

APEC's Bogor Goals Progress Report (as at 8 August 2014)*

Highlights of Achievements and Areas for Improvement

- Marginal reduction of the APEC average MFN tariff after 2010. While MFN tariffs in non-agricultural products declined, agricultural products faced increasing MFN average tariffs.
- APEC economies reported progress concerning the elimination of some non-tariff measures (NTM). However, new NTMs have been imposed in recent years and the accumulation of NTMs continues restricting trade.
- Conditions for foreign services providers are improving in some sectors (for example, telecommunications). Some restrictions remain in terms of market access, national treatment and local presence. Local content requirements are frequent in some sectors.
- Relaxed conditions for foreign ownership. APEC economies are trying to attract investors by improving tax conditions and providing legal stability.
- Efforts to align to international standards. Active participation in international organizations in charge of standardization matters. Specific trade concerns have increased over the last few years.
- Intensive efforts to implement initiatives in customs to facilitate and secure trade through expansion of single windows and Authorized Economic Operators (AEO) and the use of modern technology and risk assessment techniques.
- The enforcement of intellectual property rights (IPR) is a prominent trend in some APEC economies, but needs to be improved in others. IPR-related regulations are being amended to adjust to recent developments.
- Legal frameworks of competition policy are improving across APEC. Increasing number of APEC economies are implementing competition policy laws and special institutions have been established to be in charge of competition-related issues.
- Restrictions on participating in government procurement have been reduced in some APEC economies. There are efforts to increase transparency through the implementation of electronic procurement systems.
- Initiatives in many APEC economies are underway to reduce costs to doing business and improve the rulemaking process. Regulatory reforms are assisting APEC economies to improve competitiveness.
- The network of RTA/FTAs continues to expand. There are many trade negotiations underway, including those involving more than two APEC members such as the Trans-Pacific Partnership Agreement (TPP) and the Regional Economic Comprehensive Partnership (RCEP).

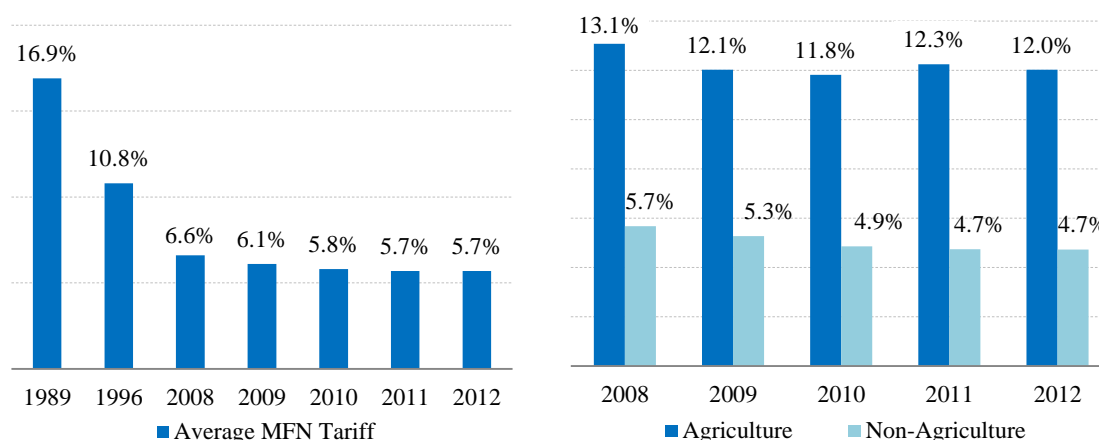
* This brief report was prepared with information from the submissions of the 2014 APEC Individual Action Plan (IAP) templates; recent WTO Trade Policy Reviews for individual APEC member economies; the WTO SPS and TBT Information Systems; the WTO Overview of Developments in the International Trading Environment – Annual Report by the Director-General (Document WT/TPR/OV/16, January 2014); and information from the World Bank, World Economic Forum and official government websites.

Summary of Topics

Tariffs

In recent years, average MFN tariffs in the APEC region show that unilateral tariff liberalization has not made much progress. The Global Financial Crisis refrained most economies from implementing policies to reduce MFN tariffs. From 2010 to 2012, average MFN tariffs only went down slightly from 5.8 per cent to 5.7 per cent. Tariffs in agriculture remain higher in comparison to other sectors. Whilst tariffs in non-agricultural products declined from 4.9 per cent to 4.7 per cent; tariffs in agricultural products went up from 11.8 per cent to 12.0 per cent.

Chart 1 – Average MFN Tariffs in the APEC Region



Source: WTO World Tariff Profiles (several years) and APEC Secretariat, Policy Support Unit.

The percentage of zero-tariff product lines in APEC also decreased marginally from 45.5 per cent to 45.4 per cent. However, tariff peaks fell in APEC, since the percentage of product lines with average MFN tariffs equal or greater than 10 per cent declined from 14.7 per cent to 14.2 per cent.

Tariff liberalization in APEC seems to have occurred more at the negotiated level through the implementation of RTA/FTAs. In fact, the number of RTA/FTAs in force has increased significantly between 2011 and 2013 (please refer to section on RTA/FTAs). Besides, signatory parties have been continuing the implementation of the tariff liberalization schedules included in trade agreements that entered into force many years ago (for example, some RTA/FTAs include full liberalization periods for a group of products, that exceed 10 years).

Non-Tariff Measures

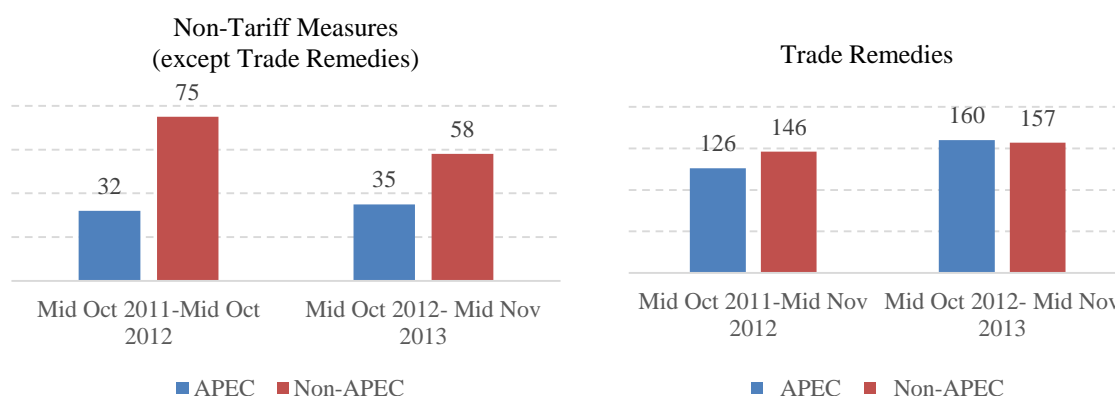
As a general rule, APEC economies reported that the application of import/export prohibitions, restrictions or licensing is based on legitimate reasons such as the protection of public health, safety and environment, the need to maintain domestic security; or the importance to keep consistency with international treaties. APEC economies usually point out that when these measures are in force, they are consistent with WTO rules.

Many APEC members reported that they do not apply quantitative restrictions, levies or subsidies. Few APEC economies reported progress in their Individual Action Plan (IAP) updates concerning

the elimination of non-tariff measures (NTMs) applicable to specific or a group of products. The elimination of licenses has been one of the most common measures. Conversely, some APEC economies also reported new NTMs by increasing export restrictions or taxes, especially with regards to raw materials or products with low value-added.

The concern about an accumulation of new trade restrictions and initiation of trade remedy actions has also been highlighted by WTO in a report presented at the Trade Policy Review Body. According to the WTO, the accumulation of these measures is “holding back the potential for trade to raise incomes, create jobs and advance economic development”¹. While the number of NTM measures affecting trade by APEC has usually been lower than those by the rest of the world, records show that those measures have increased in both APEC and the rest of the world between mid-October 2012/mid-November 2013, in comparison to similar period a year earlier.

Chart 2 – New NTMs Affecting Trade



Source: WTO Overview of Developments in the International Trading Environment, Annual Report by the Director-General, 31 January 2014. Calculations by the APEC Secretariat, Policy Support Unit, based on information from Chapter 3 and Annex 3 of the report.

Services

APEC members have reported an increase in the participation of foreign companies in a number of services sectors. Governments are unilaterally increasing competition by improving market access requirements for foreign firms or by extending licenses to additional players, including to foreigners. Telecommunications is the sector where competition seems to have benefitted the most from these more open market conditions. Among other services sectors, some APEC economies reported better terms for foreign participation in the financial services (in particular, in the securities industry), broadcasting, energy-related services, legal services, health-related services, postal and courier.

¹ See WTO, Overview of Developments in the International Trading Environment, Annual Report by the Director-General, Document WT/TPR/OV/16, 31 January 2014, p.3.

APEC economies have also been encouraging more trade in services by providing more certainty regarding market access and national treatment conditions through the negotiation of FTA/RTAs including deeper commitments than those agreed in GATS. In addition, some APEC members that acceded to WTO in recent years have offered greater services commitments than members who were initial GATS signatory parties.

Regulatory frameworks have been modified in certain sectors to reduce market risk. For example, some economies have tightened capital requirements or imposed a maximum cap for single stakeholders in financial institutions.

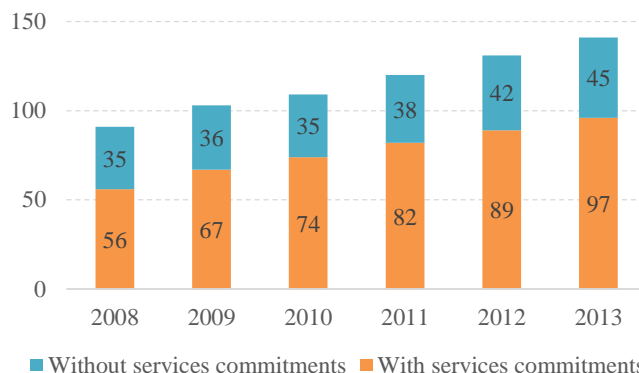
Some restrictions still remain. For example, local content requirements can be frequently found in broadcasting sector. In addition, restrictions in terms of market access, national treatment and commercial presence to provide a service are common in some sectors (e.g. domestic transportation).

Investment

APEC economies recognize the importance of attracting and promoting investments, including from foreign sources, to contribute to economic growth. In general, APEC economies have been implementing policies to improve investment conditions. Many economies have relaxed conditions for foreign ownership in particular sectors and offer investors no restrictions in terms of repatriation of capital, profits or royalties. It is also common to find policies offering lower taxes or agreements for double taxation avoidance to attract investors. In order to provide legal stability, it has been common practice to sign bilateral investment treaties (BITs). Furthermore, there has been efforts to attract foreign direct investment (FDI) by simplifying administrative procedures.

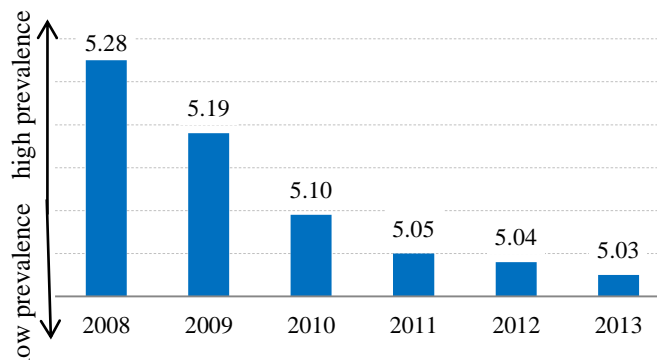
However, for investors, there is a perception that the investment environment has not changed much, or it has worsened, due to persisting investment barriers in some sectors. In terms of investment restrictions, it is common to find mechanisms such as the use of a negative list with sectors, where FDI are not allowed or are restricted. The use of investment thresholds to screen investments above a specific amount has been a tool to restrict foreign investments as well. Usually, foreign investments are

Chart 3 - RTA/FTAs in force in APEC with Services Commitments



Source: APEC Secretariat

Chart 4 - Perception in the Prevalence of Foreign Ownership (1=very low, 7=highest)



Source: World Economic Forum, Global Competitiveness Report

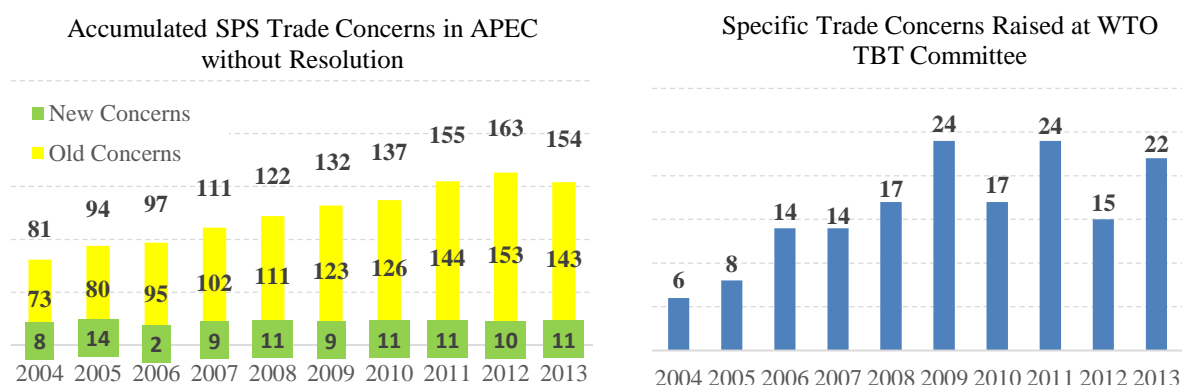
prohibited or restricted in activities such as those considered of strategic interest (e.g. security, provision of natural resources, and the environment) and associated to the promotion of cultural values (e.g. media).

Standards and Conformance

APEC economies reported that their purpose to implement technical standards/regulations and sanitary and phytosanitary measures is to protect public health, security and safety. In order to facilitate trade, efforts have been made across APEC to align domestic standards to international standards, by following guidelines of the International Standardization Organization (ISO), International Electrotechnical Commission (IEC) and Codex Alimentarius, among others. In addition, initiatives related to harmonization, equivalence and mutual recognition have been reported, as well as the recognition of more conformity assessment bodies in some APEC economies.

Despite efforts to apply measures that are not distorting trade, the WTO SPS and TBT Committees have recorded increasing specific trade concerns by WTO members worldwide regarding APEC economies applying measures that might be trade restrictive. Within the TBT Committee, the number of new concerns in the period 2009-2013 appears to be greater than that for the period 2004-2008. Similarly, at the SPS Committee, the accumulated number of concerns that did not report any resolution increased every year until 2012.

Chart 5 –Specific Trade Concerns Reported in WTO SPS and TBT Committees



Source: WTO SPS and TBT Information Systems

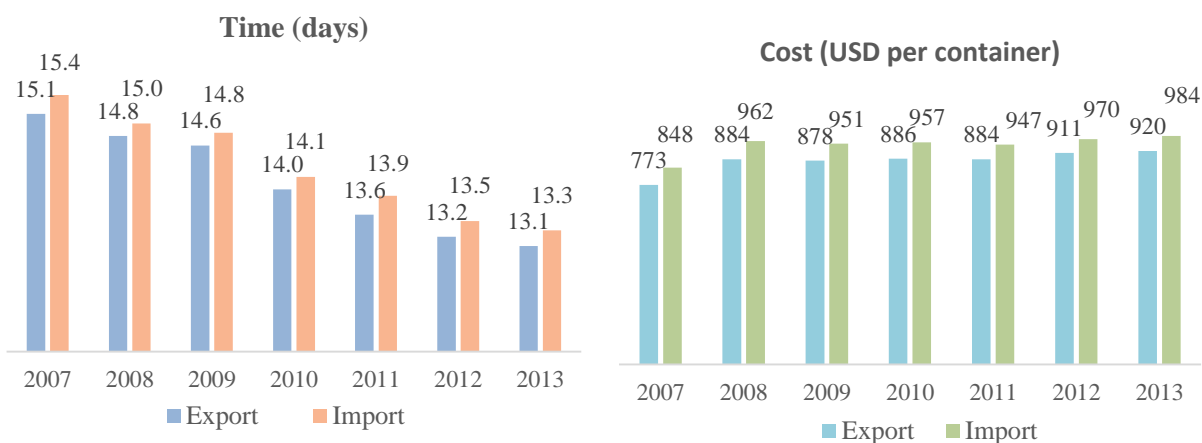
Customs Procedures

All APEC economies have reported progress in facilitating trade through the simplification of customs procedures. The implementation and expansion of Single Window, Authorized Economic Operator (AEO) programs and non-intrusive inspection systems through modern scanners are reducing the time to export/import. Likewise, APEC economies are reporting efforts to implement or improve risk management techniques.

Many customs administrations with well-established AEO programs are starting to sign Mutual Recognition Agreements (MRAs) with counterparts to expand the coverage. Other cooperation initiatives involve exchange of information and joint efforts to combat illicit activities.

In recent years, time to export/import a container has been faster in APEC. In 2013, it was more than 0.5 days faster in comparison to 2011 and more than 1.5 faster than in 2008. However, cost to trade has increased, which can be partially explained by the additional investments in ports to meet security requirements, which has transferred part of the cost to traders; and increasing cost of transportation from economic centers to the ports, due to higher fuel prices².

Chart 6 – Time and Cost to Export and Import by APEC³



Source: World Bank, Doing Business

APEC economies contributed to the successful conclusion of negotiations of a WTO Agreement on Trade Facilitation at the Ninth Ministerial Conference (MC9) in Bali, Indonesia, in December 2013. It establishes new multilateral rules to increase the efficiency of customs and other border procedures, as well as to reduce “at-the-border” costs of doing business. This agreement can benefit SMEs for whom border red tape and delays can be particularly burdensome.

Intellectual Property Rights (IPR)

In order to strengthen the IPR system, APEC economies proceeded by creating or amending laws and regulations, signing international IP treaties and improving the collaboration with authorities to investigate cases on alleged violations of IPR. The advancement of new technologies and the emergence of new digital tools and platforms have motivated many APEC economies to amend their laws and regulations (such as copyright, patent, trade mark and industrial design acts) in order to adapt them to the recent developments and be more effective in fighting and preventing IP related crimes. These changes also include increasing penalties for those infringing the law.

Many APEC members have reported signing, ratifying or putting in force international IP treaties such as the Madrid Protocol (on registration of trade marks), the Hague Agreement (on industrial designs), the Marrakesh Treaty (on access to published work to blind or visually impaired persons),

² The Doing Business indicators on cost to trade do not consider the cost of the maritime transportation, only the inland cost between the economic center and port in each economy.

³ The cost to export/import a container is expressed in USD nominal values, keeping consistency with the agreed indicators that appear in the APEC Bogor Goals Dashboard. If these values are inflation-adjusted, the cost to export/import in APEC is still higher now in comparison to those before the Global Financial Crisis. Using USD 2005 constant values, the cost to export went up from USD 728 to USD 771, while the cost to import increased from USD 799 to USD 825 between 2007 and 2013.

the WIPO Copyright Treaty, the Beijing Treaty (on audiovisual performance) and the Singapore Treaty (on the Law of Trade Marks), among others.

Efforts have also been reported in improving law enforcement and improving the operational capacity of the institutions in charge of IPR matters. However, concerns remain with regards to recurrent infringements of IPR in some APEC economies. Despite the efforts that are underway, the existing conditions can still be improved.

Competition Policy

Some APEC economies reported the introduction of new bills or amendments of existing regulations to promote competition, as well as the guidelines on topics such as mergers and competition compliance programs to reduce the incidence of anticompetitive practices in the market. It is also common to find APEC economies establishing specialized courts for competitive-related cases, and highlighting administrative progress in completing investigations (for mergers and acquisitions) and alleged cases of anticompetitive practices. Tougher sanctions for infringement on competition-related matters were implemented in some cases.

In APEC economies, where competition policies were recently implemented, it has been common to set up new institutions to be in charge of these matters. In certain cases, these institutions have been entitled to be autonomous from the government in conducting their investigations.

Government Procurement

In general, APEC economies have been working on initiatives to improve government procurement practices to help ensure value for money, open and effective competition, fair dealing, accountability and transparency. A common reported feature has been the implementation of electronic public procurement systems to streamline processes and make them more transparent. Some APEC economies also reported the issuance of new guidelines for certain procurement processes.

Many economies have procurement systems in which foreigners face specific restrictions to participate in tenders. It is common to find systems that grant preferences to local companies or allow the participation of foreigners only in certain tenders (e.g. when it is not possible to get a local supplier or when the tender is above an established value). However, it has also been found that some economies have been reducing some of the restrictions to the participation of foreigners.

Seven APEC economies are currently part of the WTO Government Procurement Agreement. Eight more economies are observers of or negotiating their accession to this agreement.

Deregulation/Regulatory Reform

There is a common understanding in the APEC region to work on initiatives to reduce the regulatory burden for individuals and companies, and reduce the cost and time to doing business. Online platforms are becoming a popular way to reduce administrative paperwork. Regulatory reforms are seen as one of the avenues to improve competitiveness by sparking an increase in productivity.

Many of the initiatives reported by APEC economies are related to ways to improve the rulemaking process by using mechanisms of public consultation and requesting Regulatory Impact Assessments (RIAs). Indeed, the perception is that the use of RIA across APEC is increasing. Most of the RIA procedures are ex-ante (i.e. to analyze a proposal), but there is interest to use ex-post RIA in order to review the effectiveness of the regulations in force and propose fine-tuning of the regulations, if necessary.

Dispute Mediation

APEC economies have put dispute mediation systems in place. In some cases, legislation has been introduced or amended in order to provide independence to arbitral processes, facilitate enforcement of arbitral awards and encourage the use of alternative dispute resolution mechanisms.

The use of dispute settlement is available in RTA/FTAs and in BITs. They establish clear procedures by which parties can choose a relevant mechanism to submit their disputes.

Mobility of Business People

19 APEC members have fully implemented the APEC Business Travel Card (ABTC) system. The remaining two APEC economies are transitional members of the scheme.

The number of ABTC cardholders has increased in recent years. By the end of 2010, there were nearly 88,000 ABTC card holders, whilst the number of card holders increased to nearly 153,000 by the end of 2013 (more than a 73% increase).

In order to facilitate the entrance of business travelers in the APEC region, an increasing number of APEC economies have started to offer automated e-systems to reduce the time of immigration clearance at major airports. In addition, these initiatives are offered not just for local business travelers, but they are gradually expanding to cover foreign business travelers that meet specific criteria. Some economies have also implemented more flexible conditions to apply for business visas or have extended the time by which business people can stay. In some cases, the application process to secure employment permits or temporary residence visas has been simplified.

Transparency

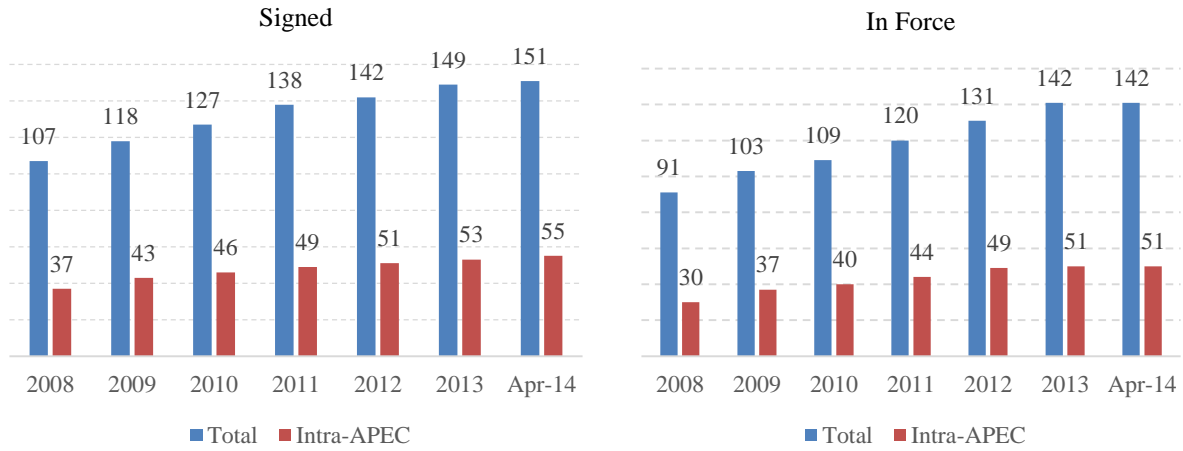
In general, APEC economies have reported that laws and regulations are published promptly and they are made available on the internet. Draft laws and proposals are also published in some APEC economies in order to seek comments from interested parties.

Some APEC economies where English is not an official language have started to offer unofficial translations of laws and regulations. Efforts are on the right track, but there is a perception that more can be done to improve in this aspect.

RTA/FTAs

APEC economies have continued negotiating RTA/FTAs to improve market access conditions overseas. As at April 2014, 151 RTA/FTAs had been signed by APEC economies, being 142 of them already in force. 55 of the RTA/FTAs signed involved at least two APEC economies and 51 RTA/FTAs of those are in force.

Chart 7: Number of RTA/FTA Signed and Enforced



Source: APEC Secretariat, Policy Support Unit