



**Asia-Pacific
Economic Cooperation**

Annual Report 2011

APEC Policy Support Unit
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Advancing Free Trade for Asia-Pacific **Prosperity**

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**Asia-Pacific
Economic Cooperation
Secretariat**

APEC Senior Officials

Dear Senior Officials

On behalf of the APEC Policy Support Unit (PSU) and in accordance with clauses 54 and 55 of the APEC PSU Governance Arrangements, I am pleased to enclose the APEC PSU Annual Report 2011.

Denis Hew
Director
APEC Policy Support Unit

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OVERVIEW OF PROJECTS AND ACTIVITIES

The Policy Support Unit (PSU) is APEC's research, policy advice and analysis arm. It was established in 2008 to elevate the quality of APEC's deliberations, provide tailor-made analytical work and augment APEC's work on trade and investment and economic policy.

Dr Denis Hew, the second Director of PSU took over from the inaugural Director, Mr Philip Gaetjens on 21 February 2011. Following Dr Hew's appointment, PSU has sought to maintain its high quality research output, engage the wider APEC fora, improve public outreach, ensure operational stability and build up internal research capacity.

In 2011, the PSU became increasingly embedded in the APEC process by undertaking work to serve its core clients – the Senior Officials' Meeting (SOM), the Committee on Trade and Investment (CTI) and the Economic Committee (EC). The PSU supported the CTI by undertaking assessment and analytical work relating to the CTI's key priorities. Key projects include the implementation of APEC's second Trade Facilitation Action Plan (TFAP II), and the Supply Chain Connectivity (SC) framework. Further, the PSU has also assisted the EC in conducting Voluntary Reviews of Institutional Frameworks and Processes for Reforms, and supported the Friends of the Chair on the Ease of Doing Business and the EC in conducting an interim assessment of APEC's progress under the Ease of Doing Business Action Plan.

Aside from its core clients, the Unit has also reached out to assist other fora such as the Sub-Committee on Customs Procedures, the Sub-Committee on Standards and Conformance, the Electronic Commerce Steering Group–Data Privacy Sub-Group, the Electronic Commerce Steering Group–Paperless Trading Subgroup, and the Business Mobility Group.

By year's end, the PSU had achieved all of the tasks set out in its 2011 work plan, including the Final Assessment of TFAP II which involves six major sub-components. The highlights of the completed projects and initiatives include:

1. APEC's Achievements in Trade Facilitation 2007-2010 – Final Assessment of TFAP II
 - a) Aggregate Measurement of Trade Transaction Costs Reduction in APEC 2007-2010
 - b) Trade Facilitation through Customs Procedures: Assessment of APEC's Progress
 - c) Reducing Trade Transaction Costs: Harmonization of Standards and Conformity Assessments in APEC
 - d) Enabling Electronic Commerce: The Contribution of APEC's Data Privacy Framework
 - e) Reducing Business Travel Costs: The Success of APEC's Business Mobility Initiatives
 - f) Facilitating Electronic Commerce in APEC: A Case Study of the Electronic Certificate of Origin
2. The Mutual Usefulness of APEC and the Trans-Pacific Partnership
3. APEC's Ease of Doing Business – Interim Assessment
4. Key Trends and Developments Relating to Trade and Investment Measures and their Impact on the APEC Region
5. Foreign Direct Investment Trends in the APEC Region
6. Launching of the PSU Policy Brief to provide APEC stakeholders with a concise analytical document covering pertinent policy relevant issues in the APEC region.
7. Launching of the PSU Economic Trends Analysis to provide succinct and timely analysis on the recent economic performance of member economies and the APEC region.
8. Facilitated the organization of the APEC New Strategy for Structural Reform (ANSSR) Symposium, Big Sky, USA, 16 May 2011, and the APEC Residential Workshop on Structural Reform, Singapore, 10-12 August 2011.

In terms of public outreach, the PSU has strengthened institutional linkages with researchers and other international organizations in 2011. The PSU established linkages with the World Bank, the World Trade Organization (WTO), the Organisation for Economic Co-operation and Development (OECD), the Asian Development Bank (ADB), the World Economic Forum (WEF), the ASEAN

Secretariat, the United Nations Conference on Trade and Development (UNCTAD), and the United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP). Within this context, a number of PSU projects were prepared in close collaboration with the WTO and the OECD which provided valuable data and information on trade and investment measures. The PSU also worked closely with the World Bank, WEF and the UNESCAP in the development of performance indicators to measure the progress made under the APEC's Supply Chain Connectivity Initiative.

As part of outreach efforts, PSU initiated two new research products – the PSU Policy Brief which seeks to provide APEC stakeholders with a concise analytical document covering pertinent policy relevant issues in the Asia-Pacific region, and the APEC Economic Trends Analysis which is a succinct report that provides timely analysis on the economic performance of APEC economies and the APEC region. It is anticipated that the reports would be prepared prior to the EC meetings to serve as a source of information for discussions.

In order to publicize and disseminate the outcomes of PSU's research projects, a compilation of PSU's output was produced in a CD-ROM titled Policy Analysis for dissemination to APEC stakeholders at the APEC Leaders Week in Hawaii in November 2011, and subsequently to other research institutes and international organizations. The PSU also improved the accessibility of its web pages on the APEC website by reorganizing information to make it more user-friendly. The PSU web pages remains one of the most downloaded pages on the APEC website and receives more downloads than other individual APEC forums. The notable outcomes from the major project in 2011, Final Assessment of TFAP II, have received wide international coverage in newspapers and newswires such as the Economist and the AFP.

The PSU also sought to increase awareness of APEC initiatives as well as PSU projects and activities through invitations to participate in several international conferences and seminars in 2011. These seminars and conferences include the Australian APEC Study Centre Regional Symposium, the OECD-ADBI High Level Roundtable on International Investment Policies in Asia, the World Bank Global Development Horizons seminar, the ASEAN Regulatory Reforms Dialogue, the UNESCAP Trade Facilitation Forum, and the 2011 APEC Study Centers Consortium (ASCC) Conference.

With regard to institutional building, the PSU is exploring the feasibility of integration with the APEC Secretariat. The PSU and the APEC Secretariat prepared a preliminary feasibility paper on integration and presented it to the PSU Board on 23 September 2011 in San Francisco. The preliminary findings of the paper indicated that functional integration was possible. However, it was noted that integration should be pursued without straying from the vision of the PSU articulated at the nineteenth APEC Ministerial Meeting (AMM) in 2007 so as to ensure that the PSU is able to continue providing reliable and objective analysis and policy support to APEC members without prejudice.

A consensus was achieved at the PSU Board meeting to explore further the feasibility of functional integration by conducting a mapping exercise of policies and procedures and present the results at SOM II in 2012. Within this context, in the November 2011 AMM Statement, APEC Ministers formally stated that they will continue to explore functional integration of the PSU with the Secretariat, while recognizing that the PSU must maintain a degree of autonomy in its governance to maintain its professional integrity.

With regard to financial contributions in 2011, the PSU received financial and in-kind support from eight economies – Australia, Indonesia, Japan, Korea, Malaysia, Singapore, Chinese Taipei, and the United States. In addition, all eight economies have pledged their continued support for 2012. This tangible and direct support from APEC's developed and developing members is warmly appreciated.

In 2012, the PSU will continue to work on 11 existing projects and welcome further opportunities to assist members and fora. Finally, the PSU would like to express appreciation for the support and recognition it has received from the Senior Officials, Ministers and members in 2011. The PSU will continue to ensure that it maintains the high quality of its research output and relevance to APEC stakeholders.

COMPLETED PROJECTS IN 2011

A. APEC's Achievements in Trade Facilitation 2007-2010: Final Assessment of Second Trade Facilitation Action Plan

The PSU conducted the Final Assessment of APEC's Second Trade Facilitation Action Plan (TFAP II) following the end of TFAP II in 2010. This report consolidates and summarizes the findings from the six component assessment reports: an aggregate measurement of total trade transaction costs as well as the evaluations of the contributions made by the APEC sub-fora in four priority areas – Customs Procedures, Standards and Conformance, Business Mobility, and Electronic Commerce (data privacy and paperless trading).

The results of the TFAP II Final Assessment provide strong evidence that APEC has achieved the goal of reducing trade transaction costs by 5 percent over the period of 2007 through 2010 set by APEC Leaders. This was a result of substantial progress made through APEC's trade facilitation efforts at both the aggregate and sub-fora levels. Data from the World Bank's *Trading Across Borders* indicators revealed that there has been a 5 percent reduction in total trade transaction costs which is equivalent to total savings of USD 58.7 billion across the APEC region over the TFAP II period. The study also found that each of the four sub-fora have made significant progress to improve trade facilitation and reduce transaction costs through the measures implemented under TFAP II.

Based on the results of the TFAP II Final Assessment, the CTI is recommended to systematically address how to better develop, design, implement, monitor, and review its initiatives to facilitate trade and reduce transaction costs; and to continue its trade facilitation efforts beyond TFAP II through greater focus on the APEC Supply-Chain Connectivity Framework.

i. Aggregate Measurement of Trade Transaction Costs Reduction in APEC 2007-2010

This report presents the estimates of trade transaction costs in APEC for each year from 2006 to 2010 with a breakdown for each APEC economy. The report indicates that APEC transaction costs fell by 5 percent (equivalent to USD 58.7 billion) over 2007-2010, implying that APEC has realised the 5 percent target set by its Leaders at the start of TFAP II. The progress by individual economies was uneven. Many did not reach the 5 percent benchmark and some saw their transaction costs rise in real terms by a substantial margin.

Substantial savings in time costs were achieved across the APEC region and there were only a few instances of regression — their importance underlined by the dominance of time costs in the total. Fees and charges, on the other hand, rose strongly in real terms, particularly in ports and terminal handling. Net savings were achieved at most stages in the logistical chain but real transaction costs in ports and terminal handling rose across the region.

By aggregating these results across the total number of containers traded by each APEC economy in 2006, the study found the following:

- total fees and charges increased from USD 70 billion to USD 72 billion (3 percent) for imports and from USD 61 billion to USD 66 billion for exports (6.9 percent); and
- the monetary equivalent of the total time taken to complete trade-related procedures fell from USD 532 billion to USD 498 billion (6.3 percent) for imports and from USD 524 billion to USD 492 billion (6 percent) for exports.

ii. Trade Facilitation through Customs Procedures: Assessment of APEC's Progress

The study found that significant progress has been made by the APEC member economies in implementing Time Release Surveys (TRS), increasing the number of Approved Economic Operators (AEO) in the region, and increasing the share of customs declarations handled electronically through the automation of trade-related procedures. It

also found that there has been a significant reduction across APEC in the amount of time spent by exporters and importers to complete customs procedures at or near the border.

There have been significant gains made across APEC in reducing the time taken by exporters and importers to complete bureaucratic 'red tape'. The time taken for Customs clearance and technical control across the APEC region is estimated to have dropped by around eight percent over the TFAP II period and it is reasonable to presume that many, if not most, of these changes were the direct consequence of TFAP II Actions and Measures.

The number of Authorised Economic Operators (AEO) in APEC rose from 8,322 in 2007 to 10,502 in 2009. This is a key indicator of progress in implementing an APEC Framework based on the WCO SAFE Framework of Standards. A survey of clearance times in Japan indicates that the savings in merchandise transit times from such a programme are substantial.

iii. Reducing Trade Transaction Costs: Harmonization of Standards and Conformity Assessments in APEC

The work of the SCSC contributes to trade facilitation and to the goal of reducing trade transaction costs in the Second APEC Trade Facilitation Action Plan (TFAP II). It achieves this in a number of ways, including through the alignment of APEC member economic technical regulations and domestic standards with selected international standards for certain categories of products.

One area of the SCSC's focus is on trade in electrical and electronic products. In this regard, the SCSC has had an active programme to align APEC member economy technical regulations and domestic standards with international standards of the International Electrotechnical Commission (IEC). It has also developed the APEC Electrical and Electronic Products (EE) Mutual Recognition Agreement (MRA), and recognised conformity certificates established under the IECEE CB Scheme. These activities reflect the WTO Technical Barriers to Trade (TBT) Agreement to adopt international standards and recognise international conformity assessment schemes to facilitate trade in goods where possible.

The evaluation of SCSC's KPIs shows that APEC member economies have increasingly aligned their technical regulations and domestic standards with selected IEC standards. Over the period 2006–2010, an increasing number of APEC member economies have aligned their technical regulations to international standards covering electrical safety requirements for televisions.

There is also an increased degree of alignment of technical regulations and domestic standards with the standards of the IEC. The number of IECEE CB test certificate issued for all electrical and electronic products has increased significantly over the period. (Note: IECEE stands for "The IEC System for Conformity Testing and Certification of Electrical and Electronic Components, Equipment and Products". The acronym CB Scheme simply means "Certification Bodies Scheme").

All these results point to the trend that APEC member economies are aligning their technical regulations and domestic standards with international standards for specific product classes. This has been a deliberate activity in the agenda of the SCSC through the use of Voluntary Action Plans (VAPs).

iv. Reducing Business Travel Costs: The Success of APEC's Business Mobility Initiatives

The results of the TFAP II Final Assessment indicate that the initiatives of the Business Mobility Group (BMG) have been very successful in reducing transaction costs related to cross-border business travel in the APEC region. The promotion and expansion of the APEC Business Travel Card (ABTC) scheme is a key action of the BMG and is aimed at

reducing business travel costs by eliminating the direct costs of a visa and saving time by avoiding the visa application process and by providing access to priority immigration lanes at the border. The study found that there were 88,421 active ABTC holders in the APEC region at the end of 2010, an 11.4 percent increase from the end of 2009 and a 430 percent rise from the end of 2006.

To measure the contribution of the ABTC scheme in reducing cross-border business travel costs in the APEC region, the PSU conducted three surveys between March and July 2011 – Client Satisfaction Survey, New Applicant Survey, and Economy Survey. The study estimates that business travel costs for ABTC holders were reduced by 38 percent over the 12-month period between March–July 2010 and March–July 2011 which translates into total savings of USD 3.7 million as a result of the ABTC scheme. Specifically, over the 12-month period analyzed, pre-border application time costs were reduced by 43.3 percent, at-the-border immigration processing time costs were reduced by 52.4 percent, and pre-border application fees were reduced by 27.8 percent for ABTC holders engaged in cross-border business travel in the APEC region.

In addition, the study found that 91 percent of ABTC holders rated their overall level of satisfaction with the ABTC scheme as satisfied, while 93 percent of respondents stated that the ABTC is useful in allowing them to travel without applying for a visa and also in avoiding long queues at immigration checkpoints. However, 20 percent of the responses indicated that ABTC holders would like the validity period of the ABTC to be extended, while 18 percent indicated that they would like the time taken to obtain an ABTC to be shortened. Survey comments highlighted several other areas for improvement, including a more streamlined ABTC renewal process, more prominent signage for APEC lanes at immigration checkpoints, and better knowledge of immigration officials about the rights of ABTC holders.

Based on the results of the TFAP II Final Assessment, the BMG is recommended to continue to expand the ABTC scheme among new card holders in the APEC region and to encourage the three transitional APEC members to become full members of the scheme, as well as to evaluate client satisfaction in the ABTC scheme every three years. Additionally, the BMG is encouraged to consider extending the validity period of the ABTC to five years and to also consider centralizing the processing of ABTC applications in order to maximize administrative and operational efficiencies and to progress towards a higher and more consistent level of client service across the APEC member economies. Following the completion of the study, the United States, one of the three transitional members announced in November 2011 that it would become a full member of the scheme.

v. Enabling Electronic Commerce: The Contribution of APEC's Data Privacy Framework

The TFAP II Final Assessment found that APEC has made significant progress towards developing a consistent approach to data privacy protection across the region through the implementation of the APEC Privacy Framework and by assisting member economies to build capacity in domestic data privacy legislation. By working to improve the privacy of cross-border data flows, the actions of the Data Privacy Sub-Group (DPS) of the Electronic Commerce Steering Group (ECSG) clearly improved trade facilitation in the APEC region. Additionally, building a foundation of trust and confidence in data networks ensures the growth of electronic commerce in the region, thus allowing businesses and consumers to reap the benefits associated with electronic commerce, which includes reduced transaction costs.

The DPS developed many valuable initiatives over the TFAP II period to implement the APEC Privacy Framework and to improve data privacy in the APEC region. Sixteen APEC economies participated in the Data Privacy Pathfinder Initiative, which led to the development of an APEC Cross-Border Privacy Rules (CBPR) system. This system will support business needs, reduce compliance costs, provide consumers with effective remedies, allow regulators to operate efficiently, and minimize regulatory burdens, while

also building a foundation of trust and confidence in data networks. The guidelines, directories and templates to create the framework for the implementation of the CBPR system in the APEC region have been completed.

In addition, there are currently five APEC member economies participating in the APEC Cross-Border Privacy Enforcement Arrangement (CPEA), which commenced in July 2010. The CPEA is a multilateral arrangement that provides the first mechanism in the APEC region for privacy enforcement authorities to share information and to provide assistance. For the TFAP II Final Assessment, 11 APEC economies indicated to the PSU that they have actively considered the APEC Privacy Framework while developing or modifying their domestic data privacy legislation.

The report recommends that the DPS continues to work to ensure that all APEC members become active participants in the Cross-Border Privacy Rules (CBPR) system and in the Cross-Border Privacy Enforcement Arrangement (CPEA). The DPS should also strive to monitor how its achievements improve trade facilitation and reduce trade transaction costs in the APEC region by either developing quantifiable key performance indicators (KPIs) or through a case study approach that estimates the benefits to the business community as a result of the CBPR system.

vi. Facilitating Electronic Commerce in APEC: A Case Study of Electronic Certificate of Origin

The Paperless Trading Sub-Group (PTS) develops projects on the use of paperless trading in commercial processes involving business-to-business (B2B) and business-to-government (B2G) transactions and promotes the use of electronic documents and Internet technologies in international trade. These projects aim to use “e-solutions” or electronic procedures and processes in cross-border trade to save time and costs for firms and government agencies seeking regulatory compliance information from traders.

For the TFAP II Final Assessment, a case study approach was used to evaluate the contribution of the actions and measures of the PTS towards reducing trade transaction costs in the APEC region. An Electronic Certificate of Origin (e-CO) Pathfinder Project between Chinese Taipei and Korea was selected for the case study given its clearly defined and relatively small scope that allowed measurement of the savings as a result of the e-CO. Since the project was launched in May 2010, 20 importers from Chinese Taipei and 15 exporters from Korea have used the e-CO service to transact between the two economies.

The report found that the e-CO Pathfinder Project between Chinese Taipei and Korea has delivered concrete results for participating traders. Reported benefits include time and cost savings by using electronic instead of paper certificates of origin, confidence in the transmission of cross-border documents in a secure online environment, savings in warehouse costs, and faster customs clearance processes.

Based on the average savings experienced by the surveyed exporters, total savings for the Korean exporter by using the e-CO were estimated to be USD 217 per shipment and a reduction of 2 days in the export processing time. Based on the average savings experienced by the surveyed importers, total savings for importers using the e-CO in Chinese Taipei were estimated to be USD 205 per shipment and a reduction of 3 days in the import processing time. When the potential losses from the erroneous submission of paper COs are included in the overall savings, it could amount to US\$ 274 for the exporter and US\$ 397 for the importer.

B. APEC’s Ease of Doing Business – Interim Assessment 2009-2010

The collaborative effort between the PSU and the Economic Committee produced this report, which assessed the progress within APEC in the five priority areas included in the APEC’s Ease of Doing Business initiative: 1) starting a business; 2) dealing with construction permits; 3) getting credit; 4) trading across borders; and 5) enforcing contracts. The APEC’s Ease of

Doing Business initiative established a goal of 25 percent improvement in the five priority areas between 2009 and 2015. An interim goal of 5 percent improvement for the period 2009-2011 was also set.

The report uses data from the World Bank's Ease of Doing Business to measure the collective progress achieved by APEC members. These figures are complemented by qualitative information reported by APEC members on capacity-building activities in the priority areas.

In the absence of 2011 data in September and early October 2011 when this report was completed, this interim assessment used a pro rata benchmark of 2.5 percent to evaluate APEC's progress. APEC's combined improvement across the five priority areas between 2009 and 2010 was equivalent to 2.8 percent, exceeding the pro rata benchmark. APEC demonstrated the third best improvement among nine key regional and economic blocks.

C. The Mutual Usefulness between APEC and the Trans-Pacific Partnership

The Temasek Foundation Centre for Trade & Negotiations (TFTCN) invited the PSU in August 2010 to participate in the project entitled *Present at the Beginning: The Trans-Pacific Partnership Agreement* and join experts from other international organizations and the academic sector to write on topics relevant for the current TPP negotiation process.

The PSU prepared a paper that explored how APEC and the Trans-Pacific Partnership (TPP) could complement and feed into each other, despite their different nature. The paper also highlighted the importance of keeping APEC's nature and not changing it to an RTA/FTA-negotiating role, which could affect APEC's key advantage as the most relevant consultative forum in the Asia-Pacific.

The non-binding nature of APEC allows it to explore issues that would otherwise not be discussed by its members. This atmosphere is conducive to share ideas and mature them in a cooperative manner for the benefit of the APEC community. The paper concluded that APEC was better suited to keep its voluntary character and continue its current role as an incubator of ideas. An edited version of the original paper will be published by Cambridge University Press in 2012.

D. Key Trends and Developments Relating to Trade and Investment Measures and their Impact on the APEC Region

Continuing with the commitment made at the AMM meeting in November 2009 to review trade, fiscal and monetary measures undertaken by APEC economies, the PSU prepared two separate reports which were presented at the MRT meeting in May 2011 and at the CSOM and AMM meetings in November 2011.

The first report discussed how the economic recovery following the Global Financial Crisis is broadly moving at two speeds, with large output gaps in advanced economies and closing or closed output gaps in emerging and developing economies. Moreover, high unemployment and concerns over fiscal sustainability in advanced economies along with mounting macroeconomic risks in emerging economies were combining to make the outlook increasingly uncertain. Although global trade volumes have recovered to their pre-crisis level, recent world events have lent a greater degree of uncertainty to the forecast. In addition, World Bank data reveals that there were a total of 38 trade remedies newly imposed by APEC members in 2010.

The second report highlighted that the global economic recovery has slowed down and has also become more uncertain due to the increased risks surrounding the fiscal and financial situation in advanced economies. In addition, inflationary pressures are still relatively elevated, especially in emerging and developing economies. Although the rebound in trade volumes in 2010 had been an important driver of the global recovery, they are not expected to play such an important role in growth as industrial production fell in early 2011. Additionally, the pace of removal of previous trade restrictive measures remains slow and the

implementation of new export restrictions has accelerated. A sustainable economic recovery therefore depends on the results from the ongoing fiscal and financial reform measures as well as from global rebalancing efforts.

The PSU will continue its next review for MRT in mid-2012, and will coordinate with the WTO, OECD and other international organizations to prepare these reports.

E. APEC New Strategy for Structural Reform (ANSSR) Symposium, Big Sky, USA, 16 May 2011

The PSU assisted in the organization of the ANSSR Symposium, which was the opening event of a series of activities throughout the year, to assist APEC economies to develop ANSSR plans in structural reform.

The broad objectives of the Symposium are as follows:

- to increase awareness and understanding of the latest policies and regulatory approaches concerning structural reform;
- to examine areas of structural reform common to APEC members;
- to assist economies in the process of identifying priorities for structural reform before preparing their own ANSSR plans; and
- to provide details on the capacity-building assistance for developing economies through the APEC ANSSR Sub Fund.

Experts from international organizations (World Bank and OECD), government (U.S. Office of Management and Budget) as well as sector specialists on telecommunications in Chinese Taipei and electricity in Korea, shared their experiences regarding efforts to implement structural reforms and identified key elements to ensure successful reforms, including political leadership and institutional framework. The Symposium set the scene for a subsequent Residential Workshop on Structural Reform.

F. APEC Residential Workshop on Structural Reform, Singapore, 10-12 August 2011

Following the ANSSR Symposium, the three-day Residential Workshop assisted APEC member economies in identifying structural reform priorities, developing and implementing their ANSSR action plans and identifying capacity building needs. The workshop brought together a number of key policy makers from the APEC region, as well as experts from academia and think tanks in the field of structural reform.

The Residential Workshop was structured in sessions that allowed invited experts to engage in open discussions with government officials on topics such as: competition and regulatory reform; prioritization and sequencing of reforms; overcoming barriers to reform; and measuring progress in the implementation of plans.

The event provided the opportunity to APEC “ANSSR early-mover” economies to present their draft action plans and seek feedback from participants. The remaining APEC members had the chance to share their efforts in conducting reforms in particular areas and engage in substantial discussions with the experts. Following the completion of the workshop, the ANSSR Report on Economy Priorities and Progress Assessment Measures was published in November 2011.

ONGOING PROJECTS

A. Food Security Policies in APEC

Since 1999, APEC has been working towards the APEC Food System, a comprehensive and unified approach that promotes food security throughout the region. The APEC Food System is aimed at linking together food production, food processing and consumption to meet the needs of APEC and contribute towards achieving sustainable growth, equitable development

and stability in the APEC region. To complement APEC's ongoing work towards an APEC Food System, it is necessary to map out and understand the current food security needs and priorities of each member economy. Given the diversity in the food and nutritional needs across the APEC region, approaches to food security vary significantly from one economy to another. It is only by understanding what is taking place on the ground, and through cross-country analyses that APEC can formulate a unified approach at a regional level that will address food security issues more effectively.

The study, which was approved by the PSU Board in November 2011, will provide a landscape of the prevailing food security policies of each APEC member economy, covering the definition of food security used in each economy, a survey of the food security issues in each economy, and the policies in place in each economy to address these issues with a focus on policies relating to trade and investment. The study will also identify any risks and/or opportunities in order to formulate more effective and targeted anticipatory and response strategies vis à vis food security across the APEC region as well as suggest relevant policy measures and the way forward for APEC. The findings from this study will provide an important foundation for APEC's recently announced Policy Partnership on Food Security (PPFS).

B. Regulatory Reform – Case Studies on Green Investments

The APEC Economic Committee's Regulatory Reform Friends of the Chair group has supported regulatory reform projects within APEC. The group's priorities are focused on three topics: SMEs, green industries and innovation. This project pays attention to green industries, by seeking to implement a case study approach on green investments, in order to share best practices and identify regulations that may be a driving force or act as a disincentive for the promotion of activities in green industries.

The case studies will seek to evaluate regulatory practices concerning the promotion of green investments in the renewable energy sector and energy-efficient technologies, especially in terms of the criteria to be considered when establishing or revising regulations. Previous experiences in the APEC region could assist in the preparation of case studies, which may draw key lessons that policymakers should take into account in the future.

This project which was approved by the PSU Board in September 2011 is an APEC contribution to green growth – one of the key components of the APEC Growth Strategy.

LONG-TERM PROJECTS

A. Bogor Goals Progress Report – IAP Peer Review Process

The Committee of Trade and Investment (CTI) requested that PSU participated in assessing the progress by APEC in achieving the Bogor Goals by 2020. Beginning from 2012 to 2020, PSU would prepare short biannual reports with key highlights on members, main achievements and possible areas of improvement based on the Individual Action Plans to be submitted by APEC economies, as well as develop a dashboard of key indicators to provide a quick snapshot of APEC's progress towards the Bogor Goals.

In 2012, the PSU will prepare the aforementioned short reports and support CTI in the design and preparation of the dashboard, following the instruction given by APEC Ministers in November 2011 to continue developing the dashboard and summarize advances in regional economic integration.

B. Supply-Chain Connectivity Initiative

At the 2010 AMM, Ministers endorsed the Supply-Chain Connectivity Initiative Action Plan (SCI), and committed to implement it with a view to achieve an APEC-wide target of a 10 percent improvement in Supply Chain performance by 2015. PSU has been providing advice

related with the design of the Supply-Chain Connectivity Initiative assessment framework which is due for an interim assessment in 2013 and for a final assessment in 2016.

In the second CTI meeting (CTI2) in 2011, CTI endorsed the methodology proposed by the PSU on the use of internal and external performance indicators for measuring progress towards the 10 percent target in terms of a reduction in time, cost, and the uncertainty of moving goods and services. With regard to the development of external performance indicators, there has been good progress in obtaining the requisite data for the assessment from the World Bank and the World Economic Forum. To complement the CRs, a self-assessment survey will be conducted to collect economies' views on the impact of SCI activities and projects on policy change and performance. The PSU has drafted the initial design for the self-assessment survey as well as in fine-tuning the overall assessment approach. As a follow up, CTI is planning to hold a symposium during CTI 2 in Singapore from 31 March to 1 April 2012 to facilitate discussion of the design of the self-assessment survey and to serve as a forum to take stock of the implementation of SCI.

C. StatsAPEC

StatsAPEC was initiated by the PSU and launched in July 2010 as APEC's first statistics portal with data dating back to APEC's inception in 1989. Using data from over 30 data providers, StatsAPEC consists of the Key Indicators Database and the Bilateral Linkages Database. The Key Indicators Database includes over 120 trade, financial and socio-economic indicators, allowing for an analysis of trends across a number of topics. The Bilateral Linkages Database facilitates detailed analysis of trade and investment flows between APEC member economies and within APEC. APEC aggregates are available for most of the indicators found in StatsAPEC, making it easy to examine the region as a whole. StatsAPEC is updated biannually. In 2011, data updates occurred in May and November, with data for 2010 currently available for most indicators and APEC economies.

D. PSU Policy Brief Series

The Policy Brief series was initiated by the PSU and launched in August 2011. With increased integration of economies and interdependence of communities, the impacts of events and policy changes in one region may be immediately transmitted to the rest of the world. The policy brief series helps to shape the views of opinion leaders and APEC stakeholders by providing informative analysis of policy issues in a concise manner. The policy briefs summarize the results of technical reports and/or extensive research studies in order to reach a non-technical audience through a simple narrative that rounds off with policy suggestions.

E. APEC Economic Trends Analysis

The APEC Economic Trends Analysis is a concise and succinct report that provides timely analysis on the recent economic performance of APEC economies and the APEC region. Each report would be prepared prior to the Economic Committee (EC) meetings to serve as a source of information for discussions among EC members as well as other APEC officials. The report would complement the existing outlook reports produced by international organisations, including the IMF, World Bank and OECD, by providing more in-depth analysis on how recent developments affect economic growth prospects in the APEC region. The reports would cover areas such as: key global events that could potentially impact growth in APEC economies; key macroeconomic and financial developments in APEC economies. This is a new publication by PSU and the first issue is expected to be completed in February 2012, in time for the first EC and SOM meetings in 2012.

MANAGEMENT AND ACCOUNTABILITY

ROLE AND STRUCTURE

The PSU was established in 2008 as APEC's research and analysis arm. The PSU improves the quality of APEC's deliberations and decisions by providing APEC members and fora with professional and tailor-made research, analysis, policy support and evidence-based policy suggestions. The Governance Arrangements sets out the founding principles and expectations of the PSU.

The PSU comprises of a Board and staff under the management of the PSU Director.

The Board comprises of:

- representatives from each of the current, immediate past and next host economies (often referred to collectively as the 'troika');
- a representative of each contributing economy; and
- the APEC Executive Director, PSU Director, and chairs of the CTI, EC and SFOM in an ex-officio capacity.

The Chair of the Board is the current SOM chair. The representative of the next host economy is the Vice-Chair. Members have agreed that where a member economy is nominally entitled to more than one representative on the PSU Board, due to being both a troika member and a donor, that economy would only send a single representative to sit on the Board. PSU Board decisions are made by consensus.

PSU research professionals are contracted employees, recruited on merit through an internationally competitive selection process. Details of the PSU's Board and staff members in 2011 are set out later in this annual report in the section *About the PSU*.

KEY RESPONSIBILITIES

The PSU Board provides strategic guidance to the PSU. The PSU Director is responsible for implementing the principal objectives of the PSU, while ensuring its work program is undertaken in a timely manner, and managing its budget and procurement of consultants.

Senior Analysts assist in the research and project management of the PSU and supervise staff. With respect to financial management, accounting services are outsourced and the Director and Administrative Executive are responsible for financial management.

CONTRIBUTIONS IN 2011

The PSU received the following financial contributions in 2011:

- Australia AUD 1.5 million
- Japan JPY 50 million (JPY 10 million for projects on Growth Strategy)
- United States USD 400,000
- Chinese Taipei USD 200,000
- Korea USD 350,000
- Indonesia USD 75,000
- Malaysia USD 10,000

The PSU works in office space that has been provided by Singapore as an in-kind contribution.

The unit is very grateful to all contributing economies for their contributions in 2011.

ACCOUNTING AND GOVERNANCE CHANGES IN 2011

At SOM III in San Francisco, Senior Officials amended the PSU Governance Arrangements to update Clause 57 to reflect the second review of PSU's mandate in 2013.

During the PSU Board Meeting at SOM III in San Francisco, the PSU Board reiterated that the mandate of the PSU requires a merit-based approach to staffing as noted in the PSU Governance Arrangements, which rules out secondments from member economies to fill staffing needs (Document number: 2012/SOM/PSU/BM10/006).

With the change in format of the PSU Board meeting to invite non-members to attend, it was agreed that meeting documents should be distributed to all economies 10 business days prior to PSU Board Meetings.

FINANCIAL STATEMENTS 2011

As required by the PSU's Governance Arrangements, the audited financial statements are as follows.

**APEC POLICY SUPPORT UNIT
ASIA-PACIFIC ECONOMIC COOPERATION SECRETARIAT**

ANNUAL REPORT

31 DECEMBER 2011

Y C TAN & CO
Certified Public Accountants
Singapore

**APEC POLICY SUPPORT UNIT
ASIA-PACIFIC ECONOMIC COOPERATION SECRETARIAT**

GENERAL DATA

Director	Hew Wei Yen (Denis Hew)
Registered office	29 Heng Mui Keng Terrace, #09-01 Singapore 119620
Bankers	DBS Bank Limited
Auditors	Y C Tan & Co

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Statement of income and expenditure	3
Statement of cash flows	4
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Y C TAN & CO

Certified Public Accountants

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 #12-06 Maxwell House
 Singapore 069113

Telephone : 63251638
 Fax : 62224285
 Email : tan@yctan.com

陈荣田会计师事务所
 特许会计师

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF APEC POLICY SUPPORT UNIT (PSU)

We have audited the accompanying financial statements of APEC POLICY SUPPORT UNIT (the "PSU") as at 31 December 2011 set out on pages 2 to 16, which comprise statement of financial position, statement of income and expenditure, and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

PSU Director's Responsibility for the Financial Statements

The PSU Director is responsible for the preparation and fair presentation of these financial statements in accordance with Singapore Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements are properly drawn up in accordance with the Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the PSU's as at 31 December 2011 and the results, and cash flows of the PSU for the year ended on that date.



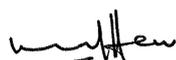
Y C TAN & CO
 Public Accountants and
 Certified Public Accountants

Singapore, 30 MAR 2012

APEC POLICY SUPPORT UNIT

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2011

	Note	2011 \$	2010 \$
ASSETS			
Non-current assets			
Plant and equipment	3	7,307	26,218
Current assets			
Other receivables	4	24,534	1,297,582
Fixed deposits	5	3,510,272	3,506,798
Cash and cash equivalents		5,276,674	3,138,398
		8,811,480	7,942,778
Total assets		8,818,787	7,968,996
LIABILITIES			
Current liabilities			
Other payables	6	67,224	710,303
		67,224	710,303
Net assets		8,751,563	7,258,693
Represented by:			
Accumulated fund	7	8,751,563	7,258,693



Hew Wei Yen (Denis Hew)
Director
Policy Support Unit

The accompanying notes form an integral part of the financial statements.

APEC POLICY SUPPORT UNIT

STATEMENT OF INCOME AND EXPENDITURE FOR YEAR ENDED 31 DECEMBER 2011

	Note	2011 \$	2010 \$
Income	8	3,256,397	5,142,995
Other income	9	7,730	7,905
Administrative expenditure	10	(1,771,257)	(1,910,800)
Surplus for the year		<u>1,492,870</u>	<u>3,240,100</u>



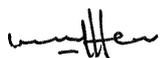
Hew Wei Yen (Denis Hew)
Director
Policy Support Unit

The accompanying notes form an integral part of the financial statements.

APEC POLICY SUPPORT UNIT

STATEMENT OF CASH FLOWS FOR YEAR ENDED 31 DECEMBER 2011

	Note	2011 \$	2010 \$
Cash flows from operating activities			
Surplus for the year		1,492,870	3,240,100
Adjustment for:			
Depreciation of plant and equipment		19,901	20,015
Fixed deposit interest		(3,561)	(4,990)
Adjusted surplus for the year		1,509,210	3,255,125
Changes in working capital:			
(Increase)/Decrease in :-			
Other receivable		1,273,048	(1,278,154)
Increase/(Decrease in) :-			
Other payables		(643,079)	631,593
Cash generated from/(used in) operations		629,969	(646,561)
Net cash flow from operating activities		2,139,179	2,608,564
Cash flows from investing activities			
Purchase plant and equipment		(990)	(1,470)
Fixed deposit interest		3,561	4,990
Net cash flow from investing activities		2,571	3,520
Cash flows from financing activities			
Net Cash inflows from financing activities		-	-
Net increase in cash and cash equivalents		2,141,750	2,612,084
Cash and cash equivalents at beginning of the year		6,645,196	4,033,112
Cash and cash equivalents at end of the year	11	8,786,946	6,645,196



Hew Wei Yen (Denis Hew)
Director
Policy Support Unit

The accompanying notes form an integral part of the financial statements.

APEC POLICY SUPPORT UNIT**NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 31 DECEMBER 2011**

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1 General

The financial statements are expressed in Singapore dollars.

The principal activities of the APEC Policy Support Unit (PSU) include the following:

- i. Undertaking analytical work or commissioning research for consideration by APEC committees;
- ii. preparing policy dialogue papers for APEC committees;
- iii. evaluating progress in implementation of policy measures; and
- iv. identifying high level policy principles and best practice.

The Asia-Pacific Economic Cooperation Secretariat (the "Secretariat") is a body corporate established in the Republic of Singapore under the International Organisations (Immunities and Privileges) Act. The principal place of operations of the Secretariat is located at 35 Heng Mui Keng Terrace, Singapore 119616.

The APEC Policy Support Unit (PSU) become active in August 2008 as a new function within the Secretariat with a mandate to provide a policy and research capability to assist in the implementation of APEC's ongoing regional economic integration agenda. It currently focuses on behind-the-border (structural) economic reforms and at-the-border trade policy reforms; both of which contribute to increase living standards in APEC economies and the enhancement of trade and investment amongst them. It is funded differently from the Secretariat under arrangements as set out in the APEC PSU Governance Arrangements.

2 Significant Accounting Policies

The financial statements are prepared in accordance with the historical cost convention, except as disclosed in the accounting policies below, and are drawn up in accordance with the provisions of the Singapore Financial Reporting Standards ("FRS").

The PSU has adopted the new and revised FRSs and Interpretations of FRS ("INT FRS") that are applicable in the current financial period.

The adoption of the new or revised FRSs and INT FRS does not result in substantial changes to the PSU's accounting policies and has no material effect on the amounts reported for the current and prior financial periods.

APEC POLICY SUPPORT UNIT

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 31 DECEMBER 2011

2 Significant Accounting Policies (continued)

FRS / INT FRS issued but not effective

Certain new accounting standards and interpretations have been published that are mandatory for accounting periods beginning on or after 1 January 2012.

The PSU does not expect that adoption of these accounting standards and interpretations will have a material impact on the PSU's financial statements in the period of initial application.

Cash and cash equivalents

Cash and cash equivalents comprise bank balances and fixed deposits.

Plant and equipment

All plant and equipment are initially recognised at cost and subsequently carried at cost less accumulated depreciation and any impairment losses.

The cost of plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be operating in the manner intended by management.

Depreciation of plant and equipment is calculated on the straight line method so as to write off the cost of the assets over their estimated useful lives as follows :

Computer	3 years
Office equipment	3 years
Software	3 years
Furniture and fittings	3 years

Capital work-in-progress, representing costs of plant and equipment which have not been commissioned for use, is not depreciated.

The residual values, useful lives and depreciation method of plant and equipment are reviewed, and adjusted as appropriate, at each reporting date. The effects of any revision are recognised in the statement of income and expenditure when the changes arise.

Subsequent expenditure relating to plant and equipment that has already been recognized is added to the carrying amount of the asset only when it is probable that future economic benefits associated with the item will flow to the PSU and the cost of the item can be measured reliably. All other repair and maintenance expense is recognised in the profit or loss when incurred.

On disposal of an item of plant and equipment, the difference between the disposal proceeds and its carrying amount is recognised in the profit or loss.

APEC POLICY SUPPORT UNIT**NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 31 DECEMBER 2011****2 Significant Accounting Policies (continued)****Financial liabilities**

Financial liabilities are recognised on the reporting date when, and only when, the PSU become a party to the contractual provisions of the financial instrument. Financial liabilities are initially recognised at the fair value, plus, in the case of financial liabilities other than derivatives, directly attributable transaction costs.

Subsequent to initial recognition, all financial liabilities are measured at amortised cost using the effective interest method, except for derivatives, which are measured at fair value.

A financial liability is derecognised when the obligation under the liability is extinguished. For financial liabilities other than derivatives, gains and losses are recognised in the profit or loss when the liabilities are derecognised, and through amortisation process.

Financial assets

Financial assets are recognised on the reporting date when, and only when, the PSU become a party to the contractual provisions of the financial instrument. The PSU does not have any financial assets designated as at fair value through profit or loss, or held-to-maturity.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

A financial asset is derecognised where the contractual right to receive cash flow from the asset had expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that has been recognised directly in equity is recognised in the profit or loss.

All regular way purchases and sales of financial assets are recognised or derecognised on the trade date i.e. the date that the PSU commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place concerned.

(a) Loans and receivables

Financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method. Gains and losses are recognised in the profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

Borrowing costs

Borrowing costs are recognised on a time-proportion basis in the profit or loss using the effective interest method.

APEC POLICY SUPPORT UNIT

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 31 DECEMBER 2011

2 **Significant Accounting Policies (continued)****Impairment of non-financial assets**

Plant and equipments are reviewed for impairment whenever there is any indication that these assets may be impaired. If any such indication exists, the recoverable amount (i.e. higher of the CGU's fair value less cost to sell and value in use) of the asset is estimated to determine the amount of the impairment loss.

For the purpose of impairment testing of these assets, recoverable amount is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, recoverable amount is determined for the cash generating unit (CGU) to which the assets belongs to.

If the recoverable amount of the asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. The impairment loss is recognized in the profit or loss unless the asset is carried at revalued amount, in which case, such impairment loss is treated as a revaluation decrease.

An impairment loss for an asset is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. The carrying amount of an asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of amortization or depreciation) has no impairment loss been recognized for the asset in prior year. A reversal of impairment loss for an asset is recognised in the profit or loss, unless the asset is carried at revalued amount, in which case, such reversal is treated as a revaluation increase.

Impairment of financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in the profit or loss. Impairment losses in respect of financial assets measured at amortised cost are reversed if the subsequent increase in fair value can be related objectively to an event occurring after the impairment loss was recognized.

APEC POLICY SUPPORT UNIT**NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 31 DECEMBER 2011****2 Significant Accounting Policies (continued)****Foreign currency translation**

Functional and presentation currency

Items included in the financial statements of the PSU are measured using the currency of the primary environment in which the PSU operates ("the functional currency"). The financial statements are presented in Singapore dollars, which is the Company's functional and presentation currency.

Transactions and balances

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates prevailing at the dates of transactions. Currency gains or losses resulting from the settlement of such transactions and from the year-end exchange rates of monetary assets and liabilities are denominated in foreign currencies are recognised in the profit or loss.

Employee benefits

Defined contribution plans

Contributions made to defined contribution plans, the Central Provident Fund ("CPF") are recognised as an expense in the income and expenditure statement as incurred.

Employee paid leave entitlement

Employee paid leave entitlement is recognised when they accrue to employees. A provision is made for the estimated liability for unconsumed leave as a result of services rendered by employees up to reporting date.

Income Tax

The PSU is a new function within the Secretariat which is exempted from tax liability in respect of its income generated from its principal activities by virtue of the provisions of Section 11(1) of the Singapore Income Tax Act, Chapter 134.

Operating lease

Operating lease payments are recognised as an expense in the income and expenditure statement on a straight-line basis over the lease term. The aggregate benefit of Incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

APEC POLICY SUPPORT UNIT**NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 31 DECEMBER 2011****2 Significant Accounting Policies (continued)****Provisions**

Provisions are recognised when the PSU has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Income recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and rendering of services, net of rebates and discounts. Revenue is recognised as follows:

Contributions from member economies is recognised on an accrual basis.

Interest on fixed deposit is recognised on time-proportion basis using the effective interest method.

Significant accounting estimates and judgements

There were no critical judgments made in the process of applying the entity's accounting policies that have the most significant effect on the amounts recognized in the financial statements. There were no key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustments to the carrying amounts of assets and liabilities within the next financial year.

APEC POLICY SUPPORT UNIT

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 31 DECEMBER 2011

3 Plant and Equipment

	Furniture and fittings \$	Computer \$	Office equipment \$	Software \$	Total \$
Cost					
At 01.01.2011	-	45,730	7,438	6,878	60,046
Additions	449	-	541	-	990
Disposals	-	-	-	-	-
At 31.12.2011	449	45,730	7,979	6,878	61,036
Accumulated depreciation					
At 01.01.2011	-	26,787	3,485	3,556	33,828
Charge for the year	100	15,041	2,467	2,293	19,901
Disposals	-	-	-	-	-
At 31.12.2011	100	41,828	5,952	5,849	53,729
Charge for 2010	-	15,243	2,479	2,293	20,015
Net book value					
At 31.12.2011	349	3,902	2,027	1,029	7,307
At 31.12.2010	-	18,943	3,953	3,322	26,218

4 Other Receivables

	2011 \$	2010 \$
Deposit	15,000	2,000
Prepayments	7,770	15,252
GST recoverable	1,026	280
Interest receivable	738	650
Receivable from member contribution	-	1,279,400
	24,534	1,297,582

APEC POLICY SUPPORT UNIT

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 31 DECEMBER 2011

4 Other Receivables (continued)

Other receivables are denominated in the following currencies:

	2011	2010
	\$	\$
Singapore dollars	21,553	8,084
US dollars	2,981	10,098
Australia dollars	-	1,279,400
	<u>24,534</u>	<u>1,297,582</u>

5 Fixed Deposits

Fixed deposits are placed with financial institutions and earned interest at the rates ranging from 0.05% to 0.13% per annum (2010: 0.1% to 0.292%). The fixed deposits are on monthly rollover and have maturity terms of 83 days from reporting date.

6 Other Payables

	2011	2010
	\$	\$
Accrued operating expenses	67,224	37,062
Deferred income	-	673,241
	<u>67,224</u>	<u>710,303</u>

Other payables are denominated in the following currencies:

	2011	2010
	\$	\$
Singapore dollars	67,224	37,062
US dollars	-	673,241
	<u>67,224</u>	<u>710,303</u>

APEC POLICY SUPPORT UNIT

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 31 DECEMBER 2011

7 Accumulated Fund

	2011	2010
	\$	\$
Changes in accumulated fund:		
At beginning of year	7,258,693	4,018,593
Surplus for the financial year	1,492,870	3,240,100
At end of year	<u>8,751,563</u>	<u>7,258,693</u>

8 Income

	2011	2010
	\$	\$
Members' Contributions:		
Australia	674,350	5,142,995
Chinese Taipei	255,840	-
Indonesia	94,500	-
Japan	1,294,214	-
Korea	428,740	-
Malaysia	12,665	-
United States of America	496,088	-
	<u>3,256,397</u>	<u>5,142,995</u>

9 Other Income

	2011	2010
	\$	\$
Fixed deposit interest	3,561	4,990
Jobs credit	-	2,915
Foreign currency exchange gain	1,644	-
Miscellaneous income	2,525	-
	<u>7,730</u>	<u>7,905</u>

APEC POLICY SUPPORT UNIT

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 31 DECEMBER 2011

10 Administrative Expenditure

	2011	2010
	\$	\$
Accountancy fee	4,200	4,200
Advertisement	11,980	15,325
Audit fee	3,200	3,200
Bank charges	931	1,190
Consultants and research fee	229,604	511,670
CPF and SDL	32,425	21,226
Data subscription	10,098	14,324
Depreciation of plant and equipment	19,901	20,015
Foreign exchange difference	-	33,791
General expenses	15,026	13,370
Insurance	11,652	9,743
Legal and professional fees	-	1,746
Medical fee	816	546
Newspaper and periodical	11,180	6,694
Office and building maintenance	31,356	31,221
Printing and stationery	13,277	4,018
Postage and courier	352	171
Recruitment fee	8,942	-
Rental - office equipment	1,440	1,440
Representational and functional expenses	7,129	-
Staff salaries and bonuses	893,253	927,313
Staff welfare	229,403	145,354
Telecommunication	3,798	4,961
Transportation	604	451
Travelling expenses	225,600	136,106
Utilities	5,089	2,724
	<u>1,771,257</u>	<u>1,910,800</u>

ABOUT THE PSU

ESTABLISHMENT

In September 2007 APEC Ministers agreed to establish a Policy Support Unit (PSU) attached to the APEC Secretariat. The unit, to be funded by voluntary contributions, was to provide analytical capacity, policy support and assistance in coordinating related capacity building for APEC's trade, investment and economic reform agenda and related Economic and Technical Cooperation (ECOTECH) activities.

The underlying aim in establishing a research unit was to offer the potential for APEC fora to elevate the quality of their deliberations with access to tailor-made analytical work and provide for greater follow-up of initiatives intersessionally.

In March 2008, Senior Officials approved a paper setting out the APEC Policy Support Unit Governance Arrangements. The governance arrangements provide the foundations for the PSU and set out its structure, functions and processes. The PSU Governance Arrangements is available on the [PSU website](#).

BOARD MEMBERS

Mr Kurt Tong, USA Mr Michael Froman, USA Ms Natalie Nii, USA <i>Represented by:</i> Mr James Steele (January–August 2011) and Mr Louis Bono (September–December 2011), USA	PSU Board Chair SOM Chair Host Economy Representative Representing: PSU Board Chair, SOM Chair and Contributing Economy
Ambassador Gennady Ovechko, Russia Mr Yoshifumi Fukunaga (January–June 2011) and Mr Atsushi Tanizawa (July–December 2011), Japan	PSU Board Vice-Chair Next Host Economy Representative Immediate Past Host Economy Representative and Contributing Economy
Mr Paul Tighe (January–August 2011) and Mr Christopher Langman (September–December 2011), Australia	Contributing Economies: SOM and/or their representatives
Ms Lily Hsu and Mr Cho Shih-Chao, Chinese Taipei	
Ambassador Hamzah Thayeb and Mr Arto Suryodipuro, Indonesia	
Ambassador Si-hyung Lee and Mr Bum-hym Bek, Korea	
Mr N. Vasudevan, Malaysia	
Ms Koh Lin-net and Mr Dominic Goh, Singapore	
Ambassador Muhamad Noor	
Dr Denis Hew	APEC PSU Director
Ms Monica Contreras, Mexico	CTI Chair
Dr Takashi Omori, Japan	EC Chair
Mr Michael Kaplan, USA	SFOM Chair

STAFF

Dr Denis Hew Wei Yen	PSU Director
Ms Chang Hui Ling	Administrative Executive
Ms Belinda Chng Hui Kheng	Policy Advisor
Mr Carlos Kuriyama	Senior Analyst
Dr Akhmad Bayhaqi	Analyst
Ms Tammy Hredzak	Analyst
Ms Thai Quynh Le	Analyst
Ms Bernadine Zhang	Researcher
Ms Azul Ogazon Gomez	Researcher
Ms Athena Chang	Administrative Executive (until 31 March 2011)
Ms Hao Jing	Researcher (until 31 April 2011)
Dr Ramonette Serafica	Senior Analyst (until 31 May 2011)

Staff biographies are available on the [PSU website](#).

RESEARCH OVERVIEW

The PSU mandate covers a broad range of APEC's activities. Presently, our focus areas include Structural Reform, Supply Chain Connectivity, Trade, Investment, Food Security, APEC Bogor Goals, Economic Stabilization, Small Medium Enterprises, and Economic Trends and Outlook. Our current work includes:

- measuring the benefits of structural reform in the APEC region to consumers and small businesses
- examining improvements in supply chain connectivity across the APEC region
- conducting empirical research to measure the benefits of trade facilitation among APEC members.
- examining possible ways to improve market structure, regulatory, infrastructure and distribution systems relating to food in the APEC region
- providing policy inputs and analytical research to support APEC's discussions
- maintaining a database of APEC economic indicators to improve the understanding of economic integration between APEC economies and the rest of the world, and the region's contribution to the global economy