APEC's New IAP Process: Towards the Bogor Goals 2020

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Introduction

During the 1990s, the Trade and Investment Liberalization and Facilitation (TILF) Account of the Asia-Pacific Economic Cooperation (APEC) was the core of Regional Economic Integration (REI) in the Asia Pacific. However, REI's paradigm has shifted to Trans-Pacific Partnership (TPP) and ASEAN+3 and 6 (now Regional Comprehensive Economic Partnership / RCEP) and, regretfully, APEC has been marginalized. In 2010 Yokohama, APEC Leaders suggested that TPP and ASEAN+3 and 6 proceed in parallel to FTA in the Asia Pacific and APEC serves as its 'incubator'. However, more than providing intellectual input into the process, APEC build a ground-base for Free Trade Agreement Asia Pacific (FTAAP) through achieving the Bogor Goals as much as possible

Leaders stressed that their REI efforts contributed to the continued rapid growth of the Asia Pacific but that trade and investment barriers still remained in sensitive sectors. Leaders committed that all economies, including remaining eight, continue to proceed toward the Bogor Goals. APEC is constrained by its non-binding modality to achieve liberalization in sensitive sectors while World Trade Organization (WTO)'s Doha Development Agenda negotiation stumbled, APEC

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can achieve many in facilitation areas as well as non-tariff barriers and services by means of its unique capacity building. In order to promote the Individual Action Plan (IAP) process, it is important for business, academics and all other APEC stakeholders to monitor the IAP process and encourage officials to strengthen their efforts toward the Bogor Goals.

In order to fulfill the Leaders' commitment 2010, all APEC economies have renewed their IAP process under new guideline (we will refer to this as the 'New IAP process' in this article). We have undertaken a careful review of the new IAPs and attempted an independent academic assessment of their efforts for achieving the Bogor Goals in 2020. How have they implemented in their IAPs the *Bogor Goals Progress Report Guidelines* adopted last year? How much have they achieved toward the Bogor Goals at the current stage? In which areas do they need to strengthen their implementation?

This article seeks to objectively assess individual economies by individual areas so that their remaining tasks will be clarified, although the mid-term assessment of 2010 adopted a group assessment of the thirteen economies, This paper then will make an overall assessment and recommendations to the APEC SOM (Senior Officials Meeting) regarding how to strengthen the new IAP process.

Mid-term Assessment and Continued Efforts toward 2020

Throughout 2010, APEC SOM undertook a detailed examination of individual economies' achievement toward the Bogor Goals (APEC SOM 2010). Only the group assessment was published of its thirteen economies, i.e., five industrialized economies designated to achieve the free and open trade by 2010 plus eight volunteer economies (Chile, Hong Kong China, Republic of Korea (ROK), Malaysia, Mexico, Peru, Singapore, and Chinese Taipei). APEC leaders endorsed the report and concluded that APEC economies had achieved a high growth for the past fifteen years and boost the world economy owing to the members' efforts to achieve the Bogor Goals.[1]

However, they also indicated that impediments still remained in six sectors as follows: (1) higher tariffs in agricultural products and

[1] *APEC Leaders' Statement on 2010 Bogor Goals Assessment*, November 2010.

textile and clothing; (2) remaining restrictions in financial, telecommunications, transportation, and audiovisual services, and the movement of people least liberalized; (3) sectoral investment restrictions in the form of prohibitions or capital ceiling and continuing general screening system; (3) non-tariff measures need further liberalization; (4) further works need to be done in standard and conformance, customs procedures, intellectual property rights, and government procurement; and (5) behind-the-border issues need to be addressed by facilitating structural reform. Moreover, they stressed that all APEC economies should continue their efforts of eliminating them for the remaining ten years until 2020.[2]

This was a fair assessment of APEC's achievement, considering the severe constraints that the WTO/DDA negotiation has now got stumbled and the Bogor process has been implemented under the modality of non-binding liberalization. APEC's TILF process will continue for all APEC economies, including the 13 economies mentioned above.

On the other hand, APEC Leaders had set Free Trade Area of the Asia-Pacific (FTAAP) as a long-term goal beyond the Bogor Goals since 2006 and suggested that "It should be pursued as a comprehensive FTA by developing and building on ongoing regional undertakings such as ASEAN+3, ASEAN+6, and TPP. To this end APEC will make an important meaningful contribution as an incubator of an FTAAP by providing leadership and intellectual input into the process."[3] It is not clear how APEC's continued efforts toward the Bogor Goals serve for FTAAP but many working for APEC will share that the APEC-wide TILF will build a ground base of FTAAP.[4]

Start of the New IAP Process

In November 2011 Honolulu, APEC Ministers reported on progress toward achievement for the Bogor Goals, as follows:

> "We reaffirmed our commitment to achieving the Bogor Goals of free and open trade and investment, endorsed the *Bogor Goals*

[2] Ibid.

[3] *Pathways to FTAAP*, APEC Leaders Declaration, November 2010.

[4] Yamazawa, I., *APEC: The New Agenda for its Third Decade*, (Singapore: ISEAS, 2011), Chapter 7. See also APEC Policy Support Unit, *The Mutual Usefulness between APEC and TPP* (2010)

Progress Report Guidelines to give direction to the process of reviewing APEC economies' progress toward achievement of the Bogor Goals by 2020. As part of this, we encourage economies to provide in their 2012 Individual Action Plans complete information , including related to transparency about their progress toward achieving the Bogor Goals. To better inform the business community and other stakeholders of this work, we instructed officials to continue developing a "dashboard" of easy-to-understand figures to summarize advances in areas critical to promoting greater regional economic integration."[5]

"The Guideline" had been adopted by SOM2 in Montana and detailed the new IAP process as follows:

- New IAP should cover all 14 areas of Osaka Action Agenda plus those added afterwards (transparency, RTAs/FTAs, and other voluntary reporting areas). 2010 economies (13 economies which were assessed in 2010) might give emphasis to those areas where shortcomings were highlighted by Leaders, cited above).
- Economies should describe, in brief points, only significant new developments under each chapter heading.
- Economies would report in 2012, 2014, 2016, and 2018. The final assessment would be undertaken in 2020.
- Policy Support Unit (PSU) support SOM in this new IAP peer review process. It will prepare a short one-two page report with key highlights on members' main achievements and remaining areas for improvements in the year of review. PSU reports will be discussed at SOMs and finally made public.

These responded to often-heard criticism of the previous IAP peer review process and, if implemented faithfully, the new IAP process will be much strengthened. The concise and pinpointing ways of addressing achievements will help the new IAPs be accessible by more readers both among APEC officials and outside watchers.

[5] *APEC Ministerial Statement*, Honolulu, 11 November 2011.

To SOM1 in February 2012, all the 21 economies submitted their *IAP Update 2012* according to the Guideline. They set "Highlights" of 7~8 items in the first half page, followed by a big table of 18 areas X (updates since 2010 and future plan). They have been put on the APEC's website for public access. Following the Ministers' instruction, PSU produced *Bogor Goals Progress Reports* summarizing individual IAPs in a common format in 3~5 pages.[6] The PSU report also cited a few critical comments on the economy from the WTO's Trade Policy Review Reports. PSU also added one-page *Dashboard – Bogor Goals* for each economy, listing up key indicators of tariffs, services, and investment, measuring individual economies' progress toward the Bogor Goals.

2012 APEC Ministerial Joint Statement (paragraph 8) acknowledged the PSU's efforts and supported the Senior Officials' decision to extend the mandate of the PSU for an additional seven years from 2014 to 2020 with a mid-term review to examine its strategic direction (paragraph 57). Thus "the new IAP process" mentioned above will continue until 2020.

Academic Review of the New IAPs and PSU Reports

We have undertaken a careful study of all *IAP Update 2012* as well as *PSU Reports* and *Dashboard*, and attempted to assess individual economies' efforts toward the Bogor Goals. Our study concluded a number of findings, which will be elaborated below.

Diversity in reporting the new IAPs

A wide diversity is witnessed among the 21 economies in drafting the new IAPs. They are divided into three groups of seven economies in terms of page numbers:

1. Category (A): Brunei (5 pages), Chile (11), Canada (10), Korea (16), Peru (19), Russia (18), and Singapore (14).
2. Category (B): Australia (32), China (36), Japan (26), Malaysia (24), PNG (33), Philippines (26), and Chinese Taipei (35).

[6] New IAPs as well as PSU Reports and Dashboards are available on line: www.APEC.org>Home>About us>About APEC>Achievements and benefits>Assessment of Achievements of the Bogor Goals in2012.

3. Category (C): Hong Kong China (50), Indonesia (56), Mexico (83), New Zealand (51), Thailand (131), USA (79), and Vietnam (54).

They apparently reflect different stance of drafting. Economies under (A) try to be as concise as possible, focusing only on updates and repeating "no change since 2010" in many areas. Except for Brunei and Russia, they were assessed in 2010 and may claim to have followed the *Guidelines*. However, they are unkind in helping readers to get an overall picture of individual economies' progress toward the Bogor Goals. Few readers will refer to previous reports for these vacancies. Those economies under (B) give a concise report to every area, which were mostly adopted by the PSU report. On the other hand, those under (C) have either followed the previous way of drafting voluminous IAPs or spending many pages on specific areas or subjects, such as Hong Kong on FTAs, USA on transparency, Indonesia on domestic regulation of services, New Zealand on technical assistance, and Thailand on energy services. Furthermore, the new IAPs follow the conventional matrix form of areas X (improvements made since 2010 IAPs, and further improvements planned) and contain lot of many empty cells and lists of address for further information and not a readable documents even if their sizes are shortened.

On the other hand, PSU's Progress Report summarizes the required information by the *Guidelines* in a readable format in 3-4 pages, including all the main information reported in the new IAPs and referring to the previous IAPs for the vacancies mentioned above. A 3-4 page PSU report conveys individual economy's efforts for achieving the Bogor Goals in individual areas. *APEC's Bogor Goals Progress Report – APEC* of six pages conveys the PSU's assessment of all APEC economies' progress by areas and provides the best concise overview of the APEC's IAP process.

Negative list and Accumulated Achievement

New IAPs have been made concise by focusing on updates in individual areas, which, however, tend to blur remaining barriers to be removed hereafter. Few concrete remarks are made in the column for Future Implementation. Listing up all liberalizations in the past takes us back to the previous voluminous IAPs. Negative lists of remaining

impediments would help when we encourage individual economies to achieve toward the Bogor Goals. Some economies reported their accumulated achievement in major facilitation areas, such as full adoption of international agreements or participation in international standards, which other economies may better be encouraged to follow. PSU's *Dashboard* serves for it partly by listing tariffs and other measures in numerical index. Dashboard may well be extended to include these achievements in facilitation. The 2010 Mid-term Assessment reported on remaining barriers and the 2016 and 2020 assessment will focus on it more than their past achievements. If negative list cannot be provided by IAPs, PSU reports may be able to provide them instead.

Need for incorporating the FTA effects

All the economies mentioned their participation in FTAs. Some IAPs, after reporting "not much progress in MFN tariff reduction", added tariff reduction on FTA basis. This is a clear departure of the new IAPs from those before 2010. We welcome this because we need to incorporate the analyses of the effects of various FTAs mushroomed among the APEC economies into our review process. FTA with its trade-diverting effects is never the best policy measures for economic integration. Nevertheless, its vast spread for the last decade has made it impossible for us to ignore dynamic impacts in promoting regional integration. The new IAP formula instruct all economies to report on FTAs both concluded and still in negotiation, yet we need to include its impacts on the liberalization and facilitation practice of member economies. However, a diversity exists among economies in reporting on FTAs; Some economies report their FTAs in detail but many report only on the existing FTAs or FTAs under negotiation. Nevertheless, all economies give reference address for further details of their FTAs, thus making the new IAPs a comprehensive information source of FTAs by APEC economies.

Further analysis is needed on preferential treatment introduced by these FTAs. For example, each economy reports simple average tariffs for all and by sectors in its IAP as the measure of liberalization in commodity trade. Some add weighted average tariffs calculated all or sector import values as weights. It has been the common practice within APEC of non-binding unilateral liberalization to show only tariffs applied on MFN basis. Few economies report average tariffs weighted

by import values of commodities by country of origins, which is called "average effective tariff" in the SOM Report.[7] It is estimated by dividing total import tariff revenue by total import values, which equals average tariffs weighted by import values including tariffs applied both on MFN and FTA bases. The simple average MFN applied tariffs and average effective tariff were 7.0% and 2.8% for "APEC5" (five industrialized economies, i.e., Australia, Canada, Japan, New Zealand and the United States), 8.9% and 5.5% for "APEC8" (developing member economies which volunteered to be part of the 2010 assessment, namely, Chile, Hong Kong, Korea, Malaysia, Mexico, Peru, Singapore and Chinese Taipei) in 1996. In 2009, although simple average MFN tariffs did not change, average effective tariffs declined to 1.4% for APEC5 and 1.1% for APEC8. Of course we should encourage all APEC economies to report their MFN tariffs and reduce them toward the FTAAP. However, we should depart from our conventional practice of reporting MFN tariffs only.

The same argument can be applied to other areas than tariffs. Nowadays APEC economies apply to their FTA partners preferential treatment in other liberalization and facilitation areas as well. We cannot neglect these preferential treatments even under the APEC's non-binding unilateral modality. We need to take into account their impacts in our review process of the new IAPs. Furthermore, it is probable that an economy conclude an FTA with selected other economies and then apply voluntarily the FTA treatment on MFN basis in order to avoid the complication of different treatment. Neither IAPs nor PSU reports provide such information but it is more probable in facilitation areas than in liberalization.

APEC has already adopted "Best Practice for FTAs" (2006) and 'FTA/RTA Model Measures" (2009) in order to guide these FTAs so that their detailed rules be consistent and help avoiding the Spaghetti Bowl effects. However, sub-regional FTAs such as TPP and ASEAN++ cannot be converged smoothly only by these technical regulations but require direct appeal to their promoters. APEC's own REI process should be utilized as the ground base for the converging efforts and its new IAP process should be strengthened along this line.

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[7] *Report on APEC's 2010 Economies Progress Toward the Bogor Goals*, November 14 2010, p. 29-31.

Assessment of Achieving the Bogor Goals in 2000 by Areas

The PSU report on APEC conveys how far APEC as a whole has made progress toward the Bogor Goals. It also pointed out that the progress is still limited in such areas as liberalization. However, there still remains big differences in the degree of achievement among economies and it will help to encourage the lagged economies to catch up if they are "warned" individually. We assessed individual economies' achievement quantitatively by area.[8] Our quantitative assessment is made based on the new IAPs, PSU's *Progress Reports* and *Dashboard*, SOM's mid-term assessment[9] and other APEC documents.

In order to quantify our assessment, we have introduced a five grade score as follows:

5: Almost achieved
4: Achieved with major exceptions
3: Achieved more than half
2: Implemented partly
1: Not started yet.

These may sound too broad a base for assessment but are the maximum we can claim as an objective assessment based on the new IAPs and others. Precise criteria for each grade are set for concrete stage of achievement in individual areas, as follows.

Achievements by area: Tariff

The OAA did not set the Bogor Goal at "zero tariffs for all commodities" but suggested the reduction of average tariffs as well as reducing the high tariff peaks. APEC economies have reduced their tariffs due to the URA as well as unilateral reduction, but high tariffs have remained in sensitive sectors under the protracted DDA negotiations. Zero tariffs have been achieved within FTAs, yet not on the MFN basis. Thus we set the reduction of simple average applied (SAA) MFN tariffs less than 5% as the realistic Bogor target together with reduction of tariff peaks.

[8] Academics have so far undertaken critical reviews of the IAP process (Yamazawa 1998, Feinberg and Zhang 2003, PECC 2006, Yamazawa 2009). Our current attempt follows the same line attempting an independent assessment of the new IAP process.

[9] *Report on APEC's 2010 Economies Progress Toward the Bogor Goals.*

Seven economies have reduced their SSA tariffs down to less than 5%, and most of other economies to less than 10 %. However, many economies still keep big dispersion of tariffs on farm products or other sensitive areas, which are measured by average agricultural tariffs and the percentage of product lines with more than 10 % tariffs, taken from PSU's *Dashboard*. It can only be hoped that the Agricultural and Non-Agricultural Market Access negotiation be concluded in the DDA, so that remaining high peak tariffs in sensitive sectors and high bound tariffs would be reduced.

Score 5 is given to economies with SSA tariffs less than 5% with moderate tariff dispersion. Score 4 to SAA tariffs 6-10% and 10-20% tariff dispersion and Score 3 to SAA tariffs over 10% with more than 20% dispersion. (See Table 1).

Table 1: Five grade assessment by economies and areas

	Tariffs	Services	Invest	S&C	Customs	IPR	Gov Pro	Bus Visa
Australia	5	4	5	5	5	5	5	4
Brunei	5	2	3	4	3	4	3	4
Canada	5	4	5	5	5	5	5	5
Chile	5	4	5	4	4	5	4	5
China	3	3	3	4	4	4	3	3
Hong Kong	5	4	5	4	5	4	5	5
Indonesia	4	3	3	4	3	4	4	5
Japan	5	4	5	5	5	5	5	5
Rep of Korea	3	4	5	5	4	5	5	5
Malaysia	3	3	4	4	4	4	4	5
Mexico	3	3	4	4	3	4	4	5
New Zealand	5	4	5	5	5	5	5	5
PNG	3	2	3	3	3	3	3	4
Peru	4	3	4	4	3	4	4	4
Philippines	4	3	3	5	4	4	3	5
Russia	3	2	3	4	3	3	3	4
Singapore	5	4	5	5	5	5	5	5
Chinese Taipei	4	4	4	4	4	4	5	5
Thailand	3	3	4	4	4	4	4	5

USA	5	4	5	5	5	5	5	5
Viet Nam	3	3	3	4	3	4	3	5
APEC Average	4.0	3.3	4.1	4.3	4.0	4.3	4.1	4.7

We give 5 to Chile, which have adopted uniform tariffs of 6% for all product lines. The complete list of Grade 5 are Australia, Brunei, Canada, Chile, Hong Kong China, Japan, New Zealand, Singapore, US. Grade 4: Indonesia, Peru Philippines, Chinese Taipei. Grade 3: China, ROK, Malaysia, Mexico, PNG, Russia, Thailand, Vietnam.[10]Incidentally, although on non-binding basis, APEC2012 decided to reduce tariffs on environmental goods by 5%.

Achievements by area: Non-Tariff Measures

WTO admits NTM for the reasons of health, public moral, and security, and many economies have reported that they impose no NTM inconsistent with WTO rules. The OAA listed six non-tariff measures are: import quotas, surcharge, minimum import price, discretionary export/import licenses, voluntary export restriction, and export subsidies and instructed each economy to enhance the transparency of its respective laws, regulations and administrative procedures in relation to the flow of goods, services and capital among APEC economies and their gradual reduction. In the meantime, the import quota on agricultural products was tarrificated under the Uruguay Round Agriculture Agreement by 2000 and bilateral quota restriction on textiles and clothing items under Multi-Fibre Arrangement were abolished by 2005.

In the new IAPs, many economies reported that they do not impose any NTM inconsistent with the WTO rules. Nevertheless, some economies report on licensing requirement on used products (Chile, China, Indonesia, and Peru), while others reducing or reshuffling NTMs (Hong Kong, Mexico, Philippines, Russia, Chinese Taipei, and Vietnam)

UNCTAD/TRAINS database used to give the frequency (proportion of total tariff lines 5224) of NTMs for many economies and has been

[10] An expert commented on my five grade scoring missing 'grade 1 or 2' in some areas. However, my grading is not a relative grading in which all economies are classified into 10-20-40-20-10% for 1 ~ 5 but absolute grading listed in Table 4-1. While having implemented IAPs for 15 years after the Bogor Declaration, it is natural that few economies remain at 2 or 1 in many areas.

used for cross-country comparison. However, its comparability is now seriously impeded because of different reporting years (1994~2008), sector classification (H0,H1,H2,H3), and types of measures between APEC economies, all based on own reporting system. Thus we have given up our quantitative assessment of NTM.

NTMs are still criticized in WTO's Trade Policy Review and constitute a sensitive area in many FTA negotiations. NTM remains to be a big hole in APEC's road toward the Bogor Goals. SOM should device a strict definition for trade-impeding NTMs, let them be reported in the IAPs, and implement their removal on schedule.

Achievements by area: Services

The liberalization of services trade was only included in the Uruguay Round and much less has been achieved than that of commodity trade. Various regulations are imposed on services in domestic transactions for consumer protection and other policy objectives but some to the extent of discriminating foreign suppliers. Uruguay Round adopted General Agreement on Trade in Services (GATS) which set a framework for working out services trade liberalization: standard sector classification for services trade was set and four modes of supply (cross-border supply, consumption abroad, commercial presence and presence of natural persons) and two aspects (market access and national treatment) were identified. Individual countries report on the existence of restrictions on individual sector, mode, and aspect, and commit not to increase restrictions ("bound" in GATS Commitment Table). However even industrialized economies keep restriction on many service sectors, while developing economies liberalize much fewer sectors.

Reflecting the delayed liberalization in services trade in the UR negotiations, the OAA set much lower liberalization target on services than on commodities. It only identified four sectors: telecommunications, transportation, energy, and tourism as priority service sectors for liberalization. Individual members' IAPs express reporting economies' intention of services liberalization and list sectors to be liberalized (positive list formula). It is therefore hard to identify from the IAPs how many sectors still remain to be liberalized.

The service trade negotiation started in 2000 as a built-in-agenda ahead of the DDA and two rounds of requests and offers were conducted by 2008. Its final conclusion has to await the conclusion of Agricultural and Non-Agricultural Market Access negotiation.

In the new IAPs, many economies reported on their efforts in services area. Such economies as China, Malaysia, Mexico, New Zealand, Russia, Thailand, and Vietnam tackled many services beyond priority sectors by OAA, while others reported on specific services such as tourism, mobile phone, accounting and legal services, banking, and air transport. ROK, Hong Kong and the United States reported that they have made deeper commitment than GATS in their RTAs with other APEC economies. However, it is difficult to obtain a comprehensive picture of services liberalization with the new IAPs alone.

GATS's Commitment Tables give us only internationally comparable data of services liberalization. We counted the number of sectors for which individual economies committed to liberalize (not bound in commitment table, full or with limitation) either MA or NT or both in Mode 1 and Mode 3. Out of 55 sectors, industrialized economies committed 15-25 but developing economies less than 15. Developing economies tend neither to commit nor bound to many sectors, which are counted as unbound (not liberalized). Such economies as Chile, Hong Kong, and Singapore have achieved high liberalization in commodity trade but are delayed in service liberalization commitment, while such new entrants as China and Vietnam commit to higher liberalization in services.

The 2010 SOM Report gave a detailed report in twenty pages of services trade liberalization by the 13 economies subjected to the Mid-term review. It gave the parallel information to ours mentioned above on their GTAS commitments. Most of them have made deeper commitment than GATS in their RTAs. The last six pages of SOM Report detailed individual economies' domestic regulations in services, which are more informative than those on commitments. They, including 5 industrialized economies, have reshuffled services regulations since the 2000s. It refers to an economy committed 'unbound' in GATS in an area but 'none (liberalized)' in a FTA, while it does not set any domestic regulation in either case. That is, we cannot be assured whether the deeper commitment under RTAs actually reduce restrictions

to foreign suppliers than "Unbound" in GATS.[11] Nevertheless, most economies still keep national monopoly of basic telecommunication, various restrictions to national treatment of foreign banks, cabotage in marine and air transport, as well as strict restrictions on the movement of natural persons. Furthermore, services industry is still developing so that new types of services are emerging for which new regulations including restriction to foreign suppliers may become necessary in future, Developing economies tend to keep them "unbound" even if they have not set domestic regulation yet.

We do not give Grade 5 to any economy. Services liberalization has not reached the level comparable to Tariffs and Investment. Nevertheless some economies have achieved more than others. Although GATS commitment indexes (listed in Appendix tables) give us only comparable figures, we rely much less on them than PSU assessment mentioned above.[12] Their past and current efforts for regulation will also be taken into account. Grade 4 is given to economies which have already established services regulation. Grade 3 to those which are now tackling this task, while Grade 2 to those having started partial attempt as well as Russia which has not made GATS Commitment yet.

Economies in Grade 4 are Australia, Canada, Chile, Hong Kong China, Japan, ROK, New Zealand, Singapore, Chinese Taipei, US. Grade 3: China, Indonesia, Malaysia, Mexico, Peru, Philippines, Thailand, Vietnam. Grade 2: Brunei, PNG, Russia.

Services sector was identified by the Leaders as one of six remaining areas and require more strengthened efforts in their liberalization. SOM should go beyond the GATS commitments and more comprehensive on domestic regulations. It helps developing economies if a model measure of domestic regulation least discriminating foreign suppliers is provided. APEC should develop such model measures for major services sectors, encourage to follow them, and report in their IAPs how their actual implementation is consistent with the model measures. It

[11] One of the authors' recent study on services liberalization clarified a large divergence between GATS commitments and actual service regulation in many APEC economies.

[12] Some academic experts make strict assessment of the current state of services liberalization. See Stephenson, Sherry, "Examining APEC's Progress Toward Reaching the Bogor Goals for Services Liberalization," reprinted in PECC, *APEC Perspectives 2006: Toward a Dynamic Community for Sustainable Development and prosperity* (APEC: 2006)

will certainly promote the services liberalization within APEC more than GATS commitment formula.

Achievements by area: Investment

The OAA expects that the APEC economies will achieve free and open investment in the Asia-Pacific region by liberalizing their respective investment regimes and the overall APEC investment environment by, inter alia, progressively providing for MFN treatment and national treatment and ensuring transparency and facilitating investment activities through, inter-alia, technical assistance and cooperation.

According to the 2010 Guide to Investment Regimes of APEC Member Economies (2nd Revision), every APEC member considers attracting foreign investment is important. Yet, most economies do not allow totally free and open international investment. The APEC Guideline for Investment Regimes (2007) identified the following three stages A, B, and C, regarding foreign investment regimes of APEC economies.

- Stage (A): No (pre-)restriction to investments by foreign firms and gives them national treatment and MFN;
- Stage (B): No regulation of foreign firms after their investment, including minimum performance requirements;
- Stage (C): Protection of foreign investors against expropriation, and free redemption of profits.

While examining the new IAPs, we have found no significant developments by the economies in grade B and C. As such, economies in stages A, B, C are given Grade 5, 4, and 3 respectively. Economies in transition from socialist planned regime are mostly included at Stage C and are found to keep governmental protection of sensitive sectors.

The following two indexes are also taken into consideration in scoring the foreign investment regimes. The 2011 World Bank index for Ease of Doing Business (EODB) index ranks economies from 1 to 183. For each economy the ranking is calculated as the simple average of the percentile rankings on each of the 10 topics: starting a business, dealing with construction permits, registering property, getting credit, protecting investors, paying taxes, trading across borders, enforcing contracts, resolving insolvency and, newly in 2011, getting electricity. Among members, Singapore, Hong Kong, New Zealand, the United

States and Korea are the top-ten economies of the index. Ten APEC economies are in the top half the world. Another related indicator in the *Global Competitiveness Report* is the Business Rules Impact on foreign Direct Investment, which measures the extent that rules governing foreign direct investment encourage foreign investments in each country. The indicator is on the 1-to-7 scale, and 7 indicates having the most positive impact of rules on foreign direct investment. The highest scoring members are Singapore, Hong Kong, Canada, Australia, and Chile.[13] A clear correspondence is witnessed between A-B-C grouping and EODB/GCR indexes.

Economies in Grade 5 are Australia, Canada, Chile, Hong Kong, Japan, South Korea, New Zealand, Singapore, the United States. Grade 4: Malaysia, Mexico, Peru, Chinese Taipei, Thailand. Grade 3: Brunei, China, Indonesia, PNG, the Philippines, Russia, Vietnam.

Achievements by area: Standard and Conformance (S&C)

APEC issued 'APEC's S&C Framework Declaration' in 1994 and established Sub-Committee for S&C (SCSC) for joint efforts in alignment to international standards and mutual recognition of conformance assessment. Individual economies' achievement, however, are constrained by their development stages. First, an economy has to build its technical infrastructure for own standards, then participate in the International Organization for Standardization (ISO), International Electro-technical Commission (IEC), and the Treaty of the Metre, etc. in order to align domestic standard to international ones, and start mutual recognition of conformance assessment with other economies.

Trade Facilitation Action Plan II reported that 17 APEC economies have adopted ISO, 16 economies IEC, 17 economies VAP, and 20 economies except Chinese Taipei have participated PASC regional forum promoting S&C.[14] In 20 economies except Hong Kong, industries participated in this move. 15~18 economies participate in MRA of electric and electronics, foods and labor accreditation. Such a small economy as Brunei has adopted international standard instead of setting its own

[13] Both EODB and GCR indexes are taken from PSU's Dashboard. Prevalence of Foreign Ownership is also adopted there but it tends to give higher values for small economies as well as open policy.

[14] APEC, "Trade Facilitation Action Plan II," (2008), Chapter 5, Section 1.

standard. Thus all APEC economies are eager to make an international alignment and come closer to achieving the Bogor Goals.

Grade 5 is given to economies achieved high level of international alignment and expanding MRA, Grade 4 to those with ISO and IEO but starting MRA, Grade 3 to those achieved only a half international alignment. Grade 5: Australia, Canada, Japan, ROK, New Zealand, Philippines, Singapore, US. Grade 4: Brunei, Chile, China, Hong Kong China, Indonesia, Malaysia, Mexico, Peru, Russia, Chinese Taipei, Thailand, Vietnam. Grade 3: PNG.

Achievements by area: Customs Procedure

The OAA asks the APEC economies to facilitate trade in the Asia-Pacific region by simplifying and harmonizing customs procedures. Concrete objectives for collective action were set including the harmonization of tariff structures with the Harmonized System Convention (HSC), adoption of the principles of the WTO valuation agreement, simplification and harmonization on the basis of the Kyoto Convention, transparency of customs procedures, customs laws, regulations, administrative guidelines, procedures, and rulings, and adoption of the UN/EDIFACT, etc.

Most members have adopted the first two objectives. The UN/EDIFACT is implemented by many members and the average length of time required for customs clearance has been significantly shortened. The revised Kyoto Convention has been in force since February 2006 and eleven economies have adopted it. The Single Window has been introduced since 2006. According to the Single Window Report 2010, fourteen economies have established the Single Window, while it is under development in four economies.

While revised Kyoto Convention and Single Window represent effective procedures, actual logistics "friendliness" of these procedures is captured by the Logistics Performance Index (LPI) of the World Bank, which ranks 155 countries. Twelve members from APEC are listed in the top-forty economies of the LPI index. The top-ranking APEC economies are Singapore (2nd in the world), Japan (7th), Hong Kong (13th), Canada (14th), and the United States (15th).

Grade 5 is given to economies which adopted the revised Kyoto Convention and established the Single Window and highly ranked by

LPI index. Singapore, Hong Kong, and New Zealand have implemented neither of them or one of them but are ranked highly by LIP as mentioned above. Grade 4 to those implemented both but regarded not sufficiently friendly in LIP. Grade 3 to those preparing for the Kyoto Convention and developing the Single Window and with much lower LIP indexes. The result put the following economies in Grade 5: Australia, Canada, Hong Kong, Japan, New Zealand, Singapore, and the United States. Grade 4: Chile, China, ROK, Malaysia, the Philippines, Chinese Taipei, Thailand. Grade 3: Brunei, Indonesia, Mexico, PNG, Peru, Russia, and Vietnam

Achievements by area: Intellectual Property Rights

The protection of IPR is becoming increasingly important in today's knowledge-based economy. The OAA asks the APEC economies to ensure adequate and effective protection, including legislation, administration and enforcement, of intellectual property rights in the Asia-Pacific region based on the principles of MFN treatment, national treatment and transparency as set out in the TRIPS Agreement and other related agreements.

All economies have adopted a patent law, design law, and trademarks. In addition, all economies have government organizations in charge of enforcing IPR. The Paris Convention, the multilateral framework for protecting IPR in industry has been ratified by nineteen economies except Russia and Chinese Taipei. Now that Russia has joined the WTO, TRIPS will be ratified by all members. However, several economies are yet to implement domestic legislation for enforcing the IPR. Grade 5 is given to the economies that have adopted the Paris Convention and WTO/TRIPS; Grade 4 to those with domestic organizations in charge of implementing IPR laws; Grade 3 to those still preparing domestic legislation.

The result puts the following economies in Grade 5: Australia, Canada, Chile, Japan, ROK, New Zealand, Singapore, the United States. Grade 4: Brunei, China, Hong Kong, Indonesia, Malaysia, Mexico, Peru, the Philippines, Chinese Taipei, Thailand, Vietnam. Grade 3: PNG, Russia. However, the effectiveness of implementation of IPR cannot be assessed from the new IAPs. IPR is still a major cause of trade and investment disputes and its implementation need to be improved through consultation and negotiation.

Achievements by area: Government Procurement

As regards government procurement, priority purchase of domestic products was long admitted for the reason of national security and industry protection (exempted from national treatment in GATT Article 3). However, because of the globalization of businesses, government procurement transactions have necessitated a demand for open and competitive market for government procurements. The Government Procurement Agreement (GPA) was ratified as a part of Marrakech Treaty in 1994, which covers both commodities and services and includes local governments and other public organizations as well. However, the decentralization of government administration differs among APEC members, and as such the OAA did not emphasize the liberalization of government procurement but insisted on the transparency of legislature and procedures and its international dissemination.

On the other hand, APEC adopted a model measure, *Government Procurement Non-Binding Principles of Transparency, Value for Money, Open and Effective Competition, Fair Dealing, Accountability and Due process, and Non-discrimination* (NBGP) and encouraged individual members to align own procedures to it. Incidentally, GPA was modernized by WTO in December 2011.

In the new IAPs most economies reported on their GP process. Seven APEC economies have been signatories to GPA, while China is negotiating to accede to it. ALL 13 economies under the 2010 mid-term assessment were found to have introduced GP system highly consistent with the NBGP and introduced e-bidding practices for GP. Some economies report preparing or implementing the GP process along the line of GPNB.

Grade 5 is given to the economies which are the signatories to WTO/GPA. Although Australia and New Zealand are not its signatories because of their federal system, they have already implemented advanced GP process with e-bidding. Grade 4 is given to those, non-signatory to GPA but have implemented e-bidding and related facilities, Grade 3 to those preparing and implementing the GP process.

The result puts the following economies in Grade 5: Australia, Canada, Hong Kong China, Japan, ROK, New Zealand, Singapore,

Chinese Taipei, US. Grade 4: Chile, Indonesia, Malaysia, Mexico, Peru, Thailand. Grade 3: Brunei, China, Philippines, PNG, Russia, Vietnam

In the 2008 global financial crisis, such economies as the US, Indonesia, and major states of Australia have applied the buy home produced products and services for government purchase. The US, as a signatory country of the GPA, exempted other GPA signatories from this Buy-American policy, while Australia and Indonesia, non-signatory countries, can discriminate other APEC economies under these measures.

Achievements by area: Business Mobility

The OAA adopted the enhancement of the mobility of business people as a strategic approach to facilitate trade and investment expansion in the region in response to a strong request by ABAC. The Group of Business Mobility started in 1997 and focused a transparent legislation for business visa and short-term business stay and proposed individual economies to publish the *APEC Business Travel Handbook* (ABTH) and issued the *APEC Business Travel Card (ABTC)*. The Handbook collects and disseminates the information about the processing of visas, the application procedures, and the terms of validity. The Travel Card provides privileged lanes for guaranteed business travelers at the immigration office.

All APEC economies have already published the Travel Handbook. The ABTC started by a few proponent economies and joined by eight economies by 2000 but had not spread further due to political and security reason[15]. Some economies have also strengthened immigration procedures for the anti-terrorism since 2001. Nevertheless, it is a big achievement of APEC that ABTC has now been adopted by all APEC economies. On the other hand, there is witnessed a big diversity between APEC economies for short-stay business (at least a 7-day visit) visa requirements for even ABTC holders. PSU conducted a survey on it and found that 6 economies require visa for business visitors from almost all (18~20) other APEC economies (Australia, Brunei, China, PNG, Peru, and Russia), while 4 economies (Hong Kong, Malaysia,

[15] R.E. Feinberg and Ye Zhao (Eds.), *Assessing APEC's Progress: Trade, Ecotech & Institutions, A Project of the APEC International Assessment Network (APIAN)*, (Singapore: ISEAS, 2001).

Philippines, and Singapore) requires no visa and others are in between. There may be other types of complication in acquiring visa (time, fee, and number of documents, etc.) but it is hard to obtain a comparable information from the new IAPs and PSU reports.

As such, we give grade 4 to all economies for having implemented ABTC and add additional 1 grade to 15 economies (other than 6 economies mentioned above) for not requiring short-stay business visa. The result is for Grade 5: All economies except for the following six in Grade 4. Grade 4: Australia, Brunei, China, PNG, Peru, and Russia.

Nevertheless, some may argue the need for freeing the mobility of semi-skilled and unskilled workers across the border. It is a desirable direction for APEC to pursue in the long run, but it is beyond the Bogor Goals. Incidentally ASEAN has started to liberalize the movement of skilled workers (engineers, nurses, accountants, and medical doctors) among members in its ASEAN Economic Community Blueprint (2008). The preceding assessment still leaves seven areas of *the Guidelines* to be evaluated.

Competition policy/ Deregulation

Competition policy aims to promote market competition, while Deregulation aims to provide transparent and efficient regulations affecting business activities. Given a wide difference in development stage and different institutional and legal structures among APEC economies, the two areas were not well focused on the OAA in 1995. Half of them neither had competition law/agency nor shared the need for regulatory reform (SOM report 2010). However, in the 2000s, the two areas have attracted attention as 'behind-the-border-measures' supporting liberalization and facilitation of cross-border transactions. In 2004 Leaders highlighted this problem in the 'Leaders' Agenda to Implement Structural Reform (LAISR).

In the new IAPs, many economies reported on both areas extensively in the same direction. They reported on amendment of competition policy and strengthening of enforcing mechanism. They also reported on current review process of regulations or regulatory reform in specific or wider areas. ASEAN economies have enacted competition laws and started regulatory review. Transition economies like China, Russia and Vietnam introduced competition policy and regulatory re-

view, with capacity building assistance by the United States and Australia. We welcome this emerging enthusiasm but we refrain from scoring their achievement stages because of insufficient information and diverse reporting in the new IAPs. We wish Economic Committee in charge of LAISR collect more comprehensive information of these efforts, objectively assess their achievement, and encourage all attempts. A few economies referred to World Bank's EoDB indicators as a comparable measure of individual economies' efforts. However, since we have already resorted to the same index in Investment area (See Table 1), we refrain from the duplicate use of the same index.

The ROO originally aimed at collecting information about different ROOs in preferential and non-preferential ROOs among APEC members and promoting their harmonization. With bilateral and regional FTAs flourished world-wide, different ROOs between these intra-APEC RTAs tend to cause impediments to efficient production networks within the region so that APEC has adopted a Model Measures for FTAs in which the ROO is a major focus. However, to our disappointment, no economy report on ROO in the new IAPs, either in the ROO area or related FTA area. If APEC is serious in this attempt, SOM should urge them so that they report on their efforts for converging and harmonizing them among themselves.

Dispute settlement

This is still a rather untouched area among APEC members, but apparently this area does not convey a clear message to IAP reporters. Out of seven economies reporting on this area, four reported on dispute settlement at home and only Singapore announced the start of the Singapore office of the World Intellectual Property Organization Arbitration and Mediation Center. EPG Report III (1995) proposed 'APEC Dispute Mediation System' to supplement the WTO panels for dispute settlement but many members have tended to resort to the latter and no argument has followed on this area. SOM may well reconsider the continuance of this area in the new IAPs.

The remaining three areas are skipped for most economies in PSU Reports. The Implementation of the URA have been completed by most APEC economies. The importance of Transparency and Official-web are well shared by all APEC economies.

Overall Assessment of the Final Bogor Goals

Table 1 provides a summary matrix of scores of 21 economies by 8 areas. The last row gives the average scores, or average achievement, of the 21 economies in individual areas.

Business mobility have achieved the highest score 4.7, very close to achieving the Bogor goal. It is followed by Standard and Conformance and Intellectual Property Right, both 4.3, and by Customs Procedures and Government Procurement both 4.1. All facilitation areas achieved 4 or more, that is, "completed with important exceptions". In liberalization areas, the APEC average scores are lower, 4.1 in Investment, 4.0 in Tariffs, and 3.3 in Services. Are they not far from the image of many observers about APEC's achievement by areas? It should be noted that a half of APEC economies have achieved integrated market in investment and customs procedures comparable with EU members (in terms of EODB and LPI indexes), while APEC is far from EU in institutional setting. There are several factors. *First,* APEC economies have made good progress in implementing facilitation areas. Most economies established major standards and ratified international treaties. However, more than half of them have only recently completed them and are still preparing domestic legislations for enforcing them. They have benefitted from Collective Action Plans (CAPS) and capacity building assistance by Ecotech task forces.

Second, APEC has made limited progress in tariffs and investment, still keeping high tariffs and restricting foreign investment in sensitive sectors. More progress have been made on FTA basis but further liberalization on MFN basis may come only at the conclusion of the DDA negotiation.

Third, APEC's efforts remain insufficient in NTM and services. Several economies do not report on remaining NTMs seriously in their IAPs partly because of half measures by APEC. In services, tourism, finance, telecommunication, and transport have been liberalized partly but conventional restrictions remain untouched. It is the case not only in APEC economies but also in many WTO members, reflecting fundamental deficiency of the service negotiation in DDA. A big improvement is not likely to come toward 2020 in these areas. PSU should encourage SOM to strengthen the IAPs with the help of working groups on NTMs and services.

Fourth, while the importance of behind-the-border-measures has become shared by most APEC economies, competition policy and regulatory reform have only recently been tackled by most developing economies. While FTAs continue to be negotiated between APEC members, more efforts are needed to harmonize so that spaghetti bowl and trade diverting effects be minimized. SOM and PSU should guide the IAP process toward the final Bogor Goals so that the Leaders' commitments be achieved.

We do not calculate the total scores of individual economies over all areas. It is because we do not aim to rank them by their total scores but to examine individual economies' patterns of achievement by areas. It is shown clearly in the radar charts which measure each economy's scores of 1 to 5 from the center along the eight axes. The solid line gives the economy's scores, while the dotted line gives the APEC average. The outermost line linking 5 along all axes reflects the highest achievement, that is, complete achievement of the Bogor Goals. Relative position of each economy vis-a-vis APEC average tells how it has achieved toward the goal.

Radar charts show us the APEC economies' achievement toward the Bogor Goals. Here it should be noted that these reflect the current level of their achievement but not measure the accumulated efforts of individual economies in liberalization and facilitation since 1995. As we repeated in our assessment of achievement in individual areas above, the institutional achievement in liberalization and facilitation have been constrained by their stage of economic development and experience in market economies. In fact, the progress in liberalization was greater in developing economies and transition economies. Industrialized economies had already achieved high levels of liberalization at the time of the Bogor Declaration and it is quite natural for them to have acquired higher scores in this assessment work.

Conclusion and Recommendations

While IAPs still remain no easy readings, PSU's Progress Reports provide concise summaries of individual economies' progress in liberalization and facilitation towards the year 2020, with 3~4 page for each economy and around 80 pages all together including overall picture for APEC as a whole. We recommend academics, businessmen and

other stakeholders of APEC to read it and monitor closely the APEC's progress toward the final Bogor Goals. It will encourage senior officials and staffs working on APEC to continue their efforts toward 2020 as APEC Leaders have committed.

Moreover, beyond providing concise summaries, PSU Report can also help strengthening the IAP process. IAPs 2012 and their PSU summaries do not convey sufficient information in some areas and economies. SOM and PSU can strengthen the Guidelines for IAPs 2014, indicating major standards , treaties, and domestic legislations to be included by all economies so as to be compared between economies.

Lastly, further encouragement is still needed in some areas of OAA, especially in NTM, services, competition policy, and FTAs so that all economies enhance their liberalization and facilitation as was deliberated in the previous section. We cannot change the APEC modality of voluntariness and non-binding but need to strengthen our peer pressure if we really aim the Bogor Goals.