

Debacles, Successes, Challenges and Ways Forward

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- **Debacles**
 - **Trade Wars**
 - **Threat to WTO**
- **Successes**
 - **Progress toward Bogor Goals**
- **Challenges**
 - **Unfinished Business**
- **Ways forward**

Debacles

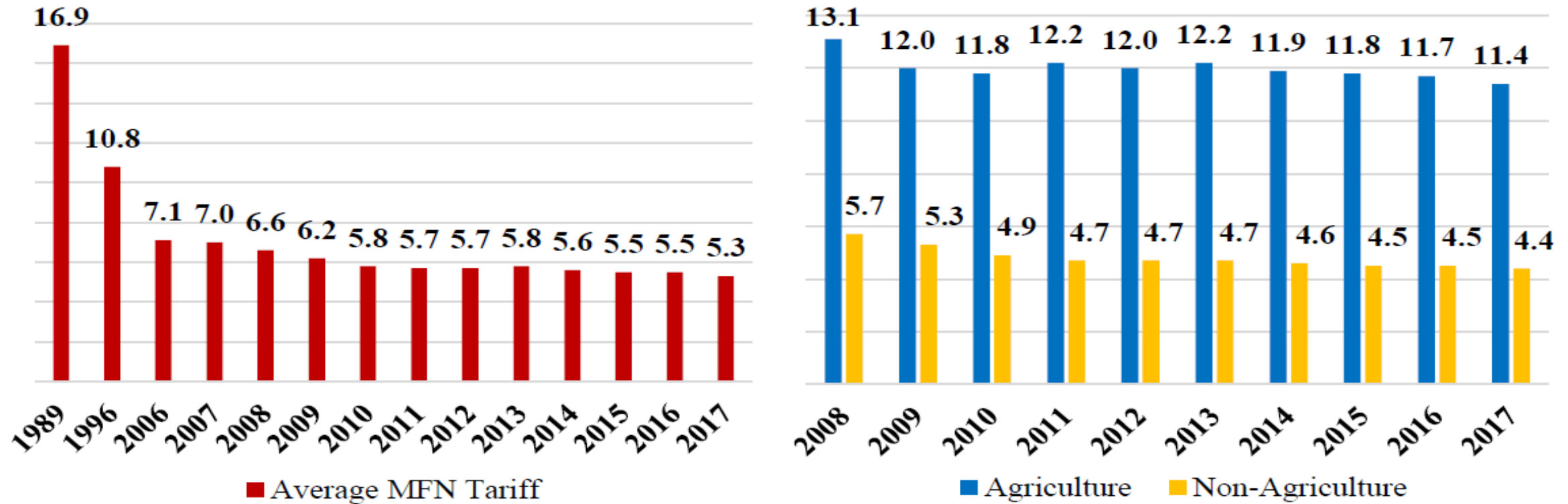
- **Trade Wars**
 - **Escalating Use of Discriminatory Tariffs as Bargaining Weapons**
 - **Dubious WTO Legality**
 - **“Brazen Unilateralism”**
 - **Retaliatory Repercussions**
 - **False Premises**
- **Existential Threat to WTO**
 - **Increasing disrespect for WTO rules and obligations**
 - **Undermining multilateral norms**
 - **Negotiating paralysis prevents updating of WTO rules**
 - **Impending paralysis of Appellate Body**
 - **Consensus on need for reform but not its substance**
 - **Prospect of returning to pre-WTO unilateralism of 1980s
Weakens APEC momentum**
 - **Bogor goals predicated on effective rules-based WTO system**
- **Is There a Way Forward?**
 - **Support for WTO efforts**
 - **Is there a need for a “Plan B”? Can there be a “Plan B”?**

Towards the Bogor Goals: Tariffs

Success in Tariff Reduction

(But: progress has plateaued since GFC; Ag lags far behind)

Chart 1 – Average MFN Tariffs in the APEC Region (Source: PSU)



Source: WTO World Tariff Profiles (several years) and APEC Secretariat, Policy Support Unit.

Challenge:

Peak Tariffs Remain Significant (especially in agriculture)

(from data ex WTO World Tariff Tables)

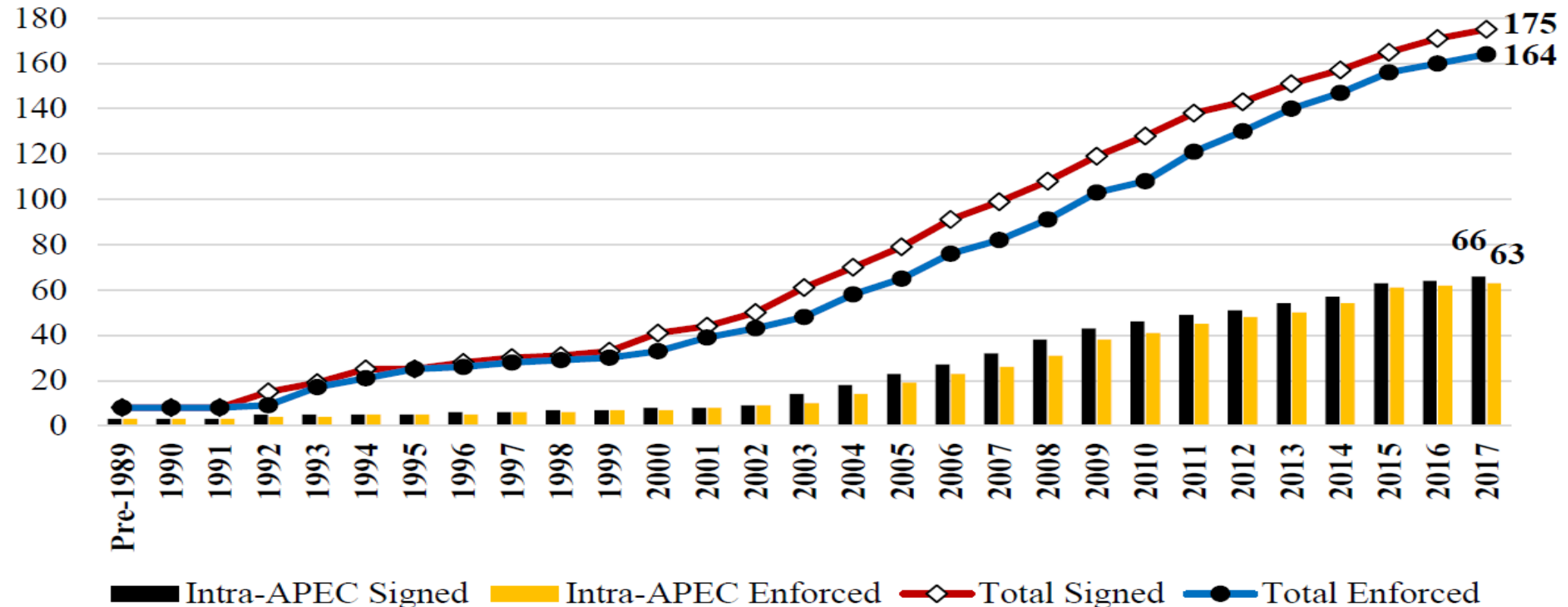
	Non-Agricultural	
	Tariff Rate AVE*3	Tariff Lines with Tariff > AVE*3
Malaysia	15.9	1435
Canada	6.3	946
Thailand	21.6	935
Mexico	17.4	839
USA	9.3	813
Peru	6.9	754
Japan	7.5	691
Indonesia	24	557
Brunei Darussalam	0.9	462
Chinese Taipei	14.7	412
New Zealand	6.3	375
Vietnam	25.2	325
Philippines	17.1	134
China	26.4	85
Russia	18.6	28
Korea	20.4	11
Australia	8.1	6
Chile	18	0
Hong Kong, China	0	0
Singapore	0	0

	Agricultural	
	Tariff Rate AVE*3	Tariff Lines with Tariff > AVE*3
Korea	170.7	924
Thailand	75.3	808
Vietnam	49.2	542
Chinese Taipei	47.7	542
Canada	47.1	114
China	46.8	412
Mexico	40.5	492
Japan	39.9	414
Russia	30.6	196
Philippines	29.7	180
Indonesia	26.1	131
Malaysia	24.3	122
Chile	18	0
USA	15.9	101
Peru	8.7	0
New Zealand	4.2	0
Australia	3.6	3
Singapore	0.3	3
Brunei Darussalam	0	0
Hong Kong, China	0	0

APEC Economies have reduced tariffs in numerous FTA/RTAs

But: exclusion of agricultural tariffs is widespread in these FTA/RTAs

Chart 9: Number of RTA/FTA Signed and Enforced by APEC Economies (Source: PSU)

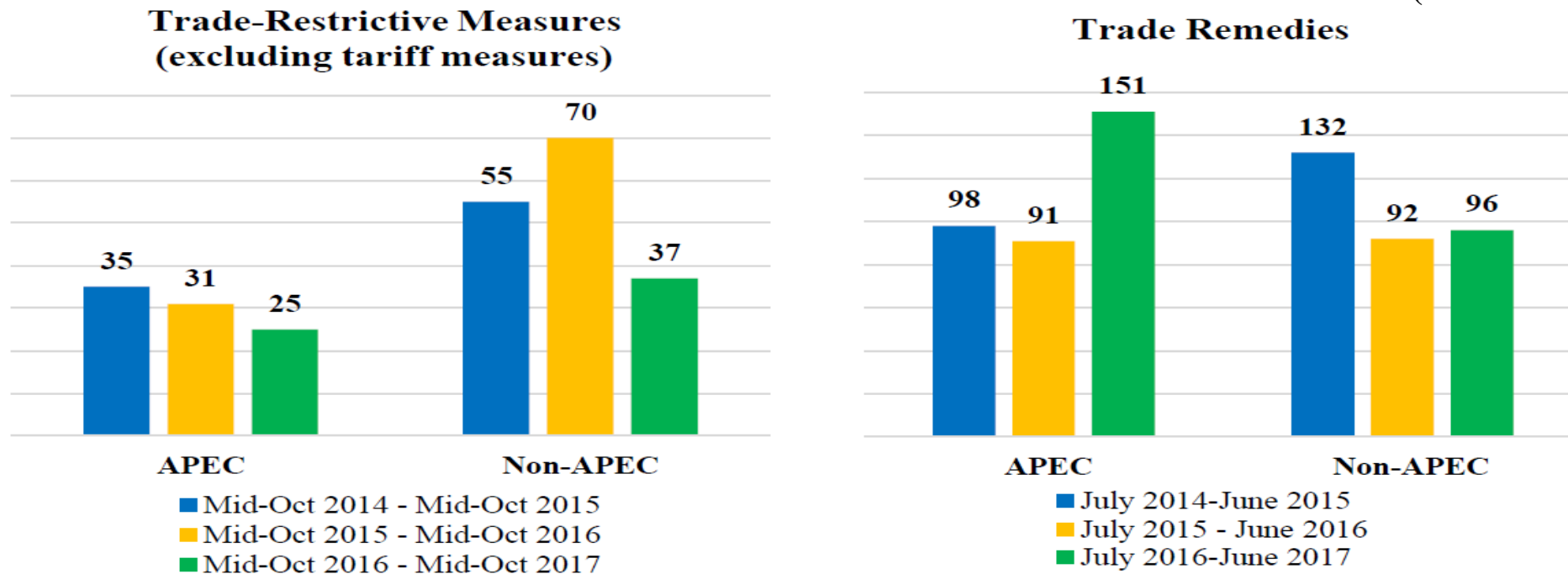


Source: APEC Secretariat, Policy Support Unit

Towards the Bogor Goals: NTMs

Challenge: APEC Economies Use of Trade-Restrictive NTMs and Trade Remedies is increasing (although rate of increase is slowing for NTMs)

Chart 2 – New Trade-Restrictive Measures and Trade Remedies Implemented by APEC Economies (Source: PSU)

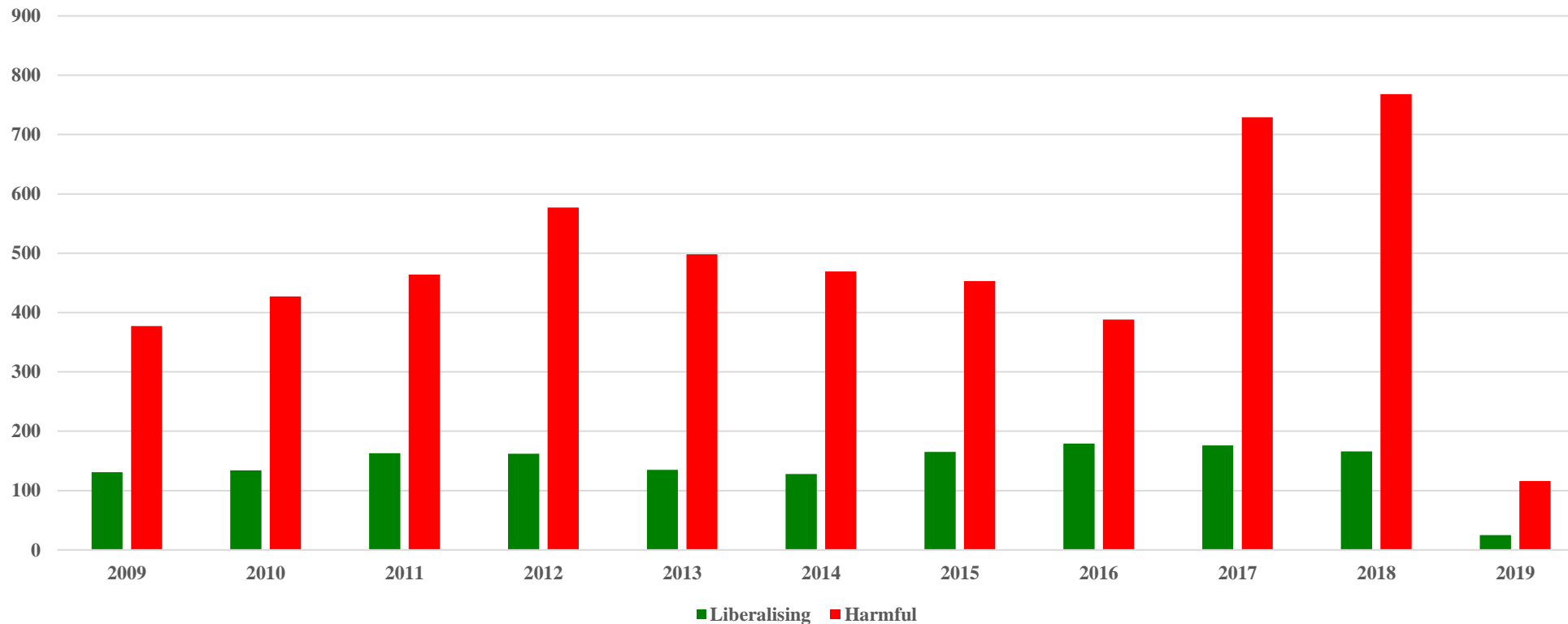


Source: WTO i-TIP database and WTO Overview of Developments in the International Trading Environment (Reports dated on 17 November 2015, 21 November 2016 and 16 November 2017). APEC Secretariat, Policy Support Unit calculations.

Towards the Bogor Goals: NTMs

Reality Check: Using a wider measure of “harmful” and “liberalising” interventions, Global Trade Alert finds a much higher incidence of “harmful interventions” by APEC economies (spiking from 2017)

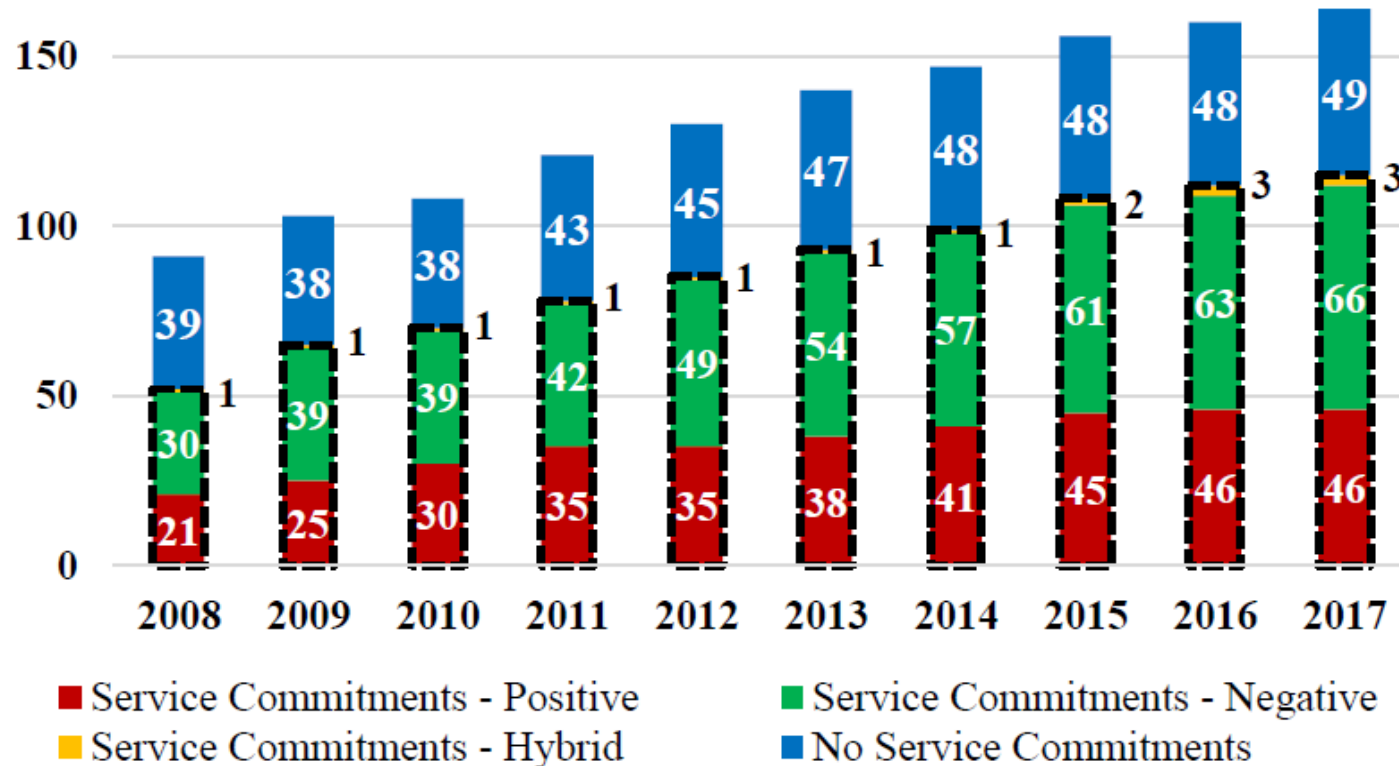
Liberalising and Harmful Trade Interventions by 21 APEC Economies
2009-2019
Source: Global Trade Alert



Towards the Bogor Goals: Services

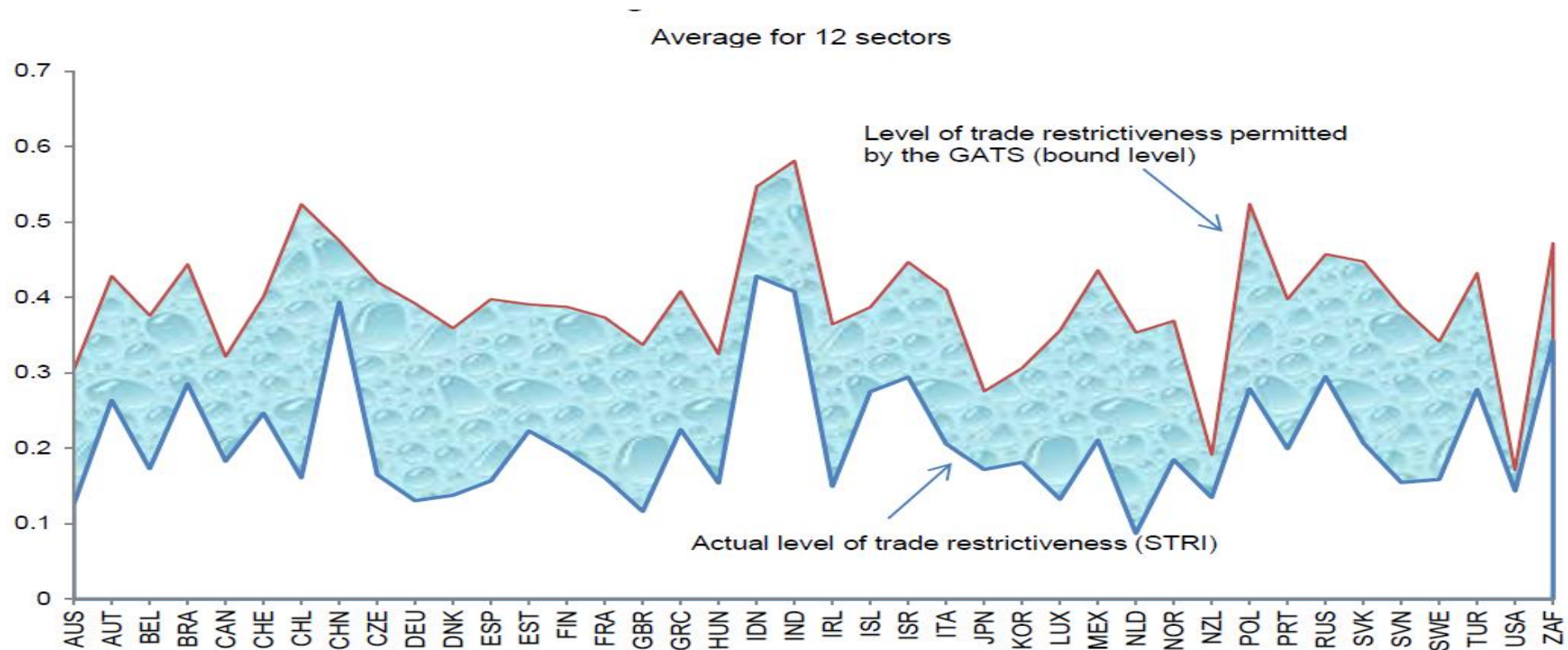
Success Indicator: Number of FTA/RTAs with Services Commitments (with growing use of negative lists)

Chart 5 - RTA/FTAs in-force in APEC with Services Commitments



Source: APEC Secretariat, Policy Support Unit calculations

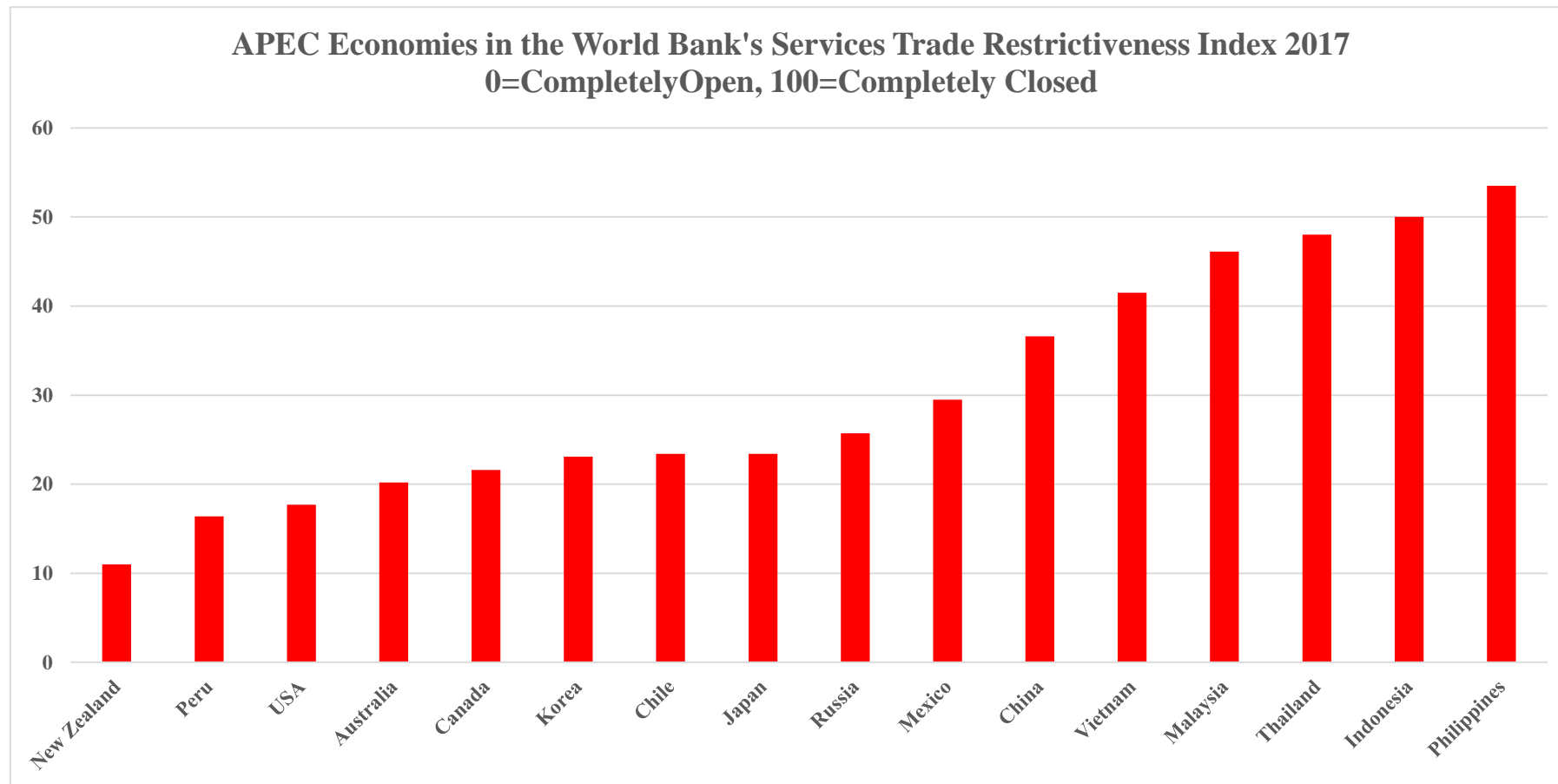
But: services commitments in trade agreements notoriously contain substantial “water” (gap between committed and actual levels of restriction) e.g. “Water in the GATS” measured using OECD’s STRI
APEC example: services commitments in TPP/CPTPP required “little action” by member governments



Note: The sectors included in the graph are three audio-visual services sectors, the four professional services, construction, computer services, distribution services, and rail and road transport services.

Towards the Bogor Goals: Services

Challenge: Latest version of World Bank's STRI indicates substantial services trade restrictiveness in APEC economies



Towards the Bogor Goals: Services

The Importance of Services and Services Trade

Services

- **comprise:**
 - **Over 50% of global trade on value added basis**
 - **The largest share of member economies (typically over 70%)**
- **are critical contributors to performance in other sectors**
- **have a critical role as drivers of future growth**

Reflection: Why is Services Liberalisation So Difficult? (Given the Apparent Benefits)

Hoekman and Mattoo (2011) suggest

- **an important factor is uncertainty over regulatory reforms needed to ensure that liberalisation is “safe” and beneficial**
- **proposed solution is “regulatory cooperation” involving exporting and importing countries**
 - **purpose is to provide importing countries with assurance of “safety” of liberalisation**
- **“regulatory cooperation” must be preceded by development of a “knowledge community” to build confidence among participating economies over associated need for regulatory reform**
 - **evidence- and analysis-based discussion of sector-specific regulatory policies**
 - **sharing of experiences – what works, what doesn’t, and why**
 - **identify “best practices”**
 - **bring together regulators, experts, trade officials, stakeholders**

Application to APEC: implies essential role for APEC’s Structural Reform agenda

Towards the Bogor Goals: Services Ways Forward

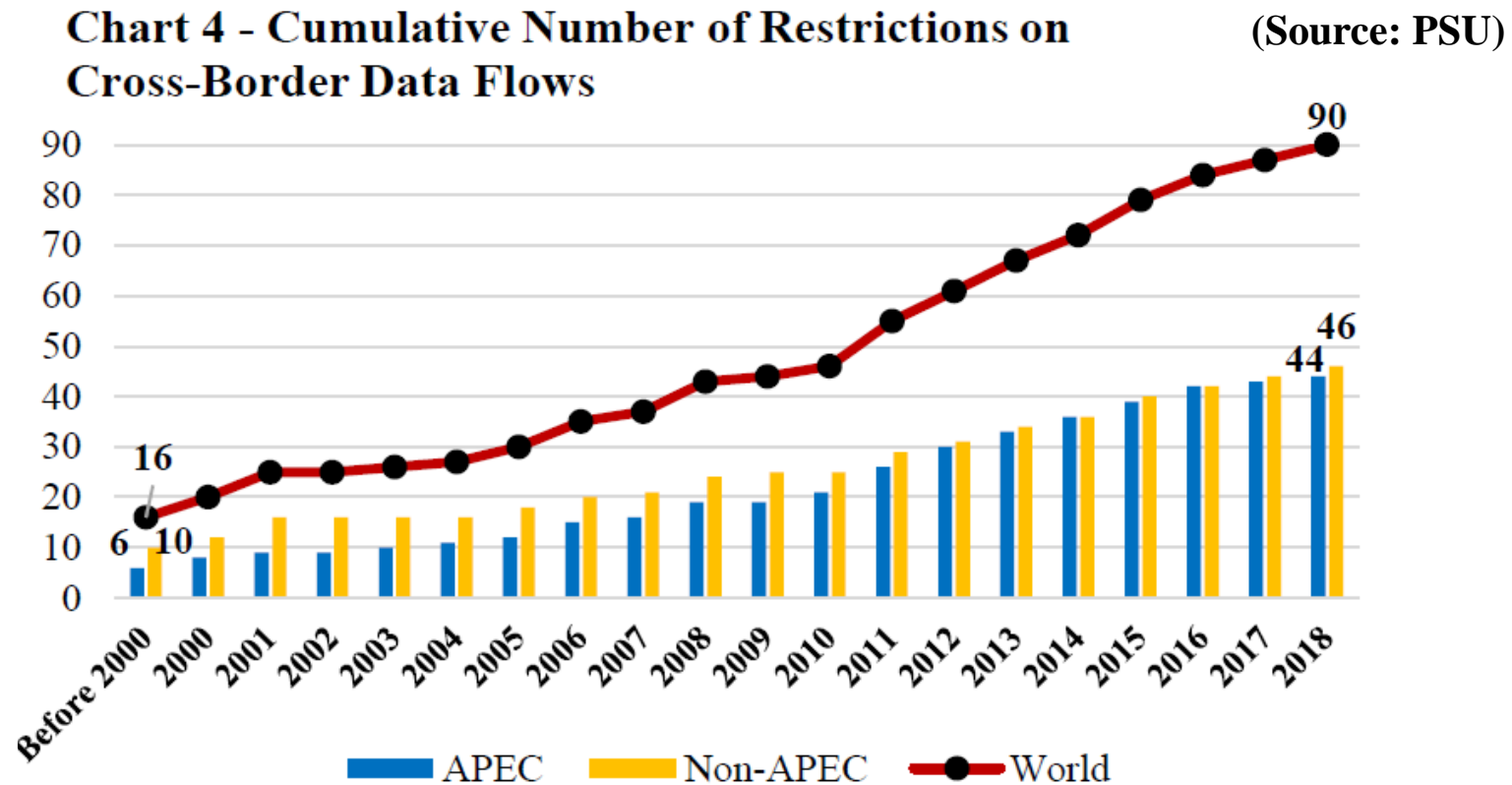
- **Implementation of APEC Services Competitiveness Roadmap**
 - **Targets to be achieved by 2025**
- **Ongoing support from APEC's Structural Reform process**
 - **Building confidence within government in benefits and feasibility of services trade liberalisation**
- **Chile's proposal: "Addressing the unfinished business of the Bogor Goals: a final push in services" is a welcome and timely initiative**
 - **But the magnitude of the challenge should not be under-estimated**

APEC's New Challenge: Digital Trade and the Digital Economy

- **APEC has to its credit a substantial body of work in establishing frameworks and setting agendas**
 - APEC's Cross Border Privacy Rules (CBPR) system
 - APEC Privacy Framework
 - APEC Framework on Human Resource Development in the Digital Age
 - APEC Internet and Digital Economy Roadmap (2017)
 - APEC Leaders' Action Agenda for the Digital Economy
- **APEC's challenge is now to implement the action agenda, including by developing consensus on key issues such as:**
 - Cross Border Data Flows
 - Privacy
 - Localisation
 - Ensuring robust competition in digital markets
 - Liberalisation of key supporting services sectors e.g. telecommunications
 - Regulation of harmful content

APEC's Digital Trade Digital Economy Challenge: Some Indicators

Restrictions on Cross Border Data Flows Have been Steadily Increasing

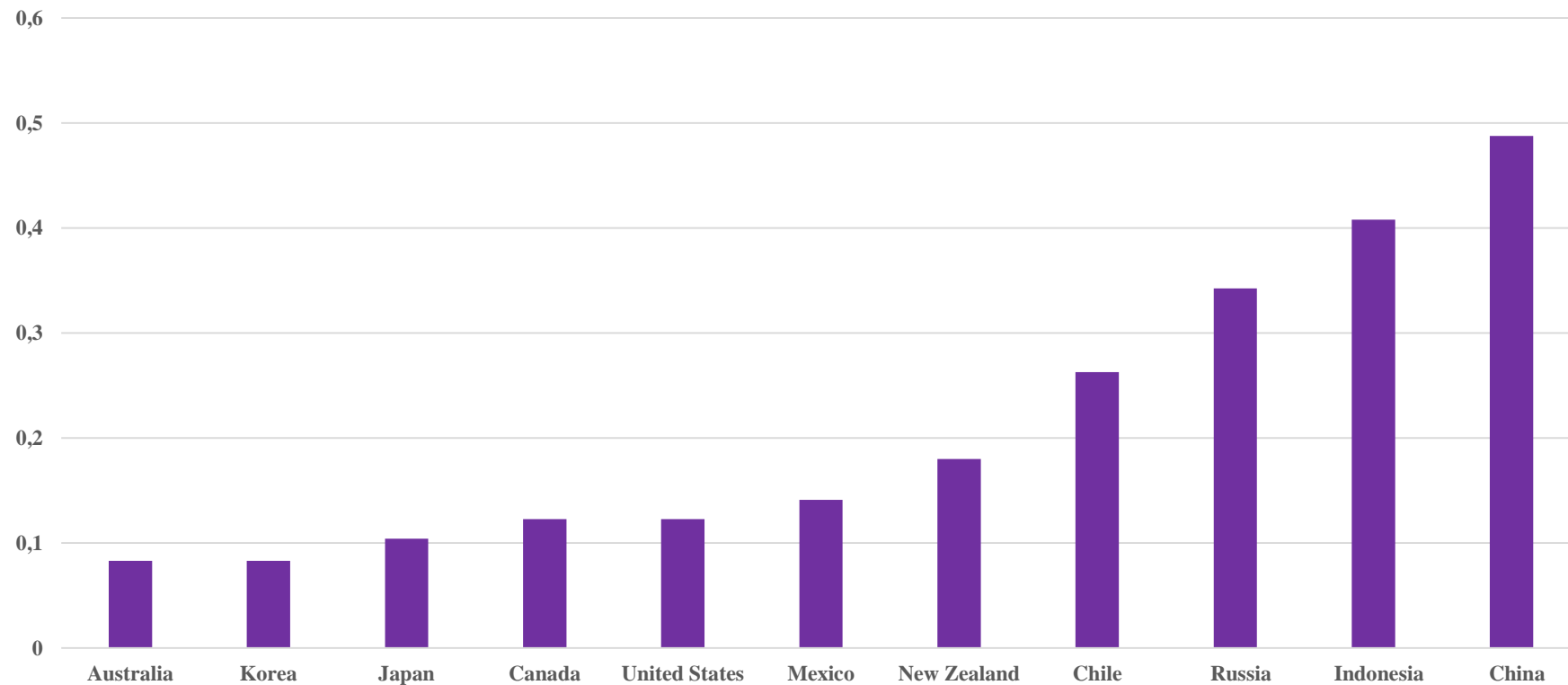


Source: ECIPE - Digital Trade Estimates Database. APEC Secretariat, Policy Support Unit calculations

APEC's Digital Trade Digital Economy Challenge: Some Indicators

Restrictions on Digital Services Trade Vary Widely Across APEC Economies

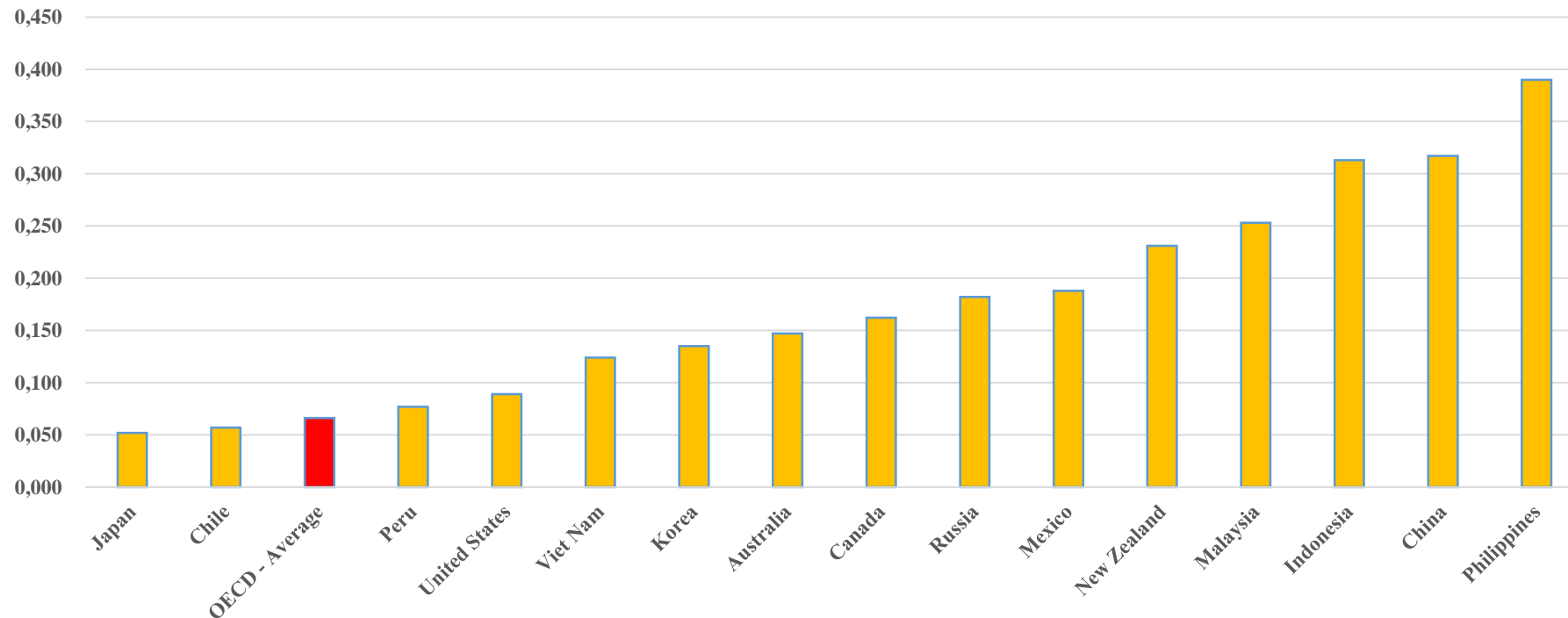
OECD Economies in the Digital Services Trade Restrictiveness Index (2018)
0=Completely Open, 1=Completely Closed



Towards the Bogor Goals: Investment

Challenge: Location of APEC Economies in OECD's FDI Restrictiveness Index Indicates APEC is far from the global “cutting edge” in this area.

APEC Economies in the OECD FDI Restrictiveness Index (2017)
0=Completely Open, 1=Completely Closed



Conclusion

- **Achievement of Bogor Goals will remain a challenging item on APEC's post-2020 agenda**

Thank you!

谢谢 **ありがとう** **감사합니다**

ขอบคุณครับ

terima kasih

Cám ón anh

¡muchas gracias!

Maraming salamat

Tenkyu tru

спасибо