



Asia-Pacific
Economic Cooperation

Advancing Free Trade
for Asia-Pacific Prosperity



Research Outcomes

Summary of Research Projects 2015

Policy Support Unit

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APEC Policy Support Unit (PSU)

is the policy research and analysis arm of APEC, comprising openly recruited professionals working together with APEC Senior Officials, committees and fora, in improving the quality of their deliberations and decisions and promoting policies that support the achievement of APEC's goals, by providing objective and high quality research, analytical capacity and policy support capability.

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Contents

Trade and Investment Liberalization and Facilitation

- APEC's Bogor Goals Dashboard 2015 2
- Report on APEC Work on Services and Baseline Indicators 2
- Services in Global Value Chains: Manufacturing-Related Services 4
- Services, Manufacturing and Productivity 5
- Promoting Products Contributing to Sustainable and Inclusive Growth through Rural Development and Poverty Alleviation 8
- Trends and Developments in Provisions and Outcomes of RTA/FTAs Implemented in 2014 by APEC Economies 10
- IFAP Implementation in Facilitating Investment for the Asia Pacific Region: 2014 Update 11

Structural Reform

- Regulatory Reform - Case Studies on Improving the Business Environment for SMEs 13
- Structural Reform for Resilient and Inclusive Growth 14
- Assessing the APEC New Strategy for Structural Reform (ANSSR) and Advancing the APEC Structural Reform Agenda Beyond 2015 16
- APEC's Ease of Doing Business: Interim Assessment 2009-2014 17

Connectivity including Supply Chain Connectivity & Global Supply Chains

- Value Chain Resilience in the Asia Pacific: A Synthesis Report 20

Economic and Financial Analysis

- Assessment of the APEC Leaders' Growth Strategy 22
- APEC Economic Trends Analysis 26
- Key Trends and Developments Relating to Trade and Investment Measures and Their Impact on the APEC Region 29
- Guidebook on Trade and Supply Chain Finance 34

Sustainable Economic Development

- The APEC Women and The Economy Dashboard 2015 36
- SME Internationalization and Measurement 37
- SMEs, Competition Law and Economic Growth 38

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Trade & Investment Liberalization & Facilitation

APEC's Bogor Goals Dashboard 2015

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APEC#215-SE-01.23
Published Date: October 2015
Full Report: 35 pages

The Bogor Goals Dashboard aims to provide easy-to-understand figures to track advances in areas critical to promoting greater regional economic integration. It displays a set of harmonized indicators laying out the evolution across time certain aspects of trade and investment liberalization and facilitation in quantitative terms.

This report provides updated figures on the indicators included in the APEC's Bogor Goals Dashboard. Please refer to the report for the APEC Dashboard and those for each APEC member economy.

Findings

The Dashboard shows that more efforts are needed in the APEC region to advance towards the Bogor Goals of open and free trade and investment. In terms of trade, average tariffs increased slightly from 5.7 to 5.8% between 2012 and 2013, mostly explained by the increase of agricultural goods tariffs which went up from 12.0 to 12.2%. The cost to export and import also increased in recent years.

As for services, the Dashboard shows a rising number of trade agreements including clauses with commitments on liberalizing bilateral services trade in several sectors. On investments, the perception of rules affecting negatively the arrival of FDI and the prevalence of foreign ownership since the Global Financial Crisis has not changed.

Report on APEC Work on Services and Baseline Indicators

Publication Number:
APEC#215-SE-01.26
Published Date: November 2015
Full Report: 123 pages

This report evaluates APEC's work on services and proposes baseline measures and relevant indicators for services trade in the region. The first part of the report assesses services-related projects and programs across relevant APEC committees and working groups and reflects on how to improve the governance of services work in APEC; the second part proposes various services trade indicators and divides them into two groups – those that provide measurement of services trade in APEC and those that pertain to regulatory conditions that facilitate services trade; and the last part provides some recommendations relating to the governance structure of services in APEC and towards improving services trade indicators so as to facilitate the future review of services.

Findings & Recommendations

Evaluation of APEC Work on Services

- Assessment of database of projects in the APEC website shows that for APEC as a whole, 53% of the projects are relevant to the services sector. Of these, 33% are carried out by the Committee on Trade and Investment (CTI) & related groups; 8% by the Economic Committee (EC) & related groups; while the remaining 59% by the SOM Steering Committee on Economic and Technical Cooperation (SCE) & related groups.
- Categorizing projects by individual working group shows that some of the working groups undertake more services-related projects than the Group on Services (GOS) despite it being regarded as the group responsible for services. Some of these groups are Energy Working Group (which takes 23% of total services-related projects); Human Resources Development Working Group (10%); Investment Experts' Group (8%); and Transportation Working Group (8%). In contrast, GOS projects only made up a modest 5%.
- Besides projects, APEC also has numerous non-project achievements related to services. These achievements are in the form of agreements, action plans, work plans,

principles and model measures. They include APEC Business Travel Card, APEC Blueprint for Action on Electronic Commerce and APEC Work Plan on Promoting Cross-Border Education Cooperation, APEC Privacy Framework, and others.

Implication on Services Governance

- The multi-sectoral issues involved in the service sector, together with the currently scattered organization of sectoral groups within APEC, means that no single committee, let alone GOS, can coordinate the cross-sectoral work that relates to services. APEC Senior Officials, therefore, need to explore options to make APEC's work on services better coordinated and more coherent.
- One option for APEC to address the currently dispersed work on services would be to elevate the role of GOS and give it coordinating power over the different service sector working groups. Another option would be to maintain the status quo but improve SOM's coordinating role of services-related work by putting a comprehensive review of services as a standing agenda item in its regular meetings. The report discusses the advantages and disadvantages of each of these options; notes that a holistic view on services is helpful to eliminate sometimes conflicting priorities, improve information flow,

and avoid duplication of efforts and resources; and acknowledges the complex and heterogeneous nature of services where sector-specific approach is sometimes appropriate.

- Analysis of past and ongoing services work in APEC shows that future services roadmap, if agreed, will not be an entirely new task for member economies. Among the things that the roadmap can do would be to consolidate and link the many activities, plans and initiatives that working groups and committees are already undertaking. The roadmap can enhance and supplement the implementation of the APEC Connectivity Blueprint, provide platforms for more cross-fora dialogues and regulatory cooperation.

Baseline Measures and indicators

- The report identifies 11 baseline indicators that measure trade in services across various modes of supply and 9 indicators for the regulatory condition. It details what each particular indicator can measure, the source, and the current situation based on the indicator's most current data.
- The report also details the limitations and data gaps that make the current (and future) assessment of services challenging. These include incomplete years of information or few

economies that compile and report specific statistics. In order to facilitate the future assessment of APEC's work on services, the report proposes the following targets for the consideration of member economies by 2020:

- To increase the number of economies with services trade restrictiveness index and FDI regulatory restrictiveness index;
- To see a reduced number of visa requirements – especially for business travel – for APEC economies' citizens and an increased number of economies accepting online applications and improvements in information regarding entry visas;
- To see a complete coverage of APEC economies in all the regulatory indicators;
- For all APEC economies to show no data gap in trade in services in the balance of payments from this year forward, and report trade in services by sector;
- For all APEC economies to report bilateral trade in services, especially with other APEC economies, to get a better assessment of progress and growth of trade in services in the region; and
- To have multi-year capacity building activities for statistical agencies on how to compile and harmonize FATS data statistics.

Services in Global Value Chains: Manufacturing-Related Services

Publication Number:
APEC#215-SE-01.15
Published Date: November 2015
Full Report: 510 pages

This report contains an analysis of the role of services in manufacturing value chain activities as well as policy issues that affect the supply of these services. The approach is to undertake case studies of the value chains of firms in order to understand how services enter production, trade and consumption, and what functions they performed. The project compiled case studies involving 22 firms based in different APEC economies, 14 from Asia and 8 from North America and Chile.

Findings & Recommendations

Through face-to-face interviews, the study collected various experiences relating to services in different value chain configurations, as well as some policy restrictions that affect these services and the companies' businesses in general. It finds that value chains use a wide range of services, numbering from as few as 37 and as many as 74. Moreover, approximately 38% to 90% of services are outsourced to third parties, usually depending on cost considerations and on whether they form part of the core activity of the firm.

Policy issues discussed with firms include restrictions on investment and labor mobility, policies relating to skills development, a range of other regulatory issues, customs facilitation, and security related threats. For the most part, the policy issues are not merely about services, but also highly relevant to manufacturing operations. This attests to the need to think about policies in terms of their overall impact on economies in a world where manufacturing and the supply of services are increasingly co-dependent. The paper discusses the nature of restrictions in different economies, the costs they impose on firms and customers, and their general economic effects.

The policy discussions are also relevant to institutional and infrastructural development. Examples of positive experiences of economies that have liberalized port management and modernized ports and transport facilities show how this has minimized the distance disadvantage of some economies from their markets and fostered competitiveness. The paper also brings out the need for effective intellectual property protection. Importantly, it highlights the effects of the policy incoherence inherent in opening up manufacturing for investments but maintaining restrictions on services.

Although perhaps a distant objective at the moment, providing visa waivers for more economies, facilitating labor mobility, and relaxing foreign labor quotas can lead to large benefits for the receiving economy (Kommerskollegium, 2015). Such policies are a strong complement to foreign investment openness and can support the transfer of technology and technical know-how. Helping SMEs with international standards accreditation would boost their ability to participate in

GVCs. Standards and high conformity assessment costs, along with other institutional disadvantages, such as a lack of access to finance, are among the other hurdles confronting SMEs as they seek to reap the benefits of being part of GVCs.

In order to improve government services and to avoid creating negative impact on trade, it is also imperative to build and maintain constructive stakeholder relationships. This may include providing opportunities for public consultation in the regulatory process and constantly reviewing the regulations with stakeholder involvement. Such measures can contribute to enhancing transparency, predictability and consistency in the business environment and minimize the costs described in the various case studies.

Finally, the case studies illustrate how policies carrying unnecessary costs merit careful consideration in each economy's political and economic calculus as it crafts its vision and plans for generating growth, jobs and development.

Services, Manufacturing and Productivity

Series: Issues Paper No. 9

Publication Number:

APEC#215-SE-01.3

Published Date: January 2015

Full Report: 39 pages

This issues paper tries to tease out more detailed information from the WTO-OECD Trade in Value Added (TiVA) database to understand how important services is in APEC economies by analyzing quantitatively the various aspects through which services could contribute to their economies' exports such as via direct exports as well as indirectly via manufacturing or other services sectors' exports. Specifically on services' role in manufacturing, the paper attempts to explore the link between services and manufacturing productivity. Business services, it appears, is a dominant services input in manufacturing and is discussed in the paper in greater length, where regulations that are likely to affect the provision of these services negatively are identified. The paper concludes with implications for trade policy.

Findings & Recommendations

Services has an important role in the manufacturing sector. While they were economically unrecognized and considered non-tradable previously, the trend towards outsourcing of originally in-house activities has uncovered a whole host of service activities and their economic value.

Business strategies employed by firms in manufacturing sector have also increasingly evolved towards more services offering as a way to differentiate and add value to their goods, besides helping to build brand loyalty and product dependence.

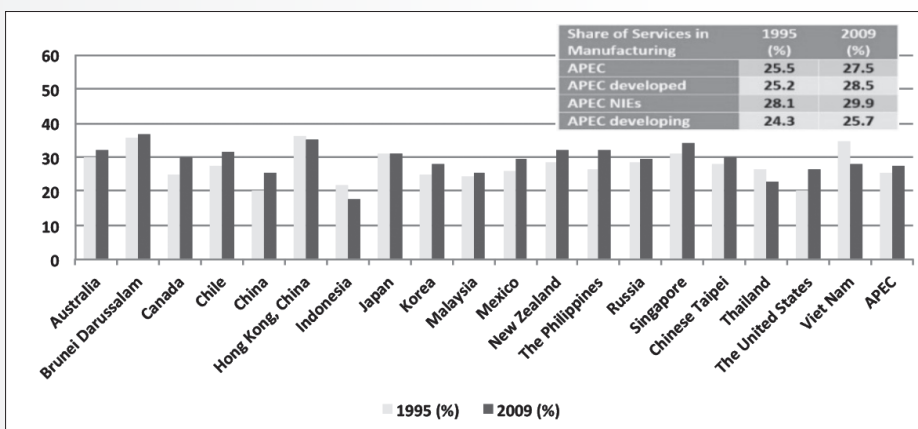
Measurement of exports in terms of value added indeed paints a very different picture of services share vis-à-vis that of primary products and most importantly manufacturing when compared to their relative exports in gross terms; while services only made up 23% of total world exports in gross terms, its share almost doubled to 45% when measured in value added terms.

The OECD TiVA database shows that typically a third of the value of global goods exports are composed of services that are either embedded in the product or formed part of the sale package of the product. For APEC as a whole, services'

value added share in manufacturing export rose from 25.5% to 27.5% between 1995 and 2009. By sector, services' value added share rose between 1995 and 2009 across all manufacturing sectors except one.

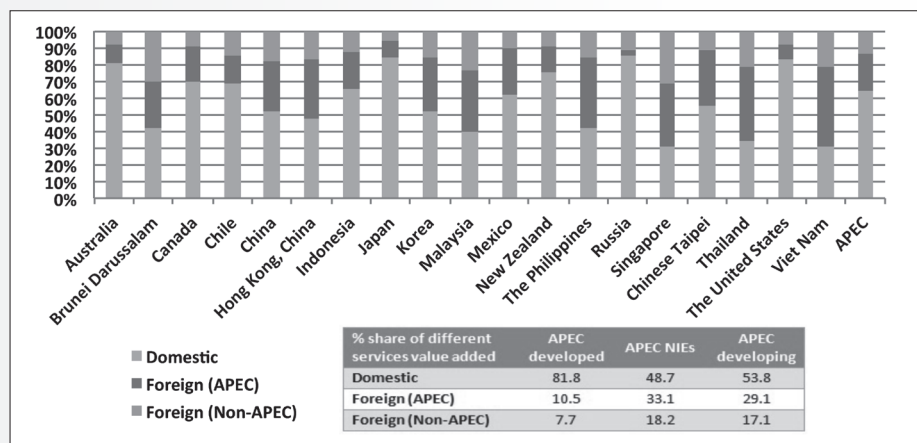
While foreign services' value added share has increased across all manufacturing sectors in 2009 relative to 1995, both as a percentage of gross exports and of total services value added, domestic services' value added share in 2009 remains significant at 65% for APEC as a whole.

Figure: Share of services value added in manufacturing exports (1995 and 2009)



Source: APEC Policy Support Unit computation based on OECD-WTO Trade in Value Added (TiVA) database.

Figure: Domestic and foreign share of services value added in manufacturing exports in 2009



Source: APEC Policy Support Unit computation based on OECD-WTO TIVA database.

The importance of services is further complemented by backward linkage analysis of I-O tables obtained from the OECD Structural Analysis (STAN) database. Looking at how growth in manufacturing sector leads to growth of services sector that supply it, one billion US dollars increase in a manufacturing output is shown to increase output of services sector by between 382 and 606 million depending on the manufacturing sector.

Not all services sectors are equal. Business services appears to be the sector that matters the most for manufacturing as it has the highest

value added share among the various services sector. The role played by business services is further enhanced if its direct export as well as indirect export through other services are taken into consideration.

Among the motivation leading to manufacturing firms' decision to servicify is the role of services in improving manufacturing productivity. Correlation studies using various variables to represent services input, productivity and manufacturing output, by and large, show the positive correlations between them and support this idea.

Numerous literature has attempted to answer the question on how services, in particular business services contribute to enhancing manufacturing productivity. Hypotheses and examples can be divided into two broad groups. Those that impact labor productivity directly usually have to do with process improvements through the incorporation of new hardware modules and tweaking of existing steps for instance. Those that impact labor productivity indirectly do so by increasing the demand for firms' product and hence production by the existing pool of labor. An example is data analytics or data services that help production of products that are targeted to specific revealed preferences, thus helping to minimize unsold inventories.

Of the business services, 'other business activities' and 'research and development' are the most used activities. This has important implications for trade policy since 'other business activities' according to the classification are mostly made up of professional services where plenty of restrictions can be found. In fact, correlation plots between various OECD index of restrictiveness in professional services and manufacturing exports per capita show the negative relationships between these variables.

Analysis of sectoral services trade restrictions index (STRI) for APEC shows variations in at least three dimensions: 1) across services sectors in general, 2) between services sectors that belong to the same group, and 3) within each services sector. These indicate that any efforts in reducing the variations among APEC economies should be carried out across the three fronts.

Specifically for business services (accounting and auditing, computer, engineering, and legal), the main contributor to the scores appear to be restrictions on the movement of people, followed by restrictions on foreign ownership and other market entry conditions. The top restrictions on movement of people are usually policies which limit the ability of professionals to stay beyond a certain period of time and those that require professionals to meet certain requirements before they could qualify for full membership of the profession. Among the top restrictions on foreign ownership are policies restricting equity ownership and those requiring managers and/or directors to be nationals, residents and/or locally-licensed professionals.

The complex and often cross-sectoral restrictions imply that efforts to support the ongoing servicification of manufacturing sector should be multi-pronged. These include a change in perspective when crafting trade policies that were for many years tailored only for goods trade and better coordination among agencies, including those with broader mandates. Various efforts to collect case studies that map out different manufacturing sector's value chain should also be encouraged in order to enrich our knowledge on the role of services in manufacturing.

Promoting Products Contributing to Sustainable and Inclusive Growth through Rural Development and Poverty Alleviation

Publication Number:
APEC#215-SE-01.13
Published Date: September 2015
Full Report: 103 pages

This study provides a framework to analyze the potential of the 157 nominated products by APEC economies in terms of how their trade could help achieve sustainable and inclusive growth in a way that enhances rural development and alleviates poverty.

Findings

The study shows that discussion on the list of nominated products for APEC is relevant from both the trade and tariff perspectives. Global trade of the list of nominated products is increasing in recent years, reaching USD 1.7 trillion in 2012. In addition, MFN tariff information shows that many of these products are still facing high tariffs in certain markets. The study also shows that many of the nominated products have trade potential in world markets and enjoy comparative advantages.

However, since this analysis was conducted for the APEC region as a whole, the results are not necessarily applicable to every single APEC member. The results by product are probably going to be more relevant to the largest APEC exporter in each of the nominated products. It is important to highlight that the results of this study are non-binding in nature and do not prejudice APEC economies' positions within APEC and other international fora in terms of trade liberalization. The work conducted is only exploratory in relation to the list of goods nominated by interested APEC economies and is not related to any specific initiative concerning trade liberalization.

Although some statistically significant findings were gleaned from the analysis, it is important to point out that the main result of the econometric impact analysis is the lack of significant results. Despite the use of methodologies that only afford the minimum rigor required of this kind of analysis, significant results were obtained for only a small minority of products. Using more rigorous estimation methods and techniques will result in even less significant results. This points to two key messages.

The first message is: trade and rural development are linked through a myriad of other factors. Trade alone cannot be expected to result in wholesale rural development. As seen in the lack of significant results, the direct relationship between trade in specific products and larger issues such as GDP, employment, or poverty is difficult to establish without looking into micro-level and sub-economy data. While one can argue that trade in specific labor-intensive products will employ more poor workers in a given locality, it is difficult to see the impact empirically at an economy-wide level (and even more difficult at the APEC level). In this sense, picking up some products as targets for specific government policies may not necessarily have a big impact at the economy-wide level.

Trade is an important factor for economic growth, which in turn is a necessary condition for development, but more factors are needed to establish a causal relationship between trade and rural development. Factors such as access to and quality of basic services, access to credit, human capital investment, social safety nets, labor market conditions, development of global value chains with rural participation, and institutions of governance are more closely linked to rural development than trade alone.

The presence of those factors will assist economies to take full advantage of trade to benefit rural areas. In other words, rural development and poverty alleviation will depend not just on improving market access via trade liberalization and facilitation, they also depend on other complementary policies related to expanding access to infrastructure and enhancing quality of social policies, among others.

The second message is: an analysis of rural development impact will require more detailed micro-level data at the economy and sub-economy level. It requires looking into both production and income issues as well as distributional and equity issues. The development impact of trade in a particular product hinges on who it employs, who gains from its profits, and how fiscal and social policies influence this distribution. It will need to look into economy-specific factors affecting returns to labor and capital, skilled and unskilled employment, income distribution and redistributive mechanisms, household consumption patterns, and others. The analysis on how these products participate in global value chains could also give a good idea on the impact of their trade. While such a study is possible, it will require significantly more time, manpower and resources as well as access to raw data.

Trends and Developments in Provisions and Outcomes of RTA/FTAs Implemented in 2014 by APEC Economies

Publication Number:
APEC#215-SE-01.14
Published Date: September 2015
Full Report: 36 pages

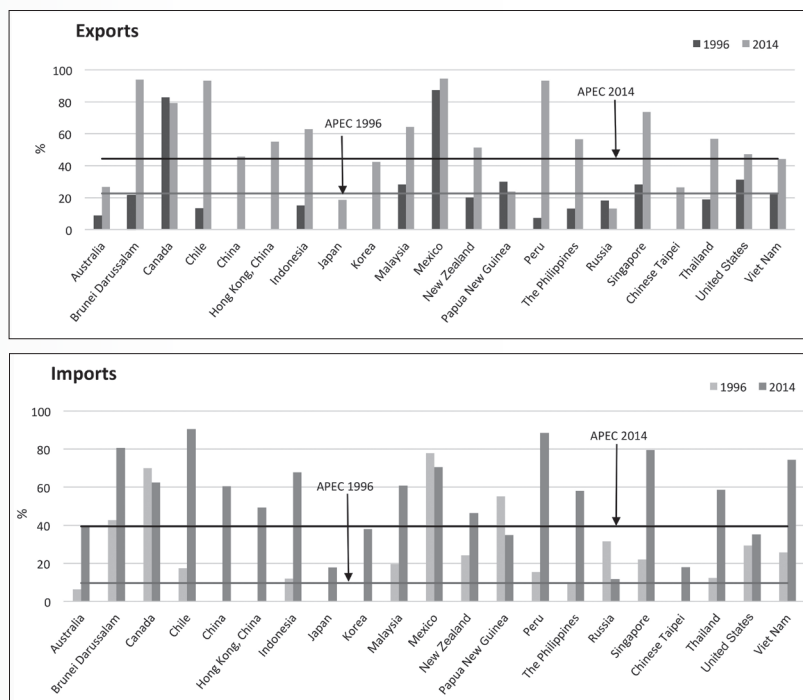
This report, the first to be produced on an annual basis, contributes to the APEC Information Sharing Mechanism on RTA/FTAs, an initiative to enhance transparency among the trade agreements. It analyzes the evolution of the number of RTA/FTAs signed and enforced by APEC economies in the past two decades and researches on the general structure of six RTA/FTAs which came into force in 2014: 1) Australia-Korea; 2) Canada-Honduras; 3) Chile-Hong Kong, China; 4) China-Iceland; 5) China-Switzerland; and 6) Singapore-Chinese Taipei. The report looks at the specific topics in these RTA/FTAs, and examines provisions in the chapters on investment, SPS, customs administration and procedures, competition policy and environment to identify possible common patterns or recent trends. Where possible, the report compares those provisions with the APEC RTA/FTA model measures endorsed in 2008 and examines the WTO-plus commitments included in those agreements.

Findings

Proliferation of RTA/FTAs in the APEC region became more evident in the 2000s. More bilateral, plurilateral and regional initiatives started to emerge worldwide when multilateral trade negotiations in WTO failed to meet deadlines. Moreover, in order to reduce “trade diversion” effects and avoid losing market share overseas, those economies outside the existing RTA/FTAs started to negotiate their own RTA/FTAs.

A growing percentage of trade in APEC takes place with RTA/FTA partners. Between 1996 and 2014, the share of exports in APEC under RTA/FTAs almost doubled from 23 to 44%. The share of imports grew almost four times from 10 to 39%. The structure of RTA/FTAs has also evolved. It is becoming more common to include chapters related to topics which are not covered under WTO rules or are dealt within WTO in a very limited way, for example, competition policy, environment, labor and investment.

Figure: APEC Economies' Share of Trade with RTA/FTA Partners



Source: International Monetary Fund - Direction of Trade Statistics, Chinese Taipei's Ministry of Economic Affairs, Bureau of Foreign Trade. APEC Policy Support Unit calculations.

WTO-plus characteristics are included in many of the chapters, including those considered as “traditional” chapters (i.e., customs administration/procedures and sanitary and phytosanitary measures). In general, RTA/FTAs in APEC have incorporated many of the model measures in the APEC Model Measures for RTA/FTAs. An analysis of the six agreements put in force by at least one APEC economy in 2014 shows that despite the many similarities among them, there are some areas with striking differences thus making convergence difficult to achieve.

Only three of the six agreements include a chapter with clauses related to bilateral investment liberalization. They provide national treatment to both pre- and post-establishment stages and they have clauses to resolve disputes between one of the parties and an investor of the other party. The Most Favored Nation treatment is not offered in all agreements.

In the customs-related chapters, many WTO-plus issues have been included in RTA/FTAs since the early 2000s, in particular on the use of information technology and risk management

systems. The recent WTO Agreement on Trade Facilitation (TFA) has incorporated many of these new elements that already are present in several RTA/FTAs. However, RTA/FTAs in APEC still include a number of provisions which go beyond the scope of the TFA.

The chapters on SPS mostly recognize or incorporate what has already been included in the WTO SPS Agreement. Nevertheless, there are still some WTO-plus characteristics such as the timeline to start consultations and the submission of certain notifications.

Some of the common features of the competition policy chapters are the inclusion of provisions on cooperation and their references to curtail or remove anticompetitive practices. Not all agreements include provisions on monopolies and state-owned enterprises.

The environment chapters recognize that environmental laws and regulations cannot be used for trade protectionist measures. They focus mostly on establishing cooperation and consultation links, but their emphasis in some RTA/FTAs are only on the trade-related aspects.

IFAP Implementation in Facilitating Investment for the Asia Pacific Region: 2014 Update

Publication Number:
APEC#215-SE-01.5
Published Date: March 2015
Full Report: 81 pages

This report describes the progress of five APEC member economies in implementing the Investment Facilitation Action Plan (IFAP). The analysis is based on voluntary submissions from the economies. It also draws from secondary sources information on international best practice and benchmarking.

Findings

The results show that the five reporting economies have made substantial progress towards implementing the IFAP principles. Some of the findings based on the submissions are as follows:

Principle 1:

Promote accessibility and transparency in the formulation and administration of investment-related policies

- Laws, regulations and judicial decisions are published online – under several websites
- Investment Promotion Agency (IPA) acts as the single window for some economies
- Investors can freely choose their form of establishment

Principle 2:

Enhance stability of investment environments, security of property and protection of investments

- System of land ownership and public or state owned property registration is in place
- Foster the dissemination of accurate market reputation information
- Dispute settlement mechanisms are available for conflicts between investors and host authorities as well as between private parties

Principle 3:

Enhance predictability and consistency in investment-related policies

- Equal treatment for all investors in the operation and application of domestic laws and principles on investment
- Demarcation of agency responsibilities for screening or authorizing investment proposals is clear
- Less clear are “fast-track” review procedures

Principle 4:

Improve the efficiency and effectiveness of investment procedures

- Efforts to simplify and streamline application and registration, licensing and taxation procedures through a one-stop authority for the lodgement of papers or through electronic means
- “Silence is consent” rules are applied
- Economies are attempting to simplify and shorten processing time and procedures for investment applications
- Efforts are made to provide business services supporting investment

Principle 5:

Build constructive stakeholder relationships

- There is a mechanism to provide stakeholders with opportunity to comment on proposed changes for regulations and policies prior to their implementation
- Promote the role of policy advocacy within IPAs

Principle 6:

Utilize new technology to improve investment environments

- Economies are using internet and websites to improve online access and convenience
- Members have promoted and administered international guidelines/norms for the protection of intellectual property

Principle 7:

Establish monitoring and review mechanisms for investment policies

- Some actions being reported to support periodic reviews of investment procedures ensure policies are simple, transparent and at the lowest possible cost

Principle 8:

Enhance international cooperation

- Measures exist to ensure effective compliance with commitments under international investment agreements and to accede to major investment promotion conventions
- Active involvement in international and regional initiatives aimed at building investment facilitation and promotion expertise

- Actions reported to periodically review existing international agreements and treaties to ensure their provisions continue to create an enabling environment for foreign investment

Recommendations

APEC should deepen and expand the implementation of IFAP by taking into account stakeholders’ inputs and also by using available quantitative and qualitative evidence.

Implementation of IFAP in the coming years should further involve the private sector and investors in order to obtain their honest feedback. In the current trend of global value chains, FDI has an important role to play in facilitating effective value chain functionality which will strengthen the trade-investment nexus. A healthier investment climate will promote more efficient capital flows and strengthen the trade balance in the long run.

To further maximize the benefits of FDI, governments should be more active in facilitating the process of technology transfer and strengthening the linkages with domestic enterprises of existing and potential FDI. Both FDI and domestic investment are complementary and governments should not forget the critical role of a vibrant domestic enterprise. FDI, both greenfield investment (investment of new assets) and M&A (purchase of existing assets), have a role to play in supporting domestic investment and economic growth.

Structural Reform

Regulatory Reform - Case Studies on Improving the Business Environment for SMEs

Publication Number:
APEC#215-SE-01.20
Published Date: November 2015
Full Report: 81 pages

Through the use of case studies, this report draws lessons and suggests policy recommendations based on previous experiences related to the implementation of regulatory reforms to improve the business environment for SMEs. The four case studies focus on: 1) dedicated agencies to assist SMEs with growth, development, compliance and internationalization; 2) agencies and institutions that specialize in supporting SME finance; 3) regulatory tiering; and 4) SME-friendly Regulatory Impact Assessments (RIA).

Findings & Recommendations

A number of key findings emerge for APEC economies:

- Regulatory reform to improve the business environment for SMEs should include aspects of rule-making and institution design, including as appropriate the putting in place of specialized agencies. Many APEC economies have dedicated agencies to support SME growth and development, and continued work in areas such as incubators could prove fruitful. Similarly, measures and agencies to promote SME access to finance can help alleviate a serious business constraint, for example through the provision of market-friendly guarantees, or facilitation of information exchange among private actors through appropriate regulatory frameworks.
- SMEs need to be included in the reform process and given a voice. Consultation with the sector is key to a better understanding of the business constraints SMEs face, as well as the measures they see as most needed for overcoming those constraints. A peak body for SMEs can be one way of effectively channeling their views to the government, but other means of consultation can also be effective.
- The public and private sectors need to work together to promote regulatory reforms that improve the business environment for SMEs. This observation is not limited to SMEs themselves. In terms of internationalization, for example, most SMEs will need to link to larger firms in order to become embedded in GVCs. It is therefore important that governments adopt incentive-compatible regulations that promote linkages between SMEs and lead firms, both domestic and international.
- Regulatory compliance, and compliance with voluntary standards, can be a major obstacle for SMEs. There is much that governments can do to ease the burden. On the one hand, regulatory tiering can offer SMEs more flexible schedules or structures for dealing with regulatory obligations. For voluntary standards, capacity building exercises that include the private sector can help develop the ability of SMEs to satisfy relevant standards, which in turn facilitate their access to GVCs.
- Regulatory reform to improve the business environment for SMEs is a process, not a one off event. As such, instruments such as RIA—whether formalized or not—are crucial in

helping sustain the momentum behind reforms. Similarly, tracking performance and implementation on the ground is an important element in continuously improving policies that affect SMEs. Measurement and data are key elements both of RIA and of performance monitoring and evaluation. Economies can benefit from increased attention to data collection and publication in relation to SMEs and the regulatory burdens they face.

These findings sit well with APEC's Good Practices on Regulatory Reform. That document emphasizes the role of institutions as part of the regulatory reform agenda, and highlights the important role consultation can play in regulatory design and reform. RIA is also dealt with as part of APEC's Good Practices, and this report again shows the ways in which RIA can contribute to the design and implementation of regulations that are effective (in that they achieve an important social goal) and efficient (in that they do so at minimum economic cost). This

report can be read as a set of examples of different ways in which APEC's Good Practices are implemented in practice in developing as well as developed economies from across the region.

The report also shows that APEC economies have been proactive in identifying ways in which SMEs need support in their efforts to grow, develop, and internationalize. This statement is true of developing and developed member economies alike. Although the instruments adopted differ considerably across economies, there is general evidence of an awareness of the need to conduct regulatory reform in a way that both achieves important public policy objectives, and limits the time and cost burden on small businesses. As the SME sector receives greater attention internationally and domestically, APEC members can draw on the examples collected in this report to refresh and enhance their existing programs, and thereby give SMEs throughout the region an important boost that can translate into improved economic and social outcomes.

Structural Reform for Resilient and Inclusive Growth

Series: Policy Brief No.13

Publication Number:

APEC#215-SE-01.19

Published Date: August 2015

Full Report: 12 pages

This policy brief examines the questions of what drives GDP growth and what should be done to achieve resilient and inclusive growth in the APEC region.

Findings & Recommendations

- The world economy continues to confront risks and uncertainties while trade growth is slowing down. From stock market and exchange rate volatilities to commodity price falls and slower GDP growth, the global economy has not looked so fragile since the Global Financial Crisis (GFC) of 2008. Moreover, for the first time in the past 25 years, trade growth has been lagging behind GDP growth in the APEC region for three years running. Based on the data, trade growth doesn't seem to be the driver of GDP growth that it used to be.

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- The slowdown in the responsiveness of GDP growth to trade is not cyclical but structural. An analysis of GDP growth elasticity with respect to trade and internal sources of demand shows that the reduction in trade elasticity is a process that has been going on over 15 years. This lends credence to conjectures that the gains from liberalization and economic integration initiatives in the 1990s have run their course. On the other hand, the responsiveness of GDP growth to private consumption increased markedly after the 2008 GFC, implying that household demand—rather than trade or government spending—is the main driver of growth in the APEC region in recent years.
 - Based on this finding, it seems that future APEC growth lies in strengthening household consumption through structural reform. Structural reforms pertain to policies that allow an economy to use its resources more efficiently and increase productivity. Moreover, structural reforms enable an economy to be more flexible in reallocating resources across sectors. These reforms should also aim to increase the disposable incomes of households in order to encourage domestic consumption as a resilient engine of growth.
 - Numerous studies show that structural reforms not only contribute to raising productivity, they also help make growth more inclusive. Empirical findings show significant economic and employment gains from structural reforms such as fiscal rationalization, human capital investment, social protection, trade liberalization, financial market reform, labor flexibility, and institutional development. Structural reforms can also open up opportunities for women and vulnerable communities, increase competitiveness, and encourage innovation.
 - APEC has shown progress in its structural reform agenda, and is implementing several initiatives in the pursuit of resilient and inclusive growth. For example, the 2011-2015 APEC New Strategy for Structural Reform (ANSSR) is a significant step towards the right direction in identifying strategic actions and points of cooperation to cohesively move forward with its structural reform agenda. In 2015, new initiatives for structural reform are being pursued, such as those prioritizing science and technology education; enhancing competitiveness in the services sector; fostering micro, small and medium enterprises' (MSME) participation in regional and global markets; and strengthening connectivity across APEC economies. Going forward, APEC's structural reform agenda could focus on identifying new sources of growth (e.g., through innovation and MSME development), investing in human capital development, and improving infrastructure and connectivity.

Assessing the APEC New Strategy for Structural Reform (ANSSR) and Advancing the APEC Structural Reform Agenda Beyond 2015

Publication Number:

APEC#215-SE-01.18

Published Date: October 2015

Full Report: 37 pages

This report reviews the progress of the APEC New Strategy for Structural Reform (ANSSR). The focus of the strategy is to increase the rates of growth in the member economies and the report begins with a discussion of the drivers of growth, according to the framework of the debate on the middle income trap. Then reported is the outcome of review of the information provided by economies in the ANSSR 2015 templates, a commentary on capacity building and some notes on the manner of reporting of projects. The final section contains a series of suggestions for consideration in the design of the next phase of the strategy.

Findings

- Member economies who reported on the 2015 template have devoted considerable efforts to ANSSR, undertaking hundreds of individual

projects in the area, complemented by significant efforts on capacity building.

- As the midterm review in 2013 also pointed out, APEC members are to be applauded for their ability to set priorities and identify policies that were important in the priority areas, that is, the priorities have been translated into well-defined and implementable plans. Structural reform is 'a process rather than a one-off set of actions' and this perspective is also evident in the design and selection of projects.
- While the effort applied to ANSSR is evident, the progress made is more difficult to identify, mainly as a consequence of the formats of reporting, which is a mix of project descriptions and of qualitative measures and quantitative measures.
- Similar structural reform agendas are already running within economies and in other fora so that the value added by ANSSR is not easy to distil.

Recommendations

Suggestions for consideration in the next cycle of structural reform include:

- Recognize the value of structural reform strategy for all members and of the benefits of sharing experience among the members, and so encourage full participation and reporting.

- Revise the reporting of commitments in each project in each economy, by adding a focus on policy indicators where possible using quantitative measures including a set of baseline measures against which to measure progress.
- Continue to report but separate the location of qualitative information on the degree of 'reform intensity' in the economy reports.
- Consider new methods of project selection, including those based on comparisons of policy indicators and inputs from other stakeholders, including the business sector.
- Develop and monitor a portfolio of complementary projects the structure and composition of which adds value to each element: the key elements or 'pillars' of the portfolio could be chosen according to the groupings which are evident in the preferences of member economies for work in the 2013-2015 templates.
- Consider options for identifying the value added by the APEC process, including through changes in policy indicators over time.
- Monitor the connections and look for resource-savings in projects on structural reform through cooperation

with external partners, such as the OECD, including the joint development of policy indicators.

- Revisit the design of capacity building with a view to considering alternatives to and the sequencing of workshops, the value of larger and multi-stage projects, the specification of outputs in the projects, mechanisms for monitoring impact, methods of testing value for money and approaches to engaging external stakeholders.
- Include in capacity building program an activity on the use of policy indicators in project selection and reporting.

APEC's Ease of Doing Business: Interim Assessment 2009-2014

Publication Number:
APEC#215-SE-01.17
Published Date: September 2015
Full Report: 47 pages

Started in 2009, APEC's Ease of Doing Business (EoDB) initiative aspires to improve APEC's performance by 25% in five key areas of doing business by 2015. Since 2011, PSU in collaboration with the Economic Committee, has been

conducting annual interim assessments to measure APEC's progress towards the 25% goal. This report analyzes the accumulated progress of the APEC region during the period 2009-2014.

Findings & Recommendations

Using the World Bank's database, the interim assessment shows that APEC has made continuous overall progress in the EoDB initiative since 2009. During the period 2009-2014, APEC's combined improvement across all five priority areas was equal to 12.7%, but progress remained below the 2014 pro-rata benchmark of 20% improvement.

Table. APEC: Accumulated Overall Progress of Ease of Doing Business Initiative (Average Values)

Improvement	Starting a Business	Dealing with Construction Permits	Getting Credit	Trading Across Borders	Enforcing Contracts	Overall Progress	Benchmark
2009 – 2010*	6.3	3.3	1.8	1.4	0.0	2.6	2.5
2009 – 2011*	17.1	6.9	3.3	2.7	0.4	6.1	5.0
2009 – 2012*	22.8	15.7	4.0	2.5	0.1	9.0	10.0
2009 – 2013*	27.3	19.8	6.6	2.6	0.2	11.3	15.0
2009 – 2014**	38.7	14.9	8.0	1.5	0.5	12.7	20.0

Source: APEC Policy Support Unit calculations using data from:

* World Bank, Doing Business 2014 database

** World Bank, Doing Business 2015 database.

Note: Figures in percentage values. Improvements are shown with positive values.

Most of the progress was attributed to strong improvement in 'Starting a Business', the only area with improvement rate beyond the pro-rata benchmark of 20%. The areas of 'Dealing with Construction Permits' and 'Getting Credit' showed a moderate improvement between 2009 and 2014. However, APEC's performance in the area of 'Dealing with Construction Permits' in 2014 declined in almost 5 percentage points in comparison to 2013. In contrast, progress was limited in 'Trading Across Borders' and weak in 'Enforcing Contracts'.

APEC's collective progress was slightly uneven among its members; the median values of APEC's EoDB indicators showed a combined improvement in all priority areas equivalent to 12.4% between 2009 and 2014, which was below the 12.7% progress rate measured by average values. Similarly, 'Starting a Business' showed the greatest improvement in median values, with a progress rate of 27.2%, above the 20% pro-rata benchmark. 'Dealing with Construction Permits' also reported a substantial improvement in their median indicators, especially last year, which means that progress in this area is becoming more balanced across APEC economies.

The comparison of APEC's overall progress with their pro-rata benchmarks across time shows that APEC is not keeping pace to achieve the 25% improvement target by 2015, as recent years show an increase of this gap. This makes it unlikely for APEC to close the gap and meet the aforementioned target by the end of 2015.

Despite not being able to meet their pro-rata targets so far, APEC's collective improvement of 12.7% measured by the average values and 12.4% measured by the median values, was respectable. In fact, this report shows that APEC's

Table. APEC: Accumulated Overall Progress of Ease of Doing Business Initiative (Median Values)

Improvement	Starting a Business	Dealing with Construction Permits	Getting Credit	Trading Across Borders	Enforcing Contracts	Overall Progress	Benchmark
2009 – 2010*	6.8	-2.6	5.1	2.7	0.0	2.4	2.5
2009 – 2011*	22.0	-5.7	3.4	5.0	0.0	4.9	5.0
2009 – 2012*	23.0	4.6	4.5	5.0	-0.3	7.4	10.0
2009 – 2013*	23.0	9.5	5.0	6.5	0.5	8.9	15.0
2009 – 2014**	27.2	22.0	9.6	4.3	-1.1	12.4	20.0

Source: APEC Policy Support Unit calculations using data from:

* World Bank, Doing Business 2014 database

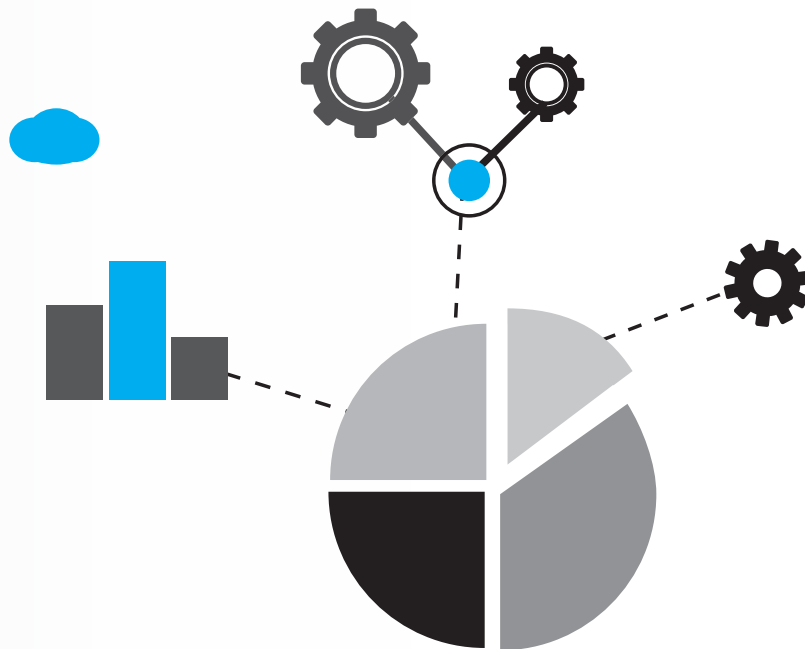
** World Bank, Doing Business 2015 database.

Note: Figures in percentage values. Improvements are shown with positive values.

progress vis-à-vis that of the rest of the world was remarkable. However, more work can be done to make progress stronger and widely spread across all APEC economies since differences among the economies are still significant in a number of indicators. For example, the cost to export a container in the APEC region ranged from USD 460 to USD 2,705 in 2014.

To continue making progress, APEC economies need to intensify their efforts in implementing reforms to make it easier, faster and cheaper to do business. Equally important is for APEC to continue capacity-building activities to improve the skills of government officials, raise awareness on the importance of efficient regulatory frameworks, identify best practices, and promote the implementation of regulatory and structural reforms.

APEC's EoDB initiative has been supporting economies in capacity building such as through specialized seminars and training workshops, diagnostic studies, field visits, and technical assistance. These activities have been very useful to APEC economies in policy formulation and understanding more about certain topics. In this regard, APEC should continue the discussion on extending the EoDB initiative beyond 2015.



Connectivity Including Supply Chain Connectivity & Global Supply Chains

Value Chain Resilience in the Asia Pacific: A Synthesis Report

Publication Number:
APEC#215-SE-01.6
Published Date: March 2015
Full Report: 23 pages

In 2014, PSU conducted four studies to deepen understanding and increase awareness of emerging systemic risks and value chain resilience (VCR) by evaluating three elements of resilience—value chain (VC) risks, strength and connectedness—quantitatively and estimating their impact on the APEC region's trade and investment. This synthesis report summarizes the main findings of those studies as well as the policy implications and the way forward.

Findings & Recommendations

A number of important policy implications are provided from the four studies:

- Some types of VC risks—such as regulatory risk—are directly actionable by governments through relevant policy action. Policymakers thus have a large role to play in the process of managing and mitigating risk. With correct policies to minimize regulatory, political and market risk, governments could create an enabling environment where value chains could expand and prosper, generating positive outcomes on trade, investment, growth, and employment.
- Coping mechanisms to mitigate disasters or economic shock will often involve efforts from multiple economies and parties. Applying a regional and partnership approach is a critical ingredient for a successful response to the occurrence of risks and disasters. It is important for APEC economies to learn established best practices from other regions and to push for ambitious concerted efforts.
- Firms usually have their own risk management strategy in coping with disruptions affecting their supply chain as part of their business continuity plan. Still, governments also have an important role in creating a conducive environment that reinforces and promotes resilience.
- The report for Phase 1 emphasized that VC risk levels are low to moderate in the APEC region. Using OECD as a benchmark, APEC could further improve its performance on lowering risks under the natural disaster, regulatory and political categories. The Phase 2 report about VC strength, on the other hand, noted the robustness of value chains in APEC with quick recovery to pre-crisis levels, albeit pointing out that APEC scores are still relatively lower compared to OECD under the category of strength against natural disaster and market risks.
- There is a large role for government and the private sector to promote VC connectedness by reducing VC risk and improving VC strength. Value

chains need a relatively stable and secure environment in order for them to operate efficiently. Firms, on the other hand, require certainty and reliability to maximize their performance; and the public sector could help business by putting in place systems that could handle identifiable risks as well as to mobilize resource to improve the domestic and regional response capacity.

- With the current gap in connectedness performance among developed and developing economies, APEC economies should work more closely with one another in bridging these gaps through facilitating trade, upgrading logistics networks, and addressing behind the border barriers. This will create a more cohesive regional and global trade network, help keep the cost of doing business across borders low, and reduce uncertainty in tapping into global value chains. This, in turn, will encourage more firms to tap into these global value chains, which will help sustain trade growth and further strengthen connectedness in the region.
- Improvement of resiliency of value chains shows potential significant benefits in terms of GDP and trade gains. These in turn will lead to an expansion of employment and potentially an increase in wages, which should benefit both skilled and unskilled labor. As such, policies and investments to strengthen VCR will also provide inclusive benefits.
- The results from the CGE model showed that economic impacts from VCR improvements are higher under a most favored nation (non-discriminatory) basis. This provides strong justification for APEC's open regionalism principle.
- APEC value chains are internally quite resilient; externally APEC economies also trade with many other different economies providing additional cushions. These resilient value chains and diversity of trading partners have enabled APEC value chains to recover fairly quickly when negative economic shocks hit.



Economic & Financial Analysis

Assessment of the APEC Leaders' Growth Strategy

Publication Number:
APEC#215-SE-01.24
Published Date: November 2015
Full Report: 126 pages

This report assesses the implementation of the APEC Leaders' Growth Strategy, an initiative endorsed in 2010 which recognized that the quality of growth needs to be improved so that it will be more balanced, inclusive, sustainable, innovative and secure.

Findings & Recommendations

Economic growth in APEC has been collectively stronger than in the rest of the world

- Between 2005 and 2013, the APEC region grew at an annual average rate of 2.6%, outperforming the rest of the world, which grew up at 2.0% per year.
- Wealth has increased in per capita terms. APEC's real GDP per capita increased at an annual average rate of 1.9% per year, above the rate of 0.5% experienced by the rest of the world. APEC developing economies reported a collective increase in their real GDP per capita by 5.5% per year. For APEC industrialized economies,

the expansion of the real GDP per capita was equivalent to 0.5% per year.

- In 2013, APEC's GDP per capita was equal to USD 11,413, measured in constant 2005 USD, up from USD 9,825 in 2005. However, the difference between APEC industrialized and developing economies was still large (USD 42,633 vs USD 4,541).

Productivity and gross capital formation has increased in APEC, especially in developing economies

- While the labor force in APEC increased at an annual average rate of 0.9% per year, the output per worker increased by 1.7% per year between 2005 and 2013. The highest increase was in APEC developing economies, which reported an increase of the labor force by 1.0% per year, but an upsurge in their output per worker by 5.2%.
- APEC increased its gross capital formation by 2.9% per year. However, APEC developing economies are collectively getting closer to the gross capital formation levels by APEC industrialized economies. While the gross capital formation levels in APEC industrialized economies in 2013 were lower than those in 2005, APEC developing economies raised their gross capital formation by 8.5% per year.

GFC accentuated structural changes. The importance of trade in APEC's GDP weakened right after the crisis, particularly in APEC developing economies

- While trade is still a critical component in APEC's economic growth, it seems to be to some extent less important after the Global Financial Crisis (GFC). APEC exports and imports in 2008 represented 25.7% and 26.6% of APEC's GDP, respectively. In 2013, they accounted for 25.2% and 26.0% of APEC's GDP.
- However, for APEC developing economies, the participation of trade in their GDP declined markedly in recent years. Their exports as a share of GDP went down from a "peak" of 51.5% in 2008 to 44.9% in 2013. At the same time, imports as a percentage of GDP also fell from 45.9% to 41.8%.
- Quarterly changes in trade and GDP in APEC show that trade growth rates were much larger than GDP growth rates before the GFC. Since 2012, GDP quarterly growth rates are higher than those for trade. Domestic sources of growth have become more relevant in recent years. In addition, it is possible that the consolidation of and/or the slower pace of expansion of some global supply and value chains that started in the early 2000s, and accentuated during the GFC, are

explaining the occurrence of lower trade growth rates nowadays.

There is a rebalancing of growth within APEC after GFC

- In 2005, APEC economies posted a current account deficit of 1.1% of the GDP, equivalent to USD 293 billion, whilst in 2014 APEC reported a current account surplus of 0.01%, equivalent to USD 2 billion. After the GFC, APEC developing economies have been reducing their current account surpluses and APEC industrialized economies have been reducing their current account deficits.
- Expansionary fiscal policies were implemented by several economies in 2009 to recover from the effects of the GFC, with deficits ranging from 13.5% to 0.6%. By 2014, the fiscal position in 19 out of 21 APEC economies improved in comparison to 2009, and the largest fiscal deficit recorded was equivalent to 7.7%.
- APEC developing economies have a better fiscal position in comparison to industrialized economies (fiscal deficit in developing economies is -1.2% of the GDP vs -5.4% of the GDP in industrialized economies). However, since 2011, the former's fiscal position worsened while the latter's fiscal position improved.

- APEC industrialized economies are the main recipients of FDI but their share in APEC has been declining. Their FDI inward stocks totalled USD 3.6 trillion in 2005 and represented 65% of APEC's FDI inward stocks. In 2014, they were equivalent to USD 6.4 trillion in 2014, representing 54.3% of APEC's FDI inward stocks.

Growth has been more inclusive in APEC, but more is needed to give equal opportunities to people

- More than 300 million people came out of poverty in the APEC region between 2005 and 2011, mainly due to rapid growth in developing economies.
- Access to education and skills development is still unequal in APEC. By 2012, APEC developing economies reported 6.7 tertiary education graduates per 1,000 people, compared to 9.4 tertiary education graduates per 1,000 people in APEC industrialized economies.
- APEC developing economies still lag behind their industrialized counterparts in terms of entrepreneurship opportunities. For example, it takes on average almost seven procedures to start a business in APEC developing economies. In APEC industrialized economies, the average number of procedures is close to four.

- More efforts are needed to provide social safety nets to vulnerable populations. Eight APEC developing economies did not provide any unemployment protection as of 2013, and almost 40% of healthcare spending are out-of-pocket (compared with less than 15% in APEC industrialized economies).

- As measured by the Gini index, inequality has decreased in eight APEC economies and increased in four economies between 2004 and 2012. Declining inequality coupled with increasing average incomes points to inclusive growth as this implies that poor households are benefiting from economic growth proportionally more than rich ones.

Efforts to grow in a more sustainable/green manner are increasing, but they still seem insufficient

- Energy supply and consumption in APEC grew at 2.5% and 2.2% per year between 2005 and 2012. While the primary energy supply coming from renewable sources (hydro, solar, wind, geothermal, among others) made up 6.4% of total energy supply in 2012 (up from 5.9%) in 2005, non-renewable sources still dominate the provision of energy. Coal made up 38.4% of the primary energy sources, 29.3% was from oil, and 21.2% was from gas in 2012.

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- Renewable energy capacity has improved in the APEC region, especially in developing economies. The percentage of the R&D government budget on renewable energy is four times higher in industrialized economies. Nevertheless, while the share of hydroelectric plants in generating electricity went up from 14.3% to 15.1% in the APEC region during 2005-2012, the share of other renewable sources went up from 1.4% to 3.5%.
 - Thermoelectric power plants also increased their importance in energy generation from 68.3% to 70.5% during 2005-2012. While APEC industrialized economies have reduced their reliance on coal due to their increasing utilization of natural gas to generate electricity, APEC developing economies increased their utilization of coal.
 - Energy efficiency improved across the whole APEC region from 2005 to 2012 since they required less energy to produce one unit of GDP. Industrialized economies made the largest progress.
 - Carbon dioxide (CO₂) emissions went up by 2.4% per year between 2005 and 2012. APEC developing economies increased their CO₂ emissions by 5%, representing 61.4% of the total emissions in APEC. However, for APEC industrialized economies, the CO₂ emissions per capita was equivalent to 4.2 tonne-carbon per person, almost three times higher than the levels in APEC developing economies (1.5 tonne-carbon per person).
 - Technology improvements are increasing water productivity in APEC. In 2007, APEC could generate USD 15.7 of its GDP using one cubic meter of water. In 2013, the amount of GDP produced by one cubic meter of water was equivalent to USD 17.8. This is very relevant as the total renewable internal freshwater resources remained steady in APEC between 2007 and 2012, but the amount of renewable internal freshwater per capita declined slightly (-0.7%).
 - Efforts to improve access to tertiary education are noticeable in APEC developing economies. Student enrolment levels at tertiary education institutions rose by 4.4% per year in those economies between 2005 and 2012. These economies tend to have greater percentages of students graduating in science and engineering in comparison to APEC industrialized economies. However, the quality of education still needs to be improved in some developing economies. In a number of cases, the pupil-teacher ratio could be more than twice as much as those from industrialized economies.
 - The number of researchers per million people in APEC grew marginally from 1,562 in 2005 to 1,694 in 2011. APEC industrialized economies and APEC developing economies with high GDP per capita presented a substantially higher density of researchers.
- Access to technology has improved, but innovation is still heterogeneous in the APEC region**
- R&D expenditure grew at an annual average rate of 3.7% during 2005-2012, reaching USD 766.5 billion in 2012. However, R&D expenditure is concentrated in a few APEC economies. The top three APEC largest economies accounted for more than 80% of the total R&D expenditure in 2012.
 - Access to ICT infrastructure has increased significantly across APEC. The level of broadband internet subscriptions went up from 5 to 15 per 100 inhabitants and the number of internet users rose from 22 to 51 per 100 inhabitants between 2005 and 2013. Mobile phone subscriptions grew from 42 to 102 per 100 inhabitants, which means that many

people in APEC have more than one mobile phone subscription.

- Protection of intellectual property rights in APEC industrialized economies is perceived as stronger than those in APEC developing economies. Despite efforts to increase the number of patent applications in APEC developing economies, the percentage of patents granted in APEC developing economies is still low. APEC developing economies only explained about 1/3 of the total patents granted in 2013.

Mixed results in secure growth. Food security and nutrition has improved, but developing economies still need to catch up in other areas

- Food security and nutrition have been improving in APEC economies. The number of undernourished people in the region fell by more than 100 million between 2005 and 2014, mainly due to food security gains in developing economies. This has narrowed the gap with industrialized economies in terms of food supply adequacy.
- APEC developing economies need to further develop their resilience to adverse shocks, particularly in terms of improving the capacity of vital infrastructure. Developing economies

have less than 1/5 of the road network (per 1,000 people) of industrialized economies and their air freight traffic (per 1,000 people) is about 1/4 of that of industrialized economies.

- Security and resilience depend on having an effective government to lead and coordinate efforts. Based on the World Governance Index, APEC developing economies score lower than their industrialized counterparts in terms of political stability, government effectiveness and control of corruption.

Establishing detailed action plans and discussing the feasibility of setting clear growth targets could be part of the post-2015 APEC Growth Strategy work

- As opposed to G-20, the assessment of the progress of APEC Growth Strategy was affected by the lack of detailed and specific action plans to guide its implementation as well as by the absence of quantitative targets.
- Action plans could list detailed and specific actions in each of the priority areas. One way could be for either APEC as a whole or individual APEC economy to establish policy commitments with a clear timeline under each growth attribute. An

advantage of action plans is that it provides accountability to the initiative and a clear guide on what to do to attain the objectives of the APEC Growth Strategy. Any next steps decided by APEC post-2015 should include clear directions and simple mechanisms for APEC economies and/or sub-fora to provide information in order to facilitate the monitoring and evaluation of the initiative.

- These specific actions should not be taken in a very prescriptive manner as the only avenues to attain each of the five growth attributes and improve the quality of growth. Specific actions are helpful by providing guidance to governments in the implementation of the APEC Growth Strategy. However, these actions cannot be attributed as the sole factors to improve the quality of growth, which is a very complex area and involves a combination of multiple factors including exogenous ones.
- APEC economies may also discuss the convenience of establishing a general quantitative aspirational growth target and/or specific ones under each of the growth attributes. The inclusion of aspirational growth targets provides additional incentives to authorities and government officials to implement policies to get them closer to those targets.

APEC Economic Trends Analysis

A biannual report, APEC Economic Trends Analysis provides an overview on emerging trends underlying the region's economic prospects through in-depth analysis on recent macroeconomic and financial developments in the APEC region.

Series: May 2015 - Economic Resilience Amidst Global Headwinds

Publication Number:
APEC#215-SE-01.8
Published Date: May 2015
Full Report: 15 pages

Findings & Recommendations

APEC economies proved resilient in 2014 amid challenging external conditions

- Economic output in APEC as a whole grew by 2.9% in 2014, compared with world GDP growth of 3.4%, amid uncertainties surrounding the path of oil prices and timing of monetary normalization in the US.

- Growth among APEC economies mirrored the uneven pace of global economic recovery as GDP expanded between 0.7% and 8.0%, while some economies contracted slightly.
- Private consumption expenditures remained the key driver behind the continued expansion of APEC economies. Government spending was relatively stable even as gross fixed capital formation expenditures played a notable supporting role, with quarterly contributions to GDP growth remaining in positive territory.
- Economy-specific factors also weighed in on growth via the domestic demand channel, with other economies benefiting from stimulus measures to boost consumption spending amid adverse local developments.
- Generally accommodative monetary policy settings in 2014 provided support to the growth requirements of APEC economies, with 14 economies either reducing or maintaining their respective interest rates, while five members hiked policy rates.
- Forecasts by IMF, World Bank, and ADB in the near-term point to mixed growth in the APEC region, with most economies expected to post higher GDP levels in 2015 compared to 2014. This growth momentum is expected to be sustained through 2016.
- Based on IMF forecasts, the APEC region is projected to post a more rapid growth of 3.2% in 2015-2016, comparable to forecasts of world GDP during the same period.
- Economic growth in the near-term will hinge on the strength of domestic demand; the impact of lower oil prices; the effect of US economic resurgence vis-à-vis China's new normal of growth moderation; and the normalization of US monetary policy.
- Taking into account the varying impact of falling oil prices, growth among APEC economies is expected to continue to diverge in the near-term, with positive effects accruing on oil importers while oil exporters will weaken.
- Upside opportunities for growth come mainly from domestic factors, particularly robust household spending that is ably supported by steady government consumption and investment.

Near-term outlook points to higher GDP growth for the APEC region, even as the varying impact of falling oil prices on oil importers and oil exporters is expected to result in diverging growth paths for APEC economies

- Accommodative financial conditions marked by low interest rates and strong credit growth remain important determinants of private consumption expenditures along with lower oil prices by raising households' purchasing power.
- Downside risks are largely external in nature, stemming from uncertainties in the path of oil prices and US monetary policy combined with moderated economic activity in China.

Sound macroeconomic fundamentals afford APEC economies the opportunity to address policy challenges that could boost medium-term growth prospects

- The APEC region is poised to record relatively robust growth for the period 2015-2016, with domestic demand as the main regional driver. This gives enough room to implement policy reforms that will lead economies towards a more sustainable growth path.
- Events in 2014 show the importance of structural reform to sustain economic growth. The increasing weight of private consumption expenditure as a driver of growth points to the significance of behind-the-border conditions—rather than reliance on export-led growth—to sustain growth.

- APEC economies have addressed structural reforms issues in recent years. Economies have identified their 2011-2015 priorities under the APEC New Strategy for Structural Reform (ANSSR), which have the effect of upgrading financial and fiscal systems, improving productivity, and making economic growth more inclusive—all of which are needed to address risks to future growth.
- Beyond 2015, as economies rebalance towards domestic drivers of growth, economies will need to strengthen private consumption through more inclusive and sustainable growth by 1) increasing labor productivity and innovation, and 2) providing social safety nets to help households smooth consumption.
- Economies could consider implementing fiscal consolidation programs (e.g., spending rationalization, revenue generation, and subsidy reforms), where appropriate, that will provide fiscal space for programs aimed at improving economic inclusiveness, sustainability, and innovation.
- In turn, skills development, investments in infrastructure, making labor markets more open for women and disadvantaged groups, and enhancing institutions and governance will need to be prioritized.

Series: November 2015 – Growth Soften as Challenges Intensify

Publication Number:
APEC#215-SE-01.21
Published Date: November 2015
Full Report: 18 pages

Findings & Recommendations

- The second quarter of 2015 saw continued growth among APEC economies as GDP levels remained positive, albeit at a moderated pace.
- The weighted GDP growth for APEC as a whole settled at 3.1% in Q2 2015, lower than the 3.4% growth posted a year ago and the 3.2% expansion in Q1 2015. This development reflected the prolonged weakness in global economic activity as the modest recovery in advanced economies was matched by a general slowdown in emerging market economies.
- Among APEC economies, the moderation in GDP levels could be attributed to declining investments and lacklustre exports.
- The protracted decline in both oil and non-oil commodity prices due to the combined effects of ample supply

and weak demand has slowed down investments, particularly in the oil and mining sectors.

- The downturn in exports was due to a host of factors: sluggish global demand; twin declines in export prices and overall commodity prices; and China's economic rebalancing from an export- and investment-led growth towards a more domestic-driven growth.
- Industrial production yielded mixed results for APEC economies, mirroring the uneven strength in demand across the region as well as the significant decline in investment growth.
- Household spending remained the major driver of growth in the APEC region, buoyed by the decline in commodity prices, particularly oil; relatively steady employment levels and its consequent positive income expectations; and the prevailing low-interest rate environment as credit and financial conditions remained accommodative.
- As of October 2015, the majority of APEC economies decided to maintain their accommodative monetary policy

stance to support domestic demand as global economic outlook remained uncertain.

- The maintenance of accommodative monetary policy among APEC economies has not triggered inflationary pressures as inflation in the APEC region was lower at 2.2% during the period January-September 2015 from the 2.8% recorded in January-September 2014, generally moving in tandem with world commodity prices.
- Growth is expected to soften in 2015 and recover in 2016. The APEC region is projected to grow by 3.1% in 2015, at par with the world, but below its 2014 GDP expansion of 3.4%. In 2016, the APEC region is expected to post a stronger GDP growth rate of 3.4%, although lower than the world GDP forecast of 3.6%.
- Going forward, three major factors will determine growth prospects during the period 2015-2016: 1) persistence of the downward trend of oil and non-oil commodity prices; 2) strength of China's economy and the stability of its markets; and 3) normalization of US monetary policy and its attendant risks.

- The softening of growth prospects as challenges intensify with the protracted weakness in the global economy require a concerted response to be able to raise current and potential growth. Economic resilience, therefore, demands that all available policy tools are utilized.
- Thus, in 2015 and beyond, as economies rebalance economic growth towards strengthening domestic demand, they will need to consider implementing an appropriate mix of monetary and fiscal policies together with structural reforms to raise productivity and strengthen private consumption, especially towards a more sustainable, resilient and inclusive growth.

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

First published in 2009, this semi-annual report is prepared for the APEC Ministers Responsible for Trade and the APEC Ministerial Meeting to inform them on recent trade and investment trends in the region as well as trade- and investment-related measures recently implemented by APEC member economies.

Series: May 2015 - Do FTAs Matter for Trade?

Publication Number:
APEC#215-SE-01.8
Published Date: May 2015
Full Report: 15 pages

Findings

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% 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%) 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 10th (50 vs. 16%).
- 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 analyzing them separately also lead to similar conclusion.

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- 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 cyclical 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. APEC economies exported USD 9.1 trillion worth of merchandise goods in 2014, growing 2.0% over the previous year. In contrast, merchandise exports from the rest of the world (ROW) recorded a contraction of 0.5% in 2014.
 - Similarly, APEC economies imported USD 9.3 trillion worth of goods in 2014, growing 0.3% from the previous year. Imports by the ROW, on the other hand, grew 1.3% 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% in 2014, with large price falls for crude oil (-40.8%), fuel (-36.9%), and metals (-15.7%).
 - 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 US; China; and Hong Kong, China.
- Between mid-May and mid-November 2014, APEC economies implemented 63 trade and trade-related measures. 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 flows 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.

- Global FDI flows fell by 8% 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 US (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.
- 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 US implemented new rules on the supervision and regulation of foreign banking organizations.

- In its latest forecast, the World Trade Organization (WTO) projected continued modest recovery in trade, with growth in the volume of merchandise trade in 2015 and 2016 at 3.3% and 4.0%, 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 US and Europe can improve investor sentiment, less upbeat growth expectations for Japan and emerging economies are expected to reduce risk appetite.

Series: November 2015 – Trade, Inclusive Growth, and the Role of Policy

Publication Number:
APEC#215-SE-01.25
Published Date: November 2015
Full Report: 50 pages

Findings

Trade, Inclusive Growth, and the Role of Policy

- The adoption of the APEC 2015 theme of “Building Inclusive Economies, Building a Better World” sends a signal that member economies have an interest in promoting and advancing inclusive growth in the Asia-Pacific region. Inclusive growth can be defined as an improvement in income and its distribution, both of which must complement each another. Economic growth that generously benefits the well-off and marginally benefits the poor can hardly be called inclusive. Likewise, a fairer distribution of income (as measured by a reduction in inequality), without an increase in average incomes, can hardly be called growth.

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- Analysis of data from the World Bank covering 139 economies, including 15 APEC economies, over the period 1984-2012 shows that the APEC region has lagged behind the rest of the world in terms of inclusive growth (as defined above), suggesting that even if the region has consistently outperformed the rest of the world when measured in terms of per capita GDP, inequality has been growing as well.
 - Questions have been asked on the linkages between trade, one of the main contributors to growth in the Asia-Pacific region, and inclusive growth. There are two likely ways that trade can affect inclusive growth: 1) the indirect linkage where trade growth contributes to GDP growth, which in turn can contribute to inclusive growth; and 2) the more direct linkage where trade itself benefits poorer segments of the society without the intermediation of overall GDP growth.
 - By and large, evidence from most literature suggests a positive relationship between trade and economic growth (as measured by GDP growth). There is, however, less consensus on the direct relationship between trade and inclusive growth considering that trade liberalization has varying impact on different segments of the society. The fact that each household is unique—some are employed in exporting sectors, some in import-competing sectors, others in non-tradeable industries, and all are consumers of various goods—means that each one is affected differently by the various transmission channels through which trade affects households.
 - Bivariate analysis of trade openness and inclusive growth episodes shows that more open economies are more likely to report inclusive growth, with the association appearing stronger for APEC economies.
 - However, preliminary findings from econometric regressions to determine the direct correlations between trade and inclusive growth indicate that the relationships between the two variables are far from conclusive, and at times even negative. Although this finding merits further research into the sectors that benefit from trade, it does indicate that the direct beneficiaries of trade in the region are richer segments of society rather than the poor.
 - On the other hand, there is evidence to say that the indirect linkage between trade performance and growth—that is, through GDP growth—is positive and significant. In other words, trade growth is only as inclusive as the inclusiveness of the overall economy, and it would be difficult to use trade to directly influence inclusive growth.
 - To some extent, these findings are expected since trade creates winners and losers in the short term, so the distribution of gains (or losses) from trade is not equally shared by society. This implies that the positive implications of trade on inclusive growth is not automatic. Rather, trade openness must be accompanied with other policies that enable inclusive growth, such as human capital investment, social protection, labour market reform, financial market reform, and institutional reform for its benefits to permeate through society as a whole.
 - In light of these findings, the recent endorsement of the Renewed APEC Agenda for Structural Reform (RAASR) at the 2015 Structural Reform Ministerial Meeting in Cebu is a step forward as it reaffirms and signals further commitment by member economies in undertaking structural reforms.
 - The findings here, though preliminary, aim to give member economies some

food for thought as they develop their individual action plans to set forth structural reform priorities, objectives and policies that are robust, comprehensive and ambitious through to 2020.

Recent Trade Performance

- Trade developments in the APEC region in the first half of 2015 reflected subdued external demand in line with the prolonged weakness in global economic activity.
- The total value of exports of goods reached USD 4.1 trillion during the first semester of 2015, which represented a decline of about 6.6% compared to the USD 4.4 trillion recorded in the first half of 2014. Lower export prices combined with the downward trend in oil and non-oil commodity prices have dragged down the aggregate value of exports.
- In terms of the volume of trade, latest available data showed that the APEC region posted growth in 2014 of about 4.4% in the volume of exports of goods and 3.3% in the volume of imports of goods, higher than the world average growth of 3.1% for

both volumes of exports and imports of goods.

- The top 10 export and import partners of APEC economies have remained the same from 2014 up to Q1 2015. China and the US continued to be the top 2 trading partners of APEC economies, with largely steady shares as of Q1 2015 compared to the whole year 2014 level, in both the exports and imports of goods. Consequently, demand from these two major trade destinations impact on the trade performance of economies in the APEC region.
- Between mid-October 2014 and mid-May 2015, APEC economies implemented 94 trade and trade-related measures. Of this aggregate, 48 measures had the effect of facilitating trade, including elimination or reduction of tariffs, termination of antidumping/countervailing duties, and elimination of customs-related administrative charges for imports. Meanwhile, 46 measures had the effect of discouraging trade through the imposition of import tariffs, initiation of anti-dumping investigations, imposition of countervailing duties,

and imposition of import licensing requirements.

FDI Trends

- Inflows of FDI to the APEC region declined by 22.1% to USD 651.8 billion in 2014 from the previous year's level of USD 836.9 billion, reflecting investors' bearish sentiments.
- Investors' risk appetite was dampened by a fragile and uneven global growth as advanced economies recovered modestly while emerging market economies are showing signs of slowing down; the downward trend in oil prices and its different impact on exporters and importers; and the uncertain timing of US monetary policy normalization. Economy-specific factors also weighed in, particularly the macroeconomic fundamentals and outlook of individual economies given the challenges in the external front.
- Nonetheless, FDI continued to flow into APEC economies, albeit the year-on-year growth in FDI moderated for 13 out of the 21 member economies. FDI outflows from the APEC region increased by 5.1% in 2014, which

is lower than the 7.5% pace of FDI outflows recorded in 2013.

- FDI inflows to the APEC region reached 53.1% of world FDI in 2014, marginally lower than the 57.0% share recorded in 2013. FDI outflows from the APEC region comprised 70.9% of world FDI outflows, slightly larger than the 2013 level of 69.8%.

Trade and Investment Outlook

- The WTO reduced their 2015 and 2016 forecasts for world trade growth to 2.8% and 3.9%, respectively, shaving 50 basis points and 10 basis points from its 14 April 2015 forecasts of 3.3% and 4.0%. The downgrade in WTO's trade projections reflected developments in the global economy, including the falling import demand in China and other emerging economies following challenges in the domestic economic front; continuous decline in the prices of oil and non-oil commodities, which have also affected export prices and outputs; and significant movements in exchange rates across economies.
- The IMF expected world trade to pick up at a modest pace of 3.1%

in 2015 and 3.7% in 2016 for the volume of exports of goods. The continued recovery of advanced economies is expected to translate to a more upbeat export performance for emerging market economies as external demand picks up with the economic rebound.

- As a whole, the APEC region is projected to continue to post growth in its trade volumes in the near-term period. Trade is expected to moderate in 2015 and grow higher in 2016, reflecting the trends in global demand. Exports of goods is expected to expand by 2.3% in 2015 and to 3.3% in 2016.
- Meanwhile, capital flows will continue to be influenced by different monetary policy settings across economies, with the eventual monetary policy normalization in the US on one hand and the maintenance of quantitative easing measures in the Euro area and Japan on the other. Homegrown issues relating to growth prospects, currency movements, and policy directions are also expected to be important factors that could swing investor sentiment.

Guidebook on Trade and Supply Chain

Publication Number:
APEC#215-SE -01.27
Published Date: November 2015
Full Report: 92 pages

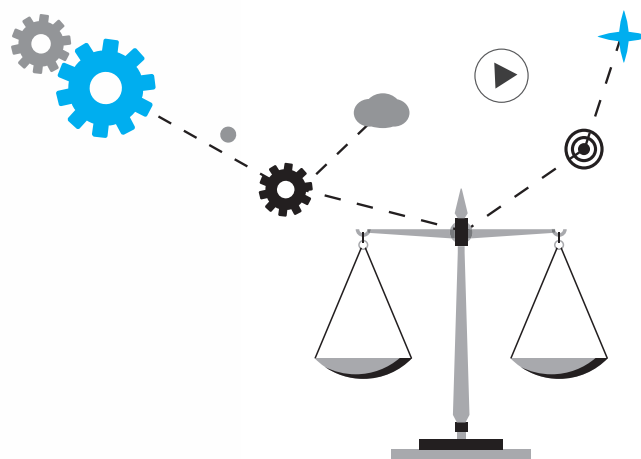
This Guidebook describes typical supply chains and which stages need financing and how they are financed. It also discusses risks in the supply chains and various mitigation mechanisms whose availability and use depend on the presence of proper regulatory and legal infrastructures as well as the confidence of the market in them. It talks about financial instruments such as warehouse receipts financing, invoice finance, receivables finance, factoring, and forfaiting. Case studies of what had gone wrong in particular actual transactions are presented as examples and provide important insights on regulatory or institutional deficits.

Findings & Recommendations

SMEs, be they local merchants, trading companies, processors, importers or producers, all need financing in one way or another. They can be amply served by banks engaged in structured trade finance as long as the regulatory framework is satisfactorily met, risks adequately mitigated and repayment identified and reasonably assured.

On a broader level, there is a need for the governments to play a more proactive role in alleviating the inadequate financing available to SMEs, especially those located in emerging economies. Currently, the major constraint is the perception of SMEs as the more risky part of the economy as far as trade finance banks are concerned. One solution is to educate SMEs on structured trade finance, which puts emphasis on the self-liquidating nature of transactions rather than on the state of their financial affairs.

The role of the governments as well as other sectors involved in the financing of the supply chain could be made more supportive and may need some adjustments. Among them is the need for a clear and effective legal environment. The regulatory issues highlighted in this report, such as lack of uniformity in interpretation of ownership or title to the goods when warehouse receipt financing is involved, have to be addressed. It is unclear to what extent the lender has perfected his or her title to the goods which are his or her security. Property and contract laws and the commercial codes of the civil law in economies as they apply to supply chain financing are important as well as the choice of the governing law, since supply chain finance is a cross-border operation. In conclusion, an effective legal environment that could be integrated into the financial infrastructure could be a starting point in facilitating the growth of SMEs, the backbone of a vibrant economy.



Sustainable Economic Development

The APEC Women and The Economy Dashboard 2015

Publication Number:
APEC#251-SE-01.11
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Full Report: 149 pages

The APEC Women and the Economy Dashboard provides a snapshot of the status of women in APEC through a set of indicators that measure women's participation in economic-related activities and their inclusion in several aspects of life. The indicators are classified into five priority areas: 1) access to capital and assets; 2) access to markets; 3) skills, capacity-building and health; 4) leadership, voice and agency; and 5) innovation and technology. Twenty-two dashboards are prepared in total, one for each of the 21 APEC members and another for the APEC region as a whole.

Findings

The dashboard reveals that APEC economies have been making efforts to improve the conditions for the participation of women in the economy. Among the positive findings are:

- Women's accessibility to training and educational programs has improved.
- Basic health indicators, such as maternal mortality and attended births by specialized staff, are improving across APEC economies.
- More credit information systems are collecting data that facilitate SME's access to credit. In addition, legal frameworks on property and inheritance rights are equal for men and women in most APEC economies.
- More inclusiveness for women in the economy is taking place by having better access to basic infrastructure, technology and access to international markets.

The dashboard also reveals areas where APEC need to intensify policy efforts in order to provide equal opportunities for women.

- Despite efforts to improve legal framework and credit information systems, participation of women as users of financial services is still marginal. More financial awareness and less informality (for example, in the labor market) will be required.
- Legal restrictions in many APEC economies are not providing equal access to men and women in the labor markets.
- Legal framework to protect women from domestic violence is inadequate or faces implementation problems in more than half of APEC economies.
- Participation of women in leadership positions in the public and private sectors remains low. Proper conditions for career advancement in the workplace are not safeguarded by law in several APEC economies, which could deter many women from furthering their careers and reaching decision-making or influential positions.

- Participation of women in science, technology and engineering is low in many APEC economies. Many women seem to opt out of a career in research.

Recommendations

The dashboard is an important tool to determine the areas where more work is needed within APEC to provide women with equal opportunities in the market. As the dashboard shows, conditions for women differ across APEC economies and areas. APEC could carry out capacity-building activities where champion economies in the relevant areas can share their experience with other interested APEC members and provide advice in the implementation of reforms to improve the conditions women are currently facing. These activities can be complemented with action plans, listing a series of policies to promote the participation of women in the economy.

An area which the APEC Policy Partnership on Women and the Economy (PPWE) can look into is the collection and use of gender-related data. On the one hand, many indicators do not

have data for all APEC economies. Capacity-building activities with statistical government agencies on data collection issues could be a first step to improving data availability. This will also cover the gaps of some indicators that seem to have been discontinued, for example the Economic Intelligence Unit's Women's Economic Opportunities Index and the International Women's Media Foundation indicator on the percentage of women in professional media positions. The PPWE could discuss ways to engage with these institutions to produce indicators for the APEC economies periodically.

On the other hand, the PPWE could discuss about certain indicators in the dashboard that seem less relevant over time. For example, the use of new technologies such as mobile phones and internet have become so widespread among the society that collecting statistics on their accessibility by gender may not be as pertinent as it used to be. The PPWE may also discuss about adding indicators that take into account emerging trends that may influence women's participation in the economy such as the enrolment rates of childcare and pre-school programs.

SME Internationalization and Measurement

Series: Policy Brief No. 12
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 APEC#215-SE-01.7
 Published Date: March 2015
 Full Report: 11 pages

This policy brief examines the different forms of SME internationalization and discusses methods to measure the degree of internationalization of SMEs. It also explores feasible ways for APEC to measure SME internationalization in the region.

Findings & Recommendations

The internationalization activities of SMEs can be classified into six categories: 1) direct exporting; 2) direct importing; 3) investment abroad; 4) being subcontractors to foreign enterprises; 5) having foreign subcontractors; and 6) cooperation with foreign enterprises under joint ventures, non-equity alliances, licensing, and franchising.

SMEs may internationalize their business activities either gradually (i.e. incremental internationalization SMEs) or immediately after the business establishment (i.e. born-global SMEs). For these two groups, the main barriers to access international markets are different, and policies to assist them would therefore require different approaches. However, research on the extent and process of SME internationalization still lags behind and this may compromise the effectiveness of policies that are targeted to facilitate internationalization.

Deficiencies in SME-related data restrict the analysis on internationalization of SMEs in the APEC region. Only half of APEC economies collect statistics on SMEs' exports, and less than five economies have data on SMEs' imports. On investing abroad, only Canada, Japan, and Korea track the number of SMEs conducting investment overseas. Given the lack of statistical evidence from most APEC economies, it is imperative for APEC members to set up a strategy to collect data related to SME internationalization:

- In the short term (3 to 5 years), members could consider collecting data via survey or census, taking as reference the cases of the European Commission and Japan.

- In the long term (10 to 20 years), by collating the survey results, members could build up their databases on SME internationalization, such as the Eurostat data on trade by enterprise characteristics.

Collecting statistics on SME internationalization requires substantial commitment on resources and time. However, the benefits from collecting SME data across time can be significant. Policymakers would be able to identify the most common forms of internationalization for SMEs in their economy, as well as the degree and trends of SMEs' internationalization activities. Gathering such statistics is especially beneficial since policymakers would be able to formulate policies catering to different forms of internationalization and sectors. In addition, statistics could help in evaluating the effectiveness and efficiency of policies, which in turn would improve the accountability of policymakers and policy enforcers.

To maximize the value of conducting a survey or census on SME internationalization, economies can incorporate questions on barriers faced by SMEs when accessing international markets. Based on the information collected, policymakers could link specific barriers with particular forms of internationalization, and formulate policies that target the barriers more effectively.

SMEs, Competition Law and Economic Growth

Series: Issues Paper No.10

Publication Number:

APEC#215-SE-01.16

Published Date: September 2015

Full Report: 25 pages

The paper provides a brief synthesis of what is known in the research literature, by examining the theoretical and empirical relationships between SMEs, competition law and economic growth. It begins with a discussion of the nature and role of SMEs in the APEC region. This is followed by an examination of the role of SMEs in economic growth and whether competition law has an effect on the SME's role in economic growth.

Findings

In the Asia-Pacific region there is no single definition of an SME that is accepted by all economies. Four often-used criteria to characterize SMEs in APEC economies are number of employees, annual sales (or revenue, or turnover, or average receipts), assets, and capital (or investment). In certain cases, criteria are specified at a sector level. Furthermore, the definitions of SMEs are not static as some economies tend to revise their definitions every few years to take into account changing macroeconomic situations.

SMEs are significant players in the economy, although there is some diversity in the presence and share of contribution across various dimensions such as sectors, level of development, and economy size.

- SMEs account for over 95% of enterprises in 18 APEC economies in the region. Depending on the size and structure of the economy, the number of SMEs varies substantially.
- SMEs make up 99% of enterprises among half of APEC economies. This includes both developed and developing economies.
- SMEs play an important role in employment creation as they tend to be more labor-intensive than large enterprises. Based on the latest available data, SMEs employ a majority of the workforce in many economies.
- SMEs' contribution to the economy (in terms of GDP or value added) is relatively less substantial than employment creation.

- Micro and small enterprises are the overwhelming majority in each economy. This is especially true with micro enterprises, which usually make up over 70% of SMEs. In 14 APEC economies, micro and small enterprises represent over 95% of SMEs.

- Within any economy, there are a few sectors that have a large proportion of SMEs, such as wholesale and retail trade; professional, scientific and technical services; and manufacturing. There are also sectors that have a relatively low number of SMEs. These include electricity, gas, water and waste services; mining and quarrying; and agriculture, forestry, and fishery.

The role of SMEs in economic growth is best understood within a theoretical framework focusing on firm dynamics and firm size distribution. The entry and exit of small firms is a critical aspect of economic growth. There is some empirical evidence indicating that economic growth is associated with competition law. Micro-level evidence is likely to be needed to investigate how competition law affects SME's role in economic growth.



StatsAPEC

StatsAPEC is APEC's statistics portal with data dating back to APEC's inception in 1989. It consists of the Key Indicators Database and the Bilateral Linkages Database. The Key Indicators Database includes over 120 GDP, trade, financial and socio-economic indicators, allowing for an analysis of trends across a number of topics. The Bilateral Linkages Database facilitates detailed analysis of trade and investment flows between APEC economies and within APEC. APEC aggregates are available for most indicators in StatsAPEC, making it easy to examine the region as a whole.

StatsAPEC is available at statistics.apec.org and is optimized for use on mobile devices.





**Asia-Pacific
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