinvest up to 100% of their profits, as opposed to the previous limit of 65%, and offered the possibility to reinvest their profits in any company other than that generating those profits¹²¹.

Hong Kong, China has maintained a free-market economy and a liberal trade and investment regime. A priority for its government is to attract foreign investment. Hong Kong, China grants MFN treatment to all WTO members and its investment regime has no restrictions over inward or outward investments, no foreign exchange controls and no nationality restrictions on corporate or sectoral ownership.¹²² Since 1995 to date, liberalization initiatives covered telecommunications, transportation, banking, among other sectors. Beyond these, Hong Kong, China has taken advantage of opportunities arising from liberalization under the Closer Economic Partnership Arrangement with China and New Zealand, opening up many sectors on a bilateral basis.^{123 124}

With respect to **Korea's** investment liberalization efforts, most of the sectors are not restricted to foreign investors. Only three business sectors are fully restricted and 27 are partially restricted¹²⁵. After the Asian Financial Crisis in 1998, changes took place in the investment system through the new Foreign Investment Promotion Act, which eased foreign investment restrictions in Korea. Although state ownership still persists in finance, telecommunication and transport, liberalization measures have been carried out across these

¹¹⁸ United States APEC IAP Peer Review(2008)

¹¹⁹ WTO Secretariat (2009), Trade Policy Review – Report by the Secretariat -Chile -Revision, WT/TPR/S/220/Rev.1, 5 November 2009, p. 13.

¹²⁰ Ibid, p. 16-17. According to this document, when the investment consists of physical assets, technology and the capitalization of profits or loans, the minimum amount is USD2.5 million.

¹²¹ Ibid, p. 18.

¹²² Hong Kong, China APEC IAP Peer Review (2007)

¹²³ WTO Secretariat (2007), Trade Policy Review – Report by the Secretariat - Hong Kong, China - Revision, WT/TPR/S/173/Rev.1, 13 March 2007, p. 71

¹²⁴ Please see Hong Kong – New Zealand Closer Economic Partnership Agreement - Key Outcomes, http://www.tid.gov.hk/english/trade_relations/hknzcep/key_outcomes.html

¹²⁵ TV broadcasting, radio broadcasting and nuclear power generation are the three fully-restricted sectors for foreign investors.

sectors in recent years.¹²⁶ Since 1998, foreign banks have been allowed to establish subsidiaries, and then starting from 1999, 100% foreign ownership of commercial banks has been allowed with permission from the Financial Supervisory Commission.¹²⁷ Moreover, the foreign exchange market was also liberalized in 1999, and then the upper limit of foreign equity share ratio in Korea Telecom was raised to 49% in 2001. Sectoral FDI restrictions were also partially lifted in fishing (inshore and coastal), cattle raising, wholesale meat and news agencies in 2000 and 2001¹²⁸; and later in 2006, the theatrical animation market was fully opened.¹²⁹ Among other measures, additional reforms allowed foreigners to purchase land on similar terms as Koreans¹³⁰.

Malaysia maintains a liberal and conducive environment for investment in manufacturing and selected services sectors¹³¹. The policy on foreign participation in the manufacturing sector has become more flexible over the years. In July 1998, a waiver on foreign equity policy was adopted in the manufacturing sector, with the exception of a limited number of activities in order to promote the participation of domestic small and medium enterprises (SME)¹³². Effective since June 2003, Malaysia decided to make the offer of 100% foreign equity ownership in all manufacturing sectors permanent, without any export performance requirements. This included the activities initially reserved with the intention to promote participation of domestic SMEs.¹³³ In the non-manufacturing sectors, 100% foreign equity ownership was only allowed for investment in regional operations, manufacturing-related services, integrated logistics, and ICT-related industries¹³⁴. In April 2009, the government decided to implement further liberalization measures in the services sector, such as the elimination of equity conditions in 27 services sub-sectors in the areas of health and social services, tourism services, business services and computer and related services¹³⁵. Foreign investment restrictions in some financial services were relaxed as well.¹³⁶

In **Mexico**, according to the Foreign Investment Law (FIL), foreign investors may hold up to 100% of the equity of Mexican companies, open and operate establishments in all economic activities that are not expressly reserved in the Constitution or regulated specifically in the Law itself¹³⁷. Since its enactment in 1993, Mexico's FIL established as a general rule that all activities not specifically mentioned in the law are completely deregulated in terms of

¹²⁶ WTO Secretariat (2008), Trade Policy Review – Report by the Secretariat – Republic of Korea -Revision, WT/TPR/S/204/Rev.1, 4 December 2008, p. 90.

¹²⁷ UNCTAD (2010), p. 21.

¹²⁸ Ibid.

¹²⁹ Korea APEC 2009 IAP.

¹³⁰ WTO Secretariat (2008), Trade Policy Review – Report by the Secretariat – Republic of Korea - Revision, WT/TPR/S/204/Rev.1, 4 December 2008, p. 36.

¹³¹ Malaysia APEC IAP Peer Review (2009).

¹³² The waiver did not apply to the following activities: paper packaging; plastic packaging (bottles; films, sheets and bags); plastic injection molded components; metal stamping and metal fabrication; wire harness; printing and steel services centers.

¹³³ Malaysia APEC 2009 IAP. Local content requirements tied to investment incentives have also been phased-out in accordance with the WTO TRIMS Agreement.

¹³⁴ Malaysia IAP Peer Review (2009)

¹³⁵ For additional information, please see the following Press Statement by Malaysia's Prime Minister Office: http://www.mida.gov.my/en_v2/uploads/images/invest/invest-pdf/liberaliseservicePS.pdf

¹³⁶ WTO Secretariat (2010), Trade Policy Review - Report by Secretariat – Malaysia – Revision, WT/TPR/S/225Rev.1, 15 February 2010, p. 56. According to UNCTAD (2010a), in April 2009, the foreign shareholding threshold was raised from 49 percent to 70 percent for insurance companies and investment banks. Fund management was allowed full foreign ownership.

¹³⁷ WTO Secretariat (2008), Trade Policy Review – Report by the Secretariat – Mexico, WT/TPR/S/195/Rev.1, 2 May 2008, p. 18-19.

allowing up to 100% of foreign investment in most economic sectors (article 4). The FIL was amended in 1995, 1996, 1998, 2001, 2006 and 2008 in order to liberalize the investment regime and provide foreign investors with greater certainty and transparency. Over the years, investment liberalization was carried out in the construction¹³⁸ and automotive sectors¹³⁹ (1999), financial services^{140 141} (2001 and 2006) and the land transport sector¹⁴² (2004).

Peru operates an open investment regime and has taken significant steps to liberalize investment regime. Foreign investors are not required to obtain special approval or registration before investing, and there is no minimum size of investment restriction on FDI.¹⁴³ Major privatizations were completed in the 1990s, more specifically in mining, electric/power generation and distribution, and telecommunications sectors. The privatizations were followed by initiatives to attract foreign investment. For instance, in order to upgrade economic infrastructure, local and foreign investment is promoted through concession schemes¹⁴⁴. Also, in 2005, the promotion campaign was set off to attract foreign investors in development of the call center sector, which led to successful sector growth at 30% compared with the worldwide average at 9%.¹⁴⁵ Finance, manufacturing and fishery sectors also experienced reforms, with the government selling most of its equity to private hands.¹⁴⁶ In July 2004, Peru extended foreign investment participation in television and radio companies through the Law of Radio and Television.¹⁴⁷

Singapore actively encourages foreign investment and generally treats foreign capital the same as local capital. In 1999, the 40% ceiling on foreign ownership of domestic banks and 20% aggregate foreign shareholding limit on finance companies were removed¹⁴⁸. In 2000, foreign ownership restrictions were removed in the telecommunications sector¹⁴⁹. In the last decade, investment liberalization continued with introduction of measures to gradually liberalize the energy sector, such as the transfer of an electricity generation company to a foreign company and the decision to allow industrial consumers to choose suppliers and

¹³⁸ According to Mexico APEC 2008 IAP, foreign investment may have an equity of up to 100% in the capital stock of Mexican corporations, engaged in building, construction and installation activities, without the need to obtain a favorable resolution from National Commission of Foreign Investments (NCFI).

¹³⁹ According to Mexico APEC 2008 IAP, foreign investment may have an equity of up to 100% in the capital stock of Mexican corporations, engaged in activities of manufacturing and assembly of parts, equipment and accessories for the automotive industry without the need to obtain a favorable resolution from NCFI.

¹⁴⁰ According to Mexico APEC 2008 IAP, with the enforcement of the new Investment Companies Act 2001, there is no longer the limitation of up to 49% of foreign investment, on investment companies qualified as such in the Act.

¹⁴¹ According to Mexico APEC 2008 IAP, in 2006, the following areas are allowed with up to 100% of foreign participation, without prejudice of the relevant financial laws and regulations: financial leasing companies, factoring companies, and limited scope financial institutions.

¹⁴² According to Mexico APEC 2008 IAP, foreign investment may have an equity of up to 100% in the capital stock of Mexican corporations, engaged in international land transportation (passengers, tourism and freight), between points within the territory of Mexico and related services.

¹⁴³ UNCTAD (2000), p. 19.

¹⁴⁴ Peru APEC 2007 IAP

¹⁴⁵ OECD (2008), p. 37-38. This report also mentioned that to promote investment, a recent development of E-government program has reduced the time requirement for establishment of a company from over 70 days to current 3 days.

¹⁴⁶ Ibid.

¹⁴⁷ Peru APEC 2007 IAP.

¹⁴⁸ WTO Secretariat (2008), Trade Policy Review – Report by the Secretariat – Singapore, WT/TPR/S/202/Rev.1, 26 September 2008, p. 82-83.

¹⁴⁹ Ibid, p. 90-91.

negotiate contract terms¹⁵⁰. Similarly, the postal services market was gradually opened, by liberalizing express letter services in 1995 and fully opening basic postal services to foreign competition in 2007¹⁵¹. Foreign participation has also been encouraged in the legal sector, where foreign/local joint ventures can operate in a number of areas with approval from the Attorney General¹⁵².

Chinese Taipei has put in continuous efforts to liberalize the investment regime. Foreign ownership restrictions have been gradually lifted since mid 1990s.¹⁵³ Among the foreign ownership limits lifted are: the 50% ownership limit on listed companies in the securities and futures markets, the 50% ownership limit on air cargo forwarder and air cargo terminals, and the ownership limit on power plants.¹⁵⁴ In 2003-2004, production of alcohol, cigarettes, agricultural production, fishing and animal husbandry was opened to foreign investors.¹⁵⁵ More recently, in 2008, restrictions on foreign investment in cram schools and breweries were eliminated, and the prohibition of foreign investment in passenger car rental and leasing was relaxed¹⁵⁶. Furthermore, the specific ownership limit of 25% for investments in local banks was removed in 2009.¹⁵⁷ Local content requirements were removed for automobile and motorbike industries since WTO accession in 2002¹⁵⁸. Commercial presence has been liberalized in a number of areas, including financial, environmental, health, and tourism services; and regulatory improvements have been implemented in professional services and telecommunications.¹⁵⁹

The aforementioned illustrative examples show that APEC-industrialized and volunteering economies have implemented several measures to achieve significant progress in investment liberalization and move towards the Bogor Goals. Despite these efforts, there is room for improvement, since investment restrictions still remain. Some APEC economies reserve certain activities to domestic investors only; or set ownership caps to limit the participation of foreign investors. In the same way, screening systems are put in place in some APEC economies for investments above certain thresholds or under concerns such as those related to national security.

C. PROGRESS ON TRADE AND INVESTMENT FACILITATION

Trade and investment liberalization and facilitation are the cornerstones of APEC's identity and activities. The Bogor Goals in 1994 set a clear direction in this regard, and the Osaka Action Agenda in 1995 outlined the framework activities for meeting the Bogor Goals. Through these years, various initiatives and actions were taken in order to make concrete and

¹⁵⁰ Ibid, p. 78-79. In fact, according to Singapore APEC 2009 IAP, the Electricity and Gas Acts do not restrict the entry of foreign enterprises into the electricity and gas industries in Singapore.

¹⁵¹ Ibid, p. 94.

¹⁵² Singapore APEC 2009 IAP

¹⁵³ Chinese Taipei no longer has a list of permitted investments but instead maintains a "negative list" of industries where foreign investment is prohibited or restricted. Please see UNCTAD (2010), p. 25.

¹⁵⁴ There is no foreign ownership limit on power plants, but foreign investment in electricity transmission and distribution remains subject to a 50% ownership limit and approval by the relevant authorities. For more information, please see The Office of the United States Trade Representative (2007), p. 571, 573

¹⁵⁵ UNCTAD (2010), p. 25

¹⁵⁶ Chinese Taipei APEC 2009 IAP Update

¹⁵⁷ UNCTAD (2010), p. 25

¹⁵⁸ Chinese Taipei APEC 2006 IAP

¹⁵⁹ WTO Secretariat (2010), Trade Policy Review – Report by the Secretariat – Chinese Taipei, WT/TPR/S/232, 31 May 2009, p. 76.

continuous progress to promote and facilitate trade and investment activities; the 2002 and 2007 Trade Facilitation Action Plans and 2008 Investment Facilitation Action Plan are among the crucial APEC initiatives that have taken place.

i. Trade Facilitation Action Plans

Acknowledging the importance of simple, predictable and transparent trading procedures, since 1994, APEC's trade facilitation agenda has been making an important contribution to the progress toward the Bogor Goals¹⁶⁰. APEC defines trade facilitation as a means to make markets more efficient by reducing transaction costs to the business community and endorses the following principles in trade facilitation:

- transparency;
- communication and consultations;
- simplification, practicability and efficiency;
- non-discrimination;
- consistency and predictability;
- harmonization, standardization and recognition;
- modernization and the use of new technology; and
- cooperation.

1. Trade Facilitation Action Plan I (2002-2006)

As a contribution to achieving the Bogor Goals, and based on the 2001 Shanghai Accord, APEC developed a Trade Facilitation Action Plan (TFAPI) with a target reduction in trade transaction costs of 5% across the APEC region between 2002 and 2006.

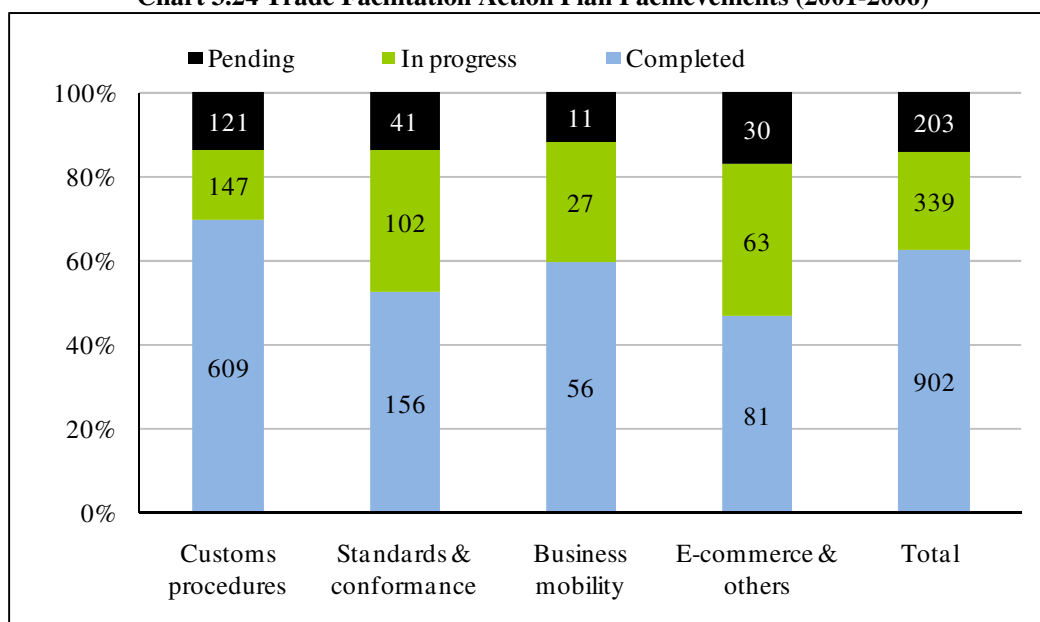
TFAPI provided actions and measures that each economy could take individually, collectively or through a pathfinder approach to tackle and resolve issues in the movement of goods, standards, business mobility and electronic commerce. At the completion of TFAPI in 2006, APEC economies had completed 62% of over 1,400 selected actions and measures.

At the sub-committee level, greatest achievement was made by Customs Procedures, with 609 out of 877 action and measures (69%) implemented. Many of the measures were related to providing public availability of information, customs computerization and modernization, collective implementation of regulations (e.g. HS Convention), reform of domestic customs laws and regulations, capacity building programs, and risk management.

E-commerce is seen as the one with modest improvement, with only 47% of total actions and measures carried out. The reasons behind this were the lack of legal and institutional infrastructure at that time, inertia and propensity to maintain the *status quo*, need for increased coordination among agencies, concern about information privacy protection, and difficulties in setting paperless trading and e-commerce systems due to members' legal and technical issues.

¹⁶⁰ Asia Pacific Foundation of Canada (2006)

Chart 3.24 Trade Facilitation Action Plan I achievements (2001-2006)



Note: Figures in the chart indicate the number of actions. Result for customs procedures is based on data submitted by 19 member economies; results for the other three aspects are based on data submitted by 17 member economies.

Source: Asia Pacific Foundation of Canada (2006).

On an empirical basis, recent unpublished work¹⁶¹ based on analysis of cif and fob trade values concludes that¹⁶²:

APEC nations have been successful in achieving the ‘Shanghai Accord’ target of reducing trade costs by 5 percent over the period of 2001 to 2006. In the absence of all other factors, results ... indicate that the commitment has effectively reduced average trade costs in APEC by about 7 percent from 2001 to 2007. Hence, cooperative facilitation efforts can contribute to further reducing trade costs for countries.

2. Trade Facilitation Action Plan II

Built on the success of TFAPI in 2005, Trade Facilitation Action Plan II was devised in Busan, Korea, to call for another reduction of trade transaction cost by 5% during 2007 to 2010. It is not a simple repackaging of TFAPI, but an updated and more comprehensive facilitation agenda. TFAPII focuses on strengthening the collective actions and pathfinder approaches as well as behind-the-border reforms. New elements incorporated in TFAPII include the Single Window Initiative, Data Privacy Accountability, Food Safety, Private Sector Development Initiative, Business Integrity and Secure Trade and Investment.

The experience provided by the TFAPI exercise was taken into account when developing an assessment approach to TFAPII. The APEC Policy Support Unit recently completed an

¹⁶¹ “Measuring the Impact of Trade Facilitation”, thesis submitted by Ms Suraya Abdul Halim as partial fulfillment of BEc (Hons) degree at Adelaide University, October 2009. The results estimate APEC’s performance on top of globally reducing trade costs.

¹⁶² Cif values include the cost of the goods, insurance and freight. Fob values are the free on board price, the market value of the goods at the customs of the economy from which the product is exported.

interim assessment of TFAP II, which indicated that trade transaction costs in the APEC region went down over the 2007-2008 period, in comparison to the levels in 2006, which were used as a baseline for the study. The interim assessment points out that by the end of 2008, trade transaction costs had been reduced by 1.7%, which represented savings for APEC member economies equivalent to USD14 billion¹⁶³.

The logistical stages of document preparation, customs clearance and technical control, ports and terminal handling, and inland transport and handling were considered for the calculation of the trade transaction costs. Most of the progress was achieved in the customs clearance and technical control stage.

Table 3.5 TFAP II: Trade Transaction Costs in APEC by logistical stage (2006-2008)

Logistical Stage	2006 (USD billion)	2007 (USD billion)	2008 (USD billion)	Change 2006– 08 (%)	2008 Shares (%)
Document preparation	141	134	139	-2.0	17.5
Customs clearance & technical control	226	215	211	-6.6	26.5
Ports & terminal handling	202	197	199	-1.2	25.0
Inland transport & handling	240	247	246	+2.5	30.9
APEC transaction costs	810	793	796	-1.7	100

Note: Excludes Brunei Darussalam. Prices are in 2009 values. Estimates are based on outwards and inwards container movements, measured in twenty-foot equivalent units (TEUs), at major ports in each APEC economy in 2006.

Source: ITS Global estimates.

The assessment also showed that the results have been uneven across APEC. In fact, nine APEC member economies reported lower trade transaction costs, whereas two economies reported only minimal changes. On the contrary, nine economies registered higher trade transaction costs. Among the APEC industrialized and APEC-volunteering economies, five experienced reductions in their trade transaction costs.

However, in terms of the trade transaction costs incurred at the border (document preparation and customs clearance and technical control), 13 APEC member economies experienced real decreases, eight of which are participating in the 2010 assessment of the Bogor Goals.

The TFAP II assessment report also showed that costs associated with the time taken to complete the official procedures in trade transactions, which accounted for more than 80% of the trade transaction costs during the evaluation period, declined by 3%. This decline was able to offset increases in the fees and charges associated with trade transactions of just over 5%¹⁶⁴.

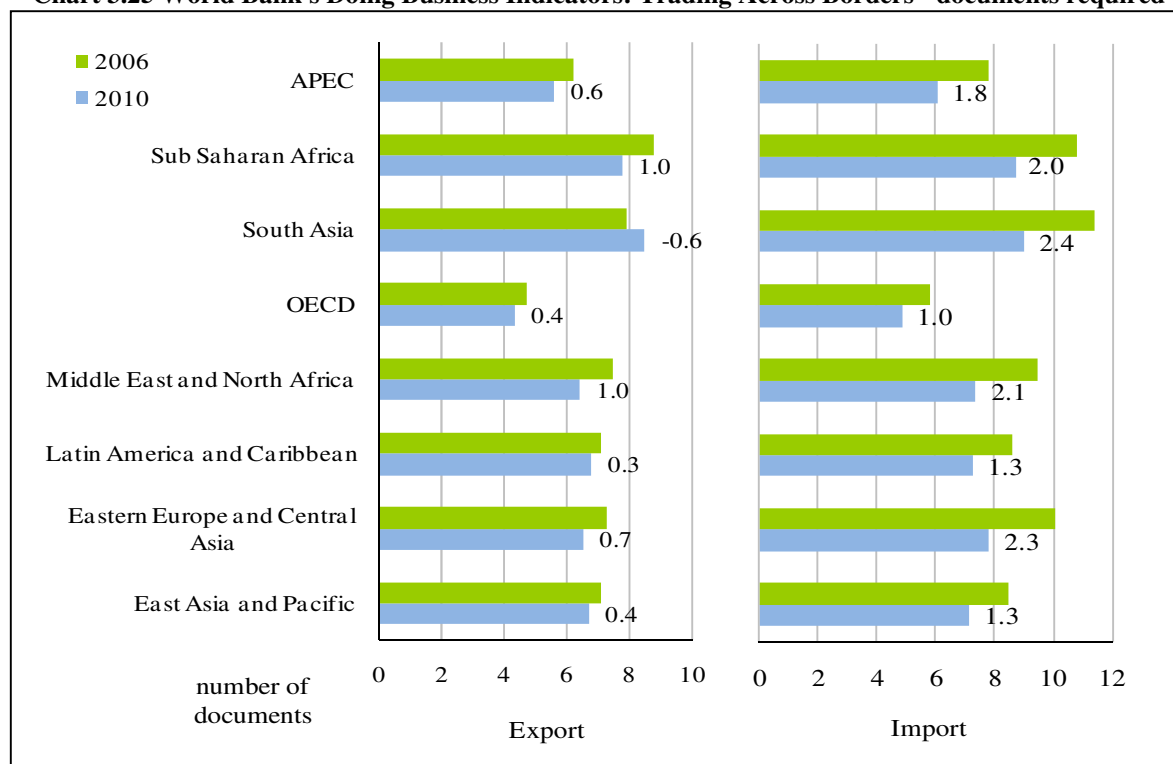
¹⁶³ ITS Global (2010).

¹⁶⁴ According to ITS Global (2009), it is plausible that increased fees and charges cover technological improvements which have contributed to time reductions. However, further work would be necessary in order to confirm this possibility.

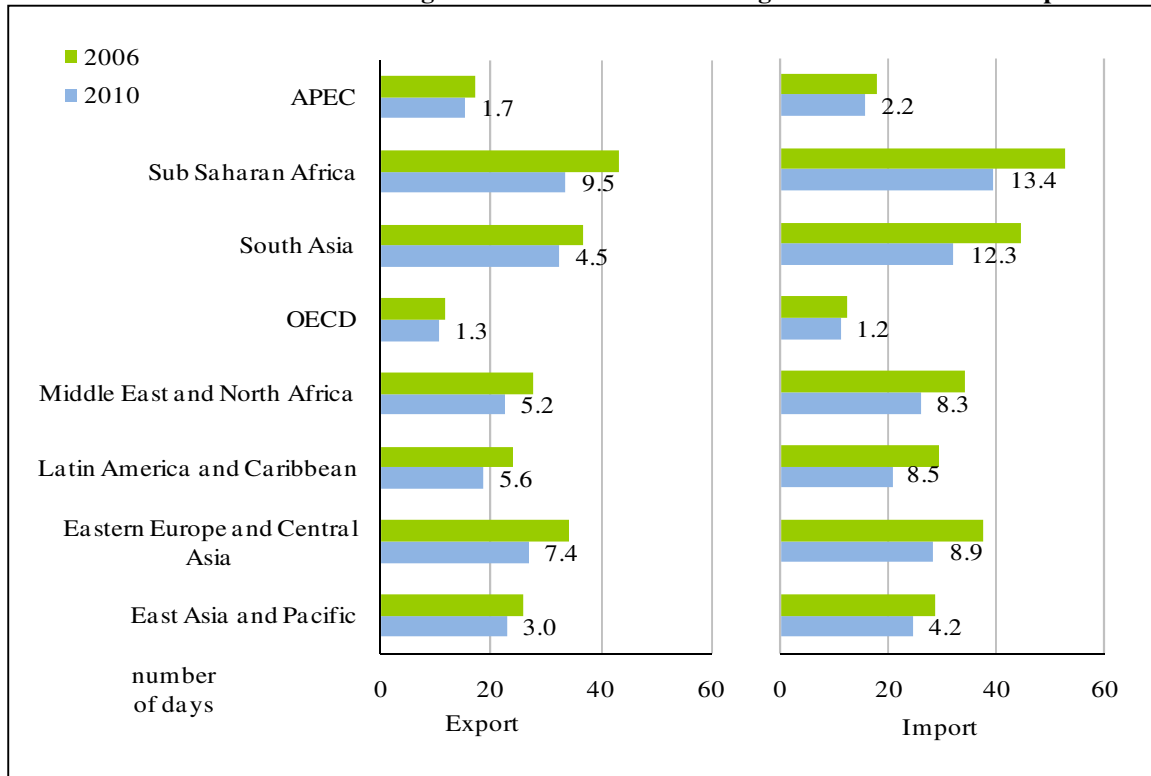
ii. World Bank's Doing Business Indicators

Besides APEC's internal assessment of TFAPI and the work-in-progress on TFAPII, the World Bank's Doing Business Indicators provides another evaluation of the progress in improving the trading environment. Two charts below show the progress made by APEC and other groups based on the trading across borders indicators. Comparing APEC's performance with other regional groups, for both 2006 and 2010 indicators, APEC is ranked second only to the OECD in the four aspects of documents to export, documents to import, time to export and time to import.

Chart 3.25 World Bank's Doing Business Indicators: Trading Across Borders - documents required



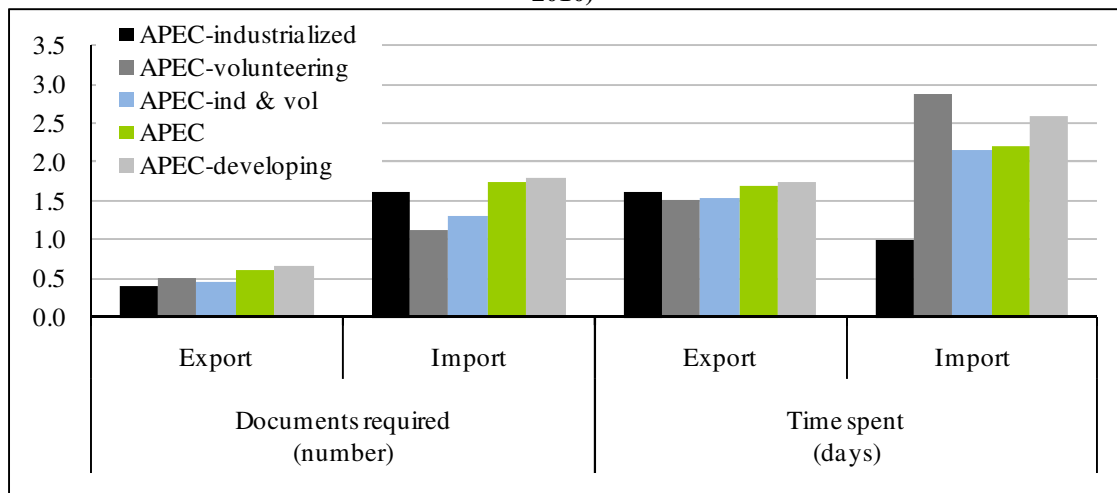
Note: Reduction in the number of documents required in 2010 from 2006 is shown at the end of the 2010 bars.

Chart 3.26 World Bank's Doing Business Indicators: Trading Across Borders - time spent

Note: Reduction in the number of days required in 2010 from 2006 is shown at the end of the 2010 bars.

Source: World Bank, Doing Business Indicators. (See Technical note # 14)

A comparison within APEC is made in chart 3.27. In general, the greater progress of APEC developing economies is consistent with the fact that developing economies tend to have more space for improvement than the industrialized economies.

Chart 3.27 World Bank's Doing Business Indicators: improvement in Trading Across Borders (2006-2010)

Note: Values shown should be interpreted as the reduction in the number of documents required and the amount of time spent (in number of days) for both import and export transactions.

Source: World Bank, Doing Business Indicators. (See Technical note # 14)

iii. Investment Facilitation Action Plan

There is international consensus that investment is crucial to delivering the economic growth needed to reduce poverty and improve welfare. The movement of international capital helps the economic growth of the destination and source economies, as it finances domestic investment in the destination economies, while it helps maximize the efficient use of capital in the source economies. FDI can be a vehicle of technological progress in the destination economies through the use and dissemination of advanced production techniques. APEC has been instrumental on this front by adopting, in 1994, the non-binding investment principles, with the ultimate goal to improve and to further liberalize investment regimes.

To reinforce APEC's work in this area, in 2007 in Sydney, APEC Leaders agreed to the development of an Investment Facilitation Action Plan (IFAP) aimed at further promotion of investment in APEC member economies. The main objectives of IFAP are to:

- strengthen regional economic integration;
- strengthen the competitiveness of and the sustainability of economic growth in APEC's member economies;
- expand prosperity and employment opportunities in the APEC region; and
- make further progress toward achievement of the Bogor Goals.

IFAP comprises eight principles:

- promote accessibility and transparency in the formulation and administration of investment-related policies;
- enhance stability of investment environments, security of property and protection of investments;
- enhance predictability and consistency in investment-related policies;
- improve the efficiency and effectiveness of investment procedures;
- build constructive stakeholder relationships;
- utilize new technology to improve investment environments;
- establish monitoring and review mechanisms for investment policies; and
- enhance international cooperation.

The APEC Policy Support Unit recently commissioned the Centre for International Economics (CIE) to develop a methodology to measure APEC member economies' progress in terms of implementing a menu of actions and principles included in IFAP, and to identify key performance indicators (KPIs) that can be used to provide a consistent basis for measurement of IFAP progress¹⁶⁵.

To measure the efficiency of the actions and principles listed in IFAP, the study identified 15 KPIs which allowed making an assessment on the outcomes of those actions in force to facilitate the arrival of investments.

Since investment flows are mobile and APEC competes with the rest of the world to attract them, the KPIs are benchmarked to "global best performance". In this way, the study shows the potential improvements that the APEC economies can achieve in terms of investment

¹⁶⁵ CIE (2009).

facilitation with the “global best performance” as benchmark and how much they actually did¹⁶⁶.

In the report, the values of four KPIs (Starting a business, registering property, getting credit and paying taxes) are used as an illustrative example to implement the suggested methodology over the period 2005 to 2009 to demonstrate the progress in these IFAP-related categories¹⁶⁷.

In general, the results show that the APEC industrialized economies perform better than other APEC members in the selected areas. New Zealand is the APEC member closest to global best performance.

Also, based on the illustrative example, the same study sought to estimate the progress towards global best performance as an indicator of progress in the implementation of IFAP. The example showed positive signs with regards to the achieved implementation potential on IFAP¹⁶⁸ and all APEC member economies moved in a positive direction.

¹⁶⁶ The potential improvement towards “global best performance” involves calculating the difference between the standardized values of the selected indicators in each APEC member economy at the base (starting) year with the value of the world economy registering the best score at the end year of the period in each indicator. These values represent by how much any economy is away from the “global best performance” in comparison with the world average. After the KPI values have been standardized, they are aggregated using weights to each KPI based on their importance given by investors through surveys

¹⁶⁷ After the KPI values have been standardized, they are aggregated using weights to each KPI based on their importance given by investors through surveys

¹⁶⁸ This illustrative example comes from a proposed methodology to assess the effectiveness of the implementation of IFAP. The example does not represent a complete analysis on the progress by APEC on investment facilitation, since it only covers some areas concerning investment facilitation.

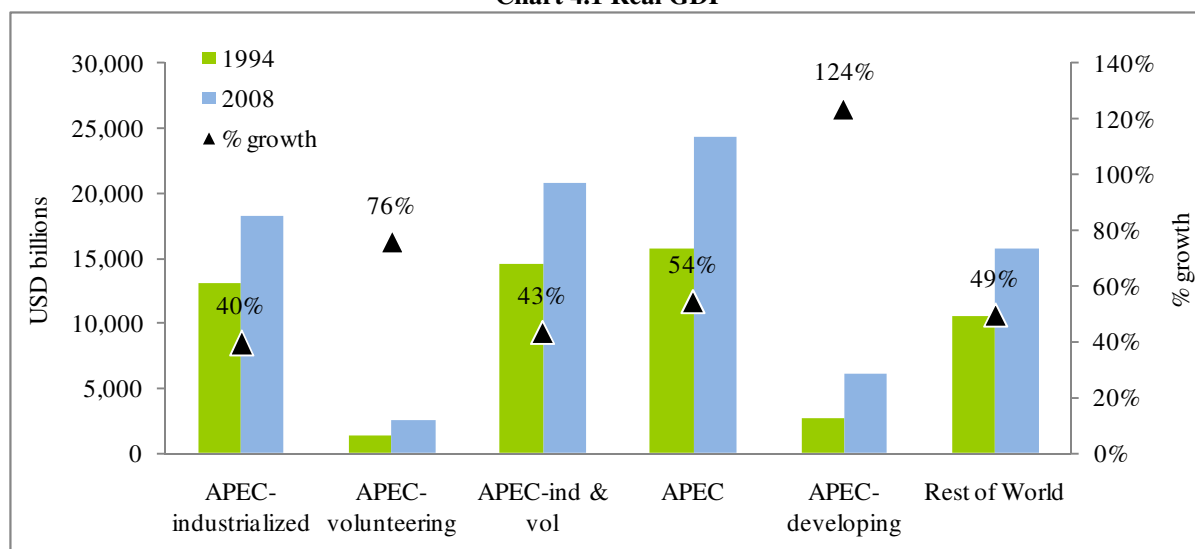
4. GROWTH AND DEVELOPMENT INDICATORS

A. GROWTH AND EMPLOYMENT PERFORMANCE

In 2008, APEC economies made up 61% of world output.

APEC economies have grown steadily since the Bogor Declaration in 1994, contributing 62% of world growth from 1994 to 2008¹⁶⁹. Real GDP in the APEC region grew by 54% between 1994 and 2008, slightly above the rest of the world. APEC developing economies more than doubled the world average and APEC average growth rates over the same period (chart 4.1).

Chart 4.1 Real GDP



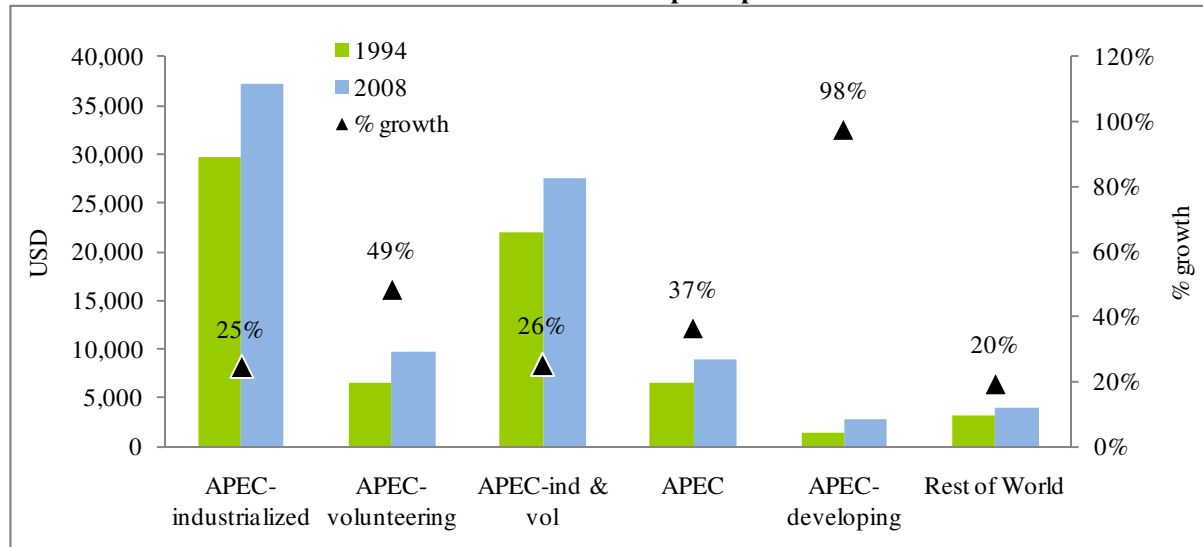
Note: Levels in 1994 and 2008 are shown by the columns against the left-hand axis. Simple growth rates between 1994 and 2008 are shown by the triangles against the right-hand scale.

Source: Asia-Pacific Economic Cooperation (APEC), StatsAPEC - Key Indicators Database; World Bank, World Development Indicators online database; Chinese Taipei's Directorate-General of Budget, Accounting and Statistics (DGBAS). (See Technical note # 15)

Real GDP per capita in the APEC region increased 37% from 1994 to 2008 (an annualized rate of 2.3%), outperforming the rest of the world, which grew at a rate of 1.3% per year (chart 4.2). The industrialized APEC economies increased at an annualized rate of 1.6%, while the developing APEC economies grew at a rate of 5.0% per year.

¹⁶⁹ Based on data from the World Bank, World Development Indicators online database.

Chart 4.2 Real GDP per capita



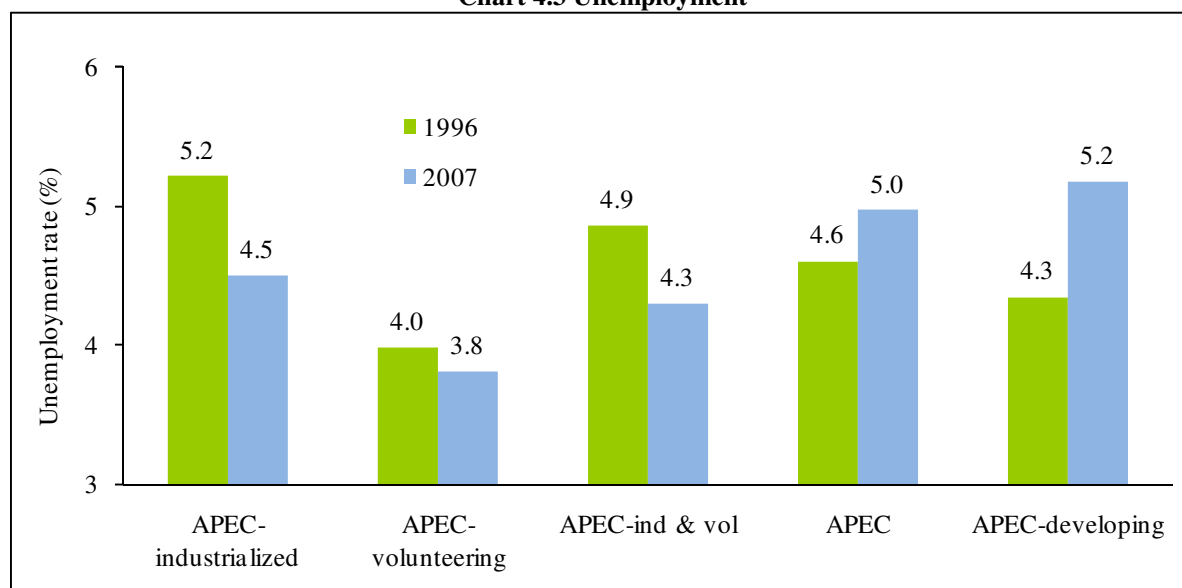
Note: Levels in 1994 and 2008 are shown by the columns against the left-hand axis. Simple growth rates between 1994 and 2008 are shown by the triangles against the right-hand scale.

Source: Asia-Pacific Economic Cooperation (APEC), StatsAPEC - Key Indicators Database; World Bank, World Development Indicators online database; Chinese Taipei's Directorate-General of Budget, Accounting and Statistics (DGBAS). (See Technical note # 15)

The employed labor force in the APEC region increased by 14% between 1996 and 2007¹⁷⁰. In addition, unemployment in the region has steadily declined since 2003¹⁷¹. For the industrialized APEC economies, the unemployment rate declined to 4.5% in 2007, falling below the level in 1996; whereas for the developing APEC economies, the unemployment rate reached 5.2% in 2007, above the level in 1996.

¹⁷⁰ Simple percentage change in the employed labor force between 1996 and 2007. International Labour Organization, Economically Active Population Estimates and Projections (EAPPEP) 1980-2020 Database (5th edition, revision 2008).

¹⁷¹ As a result of the 1998 Asian financial crisis and the 2000 dot-com bubble, unemployment increased temporarily in the APEC region, before restarting its downward trend until the global financial crisis in 2009. Estimates suggest that the global financial crisis may have more adverse effects on employment in the industrialized APEC economies than other members.

Chart 4.3 Unemployment

Note: Unemployment rates are shown at the top of each column.

Source: Asia-Pacific Economic Cooperation (APEC), StatsAPEC - Key Indicators Database; International Labour Organization (ILO), Key Indicators of the Labour Market (KILM) 6th Edition online database. (See Technical note # 16)

B. HUMAN DEVELOPMENT AND POVERTY REDUCTION

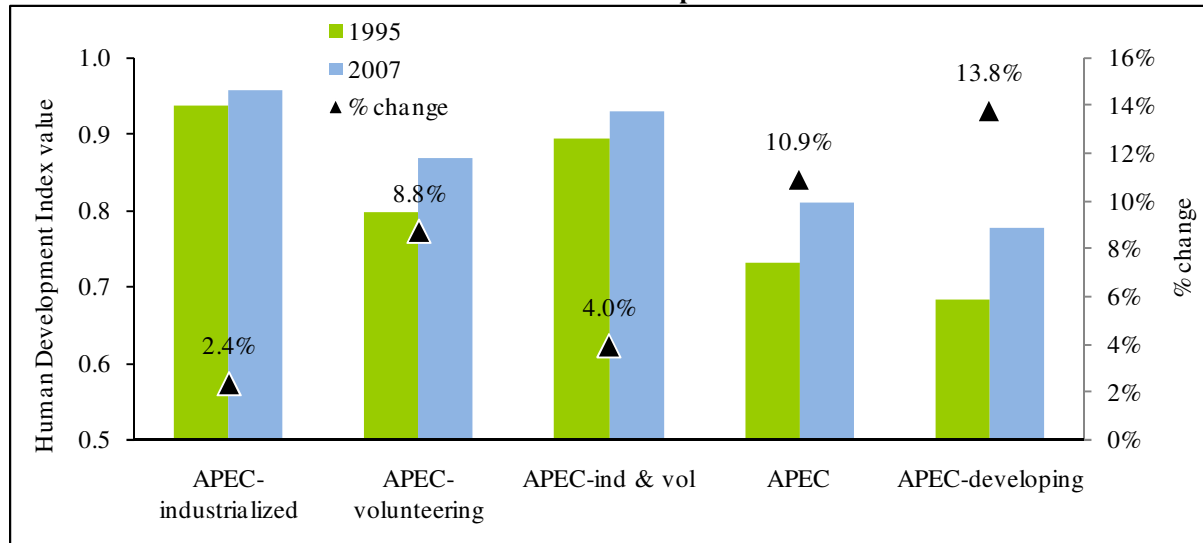
APEC members accounted for 40% of the world population in 2008¹⁷².

The population of the APEC region went from over 2.4 billion people in 1994 to 2.7 billion people in 2008. In 2008, the industrialized and developing economies accounted for 18% and 82% of the population in the APEC region, respectively. Since APEC's inception, signs of better living conditions in the region are shown in human development and poverty reduction indicators.

The UNDP's Human Development Index is a composite measure of the average achievements in an economy in three basic dimensions of human development: a long and healthy life, access to knowledge, and a decent standard of living. Using this index, significant gains to human development have occurred in the APEC region, as the aggregate for APEC increased 11% from 1995 to 2007 (lower panel, chart 4.4). The developing APEC economies have improved the most, increasing 14% from 1995 to 2007.

¹⁷² Based on data from the World Bank, World Development Indicators database.

Chart 4.4 Human Development Index



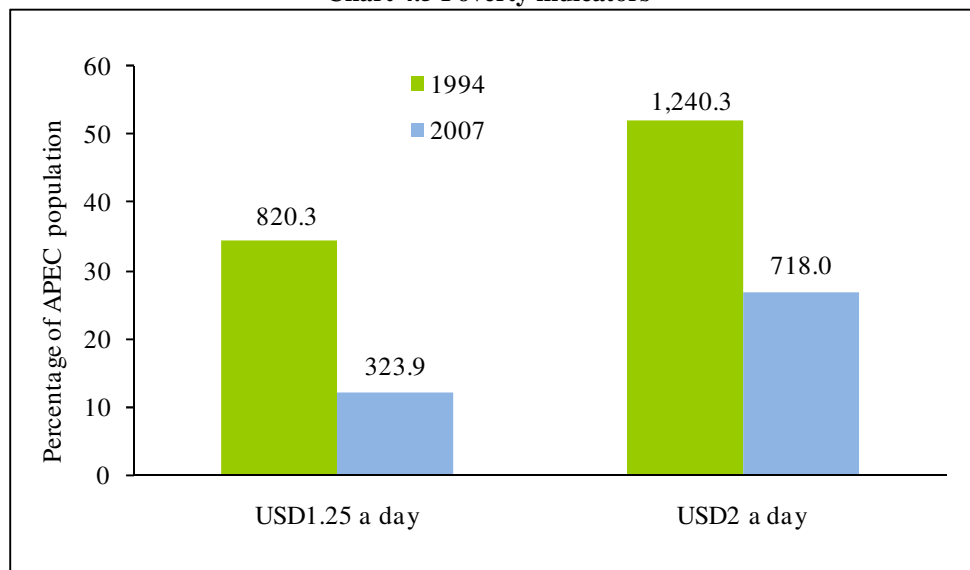
Note: 1.0 is the maximum value. Index values in 1995 and 2007 are shown by the columns against the left-hand axis. Simple growth rates between 1995 and 2007 are shown by the triangles against the right-hand scale.

Source: Asia-Pacific Economic Cooperation (APEC), StatsAPEC - Key Indicators Database; United Nations Development Programme (UNDP), HDI trends and indicators (1980-2007). (See Technical note # 17)

Together with these gains in human development measures, poverty in the APEC region has also fallen substantially.

In 1994, 34.3% of the population in the APEC region (820 million people) was living on less than USD1.25 per day (chart 4.5). By 2007, this share had dropped to just over 12%, or 324 million people. Similarly, in 1994, nearly 52% of the population in the APEC region (1.2 billion people) was living on less than USD2 per day. By 2007, this proportion had fallen to 27%, or 718 million people.¹⁷³

Chart 4.5 Poverty indicators



¹⁷³ In 1994, China; Indonesia; and Viet Nam had over half of their population living on less than USD1.25 a day and nearly 80% of their population living on less than USD2 a day. By 2007, each of these economies, had reduced the ratio of their population living on less than USD1.25 a day by two-thirds and halved the ratio of their population living on less than USD2 a day.

Note: Absolute number of people (in millions) is shown at the top of each column. Percentage of population living on less than USD1.25 a day and USD2 a day are at purchasing power parity (PPP) using 2005 international prices. As a result of revisions in PPP exchange rates, poverty rates for individual economies are not strictly comparable with poverty rates reported in earlier years.

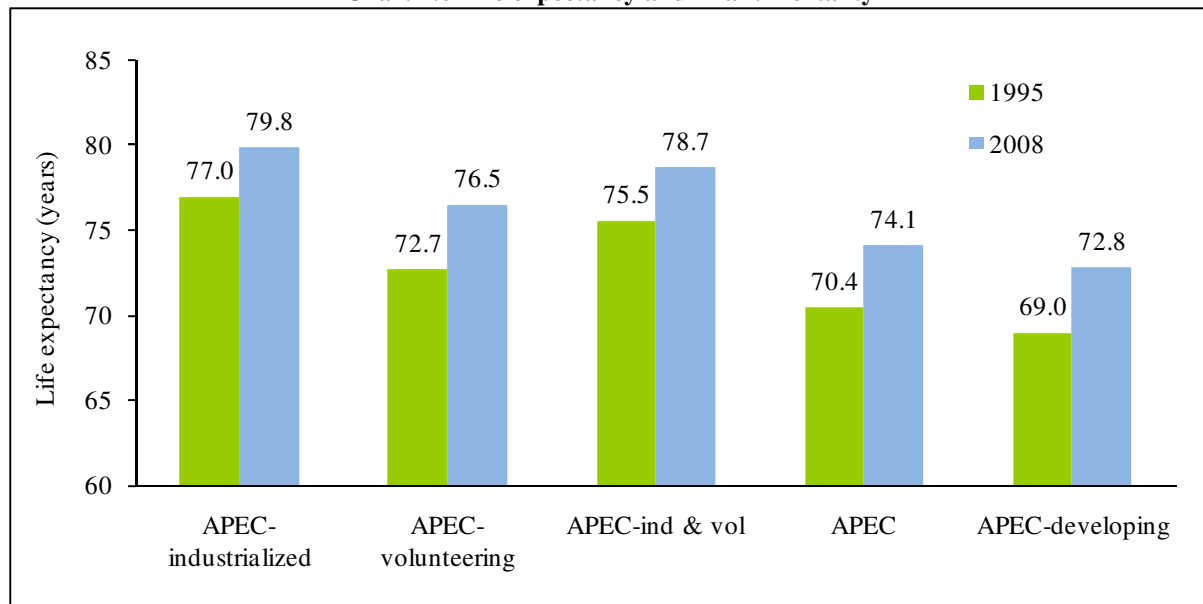
Source: World Bank, World Development Indicators online database. (See Technical note # 18)

Health outcomes have also improved across the APEC region, outperforming the world average in both life expectancy and infant mortality.

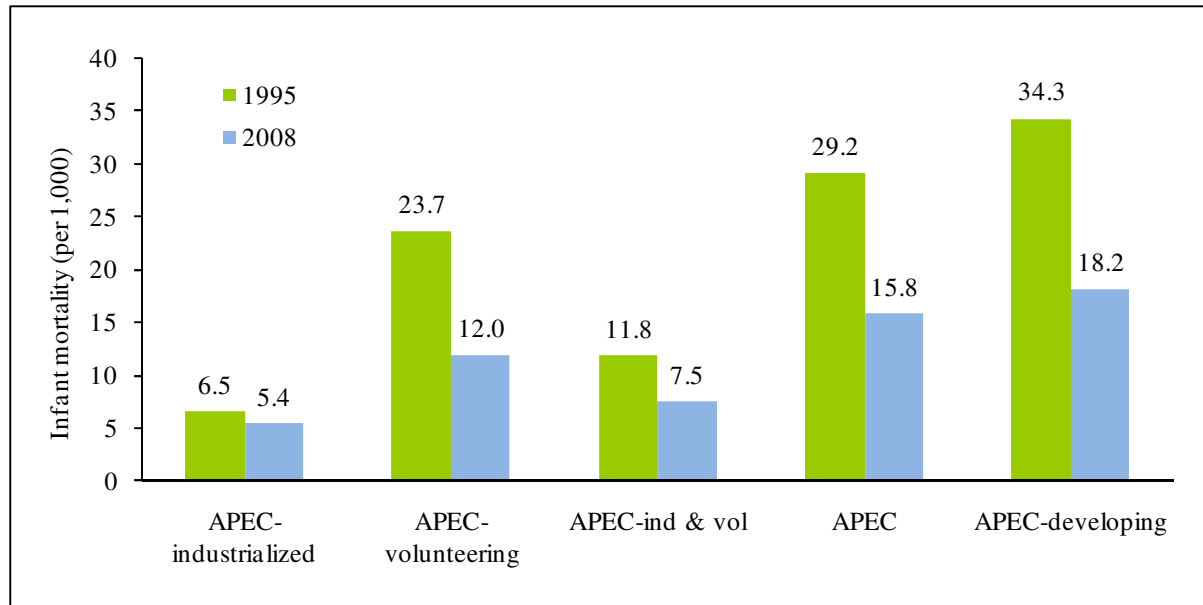
Life expectancy at birth across the APEC region rose from 70.4 years in 1995 to 74.1 years in 2008, compared with the world average of 68.9 years in 2008 (chart 4.6). For the industrialized APEC economies, life expectancy in 2008 had risen to nearly 80 years.

Infant mortality has also fallen considerably in the APEC region – from 29 deaths per 1000 live births in 1995 to 16 in 2008, compared with the world average of 46 in 2008. The developing APEC economies showed the most improvement with infant mortality falling from 34 deaths per 1000 live births to 18 over the same period.

Chart 4.6 Life expectancy and infant mortality



Note: Years of life expectancy are shown at the top of each column.



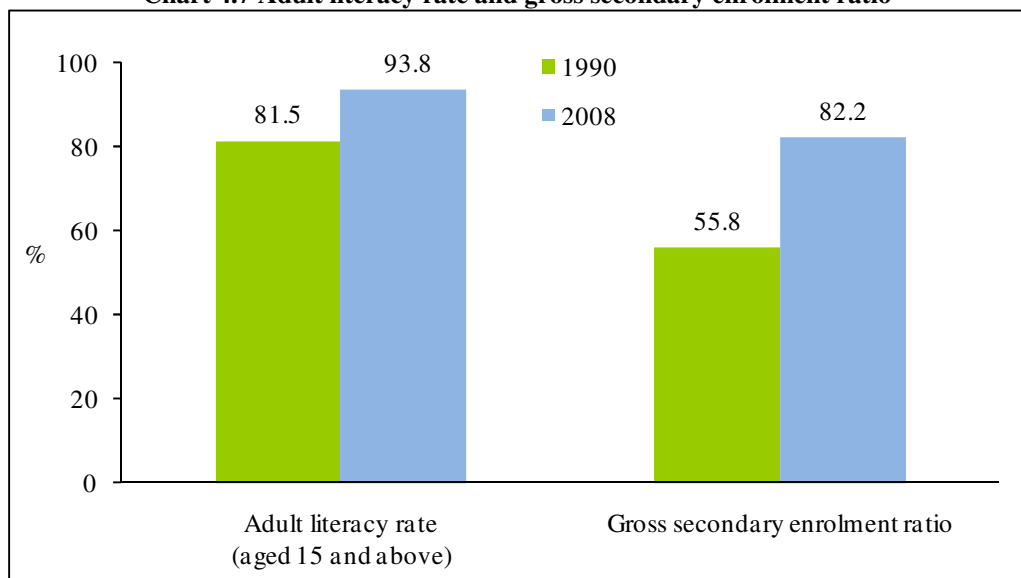
Note: Infant mortality rates are shown at the top of each column.

Source: World Bank, World Development Indicators online database; Chinese Taipei's Ministry of the Interior. (See Technical note # 19)

Indicators on educational performance have also improved across the APEC region.

The adult literacy rate increased to almost 94% in 2008 from 82% in 1990¹⁷⁴. For women in the APEC region, the literacy rate went up from 74% in 1990 to 91% in 2008. Large gains were also made in other areas of educational performance, including secondary schooling, with the gross enrolment ratio increasing from 56% in 1990 to 82% in 2008. For girls, the ratio went from 54% to 84% over the same period.

Chart 4.7 Adult literacy rate and gross secondary enrolment ratio



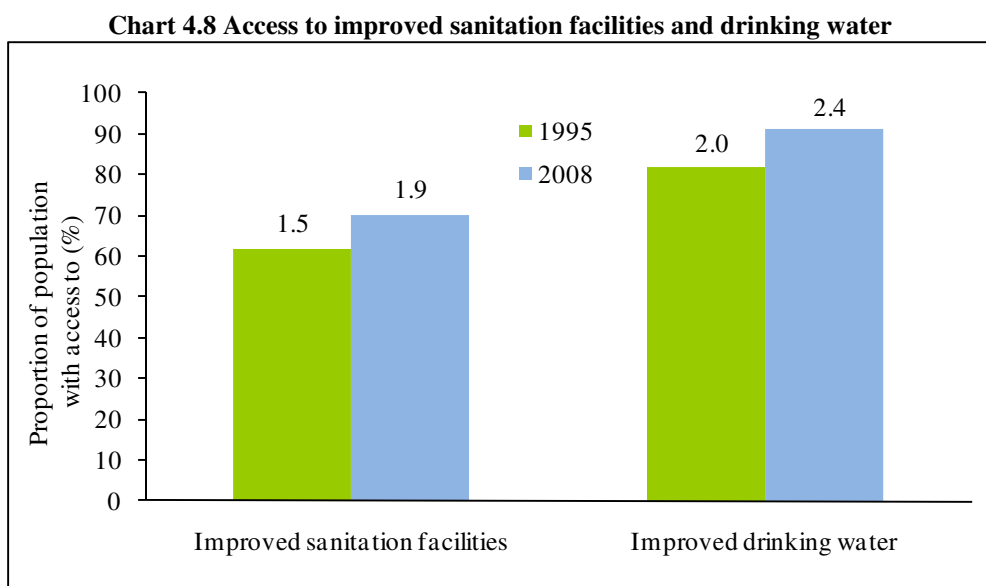
Note: Adult literacy rates and gross secondary enrolment ratios are shown at the top of each column.

¹⁷⁴ 1990 is used since there are no data available for the adult literacy rate within two years of 1994.

Source: Asia-Pacific Economic Cooperation (APEC), StatsAPEC - Key Indicators Database; World Bank, World Development Indicators online database; UNESCO Institute for Statistics (UIS), Data Centre. (See Technical note # 20)

Access to improved sanitation facilities and drinking water has also improved across the APEC region, with all of the APEC economies for which data are available having met the United Nation's Millennium Development Goals for this item.

In 1995, 66% of the APEC population (1.5 billion people) had access to improved sanitation facilities. By 2008, this figure had risen to 74% of the APEC population, or 1.9 billion people. Likewise, the proportion of the APEC population with access to improved drinking water had also increased over this same period – from 82% (2.0 billion people) to 91% (2.4 billion people).



Note: Absolute number of people (in billions) is shown at the top of each column.

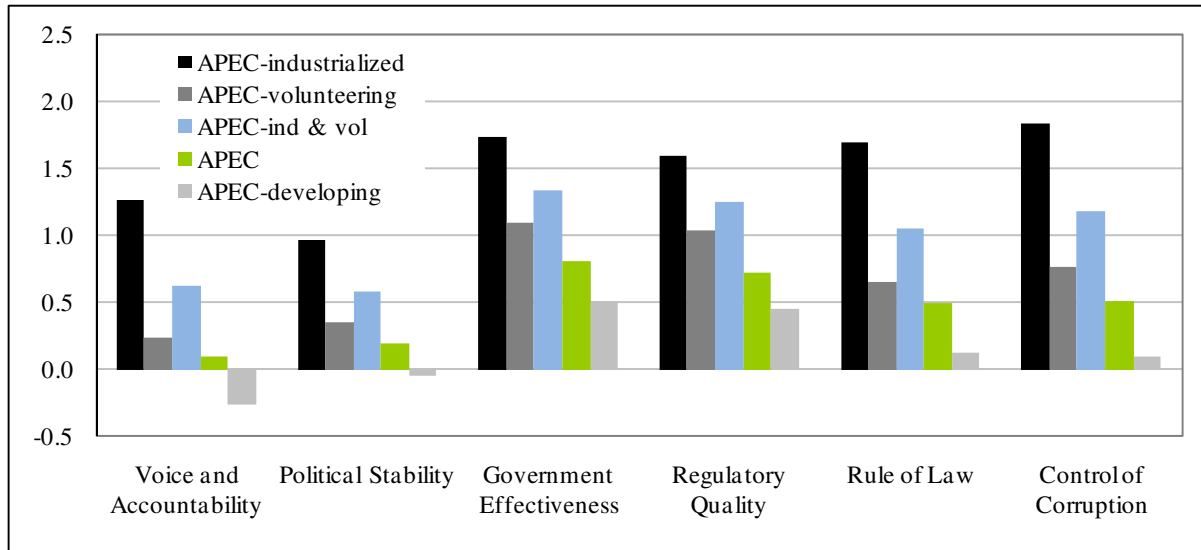
Source: United Nations, Millennium Development Goals Indicators database. (See Technical note # 21)

C. GOVERNANCE AND ENVIRONMENTAL INDICATORS

As first reported in the MTST¹⁷⁵, APEC performs well with respect to governance. Indicators constructed by the World Bank show the APEC region outperforms the world average in all six dimensions of governance, and is especially strong in government effectiveness and regulatory quality (chart 4.9). The industrialized APEC economies lead the way.

¹⁷⁵ Centre for International Economics (2005), p. 22.

Chart 4.9 Governance indicators 2008



Note: Each governance indicator is measured in units ranging from about -2.5 to 2.5, with higher values corresponding to better governance outcomes. The world average equals 0 and standard deviation equals 1. Aggregate index values are simple averages of each economy's value for each indicator.

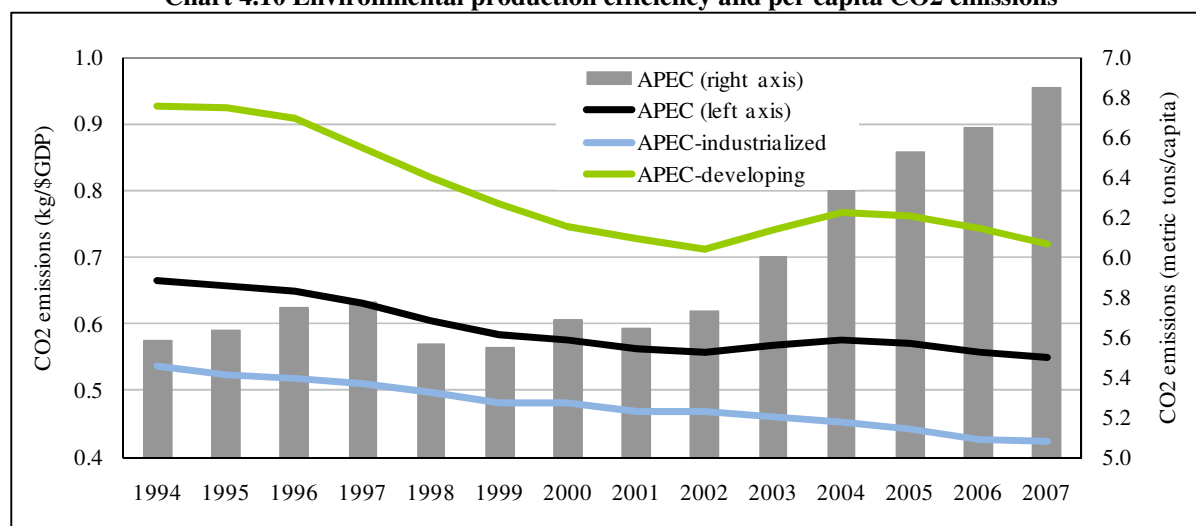
Source: Kaufman, D., Kraay, A., Mastruzzi, M. (2009).

Despite the sensitivities associated with environmental and climate change-related issues within WTO and other fora, this has not prevented APEC discussions with a view to explore ways to reach the objective of sustainable development. In fact, the 2008 APEC Leaders' Declaration recognizes that reducing poverty is likely to become more difficult in those developing economies more vulnerable to the adverse effects of climate change and related natural disasters. In addition, it recognized that climate change could impede economies' abilities to achieve sustainable economic growth¹⁷⁶.

Per capita carbon dioxide (CO₂) emissions in the APEC region have steadily increased from 5.6 metric tons in 1994 to 6.7 metric tons in 2006 (chart 4.10). Over this period, per capita CO₂ emissions in the industrialized APEC economies remained around 16.4 metric tons, while for the developing APEC economies, they went from 3.1 metric tons to 4.5.

Despite the per capita increase in CO₂ emissions, environmental production efficiency, defined as CO₂ emissions per unit of GDP, has steadily improved in the region. In 2007, there were 0.55 kilograms of CO₂ emissions per unit of GDP in the APEC region, having fallen from 0.66 kilograms in 1994. During the same time, environmental production efficiency in the industrialized APEC economies improved from 0.54 kilograms of CO₂ emissions per unit of GDP in 1994 to 0.42 in 2007. Significant gains in environmental production efficiency occurred in the developing APEC economies, decreasing from 0.93 kilogram of CO₂ emissions per unit of GDP in 1994 to 0.72 kilograms in 2007.

¹⁷⁶ APEC Policy Support Unit (Kuriyama, 2009).

Chart 4.10 Environmental production efficiency and per capita CO2 emissions

Source: United Nations, Millennium Development Goals Indicators database. (See Technical note # 22)

5. INFORMATION REPORTED BY APEC MEMBER ECONOMIES ON THEIR PROGRESS (AS AT 28 OCTOBER 2010)

A. INTRODUCTION

As cited in the section on “What are the Bogor Goals?” there are two broad strategies stated to achieve the goal of *free and open trade and investment*. One is by “further reducing barriers to trade and investment” and another is by “promoting the free flow of goods, and services, and capital.” These strategies are subsequently captured in the Osaka Action Agenda (OAA), which provides a framework of Liberalization and Facilitation toward achieving the Bogor Goals and identifies specific areas with corresponding actions. The OAA also contain a section on Economic and Technical Cooperation in order to attain sustainable growth and equitable development, while reducing economic disparities and improving economic and social well being.

The previous section of this Report seeks not to establish a benchmark for free and open trade and investment and give the imprecision inherent in the original Declaration. Instead, we sought to assess the attainment of the Bogor Goals in relative terms – comparing broad economic, trade and investment and social and environmental outcomes over a period of time.

This part of the report presents the accomplishments of APEC, particularly the industrialized economies and eight volunteering economies, with respect to the actions undertaken as a result of the Osaka Action Agenda (OAA). Liberalization and facilitation measures cover¹⁷⁷:

- Tariffs
- Non-tariff measures
- Services (including collective actions in telecommunications, transportation, energy, and tourism sectors)
- Investment
- Standards and Conformance
- Customs Procedures
- Intellectual Property Rights
- Competition Policy
- Government Procurement
- Deregulation/Regulatory Review and Reform
- Implementation of WTO Obligations (including Rules of Origin)
- Dispute Mediation
- Mobility of Business People
- Information Gathering and Analysis (Groundwork), and
- Strengthening Economic Legal Infrastructure.

¹⁷⁷ A second part of the OAA on Economic and Technical Cooperation covers the following specific areas: Agricultural Technical Cooperation, Energy, Fisheries, Human Resource Development, Industrial Science and Technology, Infrastructure, Marine Resource Conservation, Small and Medium Enterprises, Telecommunications and Information, Tourism, Trade Promotion, and Transportation.

As can be seen, the majority of the areas of the OAA address impediments *at the border* and almost only in *goods markets and services markets* (i.e. capital and labor markets are not covered). OAA and subsequent plans like the Busan Roadmap and Ha Noi Action Plan also include policy areas, in part in response to ABAC inputs, that are needed to promote competition and encourage investments, such as competition policy and intellectual property rights.

For completeness, it is also important to recognize external factors and/or risks. Despite the wide range of areas covered by the OAA, other factors have come into play that affect the advancement of free and open trade and investment. For example, the start of the century saw new threats to peace and security in the region which increased risks and resulted in increases in costs which flowed through to trade. Thus, even if all policy measures that are prescribed by the OAA are addressed, free and open trade would still not be achieved in the presence of security risks. Another example is the threat of pandemic diseases which also impact on trade and investment flows. While these issues are being addressed within APEC, its control over such risks is limited. Another important consideration is the external economic environment.

The achievements made in pursuit of the Bogor Goals need to be considered in the context of these wider external factors that require considerable political and policy attention. Progress has occurred notwithstanding regional and global shocks that included financial and economic crises, health-related and security-related crises.

B. FORMAT OF THIS SECTION

This section is based on the factsheet information submitted by the APEC industrialized and volunteering economies participating in the assessment on the achievement of the Bogor Goals. Responses indicate there are a number of measures in which APEC economies have reported major achievements and progress reached between 1996 and 2009.

This section has been prepared on factsheet responses submitted by from reporting APEC member economies before 28 October 2010. The analysis is takes into account that:

- Most of the information being reported is descriptive, which can also include a subjective element
- Information has not necessarily been reported homogeneously across economies
- Some template responses are incomplete.

i. Tariffs

APEC member economies have made significant progress in reducing tariff rates since the Bogor Declaration. The information from APEC reporting economies clearly shows a significant reduction in tariff averages in both industrialized and volunteering economies, which represents an important signal in their commitments towards free trade.

Table 5.1 APEC tariff average

%	Import-weighted MFN Average		Simple Average MFN Applied Tariff		Average based on Import Tariff Revenue	
	1996	2009	1996	2009	1996	2009
Industrialized economies						
Australia	5.4	3.2	5.9	3.8	4.6	3.0
Canada	1.4	1.2	6.3	3.7	1.3	0.9
Japan ^{a)}	4.0	1.6	9.0	6.5	2.8	1.2
New Zealand ^{b)}	3.5	1.5	5.3	2.4	2.7	0.7
United States ^{c)}	5.0	4.1	7.3	4.8	2.4	1.3
Volunteering economies						
Chile	11.0	6.0	11.0	6.0	not reported	1.1
Hong Kong, China	0.0	0.0	0.0	0.0	0.0	0.0
Korea	10.9	7.5	14.4	12.2	4.4	2.2
Malaysia ^{d)}	not reported	not reported	10.2	7.4	not reported	not reported
Mexico	9.8	0.9	13.3	9.6	13.8	11.4
Peru	15.3	2.7	16.3	5.0	11.5	2.1
Singapore	0.0	0.0	0.0	0.0	0.0	0.0
Chinese Taipei ^{e)}	2.2	1.5	6.3	5.9	1.6	1.1

Notes: Values have been rounded up based on the information submitted via fact sheets.

a) Japan's Average Tariff based on Import Tariff Revenue was calculated with revenues corresponding to Financial Years 1996 and 2008.

b) New Zealand's earliest data reported corresponds to year 1998.

c) United States' latest data reported corresponds to year 2008.

d) Simple Average MFN Applied Tariff for year 2009 is provisional.

e) Chinese Taipei's Import-weighted MFN Average Tariff earliest data corresponds to year 2003.

In particular, the fall of the simple average MFN tariff in many volunteering economies is striking, decreasing in most of the cases from double-digit to single-digit rates. This result shows the determination of these economies to pursue more open trade policies.

The impact of the liberalization of trade in goods through RTA/FTAs or unilateral systems of preferences is also clearly demonstrated through the lower values of the average tariffs based on the import tariff revenue for most of the economies in comparison with the simple and average MFN values.

Another indicator revealing the efforts of APEC reporting economies in advancing towards trade liberalization is the percentage of tariff lines at zero percent. Table 5.2 shows a significant increase of zero-percent tariff lines from 1996 to 2009, both as a percentage of total tariff lines and as a percentage of all imports¹⁷⁸. Interestingly, a large share of imports to many reporting economies face zero tariffs.

¹⁷⁸ Chile's reported values are low due to its flat tariff system which is currently at 6%. However, as seen in Table 5.1, the flat tariff rate in Chile went down from 11% to 6% between 1996 and 2009. The average tariff rate based on reported import tariff revenue is just 1.1%, which is an indicator of the depth of the liberalization achieved through its extensive network of RTA/FTAs.

Table 5.2 Zero-Tariff product lines and imports

%	Zero Tariff Lines as % of Total Lines		Zero Tariff Imports as % of All Imports	
	1996	2009	1996	2009
Industrialized economies				
Australia	40.8	46.3	42.0	53.1
Canada ^{a)}	32.0	54.0	78.0	87.0
Japan	35.5	40.8	not reported	80.2
New Zealand	54.3	57.7	63.7	73.7
United States	17.8	35.7	49.1	69.0
Volunteering economies				
Chile	not reported	0.5	not reported	0.3
Hong Kong, China	100.0	100.0	100.0	100.0
Korea	not reported	not reported	not reported	not reported
Malaysia	57.6	60.3	58.4	60.9
Mexico	14.3	22.9	45.0	93.0
Peru	0.0	53.9	0.0	72.5
Singapore	99.8	99.9	99.1	99.9
Chinese Taipei ^{b)}	18.7	30.1	60.3	72.9

Notes: Values have been rounded up based on the information submitted via fact sheets.

a) Canada's latest value for Zero Tariff Import as % of All Imports corresponds to year 2008.

b) Chinese Taipei's earliest values correspond to year 2003.

The values for the standard deviation of the applied tariff rates are uneven across APEC reporting economies. Some economies have reported values equal or close to zero because of the implementation of mostly flat tariff regimes, such as Chile; Hong Kong, China; and Singapore. The rest of the economies implement escalated tariff systems. However, Australia; Canada; Malaysia; Chinese Taipei and the United States have reported an important reduction in the dispersion of their tariff rates. Peru unilaterally and on a negotiated basis, drastically reduced MFN tariffs over the period. While the dispersion of tariffs remains low, it marginally increased between 1996 and 2009.

APEC reporting economies have been conducting a number of actions to improve transparency of their tariff regimes. All APEC reporting economies reported that their tariff rates and schedules are publicly available in official gazettes and/or through official websites (online publications and/or interactive portals). In addition, many economies are timely notifying tariff schedules and updates at WTO.

Some APEC reporting economies also announced recent measures and future plans to reduce or eliminate tariffs. Canada reported measures to eliminate tariffs on manufacturing inputs, machinery and equipment. The majority of these tariffs were eliminated as at March 5, 2010 and those remaining will be gradually eliminated by no later than January 1, 2015. Similarly, Mexico started an initiative to simplify its import tariff regime and gradually reduce MFN tariffs until 2013. It is expected that 58.3% of Mexico's total tariff lines will be free of duties by 2013. In the same way, Chinese Taipei revised its tariff schedule and tariff rates of 18 items will be reduced or eliminated in late 2010. Moreover, Chinese Taipei reported that the tariff rate quota system on passenger cars and passenger car chassis will be phased out starting from the beginning of 2011.

ii. Non Tariff Measures (NTM)

APEC reporting economies have indicated that they generally do not impose NTMs, with the exception of those applied to protect public health, security and safety measures and to be consistent with the WTO agreement.

Efforts to eliminate NTM have been achieved among APEC reporting economies. For example, Hong Kong, China has fully removed its import quotas on rice and Japan has replaced the special treatment on rice imports by a tariff scheme since April 1999. Also, Malaysia reduced the number of tariff lines under its tariff rate quota from 73 to 18 between 1996 and 2009.

Singapore discontinued the subsidies of International Trade Incentive and Production for Export Incentive in July 1999 to conform to the WTO Agreement on Subsidies and Countervailing Measures. In addition, Singapore partially removed the prohibition to import of chewing gum, permitting the import of chewing gum for therapeutic use, as of January 2004, under the United States- Singapore FTA.

Korea eliminated quantitative import restrictions on 34 agricultural tariff lines in 1997 and 8 additional agricultural tariff lines in 2001. Chinese Taipei did not report any quantitative import restriction in 2009, as opposed to 1996, when 70 items faced this kind of restriction.

Also, the United States removed quotas on imports of textiles and apparel with the final removal taking place at the end of 2004, except for certain textiles and apparel articles from China that were subject to safeguard measures under the provisions of China's Protocol of Accession to WTO.

Similarly, Canada also abolished the licensing scheme on imports of textiles and clothing as a result of the implementation of WTO Agreement on Textiles and Clothing. The remaining barriers are in accordance with the special exception provisions and other relevant provisions of the WTO agreements.

Mexico has reported significant progress by reducing the number of tariff lines subject to import licensing from 184 to 64 between 1996 and 2009.

iii. Services

APEC economies have reported progress towards the Bogor Goals in this area. When comparing the number of RTA/FTAs in which more market access and/or national treatment are committed to services sectors than those in the commitments under the GATS, all reporting economies showed an increasing number in RTA/FTAs signed between 1996 and 2009.

By 1996, Mexico reported four RTA/FTAs with more commitments reported than those of GATS. Australia; Malaysia; New Zealand and the United States reported one RTA/FTA each. Singapore also reported that all its RTA/FTAs contain WTO-plus commitments in 1996. In 2009, the APEC reporting economies registered a greater number of RTA/FTAs with that feature, being Singapore the APEC reporting economy with the highest number (16 RTA/FTAs).

Table 5.3 Number of RTA/FTAs with more commitments reported than those in GATS – 2009

Industrialized economies	
Australia	6
Canada	4
Japan	10
New Zealand	5
United States	9
Volunteering economies	
Chile	14
Hong Kong, China	1
Korea	4
Malaysia	1
Mexico	11
Peru	5
Singapore	16
Chinese Taipei	4

By comparing the number of services sectors in which market access and/or national treatment are granted as the result of commitments in GATS and the current offers under the DDA negotiations under GATS, it is possible to determine the willingness of APEC member economies in advancing deeper towards the liberalization of trade in services, taking into account the current state of the DDA. In this context, almost all reporting economies are showing strong willingness to improve their current level of commitments under GATS¹⁷⁹.

Table 5.4 Sectors with market access or national treatment granted in GATS commitments and DDA negotiations

	MA and/or NT granted in GATS commitments	MA and/or NT offered in DDA negotiations	% Change
Industrialized economies			
Australia	36	41	13.9
Canada	31	31	0.0
Japan	43	45	4.7
New Zealand	27	35	29.6
United States	38	49	28.9
Volunteering economies			
Chile	8	12	50.0
Hong Kong, China	18	28	55.6
Korea	29	36	24.1
Malaysia	21	28	33.3
Mexico	30	47	56.7
Peru	14	22	57.1
Singapore	19	31	63.2
Chinese Taipei	41	42	2.4

Furthermore, the number of sectors in which economies are keeping exceptions, or asking for their continuance, to extend MFN treatment under the GATS commitments is reduced. While Hong Kong, China has reported no sector under this characteristic, Australia; Japan and New Zealand have only reported one sector each. Korea also reported only one sector and offered to remove this exception in the DDA negotiations. The United States has offered to reduce from seven sectors to six, while Canada has offered to do so from six to five sectors.

¹⁷⁹ Hong Kong, China reported that besides including market access and/or national treatment commitments for 10 additional services sectors in the DDA negotiations, they have also offered more improvements to almost all existing specific commitments in GATS.

Malaysia; Singapore; Chile and Peru have reported no change with three, six, seven and nine sectors, respectively.

Chinese Taipei did not report a specific number of sectors keeping MFN exceptions, but mentioned that it keeps those exceptions in three items: one in land acquisition and two in the air transport sector (ramping service and other supporting services).

Progress has also been made on the number of sectors requiring licensing and qualifications specifically for foreign service providers. In this regard, Australia; Canada; Chile; Peru and Chinese Taipei do not demand this kind of specific requirement in any sector¹⁸⁰, while Malaysia and Mexico have declared that all licensing and qualification requirements are applied to both domestic and foreign service providers. Hong Kong, China keeps these requirements in four sectors, but these are maintained only for public interest or prudential reasons, and are implemented in an objective and impartial manner. Korea has reported one sector in 2009 as well. Other economies such as Japan and the United States have reported that some general restrictions related to residency or citizenship status apply.

iv. Investment

In terms of investment, APEC economies have reported that progress to promote the free flow of capital and achieve free and open investment regimes has been made.

For instance, most of the reporting economies do not keep any restriction for the transfer of capital¹⁸¹. Only minor administrative requirements such as notification are required for outward direct investment. In addition, performance, export or local content requirements are not applied in Chile; Hong Kong, China; Korea; New Zealand; Peru and the United States. Chinese Taipei removed local content requirements for the automobile and motorbike industry since its accession to WTO in 2002. Australia only allows the purchase of certain real estate for specified purposes; while Japan and Singapore have reported performance requirements in eight and four sectors, respectively. Malaysia has also reported phasing out local content requirements and the export level is no longer linked with the approval of investment projects.

In addition, the number of Bilateral Investment Treaties (BIT) and/or RTA/FTAs in which the APEC reporting economies have ensured MFN and national treatment to foreign investment has increased in the past years at both the intra-APEC and extra-APEC levels. This trend indicates that APEC members have been keen on the application of the “open regionalism” principle.

¹⁸⁰ For Australia, this applies to the sectors where Australia has undertaken commitments in GATS.

¹⁸¹ Malaysia has reported existing restrictions, but maintains a liberal policy in the transfer of capital by foreign direct investment.

Table 5.5 BIT or RTA/FTA with APEC member economies where MFN and national treatment are ensured to foreign investors

	1996	2009
Industrialized economies		
Australia	7	15
Canada	2	6
Japan	1	14
New Zealand	N/A	1
United States	1 (2 partners)	5 (6 partners)
Volunteering economies		
Chile	2	10
Hong Kong, China	2	5
Korea	6	16
Malaysia	1	8
Mexico	1	7
Peru	5	10
Singapore	5	10
Chinese Taipei	none	none

In terms of the consistency of the reporting economies' regimes with the APEC Non-Binding Investment Principles, in general, Canada; Chile; Korea; Malaysia; New Zealand; Chinese Taipei and the United States have reported that their regimes are fully consistent with these principles. Australia; Hong Kong, China; Mexico; Japan; Peru and Singapore indicate that their regimes are consistent with most of the principles, with the latter three economies showing progress from "some" to "most" between 1996 and 2009.

Currently, the reporting economies still maintain some restrictions in foreign investment, as reported in the factsheets. However, these restrictions are mostly limited to domestic and strategic interests regarded as sensitive.

v. Standards and Conformance

For the number of domestic standards aligned with the target international standards, the industrialized economies show considerable progress. Japan has 254 aligned domestic standards in 2009 (compared with only 1 in 1996). New Zealand has 1,333 standards out of 3,036 that are aligned in 2009, compared with 620 out of 2,159 in 1996. Australia's alignment ratio rose from 25% of 6,000 standards in 1996 to 43% of 6,500 standards in 2009. For the year 2009, Canada has 120 out of 167 standards adopted from international standards (72%) compared with 50% in 1996 based on ISO/IEC standards. The United States, one of the largest users of ISO and IEC standards, does not have a mandatory adoption policy.

For the volunteering economies, Chile had 7 internationally aligned standards in 2009 (compared with 0 in 1996) from the list of 28 new standards selected as part of the new Voluntary Action Plan (VAP) target standards. Hong Kong, China has achieved 100% alignment of the 168 target IEC standards under the VAP for 2006-2010. From 1996 to 2009, Malaysia developed 3,376 additional standards and the cumulative alignment to international standards rose from 21.6% to 60.1%. Similar progress was seen with Mexico, which registered 765 technical regulations aligned with international standards in 2009 (138 in 1996) and 4,291 for voluntary standards (58 in 1996). Peru aligned 43 technical regulations out of 81 for the year 2009 (compared with 3 out of 9 in 1996); whereas Chinese Taipei

raised the number of domestic standards aligned with international standards from 35 to 94 between 1996 and 2009¹⁸².

Singapore and Korea reported full alignment of its domestic standards to international standards under the new APEC Voluntary Alignment Programme for 2006-2010, which targets 168 IEC standards covered under the IEC System for Conformity Testing and Certification of Electrical and Electronic Components, Equipment and Products (IECEE). As of December 2009, Korea also reported that 14,661 out of a total of 23,372 standards (62.7%) are in harmonization with their corresponding international standards.

Regarding participation in Mutual Recognition Arrangements (MRA), Australia reported 18 arrangements in 2009. Japan participates in 4 MRAs. The US participates in 4 government-to-government MRAs and also participates in 9 non-government-to-government arrangements through private entities. New Zealand has implemented 10 bilateral MRAs. Malaysia participates in 2 MRAs and 2 Multilateral Recognition Arrangements (MLAs). Mexico and Chinese Taipei also had 11 and 6 MRAs, respectively, by 2009. Hong Kong, China has participated in or notified its intention to participate in 10 MRAs.

Canada; Chile; Korea and Singapore have not provided figures on the number of MRAs in force, but released information confirming their participation in MRAs, especially those under APEC's umbrella, such as the APEC MRA on Conformity Assessment of Electrical and Electronic Equipment. Hong Kong, China has also stressed the implementation of 13 testing laboratories as conformity assessment bodies (CAB) for telecommunications equipment.

As for efforts to raise transparency and objectivity of international standards, most of the APEC reporting economies reported their compliance with the WTO Agreement on Technical Barriers in the setting up of a notification and enquiry point in respect of technical regulations, standards and conformity assessment measures. Some APEC reporting economies have also notified the implementation of similar clauses in their RTA/FTAs, compliance with the APEC Leaders' Transparency Standards on Standards and Conformance, coordination among relevant government agencies, and revision of existing standards. Also, a number of APEC reporting economies have mentioned that as part of their efforts to raise transparency, information on standards is published in official publications and/or publicly available online.

vi. Customs Procedures

As at 2009, all of the reporting economies have adopted the Harmonized System for the Description and Coding of Goods (HS) 2007 Nomenclature. Australia; Canada; Japan; Korea; Malaysia; New Zealand and United States have achieved conformity with the Revised Kyoto Convention. Chile; Hong Kong, China; Mexico; Peru; Chinese Taipei and Singapore have not acceded to the Revised Kyoto Convention, but reported that they have complied with most of the principles.

Efficiency and transparency in customs administration was significantly improved across member economies. Information technology and automation was fully adopted by all reporting economies and efforts have been made to upgrade the existing systems and enhance

¹⁸² For Chinese Taipei, it refers to standards related to electrical and electronic appliances, food labeling, rubber products, machinery and those on electromagnetic emissions and their measurements.

functionality since 1996. Electronic data warehousing, processing and interchange, e-filing and e-declaration and other similar procedures has allowed information management in real time and has facilitated single window systems and paperless trading. Measures, such as the publication of customs information, channels for public consultation, appeals and complaints, stakeholder forums, and enquiry points, were widely applied to enhance customs transparency.

Most of the economies have put in place measures to secure trade. Through the Authorized Economic Operator (AEO) or a similar system, member economies achieved more effective risk management, harmonized documentary control, better cooperation with other international/domestic customs entities, and systematic improvement over border clearance.

International best practices of customs procedures were adopted by member economies to facilitate trade. Advance Ruling Systems were implemented in most of the economies, while for tariff-free Hong Kong, China it is not required. Members also follow the WTO Valuation Agreement, the Admission Temporaire/Temporary Admission (ATA) Convention, the WCO Immediate Release Guidelines, as well as other initiatives to improve customs procedures.

vii. Intellectual Property

The reporting economies have made substantial progress in terms of intellectual property rights (IPR). In addition to complying with the WTO Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS), the reporting economies have registered an increase in the number of major multilateral agreements ratified and/or implemented between 1996 and 2009.

During this time, APEC reporting economies have made significant efforts to improve their IPR systems by amending or enacting new regulations with the view of accelerating the granting of IPR and securing more effective ways to enforce them. In this regard, measures to increase awareness, establish actions to punish infringements, improve inspection systems and strengthen cooperation among domestic and international institutions have been implemented.

In addition, in terms of transparency, APEC reporting economies have made significant progress in providing access to public information regarding intellectual property regulations, guidelines and judicial decisions. Similarly, the increasing usage of the internet has led many reporting economies to make this information available online, as well as the possibility to file application procedures in a more expedite way.

viii. Competition Policy

Since its inception, APEC members have made substantial progress on implementing reforms and development regulations to promote competition in their markets.

With regard to competition policy, Australia; Canada; Hong Kong, China; Japan; Korea; Mexico; New Zealand; Peru; Singapore; Chinese Taipei and the United States report they have fulfilled all of the APEC Principles to Enhance Competition and Regulatory Reform. Chile reported progress by going from “some” to “most” of the principles between 1996 and 2009. Malaysia also moved forward, going from “none” to “most” of the principles over the same period.

Likewise, Australia; Canada; Chile; Japan; Korea; Mexico; New Zealand; Peru; Singapore; Chinese Taipei and the United States confirmed the existence of competition laws and the establishment of competition authorities. Hong Kong, China and Malaysia reported not having a general competition law and authority¹⁸³. However, Hong Kong, China reported its full commitment to the promotion of free trade and competition and noted it has long subscribed to the basic economy philosophy of minimum government intervention and the free flow of market forces¹⁸⁴. For Malaysia, legislation on anti-competitive measures is available in the communications and multimedia sector, as well as the energy sector, and consultations are being held to obtain feedback and inputs for the Competition Bill.

APEC reporting economies also mentioned the importance of international cooperation on a bilateral basis or through international fora in order to benefit from information exchange, technical assistance and a better understanding of the experiences of others in the application of best practices in competition policy.

ix. Government Procurement

In terms of transparency, the APEC reporting economies have achieved progress in implementing systems to allow for easier access of information pertaining to laws, regulations, tender notices, bidding requirements, and others.

The APEC reporting economies have made great efforts to make their government procurement regimes consistent with the APEC Non-binding Principles on Government Procurement. Australia; Chile; Hong Kong, China; Japan; Korea; Malaysia; New Zealand; Singapore; Chinese Taipei and the United States reported that their regimes are consistent with all of the principles. Canada and Peru improved the consistency of their regimes with these principles by reporting that they had fulfilled “some” of the principles in 1996 and had subsequently filled “most” of them in 2009. Mexico also stated that its government procurement regime is consistent with “most” of the principles.

All APEC reporting economies have implemented systems to participate in government procurement processes through electronic means. In 1996, only Canada; New Zealand and Chinese Taipei had implemented e-systems for government procurement; whereas in 2009, all of the reporting economies have complied with the application of this system.

Progress has also been made on the elimination of restrictions on foreign goods, services and suppliers or preferences to domestic suppliers. Chile; Hong Kong, China; Korea and Peru do not apply these restrictions or preferences. This also applies to Japan at the central level.

Reciprocity requirements in providing access to government procurement markets do not exist in most of the reporting economies.

x. Deregulation/Regulatory Reform

APEC economies have made considerable progress in implementing measures to improve transparency in their regulatory regimes and to increase efficiency in the markets by

¹⁸³ Nonetheless, the broadcasting and telecommunication sectors have authorities with statutory power to regulate competition matters in Hong Kong, China.

¹⁸⁴ Currently, Hong Kong, China is preparing a cross-sector competition law and aims to introduce the Competition Bill into the Legislative Council within the 2009-2010 legislative session.

removing distortions or impediments to trade and investment that do not achieve a legitimate objective.

All reporting economies have implemented actions to improve transparency. Most of these actions are related to the publication of laws and regulations, as well as the enactment of laws that guarantees the transparency of the regulatory regimes.

With regard to the regulatory reform component, Australia; Canada; Hong Kong, China; Japan; Korea; New Zealand; Singapore and the United States report they have fulfilled all of the APEC Principles to Enhance Competition and Regulatory Reform. Chile; Malaysia; Mexico; Peru and Chinese Taipei also reported progress, by going from “some” to “most” of the principles between 1996 and 2009.

APEC member economies have also played an active role by conducting reviews of their regulatory frameworks as a way to improve policy effectiveness and market efficiency. Among the reporting economies, Australia; New Zealand; Peru; Singapore and Chinese Taipei have plans to regularly examine regulations in all sectors, whilst Canada; Chile; Japan and Korea have plans to in most of the sectors. Hong Kong, China; Malaysia and the United States reported the existence of review plans for some sectors.

In addition, APEC economies are gradually starting the application of general plans to review new or proposed regulation. In 1996, only Australia; Japan and Singapore did this for all of the sectors. Besides them, Korea, New Zealand and Chinese Taipei reported following this practice for all of the sectors in 2009. The United States declared its application to review new or proposed regulation in most sectors in both 1996 and 2009, while Hong Kong, China and Malaysia reported this practice in some sectors in both 1996 and 2009. Chile and Mexico made this practice more widespread by doing it for some sectors in 1996 to most sectors in 2009. Peru did not report this practice for any sector in 1996; however, it did so for some sectors in 2009.

xi. WTO Obligations/Rules of Origin

Regarding the implementation of the obligations under WTO agreements, responses from all APEC reporting economies indicate they have fully implemented their corresponding obligations.

Additionally, all reporting economies abide by the WTO Agreement on Rules of Origin in order to apply these rules in an impartial, transparent and neutral way. These economies have also implemented the application of preferential rules of origin in a clear and transparent way, as agreed in their respective RTA/FTAs.

To guarantee the correct and fair application of the rules of origin, the reporting economies have declared the application of certain measures to facilitate the activities of the business community. For example, Canada has encouraged importers to use advance rulings in order to determine if a good can be considered as originating from a partner economy with a preferential agreement. New Zealand has developed “tariff finder” portals where information on the rules of origin applicable to any good can be obtained free of charge.

xii. Dispute Mediation

Sound dispute mediation mechanisms provide extra incentives for foreign traders and investors to transact. According to the submitted information, all of the APEC reporting economies have dispute mediation systems in place, which are available to foreign businesses.

Some of these systems are based on international practices, such as the New York Convention, the WTO Dispute Settlement Understanding, the UNCITRAL Model Law on International Commercial Arbitration, and the International Convention on the Settlement of Investment Disputes (ICSID), among others. In addition, APEC reporting economies can also use dispute settlement mechanisms included in their bilateral RTA/FTAs or Bilateral Investment Treaties.

In the case of domestic disputes, besides the use of domestic courts, interested parties in APEC reporting economies can seek arbitration or mediation in designated bodies. Many of these bodies can be found in chambers of commerce, business associations and governing private bodies related to specific sectors.

xiii. Mobility of Business People

Progress on the implementation of measures to facilitate the mobility of business people varies markedly among the APEC reporting economies.

All reporting economies have made progress in implementing the APEC Business Travel Card (ABTC) Program. Australia; Chile; Hong Kong, China; Japan; Korea; Mexico; New Zealand; Peru; Singapore and Chinese Taipei are fully applying the system, whereas Canada and the United States have entered into the scheme as transitional members.

The number of visa free arrangements reported by APEC reporting economies ranges from zero to about 170. Hong Kong, China is on top with about 170 arrangements, including 17 arrangements with APEC members in 2009. Likewise, Singapore has a very open policy, since only passport holders from 21 economies worldwide need visas. Similarly, Malaysia reported that visas on visitors are only required for citizens of 38 economies worldwide. Korea; Chile; Japan; New Zealand; Mexico; Canada and Chinese Taipei also reported significant progress by having 90, 87, 63, 58, 55, 54 and 39 visa free or visa waiver arrangements in force, respectively, in 2009¹⁸⁵. Among those arrangements, Malaysia has implemented them for 17 APEC member economies; Chile and Japan have implemented them for 12 APEC member economies; New Zealand for 11 APEC economies; Canada; Korea and Mexico for 9 APEC economies each¹⁸⁶; and Chinese Taipei for 8 APEC member economies.

Although the United States reported only two Visa Free Programs, its Visa Waiver Program has 35 participants. Similarly, Peru reported only two visa free arrangements for business purposes, including one with an APEC member economy. However, its system allows foreigners to change their status from tourist to business visitor once they have arrived in Peruvian territory and it does not require tourist visas for passport holders of 19 APEC

¹⁸⁵ Besides having 90 visa waiver arrangements, Korea also grants visa free status to passport holders of 51 economies or regions.

¹⁸⁶ In addition, Korea grants visa free status to citizens from 8 additional APEC member economies.

member economies. Likewise, although Australia does not have visa free arrangements due to its universal visa system, it allows citizens from 34 economies, including 7 APEC economies, to apply online for an Electronic Travel Authority (ETA), which usually provides immediate confirmation and provides many of the same benefits as visa free travel.

Where visas are required, the average number of days to approve short-term business visa applications differs across APEC reporting economies. Currently, in some cases, the application is approved in just one day. This is the case in New Zealand and in 20% of the applications in Canada (the remaining 80% takes approximately 5 business days). Other economies with relatively fast procedures include Malaysia; Singapore and Chinese Taipei (between 1 and 3 days); Peru (2 days); Australia (2.1 days on average, although ETA applications are processed immediately) and Korea and Japan (5 business days). Hong Kong, China reported an average of 10 business days. Chile reported an average of 15 days¹⁸⁷. Mexico approves visa applications within 20 days.

Regarding other measures to facilitate the mobility of business persons, reporting economies provided different views. Some of them, such as Chile; New Zealand and Peru reported that the inclusion of chapters on mode 4 of services in RTA/FTAs have helped in this purpose. Others such as Hong Kong, China; Singapore and the United States have reported the implementation of electronic systems to speed up administrative processes. Malaysia has reported the facility to approve visa on arrival for citizens from a list of economies, while Mexico indicated that since 2009 business visas are valid for 10 years.

xiv. Trade Facilitation

Progress in trade facilitation has been achieved by APEC. Among the reporting economies, Australia; Hong Kong, China; Korea; New Zealand; Singapore and the United States reported compliance with all of the APEC Principles on Trade Facilitation. Chile; Canada; Malaysia; Mexico and Chinese Taipei have also made significant progress by fulfilling most of these principles.

Peru only declared information related to customs procedures, with most of the principles being in force.

On progress in the implementation of actions and measures in light of TFAPI, most of the actions implemented by the reporting economies correspond to the field of customs procedures. Hong Kong, China and New Zealand have implemented all of the actions listed in TFAPI, while Australia has implemented substantially all actions and measures. Canada and Japan have reported that most of the actions have been implemented. Singapore has implemented all of the actions listed in electronic commerce and business mobility; as well as some of the actions in the field of customs procedures and standards. Korea has implemented all of the actions listed in business mobility and most of the actions listed in movement of goods and standards.

Chile; Malaysia; Mexico and the United States reported a comprehensive list of implemented actions related to TFAPI in the four categories; while Chinese Taipei reported a list of actions related to customs procedures.

¹⁸⁷ However, Chile requires visas for six APEC economies.

xv. Promotion of High-Quality RTA/FTAs

APEC economies have made significant progress towards the Bogor Goals through the accomplishment of high-quality RTA/FTAs.

In general, APEC reporting economies have made considerable effort to achieve high-quality RTA/FTAs that are consistent with the APEC Model Measures for RTAs and FTAs. Australia; Peru; Singapore; Chinese Taipei and the United States reported that all of their RTA/FTAs are consistent with APEC Model Measures. Chile has also demonstrated a commitment to the APEC Model Measures in all of its trade agreements.

New Zealand has also reported a high level of consistency, whereas Hong Kong, China and Korea indicated that its RTA/FTAs are broadly and fully consistent, respectively. Mexico mentioned signing high-quality RTA/FTAs, while Malaysia indicated that its RTA/FTAs are generally consistent with the APEC Model Measures. Japan provided an example on its agreement with Switzerland, which is mostly consistent with the APEC Model Measures for RTAs and FTAs.

APEC member economies have been actively pursuing RTA/FTAs in recent years. In fact, the number of negotiations successfully concluded, as well as the number of negotiations in progress, has increased drastically between 1996 and 2009.

Table 5.6 Number of RTA/FTAs successfully concluded

	1996	2009	Change
Industrialized economies			
Australia	1 (1)	6 (5)	+5 (+4)
Canada	3 (2)	9 (3)	+6 (+1)
Japan	0 (0)	11 (9)	+11 (+9)
New Zealand	1 (1)	10 (7)	+9 (+6)
United States	2 (1)	15 (5)	+13 (+4)
Volunteering economies			
Chile	6 (0)	24 (8)	+18 (+8)
Hong Kong, China	0 (0)	2 (2)	+2 (+2)
Korea	0 (0)	7 (4)	+7 (+4)
Malaysia	1 (1)	9 (7)	+8 (+6)
Mexico	4 (1)	12 (3)	+8 (+2)
Peru	2 (1)	10 (7)	+8 (+6)
Singapore	1 (1)	18 (13)	+17 (+12)
Chinese Taipei	0 (0)	4 (0)	+4 (+0)

Note: Agreements with APEC economies in parenthesis.

Table 5.7 Number of RTA/FTAs under negotiation

	1996	2009	Change
Industrialized economies			
Australia	0 (0)	5 (5)	+5 (+5)
Canada	2 (0)	6 (2)	+4 (+2)
Japan	0 (0)	5 (3)	+5 (+3)
New Zealand	0 (0)	3 (2)	+3 (+2)
United States	0 (0)	1 (1)	+1 (+1)
Volunteering economies			
Chile	not reported	4 (4)	
Hong Kong, China	0 (0)	0 (0)	+0 (+0)
Korea	0 (0)	7 (5)	+7 (+5)
Malaysia	0 (0)	3 (2)	+3 (+2)
Mexico	not reported	2 (2)	
Peru	0 (0)	5 (3)	+5 (+3)
Singapore	0 (0)	7 (3)	+7 (+3)
Chinese Taipei	0 (0)	0 (0)	

Note: Negotiations with APEC economies in parenthesis.

xvi. Voluntary Self-Reporting

a. Labor

Some APEC reporting economies have included the fundamental labor rights as one of the key aspects for development. Various legislations and initiatives have been introduced to ensure and enforce fundamental labor rights. Good examples are Australia's Fair Work Act 2009, Japan's Labor Standards Law and Employment Contracts Act, and Peru's Mandatory Workers Registry initiative. In addition, reporting economies also implement measures to improve procedural guarantees and transparency for relevant judicial proceedings.

To promote public awareness about fundamental labor rights, economies have various educational programs and strategies in place. For example, Australia has implemented the Fair Work Education and Information Program, Japan is more focused on vocational training and human resource development, and Peru utilizes mass media as a channel to increase publicity. The United States includes in its RTA/FTAs provisions concerning the promotion of public awareness of labor rights by ensuring that the information is publicly available. New Zealand has also reported the inclusion of similar provisions in its RTA/FTAs.

Among APEC members, international cooperation on fundamental labor rights takes different forms. Most of the reporting economies are signatories to RTA/FTAs with labor chapters, and bilateral or multilateral Labor Cooperation Agreements, which help to establish cooperation mechanisms that reflect the rights and principles of the International Labor Organization (ILO). Economies are also actively engaged in the international forums organized by ILO, WHO and OECD. The United States has included obligations on the enforcement of the labor rights in all of its RTA/FTAs.

b. Environment

Although Environmental Goods and Services (EGS) is a fairly recent topic on the APEC agenda, the efforts from member economies to liberalize trade and investment in EGS have been taking hold. Besides actively participating in negotiations under WTO's umbrella to eliminate tariff and non-tariff barriers on EGS, member economies also expressed their

willingness of further liberalization in Doha Round Revised Offers. In addition, Environmental Cooperation Agreements were seen in RTA/FTAs.

The United States has indicated that after the passage of the 2002 Trade Promotion Act, all RTA/FTAs contain provisions requiring each Party to effectively enforce its environmental laws.

Korea has addressed trade-related environmental issues in the FTA negotiations with the United States and the European Union in order to promote trade and protect the environment in a mutually reinforcing manner. These environmental issues are also being addressed in the current bilateral FTA negotiations that Korea is holding with a number of APEC and non-APEC members.

Since the endorsement of APEC EGS Program Framework in 2008, this new platform has been well exploited to promote an open dialogue on environmental policies and relevant regulatory development. Under the Framework, Canada, New Zealand and the United States have collaborated to organize workshops and launch the APEC EGS Information Exchange web tool.

Regarding domestic policies and regulations, economies have adopted unilateral measures to facilitate investment and trade in EGS. Australia lowered tariffs on EGS; Mexico consults with stakeholders on EGS issues; and Peru has laid out programs and strategies for environment-related sectors under the Environmental General Law.

c. E-commerce

To support the Trade and Investment Liberalization and Facilitation (TILF) efforts, Japan has concentrated its efforts in creating opportunities for e-commerce. In the Japan-Switzerland EPA, provisions have targeted on achieving non-discriminatory treatment of digital products and services, rules on market access, protection of online consumers, and paperless trade administration.

In Japan, domestic laws, regulations and guidelines are also promoting e-commerce. Some of these regulations include the Basic Act on the Formation of Advanced Information and Telecommunications Network Society; the Act on Specified Commercial Transactions; and the Interpretative Guidelines for Electronic Commerce, among others.

The United States has participated actively in multilateral initiatives within APEC, OECD and WTO related to e-commerce. The United States has been a strong supporter in the WTO of the moratorium on e-commerce customs duties.

In addition, the United States' FTAs include chapters on e-commerce, which incorporate clauses to foster these activities, such as those related to electronic authentication and electronic signatures; the promotion of online consumer protection, including cooperation to enforce laws against fraudulent and deceptive commercial practices in e-commerce; paperless trading; and transparency by publishing or otherwise making available its laws, regulations and other measures pertaining to e-commerce.

d. Ease of Doing Business

In line with the APEC Ease of Doing Business (EoDB) Action Plan, Chinese Taipei has simplified the procedures required to start a business by reducing the number of procedures in 25% (from 8 to 6) and the time involved in 45% from 42 to 23 days. In addition, minimum capital requirements have been eliminated, which has greatly reduced the cost of applying for and starting a business.

TECHNICAL NOTES

The APEC economies are divided into APEC-industrialized; APEC-volunteering; APEC-industrialized & volunteering (APEC-ind & vol); and APEC-developing.

The APEC-industrialized group comprises the following five economies: Australia; Canada; Japan; New Zealand; and United States.

The APEC-volunteering group comprises the following eight developing economies: Chile; Hong Kong, China; Korea; Malaysia; Mexico; Peru; Singapore; and Chinese Taipei.

The APEC-ind & vol group includes the five APEC-industrialized economies and the eight APEC-developing economies that have volunteered to be part of the 2010 Bogor Goals assessment.

The APEC-developing group comprises the 16 APEC members that are not in the industrialized group: Brunei Darussalam; Chile; China; Hong Kong, China; Indonesia; Korea; Malaysia; Mexico; Papua New Guinea; Peru; Philippines; Russia; Singapore; Chinese Taipei; Thailand; and Viet Nam.

The benchmark year of 1994 is generally used as the basis for comparison with the most recent data in order to assess progress made since the Bogor Declaration. However, different time periods may be used in the report due to data availability.

TECHNICAL NOTE # 1 (PERCENTAGE OF TRADE WITH FTA PARTNERS)

Percentage of trade was calculated by adding the share of exports and the share of imports of each APEC economy with their in-force FTA/RTA counterparts through December 1996 and December 2009.

TECHNICAL NOTE # 2 (EXPORTS / IMPORTS OF GOODS)

Data on Chinese Taipei are derived by subtracting all other APEC economies from the APEC aggregate provided by the data source.

TECHNICAL NOTE # 3 (COMMERCIAL SERVICES EXPORTS / IMPORTS)

Data for Brunei Darussalam are not available. For Philippines in 1994, the datum for 1993 is used.

TECHNICAL NOTE # 4 (EXPORTS / IMPORTS OF GOODS AND SERVICES AS A PROPORTION OF GDP)

Total exports/imports are calculated by adding merchandise exports/imports and commercial service exports/imports data from the World Trade Organization's Time Series on International Trade. GDP data are from World Bank, World Development Indicators online database and Chinese Taipei's Directorate-General of Budget, Accounting and Statistics (DGBAS).

TECHNICAL NOTE # 5 (FDI INFLOWS AND OUTFLOWS)

FDI outflows data for Viet Nam are not available until 2005.

TECHNICAL NOTE # 6 (OUTWARD FDI STOCKS)

Outward FDI stocks data for Viet Nam are not available.

TECHNICAL NOTE # 7 (MFN APPLIED TARIFFS – 2008)

Weighted average MFN applied tariffs are calculated using the latest available HS 6-digit import data from WTO, UN Comtrade, and Peruvian Customs. Only duties and imports recorded under HS Chapters 01-97 are taken into account. To the extent possible, non-*ad valorem* duties are converted into *ad valorem* equivalents.

Data for Indonesia; Malaysia; Papua New Guinea; Thailand; and Viet Nam, are as reported in 2007 instead of 2008. Instead of tariffs in 1996, 1995 tariff rates are used for Thailand; 1997 tariff rates are used for Papua New Guinea; 1998 tariff rates are used for Indonesia; Mexico; and Peru; and 1999 tariff rates are used for Malaysia and Viet Nam.

TECHNICAL NOTE # 8 (MFN APPLIED TARIFFS / ZERO-TARIFF PRODUCT LINES ACROSS SECTORS)

Sector aggregates are simple averages of all tariff lines under each specific sector across all APEC economies.

TECHNICAL NOTE # 9 (ZERO-TARIFF PRODUCT LINES / IMPORTS)

Percentage of zero-tariff product lines is based on the HS 8-digit national tariff line. Since import data are available only at the HS 6-digit level, the percentage of zero-tariff imports is calculated assuming that the imports are spread equally across the national tariff lines under each HS 6-digit level. Aggregates are simple averages of each economy's percentage of zero-tariff product lines.

TECHNICAL NOTE # 10 (FREQUENCY DISTRIBUTION BY DUTY RANGES)

Due to data limitations, the frequency distribution is based on the HS 6-digit subheadings, thus the percentages of duty free tariffs could be different from those in the "Zero-tariff product lines" table. The percentages by duty ranges may not add to 100 due to non-convertible non *ad valorem* tariffs or missing tariff lines for which no separate category was allocated.

TECHNICAL NOTE # 11 (FRASER INSTITUTE'S ECONOMIC FREEDOM OF THE WORLD INDEX – MEAN TARIFF RATE AND NON-TARIFF TRADE BARRIERS)

Aggregate index ratings are simple averages of each economy's rating for the non-tariff trade barriers measure. Data for Brunei Darussalam and Papua New Guinea are not available for 1995 and 2007; data for Viet Nam are not available for 1995.

TECHNICAL NOTE # 12 (ALL GATS COMMITMENT INDEX GRAPHS)

Each entry of the economy's commitments in WTO is assigned a score to reflect the intrinsic restrictiveness. Full commitment (no restriction, declared as "None") is scored to be 1; zero commitment (any restriction can be applied, declared as "Unbound") is scored to be 0; an in-between situation is scored to be 0.5. The overall score for each economy is the proportion of the sum of the scores against the full score of 1240. Data for Russia are not available. For Chinese Taipei, the Schedule of Commitments was made in 2002, and for Viet Nam, the Schedule of Commitments was made in 2007.

TECHNICAL NOTE # 13 (COMMITMENTS ON SERVICES IN FTAS)

Commitment counts are based on the maximum number of commitments across all FTAs concluded by an economy. If an improved commitment or a new sub-sector/mode relative to an economy's GATS schedule is found in at least one FTA, then the relevant sub-sector is classified as "improved" or "new" in the respective FTA column. Calculations took into account the four modes of services supply and the figures are expressed as a percentage share of 616 total entries per economy.

TECHNICAL NOTE # 14 (ALL WORLD BANK'S DOING BUSINESS INDICATOR TRADING ACROSS BORDERS GRAPHS)

Aggregates are simple averages. Data for Brunei Darussalam are not available.

TECHNICAL NOTE # 15 (REAL GDP AND REAL GDP PER CAPITA)

Real GDP and Real GDP per Capita are measured in constant 2000 US dollars. Data for Brunei Darussalam are not available for 2008.

TECHNICAL NOTE # 16 (UNEMPLOYMENT)

Data for Brunei Darussalam and Papua New Guinea are not available; data for Viet Nam are not available for 2007.

TECHNICAL NOTE # 17 (HUMAN DEVELOPMENT INDEX)

Human Development Index values are from the UNDP's HDI trends dataset, which is calculated using the latest methodology and the most up-to-date trend data, in order to capture long-term progress in human development. Aggregates are weighted averages using total population weights from the World Bank's World Development Indicators online database. Data for Hong Kong, China are not available for 1995; data for Chinese Taipei are not available.

TECHNICAL NOTE # 18 (POVERTY INDICATORS)

If data are not available for 1994 or 2007, the most recent figure (within two years) is used instead. It is assumed that APEC economies with data consistently not available throughout the period had either none or a very small percentage of their population living on less than USD1.25 or USD2 a day. (This includes the five industrialized APEC economies as well as Brunei Darussalam; Hong Kong, China; Korea; Singapore; and Chinese Taipei). Data for Indonesia in 1994 are estimated using data from the World Bank's PovcalNet Online Poverty Analysis Tool and UNSD's Demographic Yearbook online database. Data for Papua New

Guinea are not available. Aggregates are weighted averages using total population weights from the World Bank's World Development Indicators online database.

TECHNICAL NOTE # 19 (LIFE EXPECTANCY AND INFANT MORTALITY)

Aggregates are weighted averages using total population weights from the World Bank's World Development Indicators online database. Data on life expectancy for Chinese Taipei in 1996 are used instead of 1995. The infant mortality rate is the probability (expressed as a rate per 1,000 live births) of a child born in a specified year dying before reaching the age of one if subject to current age-specific mortality rates. Data on infant mortality are not available for Hong Kong, China and Chinese Taipei.

TECHNICAL NOTE # 20 (ADULT LITERACY RATE AND GROSS SECONDARY ENROLMENT RATIO)

Adult literacy rate aggregate is a weighted average using data on the population aged 15 and above from the International Labour Organization (ILO). If data are not available for 1990 or 2008, the most recent figure (within two years) is used instead. The APEC aggregate for 1990 includes Brunei Darussalam; Chile; China; Indonesia; Malaysia; Mexico; Philippines; Russia; Singapore; and Viet Nam. The APEC aggregate for 2008 also includes Papua New Guinea and Peru.

Gross secondary enrolment ratio aggregate is a weighted average using data on total population from the World Bank's World Development Indicators online database. The aggregate for 1990 does not include Singapore and Hong Kong, China and the aggregate for 2008 does not include Singapore; Papua New Guinea; and Viet Nam. Data for Canada in 2006 and for Chile and Malaysia in 2007 are used instead of 2008. Female secondary enrolment ratio aggregate in 1990 does not include Hong Kong, China; Peru; Singapore; and Viet Nam.

TECHNICAL NOTE # 21 (ACCESS TO IMPROVED SANITATION FACILITIES AND DRINKING WATER)

Aggregates are weighted averages using data on total population from the World Bank's World Development Indicators online database. Data on access to improved sanitation facilities are not available for New Zealand; Hong Kong, China; Chinese Taipei; and Brunei Darussalam. Data on access to improved drinking water are not available for Hong Kong, China; Chinese Taipei; and Brunei Darussalam.

TECHNICAL NOTE # 22 (CO₂ EMISSIONS AND PRODUCTION EFFICIENCY)

Production efficiency aggregates (CO₂ emissions per unit of GDP) are weighted averages using GDP at purchasing power parity (PPP) in constant 2005 international dollars data from the World Bank's World Development Indicators online database. Per capita CO₂ emissions aggregates (in tons) are weighted averages using total population weights from the World Bank's World Development Indicators online database. Data for Chinese Taipei are not available.

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