

National Center for APEC

APEC 2018 Overview and Background



OVERVIEW

From November 12 – 18, government officials and business executives from across the Asia-Pacific region will gather for a series of APEC meetings in Port Moresby, Papua New Guinea. Government delegations will include trade ministers, foreign ministers, and heads of state. U.S. participation is expected to be led by U.S. Vice President Michael Pence.

The APEC meetings in Port Moresby represent the culmination of policy work that began in December 2017, when Papua New Guinea took the reins as host of APEC. Leaders from APEC economies will gather in Port Moresby to consider APEC's work over the course of 2018 and discuss the state of global trade and APEC's goals going forward.

After making his first trip to an APEC meeting last year, U.S. President Trump chose not to attend this year's summit, due to a heavy international travel schedule that includes trips to Argentina and Europe. In terms of international trade, the Trump Administration has focused on renegotiating or revising existing trade deals, including NAFTA (now known as the U.S.-Mexico-Canada Agreement) and the U.S.-Korea Trade Agreement. Administration officials also recently announced their intent to begin negotiations for three separate trade agreements with Japan, the UK and the EU. The Trump Administration has remained critical of multilateral trade efforts and has pulled out of key agreements, like the Trans-Pacific Partnership (now known as the Comprehensive and Progressive Agreement for Trans-Pacific Partnership). He has also considered withdrawing from agreements, like the World Trade Organization.

The business meetings set to take place during Leaders' Week will be anchored by the 2018 APEC CEO Summit. The Summit is expected to draw between 500-700 business representatives and executives from across the Asia-Pacific region. In addition to the CEO Summit, the U.S. APEC Business Coalition is organizing several side meetings for U.S. private sector representatives in Port Moresby.

At the conclusion of public and private sector meetings, Chile will assume the role as chair of APEC and announce its priorities for 2019.

MEETING SCHEDULE

Government Meetings in Port Moresby

- **November 12-13:** Concluding Senior Officials' Meeting
- **November 15:** Ministerial Meeting (includes trade and foreign ministers)
- **November 15-17:** APEC CEO Summit
- **November 17-18:** Leaders' Meeting

Business Meetings in Port Moresby

- **November 13 – 15:** APEC Business Advisory Council IV (ABAC)
- **November 15 – 17:** U.S. APEC Business Coalition Side Meetings (U.S. corporate delegates only)

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- **November 16-17:** APEC CEO Summit
- **November 17:** ABAC Dialogue with APEC Leaders

Other events to be held on the margin include (many by invitation only):

- **November 15: *China Night*** – This invitation-only dinner is sponsored by CCPIT. The dinner will include Chinese and international business leaders.
- **November 16: *Women’s Economic Empowerment Breakfast*** – Sponsored by ExxonMobil, this breakfast will include senior business executives and U.S. and Chilean government representatives to discuss APEC initiatives in advancing women’s economic empowerment and best practices from the private sector. This event is by invitation only.
- **November 16: *Energy Resilience in the Wake of Growing Natural Disasters*** – This invitation-only breakfast will focus on the role technology, public-private partnerships, and APEC can play in post-disaster energy systems recovery.
- **November 16: *NCAPEC 25th Anniversary Celebration Kick-off Reception*** –This reception will begin at 8:30pm and will be held at the Black Circus Theatre. This event is open to all NCAPEC members.

U.S. GOVERNMENT AND APEC 2018

The United States has focused on achieving strong language and deliverables in the following areas in APEC this year:

- Digital Economy
- Structural Reform
- Trade Facilitation
- Women’s Economic Participation
- Services Trade Competitiveness
- Energy Security and Sustainability
- Infrastructure

President Trump [will not attend](#) the upcoming APEC Summit, East Asia Summit, or Association of Southeast Asian Nations (ASEAN) Meetings. U.S. Vice President Mike Pence will attend in his place. Trump is expected to attend the G20 meeting in Buenos Aires and make separate stops to France and Ireland.

[At the APEC Summit](#), Pence will highlight “the United States’ vision of a free and open Indo-Pacific, based on respect for sovereignty, the rule of law, and the principles of free, fair, and reciprocal trade.” On [October 4, Pence gave a speech that was highly critical of China](#). While primarily crafted for domestic consumption, the speech has been the source of much consternation among those watching the U.S.-China bilateral relationship. One White House official noted that the speech was, “an opportunity to lay the groundwork for Pence’s Asia trip.”

Key U.S. Officials expected to attend Leaders' Week include:

- Michael R. Pence, U.S. Vice President
- Jeffrey D. Gerrish, Deputy U.S. Trade Representative for Asia, Europe, the Middle East, and Industrial Competitiveness
- Matt Matthews, U.S. Senior Official for APEC, U.S. Department of State
- Michael Beeman, Assistant USTR for Japan, Korea, and APEC, Office of the U.S. Trade Representative
- Ken Schagrin, Deputy Assistant USTR for Japan, Korea, and APEC, Office of the U.S. Trade Representative
- Staff from Senate Finance and House Ways and Means Committees

GLOBAL AND REGIONAL CONTEXT FOR APEC LEADERS' WEEK

World Trade Organization

Under the Trump Administration, the United States has become an established antagonist to the World Trade Organization (WTO). The U.S. has [blocked the appointment](#) of judges to the WTO Appellate Body in an effort to shut down the group. In August, President Trump [threatened to leave the WTO](#) if it didn't "shape up." Though U.S. officials, including Secretary of Commerce Wilbur Ross, [have acknowledged that](#) the U.S. is interested in reforming the group before considering withdrawal, the U.S. has not been invited to allies' meetings to [discuss reform](#) efforts. Amidst the United States' criticism of the WTO, it has simultaneously launched [a series of WTO disputes against](#) trading partners including China, the European Union, Canada, Mexico, and Turkey.

Regional Agreements

Since leaving the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), the United States has sought to [update existing trade agreements](#) including NAFTA (also known as the [USMCA](#)). The negotiations on the latter were finalized on October 1, 2018. Several updates to that agreement included updates to automotive, dairy, dispute settlement, and labor provisions. As for CPTPP, which includes the remaining TPP parties, the agreement will [come into effect](#) 60 days after six of the eleven signatories ratify the agreement. As of July 2018, Mexico, Japan, New Zealand, Canada and Singapore have ratified the agreement. The Australian parliament passed the agreement in October and Vietnam is expected to ratify in November making a total of seven members that will have fully acceded to the CPTPP. Other trade agreements, like the [Regional Comprehensive Economic Partnership \(RCEP\)](#), remain in negotiation.

As regional trade negotiations continue, [the IMF expects](#) global trade growth to expand to 3.9 percent in 2018 and 2019. In "Developing Asia," growth is expected continue at 6.5 percent in 2018–19. The IMF

noted that negative risks could impact future global growth, including additional trade and financial tensions, and domestic political and policy factors.

G20 Summit

This year, the 13th G20 Summit will be held in Buenos Aires, Argentina on November 31-December 1. This meeting will be the first G20 Summit held in South America. Finance and Trade Ministers from the G20 parties have already gathered at separate meetings to discuss pressing global issues, and President Trump is expected to join fellow G20 Leaders at the upcoming Summit.

ASEAN 2018

The 33rd Association of Southeast Asian Nations (ASEAN) Summit will take place November 11-15 in Singapore. As Chair this year, Singapore will gather leaders under the theme, "Resilient and Innovative." Expected outcomes from the Summit include the delivery of an e-commerce agreement, a Digital Integration Framework, and progress on RCEP and CPTPP.

APEC 2018

Due to divisions among U.S., China, and other APEC members, consensus on APEC outcomes and statements has been increasingly difficult to reach, mirroring last year. In May 2018, APEC Trade Ministers met in Port Moresby to set the direction for APEC's trade-related deliverables for the year. In the [Ministers Responsible for Trade \(MRT\) Statement](#), officials lent their support to numerous sectoral efforts currently being undertaken by APEC officials. However, like last year, a lack of consensus on language regarding the WTO and commitments to anti-protectionism necessitated the release of a separate "Statement of the Chair."

The separate [Statement of the Chair](#) "reflects...the prevailing views of APEC economies" and focuses on the issues that lacked consensus, namely economies' support of the multilateral trading system. The statement also reaffirmed APEC Leaders' pledge to extend the standstill commitment on protectionist measures until the end of 2020.

Security Threats in the Region

Since APEC's last meeting, significant developments have occurred regarding the regional security threats posed by North Korea. North and South Korean officials met on March 8, 2018; that meeting was followed by high-level exchanges between senior U.S. and North Korean officials. Despite several threats to cancel the meeting in the lead up to the event, President Trump and Kim Jong Un met in Singapore in June 2018. Leaders signed [a joint statement](#) during that meeting stating that the two sides would work to build a "lasting and stable peace regime on the Korean Peninsula" and "establish new U.S.-DPRK relations."

The official statement between the U.S. and North Korea also notes that North Korea will "work toward complete denuclearization of the Korean Peninsula." Despite such commitments, the [UN's International Atomic Energy Agency \(IAEA\) affirmed](#) in August that North Korea's buildup of its nuclear program has not

ceased. Since that assessment, U.S. Secretary of State Mike Pompeo has met with Kim to encourage denuclearization and arrange another Summit between Trump and Kim. That Summit is [expected to be held](#) in early November in Asia.

TRADE OUTLOOK AND AGENDA

Comprehensive and Progressive Trans-Pacific Partnership (CPTPP)

After President Trump formally withdrew the United States from the TPP in January 2017, the 11 remaining members renamed it the CPTPP. Leaders from the CPTPP countries are each expected to take part in APEC Leaders' Week; each current and former TPP member is also a member of APEC. CPTPP negotiations were completed in March 2018, and the agreement will [come into effect](#) 60 days after six of the eleven signatories ratify the agreement.

Trade in Services Agreement (TISA)

The TISA remains under consideration by the Trump Administration, following a stall in negotiations in November 2016. In March 2018, U.S. Trade Representative Robert Lighthizer said the deal is "something that we're still looking at" [during a Senate Finance Committee hearing](#).

The TISA negotiations began in 2013. TISA's 23 participating parties include 11 APEC member economies.¹ TISA would be the first major multi-party agreement on services trade since the World Trade Organization's General Agreement on Trade in Services (GATS), which entered into force in 1995. TISA participants seek to update services trade rules for the 21st Century and liberalize a wide range of services sectors, such as distribution, financial services, and telecommunications. The participating parties account for about 70 percent of the global services economy.

Regional Comprehensive Economic Partnership (RCEP)

Several APEC economies continue to advance the RCEP agreement, launched in 2012. That agreement includes 16 participating countries: 10 members of ASEAN (Brunei-Darussalam, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand, and Vietnam) and Australia, China, India, Japan, Korea, and New Zealand. It has been largely driven by China and had been viewed as a counterweight to

¹ The eleven APEC member economies taking part in TISA are listed here (those also in TPP are in bold): **Australia, Canada, Chile**, Chinese Taipei (Taiwan), Hong Kong, **Japan**, Korea, **Mexico, New Zealand, Peru**, and the United States. The other TISA parties are Colombia, Costa Rica, the European Union, Iceland, Israel, Liechtenstein, Mauritius, Norway, Pakistan, Panama, Switzerland, and Turkey.

the CPTPP negotiations. However, the final agreement is expected to fall short of what most consider to be a “21st Century agreement,” lacking in disciplines in areas such as state-owned enterprises, for example.

RCEP Ministers gathered in Singapore on August 30-31, following the 23th round of negotiations held in July in Bangkok, Thailand. [Ministers welcomed](#) the conclusion of two additional chapters at the 23rd round of negotiations, namely the Chapters on Customs Procedures and Trade Facilitation and Government Procurement, bringing the total concluded chapters to date to four.

Free Trade Area of the Asia Pacific (FTAAP)

The FTAAP is a proposed regional free trade area between APEC economies. China has been a leading proponent of FTAAP since making a major U-turn on the initiative in 2014 and has [called on](#) APEC economies to move towards launching negotiations. In contrast, the U.S. has been more measured on potential realization of the FTAAP. During the Obama administration, the U.S. government had sought to stave off China’s efforts to launch a FTAAP negotiations, preferring to maintain its focus on passage of the TPP. Though the United States is no longer engaged in the newly named CPTPP, it remains wary of FTAAP; it does not want APEC to become a negotiating body and prefers that it maintain its role as a forum based on non-binding economic cooperation.

In 2016, APEC officials finalized the *Collective Strategic Study on Issues Related to the Realization of the FTAAP*. The study provides an analysis of potential economic and social benefits of launching an FTAAP, weighs potential costs, analyzes pathways towards an FTAAP, and identifies challenges economies may face in realizing this goal. In November 2016, Leaders instructed officials to develop a work plan to implement the study’s findings. The U.S. government was pleased that the study *did not* include a formal recommendation to launch negotiations on a FTAAP agreement.

KEY PRIVATE SECTOR-ACTIVITIES IN PAPUA NEW GUINEA

Several private sector activities and initiatives will take place in Port Moresby.

ABAC

Prior to the APEC Ministerial and Leaders’ Meetings, the APEC Business Advisory Council (ABAC)² will meet to prepare for its annual dialogue with APEC Leaders. At this private-sector dialogue, ABAC members will convey their end-of-year recommendations on improving the business environment in the region.

² The APEC Business Advisory Council (ABAC) is a standing body of APEC comprised of three senior executives from each APEC economy, appointed to serve by their respective Head of State. ABAC meets four times annually – once in conjunction with the annual Leaders’ Week –and holds an annual dialogue with APEC Leaders. They produce an annual report of recommendations for Leaders and engage in Ministerial processes as well.

PricewaterhouseCoopers (PwC) CEO Survey

At the CEO Summit, PwC is expected to release its ninth annual survey of more than 1,000 CEOs from APEC's 21 economies. Initial results of the study reveal that CEOs APEC CEOs remain confident in Asia Pacific for their business growth (revenue) & future growth (investment) business confidence remains high, and no significant change has occurred from the previous year.

PAPUA NEW GUINEA PROFILE

This will be the first time Papua New Guinea (PNG) has hosted an APEC Leaders' Meeting.

PNG's overall economic growth has risen approximately 2-3% per year between 2016-2018, according to the Asian Development Bank (ADB). Among a population of 6.9 million, PNG's unemployment rate reached 2.9% in 2016 (latest year for which data is available).

Papua New Guinea is a developing economy that faces many challenges due to poverty. The ADB reports that only 23 percent of the population has access to electricity. Nearly half of primary health services and of primary schooling are provided by church agencies, with some funding from the government. PNG's child mortality is another significant issue – 54 of every 1,000 children born in PNG die before their fifth birthday, according to ADB. Access to sanitation in urban and rural areas is also limited.

The country's economy is dominated by two broad sectors: Agriculture and Energy. The former employs most of PNG's labor force, while the latter accounts for the majority of export earnings and GDP.

Government and Trade

PNG is a constitutional monarchy. PNG's Head of State is HM Queen Elizabeth II, represented in PNG by Governor-General H.E. Sir Robert Dadae. The Governor-General is elected directly by Members of the National Parliament and performs mainly ceremonial functions. PNG's government is led by Prime Minister Peter O'Neill. The Prime Minister took office in August 2011 and was re-elected [in August 2017](#).

In terms of international engagement, PNG joined APEC in 1993 and the World Trade Organization in 1996. PNG maintains bilateral and regional FTAs with major trading partners, including [Australia](#). It is also a member of the following multilateral agreements: Pacific Island Countries Trade Agreement and South Pacific Regional Trade and Economic Cooperation Agreement.

PAPUA NEW GUINEA'S APEC PRIORITIES

Papua New Guinea selected three priority issue areas it would pursue in its 2018 host year. They include:

- 1) Improving digital connectivity, deepening regional economic integration;
- 2) Promoting inclusive and sustainable growth; and
- 3) Strengthening inclusive economic growth through structural reform.

OUTLOOK: CHILE 2019

Chile will take on the chairmanships of APEC and ABAC after the November Port Moresby meetings. Chile is leading organization of APEC from the General Directorate of International Economic Relations, which is a public entity that is under Chile's Foreign Affairs Ministry. In 2019, ABAC will be chaired by Richard von Appen, Chairman of Inversiones Ultramar Ltda. The CEO Summit will be chaired by Jean-Paul Luksic, Chairman of Antofagasta, a Chile-based copper mining group.

Chile has identified several policy issues and themes it will pursue as APEC host. They include: digital society, women and inclusive growth, and integration.

Next year will mark the second time Chile will host APEC since acceding to the group in 2004.

The 2018 APEC CEO Summit will be held November 14 - 16 in Santiago. NCAPEC will work with the 2019 Summit organizers in the areas of sponsor support, program development, and U.S. delegate marketing.

ANNEX A

[U.S. Department of State](#)

U.S.-PAPUA NEW GUINEA RELATIONS

The United States established diplomatic relations with Papua New Guinea in 1975, following its independence from a United Nations trusteeship administered by Australia. As the most populous Pacific Island state (7.8 million: 2013 estimate), Papua New Guinea is important to peace and security in the Asia-Pacific region. The country has experienced recent economic progress and has abundant energy, agricultural, and mineral resources. But it faces challenges including weak governance, corruption, limited capacity to deliver basic services, a deterioration of its health system, and a serious concentrated HIV/AIDS epidemic among key populations and in the Highland provinces.

The United States and Papua New Guinea have enjoyed a close friendship, and the U.S. Government seeks to enhance Papua New Guinea's stability as a U.S. partner. The two countries work together on many issues from improving transparency and good governance, to combating trafficking in persons, curbing the effects of climate change, protecting fisheries, improving public health, and promoting gender equality. Their militaries have had a cooperative security assistance relationship that has focused primarily on joint humanitarian exercises and the training of Papua New Guinean military personnel.

U.S. Assistance to Papua New Guinea

U.S. bilateral and multilateral assistance funds public health programs in Papua New Guinea including the President's Emergency Plan For AIDS Relief (PEPFAR), TB, and Malaria and Neglected Tropical Diseases and aims to advance the country's public health system. The U.S. Agency for International Development's Pacific Islands Regional Office is located in Manila, Philippines and the U.S. Centers for Disease Control and Prevention Country Office is located in Papua New Guinea. The United States builds the capacity and resilience of Papua New Guinea to adapt to climate change through regional assistance that covers 12 Pacific Island countries. United States assistance supports Papua New Guinea's efforts to protect biodiversity; it contributes to the Coral Triangle Initiative to preserve coral reefs, fisheries, and food security in six countries including Papua New Guinea. The United States also supports efforts to improve the country's disaster preparedness and response. In 2017, the United States provided funding for relief efforts in the Highlands which suffered from a magnitude 7.5 earthquake. U.S. military forces, through Indo-Pacific Command in Honolulu, Hawaii, provide training to the Papua New Guinea Defense Force and have held small-scale joint training and engineering exercises. The United States provides police and other education and training courses to national security officials. U.S. companies based in Papua New Guinea have also funded a range of health and development projects.

Bilateral Economic Relations

Petroleum and mining machinery and aircrafts have been the strongest U.S. exports to Papua New Guinea. The United States imports modest amounts of gold, copper ore, cocoa, coffee, and other agricultural products from Papua New Guinea. The ExxonMobil-led liquefied natural gas project, PNG LNG, has been a success for Papua New Guinea, hailed for its timely and close-to-budget construction and smooth operation. Papua New Guinea is a party to the U.S.-Pacific Islands Multilateral Tuna Fisheries Treaty, which provides access for U.S. fishing vessels in exchange for a license fee from the U.S. industry. Under a separate Economic Assistance Agreement (EAA) associated with the Treaty, the United States Government currently provides \$21 million per year to Pacific Island parties. According to U.S. Census Bureau data, in 2016 the United States exported \$126.8 million worth of goods to Papua New Guinea and imported \$91.8 million worth.

Papua New Guinea's Membership in International Organizations

Papua New Guinea and the United States belong to a number of the same international organizations, including the United Nations, International Monetary Fund, World Bank, World Trade Organization, Asia-Pacific Economic Cooperation (APEC) forum, ASEAN Regional Forum, the Pacific Community, and Secretariat of the Pacific Regional Environment Programme. Papua New Guinea also belongs to the Pacific Islands Forum, of which the United States is a Dialogue Partner. Papua New Guinea will host APEC in 2018, culminating in a Leaders' Summit in November 2018.

Bilateral Representation

The U.S. Ambassador to Papua New Guinea is Catherine Ebert-Gray; other principal embassy officials are listed in the Department's Key Officers List.

ANNEX C

Membership Matrix: Asia-Pacific Institutions and Trade & Investment Initiatives

APEC Members	Regional Economic Integration and Free Trade Initiatives					
	Free Trade Area of the Asia-Pacific (FTAAP)	Comprehensive and Progressive Trans Pacific Partnership (CPTPP)	Association of Southeast Asian Nations (ASEAN)	East Asia Summit (EAS)	Regional Comprehensive Economic Partnership (RCEP)	Pacific Alliance
Australia	X	X		X	X	
Brunei	X	X	X	X	X	
Canada	X	X				
Chile	X	X				X
China	X			X	X	
Hong Kong	X					
Indonesia	X		X	X	X	
Japan	X	X		X	X	
Korea	X			X	X	
Malaysia	X	X	X	X	X	
Mexico	X	X				X
New Zealand	X	X		X	X	
Papua New Guinea	X					
Peru	X	X				X
The Philippines	X		X	X	X	
Russia	X			X		
Singapore	X	X	X	X	X	
Chinese Taipei	X					
Thailand	X		X	X	X	
United States	X			X		
Vietnam	X	X	X	X	X	
Non-APEC Members						
Cambodia			X	X	X	
Laos			X	X	X	
Myanmar			X	X	X	
India				X	X	
Colombia						X