Asia-Pacific Economic Cooperation

Advancing Free Trade for Asia-Pacific Prosperity

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

Do FTAs Matter for Trade?

APEC Policy Support Unit

May 2015

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Produced for:
APEC Ministers Responsible for Trade Meeting
Asia-Pacific Economic Cooperation

APEC#215-SE-01.9

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Executive Summary

Do FTAs Matter for Trade?

- Free Trade Agreements (FTAs) have proliferated since 1990s and APEC members are among the most active economies in negotiating FTAs. At present, APEC members have 144 enforced FTAs, approximately 53 percent of the global number of FTAs.

- In the midst of all these has been questions on whether such trade agreements do have considerable impact on trade. After all, analysis of top 20 intra-APEC trading partners in terms of average annual export flows between 2000-2013 showed that more than half (11 out of 20) are not covered by a trade agreement. In addition, less than half (44 percent) of APEC's total exports value in 2013 were sent to partners with which it has an FTA.

- However, there are also data showing the possible positive contribution of FTAs to trade. For one, a higher percentage of the top 10 percentile economy-pairs have FTAs relative to the bottom 10^{th} (50 vs. 16 percent).

- At the heart of this debate is the fact that trade agreements are not sure-win strategies. Theories indicated that preferential trade agreements may have both positive and negative effects because it can lead to trade creation as well as trade diversion. It is for this reason that preferential liberalization is considered the second-best option compared to multilateral liberalization.

- To maximize its positive effects while minimizing the negative ones, economists have proposed several possibilities such as increasing the number of FTA partners, enhancing complementarity between partners and improving the quality of FTA by incorporating ways to overcome regulatory measures inhibiting trade.

- Preliminary analysis of the effects of FTAs on exports showed that the average exports 5 years after an FTA is enforced is higher and statistically significant vis-à-vis the average exports 5 years before. Dividing the sample into those with bilateral FTA and those with regional FTA and analysing them separately also lead to similar conclusion.

- The same results are also obtained when the FTAs are classified according to whether an economy pair is North-North, North-South or South-South although the result is not significant for North-North sample. Further classifying FTA according to its quality revealed that both earlier and later FTAs have positive and significant impact after its enforcement.

- To confirm if the above results still hold after controlling for differences between economy-pairs such as GDP, distance, etc., a gravity model of exports on various factors that affect trade is estimated. Results demonstrated that FTAs are correlated positively and significantly to real exports. Specifically, regional, North-South and 'modern' FTAs are correlated positively and significantly to real exports while the correlations are not significant for bilateral and 'older' FTAs. Moreover, these FTAs also significantly reduce the cyclicality effect of importer GDP on exports.

- Considering that FTA negotiations are massive and costly undertaking in many aspects, the results shown here, though preliminary, is an important one for policymakers and negotiators as discussions about FTAAP continues.

APEC Trade and Investment in 2014

- Despite an environment of weak external demand and divergent economic conditions, export growth among APEC economies in 2014 was relatively robust[1]. APEC economies exported USD 9.1 trillion worth of merchandise goods in 2014, growing 2.0 percent over the previous year. In contrast, merchandise exports from the rest of the world (ROW) recorded a contraction of 0.5 percent in 2014.

- Similarly, APEC economies imported USD 9.3 trillion worth of goods in 2014, growing 0.3 percent from the previous year. Imports by the ROW, on the other hand, grew 1.3 percent in 2014, maintaining its 2013 growth rate.

- Trade performance across APEC economies varied widely in 2014, with APEC commodity exporters suffering from falling commodity prices. IMF's All Commodity Price Index fell 27.4 percent in 2014, with large price falls for crude oil (-40.8 percent), fuel (-36.9 percent), and metals (-15.7 percent).

- Intra-APEC trade linkages remain a valuable channel that impacts on export performance and GDP growth of APEC economies, with the top 3 export partners of APEC economies in 2014 comprising of the United States; China; and Hong Kong, China.

- Between mid-May and mid-November 2014, APEC economies implemented 63 trade and trade-related measures (Annex 2). Of these measures, 26 had the effect of facilitating trade, such as the elimination or lowering of tariffs, termination of anti-dumping/countervailing duties, or simplification of trade procedures. On the other hand, 36 measures had the effect of discouraging trade, such as the imposition of import tariffs, initiation of anti-dumping investigations, and imposition of countervailing duties. The other remaining measure was a notice providing information on strengthening compliance procedures.

- Net capital follows stayed negative (i.e., more outflows than inflows) in the APEC region, although the outflow has slowed down in 2014 relative to 2013. These outflows are mainly in the form of portfolio investments as lower-than-expected growth prospects for developing economies encouraged investors to seek safe-haven investments.

- Despite the continued net outflows in capital, foreign direct investments (FDI) sustained its strength throughout the period 2009-2014. FDI inflows into APEC continued to perform strongly due to positive investor sentiment as well as the low interest rates and ample liquidity prevailing during the post-crisis period.

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[1] See Annex 1 for a more detailed discussion of trade and investment trends in APEC.

- Global FDI flows fell by eight percent in 2014 relative to 2013 levels, totaling USD 1.3 billion for the year, which is much lower than the USD 1.6 billion projected by UNCTAD. However, the APEC region remains a top destination for FDI, where six of the top 10 host economies of FDI are APEC economies; namely, China (USD 128 billion); Hong Kong, China (USD 111 billion); the United States (USD 86 billion); Singapore (USD 81 billion); Canada (USD 53 billion); and Australia (USD 49 billion).

- Between May and October 2014, three APEC economies implemented investment measures aimed at facilitating FDI inflows, while one economy implemented measures regulating foreign financial institutions (Annex 3).

- Foreign ownership restrictions for certain industries were eased in Australia (flag carrier); China (hospitals in selected pilot areas); and Mexico (telecommunications, satellite operations, and broadcasting). China also eased approval requirements for outward direct investments, only requiring prior approval for investments in "sensitive" regions or industries. On the other hand, the United States implemented new rules on the supervision and regulation of foreign banking organizations.

- In its latest forecast, the World Trade Organization (WTO) projects continued modest recovery in trade, with growth in the volume of merchandise trade in 2015 and 2016 at 3.3 percent and 4.0 percent, respectively. However, risks to the trade outlook are tilted to the downside, with slower growth, divergent monetary policies and exchange rate dynamics being the more important determinants.

- Likewise, UNCTAD maintains an uncertain outlook for FDI flows in 2015, owing to a fragile global economy due to low demand and currency volatility. Although upside growth expectations in the United States and Europe can improve investor sentiment, less upbeat growth expectations for Japan and emerging economies are expected to reduce risk appetite.

About this Report

This report is prepared by the APEC Policy Support Unit (PSU) to inform APEC ministers, officials, and stakeholders on recent trade and investment trends in the region, as well as trade- and investment-related measures recently implemented by APEC member economies. Started in 2009, this report is produced semiannually for information during the Meeting of the APEC Ministers Responsible for Trade (MRT) and the APEC Ministerial Meeting (AMM).

APEC will continue to monitor trade and investment measures by member economies, with the APEC PSU to prepare its next report for the 2015 AMM.

Do FTAs Matter For Trade?[2]

In 2014, APEC Leaders reaffirmed their commitment to the 'eventual Free Trade Area of the Asia-Pacific' (FTAAP) as an instrument to further the regional economic integration agenda[3]. Pundits think that the FTAAP, if it comes to pass, would be a very significant milestone in APEC history that can substantially impact trade and investment flows in the region. Such an assessment implicitly assumes that trade agreements have considerable impact on trade, but do they in fact? This paper takes a preliminary look at this issue as an installment for what would for sure be multiple discussions and in-depth analysis of the effectiveness of trade agreements and of FTAAP[4].

In the next section, we discuss the growth of FTAs in Asia-Pacific, highlighting the fact that despite this growth, more than 50 percent of trade in the region and between some top economy pairs take place without the benefit of any preferential trade agreement. Next we discuss what factors contribute to the impact of FTAs on exports such as, for example, quality of the agreement, number and complementarity of the trading partners. The last section presents a preliminary empirical analysis of whether there is a case for thinking that FTAs indeed affect trade flows and conjectures the possible conditions that can maximize its impact on intra-APEC trade.

APEC economies are actively involved in free trade agreements

Free trade agreements (FTAs) proliferated since 1990. From only less than five enforced FTAs, the number, according to the World Trade Organization, reached a total of 262 in 2015. Among the most active economies engaged in negotiating free trade agreements are APEC member economies. The number of FTAs enforced by APEC member economies had increased by more than 20 times from 7 FTAs in the 1990s to 144 at present, approximately 53 percent of the global number of FTAs (see Figure 1). Among the signed FTAs, close to 40 percent involve at least two or more APEC economies which we consider as intra-APEC FTAs, while the other 60 percent involve an APEC economy with one or more non-APEC members.

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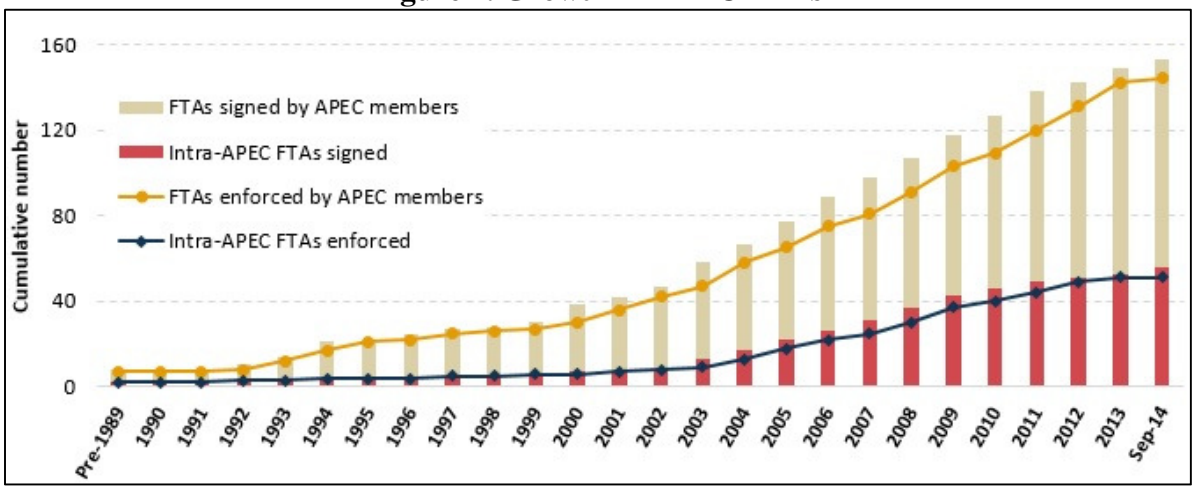
[2] Prepared by Gloria Pasadilla and Andre Wirjo, Policy Support Unit.
[3] See APEC 2014 Leaders' Declaration, http://www.apec.org/Meeting-Papers/Leaders-Declarations/2014/2014_aelm.aspx .
[4] For example, the APEC Task Force on FTAAP is, at this point, discussing the content and scope of the collective strategic study on issues related to the realization of FTAAP.

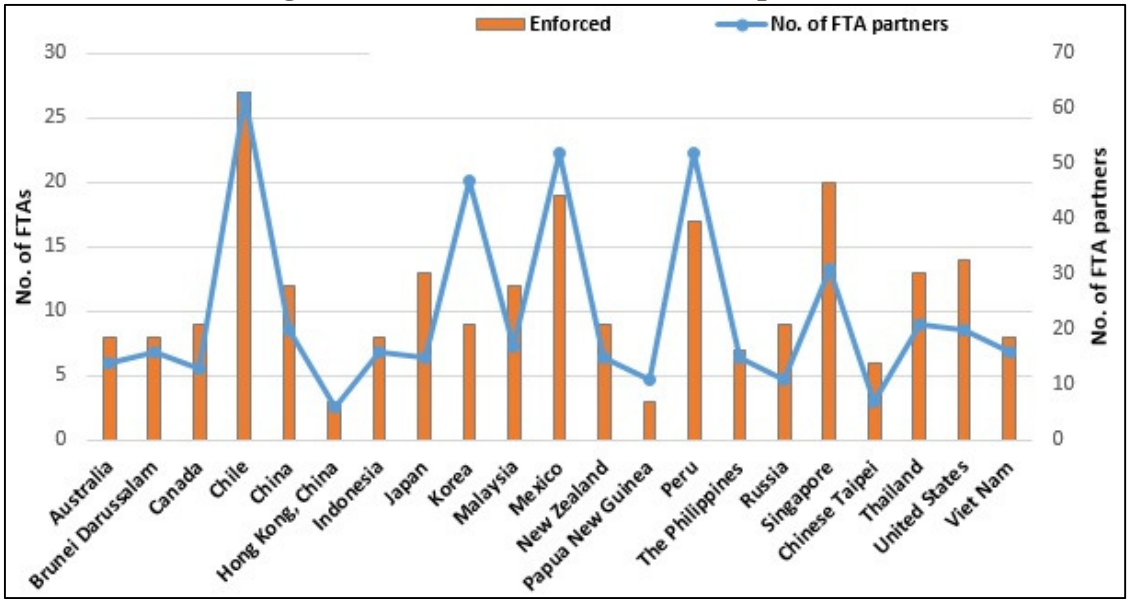
Figure 1. Growth in APEC FTAs



Source: PSU, APEC in Charts 2014.

While some APEC economies have signed FTAs with multiple trade partners, others appear less active in pursuing trade agreements. At one end of the spectrum, Chile; Singapore; Mexico and Peru have signed and enforced on average more than 20 FTAs by September 2014: on the other end, Papua New Guinea; Hong Kong, China; Chinese Taipei; and the Philippines have only approximately 5 FTAs over the same period (see Figure 2). In terms of FTA partners, Chile has the most partners (62 from 27 FTAs) followed by Mexico and Peru, each with 52 partners from 19 and 17 FTAs, respectively. In contrast, Hong Kong, China has 6 partners from 3 FTAs and Chinese Taipei 7 partners from 6 FTAs.

Figure 2. Number of FTAs and FTA partners



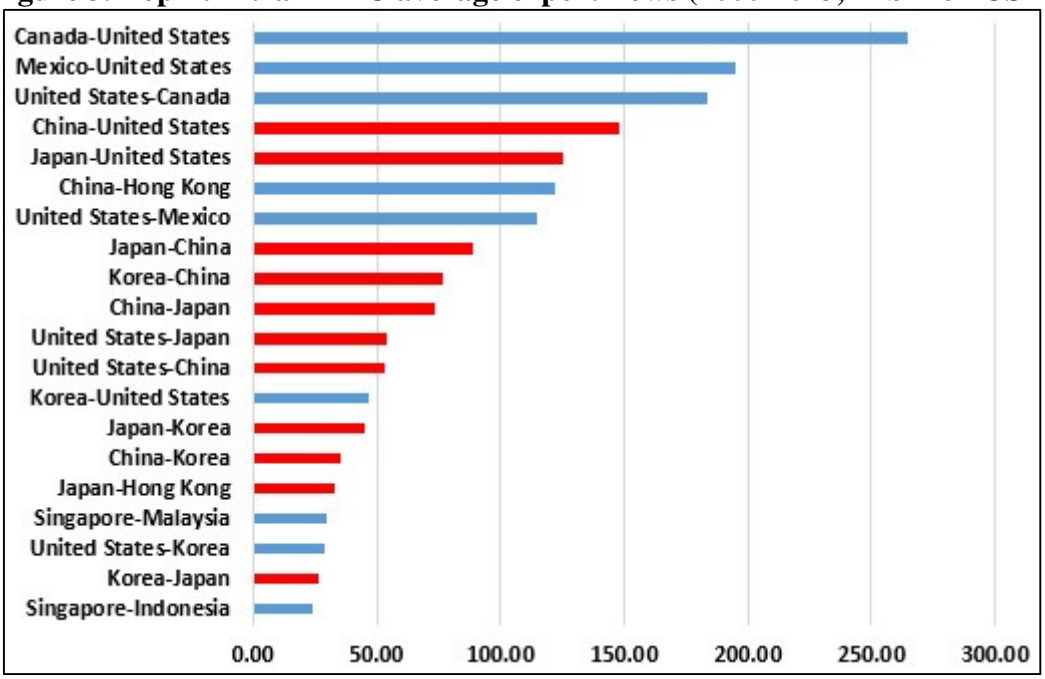
Note: Data is as of September 2014.
Source: APEC in Charts 2014 and APEC Policy Support Unit computation.

…Yet some top trading partners are not covered by an FTA

Figure 3 shows the top 20 pairs of trading partners with average annual export flows ranging from 24 to 265 billion USD[5]. Interestingly, 11 out of the 20 are not covered by a trade agreement (red-colored).

For APEC as a whole, 44 percent of its total exports value in 2013 were sent to partners with which it has an FTA. This means that there are still a bigger portion – 56 percent of Asia-Pacific trade - which trade agreements do not cover. These numbers beg the question: are FTAs really important in affecting exports?

Figure 3. Top 20 intra-APEC average export flows (2000-2013, in billion USD)



Note: The bar is colored blue if the economy-pair has enforced FTAs with each other while it is colored red if the economy-pair has no enforced FTAs with each other.
Source: APEC Policy Support Unit computation based on data obtained from WITS COMTRADE.

Do FTAs 'cause' or 'result from' strong trade?

The potential importance of FTAs may be shown when top trading partners are compared with the bottom ones. Annual export value (between 2000 and 2013) of the top 10 percentile is approximately 17,500 times higher than the bottom 10 percentile, showing a highly skewed export distribution. What is more, 50 percent of the top 10 percentile of economy-pairs have FTAs with each other in contrast to only 16 percent for the bottom 10th (see Figure 4). This may imply that the FTA might have helped the economy pairs be in the top percentile of trading partners. However, the reverse may also be true, that is, the trading pairs decided to have FTAs as a result of an already strong trade relations[6]. Considering the cost of negotiating trade agreements, economies are likely to choose FTA partners with which they have strong economic (i.e. trading ties) or political relations.

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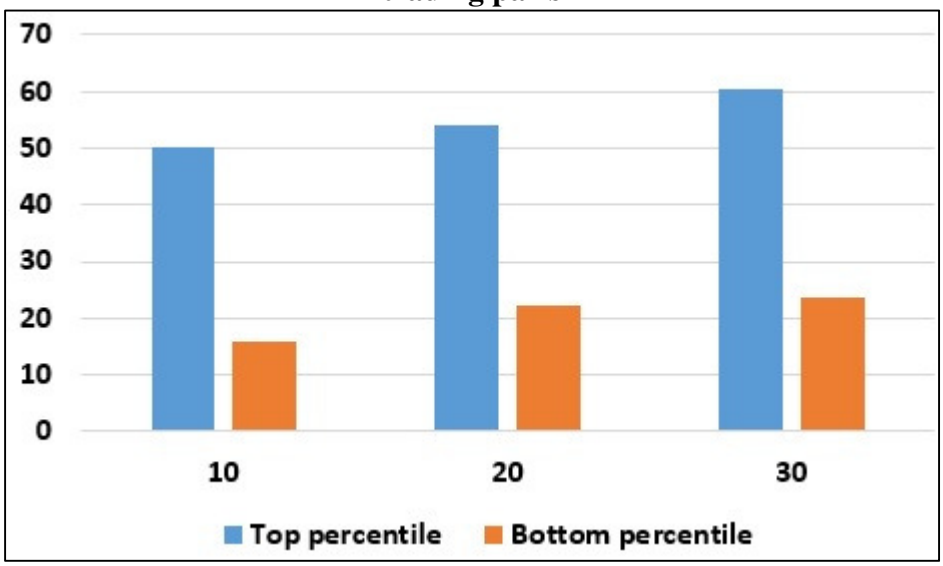
[5] Average, 2000-2013.
[6] This is the so-called 'endogeneity' of FTAs.

Figure 4. Percentage share of economy pairs with FTAs among top and bottom APEC trading pairs



Note: Percentile ranking is based on average real export (2000-2013).
Source: APEC Policy Support Unit computation based on data obtained from WITS COMTRADE.

What theories say about effects of FTAs

Despite the increase in the number of FTAs over the last two decades, trade agreements are not sure-win strategies. Theories say that preferential trade agreements can result to trade creation or trade diversion, and thus may have both positive and negative effects both on trade and welfare. This is why preferential liberalization is considered as second-best compared to multilateral liberalization.

Does the number of FTA partners matter?

In theory, the bigger the number of partners, the greater the likelihood that the efficient producer would be part of the agreement and hence possible trade diversion effect is reduced. In a practical sense, because FTAs use different rules of origin to minimize trade originating from non-partners, having more economies as partners in an FTA can mean that the value accumulation from the FTA partners make it likely that the product would meet the ROO rule, thereby increase trade[7]. Following this logic and without considering the practical difficulties of negotiating with more partners, a regional FTA should be preferred to a bilateral one[8].

From investors' perspective, a larger integrated market resulting from a trade agreement also optimizes their investments and invites the entry of new ones.

[7] Larger FTAs may also lead to consolidation of crisscrossing rules and regulations and minimize the "noodle-bowl syndrome".
[8] For example, see Chia (2010), Scollay (2005), Ando (2009), and Petri and others (2011)

Trade complementarity and the North-South trade

Trade complementarity - the degree at which the goods and services supplied by an economy is similar to the goods and services demanded by another economy – also leads to greater expansion under an FTA (Mikic and Gilbert, 2009). In turn, trade complementarity is related to the exploitation of comparative advantage between various economies. In this vein, an FTA between North (developed) and South (developing and less developed) should, in theory, have a more significant impact on trade flows than other partnerships.

Although economies can decide to negotiate FTAs only with those having high level of complementarity, an economy's demands and comparative advantage also change over time with improvement of technology, change in business strategy, etc. Hence, it is also possible that a North-North as well as South-South FTA would also be highly beneficial.

Does FTA quality matter?

Even if tariffs are liberalized, if non-tariff barriers are not addressed in an FTA, its economic effects may not become significant. Non-tariff barriers include all measures that inhibit trade, including both behind- or at-the-border measures. Baldwin (1970) likened NTBs to "tree stumps and other obstacles which are revealed after one drained a swamp" because their importance came to the fore after significant efforts to lower tariffs had, arguably, succeeded. No surprise then that especially later FTAs have sought to tackle these barriers.

The depth/quality of FTAs ranges widely. Some only cover goods and exclude services; while others are more comprehensive, both in terms of coverage as well as of scope of its disciplines, including many regulatory issues that are within the border. This includes, for example, regulations affecting labor, environment, government procurement, competition policies, and others. Arguably, these regulations have trade effects, thus disciplines that minimize using these regulations as barriers to trade can have significant impact on export flows.

FTAs and trade flows: a preliminary look

This paper takes a preliminary look at the effects of FTAs on exports. It makes a simple comparison of the average exports of economy pairs five years before the FTA is enforced, and five years after, then tests if the difference in the means is statistically significant.

For the entire sample of 2,597 observations from 291 economy pairs[9], average annual exports for the five years before FTA was USD 4.1 billion which increased to USD 6.0 billion average in the five years following the implementation of the FTA. The difference in the two means is statistically significant[10] (see Table 1) which supports the hypothesis that FTA does indeed affect exports.

Next, to test if the size of the FTA has an effect on exports, the sample is divided into those that have bilateral FTA and those that have regional FTA, i.e. three or more trade partners. The result again shows that whether bilateral or regional, the increase in exports after FTA is

[9] We excluded economy pairs with either zero trade or no reported data.
[10] Using one-tailed t-test.

statistically significant. Moreover, the increase in the sample with regional FTAs is higher by 330 million USD compared to the increase in the bilateral FTA sample. This result appears to support the hypothesis that the size of the FTA does matter.

Classifying the FTA economy-pairs into North-North (NN), North-South (NS) or South-South (SS)[11] to test the importance of trade complementarity, the result shows again the significant difference in exports after FTA, but only for the North-South and South-South FTAs, not for the North-North sample. The lack of significance of North-North difference in exports before and after FTA may be due to the small sample (only 569 observations compared to 1,364 for the North-South sample) and to the huge variation in trade among the different economy pairs. The statistical significance of the North-South result supports the complementarity hypothesis.

To test for quality of FTAs, quality is proxied by the (arbitrary) division between FTAs enforced before 2005 and those after 2005. The rationale is that later FTAs have proven to be more comprehensive (thus adjudged of 'higher quality'), and deep in both disciplines, coverage, and scope. The result, at least of the t-test analysis, appears to show that FTAs matter regardless of whether the coverage is deep or shallow, or the disciplines are 'old' or 'modern'. The gravity model which we turn to next, however, points to a different conclusion.

Table 1. Average annual real export 5 years before and after FTA enforcement

	Average annual real export for 5 years before FTA (billion USD)	Average annual real export for 5 years after FTA (billion USD)	Test of difference in means: averages after FTA vs. before FTA
Total Sample	4.090	6.031	Positive and significant
Bilateral vs. Regional FTA			
Bilateral FTA	4.187	5.947	Positive and significant
Regional FTA	4.001	6.093	Positive and significant
North-North (NN), North-South (NS) vs. South-South (SS)			
North-North	8.558	11.500	Not significant
North-South	3.582	5.979	Positive and significant
South-South	1.043	1.850	Positive and significant
Before 2005 vs. After 2005 FTA			
Before 2005 FTA	5.409	8.181	Positive andsignificant
After 2005 (inclusive) FTA	3.128	3.760	Positive and significant

Note: Significance is at the 5% level.
Source: APEC Policy Support Unit computation based on data obtained from WITS COMTRADE.

[11] South economies are those with GNP per capita (Atlas Method) of less than USD12,746 in 2013. These are economies classified as low and middle-income by World Bank. On the other hand, North economies are with GNP per capita of equal or more than USD12,746 in 2013. These are economies classified as high-income by World Bank. If data is not available for 2013, data for the next available year is taken to classify the economy.

Improving result 'gravitas' through gravity model estimates

While insightful, results in Table 1 abstracts from factors other than FTAs that may have contributed to the growth in exports during the five year period following the implementation of the FTA. To confirm if the results found also hold even if other factors like GDP, distance, and others, are taken into account, we estimated a gravity model of exports on various economic factors that affect trade[12]. FTA is represented as a dummy variable equals to 1 for economy pairs that have FTAs and zero otherwise. Preliminary analysis of 6,667 annual bilateral export flows between 1988 and 2013 using gravity model estimate indicates that, indeed, FTAs is a significant determinant of exports (see Table 2)[13].

Table 2. Does FTA affect exports? Results from gravity model estimates

	Correlations to real export	Reduces cyclicality of GDP of importing economy on real export of reporting economy
Significance of FTA variable in baseline gravity equation	Positive and significant	Negative (correct sign) but insignificant at 10% level
North-North (NN), North-South (NS) vs. South-South (SS)		
Significance of NN FTA	Not significant	Not significant
Significance of NS FTA	Positive and significant	Negative and significant
Significance of SS FTA	Not significant	Not significant

Note: The table shows the statistical significance of the FTA dummy variable coefficient in the gravity equation and significance of the coefficient of the interacted FTA dummy with importer GDP. Significance is at the 10% level.
Source: APEC Policy Support Unit computation based on data obtained from WITS COMTRADE.

[12] We econometrically estimate the following (baseline) model through Arellano-Bond dynamic panel estimates:

$$\ln(export_{ijt}) = constant + b_1\ln(export_{ijt-1}) + b_2\ln(exporter\ GDP_{it}) + b_3\ln(importer\ GDP_{jt}) + b_4FTA\ln(importer\ GDP_{jt}) + b_5\ln(distance_{ij}) + b_6contig_{ij} + b_7comlang\_off_{ij} + b_8colony_{ij} + b_9comcol_{ij} + b_{10}smctry_{ij} + b_{11}FTA_{ijt} + e_{ijt}$$

where $\ln(export_{ijt})$ is the log of export (in 2005 US dollars) of economy i to economy j during year t; $\ln(export_{ijt-1})$ is the log of export (in 2005 US dollars) of economy i to economy j during year t-1; $\ln(exporter\ GDP_{it})$ is the log of GDP (in 2005 US dollars) of economy i during year t; $\ln(importer\ GDP_{it})$ is the log of GDP (in 2005 US dollars) of economy j during year t; $\ln(dist_{ij})$ is the log of distance between most important cities/agglomerations (in terms of population) of the two economies calculated using the great circle formula; $contig_{ij}$ is a dummy variable equal to unity for economies that share a common land border; $comlang\_off_{ij}$ is a dummy variable equal to unity for economies that share a common official language; $colony_{ij}$ is a dummy variable equal to unity if economies i and j were once in a colonial relationship; $comcol_{ij}$ is a dummy variable equal to unity for economies that were colonized by the same power; FTA_{ijt} is a dummy variable equal to unity for economies that have enforced FTA in year t; and e is the random error term. Year-specific effects are controlled using year dummy variables while robust Huber-White standard errors are used to correct for heteroscedasticity in the data.

[13] FTAs also helps reduce the cyclicality of trade because of the negative estimated coefficient of the interacted FTA and importer real GDP variable which means lowering the elasticity of exports to importer's economic fluctuations.

Classifying FTAs into North-North, North-South, and South-South FTA and using these dummies in the gravity equation in place of the single dummy variable for FTA, Table 2 shows that only the North-South FTA yielded a significant result showing positive correlation with exports and helping minimize dependence on importer's economic fluctuations. While this could indicate the presence of less complementarity between N-N as well as S-S economies when viewed from the perspective of inter-industry trade, we attribute this result more to the relatively small number of observations for both the North-North and South-South FTAs.

Size and quality of FTAs

Replacing the FTA dummy with dummies for regional and bilateral FTA, the regression results showed that positive and significant correlation is only observed for the regional FTA variable but not for the bilateral FTA variable (see Table 3). This seems to support the earlier finding that the bigger the size of the FTA, the more significant the effect. Additionally, the coefficient of the interacted regional FTA with importer GDP is negative and statistically significant which implies that regional FTA helps reduce the cyclicality effect on exports.

Categorizing FTAs into whether they were enforced before or after 2005 to proxy for quality shows significant results only for the later FTAs which implies that better quality FTAs have a more significant impact on trade.

To summarize, the message from the gravity equations is clear: Bigger (regional) and better quality FTAs have a more significant impact than smaller (bilateral) and lower quality FTAs.

Table 3. Results of gravity model estimation

	Correlations to real export	Reduces cyclicality of GDP of importing economy on real export of reporting economy
Bilateral vs. Regional FTA		
Significance of Bilateral FTA	Not significant	Not significant
Significance of Regional FTA	Positive and significant	Negative and significant
Before 2005 vs. After 2005 FTA		
Significance of 'older' FTA	Not significant	Not significant
Significance of 'modern' FTA	Positive and significant	Negative and significant

Note: The table shows the statistical significance of the different FTA dummy variable coefficient in the gravity equation and significance of the coefficient of the interacted different FTA dummy with importer GDP. Significance is at the 10% level.
Source: APEC Policy Support Unit computation based on data obtained from WITS COMTRADE.

Implications for trade policy

This theme section of the Key Trade and Investment Trends has briefly assessed the correlations between APEC members' FTAs and exports. Our preliminary results indicate that despite FTAs being considered as second-best option, FTAs have significant effect on trade. The effect of FTAs, however, depends on the size (the more, the better), and importantly, on the quality of the trade agreement.

Considering that FTA negotiations are a massive and costly undertaking in many aspects, economies are mindful that the trade agreement must indeed have positive effects for the efforts to be worthwhile. The result here, though preliminary, is an important one for policymakers and negotiators to keep in mind as discussions about FTAAP continues.

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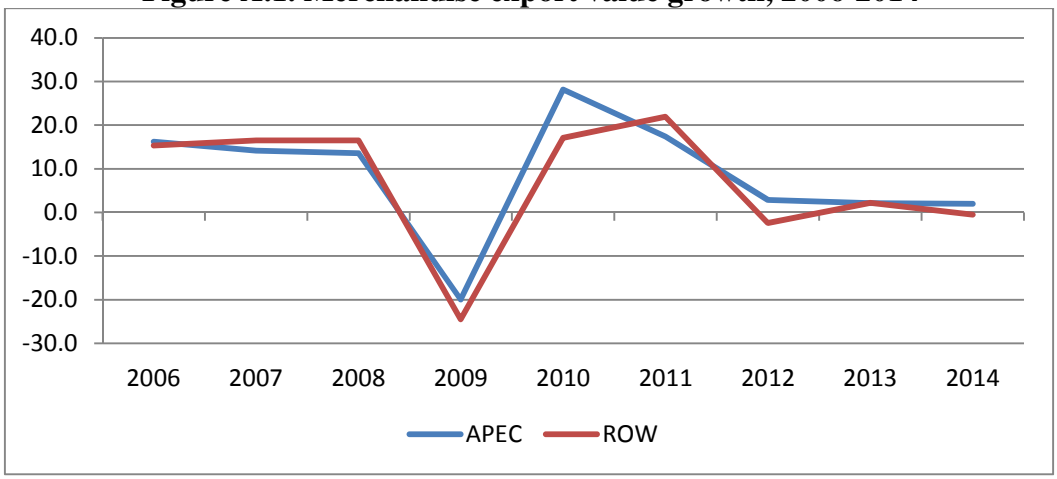
Annex 1

Recent Trade and Investment Developments[14]

Trade Performance in 2014

Despite an environment of weak external demand and divergent economic conditions, export growth among APEC economies in 2014 was relatively robust. APEC economies exported USD 9.1 trillion worth of merchandise goods in 2014, growing 2.0 percent over the previous year. APEC's export growth in 2014 was slightly lower than the 2.1 percent registered in 2013 and marks the fifth straight year of export growth slowdown in the region. However, it is worth noting that the region has maintained positive exports growth for five straight years since 2010. In contrast, merchandise exports from the rest of the world (ROW) recorded a contraction of 0.5 percent in 2014.

Figure A.1. Merchandise export value growth, 2006-2014

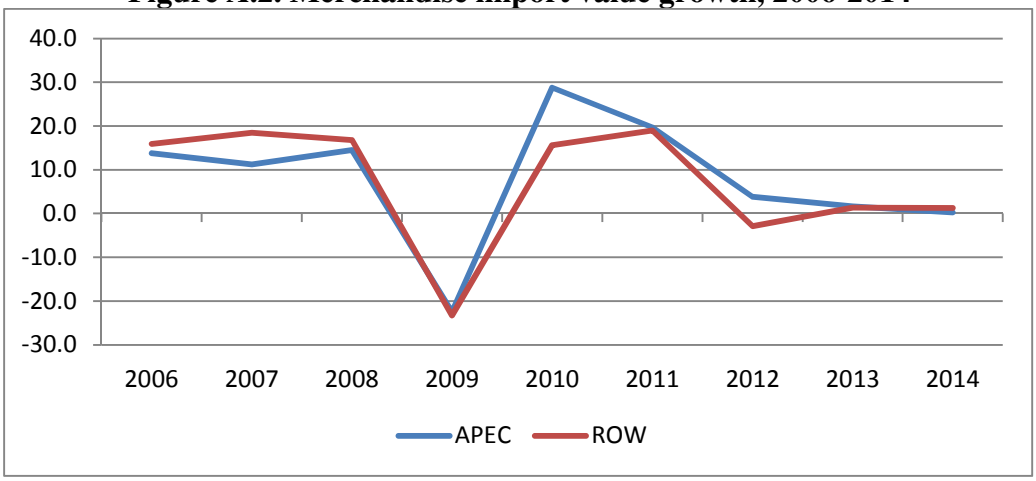


Note: Data does not include Brunei Darussalam and Papua New Guinea.
Source: World Trade Organization. APEC Policy Support Unit calculations.

On the other hand, APEC economies imported USD 9.3 trillion worth of goods in 2014, growing 0.3 percent from 2013. APEC's import growth in 2014 was significantly lower than the 1.6 percent imports growth recorded in 2013 and likewise marks the fifth straight year of imports growth slowdown since the peak of 2010. Imports by the ROW, on the other hand, grew 1.3 percent in 2014, maintaining its 2013 growth rate.

[14] Prepared by Emmanuel San Andres, Policy Support Unit, and Rhea Hernando, Consultant.

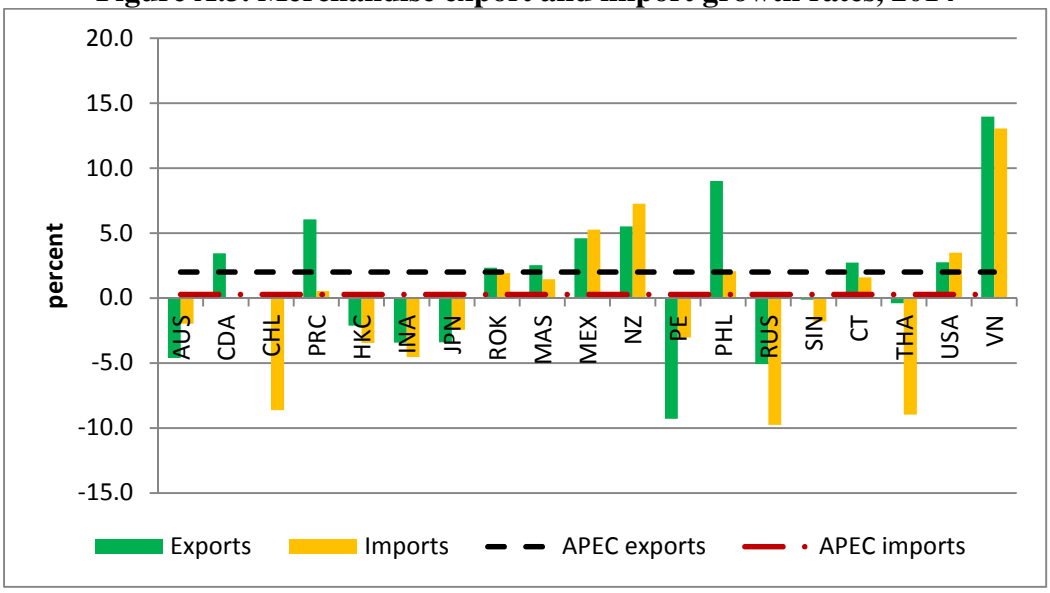
Figure A.2. Merchandise import value growth, 2006-2014



Note: Data does not include Brunei Darussalam and Papua New Guinea.
Source: World Trade Organization. APEC Policy Support Unit calculations.

Trade performance across APEC economies varied widely in 2014 (Figure A.3). Export earnings grew fastest in Viet Nam (14.0 percent); the Philippines (9.0 percent); and China (6.0 percent), while imports saw high growth rates in Viet Nam (13.0 percent); New Zealand (7.3 percent); and Mexico (5.3 percent). On the other hand, major commodity exporters in APEC—such as Australia; Peru; and Russia—suffered reductions in exports and imports in 2014.

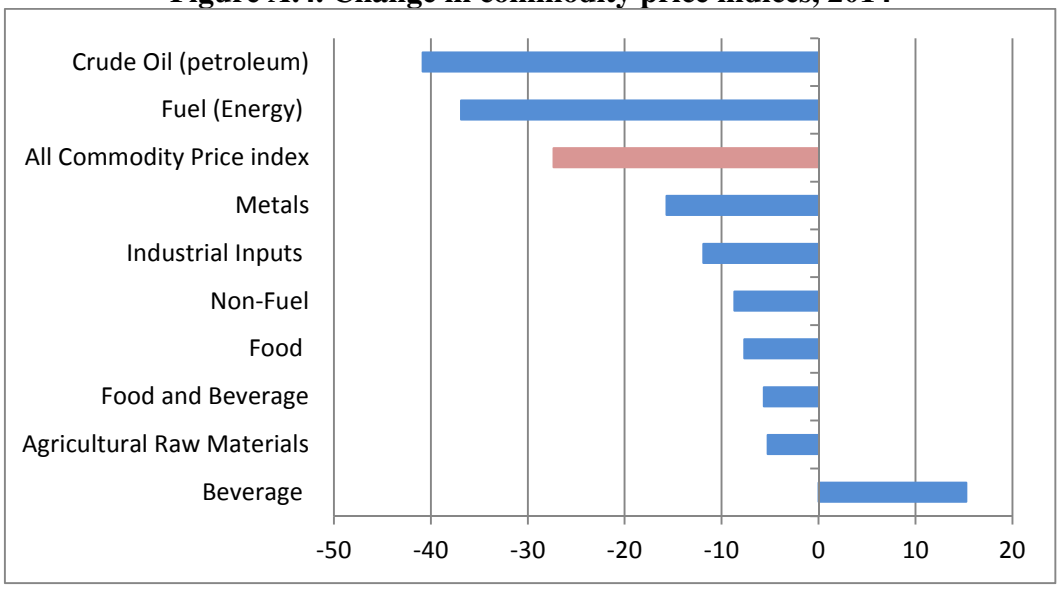
Figure A.3. Merchandise export and import growth rates, 2014



Note: Data does not include Brunei Darussalam and Papua New Guinea.
Source: World Trade Organization. APEC Policy Support Unit calculations.

The fall in trade performance among commodity producers reflected the continued fall in international commodity prices. IMF's All Commodity Price Index fell 27.4 percent between January and December 2014 (Figure A.4), with large price falls for crude oil (-40.8 percent), fuel (-36.9 percent), and metals (-15.7 percent). The price index for practically all commodities fell in 2014, with the exception of beverages (including coffee, tea, and cocoa) which grew 15.2 percent.

Figure A.4. Change in commodity price indices, 2014



Note: Figures show the percentage change in the value of the commodity price index between January and December 2014.
Source: IMF Commodity Price Index.

Among the top 10 export partners of APEC economies in 2014, eight economies are in APEC and two economies—namely, Germany and Netherlands—are non-APEC economies (Table A.1). The top 5 export partners of APEC economies are all APEC economies: the United States; China; Hong Kong, China; Japan; and Canada. The top 10 export partners comprised around 87.1 percent of APEC's total exports as of November 2014. The same period saw the top 10 import partners of APEC economies accounting for about 90.5 percent of APEC's total imports. As with exports, of the top 10 import partners of APEC economies, eight are also APEC economies and the top 5 are all in the region. These data on bilateral trade linkages point to the continued importance of intra-regional APEC trade in member economies' trade performance.

Table A.1. Top 10 trading partners of APEC economies, January-November 2014

Exports	As % of total APEC Exports
United States	24.5
People's Republic of China	17.1
Hong Kong, China	9.6
Japan	8.0
Canada	6.2
Republic of Korea	5.1
Mexico	5.1
Germany	3.9
Netherlands	3.9
Singapore	3.8
Imports	**as % of total APEC Imports**
People's Republic of China	24.8
United States	15.9
Japan	9.8
Republic of Korea	7.5
Canada	6.6
Germany	6.6
Chinese Taipei	5.8
Mexico	5.8
Saudi Arabia	3.9
Malaysia	3.9

Source: IMF Direction of Trade Statistics and International Financial Statistics. APEC Policy Support Unit calculations.

The United States and China are the top 2 export destinations of APEC economies, which together consumed 41.6 percent of total APEC exports and 40.7 percent of imports in 2014. As such, demand from these economies influence export performance of APEC economies, affecting overall output. The strong economic recovery by the United States, supported by an improving job market and a projected pick-up in personal consumption expenditures and business investments in the latter part of 2014 has already translated to an increase in APEC economies' exports to the United States from 23.7 percent of total APEC exports in 2013 to 24.5 percent as of November 2014. On the other hand, lower demand from China in line with its growth moderation is evident in APEC's reduced exports to the economy from 17.6 percent share of total exports in 2013 to 17.1 percent as of November 2014.

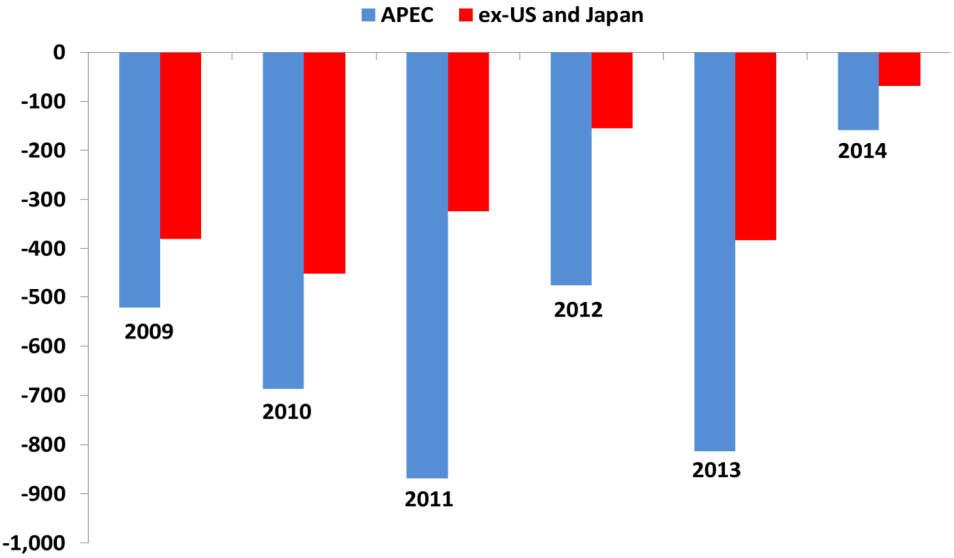
Between mid-May and mid-November 2014, APEC economies[15] implemented 63 trade and trade-related measures (Annex 2). Of these measures, 26 had the effect of facilitating trade, such as the elimination or lowering of tariffs, termination of anti-dumping/countervailing duties, or simplification of trade procedures. On the other hand, 36 measures had the effect of discouraging trade, such as the imposition of import tariffs, initiation of anti-dumping investigations, and imposition of countervailing duties. The other remaining measure was a notice providing information on strengthening compliance procedures.

[15] Based on WTO's *Report on G-20 Trade Measures* released on 5 November 2014.

Capital Flows in APEC Economies

Following the 2008 global economic and financial crisis, total net capital flows to APEC economies remained in negative territory during the period 2009-2013 (Figure A.5). A confluence of factors fuelled risk aversion. Market concerns over rising risks and slowing growth were centered on the protracted slowdown and structural fragilities among major growth engines—particularly the crisis in the Euro area as well as the significant debt of the US—even as emerging and developing economies posted elevated growth. Capital outflows intensified anew in 2013 as lower-than-expected growth prospects for emerging economies encouraged investors to seek safe-haven investments away from emerging market economies with perceived higher volatility.

Figure A.5. Total capital flows, net



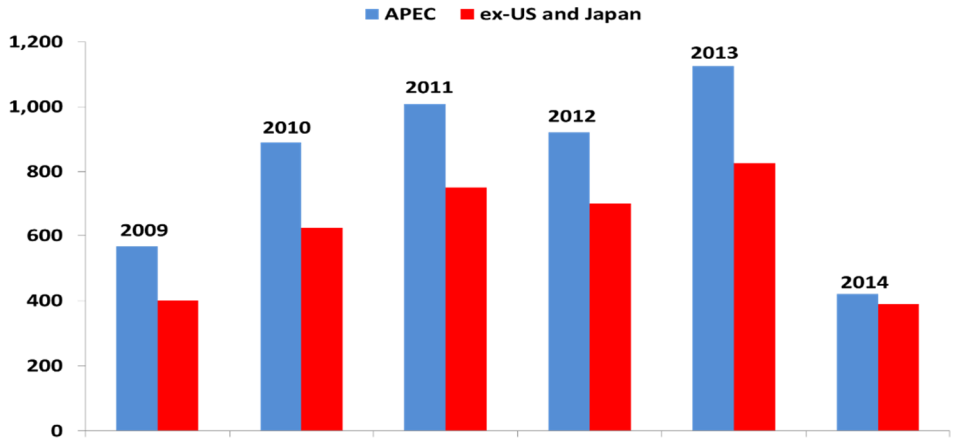
Note: Data excludes reserves and related items. Data are not available for Brunei Darussalam; Papua New Guinea; and Chinese Taipei. Latest available data cover Q1-Q3 2014, except for Australia (Q1-Q2); China (Q1); Thailand (Q1); and Viet Nam (Q1).
Source: IMF International Financial Statistics. APEC Policy Support Unit calculations.

Global FDI flows fell by eight percent in 2014 relative to 2013 levels[16]. Total FDI flows in 2014 were recorded at USD 1.3 billion, much lower than the USD 1.6 billion expected by UNCTAD. On the other hand, cross-border mergers and acquisitions (M&A) increased 19 percent and greenfield FDI projects increased three percent. However, the APEC region remains a top destination for FDI. Six of the top 10 host economies of FDI are APEC economies; namely, China (USD 128 billion); Hong Kong, China (USD 111 billion); the United States (USD 86 billion); Singapore (USD 81 billion); Canada (USD 53 billion); and Australia (USD 49 billion).

[16] Based on UNCTAD's *Global Investment Trends Monitor* No. 18 released on 29 January 2015.

It is worthwhile to note that, despite the continued net outflows in capital, foreign direct investments (FDI) sustained its strength throughout the period 2009-2013 (Figure A.6). The strong and consistent performance of FDIs is attributed to a host of factors, including positive investor sentiment due to sound macroeconomic fundamentals of APEC economies, as well as the low interest rates and ample liquidity prevailing during the post-crisis period. The accommodative financial environment is a result of the implementation of a wide-ranging set of public intervention measures. These include unconventional monetary policies with quantitative easing measures by industrialized economies, primarily aimed at reducing risks and easing credit conditions to fully restore market confidence and financial health.

Figure A.6. Foreign direct investment flows, net



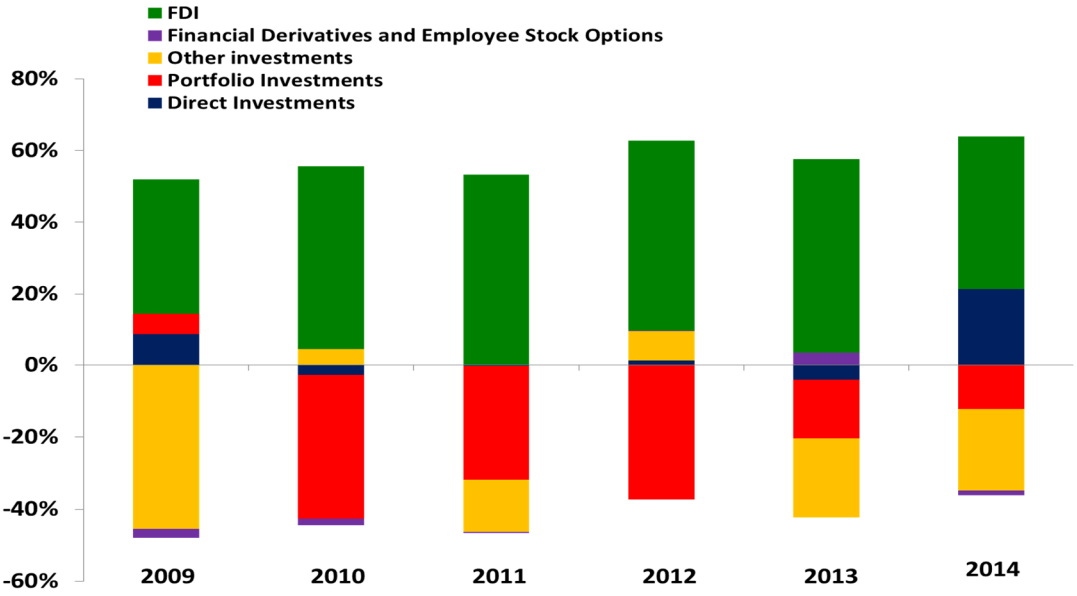
Note: Data excludes reserves and related items. Data are not available for Brunei Darussalam; Papua New Guinea; and Chinese Taipei. Latest available data cover Q1-Q3 2014, except for Australia (Q1-Q2); China (Q1); Thailand (Q1); and Viet Nam (Q1).
Source: IMF International Financial Statistics. APEC Policy Support Unit calculations.

Partial data for 2014 showed continued inflows of FDI into the APEC region, while total capital flows turned less negative, suggesting improved market confidence on the back of domestic demand-driven growth as well as an appropriate policy mix in light of global uncertainties.

In terms of composition, FDI is also the largest component of capital flows, with shares of more than 100 percent of net total APEC capital flows during the period 2009-2014 (Figure A.7). Direct investments, of which FDI is a sub-component, comprised a smaller share, 24 percent on average, during the same period. Portfolio investments also account for a significant share of around 70-160 percent of total capital flows while the other investments[17] item is also an important source of foreign flows with 30-140 percent share for the period 2009-2014.

[17] Other investment includes other capital flows into bank accounts or provided as loans. This category can also include the reserve account.

Figure A.7. Composition of capital flows
(in percent of total)



Note: Data excludes reserves and related items. Data are not available for Brunei Darussalam; Papua New Guinea; and Chinese Taipei. Latest available data cover Q1-Q3 2014, except for Australia (Q1-Q2); China (Q1); Thailand (Q1); and Viet Nam (Q1).
Source: IMF International Financial Statistics. APEC Policy Support Unit calculations.

Between May and October 2014, three APEC economies implemented investment measures aimed at facilitating FDI inflows, while one economy implemented measures regulating foreign financial institutions[18] (Annex 3). Foreign ownership restrictions for certain industries were eased in Australia (flag carrier); China (hospitals in selected pilot areas); and Mexico (telecommunications, satellite operations, and broadcasting). China also eased approval requirements for outward direct investments, only requiring prior approval for investments in "sensitive" regions or industries. On the other hand, the United States implemented new rules on the supervision and regulation of foreign banking organizations.

Trade and Investment Outlook

In its latest forecast, the World Trade Organization (WTO) projects continued modest recovery in trade, with growth in the volume of merchandise trade in 2015 and 2016 at 3.3 percent and 4.0 percent, respectively. These projections are significantly higher than the 2.8 percent increase in 2014. However, these are below the annual average in trade expansion of 5.1 percent posted since 1990. Risks to the trade outlook are tilted to the downside, with slower growth, divergent monetary policies and exchange rate dynamics being the more important determinants.[19]

[18] Based on UNCTAD's *Twelfth Report on G-20 Investment Measures* released on 4 November 2014.
[19] WTO. "Trade Statistics and Outlook". *Press Release No. 739.* (14 April 2015)

Similarly, the IMF[20] forecasts subdued growth in the volume of world trade in goods at 3.5 percent in 2015 and 4.7 percent in 2016. Although higher than the 3.0 percent growth posted in 2014, these forecasts represent a decline from the 7.0 percent annual average expansion recorded during the period 1997-2006. A combination of cyclical and structural factors is behind the lethargic growth in global trade. Moderating global economic activity coupled with cyclical weakness in investment partly explains the lackluster growth in world trade volumes.

Likewise, UNCTAD maintains an uncertain outlook for FDI flows in 2015, owing to a fragile global economy due to low demand and currency volatility. Although upside growth expectations in the United States and Europe can improve investor sentiment, less upbeat growth expectations for Japan and emerging economies are expected to reduce risk appetite.

[20] IMF. "Uneven Growth: Short- and Long-term Factors". *World Economic Outlook.* (April 2015)

Annex 2

Trade and Trade-Related Measures (mid-May 2014 to mid-November 2014)

The following list of trade and trade-related measures implemented in APEC economies from mid-May 2014 to mid-November 2014 is adapted from the WTO's most recent report on G20 Trade Measures (November 2014). This list follows on from an earlier list provided at the APEC Ministerial Meeting (AMM) in Beijing, China in November 2014, which covered the period mid-November 2013 to mid-May 2014.

Economy	Measure	Source/Date	Status
Canada	Initiation on 13 June 14 of anti-dumping investigation on imports of certain concrete reinforcing bar (HS 7213.10.00; 7214.20.00) from China; Korea; and Turkey	WTO document G/ADP/N/259/CAN, 22 August 14; and Permanent Delegation of Canada to the WTO (17 October 14)	Provisional duty imposed on 11 September 14
Canada	Initiation on 13 June 14 of countervailing investigation on imports of certain concrete reinforcing bar (HS 7213.10.00; 7214.20.00) from China; Korea; and Turkey	WTO document G/SCM/N/274/CAN, 29 August 14; and Permanent Delegation of Canada to the WTO (17 October 14)	Provisional duty imposed on 11 September 14
Canada	Elimination of import tariffs on certain products used in manufacturing (10 tariff lines), i.e. palm oil and its fractions; flours, meals and pellets of fish or crustaceans; paints and varnishes; gaskets, washers and other seals; mountings, fittings and similar articles suitable for motor vehicles; lead-acid accumulators; railway or tramway equipment; and motor radiators (HS Chapters 15; 23; 32; 40; 83; 85; 86; 87)	Permanent Delegation of Canada to the WTO (17 October 14)	Effective 13 June 14
Canada	Initiation on 21 July 14 of anti-dumping investigation on imports of oil country tubular goods (HS 7304.29.00; 7304.39.00; 7304.59.00; 7306.29.00; 7306.30.00; 7306.50.00; 7306.90.00) from India; Indonesia; Philippines; Korea; Chinese Taipiei; Thailand; Turkey; Ukraine; and Viet Nam	Permanent Delegation of Canada to the WTO (17 October 14) and Canada Border Services Agency Notice 4214-43/AD 1404 (21 July 14)	
Canada	Initiation on 21 July 14 of countervailing investigation on imports of oil country tubular goods (HS 7304.29.00; 7304.39.00; 7304.59.00; 7306.29.00; 7306.30.00; 7306.50.00; 7306.90.00) from India; Indonesia; Philippines; Korea; Thailand; Turkey; Ukraine; and Viet Nam	Permanent Delegation of Canada to the WTO (17 October 14) and Canada Border Services Agency Notice 4218-40/CV 139 (21 July 14)	
China	Termination on 28 May 14 of anti-dumping duties on imports of dimethyl cyclosiloxane (HS 2931.00; 3824.90) from Korea and Thailand (imposed on 27 May 09)	WTO document G/ADP/N/259/CHN, 18 September 14	
China	Release by the General Office of China's State Council of the Notice on strengthening commercial policy compliance covering certain areas, i.e. customs procedures, tariffs, trade remedies, export taxes, tax rebates, price controls, tax incentives, government support, and intellectual property. The Circular requires the State Council departments, and governments at provincial level to ensure that regulations, regulatory documents and other policy measures are consistent with the WTO rules and China's accession commitments	Permanent Delegation of China to the WTO (16 October 14)	

Economy	Measure	Source/Date	Status
China	Amendments introduced in June 14 to the catalogue of items subject to automatic import licensing resulting on the removal of 81 products, i.e. CD production equipment, automotive products, engineering machinery, textiles machinery, and metal processing machine tools	Permanent Delegation of China to the WTO (16 October 14) and MOFCOM Announcement No. 47/2014	Effective June 14
China	Initiation on 13 June 14 of anti-dumping investigation on imports of hemodialysis equipment (HS 9018.90.40) from the European Union and Japan	WTO document G/ADP/N/259/CHN, 18 September 14	
China	"Three One" joint Notice from the General Administration of Customs (GAC) and General Administration of Quality Supervision Inspection and Quarantine (AQSIQ) expanding the coverage of implementation of: "one declaration, one inspection, and one release" to all regionals customs, as well as the inspection and quarantine departments directly under GAC and AQSIQ. One Declaration refers to one document for customs and inspection and quarantine departments respectively; One Inspection refers to one inspection jointly carried out by customs and inspection and quarantine authorities; One Release refers to a facilitated verification procedure for accelerated release of goods	Permanent Delegation of China to the WTO (16 October 14)	Effective 1 August 14
China	Termination on 5 August 14 of anti-dumping duties on imports of coated art paper (HS 4810.13.00; 4810.14.00; 4810.19.00) from Japan and Korea (imposed on 6 August 03)	Permanent Delegation of China to the WTO (16 October 14) and MOFCOM Announcement No. 48/2014 (4 August 14)	
China	Initiation on 8 August 14 of anti-dumping investigation on imports of methyl methacrylate (HS 2916.14.00) from Japan, Singapore, and Thailand	Permanent Delegation of China to the WTO (16 October 14) and MOFCOM Announcement No. 53/2014 (8 August 14)	
China	Termination on 26 August 14 of anti-dumping duties on imports of catechol (HS 2907.29) from the European Union (imposed on 27 August 03)	Permanent Delegation of China to the WTO (16 October 14) and MOFCOM Announcement No. 55/2014 (25 August 14)	
China	Termination on 31 August 14 of anti-dumping duties on imports of phthalic anhydride (HS 2917.35) from India; Japan; and Korea (imposed on 31 August 03)	Permanent Delegation of China to the WTO (16 October 14) and MOFCOM Announcement No. 59/2014 (21 August 14)	
China	Cotton import quota for 2015 limited at 894,000 tonnes (HS 5201.00.00; 5203.00.00). Out of the quota imports subject to import tariffs of 40%	Permanent Delegation of China to the WTO (16 October 14)	
China	Expansion of the export tax rebate pilot scheme to 8 more ports (Nanjung, Suzhou, Lianyungang, Wuhu, Jiujiang, Qingdao, Wuhan, and Yueyang). Exporters may apply VAT and consumption export tax rebate for their eligible goods when shipped from these 8 ports and via the Yangshan Free Trade Port in Shanghai	Permanent Delegation of China to the WTO (16 October 14)	Effective 1 September 14
China	Termination on 8 September 14 of anti-dumping duties on imports of styrene butadiene rubber (HS 4002.19.11; 4002.19.12; 4002.19.19) from Japan; Korea; and Russia (imposed on 9 September 03)	Permanent Delegation of China to the WTO (16 October 14) and MOFCOM Announcement No. 15/2014 (7 March 14)	

Economy	Measure	Source/Date	Status
Indonesia	Guidelines for Structuring and Development of Traditional Markets, Shopping Centres and Modern Stores imposing limitation on the number of outlets stores (maximum 150), and local content requirements (minimum 80% of products sold)	Permanent Delegation of Indonesia to the WTO (15 October 14) and Regulation Ministry of Trade No. 70/ M-DAG/PER/12/13	Effective 12 June 14
Indonesia	Initiation on 20 June 14 of safeguard investigation on imports of paper and paperboard, not including banknotes paper (HS 4810.13.11; 4810.13.19; 4810.13.91; 4810.13.99; 4810.14.11; 4810.14.19; 4810.14.91; 4810.14.99; 4810.19.11; 4810.19.19; 4810.19.91; 4810.19.99)	WTO document G/SG/N/6/IDN/26, 24 June 14	
Indonesia	Temporary new requirements on imports of alloy steel (HS Chapter 72) establishing automatic licensing procedures. In order to obtain the designation as Importir Terdaftar (IT), i.e. "Registered Importer", every company must apply to the Ministry of Trade and to obtain the Persetujuan Import (PI), i.e. "Import Approval"; every company must submit a written application and recommendation	Permanent Delegation of Indonesia to the WTO (15 October 14); Regulation Ministry of Trade No. 28/M-DAG/PER/6/2014; and WTO document G/LIC/N/2/IDN/24, 24 September 14	Effective 2 July 14 to 31 December 16
Indonesia	Non-automatic import licensing requirements on pearls (HS Chapter 71)	WTO document G/LIC/N/2/IDN/24, 24 September 14	Effective 3 July 14
Indonesia	Initiation on 25 July 2014 of anti-dumping investigation on imports of biaxially oriented polyethylene terephthalate "BOPET" (HS 3920.62.00) from China, India, and Thailand	Permanent Delegation of Indonesia to the WTO (15 October 14)	
Indonesia	Initiation on 27 August 14 of anti-dumping investigation on wheat flour (HS 1101.00.10) from India, Sri Lanka, and Turkey	Permanent Delegation of Indonesia to the WTO (15 October 14)	
Indonesia	Updated list of "reference values" for exports of certain agriculture, forestry products, and mining products (HS Chapters 12; 15; 23; 25; 26; 38; 68; 71), resulting in the imposition of export duties	Permanent Delegation of Indonesia to the WTO (15 October 14) and Regulations Ministry of Trade Nos. 60/M-DAG-PER/9/2014 and 61/M-DAG-PER/9/2014	Effective 26 September 14
Korea	Initiation on 30 May 14 of anti-dumping investigation on polyester filament partially oriented yarn (HS 5402.46) from India, Malaysia, and Thailand	WTO document G/ADP/N/259/KOR, 10 September 14	
Korea	Initiation on 31 July 14 of anti-dumping investigation on H-structural steel sections (HS 7216.33.30; 7216.33.40; 7216.33.50; 7228.70.10) from China	Permanent Delegation of the Republic of Korea to the WTO (15 October 14)	
Mexico	Termination on 23 June 14 of anti-dumping duties on imports of USP-grade liquid sorbitol (HS 2905.44.01) from France (imposed on 28 September 90)	WTO document G/ADP/N/259/MEX, 9 September 14	
Mexico	Elimination of import tariffs on poultry meat and edible offal, chilled or frozen (productos utilizados en la elaboración de carnes frías y embutidos) (HS 0207)	Permanent Delegation of Mexico to the WTO (15 October 14)	Effective 30 July 14
Mexico	Initiation on 12 August 14 of anti-dumping investigation on imports of steel and zamak handles (HS 8302.42.99; 8302.49.99) from China	Permanent Delegation of Mexico to the WTO (15 October 14) and Diario Oficial de la Federación (Official Journal), 12 August 14	
Mexico	Initiation on 12 August 14 of anti-dumping investigation on imports of ammonium sulphate (HS 3102.21.01) from China and the United States	Permanent Delegation of Mexico to the WTO (15 October 14) and Diario Oficial de la	

Economy	Measure	Source/Date	Status
		Federación (Official Journal), 12 August 14	
Mexico	Extension of the reduction of import tariffs (to 20%) on footwear (HS Chapter 64)	Permanent Delegation of Mexico to the WTO (15 October 14)	Effective 29 August 14 to 31 January 19
Mexico	Imposition of reference prices for imports of 57 footwear tariff lines (HS Chapter 64)	Permanent Delegation of Mexico to the WTO (15 October 14)	Effective 5 September 14
Mexico	Initiation on 26 September 14 of anti-dumping investigation on imports of hot-rolled steel coils (HS 7208.36.01; 7208.37.01; 7208.38.01; 7208.39.01; 7225.30.02; 7225.30.03; 7225.30.99) from China, France, and Germany	Permanent Delegation of Mexico to the WTO (30 September 14) and Diario Oficial de la Federación (Official Journal), 26 September 14	
Russia	Elimination of export duties on nickel (from 3.75%) and copper (from 10%) (HS 7403.11.00; 7502.10.00)	Permanent Delegation of Russia to the WTO (15 October 14)	Effective 22 August 14
Russia	Modification of import tariffs on certain metals and products used in the machine building and transportation industry	Permanent Delegation of Russia to the WTO (15 October 14)	
Russia	Temporary export ban on tanned leather (HS 4104.11; 4104.19)	Permanent Delegation of Russia to the WTO (15 October 14)	Effective 1 October 14 to 1 April 15
Customs Union between Russia, Belarus, and Kazakhstan	Reduction of import tariffs (4,803 tariffs lines) under implementation of Russia's WTO accessions commitments	Permanent Delegation of Russia to the WTO (15 October 14); Decisions of the Board of the Eurasian Economic Commission Nos. 77, 103; and Decisions of the Council of the Eurasian Economic Commission Nos. 47, 52	Effective as from June 14
Customs Union between Russia, Belarus, and Kazakhstan	Initiation on 2 July 14 of anti-dumping investigation on imports of crawler dozers with angle and non-angle blade with engine power up to 250 hp (HS 8429.11.00) from China	Eurasian Economic Commission Investigation Number AD-17-CN (2 July 14)	
Customs Union between Russia, Belarus, and Kazakhstan	Reduction of import tariffs (from 3.5% to 2%) on drilling machines (HS 8430.41.00; 8430.49.00) (originally implemented on 2 September 13)	Permanent Delegation of Russia to the WTO (15 October 14)	Effective 26 July 14
Customs Union between Russia, Belarus, and Kazakhstan	Temporary elimination of import tariffs on certain parts of turbo-jets, turbo-propeller and other gas turbines (HS 8411.99.00); terephthalic acid and its salts (HS 2917.36); aniline and its salts (HS 2921.41), and gas turbines (HS 8411)	Permanent Delegation of Russia to the WTO (15 October 14); Decisions of the Council of the Eurasian Economic Commission Nos. 48, 53; and Decisions of the Board of the Eurasian Economic Commission Nos. 110, 219	Effective 2 September 14 to 1 September 16
Customs Union between Russia, Belarus, and Kazakhstan	Initiation on 10 September 14 of anti-dumping investigation on imports of commercial vehicle tyres (HS 4011.20.10; 4011.20.90) from China	Eurasian Economic Commission Investigation Number AD-18-CN (10 September 14)	
Customs Union between Russia, Belarus, and Kazakhstan	Increase of import tariffs (from zero to 5%) on certain machinery parts, not containing electrical connectors, insulators, coils, contacts, or other electrical features (HS 8487.90.51)	Permanent Delegation of Russia to the WTO (15 October 14); and Decision of the Board of the Eurasian	Effective 19 September 14

Economy	Measure	Source/Date	Status
		Economic Commission No. 129	
United States of America	Initiation on 19 May 14 of anti-dumping investigation on imports of 53-foot domestic dry containers (HS 8609.00.00; 9803.50.00) from China	WTO document G/ADP/N/259/USA, 5 September 14	
United States of America	Initiation on 19 May 14 of countervailing investigation on imports of 53-foot domestic dry containers (HS 8609.00.00; 9803.50.00) from China	WTO document G/SCM/N/274/USA, 5 September 14	
United States of America	"Buy America" under the Public-Private Partnership Water Infrastructure Projects requirement to use locally produced iron and steel	The Water Resources Reform and Development Act 2014 – H.R. 3080, 113th Cong. (10 June 14)	
United States of America	Termination on 2 June 14 of anti-dumping duties on imports of 1-hydroxyethylidene-1, 1-diphosphonic acid (HEDP) (HS 2811.19.60; 2931.00.90) from China and India (imposed on 28 April 09)	WTO document G/ADP/N/259/USA, 5 September 14	
United States of America	Initiation on 25 June 14 of anti-dumping investigation on imports of certain steel nails (HS 7317.00.55; 7317.00.65; 7317.00.75; 8206.00.00) from India; Korea; Malaysia; Oman; Chinese Taipei; Turkey; and Viet Nam	WTO document G/ADP/N/259/USA, 5 September 14; Permanent Delegation of the United States to the WTO (15 October 14) and Department of Commerce International Trade Administration A-533-859, A-489-820 Federal Register/Vol 79 FR No. 42049 (18 July 14)	Terminated on 18 July 14 on imports from India and Turkey
United States of America	Initiation on 25 June 14 of countervailing investigation on imports of certain steel nails (HS 7317.00.55; 7317.00.65; 7317.00.75; 8206.00.00) from India; Korea; Malaysia; Oman; Chinese Taipei; Turkey; and Viet Nam	WTO document G/SCM/N/274/USA, 5 September 14; Permanent Delegation of the United States to the WTO (15 October 14) and Department of Commerce International Trade Administration C-533-860, C-489-821 Federal Register/Vol 79 FR No. 42049 (18 July 14)	Terminated on 18 July 14 on imports from India and Turkey
United States of America	Termination on 3 July 14 of anti-dumping duties on imports of carbon and certain alloy steel wire rod (HS 7213.91.30; 7213.91.45; 7213.91.60; 7213.99.00; 7227.20.00; 7227.90.60) from Ukraine (imposed on 29 October 2002)	Permanent Delegation of the United States to the WTO (15 October 14) and Department of Commerce International Trade Administration A-823-812 Federal Register/Vol 79 FR No. 38009 (3 July 14)	
United States of America	Suspension on 18 July 14 of anti-dumping investigation on imports of oil country tubular goods "OCTG" (HS 7304.29.10; 7304.29.20; 7304.29.31; 7304.29.41; 7304.29.50; 7304.29.61; 7304.39.00; 7304.59.60; 7304.59.80; 7305.20.20; 7305.20.40; 7305.20.60; 7305.20.80; 7305.31.40; 7305.31.60; 7306.29.10; 7306.29.20; 7306.29.31; 7306.29.41; 7306.29.60; 7306.29.81; 7306.30.50; 7306.50.50) from Ukraine (investigation initiated	Permanent Delegation of the United States to the WTO (15 October 14) and Department of Commerce International Trade Administration A-823-815 Federal	

Economy	Measure	Source/Date	Status
	on 29 July 13 and provisional duty imposed on 25 February 14)	Register/Vol 79 FR No. 41969 (18 July 14)	
United States of America	Initiation on 21 July 14 of anti-dumping investigation on imports of passenger vehicle and light truck tires (HS 4011.10.10; 4011.10.50; 4011.20.10; 4011.20.50; 4011.99.45; 4011.99.85; 8708.70.45; 8708.70.60) from China	Permanent Delegation of the United States to the WTO (15 October 14) and Department of Commerce International Trade Administration A-570-016 Federal Register/Vol 79 FR No. 42292 (21 July 14)	
United States of America	Initiation on 21 July 14 of countervailing investigation on imports of passenger vehicle and light truck tires (HS 4011.10.10; 4011.10.50; 4011.20.10; 4011.20.50; 4011.99.45; 4011.99.85; 8708.70.45; 8708.70.60) from China	Permanent Delegation of the United States to the WTO (15 October 14) and Department of Commerce International Trade Administration A-570-017 Federal Register/Vol 7 FR No. 42285 (21 July 14)	
United States of America	Initiation on 29 July 14 of anti-dumping investigation on imports of polyethylene terephthalate film, sheet and strip (HS 3920.62.00) from the United Arab Emirates (possible circumvention of anti-dumping measures imposed on 10 November 08)	Department of Commerce International Trade Administration A-520-803 (18 July 14)	
United States of America	"Buy America" for recreational vehicles and boats used for public purposes in the State of Minnesota granting preferences to engine models locally produced	The State of Minnesota Bill S.F. No. 2454 - Section 2.2.2-2.4. (1 August 14)	
United States of America	Termination on 22 August 14 of anti-dumping duties on imports of steel threaded rod (HS 7318.15.20; 7318.15.50) from India and Thailand (investigation initiated on 24 July 13, provisional duties imposed on 31 December 13 on imports from Thailand and on 18 February 14 on imports from India)	WTO document G/ADP/N/259/USA, 5 September 14; Permanent Delegation of the United States to the WTO (15 October 14) and Department of Commerce International Trade Administration A-533-855 Federal Register/Vol 79 FR No. 49810 (22 August 14)	Terminated on 17 April 14 on imports from Thailand
United States of America	Termination on 22 August 14 of countervailing duties on imports of steel threaded rod (HS 7318.15.20; 7318.15.50) from India (investigation initiated on 24 July 13 and provisional duty imposed on 19 December 13)	WTO document G/SCM/N/267/USA, 10 March 14; Permanent Delegation of the United States to the WTO (15 October 14) and Department of Commerce International Trade Administration C-533-856 Federal Register/Vol 79 FR No. 49810 (22 August 14)	
United States of America	Termination on 5 September 14 (without measure) of anti-dumping duties on imports of oil country tubular goods "OCTG" (HS 7304.29.10; 7304.29.20; 7304.29.31; 7304.29.41; 7304.29.50; 7304.29.61; 7304.39.00; 7304.59.60; 7304.59.80; 7305.20.20; 7305.20.40; 7305.20.60; 7305.20.80; 7305.31.40; 7305.31.60; 7306.29.10; 7306.29.20;	WTO document G/ADP/N/259/USA, 5 September 14; Permanent Delegation of the United States to the WTO (15 October 14) and Department of	Terminated on 20 August 14 on imports from the Kingdom of Saudi Arabia

Economy	Measure	Source/Date	Status
	7306.29.31; 7306.29.41; 7306.29.60; 7306.29.81; 7306.30.50; 7306.50.50) from Philippines, Saudi Arabia, and Thailand (investigation initiated on 29 July 13 and provisional duty imposed on 25 February 14)	Commerce International Trade Administration A-517-804 Federal Register/Vol 79 FR No. 49051 (20 August 14) and A-565-802, A-549-832 Federal Register/Vol 79 FR No. 53080 (5 September 14)	
United States of America	Termination on 12 September 14 of anti-dumping duties on imports of ferrosilicon (HS 7202.21.10; 7202.21.50; 7202.21.75; 7202.21.90; 7202.29.00) from Russia and Venezuela (investigation initiated on 14 August 13 and provisional duty imposed on 11 March 14)	WTO document G/ADP/N/259/USA, 5 September 14; Permanent Delegation of the United States to the WTO (15 October 14) and Department of Commerce International Trade Administration A-821-820 Federal Register/Vol 79 FR No. 44393 (31 July 14) and A-307-824 Federal Register/Vol 79 FR No. 54744 (12 September 14)	Terminated on 31 July 14 on imports from Russia
United States of America	Termination on 12 September 14 of anti-dumping duties on imports of grain-oriented electrical steel "GOES" (HS 7225.11.00; 7226.11.10; 7226.11.90) from Germany, Japan, and Poland (investigation initiated on 31 October 13 and provisional duty imposed on 12 May 14)	WTO document G/ADP/N/259/USA, 5 September 14; Permanent Delegation of the United States to the WTO (15 October 14) and Federal Register/Vol 79 No. 54744	
United States of America	Termination on 15 September 14 of anti-dumping duties on imports of steel concrete reinforcing bar (HS 7213.10.00; 7214.20.00; 7215.90; 7221.00; 7221.11; 722.30; 7227.20; 7227.90; 7228.20; 7228.30.80; 7228.60) from Turkey (investigation initiated on 2 October 13 and provisional duty imposed on 24 April 14)	WTO document G/ADP/N/259/USA, 5 September 14; Permanent Delegation of the United States to the WTO (15 October 14) and Department of Commerce International Trade Administration A-489-818 Federal Register/Vol 79 FR No. 54965 (15 September 14)	
United States of America	Initiation on 22 September 14 of anti-dumping investigation on imports of boltess steel shelving units pre-packaged for sale (HS 9403.10.00; 9403.20.00) from China	Permanent Delegation of the United States to the WTO (15 October 14) and USITC 701-TA-523 and 731-TA-1259 (preliminary), Federal Register/Vol. 79 No. 56562 (22 September 14)	
United States of America	Initiation on 22 September 14 of countervailing investigation on imports of boltess steel shelving units pre-packaged for sale (HS 9403.10.00; 9403.20.00) from China	Permanent Delegation of the United States to the WTO (15 October 14) and USITC 701-TA-523 and 731-TA-1259 (preliminary),	

Economy	Measure	Source/Date	Status
		Federal Register/Vol. 79 No. 56567 (22 September 14)	
United States of America	Termination on 23 September 14 of countervailing duties on imports of certain tow behind lawn groomers and certain parts thereof (HS 8432.40.00; 8432.80.00; 8432.90.00; 8479.89.98; 8479.90.94; 9603.50.00) from China (imposed on 3 August 09)	Permanent Delegation of the United States to the WTO (15 October 14) and Department of Commerce International Trade Administration C-570-940, Federal Register/Vol. 79 No. 56769 (23 September 14)	

Annex 3

Investment Measures
(May 2014 – October 2014)

The following list of investment measures implemented in selected APEC economies from May 2014 to October 2014 is adapted from the most recent OECD-UNCTAD Report on G20 Investment Measures (November 2014). This list follows on from an earlier list provided at the APEC Ministerial Meeting (AMM) in Beijing, China in November 2014, which covered the period February 2014 to May 2014.

Type	Description	Date	Source
Australia			
Investment policy measures related to FDI	On 8 August 2014, the Qantas Sale Amendment Act 2014 received Royal assent. The Act eases some foreign ownership restrictions on Australian flag carrier Qantas insofar as ownership by a single foreign investor may now exceed 25% and aggregate ownership by foreign airlines may now exceed 35%. However, foreigners may, cumulatively, still not own more than 49% in Qantas.	8 August 2014	Qantas Sale Amendment Act 2014
China			
Investment policy measures related to FDI	Foreign investors are allowed, since 25 July 2014, to wholly own hospitals in Beijing, Tianjin and Shanghai and the provinces of Jiangsu, Fujian, Guangdong and Hainan as part of a pilot test.	25 July 2014	"Notice on the establishment of foreign-owned hospitals", Ministry of Health and Family Planning, Ministry of Commerce, 27 August 2014.
Investment policy measures related to FDI	On 6 October 2014, new rules on Administration of China's Outward Direct Investment came into effect. Henceforth, only outward direct investment in countries or regions and industries identified as "sensitive" require the approval of the Ministry of Commerce (MOFCOM). Outward direct investment in all other countries or regions and industries only need to be registered with MOFCOM or provincial	6 October 2014	"Ministry of Commerce Introduces Newly Revised Measures for Foreign Investment Management", Ministry of Commerce, 12 September 2014.
Mexico			
Investment policy measures related to FDI	On 13 August 2014, the Federal Telecommunications and Broadcasting Law and the Public Broadcasting System Law entered into effect. The Federal Telecommunications and Broadcasting Law establishes the regulatory framework for the participation of direct foreign investment up to 100% in telecommunications and satellite communications, and up to 49% in the broadcasting sector, subject to reciprocity from the country of the ultimate investor. To obtain a concession for broadcasting services involving the participation of foreign investment, the prior favorable opinion from the National Commission of Foreign Investments is required. The reform is part of the Constitutional Reform in telecommunications, radio and television broadcasting established by decree that entered into effect on 12 June 2013.	13 August 2014	Decreto por el que se expiden la Ley Federal de Telecomunicaciones y Radiodifusión, y la Ley del Sistema Público de Radiodifusión del Estado Mexicano; y se reforman, adicionan y derogan diversas disposiciones en materia de telecomunicaciones y radiodifusión. Federal Official Gazette on 14 July, 2014.
United States			
Investment policy measures related to FDI	On 1 June 2014, a final rule approved by the Federal Reserve Board on 18 February 2014 entered into effect. The rule affects supervision and regulation of foreign banking organisations operating in the United States. The requirements in the final rule seek to bolster the capital and liquidity positions of the U.S. operations of foreign banking organisations. The rule requires foreign banking organisations with U.S. non-branch assets of USD 50 billion or more to establish a U.S. intermediate holding company over its U.S. subsidiaries. The foreign-owned U.S. intermediate holding company will generally be subject to the same standards applicable to domestically owned U.S. bank	1 June 2014	Board of Governors of the Federal Reserve System, Final Rule; press release, 18 February 2014.

Type	Description	Date	Source
	holding companies. Foreign banking organisations with total consolidated worldwide assets of USD 50 billion or more, but combined U.S. assets of less than USD 50 billion, will be subject to enhanced prudential standards including liquidity, capital, risk-management, and stress-testing requirements.		