

National Center for APEC

APEC 2014 Overview and Background



OVERVIEW

From November 5 – 11 APEC government officials and business people from around the Asia-Pacific region will gather for a series of meetings in Beijing, China. Government delegations will include trade ministers, foreign ministers and heads of state. U.S. participation will be led by President Barack Obama, Secretary of State John Kerry, and U.S. Trade Representative Ambassador Michael Froman. The APEC meetings in Beijing represent the culmination of policy work that began in December 2013 when China took the reins as host of APEC and are also an important opportunity for China to highlight its role as a leading economy in the region. The business meetings are anchored by the 2014 APEC CEO Summit which is expected to draw 1,500 delegates from around the region. At the conclusion of the Beijing meetings the Philippines will take the chair of APEC and set out the organization's priorities for the coming year.

SCHEDULE OVERVIEW

Government Meetings in Beijing

- November 5 – 6, Concluding Senior Officials Meeting
- November 7 - 8, Ministerial Meeting (trade and foreign ministers)
- November 10 – 11, Leaders Meeting (heads of state)

Business meetings in Beijing

- November 5 – 8, APEC Business Advisory Council (ABAC)
- November 8, NCAPEC 20th Anniversary Luncheon
- November 8 – 10, APEC CEO Summit
- November 8 – 10, U.S. APEC Business Coalition Events (U.S. corporate delegates only)

GLOBAL AND REGIONAL CONTEXT FOR APEC LEADERS' WEEK

The APEC Leaders' Meeting kicks off a series of high-level summit meetings in Asia this fall – APEC (Beijing), East Asia Summit (Myanmar) and G20 (Australia). In addition to these events, the U.S. will add an Obama-Xi meeting on October 12 and a U.S.-ASEAN Summit on the margins of the East Asia Summit. Once again, Leaders will be meeting against the backdrop of a global economy that appears to be running out of steam. After showing signs of recovery early this year, the EU appears to be headed back into recession. In its most recent forecast, the International Monetary Fund downgraded its 2014 growth forecast from a meager 1.1% to .8%. There is also concern over a slowdown in China. Economic growth in the third quarter was 7.3% year-on-year and the country is headed for its worst annual performance since 1990 and will miss its 7.5% growth target. President Xi and the Party will have

completed the 4th Plenum where the focus has been on the Chinese view of “rule of law”; implementing the results of the Plenum will be uppermost on policy makers’ minds.

Following APEC, Leaders will transit to Myanmar to participate in the East Asia Summit (EAS). In contrast to APEC, the EAS has focused primarily on security-related issues, though attempts have been made to put trade and economic issues on the agenda. Based on discussions that Secretary Kerry held with regional leaders during his October trip to Asia, maritime issues will feature prominently in this year’s EAS discussions.

Upon the conclusion of the EAS, leaders of **G20** member countries will travel to Brisbane, Australia for that annual meeting on November 15-16. This year’s agenda will focus on the themes of promoting stronger economic growth and employment outcomes and making the global economy more resilient to deal with future shocks. Within these themes, G20 discussions will focus on infrastructure investment, trade, promoting employment, financial regulatory reform, the international tax system, reforming global institutions, global energy markets, and anti-corruption efforts.

OTHER KEY ISSUES

The Trans Pacific Partnership (TPP) will be a key topic of discussion on the sidelines of all of these meetings. At some point after the APEC meetings the Leaders of TPP member countries are expected to gather to make some kind of public announcement regarding the agreement. This will likely highlight that the negotiations have reached some kind of milestone, but have yet to be completed.

Trade initiatives being advanced in the World Trade Organization (WTO) will also be important topics of discussion during the series of summits. Implementation of the **Trade Facilitation Agreement (TFA)**, which aims to cut red tape for imports and exports, is of particular interest to the U.S. private sector and is seen as one of the most tangible outcomes from the WTO since its inception. APEC’s early work related to trade facilitation formed the foundation of the TFA and current APEC initiatives are designed to promote implementation of TFA provisions. Expansion of the **Information Technology Agreement (ITA)** is another WTO initiative that should receive significant attention during APEC. The ITA, under which signatories eliminated tariffs on IT-related goods, has not been updated since 1996, meaning many new products and technologies are not covered by the agreement. Proponents of expanding product coverage have been attempting to leverage APEC to break the logjam in the negotiations. China has been the major roadblock to advancing discussions and it is hoped that they may use the APEC Leaders meeting as a highly visible platform to announce progress in the talks.

The **Ebola epidemic** is an emerging issue that may feature prominently in APEC and other meetings, Secretary Kerry has been very determined to ensure that there is global collective action in raising the \$1 billion necessary to address the crisis.

<http://www.state.gov/secretary/remarks/2014/10/233091.html> It is likely that both the White House and China’s leadership will want APEC to be seen as a forum for cooperation in fighting the spread of the epidemic, particularly given the extensive Chinese investment in Africa. Previous health crises like SARS

and Avian Influenza have impacted the Asia region directly and there is a fair body of APEC work on regional methods and mechanisms to address infectious disease outbreaks.

PRIVATE SECTOR LED INITIATIVES AND EVENTS IN BEIJING

Numerous business events will be held during APEC Leaders' Week. The largest of these will be the Chinese-hosted APEC CEO Summit which is expected to draw 1,500 private sector delegates. The event is sponsored by 39 companies; 10 from China, 16 from the United States and 13 from other countries. Separately, the National Center for APEC, U.S. Chamber of Commerce and other U.S. business organizations will be holding a number of side events for delegates from U.S. companies on the margins of the CEO Summit, including dialogues with APEC heads of state and ministers. Prior to the APEC Ministerial and Leaders Meetings, the APEC Business Advisory Council (ABAC)¹ will meet to prepare for its Dialogue with APEC Leaders where members convey recommendations on improving the business environment in the region.

For the fourth consecutive year, PricewaterhouseCoopers (PwC) has conducted an extensive survey of CEO sentiment regarding the business environment in the Asia-Pacific. Respondents were generally upbeat about business growth and investment in the region - despite the slowdown in China – and were slightly less positive on prospects for advances in free trade. The results also indicated that business leaders felt that bilateral FTAs, ecommerce, global business practices and globally mobile workforces; partnerships in innovation or product/market development are trends that are driving connectivity in the region. The full results of the survey will be released immediately prior to the CEO Summit.

The National Center for APEC will be hosting a luncheon on November 8 at the Intercontinental Hotel Beijing Beichen to celebrate its 20th anniversary. Secretary Kerry and Philippine Secretary of Foreign Affairs Albert del Rosario have been invited to speak. Attendees will include ABAC members from all economies, U.S. business delegates to the CEO Summit, members of the APEC China Business Council and others. Later that evening the American Chamber of Commerce and the U.S. APEC Business Coalition will host a reception at the Marriott Northeast Hotel and the City of Beijing will hold a welcome reception for all CEO Summit delegates at the China World Hotel.

¹ The APEC Business Advisory Council is a standing body of APEC comprised of three senior executives from each APEC economy, appointed to serve by their Leader/President/Prime Minister. They meet four times annually – once in conjunction with the annual Leaders Week and hold an annual Dialogue with APEC Leaders. They produce an annual report of recommendations for Leaders and engage with Ministerial processes as well.

The Chinese private sector has been actively engaged in APEC this year. The APEC China Business Council organized a number of events to promote engagement between APEC governments and business including events with trade ministers, energy ministers and the group's annual APEC China CEO Forum.

CHINA'S AMBITIONS FOR THE APEC WEEK

China's senior leaders are approaching the Beijing meetings as an opportunity to highlight the country's economic and political centrality in Asia. This was evident earlier this year when China invited several non-APEC members (India, Cambodia, Laos, Mongolia, Sri Lanka and Myanmar) to come to Beijing on the margins of APEC Leaders' Week. Currently, only Bangladesh and Laos have confirmed their participation. This effort is also apparent in the drafting of the APEC Leaders' Declaration where China has proposed including reference to some of its own initiatives that are seen as a means to bolster China's influence in the region, including the Asian Infrastructure Investment Bank (AIIB) and the New Silk Road Economic Belt. Plans for the AIIB were announced last year and 20 countries (India and a number of small developing countries in the region) joined a signing ceremony for the bank on October 24. The U.S. has raised concerns about whether the AIIB would adhere to international lending standards followed by the World Bank and will likely push back against efforts to have the AIIB endorsed by APEC.

China has also made a significant push for APEC to take concrete steps toward the achievement of a Free Trade Area of the Asia Pacific (FTAAP), a vision put forward by APEC Leaders in 2006. Specifically, China has proposed that APEC economies agree to launch a feasibility study for the FTAAP and set a target date for its completion. The Chinese effort can be seen as a legitimate attempt to strengthen APEC – something they have been loath to do in the past – by taking it from a forum for discussing trade issues to one that negotiates trade agreements. Alternatively, it can be seen as a way to take the spotlight off of the TPP (negotiations will continue right up to the ministerial meetings and there is likely going to be some kind of milestone announcement and meeting of TPP Leaders) which threaten to overshadow the APEC deliverables China plans to announce during Leaders Week. A recent study released by the Peterson Institute for International Economics predicts that a comprehensive free-trade agreement between China and the U.S. would create income gains for the U.S. of up to \$130 billion while creating \$330 billion in income gains for China. But the study also finds that if a bilateral agreement is reached, it could cost the U.S. economy 50,000 to 100,000 jobs each year over a 10-year period. The study's authors suggested that the most likely path for a U.S.-China agreement would be to negotiate in the context of a regional agreement i.e. China's accession to the TPP or a FTAAP.

CHINESE GOVERNMENT DELIVERABLES FOR APEC

In addition to the FTAAP effort noted above, China's agenda for APEC has focused mainly on definitional work (roadmaps and blueprints) as opposed to concrete initiatives and commitments. The U.S. has driven work in a number of areas and we report them in the U.S. section below. It is important to note

that China, as host, could have stopped work in areas, but didn't. China's key 2014 initiatives are noted below under their three major themes for the year:

Advancing Regional Economic Integration

- Support for the WTO – (see TFA and ITA discussion later in this paper)
- Strategic Blueprint for Promoting Global Value Chains
- Promoting supply chain connectivity

Promoting innovative development, economic reform and growth

- Policies to avoid the middle income trap
- Structural reform initiatives
- Promoting food security
- Regulatory coherence – including the adoption of public comment periods for new regulations
- Promote the development of the Internet Economy

Strengthening connectivity and infrastructure development

- APEC Blueprint on Connectivity
- APEC Multi-Year Plan on Infrastructure Development and Investment

U.S. GOVERNMENT AMBITIONS FOR THE APEC WEEK

In Beijing, the U.S. government will be seeking to both obtain strong endorsement on the working level initiatives it has been advancing over the year and demonstrate its commitment to the Asia-Pacific region. Having faced significant criticism for missing the last two APEC Leaders' meetings – due to a schedule conflict with the Democratic National Convention in 2012 and a government shutdown in 2013 – President Obama will need to make a strong showing at the APEC meetings to reaffirm the U.S. commitment to the region and bolster the Administration's own rebalancing toward Asia. The President will be accompanied by a senior delegation of government officials from the State Department, Commerce Department, Office of the U.S. Trade Representative and other agencies. See Annex A for a list of key U.S.G officials in Beijing

U.S. GOVERNMENT APEC DELIVERABLES

Advancing Regional Economic Integration

- Fostering greater **regulatory transparency** by endorsing a set of actions and a capacity building program on conducting **public consultations on proposed regulations through information technology and the Internet.**

- Promoting widespread usage of environmentally-friendly **electric vehicles** in the region through regulatory cooperation and standards harmonization, particularly regarding interoperability of charging infrastructure and communications protocols.
- Launching new work in APEC to address barriers to trade and investment that pose impediments to **global value chains** (GVCs), including on localization barriers to trade and barriers to trade in services.
- Accelerating and bolstering economy-level capacity building and technical assistance to achieve the APEC-wide goal of a **10 percent improvement in supply chain performance** by 2015 and assist economies with implementing their **WTO Trade Facilitation Agreement** commitments.
- Affirming that APEC members will meet the ground-breaking APEC commitment to reduce tariffs to five percent or less by 2015 on the basis of the 54 products in the APEC **List of Environmental Goods**, drafting guidance on how economies should implement that commitment, and launching new work to address non-tariff measures that impact trade in environmental goods and services.
- Launching new work in 2015 on identifying best practices for the **protection and enforcement of trade secrets**.

Promoting Innovative Development, Economic Reform, and Growth

- Establishing the **APEC Women & the Economy Dashboard** to measure progress in APEC on key issues related to women’s economic empowerment, and to serve as a basis for future capacity building and evidence-based policy commitments
- Launching a **Women’s Entrepreneurship in APEC (WE-APEC) Network** to link women entrepreneurs and business owners to each other, increase the accessibility of support services, and strengthen their supply chains.
- Addressing the pervasive problem of corruption in economies by promoting integrity, enhancing law enforcement cooperation across borders, sharing best practices and case studies, and implementing APEC Leaders’ new **principles to fight business bribery**.
- Increasing the number of business associations adopting existing APEC **Business Codes of Ethics for small and medium enterprises**, and developing guidelines to strengthen **corporate compliance programs**.
- Expanding the number of APEC economies volunteering to undergo **fossil fuel subsidy peer reviews**, and sharing lessons learned from Peru’s completed study; establishing an ambitious goal of **doubling the share of renewables** in the region’s energy mix with collaborative projects to support this goal; continuing work on **reducing energy intensity** by 45 percent by 2035 with the next tranche of collaborative projects to support progress toward this goal.
- Improving food security by undertaking research and capacity building to reduce **post-harvest loss**; **liberalizing and facilitating agricultural trade and investment** by recognizing the role of public-private partnerships in investment and reaffirming commitments against protectionism and export restrictions;
- Promoting people’s **health and well-being** through the “Healthy Asia Pacific 2020” initiative by means of a whole-of-government, whole-of-society, and whole-of-region approach to promote the health security, growth and development of the Asia-Pacific region.

Strengthening Comprehensive Connectivity and Infrastructure Development

- Launching an **APEC scholarship and internship initiative**, especially to provide more educational opportunities for students from APEC developing economies².
- Adopting the **APEC Connectivity Blueprint** aimed at strengthening physical, institutional, and people-to-people connectivity by taking agreed actions and meeting agreed targets, with the objective of achieving a seamless and comprehensively connected Asia Pacific.
- Developing greater capability among APEC economies to advance **public/private partnerships in infrastructure investment**, including through adoption of an Implementation Roadmap to Develop Successful Infrastructure PPP Projects in the APEC Region, in order to attract private sector capital and promote market-based investment.

U.S. CHINA BILATERAL ISSUES

A U.S. – China bilateral meeting will be held on November 12 following the APEC Summit. While this will have a limited impact on discussions at APEC, it is likely to be a focus of media attention during APEC Leaders' Week. Presidents Obama and Xi are expected to discuss bilateral trade and economic ties, counterterrorism, the Ebola epidemic, the situation in West Asia and North Africa, bilateral military relations and the nuclear issue on the Korean Peninsula during the informal meeting. There are a number of important issues on the bilateral trade and economic agenda, including the U.S.-China bilateral investment treaty (BIT) and negotiations in the WTO (see Information Technology Agreement below).

LOOK AHEAD TO 2015

As the host economy for APEC 2015, the Philippines will set out the themes and priorities for the coming year. These have yet to be finalized and formally announced, however based on initial discussions we expect that the Philippine government will focus on regional economic integration, inclusive growth, small and medium sized enterprises, human capital development, sustainability and resilient economies. Further, the APEC Business Advisory Council, which will also be chaired by an ABAC Philippines member has set out the following areas of focus for the Council's work:

- Advancing the Regional Economic and Services Agenda
- Strengthening and Facilitating SMME Entry into Markets
- Maximizing Innovation and Human Capital Potential
- Promoting Livable Cities and Resilient Communities

² Several U.S. companies and universities are partnering with APEC and the United States to offer over twenty-five scholarships or paid internships for cross-border opportunities in the APEC region. Australia, China, Hong Kong, Republic of Korea, Chinese Taipei, and the Philippines also intend to make scholarship and internship opportunities available in their economies, totaling about 120 total cross-border opportunities announced through the APEC Scholarship and Internship program.

ANNEX A

Key U.S. Officials in Beijing

- President Barack Obama
- John Kerry, Secretary of State
- Ambassador Michael Froman, U.S. Trade Representative
- Caroline Atkinson, Deputy National Security Advisor
- Bruce Andrews, Deputy Secretary of Commerce
- Ambassador Michael Punke, Deputy U.S. Trade Representative
- Robert Holleyman, Deputy U.S. Trade Representative
- Wendy Cutler, Acting Deputy U.S. Trade Representative
- Leocadia Zak, Director, U.S. Trade Development Agency
- Bruce Hirsh , Assistant U.S. Trade Representative for Japan, Korea and APEC
- Daniel Russel, Assistant Secretary for East Asia and Pacific Affairs, State Department
- Charles Rivkin, Assistant Secretary of State for Economic and Business Affairs, State Department
- Bob Wang, U.S. Senior Official for APEC, State Department
- Staff from Senate Finance, House Ways and Means Committees