



Asia-Pacific
Economic Cooperation

2006/SOM2/CTI/003

Agenda Item: 6

**Report on the APEC International Symposium,
“Catalytic Role of the APEC Process: Behind the
Border, Beyond the Bogor Goals”**

Purpose: Information

Submitted by: Japan



**Committee on Trade and Investment
Ho Chi Minh City, Viet Nam
25-26 May 2006**

APEC International Symposium

Catalytic Role of the APEC Process: Behind the Border, Beyond the Bogor Goals

(*Project No. CTI 12/2006T*)

This Symposium, organized by Chiba University and the APEC Secretariat, was held successfully at Chiba University on March 14-15, 2006.

The main objectives of the symposium were to assess progress towards free and open trade and investment to date by means of APEC Action Plans as well as through the WTO and regional trading agreements (RTAs)/Free Trade Agreements (FTAs) and to look for ways to promote further progress in the direction of the Bogor Goals.

The main recommendations are followed by the summary of discussions. For ease of reference, the recommendations on the basis of this Symposium are listed first. The programme of the Symposium is attached.

Recommendations

The two days of presentations and discussions led to the following recommendations to the Committee on Trade and Investment (CTI):

- CTI should support the Busan Roadmap and the Busan Business Agenda, which set out a strategy consistent with the nature of the APEC process and its comparative advantage relative to the WTO. The Busan strategy aims to capture the gains from behind-the-border reforms, which are potentially considerably greater than from further reduction of border barriers.
- The priorities identified in the Busan Business Agenda need to be converted into programs to achieve concrete and ambitious targets which reflect the current needs, priorities and capacities of APEC's diverse member economies.
- The APEC process should give highest priority to potential reforms identified in the Busan Business Agenda, including customs and port efficiency, business mobility, e-commerce, transparency, anti-corruption, regulatory reform and competition policy.

- APEC member economies should be encouraged to take further concrete actions in practical areas – such as customs, standards, business mobility and e-commerce – to achieve at least another 5 per cent reduction in transactions costs by 2010.
- APEC should continue to make strategic inputs into the Doha Development Agenda negotiations, including continuing support for progress in agriculture and a Swiss Formula approach to reducing non-agricultural tariffs.
- APEC's work can begin to look beyond the Doha Development Agenda; for example to promote the shared interest of all APEC economies in strengthening WTO rules, including on RTAs/FTAs as well as in some new areas. It may also be possible to build on APEC's successful promotion of Information Technology Agreement (ITA) under the WTO, taking into consideration the basic principles of APEC, namely voluntarism and flexibility and without prejudging economies' position in the WTO.
- CTI should work towards greater consistency of RTAs/FTAs with the WTO. In addition to further model measures, it would be desirable to promote a strategy for encouraging transparency and closer conformity with APEC's agreed best-practice principles for RTAs/FTAs, for example to promote more comprehensive agreements.
- The ECOTECH program needs to become considerably more focused. Capacity-building should be reoriented towards actual implementation of APEC objectives, including those to be set for the Busan Business Agenda. ECOTECH needs to be matched closely to the capacity-building and technical support needs of individual member economies. Capacity-building activities will need to attract support from the private sector as well as international financial institutions.

Summary of discussions

The symposium reviewed the evolution of the APEC process, noting its unique features which reflect the diversity of its 21 member economies and the evolving nature of economic links among them. The striking differences in the resource endowments of member economies creates enormous potential for trade. Market-driven integration of the Asia Pacific region has been evident for decades, contributing to growing prosperity.

APEC was established to help sustain these positive trends and it has proved possible to do so. APEC economies have achieved significant liberalisation of trade and investment, contributing to a more open regional environment.¹

The pace of trade and investment liberalisation and facilitation has been faster than elsewhere, helping to sustain growth of production and trade at a rate faster than the rest of the world. Effective cooperation on security matters has made it possible to respond to international terrorism without disrupting trade and investment. The pattern of trade of APEC economies is becoming relatively more efficient in the sense of reflecting comparative advantage and geography.

Despite such sustained progress, there is still a sense that the APEC process needs new vigor and direction. Progress on concerted unilateral liberalisation of remaining border barriers to trade and work of liberalisation has shifted to the WTO Doha Round and the growing number of RTAs/FTAs (with comprehensive economic partnership agreements being an outstanding example because of potential greater gains from behind the border measures). There is also growing interest in East Asian, as well as trans-Pacific cooperation.

The Busan Roadmap

Against this background, the mid-term stocktake was timely. Participants in the Symposium endorsed strongly the direction set by the Busan Roadmap, noting that it was based on an objective assessment of past experience and confirmed that a voluntary process is the only practical option for cooperation in the diverse Asia Pacific region.

Therefore, APEC needs to promote free and open trade and investment in ways which are consistent with voluntary cooperation. Since APEC is not a negotiating forum, its comparative advantage is in catalyzing collective and individual actions by APEC governments to tackle behind the border issues which impede mutually beneficial economic links among our economies.

Discussions at the Symposium highlighted the changing nature of international commerce. The movement of goods and services is being accompanied by greater international mobility of people, capital and information. APEC must focus on this new environment in which issues such as business mobility, anti-corruption, intellectual property rights and secure trade are looming as large as traditional border barriers such as tariffs.

It was agreed that the Bogor Goals should be interpreted in a dynamic way. Arguably, this might imply the need to go beyond the original Bogor Goals as they were commonly and rather

¹ For example, average applied tariffs have been reduced from 16.9 per cent in 1989 to 5.5 per cent by 2004. Other dimensions of successful trade and investment liberalisation and facilitation are set out in the Busan Roadmap.

ambiguously perceived at the time of the Goals' inception. It is essential to take a wide view of the concept of free and open trade and investment. In addition to working towards zero, or negligible, border barriers, APEC needs to promote other objectives like:

- greater transparency and consistency of regulations;
- mutual recognition of standards;
- less restricted movement of business people and capital;
- best practice logistics including paperless commerce and other applications of emerging information and communications technology.

Remaining border barriers

At the same time, APEC can sustain support for progress on remaining border barriers in the WTO. As witnessed in 2005, APEC can make strategic inputs: its backing of the Swiss formula for reducing non-agricultural tariffs broke a logjam in the Doha Round and the strong statement from APEC leaders in Busan contributed to keeping the Round alive in Hong Kong.

APEC can also begin to consider its strategic interests in WTO agenda beyond the current round. There is scope for further strengthening of rules on preferential trading arrangements and on contingent protectionism. APEC may also be able to build on its 1996 initiative for a WTO agreement which has ensured free trade in information technology products. It may be possible to insulate other new sectors from trade restrictions, taking into consideration the basic principles of APEC, namely voluntarism and flexibility and without prejudging economies' position in the WTO..

There was extensive discussion of RTAs/FTAs. Many examples were presented of the way in which RTAs/FTAs have helped to promote and lock in greater openness in several APEC economies. On the other hand, there is reason to be concerned about the "domino effect" of these agreements. That could lead to a proliferation of inconsistent agreements. RTAs/FTAs which are no more than consistent with WTO are not likely to promote desirable region-wide integration. All such arrangements should be transparent. Intensive efforts should be made to encourage a more consistent approach to negotiating high quality agreements, including the development of model measures for chapters for dealing with particular issues.

Greater gains from behind-the-border reforms

Whatever progress can be made in terms of reducing border barriers by any possible vehicle, including the WTO, achieving negligible or zero tariffs would not be enough for genuine free and open trade and investment. Behind-the-border issues, such as economic regulation, limited competition in domestic markets (especially supporting services including finance, retail and distribution) as well as more recent issues like technology innovation, utilization of information

technology (IT) and the sequence of reform, are becoming relatively more important, now that average tariffs are already quite low.

Presentations to the Symposium pointed to recent research which shows that the biggest gains from economic reform in the APEC region can now be obtained from behind-the-border regulatory reform, such as reforming domestic restrictions on competition that affect both foreigners and potential domestic competitors. The gains from such behind-the-border actions have been estimated to be more than five times as great as the elimination of tariffs among APEC economies.²

The presentation by Professor Sangkyom Kim indicated that a 50 per cent improvement in trade facilitation would achieve gains which are larger than an 85 per cent reduction in tariffs.³ The presentation by John Wilson from the World Bank noted that a \$280 billion increase in trade could be expected from bringing the efficiency of all ports in the region up to half the benchmark already established by some APEC ports.

New direction for APEC

These findings indicate that the APEC process should give highest priority to potential reforms identified in the Busan Business Agenda, including customs and port efficiency, business mobility, e-commerce, transparency, anti-corruption, regulatory reform and competition policy. APEC governments can assist each other with advice and encouragement of such reforms.

APEC has already been effective in these dimensions of trade and investment facilitation, which is in line with APEC's comparative advantage as a voluntary process of economic cooperation. The limits on progress in most of the areas identified in the Busan Business Agenda are institutional and financial constraints. The key to progress is capacity-building, helping to strengthen policies and institutions by sharing information, experience, expertise and technology among APEC economies and by catalysing additional resources for capacity-building from outside sources.

It was noted that some of these reforms would resemble parts of the European Union's Single Market Agenda. However, APEC would need to use a different approach from Europe. Rather than attempting to force very different economies to move at the same pace, each APEC economy can be encouraged to move at a pace which, while ambitious, is in line its stage of development.

² Dee, Philippa (2005) 'East Asian Economic Integration and its Impact on Future Growth', *Pacific Economic Papers*, Canberra: Australia-Japan Research Centre, ANU, No 350, as cited in the presentation to the Symposium by Professor Peter Drysdale.

³ The improvements from trade facilitation in his paper are to be achieved by better customs procedures, standards and conformance, business mobility and e-commerce.

Speakers from several APEC economies (see program) explained what they were already doing, either unilaterally or by agreement or cooperation with other economies, in many of these areas. It was agreed that the APEC process can catalyze further collective as well as individual actions to reduce the costs and risks of international commerce due to behind-the-border problems.

APEC 2006

The speakers from Viet Nam explained their priorities and strategies for APEC 2006. Their top priority was to promote further enhancement of trade and investment facilitation, by support for the WTO and the Doha Development Agenda and by beginning the implementation of the Busan Roadmap. They will also promote work on model chapters for RTAs/FTAs in order to make them more comprehensive and more consistent with the WTO. An action plan is to be developed for the Busan Roadmap. This could cover all, or selected, elements of the Busan Business Agenda leading to a multi-year work program. The CTI could incorporate relevant elements of these into its own work program. As explained in the Busan Roadmap, APEC governments can then support the implementation of these priorities and targets by means of focused capacity-building programs.⁴

Participants welcomed the proposed Action Plan to implement the Busan Business Agenda. They agreed that concrete objectives should be set as soon as possible, building on the ongoing Trade Facilitation Action Plan. These objectives should include, but go beyond work to reduce transactions costs by a further 5 per cent by 2010.

The presentation by Viet Nam Senior official Tran Thi Thu Hang set out the origins and evolution of APEC's ECOTECH program. That effort has become very extensive and poorly focused.⁵ She noted that the current challenges for ECOTECH were to become more focused and suited to the strategic Busan Roadmap for the future. ECOTECH activities will also need to attract support from the private sector as well as international financial institutions. Capacity-building should be reoriented towards actual implementation of APEC priorities, including those to be set for the Busan Business Agenda and need to be matched closely to the capacity-building and technical support needs of individual member economies.

⁴ Further details may be found in the presentation by Ms Phan Than Ha and Ms Nguyen Hoang Thuy.

⁵ For example, 22.7 per cent of the 1,113 projects under way could not be classified into any of the six broad agreed priorities for ECOTECH.

Attachment:



APEC International Symposium

***Catalytic Role of the APEC Process: Behind the
Border, Beyond the Bogor Goals***

(Project No. CTI 12/2006T)

PROGRAMME

14 (Tue.) and 15 (Wed.) March, 2006

Venue:

Chiba University
(University Convention Hall, Nishi-Chiba Campus)
Chiba, Japan

Organized by:

Asia Pacific Economic Cooperation (APEC); and
Chiba University, Japan

Supported by:

Ministry of Foreign Affairs, Japan
Ministry of Economy, Trade and Industry, Japan
Chiba Prefecture
Chiba City
AEON Co., Ltd.

Introduction

APEC has been working hard to make the ultimate goal of free and open trade and investment. Thanks to all the member economies' strenuous efforts, all of us have become more open to trade, investment and ideas from each other and from the rest of the world. In essence, there is clear evidence that all APEC economies are properly headed in the direction of the Bogor Goals. There is, however, some concerns about the capacity of APEC to tackle the many remaining regional impediments to trade and investment, and constructing market-reinforcing institutional measures.

Out of the year 2005's Economic Leaders' Meeting and its related meetings came the roughly shared recognition that at least 5 or 6 vehicles could help member economies achieve the Bogor Goals, i.e., APEC's Individual Action Plan (IAP), Collective Action Plan (CAP), Pathfinders, as well as WTO's Doha Development Agenda, bilateral free trade agreements (FTAs) and "behind the border actions" (including domestic structural reforms). While all of these APEC and non-APEC "vehicles" are interdependent by nature, interrelations among them are not clearly indicated or explained. For instance, some structural reforms are taken for granted (or "embedded") before concluding an economic agreement whatsoever. If member economies concluded an FTA among them without being prepared for proportionate structural reforms, such an FTA would possess an "evil" lock-in effect on otherwise genuine liberalization and facilitation of trade and investment since such an FTA must be a "low-quality" agreement after all. This sort of balance might be indispensable not only between FTA and structural reforms but also between FTA and WTO, for example. By frankly exchanging ideas on this balance among several vehicles, we wish to identify how to combine several vehicles to achieve a regional liberalization.

Objective of Symposium

APEC has been working hard to make the ultimate goal of free and open trade and investment (TILF). With the APEC region's external economic circumstances continuously changing as a result of the ongoing WTO Doha round, proliferating FTAs/RTAs and deepening interdependence of de facto economic relationships, APEC's institutional role(s) should be made clearer in a proactive manner. Thus, the key objective of the International Symposium is twofold:

- (1) Identify how the APEC region has been utilizing various useful "vehicles" including those provided by APEC itself; and
- (2) Seek consistent and feasible roadmap(s) which could integrate all of non-APEC "vehicles", for achieving TILF on time.

Background Documentation

Copies of presentation materials will be handed out at the symposium, including several relevant papers of the APEC-Study Centres.

List of Participants (in the alphabetical order of economy, tentative)

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| Australia | Peter Drysdale (Professor Emeritus, Australian National University) Andrew Elek (Executive Director, Bellendena Partners, Australia; and Research Associate of the Economics Division of the Asia Pacific School of Economics and Government at the Australian National University) |
| Chile | Oswaldo Rosales (Director, International Trade and Integration Division, United Nations Economic Commission for Latin America and the Caribbean (ECLAC)) |
| People's Republic of China | Sheng Bin (Professor, Nankai University) |
| Indonesia | Pos. M.Hutabarat (Former deputy minister of industry and trade, Ministry of Industry and Trade) Syafrudin Yahya (Deputy Director for APEC Trade & Investment Cooperation, Ministry of Industry and Trade) |
| Japan | Motoya Okada (CEO, AEON Co., Ltd.) Hidetaka Saeki (Former Senior Official at the Ministry of Economy, Trade and Industry) Nobuhiko Sasaki (Deputy Director-General, APEC Senior Official, Trade Policy Bureau, Ministry of Economy, Trade and Industry) Ippei Yamazawa (President, International University of Japan) |
| Republic of Korea | Sang-Kyom Kim (Head, APEC Study Team, Korea Institute for International Economic Policy) |
| Mexico | Raul Urteaga (Minister of Trade Affairs, Embassy of Mexico, Japan) Monica Contreras (Mexico's Representative, APEC Committee on Trade and Investment). |
| Papua New Guinea | Billy Manoka (Head of Economics, School of Business Administration, University of Papua New Guinea) |
| Peru | Luis Cabello (Vice Rector, National University of Engineering) |

United States

Theodore Lyng (Director of the Office of Economic Policy of the Bureau of East Asian and Pacific Affairs, the Department of State)

Viet Nam

Tran Thu Hang (Deputy Director-General and Vietnam's Senior Official to APEC, Ministry of Trade)

Nguyen Thi Hoang Thuy (Director of APEC Division, Ministry of Trade)

Phan Thanh Ha (Deputy Director, Department of Macro-Economic Policies, Central Institute for Economic Management, Ministry of Planning and Investment)

<Grouping for discussions>

Group 1 : **Andrew Elek , Syafrudin Yahya , Luis Cabello**

Group 2 : **Billy Manoka , Monica Contreras , Sheng Bin**

Schedule

Tuesday, 14 March 2006

10:00~10:30

Opening Session

Welcoming Addresses:

Toyoki Kozai (President, Chiba University)

Satoru Sato (Senior Official, Ministry of

Foreign Affairs, Japan)

Akiko Domoto (Governor, Chiba Prefecture)

Yuzaburo Mogi

(Chairman and CEO, Kikkoman Corporation)

Facilitator: Hidetaka Saeki

10:30~12:00

Session ONE: Asia Pacific Economy

Presentation1: "APEC Then and Now"
(by Peter Drysdale)

Presentation2: "APEC's Trade and Investment Liberalization
and Facilitation: Its Achievement and tasks Ahead"
(by Ippei Yamazawa)

12:00~12:45

Interactive discussion inviting Group1
on issues of key concerns by APEC members

12:45~14:00

Lunch Break

14:00~15:30

Session TWO: Efficacy of APEC's "Vehicles"

Presentation1: Trade Facilitation
(by Sang Kyom Kim)

Presentation2: How to link APEC's Regionalism
to Multilateralism and Bilateralism (under the
presentation title "Revisiting Chilean Integration to World
Economy")
(by Osvaldo Rosales)

Presentation3: Japan's FTAs/EPAs with APEC Economies
(by Nobuhiko Sasaki)

15:30~15:50 Break ("Fair Trade Coffee and Tea" served)
16:00~17:00 Q&A and discussion on Presentations 1~3 inviting Group2
18:00~ Welcome Reception, at Mitsui Garden Hotel Chiba (near JR
Chiba Station)

Wednesday, 15 March 2006

Facilitator: Hidetaka Saeki

10:00~11:30 Session THREE: APEC and Behind-the-Border Actions
Presentation1: "Behind-the-Border Actions and APEC: The
Case of Mexico"
(by Raul Urteaga)
Presentation2: "Behind-the-Border Actions and APEC: The
Case of Indonesia"
(by Pos.M.Hutabarat)

11:30~12:15 Special Session: APEC Region's Business Environment
Presentation title (provisional): "Trade and Investment
Liberalization and Facilitation (TILF) in the APEC Region: A
Perspective from Business"
(by Motoya Okada)
Q&A and/or discussions (participation from the floor)

12:15~13:30 Photo Session & Lunch (Sponsored by AEON Co., Ltd.)

13:30~15:30

Session FOUR: “Roadmap” beyond the Bogor Goals

Video Message from the World Bank (by Lead Economist John Wilson)

Remark: “How to Link APEC’s Regionalism to Multilateralism and Bilateralism: a viewpoint from the USA” (by Theodore Lyng)

Presentation: APEC’s Scope for ECOTECH: A Viewpoint from Vietnam (by Tran Thu Hang)

Briefing: APEC 2006 in Vietnam (by Phan Thanh Ha and Nguyen Thi Hoang Thuy)

15:30~16:00

Closing Remarks and Farewell Attraction

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16:00~

Press Conference

Thursday, 16 March 2006

Technical Tour

9:50~ Promotion of Science in Chiba: *Kazusa Akademia Park*

13:00~ Promotion of Tourism in Chiba: *Tokyo Disney Resort*

16:00~ Free (inside Tokyo Disney Resort or elsewhere)

For inquires, contact:

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