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

Trade, Inclusive Growth, and the Role of Policy

APEC Policy Support Unit
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Executive Summary

Introduction

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

- This current report has two parts. The first section discusses the linkages between trade performance and inclusive growth and examines the role of policy to promote inclusive growth. The second section reports trade and investment trends in the APEC region covering 2014 to the first half of 2015, and lists recent trade and investment policies implemented by member economies in the Annexes.

- APEC will continue to monitor trade and investment measures by member economies, with the APEC PSU to prepare its next report for the 2016 Meeting of the APEC Ministers Responsible for Trade.

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.

- 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 and Investment Developments

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 percent 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 percent in the volume of exports of goods and 3.3 percent in the volume of imports of goods, higher than the world average growth of 3.1 percent 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 United States 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 anti-dumping/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.

Trends in Foreign Direct Investments

- Inflows of foreign direct investments to the APEC region declined by 22.1 percent 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. The top 5 recipients of FDI in 2014 among APEC economies are China (USD 128.5 billion); Hong Kong, China (USD 103.3 billion); the United States (USD 92.4 billion); Singapore (USD 67.5 billion); and Canada (USD 53.9 billion).

- FDI outflows from the APEC region increased by 5.1 percent in 2014, which is slower than the 7.5 percent pace of FDI outflows recorded in 2013.

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

Trade and Investment Outlook

- The World Trade Organization (WTO) reduced their 2015 and 2016 forecasts for world trade growth to 2.8 percent and 3.9 percent, respectively, shaving 50 basis points and 10 basis points from its 14 April 2015 forecasts of 3.3 percent and 4.0 percent.

- 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 expects world trade to pick up at a modest pace of 3.1 percent in 2015 and 3.7 percent 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 percent in 2015 and to 3.3 percent 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.

Trade, Inclusive Growth, and the Role of Policy[1]

As the APEC 2015 host, the Philippines adopted the theme "Building Inclusive Economies, Building a Better World". The adoption of this theme directs the various fora under the ambit of APEC, including those focusing on trade and investment, to promote and advance inclusive growth in the Asia-Pacific region. As the Philippines year approaches its final lap, this theme section takes a look at the linkages between trade and inclusive growth. To what extent is trade performance contributing to inclusive growth in the region? How can economies strengthen the linkages between trade and inclusive growth?

In the next section, we define what is meant by inclusive growth and review the literature that explores the linkages between trade and inclusive growth. Next, we present the preliminary results of our empirical analysis on the correlations between the two, with a specific emphasis on the region. The last section surmises the role of structural reform in making the benefits of trade more inclusive across the different segments of society.

Defining and measuring inclusive growth[2]

Inclusive growth encompasses both economic growth and distribution. Economic growth—i.e., an increase in aggregate income—is important because without economic growth there can be no inclusive growth. Hence, actions that promote economic growth should be seen as contributing to inclusive growth; that is, to a certain extent, economic growth is necessary but not sufficient for inclusive growth.

Economic growth that generously benefits the well-off and marginally benefits the poor can hardly be called inclusive. Conversely, economic growth that accrues more to the poor (without necessarily harming the rich) is usually described as being more inclusive. This is why the distribution of the benefits of economic growth often figures in any discussion of inclusive growth: many indicators of inclusive growth (some of which can be seen in Table 1 below), such as the Gini coefficient and income gap measures, are in fact indicators of distribution. Inclusive growth is not a zero-sum game; rather, it is meant to benefit all members of society, but with a bias for those who need income growth the most.

However, a reduction in inequality alone—without an increase in average incomes—cannot be called inclusive growth either. Hence, for this analysis, we apply a measure of inclusive growth that considers both an increase in mean incomes and improvements in income distribution. Operationally, we apply a measure of inclusive growth (or pro-poor growth) developed by Son and Kakwani (2008) which considers the increase in average incomes as well as its distribution. Intuitively, this measure of inclusive growth is defined as[3]:

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[1] Prepared by Emmanuel A. San Andres and Andre Wirjo, Policy Support Unit.

[2] There is currently no agreed definition and measurement of inclusive growth. One way of defining a growth as inclusive is if people or households in the lower income brackets are benefitting equally or more than the total population (Beegle et al, 2014). Growth can also be defined as inclusive if it mainly benefits the disadvantaged groups by reducing disparities across gender and ethnic groups (Klasen, 2010). For more discussions on inclusive growth, see Ranieri and Ramos (2013). However, instead of focusing solely on reducing absolute poverty, this theme chapter's definition and measurement of inclusive growth refers to both the pace and distribution of economic growth (Son and Kakwani, 2008; Anand et al, 2013; Aoyagi and Ganelli, 2015).

[3] For a more technical description of the inclusive growth indicator, please see Appendix A.

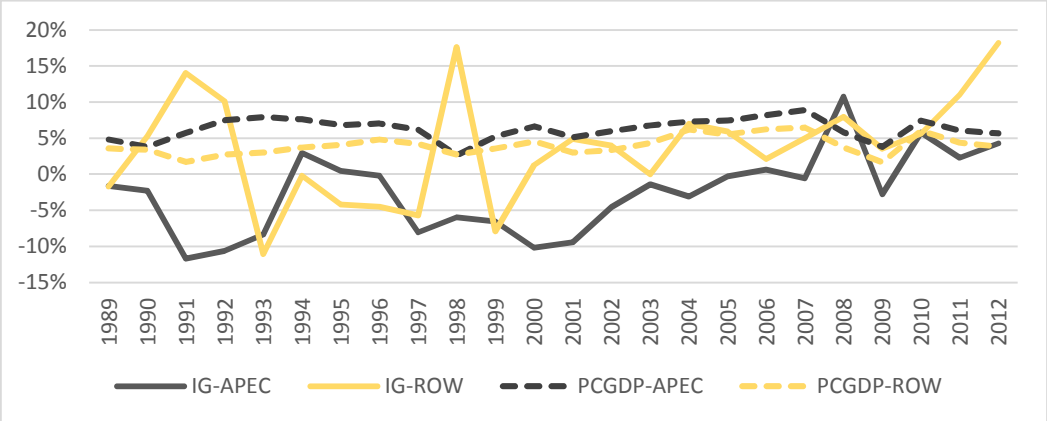
inclusive growth = growth in mean household income – increase in inequality

This measure of inclusive growth is income growth adjusted for changes in inequality: an increase in inequality reduces the inclusiveness of income growth. Note that this measure of inclusive growth uses mean household income rather than per capita GDP. This distinction is made because changes in per capita GDP do not necessarily accrue to households. Although per capita GDP provides an indicator of average income in a society, many components of GDP cannot be used by households for consumption (e.g., gross fixed capital formation).

Inequality, on the other hand, is measured in proportional terms, essentially looking into changes in mean incomes of various segments of society. If we divide society into 10 groups (i.e., deciles) ranked according to mean income with the 1st decile being the poorest 10 percent of society and the 10th decile the richest 10 percent of society, then the second term of the inclusive growth indicator measures changes in the mean income of all the deciles in society. Suppose mean income in the population increases by 5 percent: this growth is considered "inclusive" if income growth among the poorer deciles is more than 5 percent and income growth among the richer deciles is less than 5 percent. Note that inclusive growth, in this measure, does not necessarily imply a narrowing of the income gap; in money terms, the rich may still gain more from economic growth than the poor (e.g., 1 percent of USD 1 million is still larger than 10 percent of USD 10,000). However, this measure implies that growth is inclusive if the poor's incomes are proportionally rising faster than that of the rich; that is, the benefits of economic growth accrue proportionally more to the poor than to the rich.

We apply this measure of inclusive growth to processed household survey data from the World Bank's PovcalNet[4] covering 139 economies, including 15 APEC economies[5], over the period 1984-2012. Data from PovcalNet are used because they provide comparable measures of household income (in USD 2005 PPP terms) down to the decile level, which are needed to calculate inclusive growth. Figure 1 shows estimates of inclusive growth and per capita GDP growth. It can be seen that for most of the period, the APEC region has lagged behind the rest of the world in terms of inclusive growth, even if in terms of per capita GDP growth the APEC region has consistently outperformed the rest of the world.

Figure 1. Inclusive growth and per capita GDP growth, 1989-2012

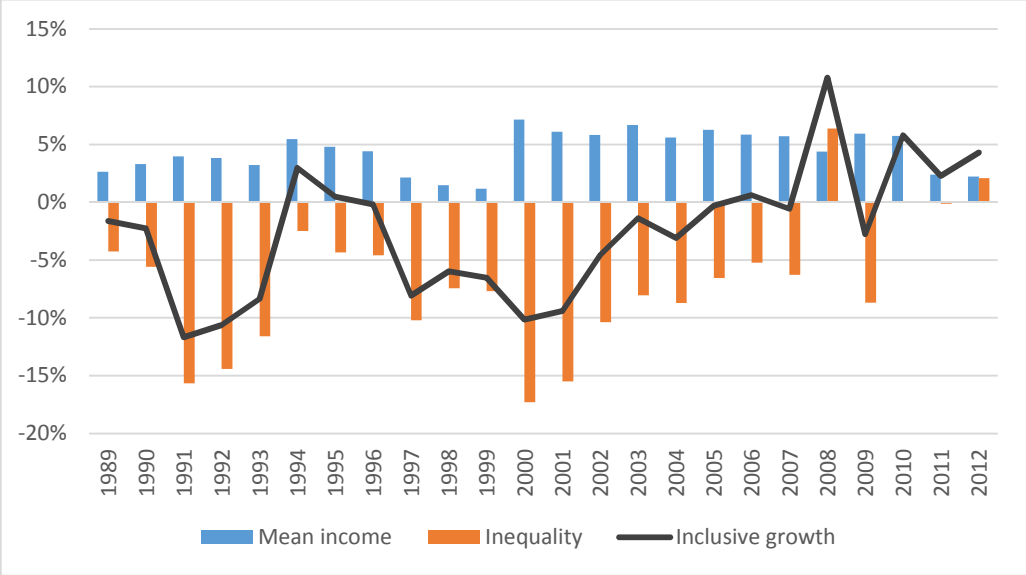


Note: IG = inclusive growth; PCGDP = per capita GDP growth; ROW = rest of the world. Aggregate growth rates are averages of economy-level growth rates weighted by population.
Source: PovcalNet data and APEC Policy Support Unit estimates.

[4] http://iresearch.worldbank.org/PovcalNet/
[5] APEC economies with data in PovcalNet are Australia; Canada; Chile; China; Indonesia; Japan; Malaysia; Mexico; Peru; the Philippines; Papua New Guinea; Russia; Thailand; the United States; and Viet Nam.

Indeed, an analysis of the two components of inclusive growth—i.e., mean income growth and inequality growth (shown in the negative)—shows that throughout 1989-2012 mean household incomes have been increasing in the APEC region (Figure 2). However, for most of the period, inequality has been growing as well; i.e., the growth in mean household incomes have proportionally benefitted the richer deciles of society more than the poorer deciles. It is worth noting, however, that growth has become more inclusive in APEC economies since 2008.

Figure 2. Components of inclusive growth in APEC, 1989-2012

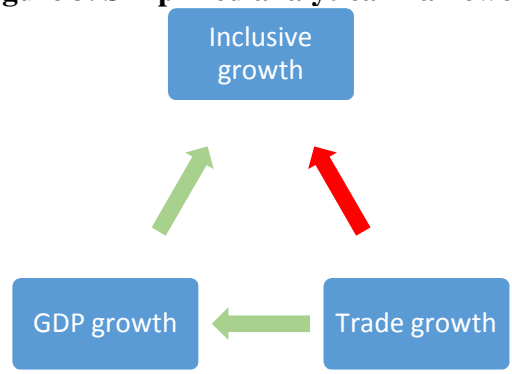


Note: Figures for inequality are presented in the negative: a negative growth rate means an increase in inequality while a positive rate means more equality. Aggregate growth rates are averages of economy-level growth rates weighted by population.
Source: PovcalNet data and APEC Policy Support Unit estimates.

How can trade contribute to inclusive growth?

There are two likely ways that trade can contribute to inclusive growth. First is the indirect linkage where trade growth contributes to GDP growth, which in turn can contribute to inclusive growth through employment and consumption multipliers (i.e., the trickle-down effect) or a more progressive system of public taxation and service provision through the state—this indirect linkage corresponds to the green arrows in Figure 3. Second is the more direct linkage between trade and inclusive growth where trade itself benefits poorer segments of society without the intermediation of overall economic growth or the state (i.e., red arrow in Figure 3). This can happen if an economy's exporting sector employs poor workers or if exporting firms are located in poorer regions such as rural areas. Likewise, growth in imports can contribute to inclusive growth if they lead to price reductions in the goods that form a large portion of the poor's consumption basket (e.g., basic necessities, medicines).

Figure 3. Simplified analytical framework



Source: Authors.

By and large, evidence from most literature suggests a positive relationship between trade and economic growth. For example, Sachs and Warner (1995) showed that open economies surpassed closed economies in economic growth over the period 1970-1989. Dollar and Kraay (2004) concluded that globalizing economies experienced higher relative growth compared to the others[6]. There is, however, less consensus on the direct relationship between trade and inclusive growth[7]. As shown in Table 1, various studies show trade and inclusive growth moving in the same direction, others show them moving in opposite direction, while one shows the relationships between the two to be insignificant. These observations are not surprising considering that trade liberalization has varying impacts on different segments of the society. It creates both winners as well as losers. From this perspective, trade liberalization and inclusive growth may go hand-in-hand if: 1) it benefits a large share of the society, particularly poorer households; and 2) it benefits poorer households to a larger extent than richer households.

Table 1. Selected papers examining the relationship between trade and inclusive growth

No.	Paper	Type of analysis	Measures of trade openness	Measures of inclusive growth	Relationship between trade openness and inclusive growth
1	Aoyagi and Ganelli (2015)	Cross-country	Sum of export and import divided by GDP	Measure of growth in average income corrected for the equity impact	Positive and significant
2	IMF (2007)	Cross-country	- Export-to-GDP ratio - 100 minus tariff rate	Income distribution as measured by Gini coefficient[a/]	Reduction in Gini coefficient (i.e Positive and significant)
3	Perry and Olarreaga (2006)	Cross-country	Adjusted trade volume divided by GDP	Gini coefficient	Increase in Gini coefficient (i.e Negative and significant)
4	Lundberg and Squire (2003)	Cross-country	Sachs-Warner index[b/]	Measurement-adjusted Gini from augmented	Increase in Gini coefficient

[6] For more discussions on the relationships between trade and growth, see also Edwards (1997), Frankel and Romer (1999), Wacziarg and Welch (2008), Gries and Redlin (2012), and Kuriyama and San Andres (2014).
[7] As indicated earlier, there is currently no agreed definition and measurement of inclusive growth.What is defined and measured in the earlier section of this theme chapter is only one of the many, some of which can be seen in the column on "measures of inclusive growth" in Table 1.

No.	Paper	Type of analysis	Measures of trade openness	Measures of inclusive growth	Relationship between trade openness and inclusive growth
				Deininger-Squire dataset.	(i.e Negative and significant)
5	Dollar and Kraay (2002)	Cross-country	Sum of export and import divided by GDP	Income of the poorest 20 percent of the population	Trade does not reduce the income of the poor (i.e Insignificant)
6	Razzaque and Raihan (Volume I and II, 2008)	Review of individual economy experiences	Various	Various	Economy and sector-specific (i.e Inconclusive)
7	Goldberg and Pavcnik (2007)	Review of individual economy experiences	Various	Various	Economy, case and time-specific (i.e Inconclusive)
8	Topalova (2007)	Individual economy	Tariff data	- Proportion of population below poverty line - Normalized aggregate shortfall of poor people's consumption from the poverty line	Increase in poverty rate and gap in rural districts (i.e Negative and significant)
9	Wei and Wu (2007)	Individual economy	Export-to-GDP ratio	Ratio of per capita incomes in urban to rural areas	Decline in urban-rural inequality (i.e Positive and significant)

a/ The Gini coefficient is a measure of income inequality which ranges from 0 (perfect equality) to 100 (complete inequality).
b/ Sachs-Warner index: An economy is deemed to be open to trade if it satisfies four tests: (1) average tariff rates below 40 percent; (2) average quota and licensing coverage of imports of less than 40 percent; (3) a black market exchange rate premium that averaged less than 20 percent during the decade of the 1970s and 1980s; and (4) no extreme controls (taxes, quotas, state monopolies) on exports.
Source: As indicated.

How trade policies affect households: The various transmission channels

According to McCulloch et al (2001), there are at least three transmission channels through which changes in trade policies affect households: distribution, enterprise, and government. The intrinsic factors that are unique to each household such as its assets, location, demographics, and decision-making processes essentially means that individual households are impacted by and responds differently to the same change in trade policies. In fact, different members of the same household may also be affected differently depending on their gender, education level, employment status, etc.

Starting with the distribution channel, which pertains to the prices of goods and services that households consume and/or produce, the impact of a change in price on a particular household varies depending on whether it is a net consumer or producer of the good or service. A price increase for a certain good has a positive effect on a net producer but negative effect on a net

consumer. On the contrary, a decrease in price has a negative effect on a net producer but positive effect on a net consumer (Turner et al, 2008). Note that these observations do not take into account the possibility of households deciding to alter its production and consumption patterns as a result of these price changes, which, if considered, would make analysis of the overall effect on households more involved and challenging.

The enterprise channel, which relates to the profits, wages, and employment that households receive, is another channel through which trade policy may affect households. Changes in trade policies may make cheaper imports accessible and this has different impacts on each household depending on the industry in which it is employed. Cheaper imports are likely to reduce the demand and price of import-competing goods, leading to a fall in profits, wages, and employment in the industry producing these goods. This means that household members in this industry are likely to receive lower wages and possibly lose employment in the short run. On the other hand, cheaper imports which serve as inputs for goods produced locally will lead to an increase in demand and hence profits, wages, and employment in the industry producing these goods, raising the benefits to household members that are in this industry (Turner et al, 2008).

The government channel may also affect households, albeit indirectly. This happens because changes in trade policies may alter taxes and transfers, which would then affect households through the amount of government spending on provisions such as infrastructure, health, education, and social protection. Households would benefit if changes in policies leads to higher production, more tax revenues, and more expenditure in social services. However, there is also a possibility that changes in policies can lead to less social expenditure if government ends up losing its original source of revenue and has no means of offsetting them (Higgins and Prowse, 2010).

To add to the complexity, it should be noted that trade policies do not work in silos and their overall impacts on households through the channels mentioned above are very much dependent on other policies and factors too. Everything else equal, the same set of trade policies may result in distinct outcomes in two different economies if they have different monetary, fiscal, and structural policies.

In the World Economic Outlook (WEO) report released in October 2015, the IMF pointed that, historically, exchange rate movements have significant effect on trade volumes; indeed, a 10 percent real effective depreciation in an economy's currency is associated with a rise in real net exports of, on average, 1.5 percent of GDP. Furthermore, the increase in exports associated with a currency depreciation is found to be greatest in economies with initial economic slack and those with domestic financial systems that are operating normally. What these findings suggest is that trade openness must be complemented by favourable exchange rate movements and sound domestic financial systems.

Aoyagi and Ganelli (2015) showed empirically that redistributive fiscal policy and monetary policies which ensure macrostability complement trade openness in fostering inclusive growth[8]. Fontana (2009) mentioned that restricted access to land and credit, labour discrimination, and complex power relations that limit control over resources are among the reasons which resulted in majority of women in some economies not being able to take full advantage of the opportunities brought about by changes in trade policies. Goldberg and

[8] See Aoyagi and Ganelli (2015) for more discussions on how these policies contribute to inclusive growth.

Pavcnik (2007) added factors such as degree of labour and capital mobility and the presence of other concurrent trends over the analysed time period as the reasons why the effect of trade openness on inclusive growth varies between economies.

Trade and inclusive growth: preliminary findings

For this analysis, we combine data on inclusive growth calculated from PovcalNet with data from the World Bank's World Development Indicators[9] covering GDP, population, trade, etc. The aim of this analysis is to examine how trade performance is associated with inclusive growth, whether directly or indirectly through GDP growth.

A simple method to analyse the association between trade and inclusive growth is to conduct a bivariate analysis of trade openness and inclusive growth episodes. In this analysis, we divide the sample into five equal groups arranged according to their trade openness, which is defined as the share of total trade to GDP. In turn, growth is defined as inclusive if poorer deciles benefited proportionally more from mean income growth in a given year. As can be seen in Table 2, economies that are more open are more likely to report inclusive growth; i.e., the proportion of economies in the 4th and 5th groups in terms of trade openness (i.e., more open) are more likely to record inclusive growth than those in the 1st or 2nd groups (i.e., less open). In fact, this bivariate association is statistically significant (i.e., p-values less than 0.10), and seems stronger for APEC economies than for non-APEC economies.

Table 2. Bivariate analysis of inclusive growth and trade openness
(row percent)

Trade openness	All		APEC		Rest of the world	
	not inclusive	inclusive	not inclusive	inclusive	not inclusive	inclusive
Group 1 (least open)	58.2	41.8	83.3	16.7	50.0	50.0
Group 2	46.9	53.1	45.5	54.6	47.5	52.5
Group 3	53.7	46.3	56.8	43.2	53.0	47.0
Group 4	48.0	52.0	39.5	60.5	48.9	51.1
Group 5 (most open)	42.7	57.3	46.2	53.9	42.1	57.9
Pearson chi-squared	15.61		21.55		7.88	
p-value	0.004		0.000		0.096	

Source: PovcalNet and WDI data and APEC Policy Support Unit estimates.

While bivariate analysis points to interesting correlations, it does not distinguish between the direct and indirect linkages between trade and inclusive growth. To determine the direct correlations between trade and inclusive growth, we conduct fixed effects panel regressions on inclusive growth and four indicators for trade performance: (1) exports and imports growth separately, (2) total trade growth (i.e., imports plus exports of goods and services), (3) merchandise trade growth (i.e., imports plus exports of merchandise goods), and (4) exports and imports growth interacted with GDP growth (to test the indirect linkage). We then estimate how trade performance is correlated with inclusive growth (as defined in the previous section) while controlling for factors such as GDP growth, population growth, and inequality. Simplified results of the exercise are presented in Table 3; detailed results are presented in Appendix B.

[9] http://data.worldbank.org/data-catalog/world-development-indicators

Table 3. Correlations with inclusive growth in APEC

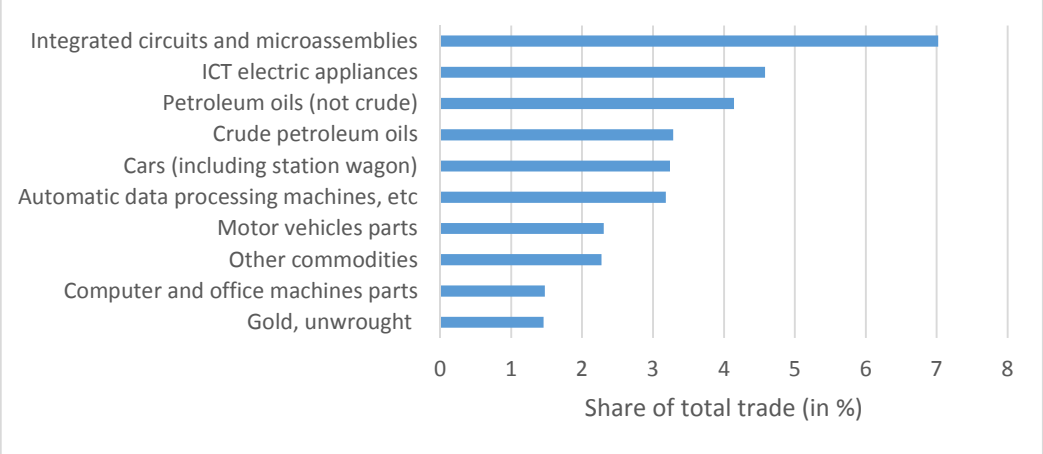
Variable	(1)	(2)	(3)	(4)
Exports growth	Negative*			Negative*
Imports growth	Negative			Positive
Trade growth		Negative*		
Merchandise trade growth			Positive	
GDP growth x exports growth				Positive*
GDP growth x imports growth				Negative
GDP growth	Positive	Positive	Positive	Positive
Population growth	Negative	Negative	Negative	Negative
Inequality (Gini index)	Negative*	Negative*	Negative*	Negative*

Note: Trade indicator independent variables for the models are: (1) exports and imports growth separately; (2) total trade growth (exports + imports); merchandise trade growth (goods exports + goods imports); and (4) exports and imports growth separately and interacted with GDP growth. The table presents the sign of the estimated coefficient as well as statistical significance. * = significant at α = 15%. Blanks indicate that the variable is not included in the regression model. Detailed results are presented in Appendix B.
Source: PovcalNet and WDI data and APEC Policy Support Unit estimates.

Regarding the control variables, as expected, GDP growth is positively correlated with inclusive growth (i.e., increases available income in society) while population growth and inequality are negatively associated with inclusive growth (i.e., less income per person and worsening distribution). The consistently significant coefficients for inequality show that the inclusive growth indicator is mainly being driven by variations in distribution (as measured by Gini coefficient) rather than variations in GDP growth or population.

As regards trade performance, it seems that the direct association with inclusive growth is more likely to be negative than positive; i.e., higher trade growth is negatively correlated with our measure of inclusive growth after controlling for GDP growth, population growth, inequality, and economy-specific and year-specific factors. In fact, the negative correlations with exports growth and total trade growth are statistically significant (the exception is merchandise trade growth which is positively correlated with inclusive growth, albeit not significantly). 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. A possible explanation for this is that a bulk of APEC's trade is in skill-intensive industries; for example, practically all of APEC's 10 most traded products (with the possible exceptions of unwrought gold and commodities) are produced by skill-intensive industries (Figure 4).

Figure 4. Top 10 most traded products in APEC (in value), 2014



Source: International Trade Centre and APEC Policy Support Unit estimates.

The findings above are not to be interpreted as saying that trade is detrimental to inclusive growth. As most of the direct correlations are insignificant, what the findings do say is that trade does not seem to be directly contributing to inclusive growth; meanwhile, there is some evidence to say that trade is more likely to directly benefit more well-off segments of the population.

That said, this is not to say that trade has a wholly negative impact on inclusive growth. As can be seen in model (4) in Table 3, the interaction variable for GDP and exports growth (i.e., GDP growth x exports growth) is positively and significantly correlated with inclusive growth. This correlation shows the effect of exports growth on inclusive growth through GDP growth (i.e., the green arrows in Figure 3). It shows that the pro-poor benefits of exports growth is through their contribution to overall economic growth.

On the other hand, the interaction variable for GDP and imports growth is negatively correlated with inclusive growth, but this relationship is statistically insignificant. In fact, all the coefficients for imports whether direct or interacted with GDP are insignificant—this indicates that there is no evidence to say that imports growth is generally detrimental to inclusive growth. Note that this analysis has focused on the macro-level linkages between inclusive growth and trade. Situations may look very different at the micro-level: a worker employed in an import-competing sector may be hurt by added competition. However, the results imply that micro-level impacts for imports growth tend to even out—so losses from added foreign competition are balanced by welfare gains from lower prices for final goods or inputs—such that there is no significant loss or gain to inclusive growth.

Implications for policy

Preliminary findings from this analysis indicate that the relationships between trade openness (when measured in terms of trade growth) and inclusive growth in the APEC region are far from conclusive (Models (1)-(3) in Table 3). Additionally, the inclusiveness of exports or imports growth redounds through their contribution to economic growth (Model (4) in Table 3). 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 augment the inclusiveness of the economy directly.

To some extent, these findings are not surprising because the fact that trade creates winners and losers implies that inclusive growth is neither a natural nor a necessary outcome of trade. Rather, trade openness must be accompanied with structural reforms in other areas, such as human capital investment, social protection, labour market reform, financial market reform, and institutions for its benefits to permeate through the society as a whole[10].

Trade openness without the existence of proper mechanisms to provide skills training for displaced workers, for instance, will probably lengthen the period of unemployment and adjustment costs of these workers. The same outcome will be reached if trade openness is not supplemented with easy access to credit among displaced firms. Indeed, in the absence of any structural policies of protecting sectors that lose out from trade, liberalisation may end up further accentuating the inequality between different groups in society. Complementing trade

[10] This reflects the findings of Kuriyama, San Andres, and Lee (2015) on the rural development impacts of trade in goods: while trade can be beneficial for certain sectors (and workers in those sectors), there are myriad other factors to consider to strengthen the linkages between trade and development.

policy with structural reform is even more crucial in a situation where trade growth is slowing down in favour of a rebalancing towards consumption-driven growth[11].

APEC acknowledges the value of structural reforms in promoting balanced, inclusive and sustainable growth in the region. It has a substantial history of work pertaining to structural reforms, including the adoption of the Leaders' Agenda to Implement Structural Reform (LAISR) in 2004[12] and the endorsement of the APEC New Strategy for Structural Reform (ANSSR) in 2010[13]. While member economies are to be recognised for the efforts that they have applied so far, more could be done to advance APEC's structural reform agenda. A look at seven principal policy domains, the so-called pillars which describe the structural and institutional features of an economy that matter for achieving inclusive growth released by World Economic Forum in its report on inclusive growth and development (2015)[14], shows that member economies have varying scores for these pillars despite the APEC average score being relatively higher than that for rest of world (see Table 4).

Table 4. APEC score for pillars in the inclusive growth and development framework

No.	Pillar	APEC			ROW
		Minimum score	Maximum score	Average score	Average score
1	Education and skills development	2.94	5.70	4.77	4.20
2	Employment and labour compensation	3.71	5.32	4.51	4.18
3	Asset building and entrepreneurship	3.27	5.75	4.37	3.67
4	Financial intermediation of real economy investment	2.68	5.39	4.00	3.14
5	Corruption and rents	3.22	5.69	4.33	3.83
6	Basic services and infrastructure	4.38	6.07	5.28	4.53
7	Fiscal transfers	3.36	5.05	3.96	3.67

Note: Data for APEC excludes Brunei Darussalam; Hong Kong, China; and Papua New Guinea. Specifically for the pillar on education and skills development, data from China is also excluded.
Source: World Economic Forum and APEC Policy Support Unit estimates.

In this regard, the recent endorsement of the Renewed APEC Agenda for Structural Reform (RAASR) at the 2015 Structural Reform Ministerial Meeting in Cebu[15] is a step in the right direction as it reaffirms and signals further commitment by member economies in undertaking structural reforms. The findings here, though preliminary, hope to give member economies some food for thoughts 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.

[11] For example, see Hernando and San Andres (2015).
[12] http://www.apec.org/About-Us/About-APEC/Fact-Sheets/Structural-Reform.aspx
[13] http://www.apec.org/Meeting-Papers/Leaders-Declarations/2010/2010_aelm.aspx
[14] In this report, the World Economic Forum proposed an Inclusive Growth and Development Framework comprising of 7 principal policy domains (pillars) and 15 sub-domains (sub-pillars). These pillars and sub-pillars describe the structural and institutional features of an economy that matter for achieving inclusive growth. A score (based on a 1 (worst) to 7 (best) scale) is assigned to each pillar and sub-pillar so that comparisons can be made across economies. These scores are derived by looking at over 140 indicators that have been collected by the forum. Details can be obtained at: http://wef.ch/igd15
[15] http://www.apec.org/Meeting-Papers/Ministerial-Statements/Structural-Reform/2015_structural.aspx

Recent Trade and Investment Developments[16]

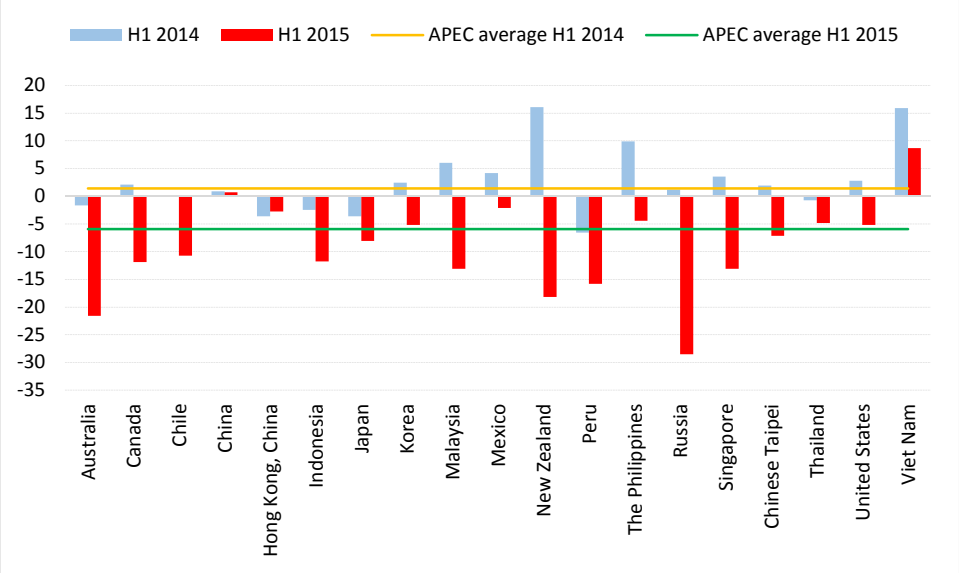
Trade Performance in the 1st half of 2015

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. China's economic restructuring away from an export-led growth towards a more consumer-driven growth also meant that Chinese demand, particularly for non-oil products such as metal and coal was significantly reduced.

The total value of APEC merchandise good exports reached USD 4.1 trillion during the first semester of 2015, which represented a decline of about 6.6 percent 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.

The majority of APEC economies posted negative growth rates in their respective goods exports earnings during the first half of 2015 compared to the same period in 2014 (see Figure 5).

Figure 5. Merchandise export value growth, H1 2014 and H1 2015



Note: Data not available for Brunei Darussalam and Papua New Guinea.
Source: World Trade Organization, Quarterly Merchandise Trade Values and APEC Policy Support Unit estimates.

In Australia, exports were dragged down mainly by lower prices of metals as well as metal ores and minerals. The 26.9 percent year-on-year decline in Canada's mineral products exports weighed down on its total exports value. Chile also struggled with the plunge in metal prices since its major export product is copper. In Hong Kong, the year-on-year price decreases in apparel and clothing accessories (12.4 percent); office machines and automatic data processing machines (6.2 percent); and electrical machinery, apparatus and appliances, and electrical parts

[16] Prepared by Rhea C. Hernando, Policy Support Unit.

(2.5 percent) contributed to the contraction in the growth in exports earnings. Lower shipments of coal, oil and gas dragged down Indonesia's exports for the first six months of 2015.

As with most APEC economies, weak overseas demand led to the shrinking of Japan's exports of textile machines (27.6 percent); mineral fuels (14.0 percent); and audio apparatus (12.3 percent). In Korea, the fall in exports was due to lower shipments of semiconductors, textiles, ships, and flat panel displays. Mexico's exports slowed down following a 6.6 percent drop in manufactured exports in May 2015 alone, the biggest fall in over two years, coupled with lower auto exports. New Zealand posted lower exports in milk powder, butter and cheese during the review period. Moreover, the economy also reported marked declines in its exports to major trade partners, namely, China and Australia. Between September 2014 and May 2015, New Zealand's exports to China and Australia fell by an average of USD 327 and USD 43 million, respectively.[17]

The plunge in energy prices has affected the export revenues of Peru, which produces natural gas; while its fishmeal exports was about 36.6 percent lower in the first half of 2015 compared to the level in the first half of 2014. Lower revenues from agro-based and mineral products plagued Philippine exports. Furthermore, in June 2015 alone, the Philippines experienced significant declines in export revenues from China (30.2 percent); the United States (4.3 percent); and economies in the Association of Southeast Asian Nations[18] (10.4 percent).[19] Meanwhile, the fall in oil prices continued to hound Russian economy, particularly since the price of Urals oil[20]— Russia's main export commodity— was halved, following the trend in global oil prices. Chinese Taipei's exports to its key markets such as China; the United States; and Europe also slid as demand for its technology goods slumped. Exports in the US reflected decreases in industrial supplies and materials as well as capital goods.

Amid the combination of weak external demand and the ongoing economic rebalancing away from an export-led growth, China posted a moderate increase in its exports for the first half of 2015. The same is observed in Viet Nam, which saw exports growing in the period January-June 2015 owing largely to increases in exports of "other means of transportation" (19.4 percent); and textiles and garments (8.2 percent).

On a year-on-year basis, APEC goods export earnings entered negative territory in Q1-Q2 2015, following successive growth in Q2-Q4 2014 (Figure 6). In particular, the region recorded contractions of 4.1 percent in Q1 2015 and a further decline of 7.6 percent in Q2 2015. The world, however, suffered a larger drop in goods export earnings during the period, falling by 12.4 percent in Q1 2015 and 13.2 percent in Q2 2015. On a semestral basis, the total value of the APEC region's exports of goods contracted by 5.9 percent during the period January-June 2015 compared to the same period in 2014.

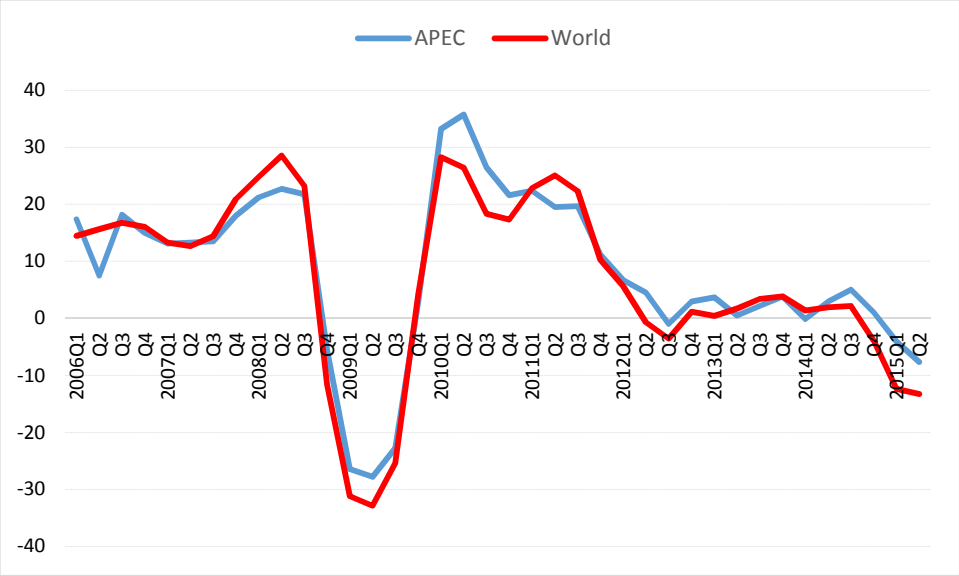
[17] Statistics New Zealand, media release on "Overseas Merchandise Trade: June 2015" available here: http://www.stats.govt.nz/browse_for_stats/industry_sectors/imports_and_exports/OverseasMerchandiseTrade_MRJun15.aspx.

[18] The ASEAN is composed of Brunei Darussalam, Cambodia, Indonesia, Lao PDR, Malaysia, Myanmar, Philippines, Singapore, Thailand and Viet Nam.

[19] Source: National Economic Development Authority, available here http://www.neda.gov.ph/wp-content/uploads/2015/08/Exports-June-rev3.jpg.

[20] Urals oil is a reference oil brand used as basis for pricing Russian export oil mixture. It is a mix of heavy, high oil of the Ural Mountains and the Volga region, with light oil of Western Siberia.

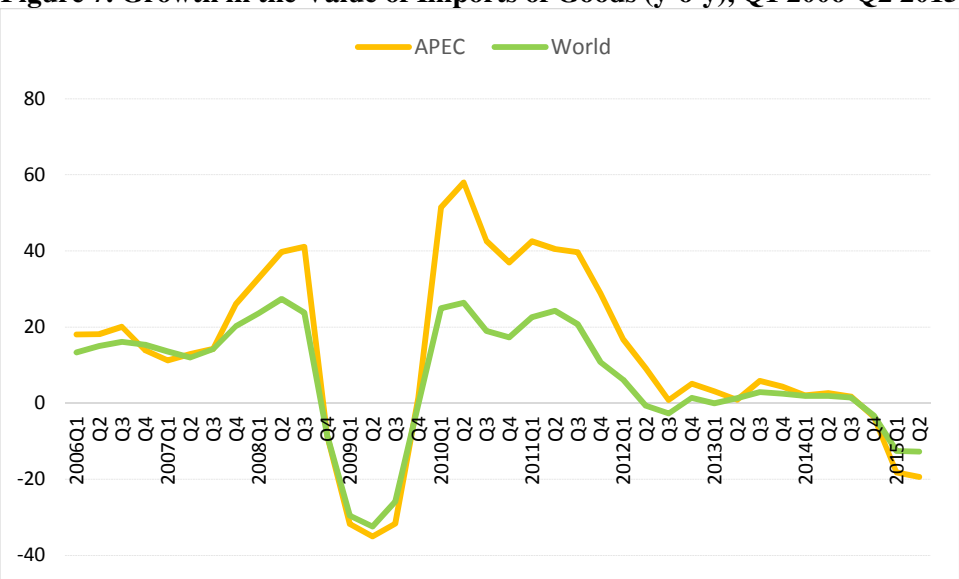
Figure 6. Growth in the Value of Exports of Goods (y-o-y), Q1 2006-Q2 2015



Note: Data not available for Brunei Darussalam and Papua New Guinea.
Source: World Trade Organization, Quarterly Merchandise Trade Values and APEC Policy Support Unit estimates.

The APEC region's goods imports also contracted in early 2015, falling by 18.2 percent in Q1 2015 and 19.4 percent in Q2 2015 (Figure 7). These downturns were larger compared to the decline in the value of the world's imports of goods at 12.6 percent in Q1 2015 and 12.8 percent in Q2 2015. Weakening demand for imported products combined with depreciating exchange rates contributed to the general decline in the value of the imports of goods.

Figure 7. Growth in the Value of Imports of Goods (y-o-y), Q1 2006-Q2 2015

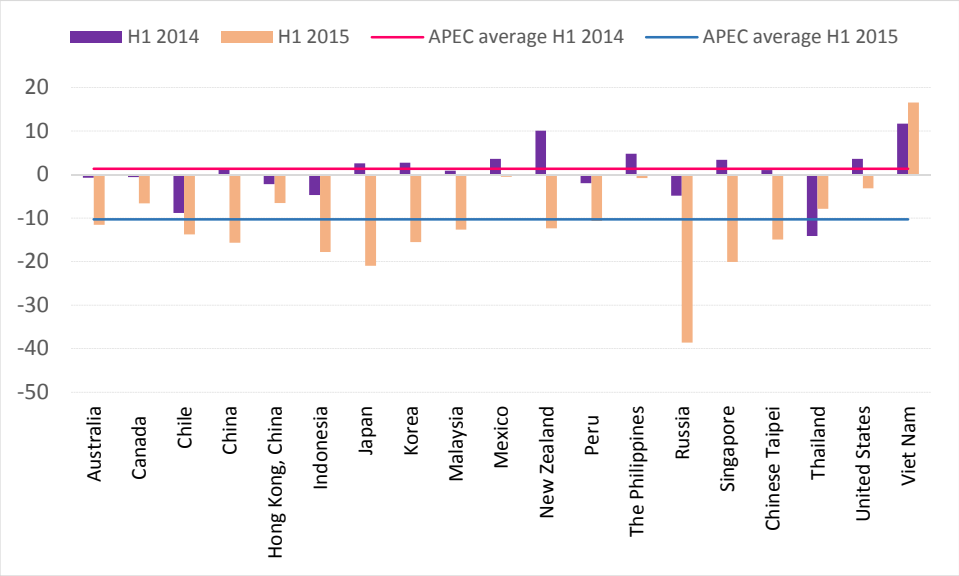


Note: Data not available for Brunei Darussalam and Papua New Guinea.
Source: World Trade Organization, Quarterly Merchandise Trade Values and APEC Policy Support Unit estimates.

Among APEC economies, year-on-year contractions in the value of imports ranged from 6.5 percent to 38.6 percent during the first half of 2015 (Figure 8). Only Viet Nam posted an increase in its imports in H1 2015, led by higher shipments to Viet Nam of products such as machines, equipment, tools and instruments (38.3 percent); computer, electrical products,

spare-parts and components (37.3 percent); and telephone, mobile phone and parts (30.4 percent).

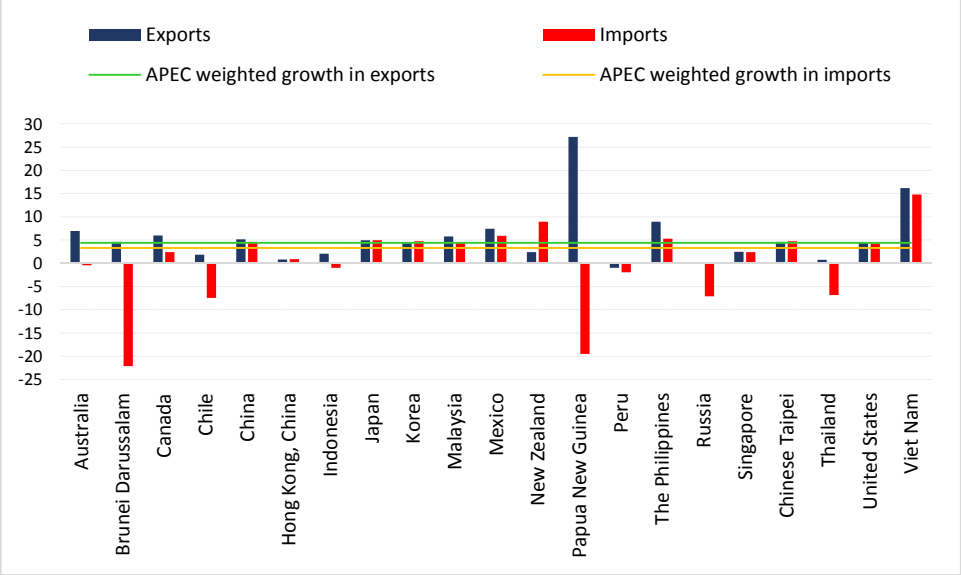
Figure 8. Merchandise import value growth (y-o-y), H1 2014 and 2015



Note: Data not available for Brunei Darussalam and Papua New Guinea.
Source: World Trade Organization, Quarterly Merchandise Trade Values and APEC Policy Support Unit estimates.

In terms of the volume of trade, the APEC region posted increases in 2014 of about 4.4 percent in the volume of exports of goods and 3.3 percent in the volume of imports of goods, higher than the world average of 3.1 percent for both volumes of exports and imports of goods. Most APEC economies posted growth in their respective trade volumes in 2014 (Figure 9).

Figure 9. Growth in the Volume of Trade-in-Goods, 2014



Source: International Monetary Fund, World Economic Outlook (October 2015) data and APEC Policy Support Unit estimates.

The top 10 export and import partners of APEC economies have remained the same from 2014 up to Q1 2015. China and the United States 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 (Table 5). Consequently, demand from these two major trade destinations have an impact on the trade performance of economies in the APEC region.

As of Q1 2015, exports to China comprised around 17.7 percent of total APEC exports, which remained unchanged from the whole year 2014 level. Meanwhile, the modest recovery in the US along with expectations of continued economic growth, supported by lower energy prices, stronger balance sheets, and improved consumer sentiment, resulted in higher demand for APEC's exports at 12.7 percent in Q1 2015 from 11.9 percent in 2014. Other trading partners also show increased shares of APEC's total exports, reflecting a more upbeat outlook for external demand as advanced economies are expected to strengthen in the near-term.

Table 5. Top 10 Trading Partners of APEC Economies
January-December 2014 and January-March 2015

Exports of Goods	**Q1 2015**	**2014**
China	17.74	17.72
United States	12.72	11.89
Japan	6.82	6.37
Korea	5.27	4.92
Canada	4.96	4.94
Hong Kong, China	4.78	4.53
Mexico	4.38	4.13
Singapore	3.79	3.75
Germany	3.77	3.82
Australia	2.20	2.36
Imports of Goods	**Q1 2015**	**2014**
United States	18.27	17.81
China	11.27	12.29
Japan	6.01	6.11
Hong Kong, China	5.28	5.34
Canada	4.66	4.70
Mexico	4.26	4.18
Korea	3.63	3.59
Germany	2.78	2.82
Singapore	2.65	2.88
Netherlands	2.33	2.38

Note: For the whole year of 2014, the share of APEC exports to Saudi Arabia stood at 2.54 percent, outpacing Australia's 2.36 percent, making Saudi Arabia the 10th biggest export partner of APEC economies in 2014.
Source: International Monetary Fund, Direction of Trade Statistics and APEC Policy Support Unit estimates.

The period mid-October 2014 up to mid-May 2015 saw APEC economies implementing 94 trade and trade-related measures (Annex 1).[21] Of this aggregate, 48 measures had the effect of facilitating trade, including elimination or reduction of tariffs, termination of anti-dumping/countervailing duties, and elimination of customs-related administrative charges for imports. Meanwhile, 46 measures had the effect of discouraging trade through the imposition

[21] Based on the *WTO's Report on G-20 Trade Measures,* released in 15 June 2015. As this report was going to press, WTO released a list of G-20 trade measures covering mid-May 2015 to mid-October 2015—these measures will be included in the next issue of this report in May 2016.

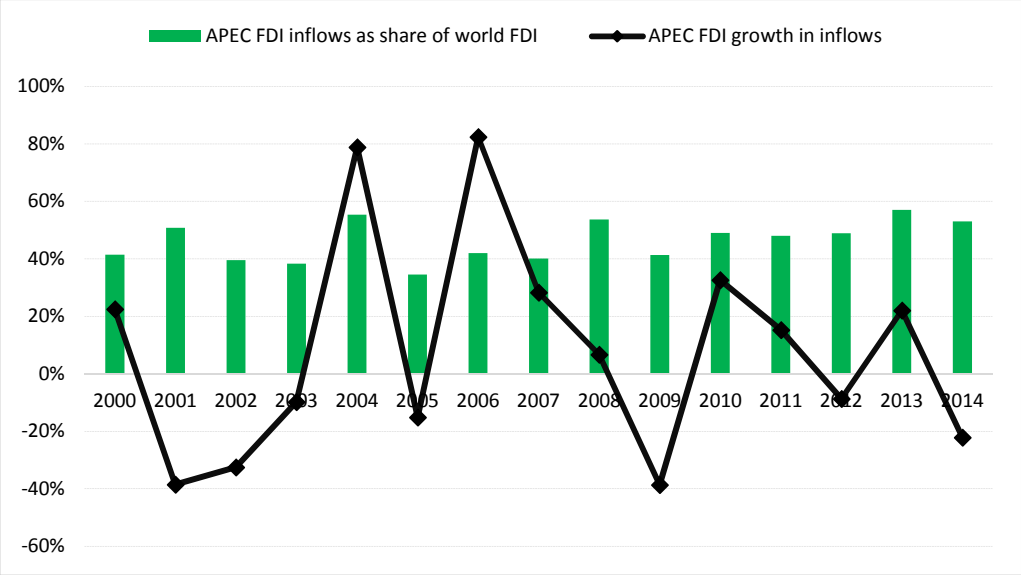
of import tariffs, initiation of anti-dumping investigations, imposition of countervailing duties, and imposition of import licensing requirements.

Trends in Foreign Direct Investments

Latest available data showed that inflows of foreign direct investments to the APEC region declined by around 22.1 percent to USD 651.8 billion in 2014 from the previous year's level of USD 836.9 billion (Figure 10). The decline in FDI inflows reflected investors' bearish sentiments with 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 inflows to the APEC region accounted for 53.1 percent of world FDI in 2014, albeit marginally lower than the 57.0 percent share recorded in 2013.

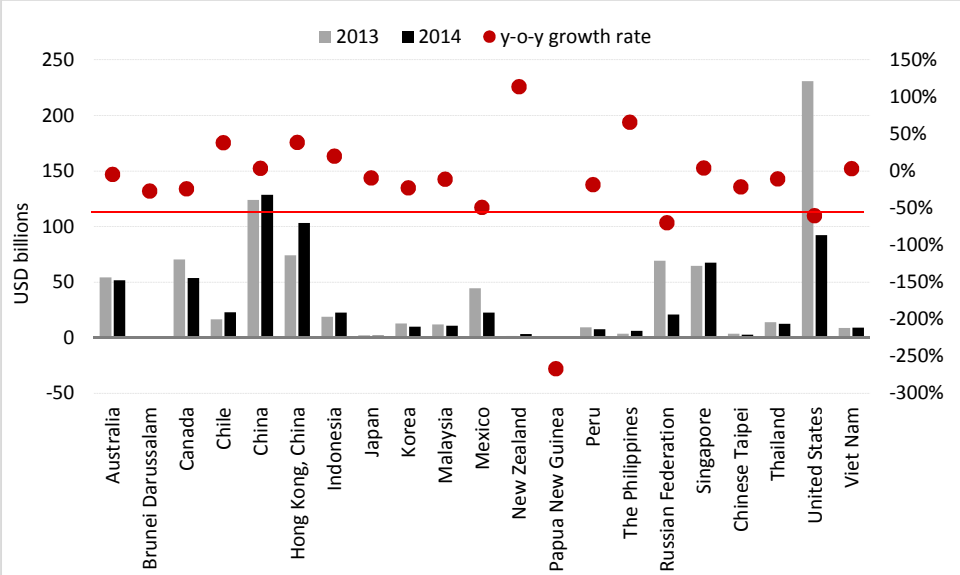
Figure 10. Growth in FDI Inflows in the APEC region, 2000-2014



Source: United Nations Conference on Trade and Development (UNCTAD), FDI Statistics and APEC Policy Support Unit estimates.

FDI continued to flow into APEC economies. However, the year-on-year growth in FDI moderated for 13 out of the 21 member-economies (Figure 11). The top 5 recipients of FDI among APEC economies are China (USD 128.5 billion); Hong Kong, China (USD 103.3 billion); the United States (USD 92.4 billion); Singapore (USD 67.5 billion); and Canada (USD 53.9 billion).

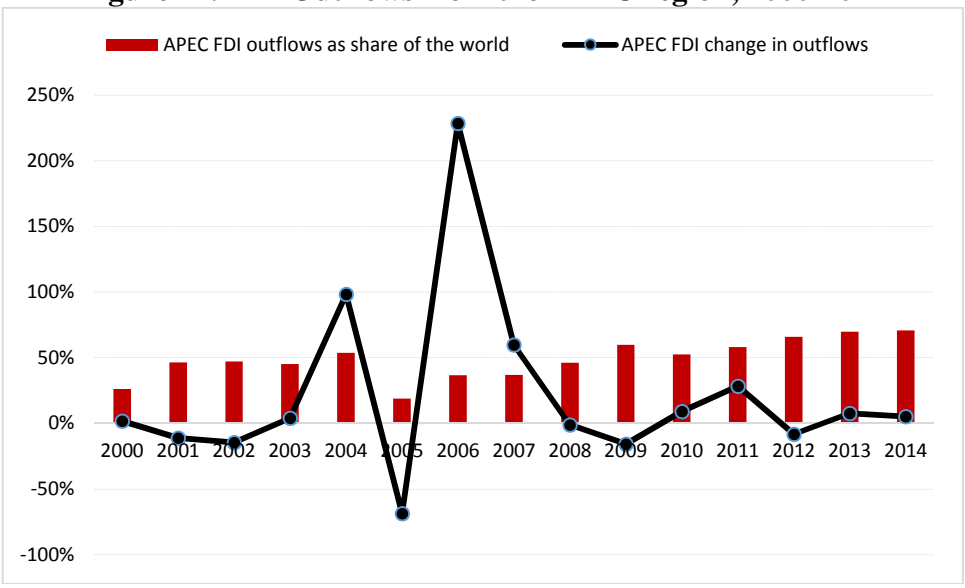
Figure 11. FDI Inflows by APEC economy, 2013-2014



Source: United Nations Conference on Trade and Development (UNCTAD), FDI Statistics and APEC Policy Support Unit estimates.

FDI outflows from the APEC region grew by 5.1 percent in 2014, a moderation from the FDI outflows of 7.5 percent recorded in 2013 (Figure 12). FDI outflows from the APEC region comprised 70.9 percent of world FDI outflows, slightly bigger than in 2013 at 69.8 percent.

Figure 12. FDI Outflows from the APEC region, 2000-2014



Source: United Nations Conference on Trade and Development (UNCTAD), FDI Statistics and APEC Policy Support Unit estimates.

In terms of investment measures covering the period October 2014 to May 2015, three APEC members moved to facilitate the inflow of FDIs into their respective economies, while one APEC member opted to regulate FDI inflows (Annex 2). [22] Effective on 24 April 2017, Canada will increase the threshold to CAD 800 million in enterprise value (from CAD 600 million) above which an acquisition of control of a Canadian business by a private sector or a foreign

[22] Based on the *OECD-UNCTAD Report on G-20 Investment Measures*, released in 15 June 2015.

investor from a WTO member economy is assessed. By January 2021, the said threshold will be indexed annually to reflect the change in Canada's nominal GDP in the previous year. China lifted restrictions on foreign inward investment with the issuance of the new "Catalogue for the Guidance of Foreign Investment Industries", which took effect in 10 April 2015. The Catalogue reclassified foreign investments in over 400 industry sectors, effectively liberalizing the manufacturing sector. Moreover, on 20 April 2015, China instituted frameworks that are geared towards further opening up its sectors, including international shipping, distribution, automotive manufacturing, agriculture and non-staple food processing, among others. In Mexico, amendments to the Foreign Investment Law and the National Foreign Investment Registry came into effect in 13 October 2014 and 12 February 2015, respectively. Overall, the amendments simplify FDI-related requirements. Meanwhile, Australia tightened investments for the agriculture sector by lowering the threshold to AUD 15 million (from AUD 252 million) upon which investments will be subject to the approval of the Foreign Investment Review Board (FIRB) effective on 11 February 2015.

Furthermore, investment measures covering the period June-September 2015 show some APEC economies implementing policies that are geared towards facilitating entry of FDI (Annex 2). These measures include the following: enhancing the business climate in Australia; introducing a new foreign investment promotion strategy in Chile; relaxing foreign-exchange related requirements, foreign ownership rules, and real estate restrictions in China; expanding tax incentives to cover other manufacturing industries in Indonesia; allowing small-sized foreign companies to hire non-Korean employees beyond the 20 percent limit in Korea; instituting a free port regime in Russia; and lifting caps on foreign ownership and foreign currency payments in Viet Nam. Meanwhile, New Zealand did not approve a foreign company's proposed land purchase since the economy assessed that the said investment will not result in substantial benefit for New Zealand.

Trade and Investment Outlook

In their 30 September 2015 issue of *Trade Statistics and Outlook*, the WTO reduced its 2015 and 2016 forecasts for world trade growth to 2.8 percent and 3.9 percent, respectively, shaving 50 basis points and 10 basis points from its 14 April 2015 forecasts of 3.3 percent and 4.0 percent.[23] The volume of world merchandise trade grew by 2.5 percent in 2014.

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.

A recent study by the IMF[24] shows that exchange rate movements tend to have strong effects on exports and imports. In particular, the study estimates that a 10 percent real effective depreciation in an economy's currency is associated with, on average, a rise in real net exports equivalent to 1.5 percent of GDP, with substantial variations across economies around this average. Although it takes a number of years for the impact to fully materialize, the bulk of the adjustment takes place in the first year.

[23] WTO Trade Statistics and Outlook, *"Falling Import Demand, Lower Commodity Prices Push Down Trade Growth Prospects."* Press Release No. 752 (30 September 2015). Available here: https://www.wto.org/english/news_e/pres15_e/pr752_e.pdf.

[24] IMF. *"Exchange Rates and Trade Flows: Disconnected?"* Chapter 3 of the World Economic Outlook (October 2015).

In general, the IMF expects world trade to pick up at a modest pace of 3.1 percent in 2015 and 3.7 percent in 2016 for the volume of exports of goods. The world's imports is anticipated to increase by 2.9 percent in 2015 and 4.1 percent in 2016. The significant jump in the world's volume of imported goods in 2016 is also mirrored in the forecasted upward trend for advanced economies in tandem with their projected recovery, equivalent to a 2.0 percent increase in GDP in 2015 and inching up to 2.2 percent in 2016, which are both higher than the 2014 GDP growth of 1.8 percent. 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. Import growth among emerging market economies is projected to decline anew with the anticipated weakening in demand along with exchange rate dynamics.[25]

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 percent in 2015 and 3.3 percent in 2016. Imports of goods are forecasted to grow by 2.6 percent in 2015 and 4.2 percent in 2016.[26]

Meanwhile, capital flows will continue to be influenced by varying 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 Eurozone 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.

The smooth and orderly lift-off of the benchmark US Fed rate is not expected to pose significant or adverse repercussions on global financial markets. Instead, it is expected to dampen excessive risk-taking in domestic credit markets where liquidity is ample and rates are at historic lows. However, an increase in US interest rates would mean higher valuations for US financial instruments, making these assets more attractive. Thus, investors would want to hold more USD-denominated assets, shifting funds and sentiments away from emerging markets.

Aside from capital flight risks, strains in the balance sheet and funding conditions could also manifest with the appreciation of the US dollar from the combined effect of higher key Fed rate and improved external position due to lower commodity prices.

Emerging markets are better equipped to manage external shocks such as significant movements in capital, particularly as their exchange rates have become more market-oriented, foreign reserves have been beefed up, and frameworks and institutions have been strengthened in response to past financial crises. To counter tightening funding conditions and balance sheet risks, emerging market economies need to support domestic demand in order to keep GDP growth at healthy levels and increase potential growth amid the challenging external environment.

[25] IMF. *"Recent Developments and Prospects."* Chapter 1 of the World Economic Outlook (October 2015).
[26] APEC growth is calculated as the weighted average of growth in individual economies. Data sourced from the IMF World Economic Outlook Database (October 2015).

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Appendix A: Measuring inclusive growth

Inclusive growth requires the consideration of changes in mean household income as well as changes in distribution. An increase in mean income means that there is more wealth circulating in a society, which in turn can lead to higher standards of living and welfare. Having a higher mean income also implies a higher capacity for productivity and investment, not only in capital goods but also in education and health services.

However, having more wealth is not enough for inclusive growth; the distribution of wealth is also an important consideration. An increase in society's wealth can hardly be called inclusive if it only accrues to those who are already wealthy. Indeed, for growth to be called inclusive, it should be benefiting the poorer segments of society, albeit not to the detriment of the more well-off. Inclusive growth is not a zero-sum game; rather, it is meant to benefit all members of society, but with a bias for those who need growth the most.

In this section, we first discuss the computational concepts of mean income and distribution. Then we operationally define inclusive growth as applied in this paper.

Mean income

The concept of mean income in a population is straightforward. Suppose there are N individuals in a population with each member having an income of M_i. Then the mean income in the population, M, is defined as

$$M = \frac{\sum_{i=1}^{N} M_i}{N}$$

Hence, an increase in mean income (keeping N constant) implies a net increase in total income in the population regardless of distribution. It is thus possible for mean income to increase even if some individuals experience a decrease in their income, so long as other individuals experience a bigger increase in their income.

Distribution of income

The concept of distribution is a bit more involved as it requires matching incomes with individuals. As previously, suppose there are N individuals in the population with each member having an income of M_i. But this time, we arrange individuals in an ascending order according to income, so individual 1 with income M_1 is the poorest individual and individual N with income M_N is the richest individual. Let us then define a share of the population, $0 \leq p \leq 1$, that indicates the proportion of the population from individual 1 to individual p; i.e., the poorest p percent of the population. The distribution of income in a population can then be described by a Lorenz curve[27], $L(p)$, that indicates the share of total income owned by the poorest p percent of the population (Figure A1). By definition, $L(0) = 0$ (i.e., zero percent of the population owns

[27] Named after Max Otto Lorenz (1876-1959) who first described the curve in 1905.

zero percent of the income) and $L(1) = 1$ (i.e., 100 percent of the population owns 100 percent of the income).

Figure A1. The Lorenz Curve

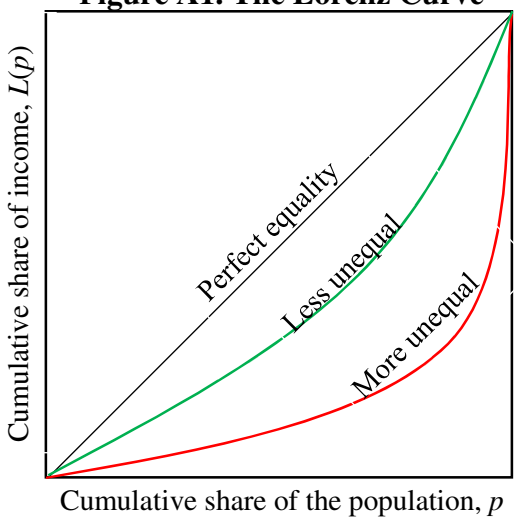

Figure A1 illustrates three different income distributions. If every individual has exactly the same income, then the poorest 10 percent of the population ($p = 0.1$) has 10 percent of total income, the poorest 50 percent has 50 percent of total income, and so forth. This is the line of perfect equality in Figure A1. With more inequality, the Lorenz curve will be bowed out from the line of perfect equality since the poorest 10 percent of the population will own less than 10 percent of total income, etc. Note that a common measure of inequality, the Gini index, is actually based on the Lorenz curve. The formal definition of the Gini index is

$$G = 1 - 2\int_0^1 L(p)dp$$

which is unity minus twice the area under the Lorenz curve (note that the square in Figure A1 is a unit square, so each side is equal to 1).

The inclusive growth indicator

Following Son and Kakwani (2008), and using the same terms as above, we define the inclusive growth rate, γ, as

$$\gamma = \Delta \ln(M) - \Delta \int_0^1 [\ln(p) - \ln(L(p))]dp$$

The first term of γ, $\Delta \ln(M)$, is the growth rate of mean income, M.[28] The second term, $\Delta \int_0^1 [\ln(p) - \ln(L(p))]dp$, indicates the growth rate in inequality. Note that if there is no change in income distribution, so the second term is zero, then $\gamma = \Delta \ln(M)$. If inequality increases, so $\Delta \int_0^1 [\ln(p) - \ln(L(p))]dp > 0$, then $\gamma < \Delta \ln(M)$. Conversely, if inequality decreases, so $\Delta \int_0^1 [\ln(p) - \ln(L(p))]dp < 0$, then $\gamma > \Delta \ln(M)$.

[28] Note that for any variable x, $\Delta\ln(x) = \Delta x/x$, or the growth rate of x.

Note that $L(p) = M_p p/M$, where M_p is the mean income of the poorest p percent of the population. Thus, we can rewrite γ as

$$\gamma = \Delta \ln(M) - \Delta \int_0^1 \left[\ln(p) - \ln\left(\frac{M_p p}{M}\right)\right] dp$$

From this equation, we can see that $\partial\gamma/\partial M_p > 0$, so that an increase in the share of total income among the poorer p percent of individuals while keeping average income M constant (i.e., rich-to-poor transfer) increases γ by reducing the second term. Conversely, a decrease in the share of income among poorer individuals (i.e., poor-to-rich transfer) decreases γ by increasing the second term.

The above equation is best suited for household survey data so that we have a near-continuous distribution of observations. However, for this analysis, we use a discrete transformation of γ using decile income data so that the above equation becomes

$$\gamma = \Delta \ln(M) - \Delta \sum_p \left[\ln(p) - \ln\left(\frac{M_p p}{M}\right)\right], p = 0.1, 0.2 \ldots 1$$

Appendix B: Econometric results

Multivariate analysis of inclusive growth and trade performance in APEC

Dependent variable: inclusive growth rate, γ	**(1)**	**(2)**	**(3)**	**(4)**
Exports growth	-0.450**			-0.661***
	(0.238)			(0.303)
Imports growth	-0.148			0.190
	(0.204)			(0.408)
Trade growth		-0.511***		
		(0.219)		
Merchandise trade growth			0.0678	
			(0.213)	
GDP growth x exports growth				6.291*
				(4.001)
GDP growth x imports growth				-9.068
				(9.481)
GDP growth	0.853	0.942**	0.643	0.324
	(0.556)	(0.519)	(0.606)	(0.651)
Population growth	-0.115	-0.111	-0.110	-0.0591
	(0.103)	(0.107)	(0.112)	(0.119)
Gini index	-0.0225***	-0.0231***	-0.0256***	-0.0257***
	(0.0405)	(0.0406)	(0.0375)	(0.0117)
Observations	277	277	276	277
R-squared	0.132	0.128	0.121	0.157

Notes: Trade indicator independent variables for the models are: (1) exports and imports growth separately; (2) total trade growth (exports + imports); merchandise trade growth (goods exports + goods imports); and (4) exports and imports growth separately and interacted with GDP growth. Fixed effects panel regression model controlling for economy- and year-effects. Coefficients for constant and year dummy variables are suppressed for brevity. Robust standard errors in parentheses. Statistically significant: **** α = 1%, *** α = 5%, ** α = 10%, * α = 15%.
Source: PovcalNet and WDI data and APEC Policy Support Unit estimates.

Annex 1

Trade and Trade-Related Measures (Mid-October 2014 to Mid-May 2015)

The following list of trade and trade-related measures implemented in APEC economies from Mid-October 2014 to Mid-May 2015 is adapted from the WTO's report on *G20 Trade Measures* (June 2015).[29]

Economy	Measure	Source/Date	Status
Australia	Initiation on 17 Oct. 14 of anti-dumping investigation on imports of steel reinforcing bar (HS 7213.10.00; 7214.20.00; 7227.90.90; 7228.30.90) from Korea; Malaysia; Singapore; Spain; Chinese Taipei; Thailand; and Turkey	WTO document G/ADP/N/265/AUS, 10 Mar. 15; Permanent Delegation of Australia to the WTO (27 May 15); and Australia Customs Dumping Notice No. 2015/33 (13 Mar. 15)	Provisional duty imposed on 13 Mar. 15
Australia	Initiation on 6 Nov. 14 of anti-dumping investigation on imports of certain polyvinyl chloride "PVC" flat electric cables (HS 8544.49.20) from China	WTO document G/ADP/N/265/AUS, 10 Mar. 15; Permanent Delegation of Australia to the WTO (27 May 15); and Australia Customs Dumping Notice No. 2015/09 (19 Jan. 15)	
Australia	Termination on 7 Nov. 14 (without measure) of anti-dumping investigation on imports of quicklime "calcium oxide" (HS 2522.10.00) from Thailand (investigation initiated on 31 Oct. 11 and terminated on 3 Apr. 12. On appeal, the Trade Measures Review Officer revoked the termination and the investigation was resumed on 28 Jun. 12. The resumed investigation was terminated on 2 May 13. After a further review by the Anti-Dumping Review Panel, the investigation was resumed again on 8 Aug. 13)	WTO document G/ADP/N/265/AUS, 10 Mar. 15	
Australia	Termination on 1 Dec. 14 of anti-dumping duties on imports of power transformers (HS 8504.22.00; 8504.23.00) from China; and Korea (investigation initiated on29 Jul. 13 and provisional duty imposed on 27 Nov. 13)	WTO document G/ADP/N/265/AUS, 10 Mar. 15; Permanent Delegation of Australia to the WTO (27 May 15) and Australia Customs Dumping Notice No. 2014/130 (1 Dec. 14)	
Australia	Reduction of import tariffs (second phase) (from 10% to 5%) on certain textiles, clothing and footwear (in Chapters 39; 40; 42; 58; 60; 61; 62; 63; 96). Tariffs eliminated for imports from developing economies.	Permanent Delegation of Australia to the WTO (27 May 15)	Effective 1 Jan. 15

[29] As this report was going to press, WTO released a list of G-20 trade measures covering mid-May 2015 to mid-October 2015—these measures will be included in the next issue of this report in May 2016.

Economy	Measure	Source/Date	Status
Australia	Initiation on 19 Jan. 15 of anti-dumping investigation on imports of prepared or preserved tomato products (HS 2002.10.00) from Italy limited to two producers (Feger di Gerado Ferraioli S.p.A. and La Doria S.p.A.)	Permanent Delegation of Australia to the WTO (27 May 15)	
Australia	Termination on 9 Feb. 15 of anti-dumping duties on imports of sodium hydrogen carbonate (sodium bicarbonate) (HS 2836.30) from China (imposed on 3 Nov. 05)	Permanent Delegation of Australia to the WTO (27 May 15) and Australia Customs Dumping Notice No. 2015/14 (9 Feb. 15)	
Australia	Termination on 20 Mar. 15 (without measure) of anti-dumping investigation on imports of newsprint (HS 4801.00.20; 4801.00.31; 4801.00.39) from Korea, Rep. of (initiated on 22 Apr. 14)	WTO document G/ADP/N/259/AUS, 1 Sep. 14; Permanent Delegation of Australia to the WTO (27 May 15); and Australia Customs Dumping Notices Nos. 2015/12 (30 Jan. 15) and 2015/29 (20 Mar. 15)	
Australia	Initiation on 27 Mar. 15 of anti-dumping investigation on imports of hot-rolled plate steel (HS 7208.40.00; 7208.51.00; 7208.52.00; 7225.40.00) from Korea; and Chinese Taipei	Permanent Delegation of Australia to the WTO (27 May 15) and Australia Customs Dumping Notice No. 2015/40 (27 Mar. 15)	
Australia	Termination on 14 Apr. 15 of anti-dumping duties on imports of silicone emulsion concrete admixtures (HS 3824.40) from the United States (investigation initiated on 14 Aug. 09, provisional and definitive duties imposed on 26 Nov. 09 and 14 Apr. 10)	Permanent Delegation of Australia to the WTO (27 May 15) and Australia Customs Dumping Notice No. 2014/26 (1 Apr. 14)	
Australia	Initiation on 5 May 15 of anti-dumping investigation on imports of alloy galvanised steel (HS 7210.49.00; 7212.30.00) from Korea; and Chinese Taipei (possible circumvention of anti-dumping measures imposed on 5 Aug. 13)	Australia Customs Dumping Notice No. 2015/55 (5 May 15)	
Australia	Initiation on 11 May 15 of anti-dumping investigation on imports of hollow structural sections "HSS" (HS 7306.30.00; 7306.61.00; 7306.69.00) from China; Korea; Malaysia; and Chinese Taipei (possible circumvention of anti-dumping measures imposed on 3 Jul. 12)	Australia Customs Dumping Notice No. 2015/58 (11 May 15)	
Australia	Termination on 13 May 15 (without measure) of anti-dumping investigation on imports of rod in coils (HS 7213.91.00; 7227.90.90) from Turkey (initiated on 10 Apr. 14)	Australia Customs Dumping Notice No. 2015/59 (13 May 15)	
Canada	Termination on 23 November 2014 of anti-dumping duties on imports of mattress innerspring units (HS 7320.20.90; 9404.10.00; 9404.29.00) from China (investigation initiated on 27 Apr. 09, provisional and definitive duties imposed on 27 July and 24 Nov. 09)	WTO document G/ADP/N/265/CAN, 17 Mar. 15	
Canada	Initiation on 5 Dec. 14 of anti-dumping investigation on imports of certain photovoltaic modules and laminates (HS 8541.40.00) from China	WTO document G/ADP/N/265/CAN, 17 Mar. 15; and Permanent Delegation of Canada to the WTO (21 Apr. 15)	Provisional duty imposed on 5 Mar. 15

Economy	Measure	Source/Date	Status
Canada	Initiation on 5 Dec. 14 of countervailing investigation on imports of certain photovoltaic modules and laminates (HS 8541.40.00) from China	WTO document G/SCM/N/281/CAN, 20 Mar. 15; and Permanent Delegation of Canada to the WTO (21 Apr. 15)	Provisional duty imposed on 5 Mar. 15
Canada	Termination on 10 Dec. 14 of countervailing duties on imports of certain concrete reinforcing bar (HS 7213.10.00; 7214.20.00; 7215.90.00; 7227.90.00) from Korea; and Turkey (investigation initiated on 13 Jun. 14 and provisional duty imposed on 11 Sep. 14)	WTO document G/SCM/N/281/CAN, 20 Mar. 15	
Canada	Termination on 2 Apr. 15 of countervailing duties on imports of oil country tubular goods (HS 7304.29.00; 7304.39.00; 7304.59.00; 7306.29.00; 7306.30.00; 7306.50.00; 7306.90.00) from India; Indonesia; Korea; Philippines; Thailand; Turkey; Ukraine; and Viet Nam (investigation initiated on 21 Jul. 14 and provisional duty imposed on 3 Dec. 14)	WTO document G/SCM/N/281/CAN, 20 Mar. 15; and Permanent Delegation of Canada to the WTO (21 Apr. 15)	Terminated on 3 Dec. 14 (without measure) on imports from Korea, Rep. of and Turkey. Terminated on 3 Mar. 15 for imports from Philippines, Thailand and Ukraine
China	Implementation of automatic import licensing requirements on sugar subject to out-of-quota tariff (HS 1701)	Permanent Delegation of China to the WTO (29 May 15)	Effective 1 Nov. 14
China	Termination on 21 Nov. 14 of anti-dumping duties on imports of toluene diisocyanate (TDI80/20) (HS 2929.10.10) from Japan; Korea; and the United States (imposed on 22 Nov. 03)	WTO document G/ADP/N/265/CHN, 23 Jan. 15	
China	Termination on 30 Nov. 14 of anti-dumping duties on imports of chloroform (HS 2903.13.00) from the EU; Korea; and the United States (imposed on 30 Nov. 04)	WTO document G/ADP/N/265/CHN, 23 Jan. 15	
China	Termination on 17 Dec. 14 (without measure) of anti-dumping investigation on imports of hemodialysis equipment (HS 9018.90.40) from EU and Japan (initiated on 13 Jun. 14)	WTO document G/ADP/N/265/CHN, 23 Jan. 15	
China	Termination on 25 Dec. 14 of anti-dumping duties on imports of 1,4-butanediol (HS 2905.39.90) from Kingdom of Saudi Arabia and Chinese Taipei (imposed on 24 Dec. 09)	WTO document G/ADP/N/265/CHN, 23 Jan. 15	
China	Trade facilitation measures through the elimination of certain customs-related administrative charges for imports	Permanent Delegation of China to the WTO (29 May 15)	Effective 1 Jan. 15
China	Elimination of export quotas scheme for rare earth minerals, tungsten and molybdenum. Export subject to export-licensing administration (HS 2530; 2609; 2611; 2612; 2613; 2620; 2805; 2825; 2841; 2846; 2849; 7106; 7202;8001; 8002; 8003; 8007; 8101; 8102; 8110; 8112)	Permanent Delegation of China to the WTO (29 May 15)	Effective 1 Jan. 15
China	Elimination of "price controls" on 24 commodities (i.e. tobacco leaves)	Permanent Delegation of China to the WTO (29 May 15)	Effective 1 Jan. 15
China	VAT rebate rates increased on exports of high value-added products, processed maize products, and textile and garment	Permanent Delegation of China to the WTO (29 May 15)	Effective 1 Jan. 15

Economy	Measure	Source/Date	Status
China	Trade facilitation measure through the elimination of certain customs related administrative charges for exports	Permanent Delegation of China to the WTO (29 May 15)	Effective 1 Jan. 15
China	VAT rebate rates eliminated on exports of boron steel (HS 7104.90.12; 7225.40.91; 7226.91.91;7227.90.10; 7228.30.10) (effective 1 Jan. 15), and reduced (to 9%) on wigs (HS 703.00.00; 6704.11.00; 6704.19.00; 6704.20.00; 6704.90.00) (effective 1 Apr. 15)	Permanent Delegation of China to the WTO (29 May 15)	
China	Termination on 31 Jan. 15 of anti-dumping duties on imports of phenol (HS 2907.11.10) from Japan; Korea; Chinese Taipei; and the United States (imposed on 1 Feb. 04)	Permanent Delegation of China to the WTO (29 May 15)	
China	Initiation on 10 Apr. 15 of anti-dumping investigation on imports of unbleached sack kraft paper (HS 4804.21.00) from the EU, Japan, and the United States	Permanent Delegation of China to the WTO (29 May 15) and MOFCOM Announcement No. 9/2015 (14 Apr. 15)	
China	Termination on 10 Apr. 15 of anti-dumping duties on imports of grain oriented electrical flat-rolled electrical steel (HS 7225.11.00; 7226.11.00) from Russia and the United States (investigation initiated on 1 Jun. 09, provisional and definitive duties imposed on 10 Dec. 09 and 10 Apr. 10)	Permanent Delegation of China to the WTO (29 May 15)	
China	Termination on 11 Apr. 15 of countervailing duties on imports of grain oriented electrical flat-rolled electrical steel (HS 7225.11.00; 7226.11.00) from the United States (investigation initiated on 1 Jun. 9, provisional and definitive duties imposed on 10 Dec. 09 and 10 Apr. 10)	Permanent Delegation of China to the WTO (29 May 15) and MOFCOM Announcement No. 11/2015 (13 Apr. 15)	
China	Temporary elimination of export taxes (from up to 25%) on certain products (94 tariff lines at 8 digits), i.e. rare earth minerals, rare earth ores, tungsten, iron and steel granules and powers, molybdenum alloys, and bars and rods of primary aluminium and aluminium-alloy (HS 2526.20.20; 2530.90.20; 2612.20.00 ;2613.10.00; 2613.90.00; 2620.99.10; 2805.30.11; 2805.30.12; 2805.30.13; 2805.30.14; 2805.30.15; 2805.30.16; 2805.30.17; 2805.30.19; 2805.30.21; 2805.30.29; 2811.11.00; 2822.00.90; 2825.30.10; 2825.60.00; 2825.70.00; 2825.90.11; 2825.90.12; 2825.90.19; 2826.12.90; 2826.19.20; 2826.19.90; 2833.11.00; 2841.70.10; 2841.70.90; 2841.80.10; 2841.80.20; 2841.80.30; 2841.80.40; 2841.80.90; 2846.10.10; 2846.10.20; 2846.10.30; 2846.10.90; 2846.90.11; 2846.90.12; 2846.90.13; 2846.90.14; 2846.90.15; 2846.90.16; 2846.90.17; 2846.90.19; 2846.90.21; 2846.90.22; 2846.90.23; 2846.90.24; 2846.90.25; 2846.90.26; 2846.90.28; 2846.90.29; 2846.90.31; 2846.90.32; 2846.90.33; 2846.90.34; 2846.90.35;	Permanent Delegation of China to the WTO (29 May 15)	Effective 1 May 15

Economy	Measure	Source/Date	Status
	2846.90.36; 2846.90.39; 2846.90.41; 2846.90.42; 2846.90.43; 2846.90.44; 2846.90.45; 2846.90.46; 2846.90.48; 2846.90.49; 2846.90.91; 2846.90.92; 2846.90.93; 2846.90.94; 2846.90.95; 2846.90.96; 2846.90.99; 2849.90.20; 7202.70.00; 7202.80.10; 7202.80.20; 7202.99.11; 7202.99.19; 7202.99.91; 7202.99.99; 7205.10.00; 7205.29.00; 7604.29.10; 8101.10.00; 8101.94.00; 8101.97.00; 8102.10.00; 8102.94.00; 8102.97.00; 8112.92.30; 7601.20.00; 7604.10.10; 7604.29.10)		
Indonesia	Termination on 31 Oct. 14 (without measure) of anti-dumping investigation on imports of partially oriented yarn (HS 5402.33.00) from China; Korea; and Chinese Taipei (initiated on 2 Aug. 13)	WTO document G/ADP/N/265/IDN, 23 Feb. 15; and Permanent Delegation of Indonesia to the WTO (16 May 15)	
Indonesia	Initiation on 22 Dec. 14 of anti-dumping investigation on imports of cold rolled stainless steel (HS 7219.32.00; 7219.33.00; 7219.34.00; 7219.35.00; 7219.90.00; 7220.20.10; 7220.20.90; 7220.90.10; 7220.90.90) from China; Korea; Malaysia; Singapore; Chinese Taipei; and Thailand	WTO document G/ADP/N/265/IDN, 23 Feb. 15	
Indonesia	Import restrictions on natural oil, gas and other fuels depending on domestic supply and demand (HS Chapters 22; 27; 29; 38)	Permanent Delegation of Indonesia to the WTO (26 May 15)	
Indonesia	Mandatory requirement to use letter of credits as payment method for export of certain products, i.e. iron ores and concentrates; manganese ores and concentrates; ash and residues; copper ores and concentrates; lead ores and concentrates; titanium ores and concentrates; inorganic chemicals and chemical products; organic or inorganic compounds of precious metals; nickel and articles of nickel; silver; gold; iron and steel; copper and articles of copper; aluminium and articles of aluminium; tin and articles of tin; miscellaneous articles of base metal; mineral fuels and mineral oils; palm oil and its fractions; and coconut (copra) and its fractions (in Chapters HS 15; 26; 27; 28; 71; 72; 74; 75; 76; 80; 83)	Permanent Delegation of Indonesia to the WTO (26 May 15)	Effective 1 Apr. 15
Indonesia	Export restrictions on natural oil, gas and other fuels depending on domestic supply and demand (HS Chapters 22; 27; 29; 38)	Permanent Delegation of Indonesia to the WTO (26 May 15)	Effective April 15
Japan	Temporary elimination of import tariffs (from ¥15.3/kg) on molasses resulting from the extraction or refining of sugar (HS 1703.10.09; 1703.90.09)	Permanent Delegation of Japan to the WTO (22 May 15)	Effective 20 Apr. 15
Korea	Initiation on 20 Nov. 14 of anti-dumping investigation on ethyl acetate (HS 2915.31) from India	WTO document G/ADP/N/265/KOR, 9 Feb. 15	
Korea	Imposition of import tariffs (513%) on rice (HS 1006)	WTO document G/MA/TAR/RS/396, 30 Sep. 14	Effective 1 Jan. 15
Korea	Temporary reduction of import tariffs (to 1%) on material for manufacturing agricultural	Permanent Delegation of the Republic of	Effective 1 Jan. 15

Economy	Measure	Source/Date	Status
	chemicals, under an import quota of 20,000 tonnes; (to 10%) dried manioc chips (HS 0714), under an import quota of 253,000 tonnes; and (to 5%) cane or beat sugar (HS 1701), under an import quota of 90,000 tonnes	Korea to the WTO (29 May 15)	
Korea	Reduction of import tariffs on certain capital goods (62 items in HS Chapters 73; 84; 85; 90) used in automated factories	Permanent Delegation of the Republic of Korea to the WTO (29 May 15)	Effective 6 Feb. 15
Korea	Termination on 25 Feb. 15 (without measure) of anti-dumping investigation on polyester filament partially oriented yarn (HS 5402.46) from India, Malaysia, and Thailand (initiated on 30 May 14)	WTO document G/ADP/N/259/KOR, 10 Sep. 14; and Permanent Delegation of the Republic of Korea to the WTO (29 May 15)	
Korea	Initiation on 13 Mar. 15 of anti-dumping investigation on coniferous wood plywood (HS 4412.39.10; 4412.39.90; 4412.99.91) from China	Permanent Delegation of the Republic of Korea to the WTO (29 May 15)	
Mexico	Initiation on 3 Dec. 14 of anti-dumping investigation on imports of graphite electrodes for electric arc furnaces (HS 8545.11.01) from China (possible circumvention of anti-dumping measures imposed on 1 Mar. 12)	Diario Oficial de la Federación (Official Journal), 3 Dec. 14; and WTO document G/ADP/N/268, 20 Feb. 15	
Mexico	Initiation on 4 Dec. 14 of anti-dumping investigation on imports of apples (HS 0808.10.01) from the United States	WTO document G/ADP/N/265/MEX, 6 Mar. 15	
Mexico	Elimination of import tariffs on new rubber pneumatic tyres for motorcycles (HS 4011.40.01)	Permanent Delegation of Mexico to the WTO (29 May 15)	Effective 11 Dec. 14
Mexico	Elimination of import tariffs on meat of swine, fresh, chilled, or frozen (HS 0203), under certain import quotas	Permanent Delegation of Mexico to the WTO (29 May 15)	Effective 11 Dec. 14
Mexico	Initiation on 23 Dec. 14 of anti-dumping investigation on imports of carbon steel tubing with straight longitudinal or helical seams (HS 7305.11.01; 7305.11.99; 7305.12.01; 7305.12.99; 7305.19.01; 7305.19.99) from India, Spain, and the United States	WTO document G/ADP/N/265/MEX, 6 Mar. 15	
Mexico	Establishment of the list of petroleum and oil products (HS 2709; 2710; 2711; 2712) subject to mandatory prior import authorization by the Ministry of Energy	Permanent Delegation of Mexico to the WTO (29 May 15)	Effective 1 Jan. 15
Mexico	Elimination of the gradual reduction of import tariffs for broken rice (HS 1006.40.01) (originally scheduled for 1 Jan. 15)	Permanent Delegation of Mexico to the WTO (29 May 15)	
Mexico	Establishment of the list of petroleum and oil products (HS 2709; 2710; 2711; 2712) subject to mandatory prior export authorization by the Ministry of Energy	Permanent Delegation of Mexico to the WTO (29 May 2015)	Effective 1 January 2015
Mexico	Further extension of the temporary export requirement permission on iron ore (HS 2601.11.01; 2601.12.01) (originally implemented on 22 Mar. 11, and then extended on 1 Jan. 14 until 31 Dec. 14)	Permanent Delegation of Mexico to the WTO (29 May 15); and WTO document WT/TPR/OV/17, 24 Nov. 14	Effective until 31 Dec. 16

Economy	Measure	Source/Date	Status
Mexico	Imposition of reference prices for imports of 734 textiles and apparel products tariff lines (HS Chapters 51; 52; 54; 55; 60; 61; 62; 63)	Permanent Delegation of Mexico to the WTO (29 May 15) and Resolución - Diario Oficial de la Federación (Official Journal), 29 Dec. 14	Effective 30 Jan. 15
Mexico	Imposition of export licensing requirements on sugar (HS 1701)	Permanent Delegation of Mexico to the WTO (29 May 15)	Effective 6 Feb. 15
Mexico	Initiation on 16 Feb. 15 of anti-dumping investigation on imports of prestressed products (HS 7217.10.99; 7312.10.01; 7312.10.05; 7312.10.07; 7312.10.08; 7312.10.10; 7312.10.99) from China, Portugal and Spain	Permanent Delegation of Mexico to the WTO (27 May 15); and Diario Oficial de la Federación (Official Journal), 16 Feb. 15	
Mexico	Temporary elimination of import tariffs on certain toys and baby products (HS 3924.90.99; 8715.00.01; 9401.80.01; 9503; 9504.90.99; 9506.62.01), under certain import quotas	Permanent Delegation of Mexico to the WTO (29 May 15) and Diario Oficial de la Federación (Official Journal), 23 Mar. 15	Effective March 15 until 31 Dec. 17
Mexico	Implementation of automatic import licensing requirements *(permiso automático de importación)* on textiles and apparel (HS Chapters 51; 52; 54; 55; 60; 61; 62; 63)	Permanent Delegation of Mexico to the WTO (29 May 15)	Effective 2 Mar. 15
Mexico	Initiation on 15 Apr. 15 of anti-dumping investigation on imports of aluminium cookware (HS 7615.10.99) from China	Permanent Delegation of Mexico to the WTO (27 May 15); and Diario Oficial de la Federación (Official Journal), 15 Apr. 15	
Mexico	Termination on 30 Apr. 15 of anti-dumping duties on imports of aluminium collapsible tubular containers (HS 7612.10.01) from Venezuela (Bolivarian Rep. of) (imposed on 14 May 04)	Permanent Delegation of Mexico to the WTO (27 May 15); and Diario Oficial de la Federación (Official Journal), 30 Apr. 15	
Mexico	Initiation on 8 May 15 of anti-dumping investigation on imports of ceramic tiles for walls and floors (HS 6907.90.99; 6908.90.01) from China	Permanent Delegation of Mexico to the WTO (27 May 15); and Diario Oficial de la Federación (Official Journal), 8 May 15	
Customs Union between Russia, Armenia, Belarus, and Kazakhstan	Initiation on 17 Oct. 14 of anti-dumping investigation on imports of steel railway wheels (HS 8607.19.10) from Ukraine	WTO document G/ADP/N/265/RUS, 20 Mar. 15	
Customs Union between Russia, Armenia, Belarus, and Kazakhstan	Decrease of import tariffs on certain products, i.e. (to 14.6%) certain plastic articles (HS 3926.90.97); (to 12.5%) thin sheets (voiles), webs, mats, mattresses, boards and similar nonwoven products (HS 7019.39.00) (effective 14 Nov.14); (to 6.5%) polyethylene having a specific gravity of 0.94 or more (HS 3901.20.90) (effective 12 Dec.14), and diammonium hydrogenorthophosphate (diammonium	Permanent Delegation of Russia to the WTO (22 May 15)	

Economy	Measure	Source/Date	Status
	phosphate) (HS 3105.30.00) (effective 28 Feb.15); (to 12.3%-14%) AC motors single-phase (HS 8501.40.20; 8501.40.80) (effective 25 Jan.15); (to 5%) self-propelled railway or tramway coaches (HS 8603.90.00) (effective 21 Feb.15); (to 10%) railway or tramway passenger coaches not self-propelled (HS 8605.00.00) (effective 21 Feb.15); (to 10%) unworked or simply sawn or roughly shaped precious and semi- precious stones (HS 7103.10.00) (effective 28 Feb.15); and (to 5%) certain orthopaedic appliances (HS 9021.90.90) (effective 18 Apr.15)		
Customs Union between Russia, Armenia, Belarus, and Kazakhstan	Termination on 21 Nov.14 of anti-dumping duties on imports of cold-rolled flat steel products with polymer coating (HS 7210; 7212; 7225) from Hong Kong, China; Macao, China; and Chinese Taipei (investigation initiated on 11 Feb. 11 and definitive duty imposed on 1 Jul. 12)	WTO document G/ADP/N/265/RUS, 20 Mar. 15	
Customs Union between Russia, Armenia, Belarus, and Kazakhstan	Initiation on 26 Dec. 14 of anti-dumping investigation on imports of ferrosilicon manganese (HS 7202.30) from Ukraine	WTO document G/ADP/N/265/RUS, 20 Mar. 15	
Customs Union between Russia, Armenia, Belarus, and Kazakhstan	Initiation on 26 December 2014 of countervailing investigation on imports of ferrosilicon manganese (HS 7202.30) from Ukraine	WTO document G/SCM/N/281/RUS, 20 March 2015	
Customs Union between Russia, Armenia, Belarus, and Kazakhstan	Temporary elimination of import tariffs (from 5%) on ground (HS 2510.20.00)	Permanent Delegation of Russia to the WTO (22 May 15)	Effective 5 Jan. 15 to 4 Jan. 16
Customs Union between Russia, Armenia, Belarus, and Kazakhstan	Temporary export duties on certain cereals, i.e. wheat and meslin, durum wheat (HS 1001) set at 15% plus €7.5/tonne, but not less than €35/tonne (implemented on 1 Feb. 15)	Permanent Delegation of Russia to the WTO (22 May 15)	Terminated on 15 May 15
Customs Union between Russia, Armenia, Belarus, and Kazakhstan	Preferential treatment in government procurement for certain medical devices and medicines, manufactured in the Customs Union	Permanent Delegation of Russia to the WTO (22 May 15)	Effective 5 Feb. 15
Customs Union between Russia, Armenia, Belarus, and Kazakhstan	Elimination of import tariffs (from 7%) on turbo-jets of a power not exceeding 1,100 Kw (HS 8411.21.00)	Permanent Delegation of Russia to the WTO (22 May 15)	Effective 10 Apr. 15
Customs Union between Russia,	Temporary elimination of import tariffs (from 5%) on fatty alcohols (HS 3823.70.00)	Permanent Delegation of Russia to the WTO (22 May 15)	Effective 10 Apr. 15 to 31 Dec. 17

Economy	Measure	Source/Date	Status
Armenia, Belarus, and Kazakhstan			
United States of America	Termination on 23 Oct. 14 of anti-dumping duties on imports of grain-oriented electrical steel "GOES" (HS 7225.11.00; 7226.11.10; 7226.11.90) from China; Czech Republic; Korea; and Russia (investigation initiated on 31 October 2013 and provisional duty imposed on 12 May 14)	WTO document G/ADP/N/265/USA, 26 Feb. 15	
United States of America	Termination on 23 Oct. 14 of countervailing duties on imports of grain-oriented electrical steel "GOES" (HS 7225.11.00; 7226.11.10; 7226.11.90) from China (investigation initiated on 31 Oct. 13 and provisional duty imposed on 11 Mar. 14)	WTO document G/SCM/N/281/USA, 10 Mar. 15	
United States of America	Initiation on 13 Nov. 14 of countervailing investigation on imports of welded line pipe (HS 7305.11.10; 7305.11.50; 7305.12.10; 7305.12.50; 7305.19.10; 7305.19.50; 7306.19.10; 7306.19.51) from Korea; and Turkey	WTO document G/SCM/N/281/USA, 10 Mar. 15	
United States of America	Initiation 14 Nov. 14 of anti-dumping investigation on imports of welded line pipe (HS 7305.11.10; 7305.11.50; 7305.12.10; 7305.12.50; 7305.19.10; 7305.19.50; 7306.19.10; 7306.19.51) from Korea; and Turkey	WTO document G/ADP/N/265/USA, 26 Feb. 15	
United States of America	Initiation 9 Dec. 14 of anti-dumping investigation on imports of melamine (HS 2933.61.00) from China; and Trinidad and Tobago	WTO document G/ADP/N/265/USA, 26 Feb. 15	
United States of America	Initiation on 9 Dec. 14 of countervailing investigation on imports of melamine (HS 2933.61.00) from China; and Trinidad and Tobago	WTO document G/SCM/N/281/USA, 10 Mar. 15	
United States of America	Termination on 9 Dec. 14 of anti-dumping duties on imports of 1,1,1,2-Tetrafluoroethane (HS 2903.39.20) from China (investigation initiated on 9 Dec. 13 and provisional duty imposed on 29 May 14)	WTO document G/ADP/N/259/USA, 5 Sep. 14; and International Trade Commission 701- TA-509 and 731- TA-1244 (Final), Federal Register/Vol. 79 No. 73102 (9 Dec. 14)	
United States of America	Termination on 9 Dec. 14 of countervailing duties on imports of 1,1,1,2-Tetrafluoroethane (HS 2903.39.20) from China (investigation initiated on 9 Dec. 13 and provisional duty imposed on 18 Apr. 14)	WTO document G/SCM/N/281/USA, 10 Mar. 15	
United States of America	Suspension on 29 Dec. 14 of anti-dumping investigation on imports of sugar (HS 1701) from Mexico (initiated on 24 Apr. 14 and provisional duty imposed on 3 Nov. 14)	WTO document G/ADP/N/265/USA, 26 Feb. 15; and Department of Commerce International Trade Administration A-201-845 Federal Register/Vol 80 FR No. 25278 (4 May 15)	Investigation resumed on 4 May 15

Economy	Measure	Source/Date	Status
United States of America	Termination on 29 Dec. 14 of anti- dumping duties on imports of drill pipe (HS 7304.22.00; 7304.23.30; 7304.23.60; 7304.39.00; 7304.49.00; 7304.59.80; 8431.43.40; 8431.43.80) from China (investigation initiated on 28 Jan. 10, provisional and definitive duties imposed on 18 Aug. 10 and 3 Mar. 11)	WTO document G/ADP/N/265/USA, 26 Feb. 15	
United States of America	Termination on 29 Dec. 14 of countervailing duties on imports of drill pipe (HS 7304.22.00; 7304.23.30; 7304.23.60; 7304.39.00; 7304.49.00; 7304.59.80; 8431.43.40; 8431.43.80) from China (investigation initiated on 28 Jan. 10, provisional and definitive duties imposed on 11 Jun. 10 and 3 Mar. 11)	WTO document G/SCM/N/281/USA, 10 Mar. 15	
United States of America	Initiation on 31 Dec. 14 of anti-dumping investigation on imports of uncovered innerspring units (HS 7320.20.50; 7320.90.50; 7326.20.00; 9404.10.00; 9404.29.90) from China (possible circumvention of anti-dumping measures imposed on 19 Feb. 09)	Department of Commerce International Trade Administration A-570-928 Federal Register/Vol 79 FR No. 78792 (31 Dec. 14)	
United States of America	Termination on 9 Jan. 15 of anti-dumping duties on imports of electrolytic manganese dioxide (HS 2820.10.00) from Australia (imposed on 7 Oct. 08)	Department of Commerce International Trade Administration A-602-806 Federal Register/Vol 80 FR No. 1393 (9 Jan. 15)	
United States of America	Termination on 30 Jan. 15 of anti-dumping duties on imports of lightweight thermal paper from Germany (HS 3703.10.60; 4811.59.20; 4811.90.80; 4811.90.90, 4820.10.20, 4823.40.00) (imposed on 24 Nov. 08)	Department of Commerce International Trade Administration A-428-840 Federal Register/Vol 80 FR No. 5083 (30 Jan. 15)	
United States of America	Termination on 6 Feb. 15 of anti-dumping duties of polyethylene terephthalate film, sheet and strip (HS 3920.62.00) from Brazil (imposed on 10 Nov. 08)	Department of Commerce International Trade Administration A-351-841 Federal Register/Vol 80 FR No. 6689 (6 Feb. 15)	
United States of America	Initiation on 18 Feb. 15 of anti-dumping investigation on imports of certain uncoated paper (HS 4802.56.10; 4802.56.20; 4802.56.30;4802.56.40; 4802.56.60; 4802.56.70; 4802.57.10; 4802.57.20; 4802.57.30; 4802.57.40; 4802.62.10; 4802.62.20; 4802.62.30; 4802.62.50; 4802.62.60; 4802.69.10; 4802.69.20; 4802.69.30; 4811.90.80; 4811.90.90) from Australia; Brazil; China; Indonesia; and Portugal	Department of Commerce International Trade Administration A-602-807, A-351- 842, A-570-022, A-560-828, and A- 471-807 Federal Register/Vol 80 FR No. 8608 (18 Feb. 15)	
United States of America	Initiation on 18 Feb. 15 of countervailing investigation on imports of certain uncoated paper (HS 4802.56.10; 4802.56.20; 4802.56.30; 4802.56.40; 4802.56.60; 4802.56.70; 4802.57.10; 4802.57.20; 4802.57.30; 4802.57.40; 4802.62.10; 4802.62.20; 4802.62.30; 4802.62.50; 4802.62.60; 4802.69.10; 4802.69.20; 4802.69.30; 4811.90.80; 4811.90.90) from China; and Indonesia	Department of Commerce International Trade Administration C-570-023 and C-560-829 Federal Register/Vol 80 FR No. 8598 (18 Feb. 15)	

Economy	Measure	Source/Date	Status
United States of America	Initiation on 17 Mar. 15 of anti-dumping investigation on imports of silicomanganese (HS 7202.30.00) from Australia	Department of Commerce International Trade Administration A-602-808 Federal Register/Vol 80 FR No. 13829 (17 Mar. 15)	
United States of America	Initiation on 26 Mar. 15 of countervailing investigation on imports of supercalendered paper (HS 4802.61.30; 4802.62.30; 4802.62.60; 4802.69.30) from Canada	Department of Commerce International Trade Administration C-122-854 Federal Register/Vol 80 FR No. 15981 (26 Mar. 15)	
United States of America	Initiation on 6 Apr. 15 of anti-dumping investigation on imports of polyethylene terephthalate resin "PET" (HS 3907.60.00) from Canada; China; India; and Oman	Department of Commerce International Trade Administration A-122-855, A-570- 024, A-533-861, and A-523-810 Federal Register/Vol 80 FR No. 18376 (6 Apr. 15)	
United States of America	Initiation on 6 Apr. 15 of countervailing investigation on imports of polyethylene terephthalate resin "PET" (HS 3907.60.00) from China; India; and Oman	Department of Commerce International Trade Administration C-570-025, C-533- 862, and C-523- 811 Federal Register/Vol 80 FR No. 18369 (6 Apr. 15)	

Annex 2

Investment Measures
(October 2014-September 2015)

The following list of investment measures implemented in selected APEC economies from October 2014 to May 2015 is adapted from the most recent OECD-UNCTAD *Report on G20 Investment Measures* (June 2015).

Type	Description	Date	Source
Australia			
Investment policy measures related to FDI	The Australian Treasurer announced on 11 February 2015 that, effective 1 March 2015, lower screening thresholds will apply for investment proposals for agricultural land. Approval by the Foreign Investment Review Board (FIRB) will henceforth be required for investments valued at over AUD 15 million; the previous threshold was AUD 252 million.	1 Mar 2015	"Government tightens rules on foreign purchases of agricultural land", Treasurer media release, 11 Feb 2015.
Canada			
Investment policy measures related to FDI	On 25 March 2015, amendments to the *Regulations Respecting Investments in Canada* were published. The amendments, which came into effect on 24 April 2015, brought into force legislative amendments that increased the threshold above which an acquisition of control of a Canadian business by a private-sector, foreign investor from a WTO member economy is assessed, and also changed the method of valuation of the threshold from asset value to enterprise value. The threshold, now CAD 600 million in enterprise value, will increase to CAD 800 million on 24 April 2017 and to CAD 1 billion on 24 April 2019. Beginning in January 2021, the threshold will be indexed annually to reflect the change in Canada's nominal gross domestic product in the previous year. For foreign investors that are state-owned enterprises, the threshold is CAD 369 million in asset value for 2015 (also indexed annually). The schedules specifying the information that foreign investors must submit were also updated.	24 Apr 2015	*Regulations Respecting Investments in Canada,* P.C. 2015-310 Mar 12, 2015.
Investment policy measures related to national security	On 25 March 2015, amendments to the *National Security Review of Investments Regulations* that set out new procedural provisions related to the national security review process were published and are now in force.	25 Mar 2015	*Regulations Amending the National Security Review of Investments Regulations*, P.C. 2015-311 Mar 12, 2015.
China			
Investment policy measures related to FDI	On 10 April 2015 the new "Catalogue for the Guidance of Foreign Investment Industries" came into effect. The Catalogue, which replaces the version in force since 2012 and had been made public on 10 March 2015 by the Ministry of Commerce and the National Development and Reform Committee, stipulates in which of over 400 industry sectors foreign investment is "encouraged", "restricted" or "prohibited". Compared to its predecessor, the new Catalogue overall lifts restrictions on foreign inward investment by reclassifying individual sectors. Most liberalizations are found in the manufacturing sector.	10 Apr 2015	Catalogue for the Guidance of Foreign Investment Industries.

Type	Description	Date	Source
Investment policy measures related to FDI	On 20 April 2015 the State Council of China made public the Framework Plan for China (Guangdong) Pilot Free Trade Zone, the Framework Plan for China (Tianjin) Pilot Free Trade Zone, the Framework Plan for China (Fujian) Pilot Free Trade Zone, and the Plan for Further Deepening of Reform and Opening in China (Shanghai) Pilot Free Trade Zone. On the same day the General Office of the State Council made public Special Administrative Measures for Market Access for Foreign Investments in PFTZs (the Negative List) and Trial Methods of National Security Review of Foreign Investments in PFTZs; both measures are applicable in all four PFTZs. With the above-mentioned documents a foreign investment management model namely the pre-establishment national treatment plus negative list is established in PFTZs, which further opens sectors like international shipping, distribution, automotive manufacturing, agricultural and non-staple food processing, etc. Restrictions of foreign investment in these sectors are reduced and a corresponding national security review mechanism for foreign investments is applied on trial basis in PFTZs.	20 Apr 2015	
Mexico			
Investment policy measures related to FDI	On 31 October 2014 and 12 February 2015, amendments to the Regulations to the Foreign Investment Law and to the National Foreign Investment Registry came into effect. Among other issues, the amendments describe all the information and documents that are necessary to obtain a favorable opinion from the National Commission of Foreign Investments, required by the Federal Telecommunications Institute to obtain the concession for broadcasting services involving the participation of foreign investment, according to the Federal Telecommunications and Broadcasting Law. Also, the amendments simplify the obligations of the subjects required to register in the National Foreign Investment Registry. Henceforth, foreign investment and Mexican companies with foreign equity holdings must renew their registration and update their information presented to the Registry only if their revenue and disbursements quarterly exceed the amount determined by the National Commission of Foreign Investments. Effective 23 February 2015, these amounts were set to MXN 20 million for the update of the information presented to the National Foreign Investment Registry and the amount of MXN 110 million for the renewal of registration to the National Foreign Investment Registry.	31 Oct 2014; 23 Feb 2015	Decreto por el que se reforman, adicionan y derogan diversas disposiciones del Reglamento de la Ley de Inversión Extranjera y del Registro Nacional de Inversiones Extranjeras, Federal Official Gazette on 31 Oct 2014; Resolución General por la que se establecen los montos relativos a la actualización de la información y renovación de constancia de inscripción ante el Registro Nacional de Inversiones Extranjeras, a que se refieren los artículos 38, 41, 43 y 50 del Reglamento de la Ley de Inversión Extranjera y del Registro Nacional de Inversiones Extranjeras, Federal Official Gazette on 23 Feb 2015.
Russia			
Investment policy measures related to	On 6 December 2014, amendments to the Federal Law on Foreign Investment in Commercial Entities with Strategic Importance for National Defense and National Security came into effect. These amendments, included in Federal Law No.	6 Dec 2014	"Amendments to No. 57-FZ Federal Law on foreign

Type	Description	Date	Source
national security	343-FZ, exempt certain operations from the remit of the Law on Strategic Entities, but bring property classified as production assets of a strategic company – valued at more than 25% of the strategic entity's balance sheet assets – under the law's scope.		investments come into effect", Federal Antimonopoly Service of Russia news release, 5 Dec 2014.

The following list of investment measures implemented in selected APEC economies from 1 June-30 September 2015 is adapted from the most recent UNCTAD *Investment Policy Monitor* (October 2015).

Type	Description	Date	Source
Australia			
Investment policy measures that impact on the general business	Effective 1 July 2015, Australia requires foreign farmland owners to declare their interests with the economy's tax office. The tax office will gather information on the location and size of the property as well as the country of origin of the foreign investor. The information will be entered into a national register.	1 Jul 2015	Press release, Australian Government, The Treasury, Government strengthens the foreign investment framework, 2 May 2015.
Chile			
Investment policy measures related to FDI	On 16 June 2015, the new Framework Law for Foreign Investment entered into force. The new law establishes that the President of the Republic will define Chile's foreign investment promotion strategy and will be supported directly for this purpose by a Committee of Ministers for the Promotion of Foreign Investment. The new institutional framework will also include a Foreign Investment Promotion Agency (IPA) with the mission of implementing the State policy so as to attract all types of foreign capital and investment to the economy. The IPA will coordinate with the economy's regional governments. The law also guarantees investors access to the formal foreign exchange market, the free remittance of capital and earnings, protection against arbitrary discrimination and exemption from sales and service tax on imports of capital goods that comply with certain requirements.	16 Jun 2015	CIE Chile, President Bachelet promulgates new Framework Law for Foreign Investment, 16 June 2015.
China			
Investment policy measures related to FDI	As of 1 June 2015, the SAFE Circular on Further Simplifying and Improving Policies for Foreign Exchange Administration for Direct Investment (Hui Fa No. 13 [2015]) seeks to facilitate the operations of cross-border investment funds of enterprises by abolishing a number of registration and verification obligations related to foreign exchange operations.	1 Jun 2015	State Administration of Foreign Exchange, (SAFE) Further Simplifies and Improves Foreign Exchange Administration for Direct Investment, 29 April 2015.
Investment policy measures related to FDI	A further SAFE Circular of the State Administration of Foreign Exchange Regarding the Reform of the Administration of Foreign Exchange Registered Capital Settlement for Foreign-Invested Enterprises (Hui Fa No. 19 [2015]) came into force on 1 June 2015. The Circular allows foreign-invested enterprises to convert their foreign exchange capital into RMB at any time, to use RMB converted from their foreign exchange capital for making equity investments within China, and simplify the use of such funds.	1 Jun 2015	SAFE Reforms Administrative Approaches to Settlement of Foreign Exchange Capital to Further Facilitate Capital Operations by

Type	Description	Date	Source
			Enterprises, 11 June 2015.
Investment policy measures related to FDI	Effective 1 June 2015, China allowed foreign companies to set up bank card clearing companies and provide bank card clearing services in China. Where clearing services concern Chinese domestic bank card transactions, a business license and a registered capital of over RMB 1 billion are required.	1 Jun 2015	Linklaters Legal Alert, China opens up its bank card payment clearing market, 26 June 2015.
Investment policy measures related to FDI	On 19 June 2015, the Ministry of Industry and Information Technology relaxed foreign ownership restrictions in the e-commerce sector; henceforth, 100% foreign ownership is allowed in this sector. The liberalisation followed the issuing of the State Council Opinions on the Vigorous Development of E-Commerce to Accelerate the Cultivation of a New Driving Force in the Economy on 4 May 2015.	19 Jun 2015	Circular of the Ministry of Industry and Information Technology on Liberalizing the Restrictions on Foreign Shareholding Percentages in Online Data Processing and Transaction Processing Business (For-Profit E-Commerce Business), [2015] Circular No. 196, 19 June 2015.
Investment policy measures related to FDI	On 19 August 2015, China relaxed restrictions on foreign investment in the real estate market. In particular, restrictions on the ratio of registered capital to total investment by foreign real estate enterprises were eliminated. In addition, restrictions that prohibit foreign real estate investment enterprises from access to bank lending in and outside China and to foreign exchange settlement were also relaxed. .	19 Aug 2015	Press conference, Ministry of Commerce, Circular of the Ministry of Housing and Urban-Rural Development regarding the adjustment of the access and administration of foreign investment in real estate, [2015] Circular No.122, 16 September 2015.
Investment policy measures related to national security	On 1 July 2015, the National Security Law came into effect. As a framework law, it lays down the general principles and obligations of the State in maintaining security in the economy. Article 59 of the Law allows the State to establish, inter alia, a national security review and oversight mechanism to conduct a national security review of foreign commercial investment, special items and technologies, internet services and other major projects and activities which might impact national security. The framework for such reviews based on national security considerations had first been established in 2011.	1 Jul 2015	National Security Law of the People's Republic of China, 1 July 2015.
Indonesia			

Type	Description	Date	Source
Investment policy measures that promote investments in industries	On 14 August 2015, Indonesia issued Regulation number 159/PMK.010/2015 which further expands tax incentive rules. In particular, the Regulation increases the number of industries that will be eligible for a tax holiday from five to nine. The new industries are manufacturing related to agriculture, forestry and fisheries; marine transport; manufacturing within Special Economic Zone (KEK) and economic infrastructure not part of the government-to-business program.	14 Aug 2015	Press release, Ministry of Finance of Indonesia, What's new on Tax Holiday Regulation, 27 August 2015.
Korea			
Investment policy measures related to FDI	The Republic of Korea has authorized small-sized foreign companies to hire non-Korean employees beyond the required 20% limit of the company's workforce during their first two years of operations in the economy. The Republic of Korea also allowed the issuance of working visas for instructors specialized in professional areas such as design, programming and beauty products. So far, educational working visas have only been issued to invitees at colleges (an E-1 visa) and to language instructors (E-2).	1 Jul 2015	President Office, President calls for drastic regulatory reforms to push economic recovery, 11 May 2015.
New Zealand			
Investment policy measures related to FDI	On 17 September 2015, the New Zealand government blocked an NZ$88 million ($56 million) land purchase of a local farm from Pure 100 Farm Ltd., a unit of Shanghai Pengxin Group CO. The proposed land purchase was found to involve sensitive national assets which did not result in substantial benefit for New Zealand.	17 Sep 2015	Press release, Ministers decline overseas purchase of Lochinver Station, 17 September 2015.
Russia			
Investment policy measures related to FDI	On 13 July 2015, the President of Russia signed federal law №212-FZ ≪On the free port of Vladivostok≫ which transformed the Vladivostok port, 15 other municipalities as well as the ports of Nakhodka, Zarubino and Posiet into a free port zone. The free port regime will translate into a customs-free zone, with tax incentives for companies operating in it. Foreign visitors will also be allowed to obtain a visa on arrival for 8 days. Tax advantages will become effective as of 1 January 2016.	13 Jul 2015	Press release, Government of Russia, Approval of the Vladivostok free trade port law, 14 July 2015.
Investment policy measures related to FDI	On 22 August 2015, Russia approved the creation of five areas of priority socioeconomic development in the Far Eastern Federal District (Mikhailovsky area, Kangalassy Industrial Park, Belogorsk area, Priamurskaya area and the Beringovsky area). Investors in these areas would benefit from a number of fiscal preferences.	22 Aug 2015	Development of the Russian Far East, Establishment of five areas of priority socioeconomic development in the Far Eastern Federal District, 22 August 2015.
Viet Nam			
Investment policy measures related to FDI	As of 1 September 2015, the previous foreign ownership cap of 49% has been lifted in a number of business sectors in accordance with the issuance of Decree No. 60/2015/ND-CP of 26 June 2015. The government permitted foreign investors to take a majority ownership or to wholly own Vietnamese companies, save for the limits that remain in certain service sectors.	1 Sep 2015	Online newspaper of the government, More room for foreign participation in Viet Nam equities market, 30 June 2015.
Investment policy measures related to FDI	Investors in overseas projects are allowed to transfer abroad an amount of foreign currencies not exceeding 5 percent of their total investment capital, or not more than US$300,000, as payment for activities relating to their projects before getting investment licenses from foreign local authorities.	25 Sep 2015	Online newspaper of the government, Government of Viet Nam, New regulations on investment abroad, 13 October 2015