

## The National Center for APEC:

# Giving U.S. Business a Voice in the Asia-Pacific

“The Asia-Pacific is critical to the future of our company; steady growth is coming from markets in APEC, and that growth creates jobs here at home.”

Ambassador Karan K. Bhatia,  
Vice President, Senior Counsel,  
International Law & Policy, General Electric;  
Chairman, National Center for APEC

The National Center for APEC is dedicated to the proposition that business must have a voice in the development of policies that impact the economies of the Asia-Pacific region. The Center is the only U.S. business association focused exclusively on facilitating American private sector input into Asia-Pacific Economic Cooperation (APEC) process. We work closely with the Office of the United States Trade Representative, the Departments of State, Commerce and Treasury, and other government agencies to advance the business community's interests with regard to trade, economics, regulatory issues, and other matters in the Asia-Pacific region.

APEC stands apart from other government-to-government forums in that it engages the private sector throughout the process - from setting the agenda through program development and implementation.

Much of APEC's success in liberalizing trade and investment and in reducing the cost of doing business is derived from its unique commitment to incorporating private sector expertise into its deliberations.

APEC's formal business input body, the APEC Business Advisory Council (ABAC), is uniquely positioned to facilitate a robust exchange of ideas among the private sector, government,

and academics on issues of importance to the Asia-Pacific region's economic growth. Often far ahead of policy-makers in identifying emerging trends and issues of concern, U.S. businesses use the ABAC members as their advocates for change.

The U.S. National Center for APEC serves as the secretariat for the three appointed U.S. ABAC members, and organizes opportunities several times each year at locations around the world where the U.S. private sector can meet with key officials from APEC economies to discuss issues that are important to doing business in the region and strategies for achieving change.



21 ECONOMIES  
FOR THE 21<sup>st</sup> CENTURY

# What Makes APEC Unique?

**A**PEC is important to American interests. It is the only head-of-state level forum in the Asia-Pacific region where the United States has a seat at the table. It also stands apart from other trade negotiating bodies in its “open regionalism” approach. This is characterized by the members’ consensus-based decision-making and voluntary commitments.

APEC is an incubator of ideas; its structure and size enables the 21 members to function more nimbly. The world’s largest and smallest economies work side-by-side to devise

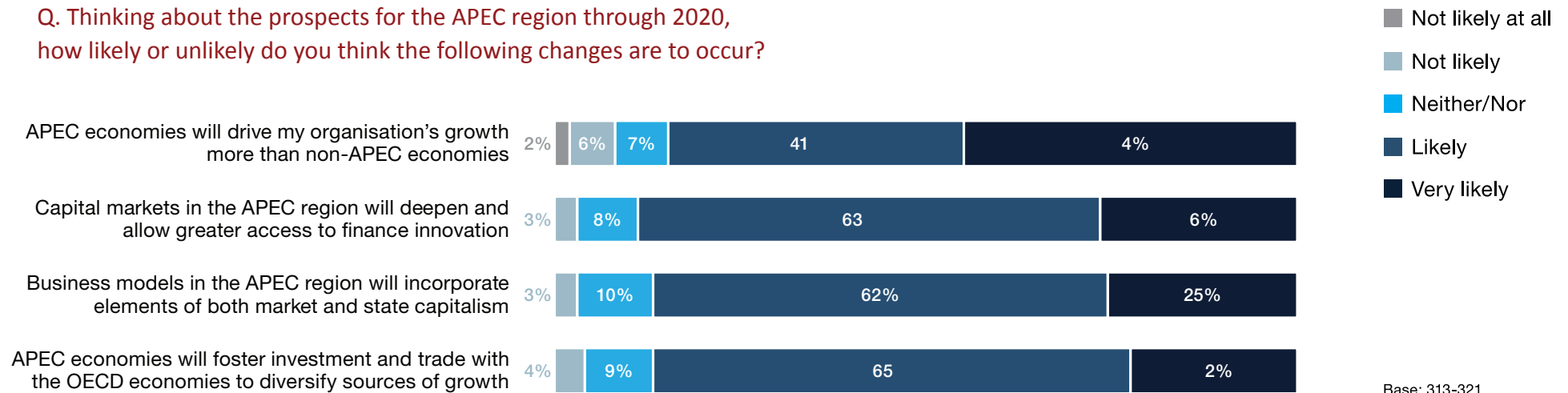
workable solutions. Only APEC brings together policy-makers, business leaders, and academics from North and South America, Oceania, and Asia to meet on a regular basis and work toward a common goal of improving economic conditions for the benefit of their societies.

APEC’s work informs the official trade negotiations underway in the WTO as well as in bilateral FTA negotiations. In these non-binding discussions, participants seek to address various behind-the-border issues by proposing

guidelines, best practices, and “Pathfinder” initiatives to make steady progress toward their shared economic goals.

APEC provides an important forum where governments and the private sector exchange information in a dialogue that is enriched by the diverse religious traditions, indigenous cultures, and political systems. In these non-binding discussions, participants seek to address various behind-the-border issues by proposing guidelines, best practices, and initiatives.

**Q. Thinking about the prospects for the APEC region through 2020, how likely or unlikely do you think the following changes are to occur?**



# Diverse Stakeholders, Cooperative Goals

APEC is the table around which the Asia-Pacific convenes to chart its course in numerous areas of work vital to the APEC member economies. In addition to the annual meeting of APEC Leaders, the Ministers for trade, finance, energy, health, transportation, and other sectors meet regularly. This provides an environment in which important issues facing the region can be tackled in a cooperative way, and it has been a proven catalyst for timely decision-making during periods of uncertainty such as immediately post-9/11, the SARS outbreak, the H1N1 pandemic, and the 1997 financial crisis.

APEC has a solid track record of achievements undertaken in support of its free trade and investment goals. When APEC was formed in 1989, the average applied tariff on goods traded between APEC partners was 16.9%. By 2008, the average tariff had dropped to 6.9%. Furthermore, there is a growing volume of intra-APEC goods that crosses borders completely duty-free as a result of bilateral and regional trade agreements in effect among this region's trading partners.

## The 21 APEC economies represent:

- 54% of global GDP
- 44% of world trade
- 33% of the world's population – 2.7 billion
- 4 out of 5 of America's largest export markets
- 61% of U.S. goods exports

Freeing up trade also means that APEC economies must address what are referred to as “behind-the-border issues.” These are non-tariff trade barriers such as quotas, burdensome customs procedures, licensing requirements, and export subsidies. APEC can point to real progress made toward eliminating these problems as part of each member economy's voluntary individual action plan.

“Companies are able to have important discussions at APEC. APEC's diversity and the fact that decisions are non-binding are strengths that make it a great forum for tackling hard issues.”

William Weldon,  
Chairman & Chief Executive Officer  
Johnson & Johnson

# Recent Business Achievements

The **Trans-Pacific Partnership (TPP)** was launched by four APEC economies with the goal of creating an “open accession” agreement. Five additional economies are now negotiating their accessions. Many of the model measures and best practices APEC has endorsed since its inception have been incorporated into the TPP. This agreement represents a viable path toward achieving a Free Trade Area of the Asia-Pacific, an initiative that the private sector strongly supports.

APEC took the lead on **Intellectual Property Awareness and Protection** with leaders and trade ministers calling for strengthened IP protection in their statements and declarations. A series of **IPR Model Guidelines** were developed to reduce trade in counterfeit and pirated goods, protect against unauthorized copies, prevent sale of counterfeit and pirated goods over the internet, provide effective public awareness campaigns, secure supply chains against counterfeit and pirated foods, and strengthen IPR capacity building.

The APEC Finance Ministers endorsed the ABAC’s **Financial Inclusion Initiative**, aimed at enhancing liquidity for small and medium enterprises and consumers. Capacity building in the form of workshops is underway to help APEC economies create or improve transparent and predictable legal frameworks for secured lending, promote full file credit bureaus, and take other measures to make credit available to the small and medium enterprises that create jobs and innovation.

**APEC’s sector-focused dialogues between business and governments tackle trade facilitation, regulatory cooperation and international standards adoption amongst the APEC economies in a number of areas:**

**APEC Automotive Dialogue** – Identified barriers to trade in automotive products and recommended practical remedies in the areas of regulatory harmonization, customs procedures, rules of origin, supplier development, road safety, and green technologies among others.

**APEC Chemical Dialogue** – Focused on regulatory best practices workshops aimed at improving regulatory policies and practices and finding workable approaches that ensure regulatory, safety, and environmental goals can be properly implemented.

**APEC Health Agenda and Life Sciences Innovation Forum** – Created a **Collaboration to Reduce the Economic Burden of Disease** that will track health risk and outcome indicators, share best practices, and issuing annual progress reports; secured a commitment for **Medical Product Regulatory Convergence** that will make it easier to obtain approval to sell medical products in multiple countries; established a **Bio-Pharmaceutical and Medical Device Code of Ethics** that will be used to promote a consistently high standard of ethics in the industry.

The **APEC Data Privacy Principles and Pathfinder** is a collaborative project undertaken by member economies in consultation with the private sector to develop and test the practical elements of a system that facilitates cross-border data flows under the guidance of APEC data privacy principles.

**The Strategic Framework for Energy Security in APEC is an entirely private sector-driven initiative. The Framework articulates a long-term strategy for energy diversification, conservation, efficiency and investment:**

The **APEC Peer Review Mechanism on Energy Efficiency** is promoting information sharing among members on energy efficiency performance, policies and measures for improving energy efficiency, and exploring how energy efficiency goals and action plans can be formulated and implemented in APEC economies.

The **Environmental Goods and Services Information Exchange** is a website that enables access to the latest information, studies, projects and commitments on environmental goods and services in APEC.

The **APEC Energy Security Roundtable** in September 2011 brought energy ministers and business leaders together to work on solutions for the region’s energy and economic challenges.

# vements in APEC

**Food Safety Cooperation Forum** – Strengthened food safety standards and practices in the region using scientific risk-based approaches. **The Partnership Training Institute Network** has served as a forum for industry, government, and academia to share best practices for supply chain food safety. **The APEC Policy Partnership on Food Security** provides an institutionalized role for the private sector in discussions of food security.

APEC collaboratively established the **Hanoi Principles for Voluntary Codes of Business Ethics** which will facilitate an open and transparent business environment in the construction and engineering sectors, and enhance the ability of companies, especially small and medium sized companies, to participate in global markets.

The National Center is helping to shape **investment policy** through initiatives such as public-private sector dialogues and the development of studies and position papers that outline actions economies can implement to enhance investment flows needed to sustain growth in developing economies. The Center also advocates for implementation of pro-investment policies through direct engagement with regional stakeholders.

“APEC’s work has a direct relevance to Procter & Gamble’s ability to engage with our customers, deliver products where they are needed and innovate to address the constantly-changing needs of consumers in this region.”

Deb Henretta,  
Group President, Asia, Procter & Gamble  
2011 ABAC Chairperson

The **Information Technology Agreement (ITA)** is an innovation with roots in APEC. The ITA has enabled global trade in IT-related goods and services to remain tariff-free and to grow over 10% a year since its adoption in 1997.

**Trade Liberalization and Facilitation and reducing the costs of doing business remain the primary focus for business in APEC:**

As part of the **Supply Chain Connectivity Framework**, APEC economies supported measures to improve supply chain performance and facilitate the movement of low-value goods across borders, including the establishment of a pathfinder initiative to eliminate duties and simplify customs clearance for goods valued below \$100.

The **APEC Single Window Strategic Plan** allows importers and exporters to submit information through a single entry point instead of to multiple government agencies. As tariff levels decline, APEC remains the forum where business can focus on supply chain issues, regulatory coherence, competition policy, and standards and conformance, which are impediments to further trade growth.

The National Center partnered with private sector representatives to launch a pilot **Asia-Pacific Interactive Tariff Database**. The Database complements APEC’s transparency initiative in a commercially relevant way by providing data that allows multinationals in the region to access the most up to date information on tariffs and taxes, take advantage of free trade agreements and explore future sourcing options. The National Center is continuing to collaborate with partner organizations on developing the concept into a long term, APEC wide tariff database.

# What Lies Ahead for U.S. Business in the Asia Pacific

**T**he Asia-Pacific region is facing tremendous challenges and APEC remains the most effective driver on what the U.S. business community considers some of the biggest issues facing our region and the world:

## Regional Economic Integration and Cooperation

– How do we keep the economies of the region growing, creating more jobs and opportunities for entrepreneurs, and creating an enabling environment for innovation to flourish?

**Energy Security** – How do we ensure that APEC economies have the energy they need to keep homes and businesses up and running, the technology they need to use that energy wisely and productively, and the environment needed to ensure long-term investments in energy production can be confidently made?

**Food Security** – How do we ensure that APEC economies have reliable sources of food, which are fundamental for any economy's economic and social stability and growth?

**Financial Services** – How do we promote a thriving financial services sector with freer cross-border flows of information and capital? How can APEC fulfill its promise of minimizing protectionism and encouraging equal regulation of like financial products?

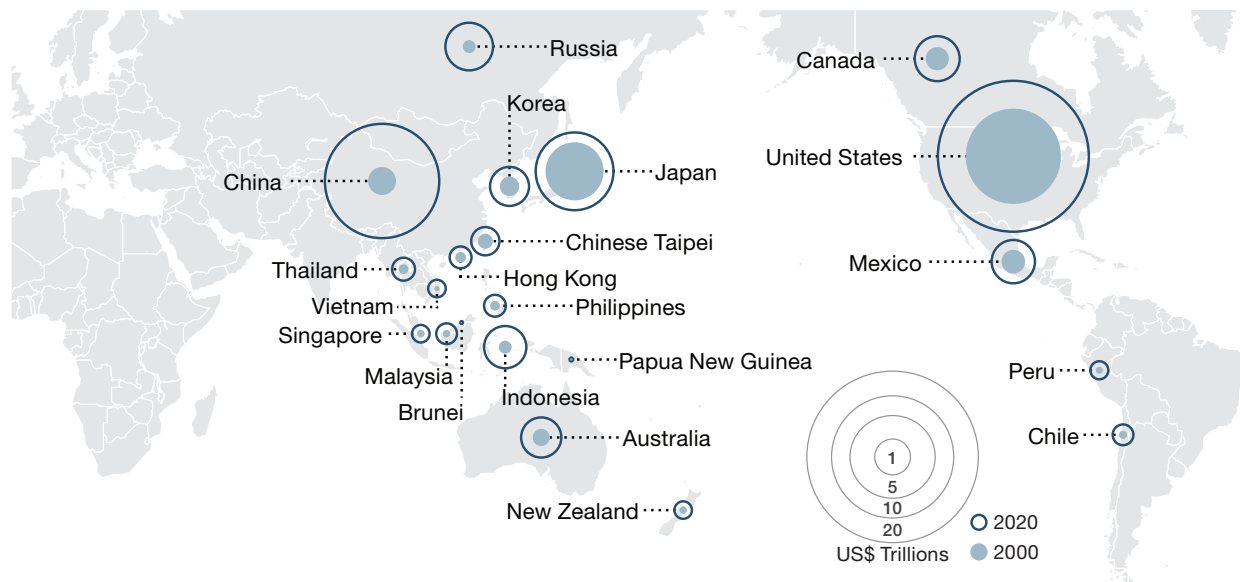
**Innovation and the Digital Economy** – How do we ensure that APEC economies benefit from the digital economy in the most effective way and encourage the development of innovative business models domestically and throughout the region?

**Health as an Economic Asset** – Can APEC's cooperative model serve effectively in the health care realm, tackling challenges like the epidemic of non-communicable diseases through prevention, education, and cooperation in research efforts? Can looking at health challenges through the lens of economics provide us with new answers and new approaches to improving the health of the region's people? Can APEC's public-private partnership approach lead to better diagnostic technology and healthcare information technology for the region?

## Creating Sustainable and Reliable Environments for Industry

– Can APEC's approach to sharing best practices, identifying chokepoints and barriers, and exploring the convergence of standards and regulatory requirements result in ecosystems in which industries - large and small - can prosper, and where providers of like products and services can compete on a level playing field to create jobs and bring new innovations to market?

## Private consumption at current market exchange rates



Source: PwC analysis based on various historical and forecast



# Where do businesses want APEC to take the lead?

According to a PwC survey of CEOs for the APEC 2011 CEO Summit: “A clear mandate emerges: more CEOs want APEC to take the lead in advancing a free trade agreement in the region than in any other policy area for APEC. They are not waiting for a resumption of trade patterns that have dominated global growth for a generation—

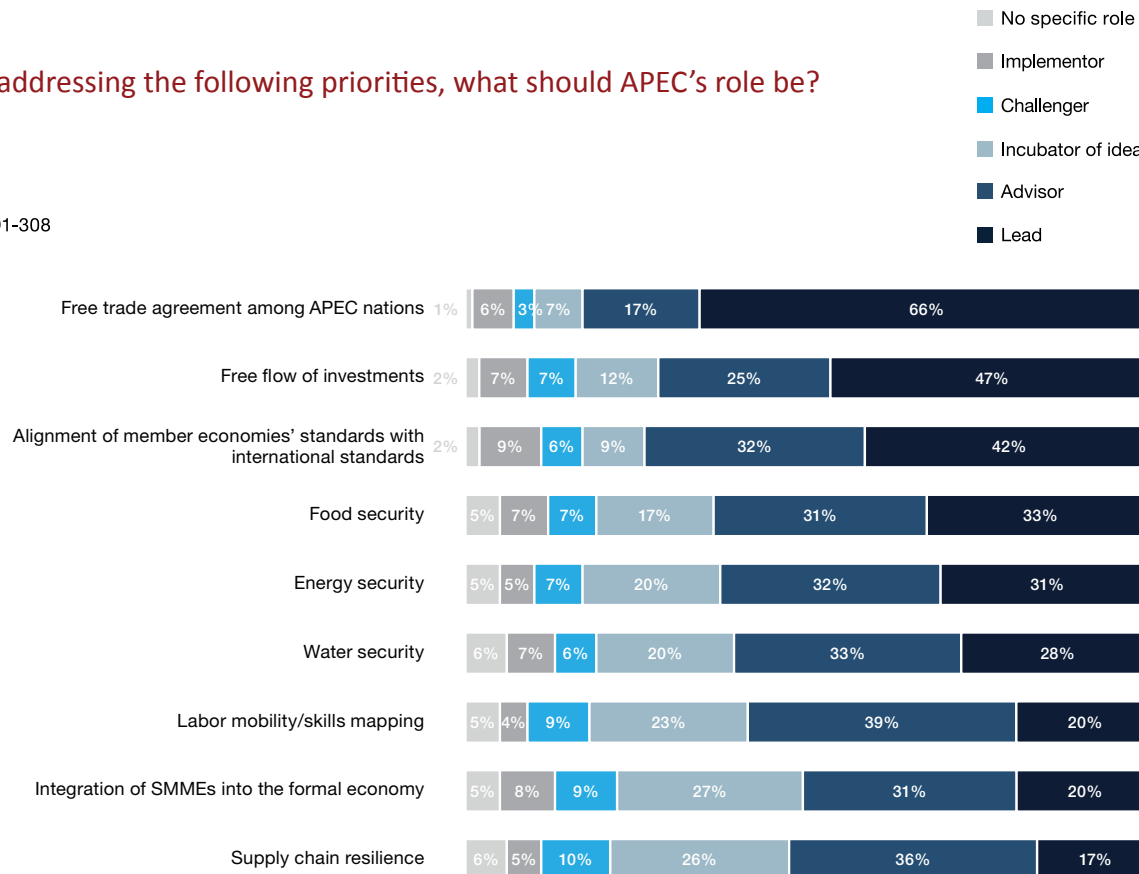
low-cost sourcing in the South and the East geared toward selling to markets in the West. The majority (64%) say regional and bilateral trade pacts are more important to growth for the companies than multilateral trade. Greater trade cooperation among APEC nations will help lead to streamlined supply chains, and new distribution channels.”

“I would love to see a growing, vibrant APEC region that is pursuing economic integration, removing excessive regulation, and adopting free trading principles that should help lift markets by providing access to more of the goods and services that companies like FedEx provide.”

Michael L. Ducker,  
Chief Operating Officer and President,  
International FedEx Express

## Q. In addressing the following priorities, what should APEC’s role be?

Base: 291-308



Source: PwC • Executive Summary, 2011 APEC CEO Survey

# The National Center for APEC's Member Companies

Some of America's most influential companies make up the National Center's membership. These companies are leaders in a broad range of industries including: aerospace, automotive, biotech, chemicals, computer software, consumer goods, entertainment, express delivery, financial services, food, health care, heavy equipment, insurance, logistics, medical equipment, mining, energy, pharmaceutical, retail, telecommunications and many more. While they have diverse interests and concerns, members share a strong commitment to APEC's goals of free and open trade and investment. They also actively engage with the National Center, the U.S. ABAC members, and government officials from the United States and other APEC economies to bring to light their concerns and recommended actions regarding business conditions in the region.

*PwC was the Knowledge Partner for the APEC 2011 CEO Summit. Data charts pulled from the 2011 report were compiled by the PwC US Thought Leadership Institute.*

Abbott Laboratories  
Aflac International, Inc.  
Apple Inc.  
Applied Materials, Inc.  
AT&T  
Baxter  
The Boeing Company  
Cargill, Incorporated  
Caterpillar Inc.  
Chevron Corporation  
The Chubb Corporation  
Citi  
ConocoPhillips Company  
Exxon Mobil Corporation  
Fluor Corporation  
FedEx Express  
Freeport-McMoRan  
Copper & Gold Inc.  
General Electric Company  
General Motors Company  
Google Inc.  
Hewlett-Packard Company  
IBM Corporation  
Intel Corporation  
Johnson & Johnson  
JPMorgan Chase & Co.  
Kraft Foods Inc.  
Levi Strauss & Co.  
Merck & Co., Inc.  
Microsoft Corporation  
Monsanto Company  
New York Life Insurance Company  
Oracle Corporation  
Pfizer, Inc  
Philip Morris International  
Port of Seattle  
Procter & Gamble  
Qualcomm Incorporated  
Russell Investments  
Starbucks Coffee Company  
State Street Bank & Trust Company  
Time Warner Inc.  
Underwriters Laboratories Inc.  
UPS  
Visa Inc.  
Walmart



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