2017 PECC Singapore Conference on
"APEC's Post 2020 Agenda: Rising Protectionism, Economic Rebalancing and Diversified Growth"

Session 5: Re-evaluating and Reshaping the Common Resolve to Bogor Goals

BOGOR GOALS
The Way Forward

- **Tan Sri Rastam Mohd Isa**

Chairman & Chief Executive, Institute of Strategic and International Studies (ISIS) Malaysia

Chairman, MANCPEC

Bogor Goals in brief

The Bogor Declaration (Bogor 15 November 1994) presented targets of **free and open trade and investment by 2020** through reducing trade barriers and promoting the free flow of goods, services and capital among APEC economies.

"…with the industrialized economies achieving the goal of free and open trade and investment no later than the year 2010 and developing economies no later than the year 2020."

"pursued promptly by further reducing barriers to trade and investment and by promoting the free flow of goods, services and capital (…) in a GATT-consistent manner (…)"

*The declaration provided only **guidance**, not a prescription for how economies should act*

3 ways

APEC Economies can reduce barriers through:

- Unilateral measures and action
- Regional/ bilateral negotiations (RTA/FTAs, BITs)
- Multilateral negotiations (WTO)

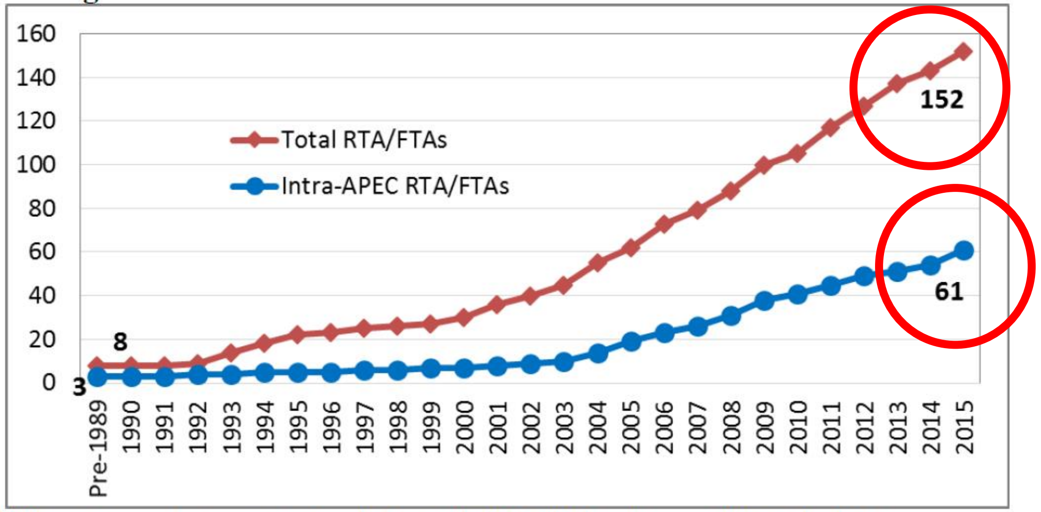
The Osaka Action Agenda in 1995: individual and collective action guidelines in 15 specific areas towards achieving the Goals

Tariffs	Non-tariff measures	Services	Investment
Standards and conformance	Customs procedures	Intellectual property rights	Competition policy
Government procurement	Deregulation/ regulatory renew and reform	Implementation of WTO obligation	Dispute mediation
Mobility of business people	Information gathering & analysis	Strengthening economic legal infrastructure	

What the Goals have achieved so far…

1. **MFN tariff rates are much lower** relative to that in the 1990s
2. **Increasing** number of **RTA/FTAs** since early 2000s

Figure 3.12 Number of RTA/FTAs in Force as of December 2015



Source: APEC economies' government websites and APEC Policy Support Unit calculations

Not much of a causality between the Bogor Goals and the progress achieved by APEC, BUT the Goals have ***inspired*** *initiatives to reduce barriers to trade and investment*

3. **Many sectors are more accessible to foreign** investment and open for services trade
4. **Trade and investment facilitation** indicators have improved

It took 13 days to trade in 2013, two days faster than in 2006.

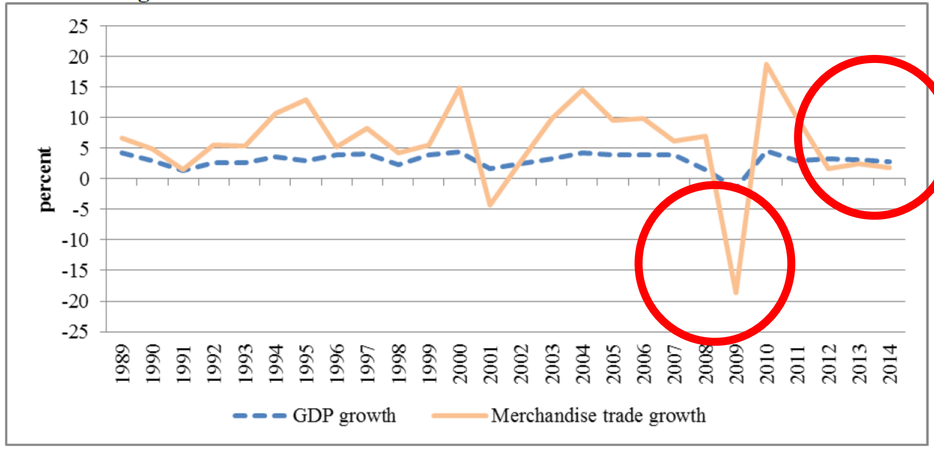
Yet, 2006-2013: Cost of export and import went up (17% and 22%) but still more benign than average inflation (30%)

World Bank's Logistics Performance Index (LPI) shows perceptions on the quality of infrastructure in APEC economies have improved between 2007 and 2014. Yet, gap between quality of APEC industrialised vs. developing economies remains.

Challenges remain…

1. Trade has **slowed down since the 2008** financial crisis

Figure 2.1 APEC GDP and Merchandise Trade Real Growth Rates



Source: WDI data and APEC PSU estimates.

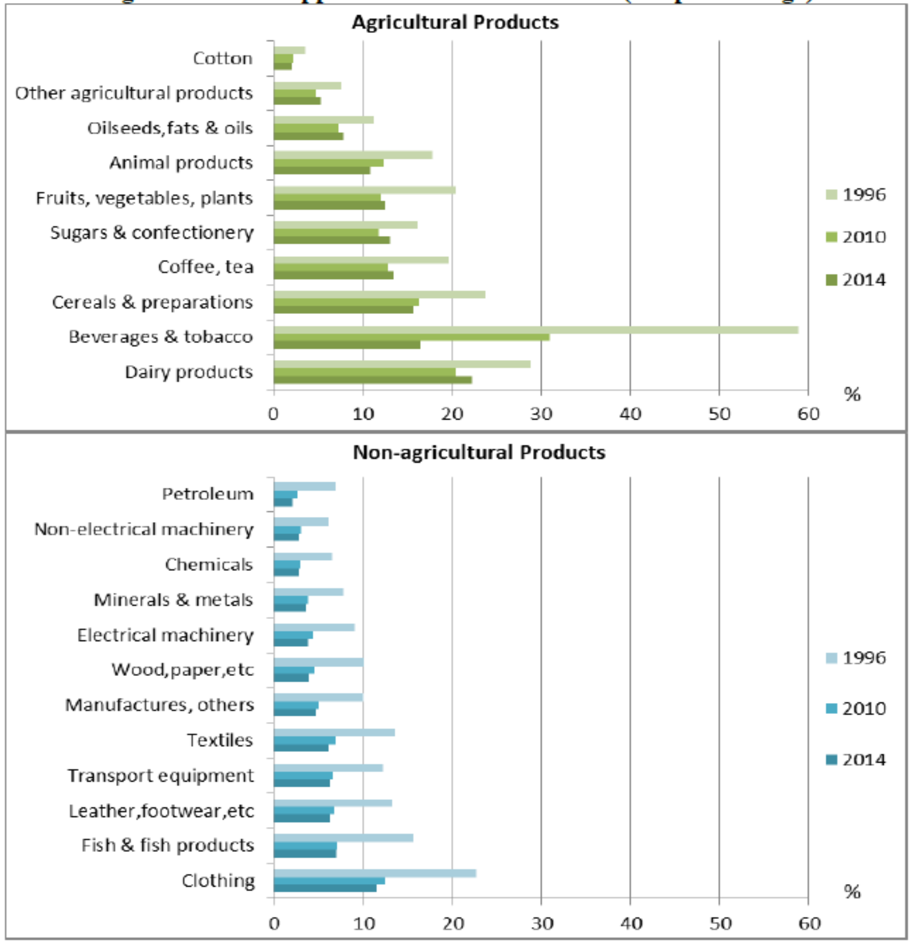
2. Services restrictions have been falling though **varying** across economies and sectors.

- *Energy, telecoms and transport appear to be less restrictive; health and social services remain as the most restrictive*

3. Government procurement still favours local suppliers in some countries (e.g. Malaysia, Indonesia).

4. Tariffs have fallen significantly but some sectors still face **high tariffs** especially **agricultural sectors**

Figure 3.4 MFN Applied Tariffs across Sectors (Simple Average)



Note: Tariff data for Chile; Indonesia; Malaysia; Mexico; Papua New Guinea and Philippines in 2013 are used instead of 2014. Instead of tariff data in 1996, 1994 tariff rates are used for Viet Nam, 1995 tariff rates are used for Peru and Thailand, and 1997 tariff rates are used for Papua New Guinea. Tariff data includes AVEs for non-ad valorem rates to the extent possible.

Source: APEC PSU (2016) Second-Term Review of APEC's Progress towards the Bogor Goals

Challenges remain… (cont.)

5. Increasing trend in the application of **non-tariff measures**

Table 3.3 Frequency of NTMs in Force Implemented by APEC Members (End of Calendar Year)

Implemented by APEC Economies	2010	2011	2012	2013	2014	2015	Change (2010-2015)
Antidumping	607	580	601	638	667	675	11.2%
Countervailing Duties	65	70	75	82	90	90	38.5%
Safeguards	24	33	36	40	44	49	104.2%
Special Safeguards	262	277	288	292	295	296	13.0%
SPS – Specific Trade Concerns	99	110	118	106	112	115	16.2%
TBT – Specific Trade Concerns	149	173	188	210	226	233	56.4%

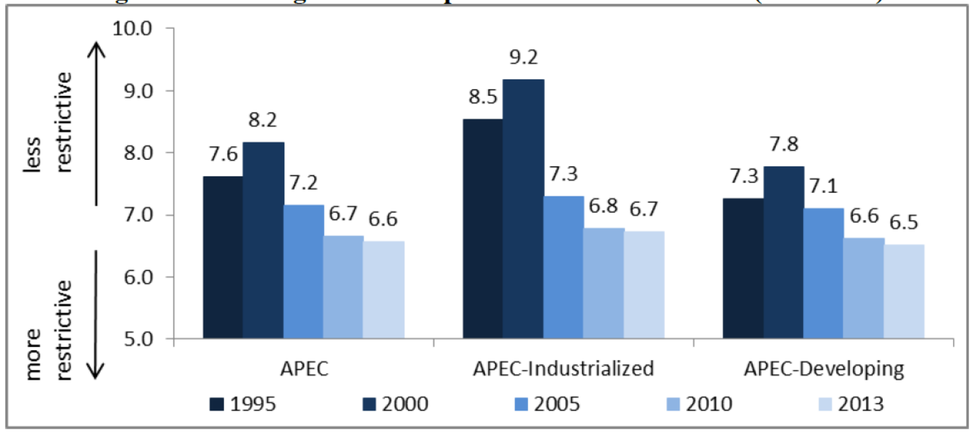
Table 3.14 NTMs Implemented in the APEC Region – By Economy

Economy	Number	Economy	Number	Economy	Number
Australia	94	Japan	138	Philippines	7
Brunei Darussalam	0	Korea	55	Russia	364
Canada	114	Malaysia	31	Singapore	25
Chile	10	Mexico	75	Chinese Taipei	8
China	167	New Zealand	9	Thailand	28
Hong Kong, China	2	Papua New Guinea	1	United States	585
Indonesia	186	Peru	11	Viet Nam	49

Source: Global Trade Alert (GTA) database. Latest data accessed on 17 November 2015. APEC Secretariat, Policy Support Unit calculations.

6. Negative perceptions on restrictions facing **foreign investors** are more prevalent; Yet governments have been implementing measures to improve the investment climate

Figure 3.25 Foreign Ownership/Investment Restrictions (scale 1-10)



Source: Fraser Institute, Economic Freedom of the World 2015 Annual Report and APEC Policy Support Unit calculations
Note: Data is not available for Papua New Guinea. Brunei Darussalam and Viet Nam's data are only available since 2010 and 2003 respectively

7. Investors still face **obstacles which increase their costs**

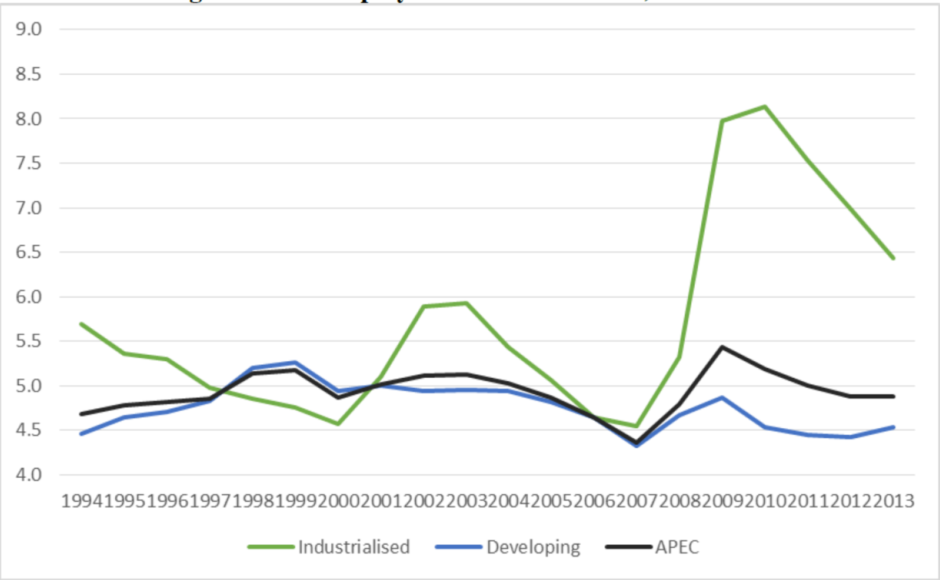
- Improvement in average time to start business fell from 37 to 15 days, number of procedures fell by 9 to 6 (2006-2015)
- Cost of enforcing contracts –a crucial factor determining a firm's transactions costs in its operations and the institutional efficiency –has slightly increased

Source: APEC PSU (2016) Second-Term Review of APEC's Progress towards the Bogor Goals

Socio-economic and environmental factors

- ❑ Some progress in economic growth and social outcomes, yet employment levels have not recovered since the global financial crisis
  - ❑ Living standard has improved and poverty has fallen
  - ❑ Enrolment in tertiary education more than doubled between 1994 and 2013
  - ❑ Yet **unemployment increased** after 2008 financial crisis

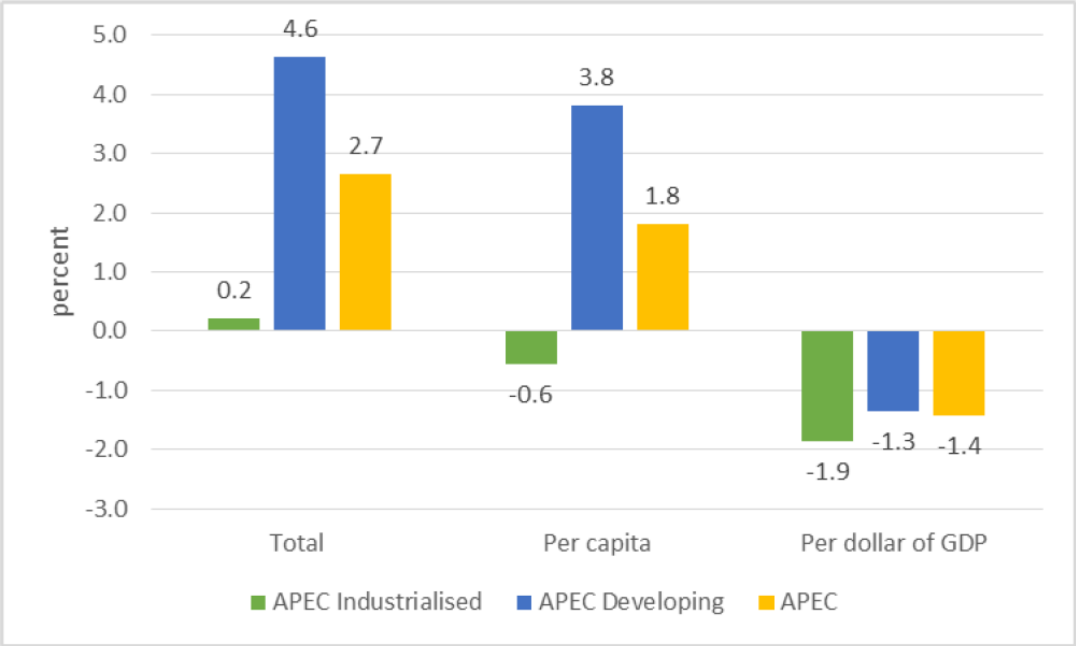
Figure 5.2 Unemployment Rate in APEC, 1994-2013



Source: WDI, DGBAS (Chinese Taipei), and APEC PSU staff calculations.

- ❑ Mixed outcomes on environmentally sustainable growth, between 1994 and 2014
  - ❑ Carbon dioxide emissions and emissions per capita increased
  - ❑ Yet, carbon intensity of production is falling

Figure 5.9 Annual Average Growth in Carbon Emissions, 1994-2012



Source: WDI and APEC PSU staff calculations.

Source: APEC PSU (2016) Second-Term Review of APEC's Progress towards the Bogor Goals

Re-evaluate and reshape the common resolve to Bogor goals – What next?

1. **Bogor Goals started, and will end, as an idea.** It was a response to regional integration initiatives shaped under the ASEAN Free Trade Area (1992), Treaty of Maastrict – EU (1993), Uruguay Round (1994) and North American Free Trade Agreement (1994). These agreements gave a boost to regionalism by supporting the growth of cross-border investments and industrialisation.

2. **That said, Bogor Goals were a convenient choice to integrate the Asia-Pacific region.** Regional integration in the Asia-Pacific region is categorised by overlapping member countries, which in turn strengthened the need for APEC economies to develop a similar integration objective via Bogor Goals.

Re-evaluate and reshape the common resolve to Bogor goals – What next? (2)

3. **Targets were largely muted, but various platforms were created to support the Bogor Goals.** The Trade and Investment Liberalisation and Facilitation (TILF) and Economic and Technical Cooperation (ECOTECH) became the foundation to support the Bogor Goals.

4. **Tangible results can only come from the amalgamation of binding commitments involving APEC economies.** Since the creation of Bogor Goals, APEC economies have been actively involved in various trade deals either via bilateral, plurilateral or/and multilateral FTAs.

Re-evaluate and reshape the common resolve to Bogor goals – What next? (3)

5. **There were attempts to further realise the Bogor Goals by turning APEC into a binding platform.** Since the creation of APEC, the bloc's non-binding principles have slowed down regional integration. At the same time, APEC itself is a victim of the constant change of focus that accompanies the change of APEC's chairmanship.

6. **As a matter of compromise, APEC moved ahead by developing an Executive Director post and complemented by Policy Support Unit.** The move is to ensure that targets and development towards Bogor Goals are streamlined and mainstreamed among member economies.

Re-evaluate and reshape the common resolve to Bogor goals – What next? (4)

7. **The move towards achieving the Bogor Goals are further strengthened by trade agreements among member economies via P4 (and later, Trans-Pacific Partnership) and ASEAN FTAs with China, Japan and Korea.** APEC economies takes proactive steps towards building a binding commitment via FTAAP, based on on-going initiatives such as RCEP and TPP.

8. **The collapse of TPP and the slowdown in the conclusion of RCEP leave a vacuum in the progress, and subsequently, towards post-Bogor Goals agenda.** There is currently no credible options left if Bogor Goals are not supplemented by trade agreements that go beyond tariff elimination.

Re-evaluate and reshape the common resolve to Bogor goals – What next? (5)

9. **Present resentment towards regionalism is largely due to the fact that FTAs benefit large corporations more than the SMEs.** Despite tangible results over the years, benefits accrued are unequal and the network of global supply chain is dominated by the ‘big guys’.

10. **In order to stay relevant, Post-Bogor Goals initiatives must be inclusive, which in turn will make such voluntary process move in a much, much slower pace.** Without a clear direction towards a binding commitment by APEC economies via either TPP, RCEP or FTAAP, the move forward will make Bogor Goals remain as a idea rather than a clear cut target.

Thank you.