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Is APEC Moving Towards the Bogor Goal?

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Executive Summary

The achievement of the Bogor Goal has been mentioned in many APEC statements. However, APEC has not yet much discussed how to achieve it and has shown very poor performance so far, although some progress has been made in institutional development, membership and coverage of issues.

This paper shows that APEC's voluntary liberalization has limitations in inducing member economies to reduce trade barriers. Therefore, it proposes that the facilitation of trade liberalization that utilizes preferential RTAs is a practical method to achieve the Bogor Goal, defining the role of APEC as the facilitation of the transformation of bilateral and subregional RTAs in the region into a APEC-wide FTA in the long run. APEC should adopt principles and guidelines for RTAs in the region in terms of scope of coverage, comprehensiveness, transparency, etc.

APEC countries should endeavor to achieve the Bogor Goal through active and serious discussion on the issue. In this regard, it is necessary for APEC to clarify the Bogor Goal and numerous related concepts such as the time limit, the scope of trade liberalization, definition of developed and developing nations, open regionalism and so on.

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Introduction

APEC has become the primary regional vehicle for promoting open trade and investment, as well as economic and technical cooperation, since its first ministerial meeting in Canberra in 1989. In 1994, the organization drew international attention by adopting the Bogor Goal, that is, APEC's most important goal of implementation of complete trade liberalization for developed economies by 2010, and for developing economies by 2020. APEC provided the momentum for achieving the Bogor Goal by deliberately designing Individual Action Plans (IAP) and Collective Action Plans (CAP) according to the Osaka Action Agenda.

The APEC Ministers at Brunei (November 15, 2000) reaffirmed their commitments to free and open trade and investment, and noted that APEC needs to explore more creative and efficient ways to achieve the Bogor Goal. The importance of this statement can be found in the fact that APEC economies now have only ten years until the 2010/2020 goal.

What kind of efforts have APEC economies made since the declaration of the Bogor Goal? Although it is not easy to evaluate their efforts, we can make a rough estimate by analyzing APEC trade liberalization performance through the Information Technology Agreement (ITA), regional trading agreements (RTAs), Early Voluntary Sectoral Liberalization (EVSL), and the Individual Action Plans (IAPs).

According to the analysis of the IAPs, which summarizes all measures for trade liberalization by member economies including ITA, RTAs, etc., most of the trade liberalization measures by APEC economies have so far been due to the implementation of the Uruguay Round (UR) commitments as well as liberalization under ITA and RTAs, while voluntary (unilateral) liberalization beyond the UR occupies a minute portion of the IAPs. This may mean that real liberalization has not been implemented toward the Bogor Goal.

This paper analyzes APEC trade liberalization performance and discusses issues surrounding the Goal. Finally, it proposes a strategy to achieve the Bogor Goal. The essence

of the strategy is to use RTAs in the region. The paper ends with the conclusion that APEC should seriously discuss how to achieve the Goal.

I. The Bogor Goal

Since its inception in 1989, APEC has aimed at promoting the development and growth of its members through trade liberalization in a manner consistent with the principles embodied in the multilateral trading system. In the Seoul APEC Declaration of 1991, APEC adopted the principle of open regionalism -- namely, regional integration without trade discrimination against other economies. This open regionalism contrasts sharply with the approach taken in most regional cooperation agreements including the EU and NAFTA. As Drysdale et al. (1997) put it, APEC is “characterized by market-driven integration, rather than institutional integration; involving economies at different stages of economic development rather than economies with similar income levels; and outwardly oriented rather than inward-looking”.

APEC has since grown in scope and liberalization commitments, and has held annual summit meetings of heads of state. The first summit was held in Seattle, USA, in 1993, where they adopted a broad vision of regional free trade and investment. At the second summit in Bogor, Indonesia, in 1994, APEC concluded with the APEC Economic Leaders’ Declaration of Common Resolve. Economic leaders recognized that the diverse economies are becoming more interdependent and are moving toward a community of Asia-Pacific economies. They agreed on the commitment to achieve the goal of free and open trade and investment in the Asia-Pacific region no later than 2020. The pace of implementation will take into account differing levels of economic development among APEC economies, with the industrialized economies achieving the goal of free and open trade and investment no later than 2010 and developing economies no later than 2020.

The APEC Action Agenda was adopted at the Osaka, Japan summit in 1995. During this summit APEC member countries agreed to further develop their detailed action plans by

the 1996 summit. The fourth APEC summit in Manila, Philippines, took another step toward the goal of regional free trade by approving an action plan for implementing trade and investment liberalization in the region. While the first three APEC summits at Seattle, Bogor and Osaka shaped APEC's vision and objectives, the fourth summit marked the beginning of the action phase by adopting the Manila Action Plan for APEC (MAPA). APEC member nations have reinforced their liberalization commitments through MAPA, which details country-by-country commitments to free trade and investment in the region, effective as of January 1, 1997.

The primary focus of the MAPA commitments relates to trade liberalization, trade facilitation (e.g., cooperation on standards, improving customs procedures, coordinating competition policies and dispute mediation), and economic and technical cooperation (e.g., development assistance and projects in the areas of infrastructure, energy and environment). MAPA consists of three parts: Individual Action Plans (IAPs), Collective Action Plans (CAPs), and Economic and Technical Cooperation (ECOTECH). In formulating and implementing IAPs and CAPs, all APEC economies have been encouraged to observe the principles of comprehensiveness, WTO-consistency, comparability, nondiscrimination, transparency, standstill, simultaneous start, continuous process, differentiated timetables and flexibility.

II. Evaluation of APEC Trade Liberalization Performance

As mentioned in the introduction, APEC's trade liberalization efforts have focused on EVSL, ITA, RTAs and IAPs. This chapter analyzes the performances of these liberalization initiatives so far.

1. The International Telecommunications Agreement (ITA)

APEC has taken various initiatives since the conclusion of the Uruguay Round, playing an important role in achieving significant breakthroughs such as the ITA. Although the initiatives to establish the Information Technology Agreement (ITA) were first introduced by the information industries in the United States, Japan and the European Union as a tariff-elimination program for the G7 in 1995, the conclusion of the ITA in late 1996 can be regarded as one of APEC's trade liberalization efforts.

On July 15-16, 1996, APEC Trade Ministers met in Christchurch, New Zealand. They announced their support for the idea of negotiating the ITA. After series of informal consultations among interested parties, at the First WTO Ministerial Conference held in Singapore on December 9-13, 1996, the Ministerial Declaration on Trade in IT products was reached and [15 economies (one economy for EC)] signed the declaration.¹

Some of the APEC members² “agreed to put into effect the results of these negotiations which involve concessions additional to those included in the Schedules attached to the Marrakesh Protocol to the General Agreement on Tariffs and Trade 1994” based on the recognition of “the key role of trade in information technology products in the development of information industries and in the dynamic expansion of the world economy” and the goals of raising standards of living and expanding the production of and trade in [information technology products]” (WTO 1996: 1).

Under the ITA, participants agreed to lower all customs duties to zero through rate reductions in equal stages from July 1, 1997 to no later than January 1, 2000, except as

¹ Gao (1999).

² 8 of 15 contracting parties for the ITA during the 1996 WTO Ministerial Meeting were APEC economies, including Australia, Canada, Chinese Taipei, Hong Kong, Singapore, Indonesia, Japan, the United States and Korea.

otherwise agreed by the participants.³ The ITA applies to more than 300 items, including semiconductors, computers, software, telecom equipment and scientific instruments. The staging of tariff elimination had been agreed to the participants' satisfaction no later than April 1, 1997. "In the 1997 March WTO meeting, the above requirements were met and 15 economies signed the 'Implementation of the Ministerial Declaration on Trade in Information Technology Products,' which included the Declaration and the participants' approved schedules of tariff elimination' ' (Yang 1999: 1).

According to Gao, the value of the world trade in IT products is approximately \$600 billion, accounting for more than 10% of world trade in goods. The tariff on IT products in most developed countries (U.S., Japan, Canada and EU) is quite low. However, the tariff in the developing world is rather high, except for some emerging industrialized economies. Tariff cuts were implemented on a MFN basis. Implementation of the agreement was contingent on the inclusion of participants that would cover 90% of world trade in IT products.

Following the launching of the WTO, APEC continued its efforts to contribute to the strengthening the multilateral trading system in various fields, and in the same vein, its successful conclusion of the ITA was remarkable.

2. Regional Trade Agreements in APEC

Regionalism is one of the most dominant trends in the world economy today. There were only 26 new regional trade agreements (RTAs) reported to GATT prior to 1969. Following a slackening in the pace of regional integration in the 1980s, the number of RTAs exploded in the 1990s. 47 additional regional agreements were signed during the period 1990-1995, and 85 agreements were reached after 1995. This demonstrates that rather than simply being a type of insurance policy taken against potential shortcomings of multilateral free trade

³Several countries (Costa Rica, Indonesia, India, Korea, Malaysia, Chinese Taipei and Thailand) have been granted flexibility in cutting their tariffs on a few products to zero after 2000, but not beyond 2005.

formation, regionalism is seen as a viable commercial strategy that complements multilateral trade agreements.

Table 1. Number of Regional Trade Agreements Notified to GATT/WTO

	1948	1955	1960	1965	1970	1975	1980	1985	1990	1995
	-	-	-	-	-	-	-	-	-	-
	1954	1959	1964	1969	1974	1979	1984	1989	1994	1999
Number of notifications	2	3	12	9	21	19	6	5	47	85
Total notified	2	5	17	26	47	66	72	77	124	209

Source: WTO Secretariat.

Yunling and Drysdale (2001) noted that APEC economies have shown a sharp rise in interest in new subregional and bilateral trading arrangements since 1999. They emphasized that initiatives for establishing trading blocs go beyond trade liberalization by promoting a range of other initiatives such as trade facilitation, the improvement of transparency in trading rules, mutual recognition of standards, etc. According to Groser (2000), three features of this process are particularly noteworthy. First, the numbers of economies that have historically stood aside from this process and refused to consider any regional trade alternatives to the GATT/WTO are now initiating FTA negotiations/discussions. Second, the first moves are now being made to link existing FTAs and customs unions. Third, membership of existing FTAs and existing customs unions continues to expand.

Table 2. RTAs Within APEC

APEC Member Economy	Subregional Integration Arrangement
Australia	CER*
Brunei Darussalam	AFTA*
Canada	NAFTA*
Chile	MERCOSUR; SAFTA**

China	
Hong Kong, China	
Indonesia	AFTA*
Japan	*
Korea	**
Malaysia	AFTA*
Mexico	NAFTA*; Mexico-EU FTA
New Zealand	CER**
Papua New Guinea	Sparteca
Peru	Andean Community; SAFTA*
Philippines	AFTA*
Russia	
Singapore	AFTA**
Chinese Taipei	
Thailand	AFTA*
United States of America	NAFTA*
Vietnam	AFTA*

Note: Asterisk refers to a subregional bloc in the process of being formed;
two asterisks refer to more than one bloc being formed.

Source: APEC (2000), *2000 APEC Economic Outlook*.

APEC member economies have been active in concluding RTAs. Table 2 shows that with a few exceptions -- namely, China, Hong Kong, Chinese Taipei and Russia -- APEC member economies currently belong to one or more subregional trading blocs. Moreover, most of them are in the process of establishing formal links with other blocs within and across continents. For instance, presently under study is the feasibility of forming free trade areas either between existing blocs such as AFTA and CER or between individual economies such as Korea-Japan, Japan-Singapore and Korea-Chile.

RTAs have contributed the development of the WTO as well as APEC through progressive trade liberalization. This conclusion can be found in WTO (1995), Yunling and Drysdale (2001), APEC (2000), Groser (2000), etc. Especially, APEC (2000), weighing costs and benefits of RTAs recently formulated or under study and reviewing both theoretical considerations and empirical evidence, concludes that there is a wide scope for new RTAs, either existing or prospective, to open up new opportunities to advance multilateral trade

liberalization. In particular, new RTAs go beyond commodity trade to include services trade, FDI and other areas pertaining to policy reforms. They can be designed to be open to bringing in new members or linking up with other RTAs. In the final analysis, the new regionalism can be a building block for promoting the multilateral trade system under certain conditions including WTO consistency. New RTAs meeting such conditions potentially have dynamic effects of creating trade and inducing FDI that outweigh the adverse effects of diverting trade from more efficient producers.

Because of potential trade diversion effects to outsiders, preferential trading blocs can be criticized, and they may not be APEC consistent, violating the spirit of open regionalism. Regarding this issue, Yamazawa (2001) suggests that a more pragmatic interpretation of open regionalism is open regional cooperation or to promote regional cooperation consistent with multilateral rules. That is, if an FTA is fully consistent with GATT 24, it is consistent with APEC's open regionalism. However, Snape (1995) asserts that it would be extremely difficult for a preferential APEC agreement to meet all the requirements of GATT consistency.

3. Early Voluntary Sectoral Liberalization (EVSL)

Another major APEC initiative to attempt to strengthen the multilateral trading system was the Early Voluntary Sectoral Liberalization (EVSL) initiative. After its establishment in 1989, APEC seemed to suffer from fatigue without making any substantial achievements, falling short of the initial expectations for it. The Bogor Declaration in 1994, however, provided a momentum for APEC trade liberalization efforts, supported by initiatives such as the Osaka Action Agenda in 1995 and the Manila Action Plan for APEC in 1996.

It was at the 1996 Manila APEC Leaders' Meeting that discussions on EVSL began. From then on, APEC economies have been searching for ways to establish guiding principles

on critical mass, APEC's decision-making method, consideration of members' economies in different stages, and some method of easing trade barriers such as tariff and nontariff measures. At the 1997 Montreal Commerce Ministerial Meeting, the resolution of sector selection for the EVSL came out and in 1997, a list of 41 target sectors was submitted as an agenda item at the 1997 Ministerial and Leaders' Meeting.

Of the 41 sectors, 15 were selected as targets subject to early liberalization at the Vancouver Leaders' Meeting. The target sectors are toys, fisheries, environment-related products, services, chemistry, forestry, jewelry, energy and related equipment, medical equipment, telecommunications, automobile standards and civil aircraft. Korea suggested government procurement, steel and related products but these were not included in the target selection package. Only petrochemicals were included as a part of chemicals. Leaders agreed to set up and implement from 1999 a detailed liberalization plan covering nine sectors (toys, fisheries, environment-related products, services, chemistry, forestry, jewelry, energy and related equipment, medical equipment, telecommunications) and take additional measures on the remaining six sectors after further review. They also reached an agreement on adopting voluntarism and flexibility as the basic principles of APEC.

The leaders at the 1997 Vancouver meeting reached a mutual understanding that early liberalization was in the interests of each member economy and also discussed balanced interests among members. The EVSL initiative was intensively discussed throughout 1998, when Malaysia was chair of APEC. It almost seemed that a conclusion could be reached regarding the first nine sectors, also called fast track sectors or front nine sectors. However, failure to reach agreement on the tariff elements on fisheries and forestry products ultimately led to the unraveling of the EVSL initiative.

Despite discussions on a specific scope and timetable for liberalization at various meetings of SOM, CTI and other expert groups in 1998, no specific agreement on sectoral liberalization was reached due to conflicting interests of developing economies, which insisted on the extensive application of voluntarism and flexibility. Later in 1998, the agreement fell

short of support from China and Japan, who expressed their intent not to participate in the liberalization of forestry and fisheries, yielding no substantive outcome. Leaders then decided to transfer the matter of tariff reduction in nine priority sectors to the WTO and continue the discussion on easing nontariff barriers and the promotion of ECOTECH in APEC. Despite the failure to reach an agreement on liberalizing nine major targeted sectors, discussion of the remaining six sectors is expected to continue in APEC.

The failure to coordinate the different interests of member economies in liberalizing nine prioritized sectors shut down the booster rocket for EVSL, and the future of a follow-up liberalization plan for the remaining six sectors seems quite unclear and gloomy. APEC has no tool to demand the participation of member economies because of the basic principle of voluntarism: if members do not participate for any reason, it is very difficult to draw forth an agreement on EVSL. Along with the acute opposing positions on the reduction of tariffs, the discussion on the easing of nontariff measures and promoting ECOTECH has also hit a snag. China and other developing economies are demanding technology transfer as a part of ECOTECH as well as compensation for developing countries' participation in EVSL, while developed economies are firm in their position that cooperation in those areas should be limited to activities among the private sector. Thus, the troubles that arose in 1998 regarding the EVSL in APEC are likely to persist.

Liberalization of EVSL products seems to be on hold due to the opinion of member economies that they are sensitive domestic products. Whether a target tariff rate means zero tariff or tariff reduction (0-5%) should be clarified, and the principle to decide the target tariff rate and implementation measures should be decided as well. Putting the whole situation into perspective, the future of EVSL is not bright, although losing momentum after a failed agreement on tariffs for the nine priority sectors does not necessarily mean that EVSL is no longer important.

Thus the first nine sectors of the EVSL initiative were repackaged. The tariff section was separated from the others and repackaged as the Accelerated Tariff Liberalization (ATL) and

then sent to the WTO. The remaining six sectors, also called “the back six,” were also sent to the WTO. In a way, APEC, through its EVSL initiative, added some new elements to the work of the WTO. However, critics also say that APEC has just added to the burden on the WTO, passing along a hot potato. However, one should not forget, that APEC came very close to concluding the first agreement on sectoral trade liberalization. The EVSL initiative is still alive. By assessing the lessons of EVSL, it is also possible to repackage the EVSL initiative for another attempt. EVSL should provide APEC with ample food for thought.

In retrospect, APEC suffered a serious credibility problem when APEC economies failed in concluding an agreement for the nine prioritized sectors in 1998. Although the organization seems to concentrate on trade facilitation and ECOTECH, it will be easy to obtain momentum for trade liberalization in near future. Moreover, APEC could not play an important role in preventing and easing the Asian financial crisis in 1997-1998. Therefore, “we hear that APEC is dying without much achievement in liberalization and economic cooperation.”⁴

4. Individual Action Plans (IAPs)

IAPs are voluntary commitments submitted by each member economy to liberalize and facilitate trade -- primarily through a lowering of tariffs and other barriers -- and liberalize rules for foreign investment. To a large degree, IAPs might be deemed a reiteration or extension of each economy's liberalization plans which had been carried out in their own economic context even before APEC was established. A Pacific Economic Cooperation Council (PECC) study⁵ reports that the unweighted average tariff level in the APEC region has already been lowered from 15% in 1988 to 9% in 1996, and asserts that the IAPs will further accelerate tariff reduction in the region.

⁴ Yamazawa (2001).

⁵ PECC (1996).

The IAPs in MAPA are summarized in Table 3. Noteworthy is the extent to which IAPs differ across APEC members. For instance, the United States' action plan is not well-defined and does not appear to involve any specific commitments, and many East Asian economies appear to be reaffirming their existing trade reform schedules.⁶ Furthermore, some economies have made their liberalization schemes conditional on other APEC members' declarations (e.g., Mexico seeks to speed up tariff reductions if other member economies agree to do so).

On the other hand, there are some examples of IAPs going beyond existing commitments. A number of economies, including China, Korea, Philippines and Thailand, envisage a substantive tariff reduction, while some members -- Singapore, Hong Kong, China, New Zealand, Chile (by 2010), and Brunei (by 2020) -- declared a target of zero tariffs on all or most imports. At the same time, through IAPs, most APEC economies unveiled schedules to streamline their nontariff barriers in conformity with WTO rules, and commit themselves to undertake specific liberalization measures to promote investment. As regards liberalization in services trade, APEC economies, in principle, aim to follow the line of the WTO negotiating process. Under MAPA, APEC member economies should be subject to their unilateral commitments, in that their liberalization process will continue to be consulted, reviewed and revised within the APEC framework. Such a surveillance mechanism will likely contribute to ensuring the effectiveness of each member economy's commitments.

⁶ Drysdale et al. (1997).

Table 3. Quantified IAP “UR Plus” Tariff Reductions in 2010

Economy	MAPA Tariff Reduction: Items	MAPA	IAP97/98
Australia	<ul style="list-style-type: none"> max. 5% except for below: <ul style="list-style-type: none"> passenger motor vehicles textile clothing and footwear certain vegetables ITA¹ 	Current rates (0 - 5%) 15% 10-25% 5% (1998) 0%	– 10% 7.5-17.5% – 0%
Brunei Darussalam	<ul style="list-style-type: none"> progressive liberalization towards zero tariff by 2020 	82% of total tariff lines bound at 5%	8 82% of total tariff lines bound at 5%
Canada	<ul style="list-style-type: none"> all original equipment automotive parts and articles reduction in GPT rates ITA¹ 	0% (on 1996) 0% 0%	– – 0%
Chile	<ul style="list-style-type: none"> almost all products 	0%	0%
China	<ul style="list-style-type: none"> simple average tariff industrial products ITA 185 products 	Around 15% – –	around 15% 10.8% 0%
Hong Kong, China	<ul style="list-style-type: none"> bind tariff at 0% on all imports ITA¹ 	0% 0%	0% 0%
Indonesia	<ul style="list-style-type: none"> items with surcharges and tariffs of 20 % or less in 1995 (except automotive parts) items with surcharges and tariffs of more than 20% in 1995 (except automotive parts) chemicals, steel, metal and fishery products ITA¹ 	max. 5% by 2003 max. 10% by 2000 5-10% by 2003 0% by 2005	max. 5% by 2003 max. 10% by 2000 5-10% by 2003 0% by 2005
Japan	<ul style="list-style-type: none"> expand Tariff Elimination Initiative on pharmaceuticals by 2000 ITA¹ 	– 0%	– 0%
Korea	<ul style="list-style-type: none"> ships from 1997 ITA¹ 	0% (from 1997) 0 % by 2004	– 0% by 2004
Malaysia	<ul style="list-style-type: none"> ITA¹ 	0% by 2005	0% by 2005
Mexico	<ul style="list-style-type: none"> elimination of tariffs on certain electronic component, and computer equipment 	–	–
New Zealand	<ul style="list-style-type: none"> all imports ITA¹ 	Duty free 0% by 2006	duty free 0% by 2006
Papua New Guinea	<ul style="list-style-type: none"> reduce to 5% tariff on basic steel, aluminum, capital equipment, machinery, basic chemicals; chemical agricultural inputs by 1997 	By 2006, bound at 30% for nonagricultural products	By 2006, bound at 30% for nonagricultural products
Peru	–	–	–
Philippines	<ul style="list-style-type: none"> all imports, except sensitive agricultural products 	One uniform rate of 5%, except sensitive agricultural products by 2004	One uniform rate of 5%, except sensitive agricultural products by 2004
Russia	–	–	–

Economy	MAPA Tariff Reduction: Items	MAPA	IAP97/98
Singapore	<ul style="list-style-type: none"> progressive binding of tariffs at 0% by 2010 ITA¹ 	0%	0%
Chinese Taipei	<ul style="list-style-type: none"> average tariffs ITA¹ 	around 6% average nominal tariff rates and applied rate of 5% or lower on about 65% of tariff lines, 0% by 2002	Around 6% average nominal tariff rates and applied rate of 5% or lower on about 65% of tariff lines, 0% by 2002
Thailand	<ul style="list-style-type: none"> ITA¹ 	0% by 2005	0% by 2005
USA	<ul style="list-style-type: none"> ITA¹ 	0%	0%
Vietnam	–	–	–

1. Not included in IAP. Committed at the 1996 WTO Ministerial Conference or thereafter.

Source: APEC (1999a), Table 2-1.

Table 3 summarizes APEC's trade liberalization measures so far as in MAPA and IAPs for 1997 and 1998. These are "UR Plus" measures that go beyond the UR commitments. Some economies such as Australia, China and Indonesia have shown meaningful commitments to unilateral liberalization, by binding tariff rates or reducing bound tariff rates. For example, Australia reduced bound tariff rates on automobiles and TCF (textiles, clothing and footwear) from 15% and 10-25% to 10% and 7.5-17.5%, respectively. Other economies mention their liberalization measures, but the coverage and the degree of tariff cuts seem to be very limited.

Considering the timeframe of the Bogor Goal, the commitments outlined in the IAPs can be regarded as a useful vehicle toward the Goal for some member economies. However, the overall evaluation of the commitments for trade liberalization indicates that progress is too slow for full liberalization. The most frequently cited item for liberalization are ITA products, which are bound under the WTO through the Information Technology Agreement. If we exclude the liberalization measures for the ITA and commitments under the regional trade arrangements, net liberalization measures will be much less extensive (deeper) than those shown in Table 3.

A more serious problem for APEC trade liberalization is that member economies have no strong intention of achieving the Bogor Goal, in addition to the poor performance of trade liberalization so far. This can be seen in the analysis of future actions by member economies in

their MAPA and IAPs. According to the MAPA (1996), 17 of 18 APEC members made their remarks on medium and long-term actions for reducing tariffs. However, only 8 of 17 economies mentioned the achievement of the Bogor Goal. In 1997 IAP, 7 economies announced a 2010/2020 liberalization plan, and in 1998, 9 of 21. Even in 1999 only 7 members of APEC expressed their intention to achieve the trade and investment liberalization as specified in the Bogor Declaration.

Table 4. Remarks on the Achievement of the Bogor Goal in IAPs

Economy	MAPA	1997 IAP	1998 IAP	1999 IAP
Australia				
Brunei Darussalam	Yes	Yes	Yes	Yes
Canada				
Chile	Yes	Yes	Yes	Yes
China				
Chinese Taipei				
Hong Kong, China	Yes	Yes	Yes	Yes
Indonesia	Yes	Yes	Yes	Yes
Japan				
Korea				
Malaysia		Yes	Yes	
Mexico				
New Zealand				
P.N.G.	Yes		Yes	
Peru				
Philippines				
Russia				
Singapore	Yes	Yes	Yes	Yes
Thailand				
USA	Yes			
Vietnam	N/A	N/A	Yes	Yes

Source: From APEC MAPA (1996) and IAPs (1997-1999).

Let's take a look at each economy's position in their IAP on the achievement of the Bogor Goal. First of all, Brunei, Chile, Hong Kong (China), Indonesia, New Zealand, Papua New Guinea, Singapore and Vietnam have announced a clear position towards the achievement of the Bogor Goal. Brunei is pursuing progressive liberalization towards zero tariff rates by 2011 or 2020. Chile plans to reduce tariffs on most products to 0% by 2010. Hong Kong will bind tariffs at zero on all imports effective January 2010. Indonesia says that it will reduce tariffs progressively to reach the APEC Goal no later than 2020. New Zealand also plans to free and open their trade in the WTO as well as APEC. Singapore and Vietnam are also taking the same stance on this issue.

Other countries such as Australia, Canada, China, Chinese Taipei, Japan, Korea, Malaysia, Mexico, Peru, Philippines, Russia, Thailand and the USA have not taken a clear position on liberalizing trade and investment to reach the Bogor Goal, though some economies once revealed their intention to achieve the Bogor Goal. For instance, Mexico revealed a clear plan to achieve free and open trade by 2020 through the development of reciprocal multilateral or regional approaches in the 1997 and 1998 IAP. However, it did not produce further remarks on the matter in the 1999 IAP. Even the USA, which is believed to be the biggest supporter of free trade, has not announced any specific plan to meet IAP since 1997. Japan is only considering a progressive reduction of tariffs, and Korea plans only to review the possibility of revising its tariff concession schedule.

Researchers have made different evaluations of the performance of the IAP to reach the Bogor Goal. Yamazawa and Urata (1999) conclude that industrial APEC economies, including Hong Kong, China and Singapore, are closer to the Bogor Goal than other members. However, Yamazawa and Urata's study needs careful interpretation of the results: that is, even though APEC economies actually announced their enhancements of the components of IAPs, it is hard to accept that the performance so far actually conforms with the achievement of the Bogor Goal. Regarding this point, Groser (2000) asserts that though the IAPs have plenty of liberalization measures by APEC economies, most of them are "Uruguay Round commitments and commitments taken pursuant to regional trade agreements (such as NAFTA, AFTA)." Thus, current versions of the IAPs may not be understood as good progress toward APEC trade liberalization for the Bogor Goal. His conclusion is that "unilateral liberalization is now suffering from political fatigue. In any event, unilateral liberalization has always been irrelevant for the U.S. and Japan, which collectively make up some 80% of APEC GDP."

III. RTAs: A Practical Method to Achieve the Bogor Goal

The achievement of the Bogor Goal has been mentioned in many APEC statements. However, APEC has not yet much discussed how to achieve it and has shown very poor performance concerning the Goal, although some progress has been made in institutional development, membership and coverage of issues.⁷ The World Bank (2000) report points this out, saying, “[APEC] members have certainly not yet introduced any discriminatory trade policies [except the APEC business visa], but neither have they yet moved beyond implementing their Uruguay obligations.”

From the analysis in Chapter III, it can be said that voluntary liberalization has limitations in inducing member economies to reduce trade barriers. The sectoral approach, such as EVSL, also failed in APEC. The ITA, which was initiated by the G7, could be accepted by the APEC because of the multilateral liberalization scheme. It is unclear whether this multilateral approach will be successful in the near future. First of all, the launch of the New Round has been delayed and countries are more conservative in discussing the liberalization of specific sectors. Second, NGOs are obtaining support for anti-globalization. Third, it is not easy to select sectors which can be supported by leading countries in the WTO. In case of the ITA, G7 countries are subject to very low tariffs on the products, and their trade of the products occupied a major portion of world trade. These points were important in reaching an agreement among major trading countries on ITA.

How about RTAs? RTAs have been expanded and deepened substantially within APEC in the last decade. APEC (2000) calls it “new regionalism,” meaning it can be a building block for multilateralism. It seems in reality that the expansion and deepening of RTAs and the strengthening of the associations of RTAs are the most effective measures to achieve trade liberalization within APEC. As seen previously, it is inevitable that limitations exist on trade

⁷ Ahn (1999) also evaluated the performance of APEC so far, though the coverage of analysis is different from this paper. He concluded that APEC’s performance turns out to be unsatisfactory [for the achievement of the Bogor Goal].

liberalization based on voluntarism and without binding agreements. There is no denying that there are advantages to voluntary trade liberalization. However, in reality, on the point that incentives are not given for trade liberalization, we propose that the facilitation of trade liberalization that utilizes RTAs is a practical method to achieve the Bogor Goal. It could be either a hub-and-spoke or a “spider’s web”⁸ approach to further institutional economic integration in the region.

Then, what is a role of APEC in achieving the Bogor Goal through RTAs? Because the Asia-Pacific region represents a diverse set of economies at different levels of economic development, it is likely to achieve trading arrangements with quite different contents for market access and trade rules. For example, ongoing Japan-Singapore FTA (New Age Partnership) negotiations are known to exclude agricultural sector from trade liberalization, with an emphasis on services sector cooperation and industrial cooperation between the two countries. However, NAFTA and CER included all sectors for trade liberalization. Without harmonizing the coverage and rules in each RTA, the region will not achieve a trading arrangement covering the whole of APEC. Here, we can see the role of APEC: in order to facilitate the transformation of bilateral and subregional RTAs in the region into a APEC-wide FTA (which is the Bogor Goal) in the long run, APEC should adopt principles and guidelines for RTAs in the region in terms of scope of coverage, comprehensiveness, transparency, etc.

Although it is hard to assert whether RTAs will be still popular in the near future, there are several factors which can instigate member countries to conclude RTAs. Regular meeting among political leaders of ASEAN+3 (China, Japan and Korea) will be developed for the

⁸ A spider’s web approach is a metaphorical expression for growing levels of bilateral and subregional economic integration between two entities among multiple countries in a region. This is similar to the spoke in the hub-and-spoke approach to economic integration. The difference is the spider’s web approach has no hub in the region. Examples of the spider’s web approach in APEC are the negotiation of a US-Singapore FTA and a Japan-Singapore Economic Agreement for a New Age Partnership, ongoing discussions of a Korea-Thailand FTA, Korea-New Zealand FTA and Korea-Japan FTA, and China’s FTA proposal to AFTA during the ASEAN+3 Leaders’ Meeting, Singapore, November 2000.

formation of some trading blocs in the region. Those can be subregional FTAs, and a trading bloc consisting of all ASEAN+3 countries, as discussed by the East Asian Vision Group. The WTO New Round also seems to work to enforce the conclusion of RTAs. Since it is hard to draw a conclusion under the multilateral negotiation system, major trading countries may divert their attention to RTAs, as we observed during the Uruguay Round. Finally, we may expect a domino effect from RTAs - that is, the formation of a RTA by trading partners is likely to lure other countries into pursuing RTAs.⁹

IV. Conclusion

Although it is said that APEC has two pillars of trade liberalization and ECOTECH, there has been little praise for the performance of the two pillars so far. Many developing countries point to the poor development of ECOTECH in APEC, while developed economies have shown a passive attitude toward it. As we analyzed in this paper, APEC's progress in trade liberalization is far behind the schedules for the Bogor Goal. Yet it is difficult to expect a far-reaching change in trade and investment liberalization on the APEC level. Another serious problem is that there are only ten years left in which to fulfill the Bogor Goal. If more years are spent in this state, APEC might have to abandon the long-term vision of the Bogor Goal.

APEC Leaders' meetings and ministerial meetings have produced declarations and statements pledging concerted efforts for trade liberalization and even demanding a successful launch of a new WTO round. Under the current situation, where APEC cannot record visible progress in trade liberalization, commitments in these declarations and statements may not convey much credibility to APEC itself and the larger international society. APEC may be put

⁹ Examples of the domino effect of regionalism can be found in Baldwin (1995).

“in trouble in the long term unless specific initiatives designed to address the problem are taken. APEC without the Bogor Goal providing a clear strategic vision will slowly become just another talkfest” (Groser). Based on this, people criticize APEC and say it is no longer useful.

We cannot deny the existence of a close relationship between trade and economic growth, which has been largely explored in the analytical and empirical literature. Open trade affects economic growth and welfare by improving resource allocation efficiency based on comparative advantage. The same logic will apply to APEC. Therefore, APEC should pursue trade liberalization. The first best option would be to conclude an APEC FTA, but this does not seem to be realistic in the near future due to economic and political problems in APEC. The second best option may be to use RTAs in achieving APEC-wide trade liberalization.

Although it is a little late, APEC countries should endeavor to achieve trade liberalization in the region through active and serious discussion on the issue. In this regard, it is necessary for APEC to clarify the Bogor Goal and numerous related concepts such as the time limit, the scope of trade liberalization, definition of developed and developing nations, open regionalism and so on. Only when the definitions are clear can measures to achieve the Bogor Goal be drawn up. If member countries combine their know-how on this problem even at this late date, APEC's future will begin to brighten.

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