

## **How to Meet the Mid-term Bogor Goal?**

**By**

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### **1. New Tasks for APEC in the World Economic Crisis**

Amid the expanding global economic crisis, the G-20 Leaders Summit was held on November 15 in Washington and the leaders decided to take urgent measures to stabilize financial markets and to carry out coordinated macroeconomic policies to restore growth and stability. In the following week, the Asia-Pacific Economic Cooperation (APEC) Leaders Summit was held in Lima, Peru, in which "Lima APEC Leaders' Statement on the Global Economy" (APEC 8a&b) was issued. In the Statement, they strongly support the Washington Declaration of the G-20 leaders as well as their Action Plan and are determined to take broad policy responses needed and overcome the current crisis within 18 months. Also, they pledged to refrain from taking protective response whatsoever within the following 12 months and to seek an ambitious and balanced conclusion to the Doha Development Agenda negotiations.

G-20 Summit is expected to be a new framework for the management of the global economy. Though an expanded version of G-8, it is a collaborative framework on a global scale, involving such major emerging economies as China, India and Brazil plus mid-sized economies like Australia and South Korea. It need to be supported by APEC and other major regional groups in order to ensure the G20 commitment to be conveyed to the rest of the world. Nine member countries of APEC participated in G-20, thus providing a driving force of the framework. APEC is a framework not only for consensus building over policy coordination among members but also for providing assistance to developing economy members by way of technology transfer and capacity building. In addition, there are issues of overlap. G-20 is tasked with bunch of such issues to address as environmental protection, disaster management, infectious disease prevention, anti-terrorism, poverty eradication and so on. These issues have already been addressed in APEC framework. APEC is expected to contribute to the world to cooperate closely with G-20 to meet these challenges.

### **2. APEC's activities toward the Bogor Goal**

The economic recovery can be transmitted world-wide through free trade and investment across border. While macro-economic policy coordination and stability of global financial market are relatively new tasks of APEC, trade and investment liberalization and facilitation (TILF) has been its major task since its first Economic

Leaders Meeting in Seattle in 1993, where the leaders jointly declared that they would ‘achieve free and open trade in Asia and Pacific’. The Second Leaders meeting in Bogor, Indonesia, delivered the ambitious Bogor Declaration on ‘achieving liberalization by developed economies in 2010 and by the rest of economies in 2020’. In 1995, Osaka APEC adopted Osaka Action Agenda which gave a concrete measures toward the Bogor Goal. It had a comprehensive coverage of 15 areas of trade and investment liberalization and facilitation and described measures to be implemented in each area. Facilitation measures aimed to reduce the cost of doing business by enhancing the transparency and certainty of rules, legislation and standards and harmonizing them between member economies, which are equally important to liberalization in order to enhance trade and investment in the region.

In 1996 the Committee for Trade and Investment (CTI) provided a common format for Individual Action Plans (IAPs) in which individual member governments announced their own programs to be implemented according to the OAA. CTI also produced a Collective Action Plan (CAP) regarding measures to be implemented collectively such as harmonized legislatures and systems. Thus IAPs included individual members’ participation in the CAP. Manila APEC in November approved IAPs submitted by all member governments (Manila Action Plan, MAPA) and their implementation started in 1997. Since then APEC has pursued its liberalization and facilitation measures toward the Bogor Goal within the IAP/CAP framework.<sup>1</sup>

The IAP formula reflected an APEC’s unique modality of implementing liberalization and facilitation, ‘concerted unilateral liberalization’ (CUL). Individual member economies announced unilaterally their own liberalization and facilitation programs and implemented them in accordance with their domestic rules. However, individual member economies closely watched each other’s liberalization program and implementation. They felt obliged to submit liberalization programs as broad-ranging as their neighbors. They were encouraged to implement in line with their commitments. APEC relied upon peer pressure among members to urge all members to join in liberalization.

However, APEC encountered a big setback at the Asian financial crisis immediately afterward. Its ASEAN members and Republic of Korea (ROK) were severely hit, their currencies depreciated substantially, and they suffered from minus growth. EVSL (Early Voluntary Sector Liberalization), a breakthrough attempt of

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<sup>1</sup> The present author conducted a detailed assessment of the IAPs in its early years. It contains a critical analysis of the OAA, the common format and CAP (Yamazawa 1998 and Yamazawa and Urata 2000)

liberalization in easy sectors failed.<sup>2</sup> The IAPs implemented since 1997 brought about much less liberalization than expected. It included the liberalization committed in the Uruguay Round, while its unilateral liberalization beyond the UR to be applied to other APEC members and nonmembers alike has been limited in coverage and depth under the CUL. The UR liberalization was implemented on schedule as committed but further liberalization in sensitive sectors has tended to be suspended. The DDA negotiation has started since 2002 but got stumbled for the recent years.

On the other hand, APEC itself has shifted to the realistic line. Its gravity shifted from liberalization to trade facilitation, capacity building, and domestic reform. Business environment has changed in Asia Pacific under accelerated globalization and prevailing regionalism. The Busan Roadmap was announced to include these realistic measures in 2005 and has been expanded further to include *Strengthening Regional Integration* and *Food Safety Cooperation* (Hanoi APEC 2006), *Structural Reform* of behind the border measures (Sydney APEC 2008), *Trade Facilitation Action Plan II* and *APEC's Model Measures for IAPs* (Lima APEC 2008). A greater contribution of APEC is expected in the trade and investment area in the current crisis.

### **3. Peer Review process of IAPs**

Individual APEC member governments continued to revise their IAPs every year. The reporting was elaborated and transparency improved in response to the common format and CAP. Liberalization measures were accumulated as their UR commitments were implemented. Voluntary liberalization was also added either in the form of accelerated implementation of the UR commitments or reduction of applied tariffs from their UR rates in several member economies. CAP helped individual members to introduce common practices such as Summary Tables of tariffs and NTMs. CAP was especially effective in introducing new legislatures of facilitation consistent with the APEC system prescribed in the OAA. By and large the IAP process worked to encourage individual member governments to implement liberalization and facilitation measures toward the Bogor goal. One short-coming accompanied it was its 'positive list formula' in which the IAP reported only the impediments to be liberalized but not those still remain imposed. Thus the IAPs increased its volume but did not provide a comprehensive list of existing impediments.

In 2002-2004 APEC's senior officials meeting (SOM) has conducted a peer

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<sup>2</sup> The failure of EVSL resulted from its attempt of reducing tariffs and NTMs in not easy sectors, forestry and fish products, in the WTO formula. (Yamazawa and Urata, 2000)

review process of individual members' IAPs so as to strengthen their efforts toward the Bogor Goal. A three persons team was formed on each member economy's IAP consisting of a senior official of other member, an expert consultant, and an APEC Secretariat staff. Based on inquiries and comments submitted by other members, the team interviewed government officials of the member economy under review and drafted a peer review report. The report was submitted to a special session of SOM chaired by the team's senior official, discussed in an open forum, and adopted with a few amendments, thus encouraging the member under review to improve its IAP implementation, closer toward the Bogor goal.

Although individual teams followed a common format set by the SOM for the peer review report and reviewed the member's implementation by areas, the assessment stance differed between review teams. Many followed the WTO's Trade Policy Review Mechanism. TPRM indicates departures from an economy's trade and investment policy from WTO rules and urges the economy to remove the gaps. Some reviewers duplicated the TPRM but they were lenient for developing economy members, considering not to give them shame. However, APEC's IAP Peer Review should differ from TPRM. APEC IAPs contains an economy's liberalization and facilitation efforts reflecting its unique domestic conditions and does not request their quick harmonization. Both the Bogor Goals and Osaka Action Agenda (OAA) contain ambiguity and flexibility, some deliberate and some unintentional. It does not fit to the APEC's modality to re-define them strictly and to decide who passes and who fails, but to encourage as many members as possible to continue their efforts to reach Bogor Goals. This seems to be the fundamental objective of the IAP Peer Review.<sup>3</sup>

In 2005 Korean host conducted a mid-term stock-taking of the IAPs in order to invigorate member economies' efforts in achieving the Bogor Goal. Member economies were asked to submit own assessment on their achievement by then (Mid-term Stock-taking report). Korean government's think tank, KIEP, formed an international expert team. This team analyzed all peer review reports and members' own assessment reports and produced a detailed comparison of individual members' achievement on each of 13 areas of the OAA (APEC 2005b, Attachment) and summarized all APEC members's progress toward the Bogor Goal (APEC 2005b, Main Report). SOM

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<sup>3</sup> Woo(2005) criticized this tendency of the IAP peer review report to follow the TPRM while characterizing them incomplete reports of the members' trade policies and insisted that it should identify the APEC's value added in individual IAPs. The present author also served as a consultant and shared his criticism of many review reports' following the TPRM. However, it is too strict an assessment of individual members' approach toward the Bogor Goal to focus on the APEC's value added alone.

produced a Mid-term Stock-taking report and introduced a new action plan of Busan Roadmap (APEC 2005a). The report was submitted to the ministerial meeting and the leaders adopted the Busan Roadmap.

It emphasized changes in the business environment in the Asia-Pacific region under accelerated globalization and the prevalence of regionalism. APEC's gravity itself has shifted from liberalization to trade facilitation, capacity building, and domestic reform (beyond the border measures). The Busan Roadmap, announced its rationale for these realistic measures rather than literally pursuing the Bogor goal in the changed world. In the meantime, SOM conducted the second round of peer review in 2007-2009.

#### **4. APEC's agenda for 2010**

Japan, hosting APEC in 2010, has a big task of graduating developed economy members from the Bogor commitment. Indeed, the liberalization task has remained incomplete in sensitive sectors under the prolonged DDA round so that they have not achieved the Bogor Goal if it is applied strictly. Thus alternative choice will be to suspend the mid-term Bogor Goal but encourage all members to pursue its enlarged version, Busan Roadmap.<sup>4</sup>

Here is a strategic choice between the two. Either will encourage APEC members to further enhance liberalization in parallel with the DDA. It will be consistent with the task APEC has to achieve in the process of recovering from the current world economic crisis. I would like to suggest the graduation route for the following reasons.

First the momentum of APEC has decreased since the Asian crisis in 1997-1998 and we have to reactivate APEC at this timing. As a matter of fact, APEC Business Advisory Group (ABAC) proposed a FTA for Asia Pacific (FTAAP) in order to promote the APEC liberalization and commissioned PECC a supportive study. (ABAC 2006 and PECC 2006)<sup>5</sup>. Incidentally, four APEC members (Brunei Darussalam, Chile, New Zealand, and Singapore) had already formed a high level FTA (P4 Group) in 2006 and the USTR expressed its interest in joining it in 2008 (now transformed to Trans-Pacific Partnership, TPP)

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<sup>4</sup> Elek (2005) seems to suggest this alternative for changed direction for APEC in his review of the Mid-term Stock-taking report (APEC 2005 a&b).

<sup>5</sup> The PECC study contains both pro and con of the FTAAP. While F. Bergsten supported it strongly, C. Morrison and others are concerned about its departure from the APEC's CUL modality. The present author supported it as a Plan B in case of the failure of DDA on another occasion (Yamazawa 2008).

Second APEC has increased its load too much, such as *Strengthening Regional Integration, Structural Reform, Model Measures for FTAs* and *TFAPII* as was mentioned in the last paragraph of Section 2. We need to acknowledge its achievement so far and renew its action plan.

Third its IAP formula needs some streamlining. It has served as a main engine of encouraging individual members' unilateral efforts toward the Bogor Goal as mentioned above but the IAP reports have become huge documents with 'positive lists' of liberalization and facilitation measures accumulated so that only few read them.

Thus, adopting the graduation route literally following the Bogor declaration, the present author would like to suggest the APEC Agenda for 2010 consisting of the following three pillar tasks.

- (A) Graduate '5 +  $\alpha$ ' member economies from the Bogor commitment, and exempt them from the IAP submission every year.
- (B) Encourage the rest of members to keep engaged in the Bogor commitment
- (C) Set a post-Bogor agenda for the graduating group toward a higher level of liberalization, such as FTAAP and TTP as well as the remaining agenda in the Busan Roadmap.

5 means APEC's developed economy members and  $\alpha$  includes Singapore, Brunei, and Chile which have already formed P4 group with a high level of FTA. APEC has already adopted the path-finder approach in which some ready members may go ahead of others so that FTAAP and TTP can be incorporated as long-term target. We also expect that not all members of the second group remain until 2020 but some will graduate on the half way and join the first group. So do some ASEAN members as its Economic Community agenda proceeds toward 2015.

Taking advantage of its capable membership and 20 year experience, APEC should also tackle new global challenges such as environment, energy, epidemic, widened gaps and social safety-net, etc. as well as closer cooperation in macro-economic policies and financial stability.

## **5. How to qualify the graduation**

The graduation of '5 +  $\alpha$ ' members from the Bogor commitments requires some deliberate preparation of diplomatic consultation. SOM, especially its chair in 2010 should be entrusted for the job. Graduation usually requires detailed assessment of the achievement of graduating members but it is not likely that SOM publishes officially its assessment of individual members' achievement under the APEC's modality of 'neither name nor shame'.

Nevertheless, the graduation should be qualified, even if informally, based on a detailed assessment of individual members in order to persuade not only all member governments' officials but also stakeholders of APEC such as ABAC members and experts. It should be disseminated for comments and amendments. Otherwise the legitimacy of graduation will be questioned. An informal assessment can be made by a private expert team and the remaining part of this section is devoted to how to conduct such an assessment.

APEC has prepared for the mid-term stocktaking (MTST) since 2002. KIEP's MTST expert report (APEC, 2005b) summarizes the first round of peer review of IAPs and its Attachment provides a comparative assessment of individual members' achievement by areas. It will be legitimate to rely on this report.

However, even this summary report is a huge document of nearly 200 pages because of its assessing the liberalization and facilitation achievement in the positive list formula. Some form of quantification needs to be devised so that its assessment is conveyed to many readers in a concise manner. The present author conducted a quantitative assessment of the IAPs in the early years of the IAP process (Yamazawa 1998 and Yamazawa and Urata 2000). It gave 0~ 100 point grade to individual members' commitment to the Bogor Goal in 13 areas of OAA and the result was illustrated in a radar chart of 13 axes, thus depicting the 18 members' IAP commitment in 18 radar charts. The same methodology can be employed this time with two differences.

First, we will assess not the IAP commitment but actual achievement toward the Bogor Goal (formulated in OAA). Second, we will assess by the five point grade as follows;

- 5: Almost achieved
- 4: Achieved with a major exception (which is identified in a negative list)
- 3: Achieved more than a half
- 2: Achieved less than a half
- 1: Started only partially

Each member's achievement in each area is graded according to this five point system based on the MTST report (Attachment) mentioned above. Members with the grades 5 and 4 in all areas will be graduated, while a negative list of major exceptions will be attached to those with the grade 4. An exact criteria for the five point grade will be set for individual areas in a table form. The second round peer review (2007-2009) and the most recent IAP reports will be referred to so that we can update our assessment (of the achievement in 2009).

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