

## ABAC REGIONAL ECONOMIC INTEGRATION WORKING GROUP MATRIX

Agenda Item		ABAC USA Action	
3a. i) Pathways to FTAAP		Monitor	
Issue			
<p>There are two regional agreements that could serve as the basis for a Free Trade Area of the Asia-Pacific (FTAAP), the Trans-Pacific Partnership (TPP) and the Regional Comprehensive Partnership (RCEP). The Pacific Alliance, led by Mexico, Peru, Chile and Colombia was also discussed in this context at ABAC II.</p>			
Deliverable/Objective		Status	
<p>Maintain an ongoing dialogue to maintain awareness among ABAC about the similarities and differences in the agreements. ABAC's ultimate objective is for these agreements to be compatible from a business perspective and contribute to the achievement of a Free Trade Area of the Asia Pacific (FTAAP).</p>		<p>ABAC has long been supportive of initiatives that can serve as pathways or building blocks toward a Free Trade Area of the Asia Pacific, but Members had been reluctant to indicate more support for one initiative over another (i.e. TPP over an ASEAN-led initiative).</p>	
TPP ABAC Economies		RCEP ABAC Economies	USG Position (if known)
<p>TPP includes: Australia, Brunei Darussalam, Chile, Malaysia, New Zealand, Peru, Singapore, Mexico, Canada, Japan, USA and Vietnam.</p>		<p>RCEP includes: Australia, China, India, Japan, New Zealand, South Korea, Brunei, Cambodia, Indonesia, Lao PDR, Malaysia, Myanmar, Singapore, the Philippines, Thailand and Viet Nam.</p>	<p>USG supports the TPP but is careful to call it a pathway to FTAAP. USTR's objective will be to conclude the TPP negotiations by the end of 2013.</p>
ABAC USA Position/Talking Points/Recommendations			
<p>- ABAC USA is supportive of the TPP as a pathway to an FTAAP and feels that it is a more realistic, comprehensive, high standard, and practical approach than the alternatives.</p>			

Agenda Item		ABAC USA Action	
3a. ii) ABAC for TPP update		Monitor	
Issue			
Deliverable/Objective		Status	
<p>Leverage the ABAC to advocate for the early conclusion of the TPP and share information among private sector stakeholders</p>		<p>ABAC for TPP was established in May of 2012 under the leadership of Tony Nowell of New Zealand and Juan Raffo of Peru. ABAC has long been supportive of initiatives that can serve as pathways or building blocks toward a Free Trade Area of the Asia Pacific (FTAAP).</p>	
Supporting ABAC Economies		Dissenting ABAC Economies	USG Position (if known)
<p>TPP includes: Australia, Brunei Darussalam, Chile, Malaysia, New Zealand, Peru, Singapore, Mexico, Canada, Japan, USA and Vietnam.</p>		<p>N/A</p>	<p>USG supports the TPP but is careful to call it a pathway to FTAAP. USTR's objective will be to conclude the TPP negotiations by the end of 2013.</p>
ABAC USA Position/Talking Points/Recommendations			

- ABAC USA has been supportive of ABAC for TPP's activities, but has not taken an active role in the group. There is scope for ABAC USA to take a more active role should there be interest among US members.

Agenda Item		ABAC USA Action	
3a. iii) Pathways to Regional Economic Integration – A Japanese Business Perspective		Monitor	
Issue			
Japan's business had been a strong advocate for Japan to join in the negotiations for TPP and to activate the negotiations for the other regional/sub-regional FTAs such as the RCEP, the Japan, China, Korea FTA.			
Deliverable/Objective		Status	
Note Japan's support for regional trade agreements		Japan recently joined the TPP	
Supporting ABAC Economies	Dissenting ABAC Economies	USG Position (if known)	
Japan	None	USG is supportive of Japan joining the TPP	
ABAC USA Position/Talking Points/Recommendations			
- ABAC USA is supportive of Japanese private sector's advocacy for increased regional integration.			

Agenda Item		ABAC USA Action	
3.b APEC's New IAP Process: How Can we Strengthen it toward the Bogor Goals in 2020?		Monitor	
Issue			
Deliverable/Objective		Status	
<ul style="list-style-type: none"> <li>- ABAC should continue to keep a close look on APEC economies' progress towards the Bogor Goals on a collective as well as individual basis.</li> <li>- ABAC should continue to encourage APEC economies to work towards the APEC Leaders' commitment of the achievement of the Bogor Goals by 2020</li> </ul>		<p><b>2012 Bogor Goals Progress Report of twenty-one APEC member economies</b>  Conclusions: Analysis of the information shows that APEC member economies are moving in the right direction as progress has been achieved in all areas since the previous assessment conducted in 2010.</p> <p><b>2010 Assessment of Achievements of the Bogor Goals</b>  Conclusion: Significant progress has been made toward achieving the Bogor Goals at their Meeting in Yokohama. More work remains to be done.</p>	
Supporting ABAC Economies	Dissenting ABAC Economies	USG Position (if known)	
Australia, Canada, Japan, NZ, US, Chile, HK, Korea, Malaysia, Mexico, Peru, Singapore, and Chinese Taipei participated in 2010 assessment  All economies participated in 2012 assessment	None	USG is supportive of Bogor Goal objectives of improving open trade and investment by 2010 for industrialized economies and by 2020 for developing economies.	

<b>ABAC USA Position/Talking Points/Recommendations</b>		
- ABAC USA is supportive of ABAC Japan's recommendations and will continue to encourage APEC economies to work towards their Bogor Goal commitments.		

<b>Agenda Item</b>		<b>ABAC USA Action</b>	
3c. Foreign Direct Investment		Monitor	
<b>Issue</b>			
No document available at this time.			
<b>Deliverable/Objective</b>		<b>Status</b>	
<b>Supporting ABAC Economies</b>	<b>Dissenting ABAC Economies</b>	<b>USG Position (if known)</b>	
ABAC's work on improving the FDI environment is generally supported by all economies.	None	USG is working to highlight the negative impacts of local content requirements.	
<b>ABAC USA Position/Talking Points/Recommendations</b>			
No document available at this time.			

<b>Agenda Item</b>		<b>ABAC USA Action</b>	
3.d. Free Trade Stakeholder Engagement		Monitor	
<b>Issue</b>			
No document available at this time.			
<b>Deliverable/Objective</b>		<b>Status</b>	
<b>Supporting ABAC Economies</b>	<b>Dissenting ABAC Economies</b>	<b>USG Position (if known)</b>	
<b>ABAC USA Position/Talking Points/Recommendations</b>			
No document available at this time.			

<b>Agenda Item</b>		<b>ABAC USA Action</b>	
4.a. New Services Agenda - report back on Public-Private Dialogue at SOM2 and next steps		Monitor	
<b>Issue</b>			
No document available at this time.			
ABAC Hong Kong will provide an update on activities and recommendations ABAC has made to advance the services agenda in APEC			
<b>Deliverable/Objective</b>		<b>Status</b>	

From ABAC II:		
Continue advocating for services trade and investment liberalization in APEC:		
<ul style="list-style-type: none"> <li>- ABAC/PECC Public-Private Policy Dialogue</li> <li>- Creation of a high-level APEC “Expert Group” on services</li> <li>- Joint initiative with the International Trade Centre (ITC) to follow up and broaden business-based advocacy on services trade and investment liberalization</li> </ul>		
<b>Supporting ABAC Economies</b>	<b>Dissenting ABAC Economies</b>	<b>USG Position (if known)</b>
Hong Kong, Philippines, New Zealand	None	
<b>ABAC USA Position/Talking Points/Recommendations</b>		
<ul style="list-style-type: none"> <li>- ABAC USA is supportive of including services as a stand-alone issue and recommends that the REIWG look at developing a regional integrated supply chain for services in the same vein that it does for goods.</li> </ul>		

<b>Agenda Item</b>	<b>ABAC USA Action</b>	
4.b. APEC Business Travel Card update	Monitor	
<b>Issue</b>		
At ABAC 2 in Singapore, ABAC endorsed the proposal by ABAC Japan to conduct a brief survey of ABAC members and staffers regarding the APEC Business Travel Card (ABTC)		
<b>Deliverable/Objective</b>	<b>Status</b>	
<ul style="list-style-type: none"> <li>- Encourage transitional economies to accelerate efforts towards complete membership status in the program, including the actual issuance of cards.</li> <li>- Urge APEC BMG’s formal decision on extending the validity period of ABTC from three (3) to five (5) years.</li> <li>- Simplifying the renewal/re-application process for current ABTC holders.</li> <li>- Consider linking the passport information with ABTC to avoid expiration of ABTC when holder’s passport expires; otherwise consider issuing the temporary card to fill the gap period between passport expiration and issuance of the new ABTC.</li> <li>- Consider additional benefits for ABTC holders, e.g. expanding the area of usage of ABTC beyond APEC economies, especially to include the EU.</li> </ul>	<ul style="list-style-type: none"> <li>- 19 of 21 economies are full participating members of the ABTC.</li> <li>- Canada and USA are transitional members and do not issue the ABTCs to citizens.</li> </ul> <p>USG is coordinating the implementation of the Travel Facilitation Initiative</p>	
<b>Supporting ABAC Economies</b>	<b>Dissenting ABAC Economies</b>	<b>USG Position (if known)</b>
All	None	
<b>ABAC USA Position/Talking Points/Recommendations</b>		
<ul style="list-style-type: none"> <li>- ABAC USA is actively engaging with USG officials to encourage implementation of the ABTC and supports efforts to enhance the current operation of the ABAC in other economies.</li> </ul>		

Agenda Item		ABAC USA Action
4.c. Skills Mapping and Labour mobility update		Monitor
<b>Issue</b>		
No document available at this time.		
<b>Deliverable/Objective</b>		<b>Status</b>
		<ul style="list-style-type: none"> <li>- APEC presentation on interim findings in SOM3 Medan, July.</li> <li>- Project targeted for completion December 2013</li> </ul>
<b>Supporting ABAC Economies</b>	<b>Dissenting ABAC Economies</b>	<b>USG Position (if known)</b>
ABAC Philippines	None	
<b>ABAC USA Position/Talking Points/Recommendations</b>		
No document available at this time.		

Agenda Item		ABAC USA Action
5.a. ABAC proposal for global data standards development within APEC.		Monitor
<b>Issue</b>		
Global data standards and interoperability of information systems can play an important role in eliminating supply chain choke points.		
<b>Deliverable/Objective</b>		<b>Status</b>
<ul style="list-style-type: none"> <li>- Initiate a demonstration project that would highlight the economic impact of implementing global data standards across supply chains.</li> <li>- The project would run concurrently to the APEC Supply Chain Connectivity Framework.</li> </ul> <p>The data standards project could be utilized as a capacity building project as part of the third stage of the SCCF.</p>		<ul style="list-style-type: none"> <li>- GS1 has been invited to the past four ABAC meetings to provide updates on the Global Data Standards Initiative</li> <li>- The proposal was presented to the APEC Committee on Trade and Investment at SOM II. It was not endorsed (see USG below).</li> </ul>
<b>Supporting ABAC Economies</b>	<b>Dissenting ABAC Economies</b>	<b>USG Position (if known)</b>
ABAC New Zealand	None	USG feels that the data standards proposal didn't gather CTI support because of the CTI's hesitation to jump ahead of the SCCF systematic approach and the perception that the data standards initiative was adding more complexity to the existing work plan.
<b>ABAC USA Position/Talking Points/Recommendations</b>		
<ul style="list-style-type: none"> <li>- ABAC USA is supportive of the implementation of the global data standards project.</li> <li>- ABAC USA supports strong engagement from ABAC into the APEC Supply Chain Connectivity Initiative (SCCI) which consists of eight chokepoints that impede regional supply chains.</li> <li>- The project should be framed as a voluntary demonstration project in which ABAC and GS1 will work with the economies noted in the proposal.</li> </ul>		

The deliverables from the demonstration project need to explicitly address how the project will contribute to the SCCF objectives of improving supply chain efficiency by 10%

Agenda Item		ABAC USA Action	
5.b. US perspective on supply chain connectivity and regulatory coherence, including draft letter to APEC Ministers of Health.		Presentation by Bart Peterson	
Issue			
ABAC USA will make deliver a presentation to follow up on ABAC I LSIF discussion and ABAC II regulatory coherence discussion to secure language supportive of health workstreams in the ABAC Report to Leaders. Approach ABAC about developing a second letter to APEC Health Ministers ahead of the next High Level Meeting on Health and the Economy			
Deliverable/Objective		Status	
Endorsement of ABAC Letter to Health Ministers, support for LSIF workstreams			
Supporting ABAC Economies	Dissenting ABAC Economies	USG Position (if known)	
ABAC New Zealand		USG is supportive of LSIF workstream and objectives	
ABAC USA Position/Talking Points/Recommendations			
<ul style="list-style-type: none"> <li>- ABAC USA believes that supporting LSIF workstreams related to anticorruption, FDI, Regulatory Convergence (supply chain integrity and global standard for serialization of medical products) will reinforce ABAC's existing priorities</li> </ul>			

Agenda Item		ABAC USA Action	
5.c. Authorized Economic Operator (AEO) update		Monitor	
Issue			
Update status of the APEC-wide AEO program and recommendation to the Leaders			
Deliverable/Objective		Status	
ABAC should advocate for a coordinated and holistic approach to facilitating the development of a mutual recognition scheme for Authorized Economic Operator (AEO) programs in APEC economies alongside the APEC-wide AEO program.		In 2009, the APEC Sub-Committee on Customs Procedures (SCCP) established an AEO Working Group.	
Supporting ABAC Economies	Dissenting ABAC Economies	USG Position (if known)	
ABAC Japan, broad support	None	USG is a member of the APEC AEO Working Group	
ABAC USA Position/Talking Points/Recommendations			
<ul style="list-style-type: none"> <li>- ABAC USA is supportive of ABAC's efforts to encourage AEO programs in APEC</li> <li>- AEO was highlighted as a key customs issue in ABAC's Supply Chain Connectivity Framework recommendations.</li> </ul>			

Agenda Item		ABAC USA Action	
5.d. Draft ABAC Letter to APEC Ministers of Transportation.		Update by Ed Rapp or Alex Parle	
Issue			
Deliverable/Objective		Status	
Secure endorsement of the letter to Transportation Ministers		ABAC USA drafted and circulated the draft letter to Transportation Ministers.	
Supporting ABAC Economies	Dissenting ABAC Economies	USG Position (if known)	
ABAC USA, ABAC NZ, plus broad support	None		
ABAC USA Position/Talking Points/Recommendations			
<ul style="list-style-type: none"> <li>- APEC economies need to increase investment in infrastructure to maintain and improve existing rates of economic growth</li> <li>- The need for infrastructure is too great for governments to fund all the projects on their own. They need investment from the private sector, and</li> <li>- In addition to building new infrastructure, economies can maximize the efficiency of existing infrastructure by regulatory environment for transport and logistics services.</li> </ul>			

Agenda Item		ABAC USA Action	
6.a. Review REIWG sections of the draft Report to Leaders		NCAPEC Staff will comment as necessary	
Issue			
Finalizing REIWG contributions to the ABAC Report to APEC Leaders.			
Deliverable/Objective		Status	
The report will be formally given to APEC Leaders at the APEC Economic Leaders Meeting in Bali.		The report will be endorsed at the ABAC Closing Plenary on July 11, 2013.	
Supporting ABAC Economies	Dissenting ABAC Economies	USG Position (if known)	
N/A	N/A		
ABAC USA Position/Talking Points/Recommendations			
<ul style="list-style-type: none"> <li>- ABAC USA has submitted language on: <ul style="list-style-type: none"> <li>o Supply Chains</li> <li>o Regulatory Coherence</li> <li>o Infrastructure Investment</li> <li>o Customs</li> </ul> </li> </ul>			

**Regional Economic Integration Working Group**  
**0945-1245, Tuesday 9<sup>th</sup> July 2013**  
**Venue: Level 4 GYOUN, Kyoto Hotel Okura**

**Draft Agenda**

<b>Agenda Item</b>	<b>Issue</b>	<b>Lead Economy/ Speaker</b>	<b>Document</b>
1	Welcome, approval of agenda	Chair/T. Nowell	
2	Minutes and matters arising from the second meeting 2013 (not elsewhere specified)	Chair/T. Nowell	
3	<b><i>Trade and Investment liberalisation</i></b>		
a)	Pathways to FTAAP i) Presentation of updated Pathways to FTAAP matrix a. TPP and RCEP b. Pacific Alliance update ii) ABAC for TPP update  iii) Pathways to regional economic integration – a Japanese business perspective.	ABAC NZ/S. Jacobi ABAC Chile/TBC Chair/T Nowell and ABAC Peru/J. Raffo.  ABAC Japan/ H. Kamezaki.  Guest speaker: Mr K. Kinbara, Director, International Affairs Bureau, Keidanren.	
b)	APEC's New IAP Process: How Can we Strengthen it toward the Bogor Goals in 2020?	ABAC Japan/H. Kamezaki.  Guest presenter: Professor Ippei Yamazawa, Japan's APEC Study Centre	
c)	Foreign Direct Investment: Marshall Business School research in 2013 update	Chair/T. Nowell	
d)	Free trade – stakeholder engagement.	ABAC New Zealand/ S. Jacobi	

<b>4</b>	<b><i>Initiating a new services agenda</i></b>		
a)	Services – report back on PPD at SOM2 and next steps	ABAC Hong Kong/ A. Nightingale	
b)	APEC Business Travel Card update	ABAC Japan/ H. Kamezaki	
c)	Skills mapping and labour mobility update	ABAC Hong Kong/ D. Dodwell	
<b>5</b>	<b><i>Enhancing supply chain connectivity</i></b>		
a)	Post-SOM 3 report back on ABAC proposal for global data standards development within APEC.	Chair/T. Nowell	
b)	US perspective on supply chain connectivity and regulatory coherence, including draft letter to APEC Ministers of Health.	ABAC USA/B. Peterson	
c)	Authorized Economic Operator (AEO) update	ABAC Japan/ H. Kamezaki  Guest presenter: Mr. Syarif Hidayat/Chair of APEC SCCP 2013	
d)	Draft ABAC Letter to APEC Ministers of Transportation.	ABAC USA/E. Rapp	
<b>6</b>	<b>2013 ABAC Report to Leaders</b>		
a)	Review REIWG sections of the draft Report to Leaders	Chair/T. Nowell	
<b>7</b>	Other Business	Chair/T. Nowell.	-

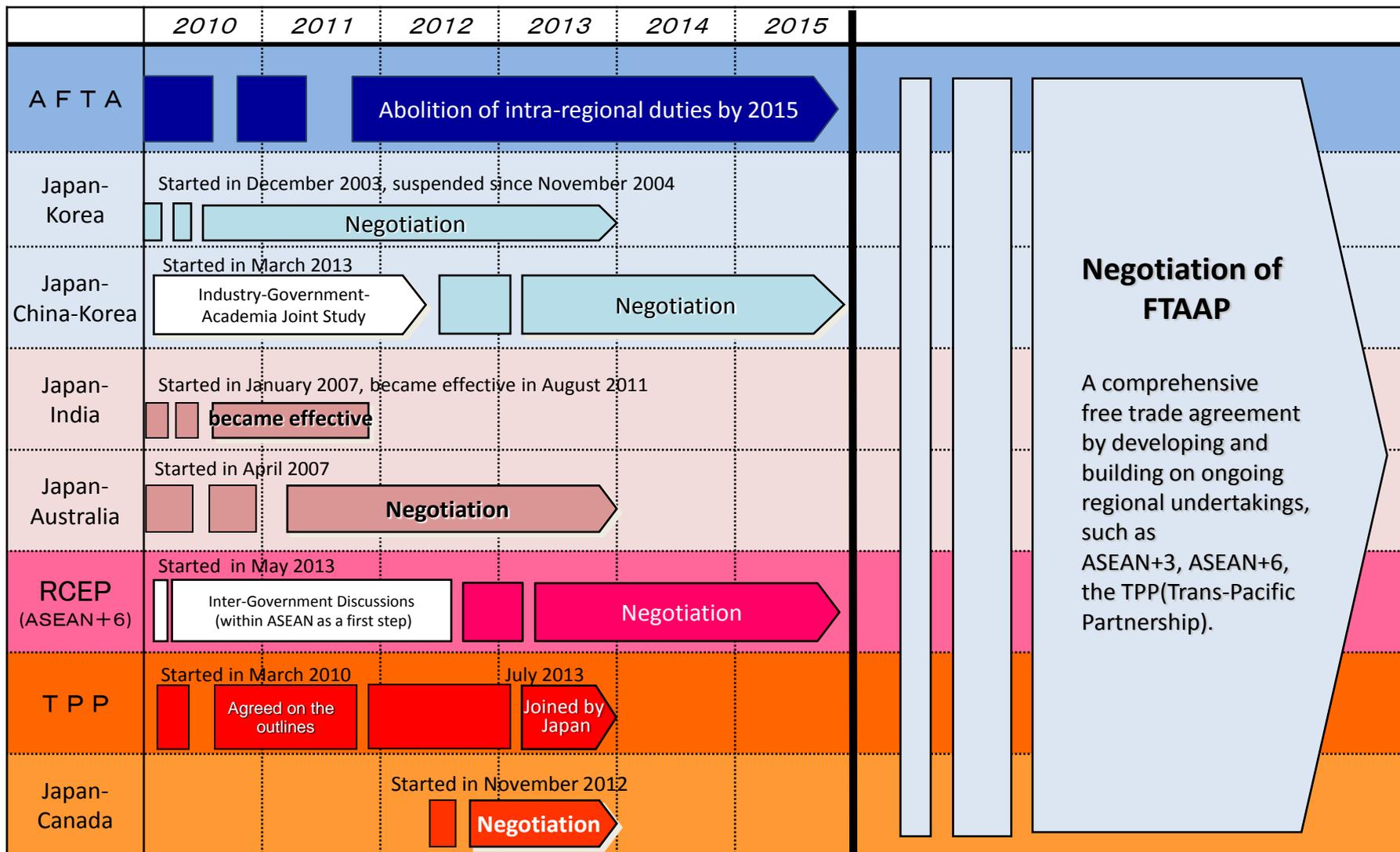
## Meeting Document Summary Sheet Template

<b>Document Title:</b>  Presentation to ABAC – Promoting broader regional economic partnerships throughout the Asia-Pacific Region - Pathways to Achieving FTAAP
<b>Purpose:</b>  For consideration
<b>Issue:</b>  Japanese business perspective on regional economic integration and regional/sub-regional FTAs
<b>Background:</b>  Japan's business had been a staunch advocate of regional economic integration and regional/sub-regional FTAs. Long before the announcement by Prime Minister Abe last March that Japan will join in the negotiations for the TPP, Japan's business had been arguing for Japan to join in the negotiations for TPP and to activate the negotiations for the other regional/sub-regional FTAs such as the RCEP, the Japan, China, Korea FTA. These regional/sub-regional undertakings in the view of some Japanese business organizations are all building blocks to achieving the ultimate goal of FTAAP. This view is described in the recent policy proposals of major business organizations of Japan also.
<b>Proposal / Recommendations:</b>  <ul style="list-style-type: none"><li>• ABAC understand the principles of Japan's business on trade policy and note as reference of the influence of Japan's business on the development of Japanese trade policy</li></ul>
<b>Decision Points:</b>  <ul style="list-style-type: none"><li>• Endorse the recommendations outlined above.</li></ul>

# Promoting broader regional economic partnerships throughout the Asia-Pacific Region

## -Pathways to Achieving FTAAP-

June, 2013  
Keidanren



\*Japan-EU: started in April 2013.

## Meeting Document Summary Sheet Template

<b>Document Title:</b>  Presentation to ABAC – APEC's New IAP Process : How Can We Strengthen it towards the Bogor Goal in 2020
<b>Purpose:</b>  For consideration
<b>Issue:</b>  Achievements of the economies towards Bogor Goal so far and how much/in which areas do each economy have left to do.
<b>Background:</b>  The APEC Study Centre of Japan has undertaken a careful review of the Individual Action Plans submitted by all the economies in 2012 and made an independent academic assessment of their efforts in achieving the Bogor Goals in 2020. How did they implement the Bogor Goals Progress Report Guidelines adopted in 2011 in their IAPs? How much have they achieved towards the Bogor Goals at the stage of this assessment? In which areas do they need to work more? Unlike the collective assessment carried out in 2010 for 13 economies, this is an objective assessment of each individual economy by individual areas which helps to identify the remaining tasks for each economy.
<b>Proposal /Recommendations:</b>  <ul style="list-style-type: none"><li>• ABAC should continue to keep a close look on APEC economies' progress towards the Bogor Goal on a collective as well as individual basis.</li><li>• ABAC should continue to encourage APEC economies to work towards the APEC Leaders' commitment of the achievement of the Bogor Goals by 2020.</li></ul>
<b>Decision Points:</b>  <ul style="list-style-type: none"><li>• Endorse the recommendations outlined above.</li></ul>

# **APEC's New IAP Process: How Can We Strengthen It toward the Bogor Goals in 2020**

**By**

**Ippei Yamazawa, Toshihiro Atsumi, and Hikari Ishido  
ASCJ, Revised, June 2013**

## **2.Regional Economic Integration (REI) in East Asia**

- **While WTO/DDA got stumbled, bilateral and sub-regional FTAs mushroomed world-wide.**
- **Among APEC economies, TPP and RCEP are negotiated, which tend to intensify competitive liberalization and cause rivalry**
- **APEC is seldom mentioned because of its non-binding modality.**

### **3. APEC provides strong base for REI**

- **APEC helps to promote TPP and RCEP in parallel** because
  - It includes all members of the three
  - It has 24 year experiences and records of implementing liberalization and facilitation
- Although constrained by its non-binding modality, APEC moves towards the Bogor Goals in 2020 and beyond, to FTAAP
- We call upon all APEC stakeholders to monitor it closely and support its progress

### **4. Mid-term Assessment**

- In 2010 SOM undertook Mid-term Assessment: Group assessment of 13 economies (5 industrialized and 8 volunteer) ‘TILF helped Asia Pacific to achieve high growth’
- Leaders endorsed it and indicated remaining impediments in 6 sensitive areas and committed that all 21 economies continue the IAP process towards the final BG in 2020
- **Leaders set FTAAP as a long-term goal beyond BG. APEC-wide TILF will build its ground base.**

## **5. Start of the new IAP process**

- May 2011 Montana, SOM adopted the *Bogor Goals Progress Report Guidelines*;
  - New IAPs cover all 14 areas of OAA plus three (transparency, FTA, and others)
  - Describe only significant new developments
  - Report in 2012, 14, 16, 18 and 2020
  - PSU helps SOM to discuss it by providing a short 1-2 page summary for each economy
- November 2011 Honolulu, Leaders endorsed it
- 2012 All 21 economies submitted IAPs
- September 2012 Ministers endorsed the review

## **6. IAPs 2012 and PSU's *Summary Report***

- A wide diversity is witnessed between three groups, reflecting different stance of drafting
  - (A) BR(5pages), CL(11), CA(10), ROK(16), PE(19), RU(18), SG(14)
  - (B) AU(32), CN(36), JP(26), ML(24), PNG(33), PH(26), CT(35)
  - (C) HK(50), ID(56), MX(83), NZ(51), TH(131), US(79), VN(54)
- A) focus only updates, repeating no change since 2010, B) give concise report on every area.

## 6. continued

C) either follow the previous style or spending pages on specific areas.

- The new IAPs followed the conventional matrix of areas X (Improvement & Future plans) , containing many empty cells and list of contact addresses. Never easy readings.

- PSU 's *Progress Report* summarizes required information** by the *Guidelines* in a readable format of 3-4 pages, citing from previous IAPs if necessary. Its over-all summary conveys APEC's progress toward final BG.

## 7. Negative list /Accumulated Achievements

- New IAPs focusing on updates tend to blur remaining barriers. Few concrete remarks are made on future plan. No use of returning to previous practice of listing all the past efforts.
- **Negative lists of remaining impediments in liberalization areas** help to encourage individual economies towards BG (PSU's *Dashboard*)
- Some economies reported their accumulated achievements in facilitation, to be followed by other economies
- PSU's *Report* and *Dashboard* should be strengthened along this line for future submission.

## 8. FTA effects need to be incorporated

- Many economies reported on FTAs: a clear departure from the previous IAPs, following the *Guidelines*.
- Some reported in detail but most only existence/ negotiation, but making New IAPs comprehensive information source via reference addresses
- **Further analysis is needed on preferential treatment under FTAs.** One example is tariff reduction on FTA basis (SOM Mid-term assessment 2010).

Average MFN vs FTA-inclusive effective tariffs in 1996

- APEC5 7.0% vs 2.8% →1.4% (2006)

- APEC8: 8.9% vs 5.5% →1.1%

## 8. Continued

- Similar analysis is needed in other areas as well
- APEC economies also apply other TILF preferentially to their FTA partners, which need to appear in their IAPs and PSU's reports.
- Furthermore, it is probable that some may apply voluntarily their FTA agreements on MFN basis, especially in facilitation areas.
- APEC had adopted *Best Practice for FTAs* (2006) and *FTA Model Measures* (2009), which should be utilized for their convergence.

## 9. Aims of Academic Review

- We undertook a careful review of the IAPs2012 and attempted independent academic assessment
- How its Guidelines are implemented?
- **How much APEC economies have achieved toward the Bogor Goals?**
- In which areas do they need to strengthen efforts?

## 10. Quantitative Assessment by economies & areas

- Give realistic contents to the Bogor Goal along the Osaka Action Agenda, and draw a road map toward it
- Score individual economies and areas, based on new IAPs, *PSU Reports*, and *SOM Report 2010*, in five grades;  
5: almost achieved, 4: achieved with major exception, 3: achieved more than half, 2: implemented partly, 1: not started yet
- Not relative assessment. Support data attached (Appendix table)
- **Draw a radar chart for each economy's achievement by areas.**

## 11. Assessment of Achievement: Tariffs

- The OAA did not aim at ‘zero tariffs for all commodities’ but gradual decrease of **simple average tariffs (SAT)** and reduce tariff peaks
- Zero tariffs achieved within FTAs but not on MFN
- Most industrialized economies achieved less than 5% SAT but high tariffs remain in sensitive sectors
- Several developing economies reduced applied SAT less than 10% but still keep **high tariffs (over 10%) in many product lines**

Grade 5: AU, BR, CA, CL, HG, JP, NZ, SG, US

4: ID, PE, PH, CT

3: CN, KR, ML, MX, RU, TH, VN

## 12. Non-Tariff Measures

- All IAPs say ‘No NTM not consistent with WTO rules’ but many NTMs remain. OAA and Leaders encourage their reduction
- NTM decreased by tariffication of farm products (2000) and quota restrictions on textiles by MFA abolished (2005)
- *UNCTAD/TRAINS* database: differ greatly in reporting year, sector classification, and types of measures, impedes objective comparison. **We have given up grading on NTM.**
- SOM should strengthen its *Guidelines* for reporting NTMs, preferably in quantitative terms.

### 13. Services

- GATS only started at UR and services liberalization delayed, esp. in developing economies
- National monopoly of basic telecom, restriction to national treatment of foreign banks, cabotage in marine/air transport still remain in industrialized economies
- New IAP and PSU's *Report* give liberalization in some sectors (positive list) , which is insufficient information for grading.
- *WTO/GATS Commitment Tables* gives the number of services sectors 'liberalized, out of total 55 sectors → grade 4,3, 2

### 13. Continued

- *SOM Report 2010* conveys that deeper commitment have been made under FTAs. However, does it actually reduce restrictions to foreign suppliers than 'Unbound' in GATS?
- Developing economies are still implementing domestic regulations in services. 'Model services regulation' will help them to develop competitive services industry.
- Grade 5: None sufficiently liberalizing  
4: AU, CA, CL, HK, JP, KR, NZ, SG CT,US  
3: CN, ID, ML,MX, PE, PH, TH  
2: BR, PNG, RU

## **14. Investment**

- **APEC Non-Binding Investment Principles in 1995, and many IAPs stress their consistency but industry protection still remain**
- **Based on *APEC Guidebook on Investment Regimes*,**
  - **No (pre-)restriction to investment by foreign firms**
  - **No regulation of foreign firms after investment**
  - **Protection of foreign investors, etc.**
- **World Bank's index of Ease of Doing Business and GCR's Business Rules Impact indicator give objective assessment of government rule –making in business (adopted from PSU's *Dashboard*)**

**Grade 5: AU,CA,CL, HK,JP,KR,NZ,SG,US**

**4: ML,MX,PE,CT,TH**

**3: BR,CN,ID,PH,PNG,PH, RU,VN**

## **15: Standard and Conformance**

- **APEC adopted S&C Framework declaration and S&C Sub-committee, have been promoting harmonization of domestic standards to international ones and mutual recognition of conformance assessment, but their achievement differs by development stage**
- **17 economies adopted ISO, 15 IEC, 17 VAP, 15-18 participate in MRA in electric and electronics, foods, and labor skills**
- **% of international alignment reported in new IAPs : Its comparability need to be examined**

**Grade 5: AU, CA, JP, KR, NZ, PH, SG, US**

**4: BR, CL, CN, HK, ID, ML, MX, PE, RU, CT,**

**TH, VN 3:PNG**

## **16. Customs Procedures**

- **OAA instructed simplification and standardization. SCCP calls for collective actions**
  - **Harmonization of tariff classification and WTO rules have been implemented by many.**
  - **Electrification of CP (paper-less) wide spread**
  - **Revised Kyoto Convention adopted by 11 economies**
  - **Single Windows introduced by 14, while 4 preparing**
  - **World Bank's Logistic Perform Index (for actual friendliness of these procedures) ranks 14 APEC together with 17 EU members in its top one fifth**
- Grade 5: AU, CA, HK, JP, NZ, SG, US**  
**4: CL, CN, KR, ML, PH, CT, TH**  
**3: BR, ID, MX, PNG, PE, RU, VN**

## **17. Intellectual Property Rights**

- **OAA set objectives to ensure effective protection of IPR, including legislation, administration, and enforcement.**
  - **APEC economies perceive IPR indispensable in order to attract FDI and expand trade and all IAPs claim its implementation**
  - **All implemented patents law, design law and trade marks. 18 participated in Paris Convention for patent, and 19 ratified WTO/TRIP**
- Grade 5: AU,CA,CL, JP,KR,NZ,SG,US**  
**4: BR,CN, HK, ID,ML,MX, PE,PH,CT,TH,VN**  
**3: PNG, RU**
- **The effectiveness of implementation cannot be assessed from new IAPs and PSU Reports. IPR is a major cause of dispute and its implementation need to be improved through consultation and negotiation**

## **18. Government Procurement**

- **APEC adopted a model measure, Non-binding Principles of GP (1995)**
- **OAA insisted transparency of legislation, procedures and dissemination, but not liberalization so much**
- **Half of APEC economies ratified or observer participated in GP Agreement (1994).**

**Grade 5: AU,CA, HK,JP,KR,NZ, SG,CT,US**

**4: CL,ID,ML,MX, PE,TH**

**3:BR,CN, PNG,PH,RU,VN**

**AU and NZ are non-signatory of GPA but implemented advanced GP process**

## **19. Business Mobility**

- **Strongly requested by ABAC as a strategic approach to trade and investment expansion.**
- **Processing of visa, application procedure, the terms of validity, and their transparent dissemination**
- **APEC Travel Handbook and Business Travel Card (ABTC) implemented by all economies.**
- **Six economies require visa for short-stay business from visitors from almost all economies (18~20)**

**Grade 5: all economies except for the following six**

**4: AU, BR, CN, PNG, PE, RU**

- **Freer movement of unskilled workers beyond the Bogor goal**

## 20. Other Areas

- ***Deregulation & Competition Policy***: ambiguous goals defined by OAA and divergent reporting in IAPs. Restarted in 2006 as ‘*Regulatory Reform*’ program in Economic Committee (behind the border measures)
- ***Rules of Origins***: re-emphasized as a major element in ‘*FTA Model Measures*’ (2006)
- ***Dispute Settlement***: many economies resort to WTO DS panel

**Insufficient information for assessing their achievements**

21 **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

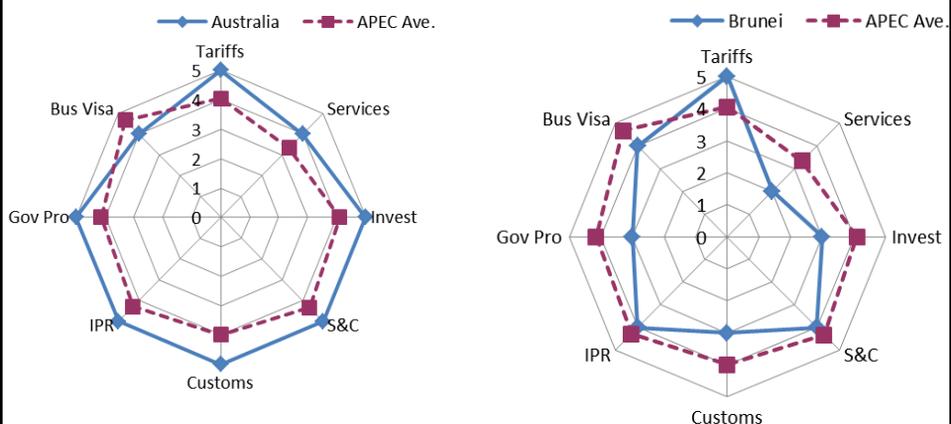
24

## 22. Assessment of All APEC Economies

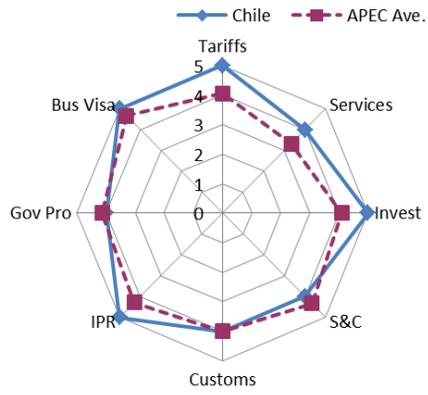
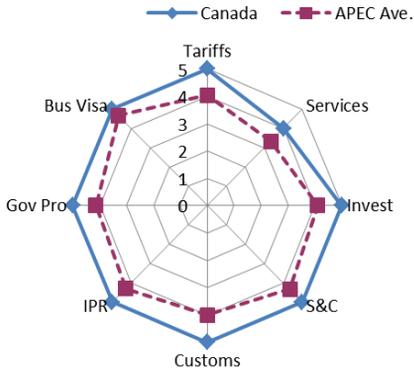
### APEC averages by areas show:

- **Facilitation: Bus Mob 4.7 >S&C,IPR 4.3>CP ,GP 4.1, higher achievement thanks to the help of CAPs Sub-Committees' guidance**
- **Liberalization: Investment 4.1>Tariffs 4.0 >Services 3.3, lower achievement due to sensitive sectors and industry protection**
- **Radar chart of each economy gives the structure of achievement by areas (cf. APEC averages)**
- **We do not think much of the total grade of each economy and its ranking among 21 economies**

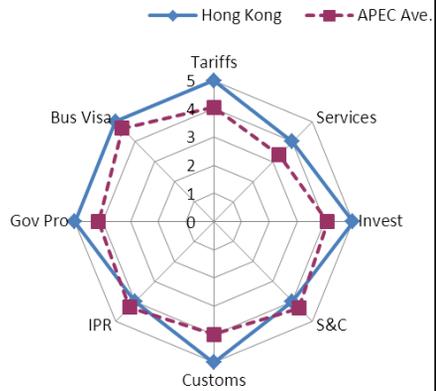
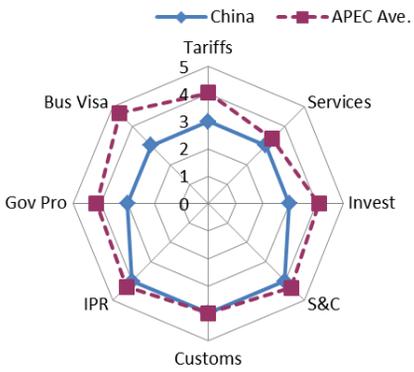
## 23 Radar charts: Australia/Brunei



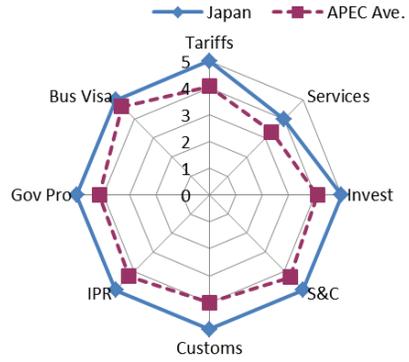
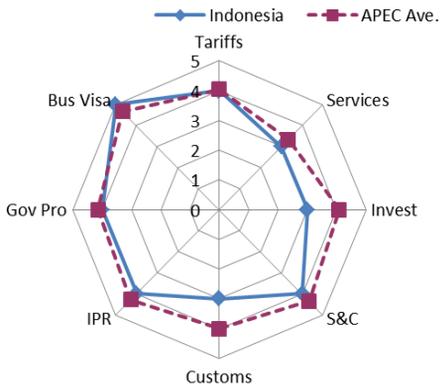
## 24 Radar charts: Canada/Chile



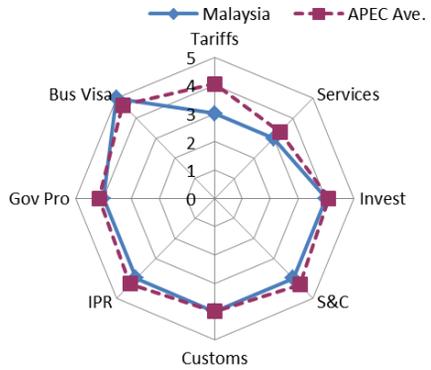
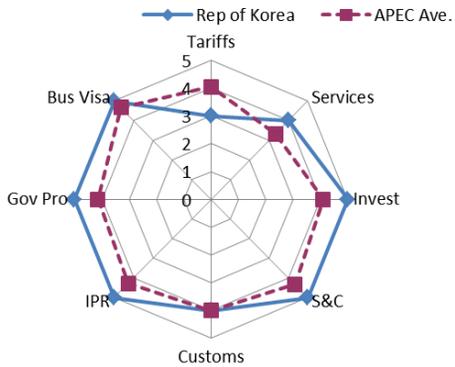
## 25 Radar Charts: China/Hong Kong



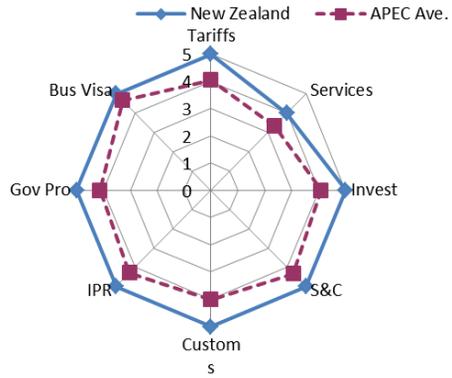
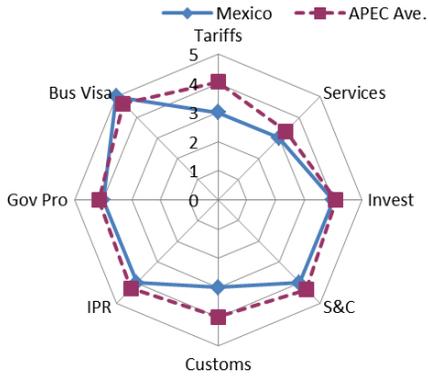
## 26 Radar Charts: Indonesia/ Japan



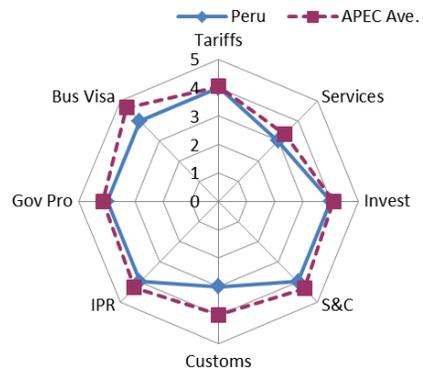
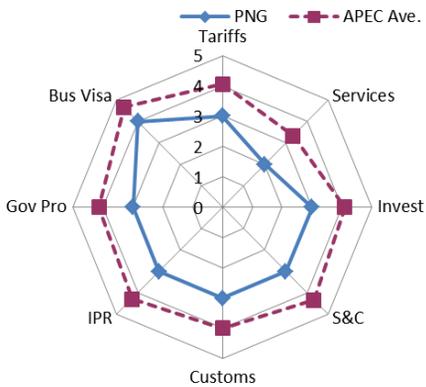
## 27 Radar Charts: ROK/ Malaysia



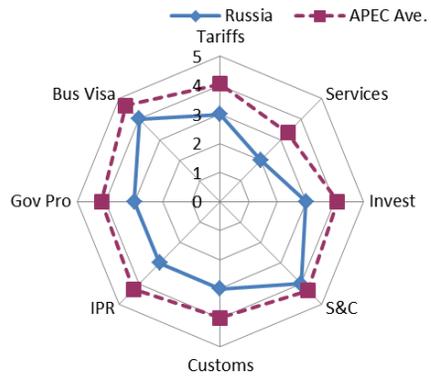
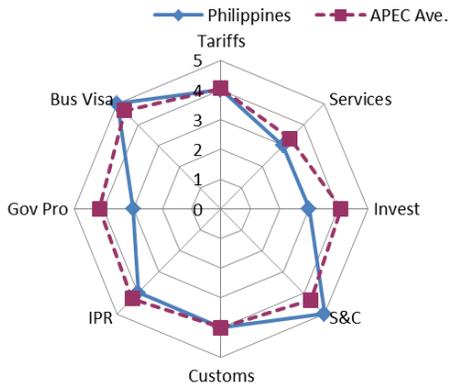
## 28 Radar Charts: Mexico/ New Zealand



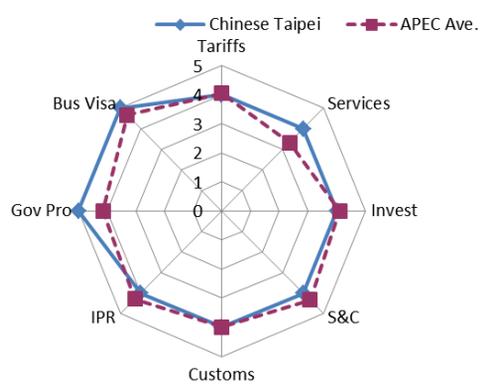
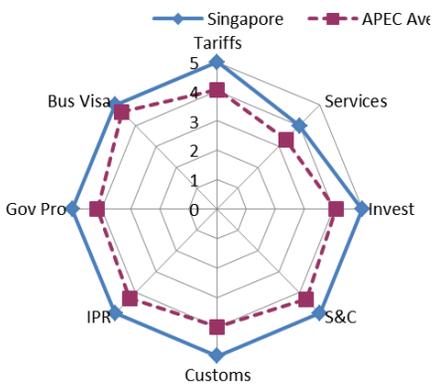
## 29 Radar Charts: PNG/ Peru



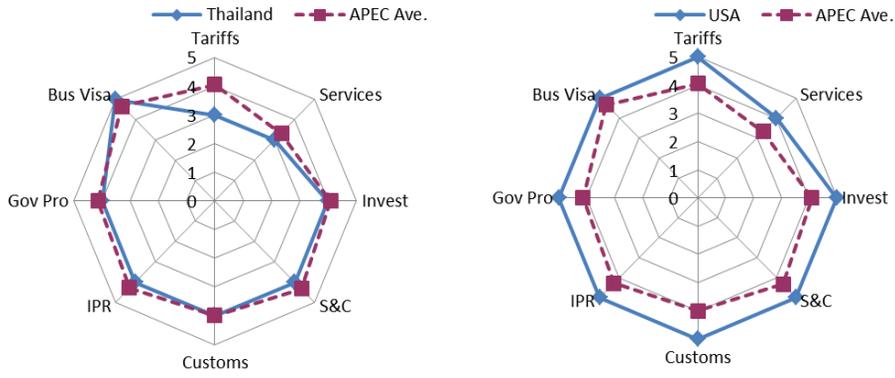
## 30 Radar Charts: Philippines/Russia



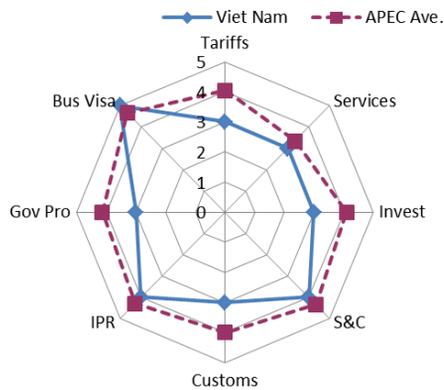
## 31 Radar Charts: Singapore/Chinese Taipei



## 32 Radar Charts: Thailand/ USA



## 33 Radar Chart: Viet Nam



## **34. Conclusions and Recommendations**

**(1) While IAPs remain no easy readings, PSU's Reports provide concise summaries of individual economies' progress in TILF toward 2020, with 3~4 pages for each and around 80 pages for APEC as a whole. We recommend academics, businessmen, and other stakeholders read it and monitor closely the APEC's progress. It will encourage SO and staffs working on APEC.**

## **34. (cont'd)**

**(2) Beyond providing concise summaries, PSU Reports can also help strengthening the IAP process. SOM and PSU can strengthen the Guidelines for IAP2014, requesting negative lists and accumulated achievements**

## 34. (cont'd)

**(3) Further encouragement is still needed in some areas of OAA, especially in NTM, services, competition policy, and FTA.**

**Although not changing APEC's modality of voluntary and non-binding, we need to strengthen peer pressure if we really aim the Bogor Goals**

## 35 Basic References

- **Main text and statistics are available on line from APEC Study Center Japan's homepage <http://ascj.web.fc2.com/>**
- ***Individual Action Plans 2012***
- ***PSU's Progress Reports***
- ***PSU's Dashboards***

**All three are available on line as follows;**

- **www.APEC.org>Home>About us>About APEC>Achievements and benefits>Assessment of Achievements of the Bogor Goals in2012.**

Document: REIWG 33-027  
Draft: **FIRST**  
Source: ABAC Japan  
Date: 24 June 2013  
Meeting: Kyoto, Japan

## Meeting Document Summary Sheet Template

<b>Document Title:</b> Report to the Leaders on ABTC, including the result of the “Brief Survey of ABTC”
<b>Purpose:</b> For Consideration
<b>Issue:</b> ABTC brief survey result and recommendation to the Leaders (Request for the ABAC endorsement)
<b>Background:</b> At ABAC 3 in Singapore, ABAC endorsed the proposal by ABAC Japan to conduct a brief survey of ABAC members and staffers regarding the APEC Business Travel Card (ABTC).  The purpose of this survey was to make clear the priorities and preferences of the business community regarding the ABTC program, and to identify the need to support APEC’s activities towards improving operation of the program.  Based on the survey results of a total number of 32 members/staffers from 17 economies who responded, ABAC Japan would like to submit a Report to the Leaders, which identifies 5 prioritized issues to table as recommendations (indicated below).  ABAC Japan also would like to explain the details of the survey results.
<b>Proposal/Recommendations:</b> <ul style="list-style-type: none"><li>▪ Encourage transitional economies to accelerate efforts towards complete membership status in the program, including the actual issuance of cards.</li><li>▪ Urge APEC BMG’s formal decision on extending the validity period of ABTC from three (3) to five (5) years.</li><li>▪ Simplifying the renewal/re-application process for current ABTC holders.</li><li>▪ Consider linking the passport information with ABTC to avoid expiration of ABTC when holder’s passport expires; otherwise consider issuing the temporary card to fill the gap period between passport expiration and issuance of the new ABTC.</li><li>▪ Consider additional benefits for ABTC holders, e.g. expanding the area of usage of ABTC beyond APEC economies, especially to include the EU.</li></ul>
<b>Decision Points:</b> To endorse the recommendations above

**Document Title:**

Reinforcing ABAC's Priorities Through Support for APEC Life Sciences Innovation Forum Initiatives

**Purpose:**

For endorsement

**Issue:**

Several existing initiatives in the APEC LSIF are relevant to ABAC's existing priorities and initiatives.

**Background:**

At ABAC I, ABAC USA provided some examples of how ongoing work in the APEC Life Sciences Innovation Forum (LSIF) aligns with several of ABAC's work streams. These included efforts to improve the investment environment for the Life Sciences sector, multiyear work plans to achieve regulatory convergence in medical products, part of which includes efforts to improve supply chain integrity, and finally implement the voluntary code of business ethics that the ABAC helped launch in 2011.

At ABAC 2, a follow up presentation discussed next steps for ABAC's work on regulatory coherence, which included an overview of the potential benefits of global data standards and called on ABAC to support the LSIF's Regulatory Harmonization Steering Committee's work in the ABAC's Letter to Trade Ministers.

Building on these prior discussions, ABAC USA would like to propose that the ABAC support existing LSIF initiatives by issuing a Letter the APEC Health Ministers ahead of the next High Level Meeting on Health and the Economy and including supportive language in the ABAC Report to Leaders. The proposed recommendations include support for a global data standard for the serialization and coding of pharmaceutical products as part of the ABAC's broader work on global data standards.

**Proposal / Recommendations:**

- Support existing LSIF workstreams in ABAC's Report to Leaders and by issuing a letter to APEC Health Ministers.
- Include support for a global standard for the serialization and coding of pharmaceutical products.

**Decision Points:**

- Endorse the recommendations outlined above.

## Reinforcing ABAC's Priorities Through Support for APEC Life Sciences Innovation Forum Initiatives

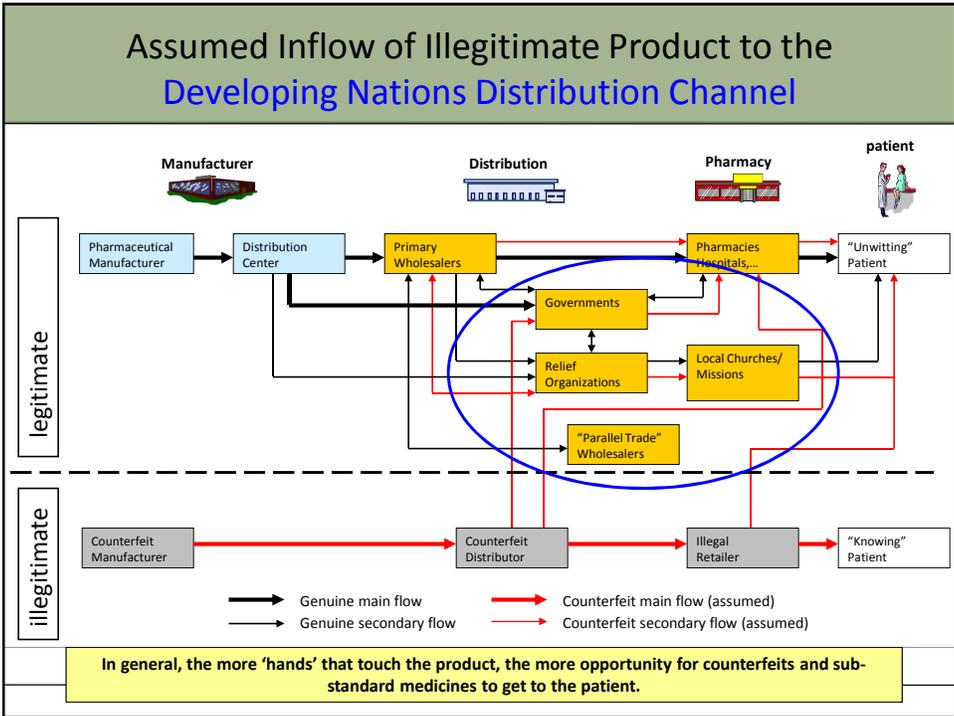


### Background

- ABAC I – Overview of business focused work taking place in APEC Life Sciences Innovation Forum (LSIF)
  - Foreign Direct Investment
  - Regulatory Convergence for medical products
  - Supply Chain Integrity
  - Business Codes of Ethics
  
- ABAC II – Discussion about ABAC's Regulatory Coherence work
  - Sectoral case studies demonstrating the impact of global data standards
  - APEC LSIF regulatory convergence initiatives
    - Regulatory Harmonization Steering Committee (RHSC)
    - APEC Harmonization Center (AHC)

## Summary of Industry Position on Serialization and Global Supply Chain Security

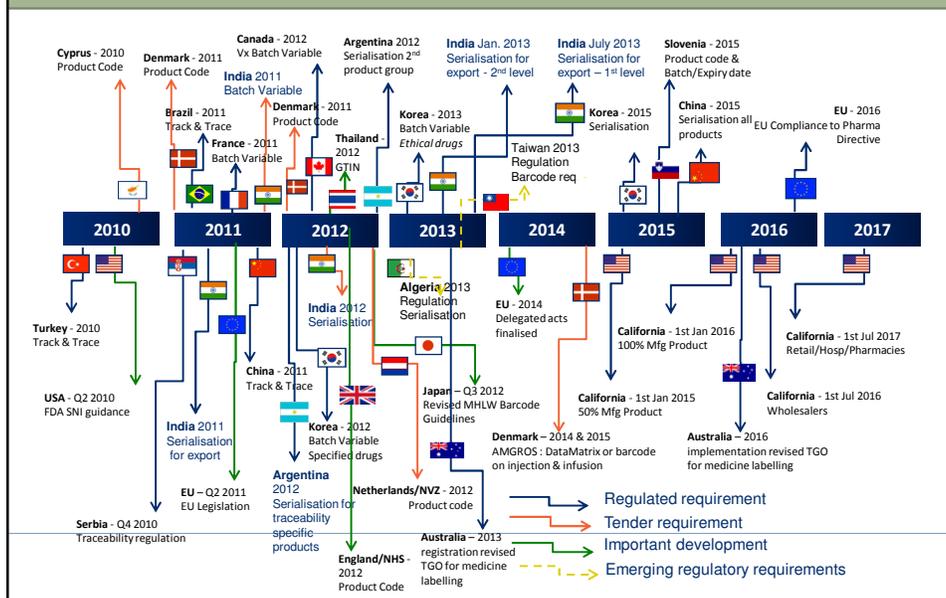
- Our industry supports the serialization/coding of pharmaceutical products as an important tool to improve supply chain security and protect patient safety.
- Serialization enables the electronic tracing of products as they move through the supply chain, improving our ability to process recalls smoothly, prevent illegitimate product, and keep the drug supply safe.
- Because serialization/coding can still be circumvented by criminals, it is critical that any electronic tracing system is just one part of a holistic strategy that includes:
  - GMPs, GDPs, and Good import/export practices, and quality standards
  - Anti-counterfeiting measures
  - Tools to combat the illegitimate supply chain
  - Robust enforcement



## Importance of a global standard to ensure patient safety and supply chain security

- Tracing medicines, like medicine manufacture and distribution, is a complex, multi-sector, and cross border process.
- Advancing patient safety through coding and traceability requires:
  - Common International standards
  - Regional/global harmonization
- Differing national systems, standards, and implementation timelines can drive up costs to manufactures and governments.
- A patchwork of systems can indirectly limit trade, drug availability, medicine affordability, and access to medicines.
- Global standards can:
  - Enable interoperability with global systems, ease flow and access to medicines
  - Reduce costs to all stakeholders, preventing costs that are passed down
  - Limit potential conflicts with regulator-required information on product packaging
  - Advance global trade and market access for international and local companies

## Coding and Serialization Requirements Globally



## Request to ABAC

- Call for APEC-wide agreement on global data standards, such as a common global standard for pharmaceutical product serialization and verification as part of its Global Supply Chain Integrity objectives.

## Review of issues

LSIF Initiative	ABAC Work Stream(s)
Enablers of Investment in Life Sciences	Promoting FDI
Regulatory convergence for medical products	Regulatory coherence
Codes of ethics for SMEs in bio-pharma and medical device sectors	SMME and anti-corruption
Supply chain integrity	Global Data Standards

## How ABAC can support this work

- ABAC Letter to APEC Health Ministers
  - Follow on the 2012 Letter to Health Ministers
  - Deliver to APEC Health Ministers at September 2013 Meeting
- ABAC Report to Leaders

**Document Title:**

Draft ABAC Letter to Health Ministers

**Purpose:**

For endorsement

**Issue:**

Endorsement of an ABAC Letter to Health Ministers to provide business input into the next APEC High Level Meeting on Health and the Economy

**Background:**

In 2012, Russia decided to build on the precedent set by the US by organizing the second High Level Meeting on Health and the Economy, a meeting jointly coordinated by the APEC Life Sciences Innovation Forum and Health Working Group. The meeting engaged a number health ministers from the region in a dialogue with experts and senior representatives from the business community in a policy dialogue focused on the impact that investment in health systems and strong regulatory policies have on healthy populations and economic growth. To provide business input into this meeting, the ABAC developed a formal letter addressed to APEC Health Ministers emphasizing the importance of enabling business through good regulatory policy, public private partnerships and healthy workforces.

On September 20-21, a Third High Level Meeting on Health and the Economy will be organized alongside the APEC Finance Ministers Meeting in Bali, Indonesia. ABAC is well positioned to reinforce a number of its existing priorities and work streams, such as regulatory coherence, the importance of global data standards, implementation of APEC's Sectoral Principles for Voluntary Codes of Ethics and measures to improve FDI environments.

**Proposal /Recommendations:**

- Finalize and endorse letter to Indonesian Health Minister for presentation at the APEC High Level Meeting on Health and the Economy

**Decision Points:**

- Endorse the recommendations outlined above.

**Document Title:**

Draft ABAC Letter to Health Ministers

**Purpose:**

For endorsement

**Issue:**

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**Proposal /Recommendations:**

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**Decision Points:**

- Endorse the recommendations outlined above.

July XX, 2013

Nafsiah Mboi  
Minister of Health  
Republic of Indonesia

Dear Minister

The APEC Business Advisory Council (ABAC) is the formal private sector advisory group of the Asia-Pacific Economic Cooperation (“APEC”) Forum. Representing the business communities of all 21 APEC member economies, ABAC is tasked with supporting the success of APEC by providing private sector insights on how best to achieve APEC’s goals, both through APEC’s own initiatives, and in dialogue with other international organizations.

ABAC applauds Indonesia’s decision to hold a High-Level Meeting on Health in Bali on September 20-21 2013. In its annual Report to APEC Leaders in 2011, ABAC commended the foresight of the APEC Health Working Group and the Life Sciences Innovation Forum in holding the first high-level Health Systems Innovation Dialogue to discuss ways of establishing multi-sectoral partnerships to address non-communicable disease challenges in the region. Building on Russia’s decision to organize a High Level Meeting on Health and Economy in 2012 is an important step towards ensuring that this important dialogue and issue remains high on the APEC agenda. Further, engaging interested APEC Finance Ministers in the discussion on sustainable healthcare systems serves as a strong example of APEC’s capacity to bring together stakeholders from a range of sectors to address the complex challenges facing the region.

In addition to promoting public health through sharing of expertise and best practices on prevention, the private sector plays a key role in strengthening health systems through investment in the life sciences sector and by leveraging its research capacity to develop new treatments and therapies for patients. Policies that facilitate innovation and increased flows of trade and investment, such as measures to promote regulatory convergence, result in positive health and economic outcomes. ABAC has long championed regulatory environments that find a balance between use of regulation to achieve desired public policy objectives, such as medical product efficacy and safety, and minimize the cost and economic inefficiencies that regulation can impose. For businesses, and in particular SMEs, higher costs of compliance hinder international competitiveness. Measures to promote an internationally harmonized regulatory environment can enable small and large firms to generate innovative new medical products as well as safely deliver existing products and therapies in a timely manner.

Regulatory convergence also serves to strengthen the complex, multinational supply chains required to generate safe products. Further efforts to promote regulatory convergence, such as the adoption of a common global standard for the serialization of pharmaceuticals, can help prevent unintentional barriers to trade and ensure that counterfeit and substandard products, such as medicines and devices used in hospitals, do not reach patients. ABAC supports further institutional public-private efforts in

APEC to build regulatory capacity in the region, including the APEC Regulatory Harmonization Steering Committee's objective of achieving regulatory convergence for medical products by 2020 and APEC's recent commitment to establish an APEC Center of Excellence in Regulatory Science to facilitate further training in regulations regarding Multi Regional Clinical Trails.

The competitiveness of small and large firms can also be facilitated through measures to encourage ethical business conduct. To address this need, in 2011 APEC developed sets of voluntary ethical business principles for the construction, biopharmaceutical and medical device sectors with strong support from the regional business community. These principles were subsequently endorsed by APEC Ministers and Leaders. ABAC encourages the continued promotion and adoption of this important work within your respective sectors to help ensure the region's health systems are supported by an ethical and prosperous medical products sector.

Finally, promoting measures that encourage continued flows of Foreign Direct Investment (FDI) into the APEC region remains a significant priority for the business community. FDI flows are vital to the region's future competitiveness and are often instrumental in promoting innovation by creating research capacity and facilitating the diffusion of technology in recipient economies. Measures to address barriers to FDI, including though government self-assessments, promoting public private research collaboration and the creation of a regulatory environment that incentivizes and leverages innovation, will be vital to ensuring that APEC economies are able to both attract sufficient FDI and leverage new technologies to create positive economic and health outcomes. ABAC applauds ongoing efforts and new initiatives in APEC to address barriers to investment and further promote innovation in the health and life sciences sector.

APEC is a unique forum where the private sector and government can work closely together to address complex challenges and develop solutions that foster economic growth. ABAC looks forward to supporting outcomes from the High Level Meeting on Health and the Economy in Bali that highlight further opportunities for business and government to collaborate and address the health challenges in the region.

Sincerely,

ABAC Chair

Document: REIWG 33-028  
Draft: **FIRST**  
Source: ABAC Japan  
Date: 24 June 2013  
Meeting: Kyoto, Japan

### Meeting Document Summary Sheet Template

<b>Document Title:</b> Development of Authorized Economic Operator
<b>Purpose:</b> For information
<b>Issue:</b> Introducing the APEC-SCCP(Sub-Committee of Customs Procedure)'s work on AEO
<b>Background:</b> <p>Under APEC's three key areas of focus (Trade and Investment Liberalization/Business Facilitation/Economic and Technical Cooperation), trade facilitation has been one of its core activities.</p> <p>After 2001, APEC noted that legitimate international trade must continue to be facilitated even though a new dimension, i.e. the secure and safe movement of goods and people across borders, was added.</p> <p>In this regard, APEC SCCP has been working on various activities especially on the development of AEO Programs and promotion of Mutual Recognition Arrangements and Trade Recovery Efforts.</p> <p>Mr. Syarif Hidayat, this year's SCCP Chair will explain the activities related to the AEO and its development in the region.</p>
<b>Proposal/Recommendations:</b> None
<b>Decision Points:</b> None

## Meeting Document Summary Sheet Template

<b>Document Title:</b> Facilitation of Supply Chain- AEO (Authorized Economic Operator)
<b>Purpose:</b> For consideration
<b>Issue:</b> Update status of the APEC-wide AEO program and recommendation to the Leaders (Request for the ABAC endorsement)
<b>Background:</b> Facilitating a better trade environment is a key requirement for improving supply chain connectivity. Towards this goal, ABAC continues to advocate for a coordinated and holistic approach to facilitating the development of a mutual recognition scheme for Authorized Economic Operator (AEO) programs in APEC economies alongside the APEC-wide AEO program. However, the challenge is how to address the specific security needs in recent customs environment with the other trade security programs in place, while strengthening procedures to facilitate the movement of goods across borders.  ABAC acknowledges the importance of the trade security feature of the AEO Program; however ABAC believes that specific benefits should be granted for AEO's meeting minimum security requirements in order to further promote trade in the region.
<b>Proposal/Recommendations:</b> <ul style="list-style-type: none"><li>▪ Develop an AEO certification system for AEO-qualified corporations in economies where AEO programs do not exist and promote mutual recognition of the respective economy's AEO.</li><li>▪ Encourage efforts to develop the APEC-wide AEO program's mutual recognition scheme based on existing AEO programs designed for trade security using common principles and common application processes based on WCO SAFE Framework.</li><li>▪ Avoid redundancy with other supply chain security programs while balancing the need for trade facilitation and trade security.</li><li>▪ Explore ways to include benefits identified by ABAC in its 2011 recommendations to APEC Leaders in the AEO action plan.</li><li>▪ Waive pre-departure/pre arrival data requirements by "24 hour rules" available in several economies and the "10+2 rule" as part of benefits granted to AEO certified operators.</li></ul>
<b>Decision Points:</b> To endorse the recommendations above.

Evert Ernest Mangindaan  
Ministry of Transportation  
Indonesia

#### ABAC Letter to Transportation Ministers

The APEC Business Advisory Council (ABAC) is the formal private sector advisory group of the Asia-Pacific Economic Cooperation (“APEC”) Forum. Representing the business communities of all 21 APEC member economies, ABAC is tasked with supporting the success of APEC by providing private sector insights on how best to achieve APEC’s goals, both through APEC’s own initiatives, and in dialogue with other international organizations.

The ABAC applauds APEC Indonesia’s 2013 theme of connectivity and its efforts to improve the region’s capacity for infrastructure development, which is a vital requirement for efficient, resilient supply chains and the region’s long term competitiveness. We further support APEC’s decision to continue to make this a priority over the next two APEC host years in China and the Philippines. As you prepare for your meeting in Tokyo, Japan we would like to draw your attention to a number of areas of critical importance to the private sector that will be central to the success of APEC’s work in this area.

#### **Promote Transportation Infrastructure and Regional Economic Growth**

ABAC is encouraged by APEC’s efforts to enhance competitiveness in the region by making it easier, cheaper and faster to conduct trade in goods and services across borders. However, in many economies, the lack of transport infrastructure or the poor condition of existing transport infrastructure is limiting the ability for regions to participate in the global economy. A University of Southern California Marshall School of Business 2011 Report on APEC Supply Chains estimates that improvements in connectivity could save up to US \$1,307 and 5.6 days per container in transportation costs and time between APEC economies. A 2013 report by the World Economic Forum estimates that raising all countries’ supply chain performance halfway to global best practices on border administration as well as transportation and communication infrastructure would increase global GDP by approximately US\$2.6 trillion and exports by US\$1.6 trillion. Due to the significant potential economic gains, ABAC sees a greater APEC role in the leadership, governance and oversight of standardization initiatives within supply chains.

#### **Encourage Public-Private Partnerships for Infrastructure Financing**

A recent McKinsey study projected that globally \$57 trillion in infrastructure investment will be required over the next two decades and transport infrastructure will comprise a significant portion of this spending. The private sector is an important source of the foreign direct investment that is required for infrastructure development. To attract the needed capital and compete globally for FDI, a stable, non-discriminatory and transparent legal, regulatory and investment environment is required to give businesses the certainty and predictability required for long term, capital intensive investments.

Additionally, expertise and capital from the business community can be harnessed through Public Private Partnership (PPP). PPP mechanisms can be utilized to create sustainable and attractive infrastructure projects that are funded throughout their lifecycle, including through measures to reinvest in existing assets through proper maintenance. The ABAC encourages APEC to further build capacity in PPPs, including through measures that address best practices related to transparency in project design, contracting, division of responsibilities, performance measures, risk apportionment and neutral and objective mechanisms to prevent and resolve disputes. Further, ABAC invites APEC economies to leverage dialogues that include the private sector such as the Asia-Pacific Infrastructure Partnership that facilitate additional capacity building.

To bring the range of issues that affect private sector investment in infrastructure together and encourage further inter-agency dialogue on effective policies, ABAC is developing a unique infrastructure investment checklist that will serve as an important self-assessment tool for economies. We invite APEC Transportation Ministers to build on Indonesia's APEC 2013 theme of connectivity by collaborating with ABAC on the development of the checklist.

### **Enhance Regulatory Cooperation and Improve Transportation Infrastructure Efficiency**

In addition to building new infrastructure assets, economies can enhance the capacity of existing infrastructure by improving the regulatory environment for transport and logistics services. A 2012 study by the Pacific Economic Cooperation Council (PECC) cited lack of transparency in regulations as the most important issue for Asia-Pacific free trade agreements, and lack of transparency in regulatory practices as most serious challenges to doing business in the Asia-Pacific region. For businesses, higher costs of regulatory compliance hinder international competitiveness and complicate the most efficient deployment of economic resources. Transportation Ministers should strengthen public-private cooperation on the development of a regulatory toolkit that focuses on best practices and capacity building to help APEC economies implement effective regulatory design which achieve intended aims at the least cost to businesses and citizens. ABAC also urges Ministers to review current and new regulatory initiatives with an eye towards the principles of regulatory coherence, including the principles identified in ABAC's Strategic Framework for Regulatory Coherence.

Modern supply chains are global, regulators must take into account that components are sourced across the world. Inefficient regulations in just one economy can impact the entire supply chain and impose significant costs to business. In many circumstances alternatives to prescriptive regulation may achieve an economic, social or environmental objective more effectively and at a lower cost. The consideration of regulatory alternatives therefore is an important issue. Regulation alternatives should be based on administrative simplicity, flexibility, efficiency, certainty and equity. Ministers should also promote regulations that are trade friendly to ensure that economic actors can manage risk and operate in a pro-competitive environment. The use of effective and efficient regulatory impact assessments should prevent discriminatory or protectionist practices, improve transparency, preclude divergent, conflicting or multiple requirements, as well as decrease costliness of demonstrating compliance.

### **Strengthen Supply Chain Connectivity**

ABAC supports a systematic approach to improving supply chain performance, starting with inventories of policies and best practices that APEC economies should have in place as part of the Supply Chain Connectivity Framework. Efficient cross-border trade must have all parties making smart use of existing product and e-commerce data. Global data standards and interoperability of information systems can play an important role in eliminating supply chain choke points.

ABAC urges Transportation Ministers to strengthen multi-modal and logistics capabilities to handle the region's increasing trade levels. Ministers should engage in dialogues between the public and private sector on sharing multi-modal transport experience, promote a harmonized legal environment for multimodal transport, and increase cooperation between developed and emerging economies. Ministers should also promote capacity building and knowledge growth to improve IT capabilities, transport tracking systems, and warehouse management skills to elevate economies' capabilities to meet current business requirements. Ministers should encourage a dialogue between economies to share advanced logistics operational experience.

We encourage APEC to engage with ABAC and the private sector as a source of expertise on targeted, focused, and economy-specific capacity initiatives aimed at building a supply chain toolkit to help enable economies to meet APEC Leaders' 10% improvement goal by 2015.