

Strengthening regional economic integration: APEC's refocused trade and investment agenda

The Asia-Pacific Economic Cooperation (APEC) Leaders' Meeting held in Sydney on 8 and 9 September 2007 and the preceding APEC Ministerial Meeting established a firm basis for strengthening APEC's medium-term work on trade, investment and economic reform. They laid the foundations for a further opening of regional economies, which will promote economic growth and prosperity in the Asia-Pacific region. These outcomes will rebalance APEC's trade and investment agenda through concrete actions aimed at accelerating regional economic integration and reducing "in country" impediments to trade and investment.



APEC was established in Australia in 1989 with a mission to promote regional integration and open markets. The commitment to open markets was later encapsulated in a statement by APEC Leaders in Bogor, Indonesia in 1994, when they agreed to pursue free and open trade and investment in the region.

At their meeting in Sydney on 8 and 9 September, APEC Economic Leaders gave new momentum to the regional integration objective and refocused and sharpened the trade and investment agenda in a report on *Strengthening Regional Economic Integration*. This report contains more than 50 agreed actions and will shape APEC's work program in the years to come. One of its key themes is to make doing business easier in the Asia-Pacific region. It focuses in particular on so called 'behind-the-border measures', or impediments to trade and investment flows that result from policies or actions that occur within an economy rather than at the border or customs barrier.

Supporting the multilateral trading system

APEC Economic Leaders stressed that they place paramount importance on the effective functioning of the multilateral trading system represented by the World Trade Organization (WTO). They issued a strong statement calling for an early and successful conclusion of the Doha Development Agenda negotiations. They underlined that consensus would only be possible through an ambitious and balanced result delivering real and substantial market access improvements for

agricultural and industrial goods as well as services. They also called for substantial reductions in trade-distorting agricultural subsidies.

Exploring a free trade area of the Asia-Pacific

APEC Leaders agreed that a Free Trade Area of the Asia-Pacific (FTAAP) could make a considerable contribution to economic integration in the Asia-Pacific region in the long-term. In doing so they acknowledged that the concept required more detailed examination before a decision could be taken on its feasibility and the modus operandi for progressing it.

APEC has therefore agreed to examine the options and prospects for an FTAAP through a range of practical and incremental steps, including:

- compiling an inventory of issues that would need to be addressed as part of a preparatory process for an FTAAP and examining their implications
- conducting a study of existing free trade agreements in the region
- assessing the need for additional analytical work on the concept, and
- examining the feasibility of merging existing free trade agreements to form an FTAAP.

Supporting regional economic integration through free trade areas

Free trade areas are making a substantial contribution to trade and investment liberalisation

in the Asia-Pacific region. That said, APEC-member economies have acknowledged business concerns about unnecessary complexity in free trade agreements as well as marked divergences between them. To address some of these issues, they have agreed to complete by 2008 a set of 'model measures' for commonly accepted chapters of free trade agreements (informal guidelines to greater consistency across agreements). APEC has also agreed to explore in close cooperation with the business sector how rules of origin might be rationalised and examine how greater consistency might be achieved in free trade agreements in the region.

Facilitating business activity through an expanded trade and investment agenda

Since APEC's inception in 1989, trade barriers in the APEC region have gradually fallen. Average tariffs have declined from around 17 per cent to just over 5 percent. This has brought to the fore the problem for business of burdensome or inconsistent regulatory frameworks which can affect trade and investment and impede business activity and competitiveness. An extensive work program in APEC will address some of these issues:

- APEC's second Trade Facilitation Action Plan will reduce trade transaction costs by five percent between 2007 and 2010 through actions, for example, on standards and conformance, customs procedures, e-commerce and business mobility
- a region-wide Cooperation Initiative on Patent Acquisition Procedures and a customs clearance initiative for low-risk shippers have been launched
- an Investment Facilitation Action Plan will be developed, and
- work will be undertaken with a view to developing principles for investment agreements.

Supporting structural reform

APEC economies have recognised the importance of structural reform to continued economic growth and facilitating business. While structural reform is specific to an economy and largely dependent on unilateral action, APEC economies see considerable scope to learn from each other and share best practices. Economies have agreed to strengthen the capacity of the APEC Secretariat to assist policy dialogue on structural reform and in

strengthening domestic institutions that support the reform process. In the first instance, reform initiatives will be identified in areas with the best potential to improve economic growth and trade. A meeting on structural reform issues at ministerial level in 2008 will provide high-level guidance for APEC's structural reform agenda.

Strengthening financial markets

Well-functioning financial sectors are necessary for facilitating trade and investment. They provide markets and intermediaries for matching savings and financing requirements, exercising market discipline and spreading risks. To this end, APEC Economic Leaders have agreed to explore options to secure diversified and deeper capital markets, address structural policies and systems that pose barriers to deepening and developing financial markets, and to examine options for greater cooperation in the development of financial systems and capital markets.

Sectoral issues and private sector engagement

APEC has a long history of promoting economic growth and reform in sectors vital to trade and investment. APEC has also benefited from dialogue and cooperation with the business community and this will be strengthened. New sectoral initiatives include:

- in the transport sector, to identify possible further steps to liberalise air services, to improve port efficiency and to foster competition in maritime transport
- APEC will support work done in the International Civil Aviation Organization to address emissions from aviation operations
- barriers in the Asia-Pacific region to trade and investment in the mining sector will be examined
- economies will develop programs to increase the competitiveness of small and medium-sized enterprises in the global trading system, and
- a study will be commissioned to identify barriers to trade and investment in energy and ways to adopt cleaner and more efficient fuels and technologies. A new APEC Energy Investment and Trade Roundtable will support this work.