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ORGANISATION DE COOPÉRATION ET DE DÉVELOPPEMENT ÉCONOMIQUES

PROGRESS TOWARDS TRADE AND INVESTMENT LIBERALISATION BY INDUSTRIALISED APEC ECONOMIES

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EXECUTIVE SUMMARY

1. This review has been prepared by the OECD Secretariat at the request of the Government of Japan, host of APEC 2010. The review provides perspectives on progress by thirteen industrialised Asia Pacific Cooperation (APEC) economies (Australia; Canada; Chile, Hong Kong, China; Japan; Singapore; New Zealand; Peru; the United States, Korea, Malaysia, Mexico and Chinese Taipei – APEC-13) in liberalising and facilitating trade and investment in the Asia Pacific region. The review is based solely on publicly available information.

2. Founded in 1989, APEC is well known as a forum for dialogue encompassing 21 economies in the Asia-Pacific region.[1] Since its establishment, three pillars or principles have shaped the work of the APEC membership including: (1) trade and investment liberalisation; (2) business facilitation; and, (3) economic and technical cooperation (ECOTECH). To strengthen advancement of these principles, APEC Leaders on 15 November 1994 concluded the Bogor Declaration which identified three objectives for pursuit by APEC economies including:

1. strengthening the multilateral trading system;
2. enhancing trade and investment liberalisation in the Asia-Pacific region; and
3. intensifying Asia Pacific development cooperation.

3. In setting forth "free and open trade and investment in the Asia Pacific" as a goal to be attained by 2020, the Bogor Declaration encouraged developed APEC members to lead the way by meeting this objective in 2010, well in advance of the 2020 deadline applying to the APEC members as a whole. Affirming its support for a non-discriminatory multilateral trading system governed by the WTO, the Bogor Declaration emphasised that trade and investment liberalisation should not create an "inward-looking trading block", but should be conducted "in a manner that will encourage and strengthen trade and investment liberalisation in the world as a whole".

4. In assessing progress towards the Bogor Goals, the APEC membership completed the *Busan Roadmap to the Bogor Goals* in 2005, which found that since its establishment, the APEC economies' average applied tariff rates had declined from 17% to 6%.[2] Due at least in part to these reductions in tariff protection and, perhaps more significantly, improving domestic regulatory frameworks for trade including *via* ECOTECH programmes, intra-APEC trade in goods had more than tripled during the same period.

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1 Australia; Brunei Darussalam; Canada; Chile; People's Republic of China; Hong Kong, China; Indonesia; Japan; Republic of Korea; Malaysia; Mexico; New Zealand; Papua New Guinea; Peru; The Republic of the Philippines; The Russian Federation; Singapore; Chinese Taipei; Thailand; United States of America; and Viet Nam.

2 APEC (2005), *A Mid-Term Stocktake of Progress Towards the Bogor Goals: Busan Roadmap to the Bogor Goals*: www.apec.org/etc/medialib/apec_media_library/downloads/ministerial/..annual/2005.Par.0001.File.tmp/05_amm_002_Annex_1_rev1.pdf.

5. The *Busan Roadmap* also found that the APEC region has become much more open to foreign direct investment due to members' efforts to eliminate barriers and improve measures for promoting investment, However, progress in moving towards Bogor deadlines for investment had been uneven, and more needed to be accomplished, particularly in reducing restrictions on foreign ownership in key sectors.

6. The Bogor Declaration's support for the principle of "open regionalism" is clear in its provision that "the outcome of trade and investment liberalisation in the Asia-Pacific will not only be the actual reduction of barriers among APEC economies but also between APEC economies' and non-APEC economies". Evidence of attention to this principle can be found in the fact that trade between APEC and non-APEC economies had more than doubled since 1989.

7. APEC members range in economic size, population and level of development. Many of the economies are among the most vibrant and dynamic in the world, exhibiting high growth rates and open markets. In 1995, total GDP (measured in current U.S. dollars) for the 21 APEC economies totalled USD 16.4 trillion, more than 54% of the world total that year. In 2007, APEC economies combined GDPs had reached $28.6 trillion having grown at an annual compound growth rate of 4.7% during the period 1995-2007. This was lower than the total world growth rate of 5.2% a year and as a result APEC's share in world output has fallen to 52% in 2007, but this is still greater than half the world total.[3]

8. During the period 1995-2007, the GDPs of all APEC-13 economies, save in the case of Japan, have increased significantly. Mexico's GDP more than tripled during the period while that of Australia, Canada, Chile, Malaysia and New Zealand each more than doubled and Peru doubled its own and Singapore and the United States have each managed to increase their GDPs by 90%. Japan on the other hand saw its GDP decline by 16% over the 1995-2007 period. Although still the world's second largest economy after the United States, Japan's share of the global economy has fallen from 18% in 1995 to 8% in 2007.[4]

9. This review provides views and perspectives on progress toward the Bogor Goals with a focus on the APEC-13 economies. The key findings and recommendations that follow draw on analysis of trade policy (Chapter 1), and investment policy (Chapter 2). The review on investment liberalisation focuses on the experience of APEC-13 economies that are also members of the OECD or have adhered to OECD investment instruments in removing barriers to investment, implementing key investment principles and resisting protectionism.

Key Findings

Trade

- APEC economies have played an instrumental role in the conclusion of the Uruguay Round in 1994 and the creation of the WTO in 1995, the implementation process that followed, and the launching of the Doha Development Agenda (DDA) in 2001. They are all active participants in the current DDA negotiations.

- APEC economies have placed a high premium on concluding the DDA in 2010 which, if realised, would contribute significantly to economic recovery, strengthen the global multilateral trading system and help guard against protectionism.

3 Figures can be seen in Table 1 of the Appendix for the Trade Chapter.

4 *Ibid*.

- APEC is the first forum that has put open regionalism into practice. The lessons learned from this experience could be valuable for other regions and also for the WTO.

- The acceleration of preferential trading agreement (PTA) activity by the APEC-13 economies has been tempered by the conclusion of the Best Practice for RTAs/FTAs in APEC, which seeks to solidify APEC's principle of "open regionalism".

- APEC has been at the forefront of inter-regional efforts in liberalising traditional trade barriers, especially tariffs, and reducing trade costs.

- A large share of APEC-13 agricultural and non-agricultural imports are duty-free.

- Average tariff rates in APEC-13 are relatively low but, with the exception of Hong Kong, China and Singapore, have not yet achieved free trade.

- Most APEC-13 economies protect their agricultural sector relatively more than their non-agricultural sectors.

- Tariff peaks still prevail in selected agricultural and non-agricultural sectors in most APEC-13 economies.

- Customs procedures and operations in APEC-13 economies have become more transparent.

- Introduction of Single Window systems have simplified customs clearance, and so have initiatives to coordinate and integrate border-related activities. These measures have made APEC-13 economies among the most efficient in clearing goods through customs.

- Fees associated with readying a container to cross APEC-13 borders are among the lowest in the world.
- Alignment of national standards with international standards has taken place in many APEC-13 economies, and multilateral trade rules/good regulatory practices promoting use of international standards have become embedded in national standardisation systems.
- Most APEC-13 economies are engaged in a growing number of mutual recognition agreements of conformity assessment results, which is another way to reduce trade costs resulting from differences in national regulatory regimes.

Investment

- All APEC-13 economies have open investment regimes, at varying degrees of liberalisation. As the OECD FDI Regulatory Restrictiveness Index (revised in 2010) shows, the level of FDI restrictiveness in some APEC-13 economies is low (Peru, Chile and the United States), while additional liberalisation steps could be taken in a number of countries.

- Most APEC-13 economies made the most significant progress towards investment liberalisation during the 80s and mid 90s, and today, most of them maintain only limited restrictions to direct inward investment. Restrictions are typically in the areas of transport, energy, telecommunications, and branching in the insurance and financial sectors.

- Further progress in investment liberalisation has been achieved over the past years, notably through reducing restrictions on foreign ownership and limiting the scope of review requirements for foreign investment.

- APEC-13 economies have also made progress in granting national treatment to foreign-controlled enterprises. Exceptions to national treatment in most APEC-13 economies are typically limited to specific sectors, notably mining, transport, fisheries, broadcasting and telecommunications.

- A key driver for continuous progress in investment liberalisation in most APEC-13 economies has been a strong commitment towards progressive liberalisation through implementation of key principles, such as non-discrimination and standstill, which discourage the maintenance of restrictions to foreign investment or adding new ones.

- APEC-13 economies are committed to the principle of transparency in investment. Most APEC-13 economies have undertaken legally binding reporting requirements under OECD investment instruments.

- The distinctive OECD process of peer review of investment measures in a multilateral setting has provided support for policy-makers in most APEC-13 economies, by taking into account the specificity of their circumstances while, at the same time, sharing with them the accumulated experience of economies in similar policy situations.

- In the past few years, many economies have adopted investment measures related to national security. In order to prevent protectionism, most APEC -13 economies participated in developing principles to ensure that measures taken for national security are least-discriminatory, transparent and predictable, proportionate to the objective pursued, and accountable in their application.

Policy Recommendations

I. Trade Policy

- Particularly in the context of the current timid recovery environment, a **real commitment** to resist protectionist pressures and to conclude the DDA would do much to build confidence.

- This commitment should extend to international policy coordination of timely exit strategies from exceptional stimulus measures.

- Launch analysis and discussions of the microeconomic implications of global imbalances and innovative approaches to rebalancing.

- Consider establishing a review mechanism under the APEC framework to systematically assess PTAs conducted within the region in relation to the principles established under the *Best Practice For RTAs/FTAs in APEC* document, particularly in its written support:

  - for the inclusion of "accession clauses" which allow third parties to join PTAs after their conclusion;

  - that PTAs including developing economies, which are normally subject to less stringent requirements under WTO rules, nevertheless adhere to obligations applying to developed economies "whenever possible"; and

– of PTAs employing simplified and harmonised rules of origin requirements “wherever possible” in order to reduce the negative effects of “hub and spoke” patterns of trading relations among interlocking PTA partners.

- Conclude as soon as possible work on identifying divergences in APEC members’ RTAs.

- In agriculture, continue use of non-distorting decoupled payments rather than market price support or input subsidies to support farmers, and move to effectively target that support to specific policy goals and intended beneficiaries.

- Move closer to free trade by eliminating nuisance tariffs (less than 5%) which represent a sizeable share of most APEC-13 tariff schedules.

- Work to reduce and eventually eliminate all tariff peaks. This, together with the elimination of nuisance tariffs would promote trade, greatly reduce inter-sectoral distortions and, in particular, effective rates of protection, and enhance economic efficiency.

- Cooperate in global forums such as the WTO to advance trade liberalisation and economic reform measures (as was done in the case of the WTO Information Technology Agreement).

- Collect and publish data on standards alignment results over time and by sector, and of MRAs and their actual use by businesses.

II. Investment Policy

- Consider strengthening commitments to investment liberalisation by moving from non-binding investment principles to binding undertakings.

- Strengthen transparency and engage in peer reviews of investment liberalisation commitments.

- Take more active part in international investment dialogues, such as the Freedom of Investment Roundtable hosted by the OECD.

- Ensure that national security measures are not used for protectionist purposes and do not negatively affect investment in the region.

PROGRESS TOWARDS TRADE LIBERALISATION BY INDUSTRIALISED APEC ECONOMIES[5]

Introduction

10. Since the establishment of the Bogor Goals, the trade policies of the APEC-13 economies experienced significant liberalisation primarily on an applied most-favoured-nation (MFN) level. However, this liberalisation has been less pronounced in the agricultural sector than in others. In addition, notable progress has been achieved in reducing trade costs in APEC-13 economies. Additional avenues of liberalisation not yet possible at the MFN level are increasingly being pursued through preferential trade agreements (PTAs). These achievements have been accompanied by rapid growth in trade flows both among APEC members and *vis-à-vis* non-APEC members, including in the agricultural sector.

Overview of trade within the region

11. APEC economies are large traders. In 1995, total merchandise exports of the 21 APEC economies totalled $2.3 trillion or about 46% of world's total exports. The APEC-13 economies, on their own, accounted then for 38% of world's merchandise exports. The APEC economies tended to be relatively more focused on non-agricultural rather than agricultural exports totalling some $162 billion in 1995, about 35% of world's total, with the APEC-13 accounting for 28% of the world's total agricultural exports.

12. As a group, the APEC-13 economies import slightly more than they export. In 1995, their merchandise imports totalled almost $2 trillion (about 39% of total world imports) while all APEC members accounted for 45% of the total. Imports of agricultural goods totalled some $125 billion (27% of world total) while all APEC members imported a total of $160 billion (34% of world total).

13. Overall the 21 APEC economies were net exporters in 1995 with an aggregated surplus of some $34 billion. Seven out of the APEC-13 also ran a trade surplus, led by Japan's $144 billion. However, the APEC-13 as a group ran a trade deficit of some $47 billion, led by the United States with a deficit back in 1995 of $133 billion. In contrast, the APEC-13 were net exporters of agricultural products with a surplus of almost $7 billion led by the $33.7 billion American surplus. Japan on the other hand, not surprisingly, ran a trade deficit in agricultural products of some $36 billion.

14. The high volume of trade undertaken by the APEC-13 (as well as all APEC members) underscores that they are very open economies. The share of trade (imports and exports) to GDP is higher for smaller economies such as Singapore (270%) and Hong Kong, China (170%), while lower for the larger economies such as the United States (18%) and Japan (15%).

15. During the period beginning with the conclusion of the Uruguay Round of multilateral trade negotiations in 1995 and 2007, world trade expanded substantially almost tripling in value from $5 trillion to almost $14 trillion, a growth rate of some 8.6% a year. The APEC economies were big participants in

5 Within the context of this paper "Industrialised APEC members" is defined as including: Australia; Canada; Chile; Chinese Taipei; Hong Kong, China; Japan; Republic of Korea; Singapore; Malaysia; Mexico; New Zealand; Peru; and the United States – APEC-13.

this trade expansion, expanding their exports from $2.3 trillion to $6.1 trillion (Table 2), a growth rate of almost 8.5% a year. In contrast, although exports from the APEC-13 economies have doubled during the period, to almost $4 trillion, their exports grew at a rate of 6.3% a year, a rate below that of the other APEC economies. However, Peru's exports almost quintupled, Chile's quadrupled while Korea's and Mexico's tripled during the period; exports from Australia, Canada, Chinese Taipei, Malaysia and Singapore more than doubled.

16. Exports of agricultural products have also expanded substantially during the 1995-2007 period almost doubling to $916 billion, an annual growth rate of some 5.8% (Table 2). But, as is the case for all merchandise trade, growth in exports of agricultural products for all APEC economies and especially the APEC-13 have grown at a slower annual rate of 5.3% and 4.4%, respectively resulting in a loss of market share. Nonetheless, agricultural exports from Canada, Chile, Malaysia, Mexico, New Zealand and Peru more than doubled during the period.

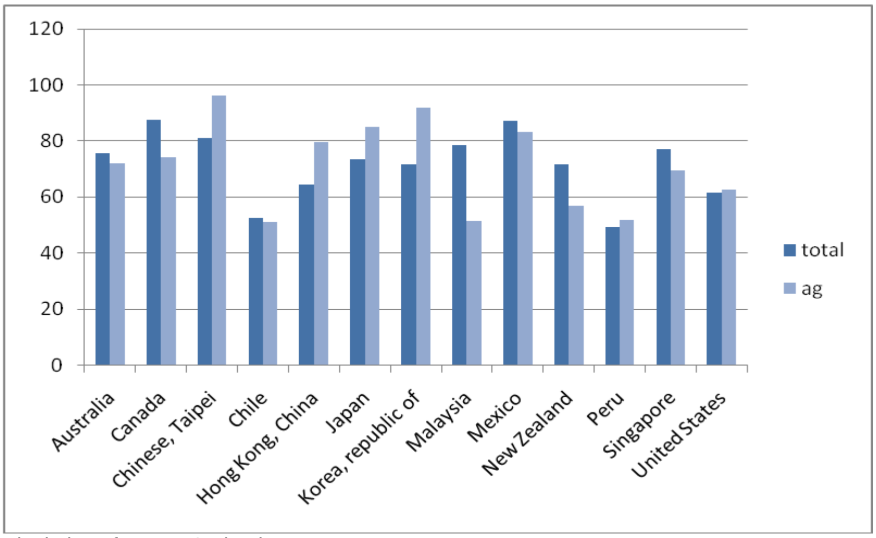
17. Imports by all APEC and APEC-13 economies experienced similar patterns: their growth was lower than the world's average resulting in falling share of total imports. Although merchandise imports of APEC-13 economies more than doubled to $4.7 trillion during the period 1995-2007, this was 34% of world's imports in 2007, some 5 percentage points below their share of imports in 1995 (Table 3).

18. Overall, the APEC economies have increased their global trade surplus to almost $150 billion, a four-fold increase over their 1995 level. This large surplus for the region occurred despite the fact that the trade deficit of the APEC-13 economies grew substantially to more than $700 billion. Six of the APEC-13 economies ran trade deficits in 2007 led by the United States with a $763 billion trade deficit.

19. In contrast, the APEC members ran an overall agricultural trade deficit of $11 billion with the APEC-13 economies generating a deficit of some $4 billion led by Japan's net imports of agricultural products of roughly $41 billion. In 2007, agricultural exports exceeded imports in seven of the APEC-13 economies led by the United States ($20 billion surplus) and Australia ($15 billion surplus).

20. One of the aims of APEC is to encourage and promote closer cooperation among its economies. One avenue towards this objective is through trade. APEC economies trade heavily within the APEC region. In 1995, APEC-13 economies, except for Chile and Peru, exported at least 60% of their products to other APEC economies with Canada and Mexico, as a result of their strong trade ties with the US, exporting almost 90% of their total to other APEC economies (Figure 1). There was a similar concentration of intra-APEC trade in the exports of agricultural products with only Chile, New Zealand, Malaysia and Peru falling below 60%. But even for these economies, more than half of their agricultural exports have found their way to other APEC economies.

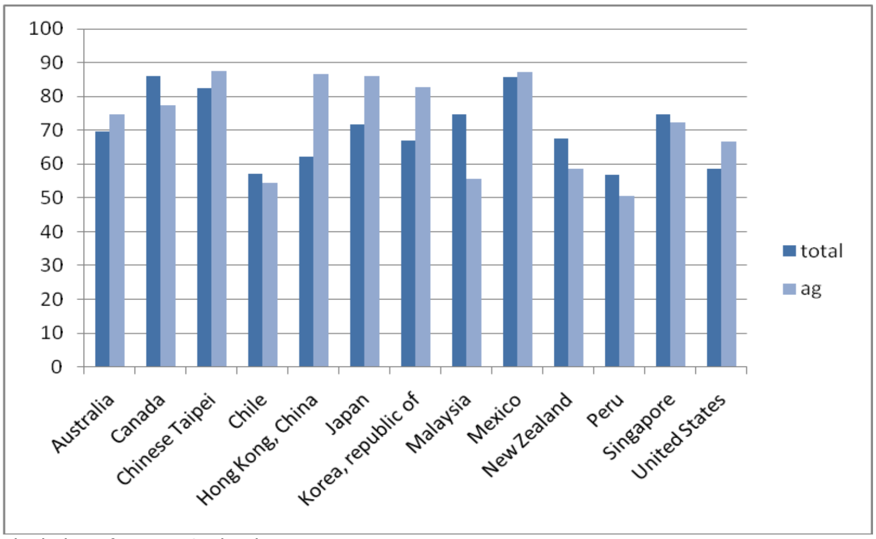
Figure 1. Share of APEC-13 Exports to other APEC Members (1995)



Source: Secretariat calculations from BACI database.

21. The "revealed" preference for intra-APEC trade continued in the more recent period with most of the APEC-13 economies exporting at least 60% of their goods to other APEC members (Figure 2). Within the APEC-13 however this pattern is in retreat as the proportion of their exports to other APEC economies, with the exception of Chile, Chinese Taipei and Peru, has declined. Intra-APEC trade in agricultural products also remained strong in the latter period with each APEC-13 economy exporting more than half of their agricultural products to other APEC members. Interestingly, in contrast to a falling share in intra-APEC trade for all merchandise trade, intra-APEC trade in agricultural products expanded with ten of the APEC-13 showing an increased share of intra-APEC trade (the exceptions were Chinese Taipei, Korea and Peru).

Figure 2. Share of APEC-13 Exports to other APEC Members (2007)



Source: Secretariat calculations from BACI database.

Tariff profiles

22. The Bogor Declaration stipulated that developed APEC economies reduce their tariffs to zero by 2010. In the 1990's, imports into two of the APEC-13 economies, Hong Kong, China and Singapore entered duty free (both agricultural and non-agricultural products). Average tariffs in the other APEC-13 economies were relatively low with only Chile, Mexico and Peru exhibiting overall average tariff rates greater than 10% in 1998 (Table 4). It appears that the APEC-13 economies with positive tariffs protect their agricultural sector relatively more than their non-agricultural sectors. The exception to this is Malaysia and New Zealand where, on average, tariffs on non-agricultural products are larger.

23. Most of the APEC-13 economies reduced their overall tariffs whether expressed as a simple average or based on trade weights (Table 4). The exception was Japan and Korea where some tariffs were higher relative to their 1998 level and Singapore where tariffs were introduced on some products that previously had zero rates. In the agricultural sector, higher tariffs were found in Canada, Japan, Korea, Mexico and Singapore on some products raising the simple average rate above the 1998 level. The trade weighted average is also higher for these countries except Canada where the trade weighted average tariff rate on agricultural products fell relative to its 1998 level.

24. The average tariff rates mask interesting information. For example, in 2008, 77% and 63% respectively of Japan's and Malaysia's non-agricultural imports entered duty free, while more than 40% of Australia's, Canada's, Chinese Taipei and New Zealand's non-agricultural imports entered duty free (Table 5). These are in addition to full duty free entry in Hong Kong, China and Singapore for non-agricultural products. Nonetheless, there are still non-agricultural products with relatively high bound as well as applied MFN tariff rates. In Mexico and Peru, almost all non-agricultural products have MFN bound rates greater than 25%, and the same is true for 27% of Malaysia's, 11% of New Zealand's, 7% of Australia's and 4% of Chinese Taipei's tariff lines. Although tariff lines with applied rates above 25% are relatively few in number, it is still the case that in Malaysia, 10% of the tariff lines have rates that are greater than 25%, while the same is true for about 11% of New Zealand's tariff lines, 6% of Mexico's, and 1% each in the case of Japan's, Chinese Taipei and the United States.

25. In 2008, more than 3/4th of Malaysia's agricultural imports entered free of duty while a sizeable share of agricultural imports entered duty free into Australia, New Zealand and Canada. In Hong Kong, China all agricultural products enter duty free, and almost 99% of Singapore's agricultural imports enter duty free (Table 5). At the other extreme, less than half of one percent of agricultural goods enter Chile duty free while only 1% of Peru's, 4% of Korea's and 7% of Mexico's agricultural imports are free of duties.

26. In most cases, the agricultural tariff schedule of APEC-13 is more dispersed with a higher proportion of tariff lines with relatively high rates than their non-agricultural schedule whether one examines the applied or the bound schedule. For example in 2008, more than 38% of Korea's applied MFN rates were greater than 25% while that was true for 30% of Japan's applied MFN rates, 20% of Canada's schedule, 17% of Chinese Taipei's schedule, 11% of the United States' schedule and 9% of Mexico's schedule. MFN bound rates were also fairly widely dispersed for most of the APEC-13 economies suggesting that there remains substantial scope progress towards free trade (Table 5).

27. Furthermore, the data suggest that the tariff schedule for some of these economies creates uncertainty for traders with applied rates lower than bound duties in many instances, enabling the possibility for economies to raise tariffs without breaking their WTO commitments. For example all of Peru's MFN bound rates for agricultural products are between 25% and 100%, while all of its applied tariffs in 2008 were less than 25%, thus providing Peru with considerable discretion to raise rates without breaching WTO commitments.

28. What are the sensitive sectors where many of the high tariff rates in APEC-13 tariff schedules reside?[6] Focusing on the APEC-13 non-zero applied MFN rates for the latest period, we find that Chile applies a uniform 6% rate across all sectors. The other APEC-13 economies discriminate in the protection they provide their various sectors. The non-zero tariffs found in Singapore's tariff schedule were applied to the Beverages and Tobacco sector. Singapore does not protect the other sectors allowing duty free imports. On a trade-weighted basis, Beverages and Tobacco was the sector with the highest average tariffs also in Australia, Chinese Taipei, Malaysia and Peru. Miscellaneous Manufactured Articles was the sector with the highest trade-weighted average tariff rate in New Zealand and the United States, while Food and Live Animals was the sector with the highest average tariff rate in four economies (Canada, Japan, Korea and Mexico) (Table 6). In general, the Beverages and Tobacco sector is among the most sensitive sectors within the APEC-13, receiving above average protection (based on trade weights) in 11 of the 13 economies (the exception is Chile and Hong Kong, China). Miscellaneous Manufactured Articles is also a sensitive sector with eight of the APEC-13 economies applying tariff rates that are above the national average, followed by Food and Live Animals with above national average rates in seven economies.

29. Although as noted the average applied rates are fairly low, the data suggest high tariffs are still applied by various APEC-13 economies in a number of sectors. One finds tariffs greater than 2000% in Japan's Food and Live Animals, more than 800% in Crude Materials Inedible, Except Fuels and almost 500% in Chemicals and Related Products sectors. In Canada, mega tariffs greater than 500% are found in the Food and Live Animals and Animal and Vegetable Oils, Fats and Waxes sectors and greater than 250% in the Beverages and Tobacco sector while there are four sectors in Korea with maximum tariff rates exceeding 600%. Maximum tariff rates of triple digits are also found in four sectors in Chinese Taipei and the United States, in two of Mexico's sectors and one in New Zealand. At the other extreme, a large share of many economies tariff structure contains nuisance tariffs of less than 5% (Table 6). The discriminatory tariff structure among the various sectors and the high tariff peaks distort trade and result in resource misallocation within sectors and between economies. There seems to be ample opportunities for APEC-13 economies to lower their tariff rates to get closer to the Bogor Goals of free trade.

Preferential trade agreements

30. Until recently, the APEC region has experienced relatively few preferential trade agreements (PTAs) in comparison to other regions. In the vast majority of instances, the significant reductions in applied MFN tariffs (*i.e.* below bound rates) from the 1980s through 2000 took place unilaterally. Since 2000, APEC members have individually and in sub-groups increasingly joined PTAs within and extending beyond the APEC region to supplement tariff liberalisations at the MFN level. Even though regionalism can be discriminatory and potentially trade-diverting, APEC economies acknowledge that PTAs can allow for liberalisation not possible multilaterally, thereby advancing trade and investment liberalisation in line with the Bogor Goals. Cognisant of the challenge that non-MFN liberalisations can pose to the APEC principle of "open regionalism", whereby attention is given to enabling economies outside the APEC region to benefit from liberalisations conducted within the region, the APEC members have established a *Best Practice For RTAs/FTAs in APEC* document which APEC members are encouraged to apply.

31. The Best Practices document supports that PTAs concluded in the APEC area adhere to the WTO rules governing PTAs covering trade in goods and services, and even goes beyond them in some respects. It establishes a principle that PTAs including developing economies, which under WTO rules are accorded flexibilities, nevertheless adhere to rules applying to developed members contained in Article XXIV of the General Agreement on Tariffs and Trade (GATT) and Article V of the General Agreement on Trade in Services "whenever possible". The Best Practices document in also notable in that it expressly encourages

6 The sectors are based on the SITC classification.

APEC members conducting PTAs to include provisions allowing for non-member economies to join them at a later date. Notably, this principle does not differentiate between APEC and non-APEC economies.

32. The recent increase in PTA activity within APEC region has also engendered research underlining the possibility that "hub and spoke" bilateralism could gain momentum in East Asia, and proposing approaches addressing its potentially negative implications.[7] The emergence of hub and spoke bilateralism whereby certain economies negotiate multiple bilateral PTAs with individual economies tend to place the "hub" at an advantage over the "spoke" economies. The relative advantage of the hub economy stems from the broader access its firms enjoy *vis-à-vis* the markets of spoke economies, as well as the inward investment that it is thus likely to receive from firms in spoke economies seeking to benefit from the better market access afforded by locating in the hub economy. The economic distortions thus created not only disadvantage spoke economies, but reduce overall economic efficiency throughout the region *via* misallocation of resources. The tendency for hub and spoke patterns to form in regions experiencing intense PTA activity is one that has been familiar in other areas of the world.

33. Some research suggests, however, that the same constituencies supporting the formation of hub and spoke patterns of trade relations eventually come to favour their removal due to the high trade costs that the complicated rules of origin (required by hub and spoke patterns of trade relations to function) create for business over time. Approaches to reducing trade costs tend to rely on policy instruments such as "diagonal" or "full cumulation" in regulations governing rules of origin, which have the effect of reducing regulatory impediments to trade between and among all economies within a PTA network.[8] If this pattern is generalised, it would be prudent for policy-makers to engage policy actions to rebalance the potentially negative economic effects of emerging spoke and hub patterns of regional trading relationships through concerted policy actions.[9]

Agricultural policy

34. Since the time of the Bogor Declaration the APEC-13 economies have enacted new legislation governing their agricultural sectors. Most recently, the United States enacted the Food, Conservation and Energy Act in 2008. Most of the funds under the new Farm Act are provided for domestic food assistance, rather than for producer support programmes. The new Farm Act does not imply radical change in United States agricultural policy, as steps previously taken towards less distorting agricultural policies remain in place, it does seem to imply a standstill in additional movement toward less distorting policies. For example, funding for less distorting decoupled direct payment programs, which started in the earlier Farm Bill following the Uruguay Round, are not increased in the current program, nor does the program expand the production flexibility of these payments by retaining commodity exceptions in the program. On the contrary, commodity programmes that are countercyclical with prices are retained and more commodities are now eligible, while they are complemented with a new optional revenue-based programme (ACRE). Revenue based instruments are better targeted to farmers' risks and they typically imply a reduction in expected payments. Targeting could be improved if payments were based on whole of farm revenue and farmers' response to market signals may be enhanced by reducing the complexity of their decisions which are currently subject to several sophisticated programmes and options. In the trade area, the new Farm Act abolishes the Export Enhancement Program, and the Export Credit guarantee programmes have been modified with the aim to make them consistent with the ruling of the WTO cotton case.

7 Baldwin (2007).

8 For more detailed discussion see: Baldwin (2006).

9 Baldwin Richard (2007).

35. Japan has taken some steps towards less intervention in its agricultural sector. For example, in 2007 Japan abolished administered prices for wheat, barley, sugar beet, sugar cane and starch potatoes. Japan also introduced three new direct payments for those with farms of a minimum size, replacing specific payments based on output for which administered prices were abolished. But, Japan retained administered prices for pig meat, beef and beef calves. Furthermore, in October 2007, Japan, in response to the fall in the domestic price of rice, increased purchases and stockholding and subsidised use of rice for feed, while prefectures were called upon to reduce production quota in exchange for increased rice diversion payments.

36. Korea made some progress towards more market oriented policies although market price support accounts for a significant share of producer support. But, in recent years, the share of support from direct payments schemes (a less distorting form of support) has increased. Nonetheless, further efforts are required to reduce the level of producer support linked to specific commodities and impediments to structural adjustment need to be reduced.

37. Mexico has made good progress towards market orientation. There has been a reduction in support based on output, which represents less than half of producer support in 2006-08. However, support based on input use (among the least effective means of transferring support to producers) has increased in the last decade and in 2008 accounted for more than half of the producer support. But, continuing reforms have reduced the degree of market distortions, improved the effectiveness of income transfers to producers, shifted public expenditure towards rural areas with non-agricultural programmes and reduced consumption subsides, which are now targeted to the poor.

38. Some of the APEC-13 economies have introduced biofuels policies as part of their climate change mitigation and energy diversification strategies, including three OECD members that are in APEC-13. Canada launched the Eco-Agriculture Bio-Fuels Capital initiative for the construction of biofuel production facilities. In February 2007, Japan announced an action plan to increase domestically produced biofuel and introduced credit concessions and tax benefits for biofuels producers. The United States 2008 Farm Act provides support to buy domestically produced sugar for biofuel production under limited conditions related to the sugar price support programme. As concerns about climate change and the desire to diversify energy sources intensify, economies should be vigilant to ensure that their policies do not unduly restrict trade and distort incentives.

39. Overall, public support to agriculture for the OECD members (as of 2009[10]) of APEC-13 has declined in the 2006-08 period relative to the 1986-88 period (as it did for all OECD members except for Turkey). Average support in the seven of the APEC-13 OECD members (New Zealand Australia, United States, Mexico and Canada, in order from lowest to highest) was below the OECD average, while Japan's and Korea's support (also in order of lowest to highest) was above the OECD average.

40. For Chile, the OECD estimated that the producer support estimate in 2007 totalled $285 million (which is below the OECD average), a 5% drop from its 2006 level. Although Chile has a relatively open trade policy, the economy operates a price band system for wheat, wheat flour and sugar. With the high world prices in 2007 and reforms to the system to be compatible with the WTO, the economic significance of the price band system diminished. Price support has continued to decline and farm prices are now almost exclusively market determined. Support to producers as measured by the PSE[11] has fallen from 8% in 1995-97 to 4% in 2005-07. The main source of support arises from budgetary allocations for input subsidies, to provide public goods or for general services. Thus, payments to farmers and spending on

[10] Chile joined the OECD on 7 May 2010.

[11] The percentage Producer Support Estimate (%PSE) expresses the monetary value of policy transfers from consumers and taxpayers to producers as a percentage of gross farm receipts.

services to support agriculture have continued to increase. Chile has ensured that its agricultural policies remain well targeted on its principal objectives of improving sectoral competitiveness and facilitating smallholder development, and has avoided the use of distorting policies in pursuit of these objectives. As Chile's agricultural policy evolves in the future, it may be useful to reconsider the use of input subsidies as OECD work has shown that these tend to be relatively more distorting and less efficient means of transferring income to farmers. In Chinese Taipei, various forms of assistance are provided to agricultural and fisheries products including price stabilisation measures for rice and sugar, state trading for rice and income support programs for elderly farmers. According to the WTO's trade policy review, in 2004 agricultural subsidies totalled about 0.03% of GDP. Under the Ninth Malaysian Plan covering 2006-2010, the agricultural sector is identified as the third engine of growth with a focus on developing large-scale commercial farming.

Trade Facilitation

41. While trade facilitation according to APEC understanding includes a variety of elements, the review is limited to two areas: (1) measures to simplify and harmonise customs-related procedures and operations; and, (2) activities related to standards and conformity. A comprehensive and systematic review of actions undertaken by APEC-13 economies in these areas since 1994, as part of collective or individual action plans, is beyond the scope of this work. Instead, progress towards achieving the Bogor Goals through reforms undertaken in these areas is assessed broadly, illustrating achievements by means of examples of actions that individual APEC-13 economies have undertaken, and by use of available indicators.

Streamlining and harmonising customs procedures

42. As tariffs and many non-tariff border barriers (such as quantitative restrictions) have been reduced or eliminated, *transaction costs related to customs procedures and administration* have been recognised as increasingly important. A survey of companies in the Asia-Pacific region, conducted in 2000 by the Asia Pacific Foundation of Canada (APFC), found customs procedures to be the single most serious trade impediment, ahead of restrictive administrative regulations and tariffs.[12] Among the specific issues raised, complexity of customs regulations and lack of information on customs laws, regulations, administrative guidelines and rulings, ranked highest.

43. Empirical studies of how efficiency in border procedures affects economic performance indicate that the losses businesses incur through delays at border, lack of transparency and predictability, complicated documentation requirements and other outdated customs procedures can exceed the costs of tariffs.[13] Beyond direct costs for complying with border procedures, trade-related transaction costs often include indirect costs. Long delays in customs inspection can result in loss of business opportunities and also impose depreciation costs, for example on perishable goods, and inventory-holding costs.

44. APEC members agreed under the 2001 Shanghai Accord to reduce transaction costs in the region. Since then, two successive APEC Trade Facilitation Action Plans (TFAP I and II) have outlined work plans and goals to be achieved in the area of customs procedures. Their overall goals have been to harmonise procedures, undertake customs-related reforms for accelerating approvals for import and export, and improve the ease, speed and predictability of customs clearance. Collective and unilateral actions undertaken by APEC members under this framework are overseen by the Sub-Committee on Customs Procedures (SCCP). Although comprehensive evaluation of APEC-13 efforts under this heading is beyond the scope of this review, the following section provides illustrative highlights.

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12 Overcoming border bottlenecks: The costs and benefits of trade facilitation, OECD, 2009, p. 90.

13 *Ibid*., p. 82.

APEC-13 reform activities

45. APEC-13 economies have implemented obligations under WTO rules with respect to customs and related border requirements including GATT Articles V (freedom of transit), Article VIII (fees and formalities connected with importation and exportation) and Article X (publication and administration of trade regulations). In relation to transparency, a key aspect of APEC's trade facilitation agenda, the APEC-13 economies have taken numerous steps to make the operation of their national customs regimes more transparent. The scope of regulatory and administrative information relating to customs and other border-related regulatory requirements has expanded and is freely accessible through traditional and electronic means, including customs websites linked to APEC web portals. Inquiry points for customs and related procedures have been established. APEC-13 economies have also contributed to such collective APEC initiatives as the creation of an APEC Tariff Database and publication of an APEC Customs and Trade Facilitation Handbook.

46. Aligning national regulations and procedures with international standards promotes trade and has been a fundamental support for "open regionalism". Implementing commitments in individual or collective action plans issued over the years, all APEC-13 have taken measures to *align their customs systems with international standards* – an important stepping stone towards achieving efficiency-enhancing interface operability, both APEC-wide and globally. For example:

- In accordance with collective objectives set in the TFAPs, APEC-13 have aligned their tariff structures with the HS Convention of the WCO.
- Eight of the APEC-13 have signed the Revised Kyoto Convention; the other economies have taken steps to follow the Convention's standards and best practices for simplified, modern and harmonised customs procedures.
- Most APEC-13 economies are applying the WCO Immediate Release Guidelines to low value shipments. These guidelines were developed under the impetus of the express carrier industry to deal with the expeditious release of large volumes of small consignments.

47. Modern information technology and automation of customs procedures can significantly accelerate approvals for import and export and improve the ease, speed and predictability of customs clearance. In areas ranging from payment of duties to document and data processing and customs clearance, almost all APEC-13 economies have transitioned to electronic (paperless) systems. Use of electronically delivered information has also been promoted by measures which many APEC-13 economies have taken in the post-9/11 era to reinforce cross-border security and risk management systems. These measures serve to reduce the costs generated by more stringent controls which could run counter to efforts towards simplification of border-related documentation.

48. APEC-13 economies have set up automated Single Window systems integrating increasingly not only Customs Administration but also other regulatory functions at the border. Such Single Windows allow businesses involved in trade and transport to electronically submit standardised information and documents at a single entry point to fulfil all import, export and transit related regulatory requirements. They also make it easier for public agencies to share information and coordinate controls and inspections. Simplifying and coordinating the documentary and procedural requirements from all agencies concerned with the movement of goods (including agencies responsible for health and safety, food inspection, import licensing, tax collection, quality inspection, etc.) has simplified the processing of goods crossing borders and also increased efficiency. Given the complexity of national regulatory systems, integration of border-related activities across multiple agencies is typically incremental and takes many years. Resulting trade cost savings are illustrated in the case of Singapore's adoption of its Electronics Data Interchange system (Box 1). Other state-of-the art Single Window models include the International Trade Data System (ITDS)

of the United States, Single Window Initiative (CWI) of the Canada Border Services Agency, and Korea's *u Trade Hub* facility.

Box 1. Singapore's TradeNet initiative and Korea's u-Trade Platform

When the Singapore Trade Development Board launched an electronic trade document system, the Electronic Data Interchange system (TradeNet), in 1989, the system linked public agencies and trade parties to a single point of transaction for most trade-related activities, ranging from payment of duties and taxes to processing of import and export permits and certificates. Through this system, 21 different forms, submitted to 23 different agencies and generating delays of 15 to 20 days were replaced by 2 electronic forms, enabling all necessary approvals to be obtained in 15 minutes.[14] The new system reportedly reduced trade documentation processing costs by 20-35% for traders.

Improvements over time have included use of public-private partnerships increasing the involvement of the private sector in the delivery of public services and its participation in risk management, and better integration of movement controls. By 2008, the systems processed about 30,000 declarations per day and 90% of permits were processed within 10 minutes.

Source: United Nations, *Trade Facilitation Handbook For the Greater Mekong Region*, New York, 2002 and Evolution of Singapore's Single Window, APEC 2009/SCCP/SWWG/WKSP4/005, April 2009.

Concerned about the impact of complex and inefficient customs procedures on national competitiveness, Korea launched in 2003 an ambitious modernisation programme setting up a single entry point e-customs system with one-time declaration and 100% electronic clearance features. This facility for customs formalities is part of the *u Trade Hub*, an Internet-based trade exchange portal providing the full range of other operations and services that traders may need (marketing, trade financing, logistics and financial settlement). As part of the overhaul, the number of products that need to be certified by Korea Customs Service (KCS) during import clearance have been reduced. Procedures for refund of duties and for express consignment have been simplified. Cargo management has been automated as well. Officials and importers can track the status of given imports on the Internet on a real-time basis. The authorities have also set up a comprehensive risk-management system, expanded the post-audit system and taken special measures to strengthen national integrity systems and reduce opportunities for corruption

The Single Window connects KCS and a growing number of (currently 16) other public agencies, along with importers and exporters, customs brokers, shipping companies and other parties involved in trade and transport. In early 2007, the system reportedly handled 93% of total import verification. For companies the cost savings have been significant. Average clearance time from port entry to release from a bonded warehouse diminished from 9.6 days in 2003 to 3.9 days in 2006 and 3.54 days in 2007. Clearance time fell from 4.6 days in 2003 to 2.78 days in 2007 for air cargo and from 16.2 days to 5.85 days for sea cargo. Application of x-ray screening equipment instead of manual/physical inspections has cut inspection time per container from 4-5 hours to 10 minutes. Business expenses related to fees for document transmission have been reduced (by over US$ 10 million annually), and so have logistics costs.

Source: WTO Trade Policy Review, Korea WT/TPR,/S/137, 2004; APEC, 2005-2006 Individual Action Plan for Korea: Highlights on Trade Facilitation Work cum Progress of Implementation of Trade Facilitation Action Plan; and Individual Action Plan Update for Korea for 2005;OECD Reviews of Regulatory Reform: Korea – Progress in implementing regulatory reform, 2007.

49. APEC has been a laboratory for using – and often developing – diagnostic tools for regulatory self-assessment. A good example in the area of customs procedures is the use of *Time-Release Surveys.* These surveys measure the time for the release of goods, to identify and deal with bottlenecks in customs procedures, and were included in the Collective Action Plan approved in the 2005 APEC Sub Committee on Customs Procedures. Many APEC-13 economies have made strategic use of this tool in order to identify and deal with bottlenecks, as the case of Japan shows (Box 2).

[14] *Paperless Trading Benefits to APEC*. Ministry of Foreign Affairs and Trade, Australia 2001.

Box 2. Sustaining reform momentum in Japan through Time-Release-Surveys

Since 1991, Japan has conducted nine surveys, for both air and sea cargo to monitor the evolution of the border process, identify problem areas and assess the efficiency of reform measures The survey method is based on the WCO Guide with collaboration of various relevant authorities. From 1991 to 2001, the total time required for import clearance for air cargo dropped by 50%, from 2.2 days to 1.1 days, and the time required to clear customs dropped by 74% from 2.3 hours to 0.6 hours. The total time for import clearance for sea cargo dropped by 66%, from 7 days to 3.1 days, and the time required to clear customs dropped by 81% from 26.1 hours to 4.9 hours. In recent years, these figures have increased. Continuation of this exercise has resulted in further progress since 2001. By 2006, import clearance took 2.7 days for sea cargo, and 0.6 days for air cargo.

Source: Customs and Tariff Bureau, MOF, Japan, as reported in “Japan’s proposal on measuring the time required for the release of goods”. 2003/SOM II/CTI/019, APEC Committee on Trade and Investment (CTI), Khon Kaen, Thailand, 25-26 May 2003; Enhancing market openness through regulatory reform in Australia, OECD TAD/TC/WP(2009)14/FINAL, p. 32.

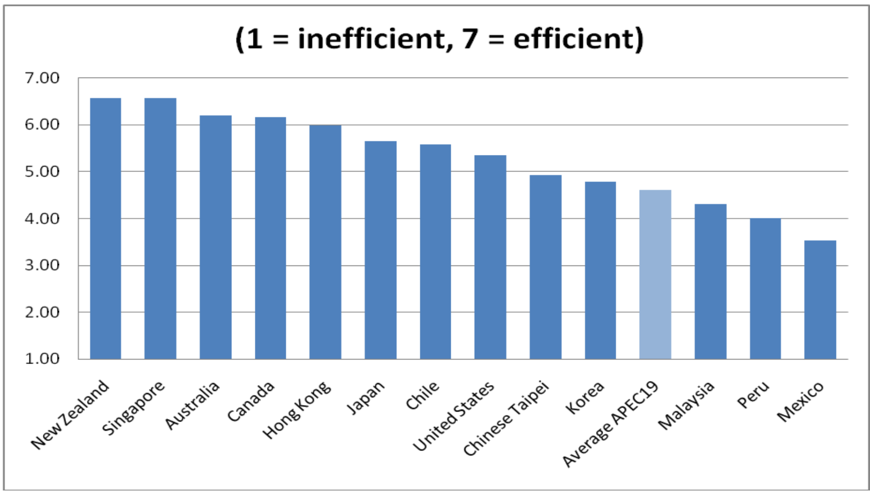
Assessing progress

50. Have trade facilitating actions taken by APEC-13 in the area of customs procedures paid off in concrete terms and hence contributed to achievement of the Bogor Goals? Have the customs procedures in APEC-13 economies become more transparent and simpler?

51. It is recalled that the APEC 2000 business survey identified complexity of customs regulations and lack of information on customs laws, regulations, administrative guidelines and rulings as particularly problematic areas in both the industrial members of APEC and the developing economies. While not directly comparable, data from a 2008/2009 business survey conducted by the World Economic Forum show a very different picture today.

52. Figure 3 shows that many APEC-13 economies receive high grades on the issue of “*transparency of border administration.”* Most APEC-13 economies also perform better than APEC on average as a group.

Figure 3. Transparency in border administration of the APEC-13 (2009)

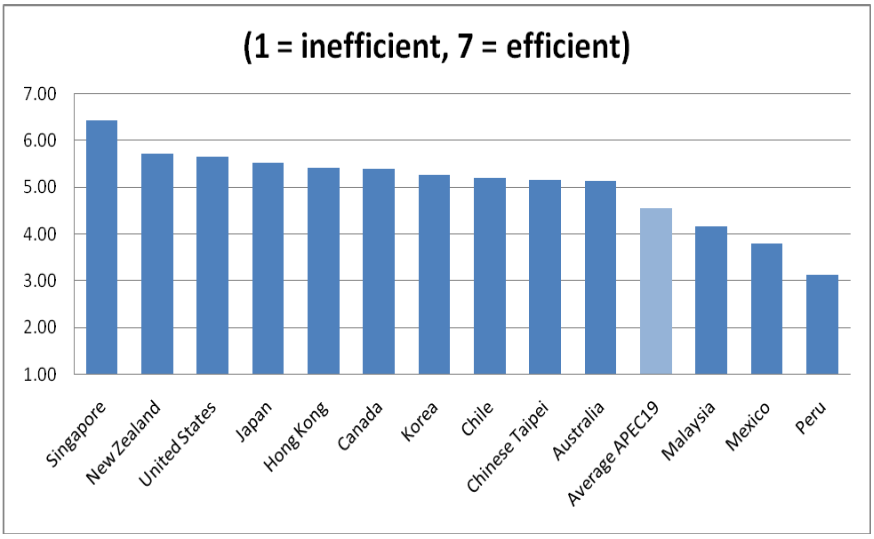


b

Note: APEC 19 = APEC 21 – Brunei Darussalam – Papua New Guinea.
Source: World Economic Forum (2009) The Global Enabling Trade Report 2008. Geneva: World Economic Forum.

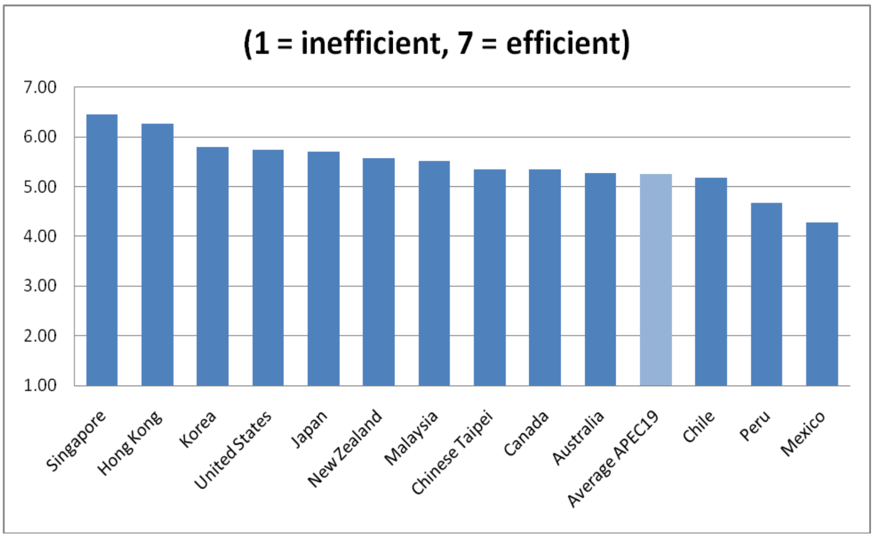
53. A majority of APEC-13 economies also perform well on indicators of perceived "*efficiency of customs administration*" and "*efficiency of import-export procedures,*" shown in Figures 4 and 5, respectively.

Figure 4. Efficiency of customs administration in the APEC-13 (2009)



Note: APEC 19 = APEC 21 – Brunei Darussalam – Papua New Guinea.
Source: World Economic Forum (2009) The Global Enabling Trade Report 2008. Geneva: World Economic Forum.

Figure 5. Efficiency of import-export procedures in the APEC-13 (2009)



Note: APEC 19 = APEC 21 – Brunei Darussalam – Papua New Guinea.
Source: World Economic Forum (2009) The Global Enabling Trade Report 2008. Geneva: World Economic Forum.

Standards and conformity assessment

54. APEC trade facilitating goals include reforms of standards and conformity assessment policies in the region. Towards that end, the APEC Sub-Committee on Standards and Conformance (SCSC) was established in 1994 with the goal of eliminating trade distortions arising from domestic regulations and standardisation activities. The APEC agenda for work on standards and conformity assessment policies in

the region has involved a broad range of activities. These range from implementation of the Uruguay Round TBT and SPS Agreements, initiatives to ease the costs associated with conformity assessment by promoting APEC-wide Mutual Recognition Agreements (MRAs) in regulated and non-regulated product sectors, and promotion of strong international cooperation. The work has been carried forward through collective actions and voluntary commitments to unilateral reform.

55. Standards and conformity assessment procedures are important tools for achieving such societal goals as protecting consumers' health and safety and the environment. They can however also raise exporters' costs unnecessarily and act as trade barriers. Such costs arise when standards and technical regulations differ across markets, if an economy's regulations are not transparent, or firms have to demonstrate for separate markets conformity with standards that are identical. Although surveys suggest that the economic effects and costs of standards, technical regulations and conformity assessment procedures may be considerable, such costs or trade effects have been difficult to assess and quantify empirically.[15] Costs, and changes in costs resulting from trade facilitation reforms in this area, are hard to measure directly because, for example, compliance cost data are hard to obtain from the private sector.

Enhanced transparency of national standards and regulatory regimes

56. Lack of transparency of an economy's regulatory process can entail prohibitive search and other types of costs for exporters that need to know the product standards, certification, testing and other conformity assessment rules applicable to product approval in a foreign market. All APEC-13 economies follow WTO principles and procedures for transparency in standardisation, including advanced notice of regulations and standards under development or revision, stakeholder consultation in the regulatory process and availability of information through publications and other channels. Box 3 provides a good illustration of mechanisms that economies have set up to ensure public availability of information. APEC-13 economies are also regularly updating the APEC Contact Points for Standards and Conformance Information.

Box 3. National information channels in the United States

The United States has put in place a National Center for Standards and Certification Information (NCSCI) which is the central repository for standards-related information in the economy. NCSCI provides access to standards, technical regulations and related documents published by United States and foreign economies as well as by domestic, foreign and international private-sector standards organisations. It also serves as the United States enquiry point under the TBT Agreement. All proposed United States rules (mandatory technical requirements or conformity assessment systems) including proposed revisions, are published in the Federal Register by the responsible Federal Agency. NCSCI staff regularly review the Register to identify those proposed regulations that might potentially affect trade and notify them to the WTO.

Source: OECD, Good regulatory practice for the preparation, adoption and application of technical regulations, TD/TC/WP(2004)38.

15 Keith Maskus, Tsunehiro Otsuki and John Wilson, An empirical framework for analysing technical regulations and trade, in: Keith Maskus and John Wislon (eds), Quantifying the impact of technical barriers to trade: Can it be done? Ann Arbour: University of Michigan Press, 2001, and Mattias Ganslandt and James R. Markusen, Standards and related regulations in international trade: A modelling approach, in: Keith Maskus and John Wislon (eds), Quantifying the impact of technical barriers to trade: Can it be done? Ann Arbour: University of Michigan Press, 2001

Alignment with international standards

57. Unnecessary product adaptations to different requirements of multiple export markets can be avoided by harmonising standards across economies and by ensuring that domestic regulations use such harmonised standards. One of the collective goals of APEC towards the achievement of free and open trade in the region has consisted of members moving to align their national standards with international standards.[16] This process was initiated through an SCSC work schedule identifying certain priority sectors and areas for alignment. APEC does not publish data on performance of individual economies. Based on information available on some of the APEC-13 economies shown in Box 4, it appears that national standards are increasingly being aligned with international standards.

Box 4. Progress in aligning domestic standards with international standards

AUSTRALIA – By 2006, some 43% of the total stock of approximately 6 500 Australian Standards were internationally aligned. The vast majority (over 80%) of Australia Standards are developed jointly with New Zealand. As for new Australian Standards published in 2006, where corresponding international standards existed, 84% were adopted as Australian Standards without modification and 13% were adopted with modification. The remaining 3.5% of international standards were not adopted.

CANADA – About 50 per cent of the national standards issued in 1996 were aligned with ISO or IEC standards. This share increased to around 60% on average for the period 2003-2006.

CHINESE TAIPEI – In 2004, about 25% of domestic standards were aligned with international standards. Of the domestic standards developed in 2005, 100% of these were aligned with existing international standards. For 2002 and 2003, the figures were 93% and 86%, respectively.

JAPAN – By 2008, about 96% of Japanese Industrial Standards (JIS) were aligned to their international counterparts, compared with 93% in 2005.

KOREA – By the end of 2007, 61.4% of the existing Korean standards were harmonised with relevant ISO or IEC standards, and about 30% of Korean standards referenced international standards other than ISO or IEC. This left about 9% of national standards without reference to international standards.

MALAYSIA – The percentage of Malaysian standards that have been harmonised with international standards increased from 35% in 2001 to 51% in 2005 and 58% in 2008.

NEW ZEALAND – In 2003, 35% of national standards were equivalent to ISO and/or IEC standards. By financial year 2007/2008, this figure had risen to 43%. The vast majority (over 80%) of New Zealand Standards are developed jointly with Australia.

PERU – In 2007, 27% of the stock of 1664 standards developed by INDECOPI, the Peruvian standards body, were identical to international standards, and 4% were based on such standards.

Source: WTO,Trade Policy Reviews for Canada (2007), Chinese Taipei (2006), Japan (2009), Korea ((2008), Malaysia (2006,2010), New Zealand (2009) and Peru (2007); for Australia www.parliament.vic.gov.au/edic/inquiries/manufacturing_in_victoria/submissions/VMI_Sub_64_Standards_Australia.pdf.

58. Alignment is consistent with the principles of the Code of Good Practice for the Preparation, Adoption and Application of Standards in Annex 3 of the WTO Agreement on TBT, which is applicable to

16 APEC adopted the term alignment to signal its disavowal of region-wide harmonisation of standards. Instead it has opted to ensure that key elements of national standards are similar to those of international organisations such as the ISO, IEC and ITU. Moreover, the term alignment does not signal any effort by APEC to create a regional standard to compete with national or international ones.

non-governmental standardisation bodies and which many standardisation bodies from the APEC region have signed. An example of how Code principles are shaping standardisation activities at the national level is provided in Box 5.

Box 5. Standard Australia's promotion of international standards use in national standardisation

Standard Australia has issued a Guide for standards committees to assist committees in their consideration of the international alignment of standards under development. The Guide sets out that the policy of Standards Australia is to base Australian Standards on International Standards to the maximum extent feasible and to apply the requirements of the WTO TBT Agreements as a benchmark. The stated objective of this policy is to ensure that if any such Standard were adopted by a government agency as a technical regulation, this would not violate Australia's obligation under the WTO Agreement on TBT. All proposals to develop new or revised Australian Standards must, *inter alia*, any relevant International Standards and all Australian Standards should be adoptions of International Standards, unless there are good reasons to the contrary. Such reasons must be set out in the introduction to any published standard which is not an adoption of an international standard.

Source: Standards Australia, Standardization Guide SG-007, revised 13-03-2008.

59. While alignment concerns voluntary and not mandatory standards (technical regulations), all APEC-13 economies have also taken steps to meet a related obligation under the TBT Agreement to use relevant international standards as a basis for technical regulations whenever possible or appropriate. This is also one of the market-openness principles of good regulatory practice, and it has in recent years become firmly embedded in the regulatory process of many APEC-13 economies. For example, Canada's Cabinet Directive on Streamlining Regulation (2007) mandates regulators to comply with the obligations of the TBT Agreement to adopt international standards whenever appropriate. Similarly, Decree 77/2004 of Chile prescribes that standards must be based on the relevant international standards, or if this is not possible, on relevant regional standards. In Mexico, the Law on Metrology and Standardisation stipulates that international standards must be taken into account in the development of mandatory technical regulations containing specifications (*Normas Oficiales Mexicanas)*, and that the degree of concordance with any relevant international standard must be stated.

60. Participation of national standardisation bodies in international standardisation activities carried out by the ISO, the IEC and other global forums is also promoting use of internationally harmonised standards in the APEC-13 economies. Such involvement helps to raise awareness of the advantages that international standards can offer for domestic industries, and it gives national standardisation bodies and regulators a stake in their development and a sense of ownership.

Mutual recognition agreements

61. Another major element of the trade liberalisation efforts of APEC-13 economies has been the negotiation of mutual recognition agreements (MRA). MRAs mean that regulators of one economy accept the test reports and certifications of the covered products from the partner economy, which reduces firms' costs and time to enter markets. There is some empirical evidence that MRAs enable increased trade flows between the parties involved.[17] However, the extent to which MRAs that have been concluded are actually used by exporting firms is unclear. Data on MRA-based certificates are not readily available.

62. Australia, Canada, New Zealand, Korea, Japan and the United States have been particularly active in concluding bilateral MRAs within the APEC region as well as with non-APEC members, and this

17 E.g. Baller (2007).

activity has increased over the years. Unfortunately neither SCSC nor individual economies keep records on the number of MRAs they have signed, or their sectoral and trade coverage.

63. Some, but not all, APEC-13 economies participate in two MRAs which APEC developed in the late 1990s at the regional level: the APEC Mutual Recognition Arrangement for Conformity Assessment of Telecommunications Equipment (APEC TEL MRA, 1998), providing information exchange and mutual recognition of test reports and product certification; and the APEC Mutual Recognition Arrangement for Conformity Assessment of Electrical and Electronic Equipment, providing mutual recognition of test reports and equipment certification (APEC EE MRA, 1999). Under both MRAs interested APEC members are allowed, but are not required, to conclude bilateral arrangements with other members to accept test reports and certificates among themselves.

64. Implementation of the APEC MRAs is on the menu of actions which APEC's second Trade Facilitation Action Plan (TFAP II) has put forth for member economies' consideration. As of March 2008, all APEC-13 economies except Peru and Mexico were participating in the APEC TEL arrangement, and all APEC-13 economies except Canada, Mexico, Peru and the United States participated in APEC EE MRA.[18]

65. Table 7 provides an overview of MRAs which Singapore has concluded in the goods sector. For the other larger APEC-13 economies, developing economies in the region are less often MRA partners. In general, MRAs involve only the mutual recognition of conformity assessment results, not the equivalence recognition of the substantive *standards* against which conformity is assessed, and which would lead to a further reduction of trade costs and facilitate trade. The Trans-Tasman MRA between Australia and New Zealand stands out in this respect, since it recognises equivalence of the economy's respective technical regulations.

66. MRAs require confidence in a partner's regime and procedures to be firmly established and can be laborious, and it appears that international interest in these arrangements is declining, also among APEC members.

67. In the *voluntary sector* of conformity assessment, APEC-13 economies are participating in recognition arrangements among national bodies responsible for such activities as accreditation, testing and certification. All except Chile and Peru are taking part in the Pacific Accreditation Cooperation (PAC), set up in 1994 to promote cross-regional mutual recognition of laboratory accreditation within the region. Through their national bodies, the economies are also participating in cross-regional MRAs for mutual recognition of laboratory accreditation bodies managed by the Asia-Pacific Laboratory Accreditation Cooperation (APLAC). APLAC comprises some forty national accreditation bodies, which accredits hundreds of laboratories, inspection and testing facilities across the region. Like MRAs, such recognition arrangements in the voluntary sector help avoid costs arising from duplicative testing and certification, and this facilitates trade. Over the years the richer APEC-13 economies have provided significant technical assistance to developing economies that have to strengthen their technical infrastructure for standardisation and conformance so that their testing and certification bodies meet the standards needed for being recognised abroad.

Other areas of technical regulatory cooperation

68. Some APEC-13 economies have been exploring other targets for regulatory co-operation as a means to facilitate trade.

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[18] Review of Mutual Recognition Schemes, Productivity Commission, Australia, January 2009, p. 354-56.

69. *Enforcement and compliance regimes* ensuring the safety of consumer products have received growing attention from APEC-13 economies that are major importers and find that not all foreign-made products meet national safety standards. The challenge to improve consumer safety without creating new technical trade barriers has prompted especially some of the advanced economies of APEC-13 to push this issue in recent years further up on the agenda of international standards and conformance discussions, including in APEC. Regulatory co-operation has increasingly focused on developing mechanisms for information exchange and cross-border coordination bringing the regulatory regimes of exporting and importing economies into better alignment. An example represents the recently launched APEC dialogue on toy safety described in Box 6. Since the early 2000 there have been efforts within APEC to promote the exchange of information on toy safety among APEC members. Recurring incidents involving unsafe products made abroad appear to more recently provide fresh impetus for engaging APEC trading partners more firmly on this front.

Box 6. Starting an APEC dialogue on toy safety

APEC economies produce up to 80% of the world's toy supply, with almost all 21 APEC economies being exporters, and at the same time import nearly 70% of the toys produced in the world. In recent years, incidents of unsafe toys finding their way into various markets have demonstrated weaknesses in national regulatory regimes. Product recalls have undermined consumer confidence, putting importing economies under pressure to regulate imported products more stringently. These developments can disrupt, reduce and divert trade flows and cause friction in international trade relations.

To encourage information exchange on national toy safety systems and foster closer collaboration in work to ensure product safety, the United States government and the private sector spearheaded in 2009 the development of a so-called **APEC Toy Safety Initiative.** Its goal is to facilitate trade in safe products, by *inter alia* bringing about a better alignment of diverging APEC economies' technical requirements and standards for toy safety, improving conformity assessment procedures, and sharing national experiences with regulatory procedures that work efficiently and effectively. By mid 2010, two meetings (in Singapore in August 2009 and Hong Kong in January 2010) bringing together and educating manufacturers, toy trade associations, testing companies and regulators from APEC economies as well as some non-APEC countries helped identify current practices of individual countries, including toy standards used. A Toy Safety Survey completed by APEC members has also enhanced transparency of national policies, and its data may serve as a baseline for measuring progress in regulatory alignment over time.

From a trade facilitation perspective, harmonised standards are key factors for safeguarding public health and safety. Differences in toy safety standards across APEC economies increases producers' costs of selling toys across APEC and can act as a serious market entry barrier. Adopting a common set of safety standards would help reduce firms' costs of compliance through streamlined product design, production techniques and product testing. It would also help facilitate testing laboratories and customs officials in ascertaining and enforcing toy safety standards. Reduction of overall transaction costs and time would benefit businesses, whereas consumers would have better assurance that the products produced anywhere in APEC are safe. Given the large amount of trade among APEC economies, harmonisation of APEC standards should lead to significant further increases in trade flows.

Quantifying progress in trade facilitation

70. One of the goals of the Bogor Declaration is to reduce trade costs through trade facilitation. The World Bank in its Trading Across Borders indicators which are a sub-set of indicators under the Doing Business Surveys, provide information on border procedures that can be used as indicators of the extent to which trade facilitation measures such as simplification of customs procedures bring exporters and importers tangible benefits. The measures provide international comparisons over time of four types of direct and indirect border-related costs that exporters and importers typically face. These indicators include the number of documents required to either export or import and the average number of days required to clear hurdles to export or import products that are assumed to be in a standardised 20 foot container. The indicators also measure the cost to get a standardised 20 foot container ready to cross a border. These data

are available for 2006 to 2010[19]. In general, the data show that the APEC area and especially the APEC-13 economies are among the most efficient in the world in terms of the number of documents needed, the time required and the cost associated with getting a container ready to cross a border.

Number of Documents to Export or Import

71. In 2006, 184 economies were included in the data, including all APEC members. The world-wide average number of documents required to export a container were 7.2. APEC economies appear to be less bureaucratic or more efficient requiring on average, 5.9 documents for a cargo to cross a border while the APEC-13 were even less bureaucratic requiring only 5.6 documents (Table 8). Canada was among the least demanding of its exporting firms requiring only 3 documents before allowing cargo to cross its borders while Japan, Hong Kong, China, Singapore and the United States required only 4 documents.

72. Importing firms on the other hand need slightly more documents than exporting firms before allowing goods to cross borders. On average in 2006, firms located in APEC region needed 7.4 documents before a container could enter the region compared to the world average of 9 documents (Table 8). Importing firm in APEC-13 faced slightly less bureaucratic hurdles needing on average only 6.6 documents. Importing firms in Singapore faced the fewest number of document requirements, needing only 4 to clear a container while Australia required 10. Note that in 2006, except for firms in Chinese Taipei, Malaysia, Mexico, New Zealand and Singapore, importing firms required more documents to get a cargo across a border compared to exporting firms.

73. It appears that governments worldwide reduced the documentation required to export or import goods. Between 2006 and 2010, the number of documents needed to export fell an average of almost 8% for all reporting economies, while APEC economies reduced the document burden on their exporters by some 5% (Table 8). Document burden to export by firms in APEC-13 also fell by some 8% over the time period with Canada leading the way, halving the number of documents needed to export to 3.

74. Governments made even larger strides in reducing the number of documents needed to import a container, with the number of documents declining by more than 18% over the period. APEC economies followed a similar path with the number of documents needed to import in the APEC region falling almost 19%. Even though the average number of documents to import in the APEC-13 was below the world and overall APEC average in 2006, they still lowered the number of documents required to import by almost 20% to a little more than 5 documents in 2010.

Length of Time to Needed to Complete Procedures to Export or Import

75. Having to fill out documents and other procedures to export costs time and time has been shown to create significant costs to trade. In 2006, the average number of days required to get a container ready to cross a border in the APEC region was 16 days which was substantially below the world's average of 29

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[19] The number of **documents** needed to export or import includes the documents required for clearance by public bodies, customs authorities, port and container terminal authorities, health and technical control agencies and banks. All documents required by banks for the issuance or securing of a letter of credit are also taken into account. The **time** required to export or to import starts from the moment the procedure starts until it is completed. Procedures range from packing the goods at the warehouse to their departure from the port of exit. For imported goods, procedures range from the vessel's arrival at the port of entry to the cargo's delivery at the warehouse. The waiting time between procedures is included. Cost measures the fees levied on a 20-foot container in U.S. dollars. Fees include costs for documents, administrative fees for custom clearance and technical control, customs broker fees, terminal handling charges and inland transport. The cost does not include tariffs or trade taxes. For more details see Trading Across Borders Methodology: www.doingbusiness.org/MethodologySurveys/TradingAcrossBorders.aspx.

days (Table 9). The APEC-13 economies were even more efficient getting a container ready to cross a border in only 13 days on average. Singapore and the United States were the quickest requiring only 5 and 6 days respectively while Peru (24 days) and Chile (21 days) were the slowest.

76. Over time, economies throughout the world managed to lower the time required to get a container ready to cross a border with the average time falling to 24 days in 2010. APEC members however managed marginal reductions with the average duration still lasting about the same amount of time as in 2006. In contrast, APEC-13 economies managed, on average, to reduce the process by a day, with the average time needed dropping to 11.5 days. Largest achievements were by Hong Kong, China which managed to reduce the time required by 7 days and Canada which managed to reduce the time required to export by 5 days (Table 9).

77. As was the case for the document requirements, the length of time required to get a container ready to import is also longer than the time needed to export that same container. On average for the world, it took 34 days to get a container ready to cross a border and be imported in 2006. And once again, APEC economies are more efficient as on average, it took only 17 days to get the container ready for importation (Table 9). And, APEC-13 economies are even more efficient needing only 14 days to get a container ready.

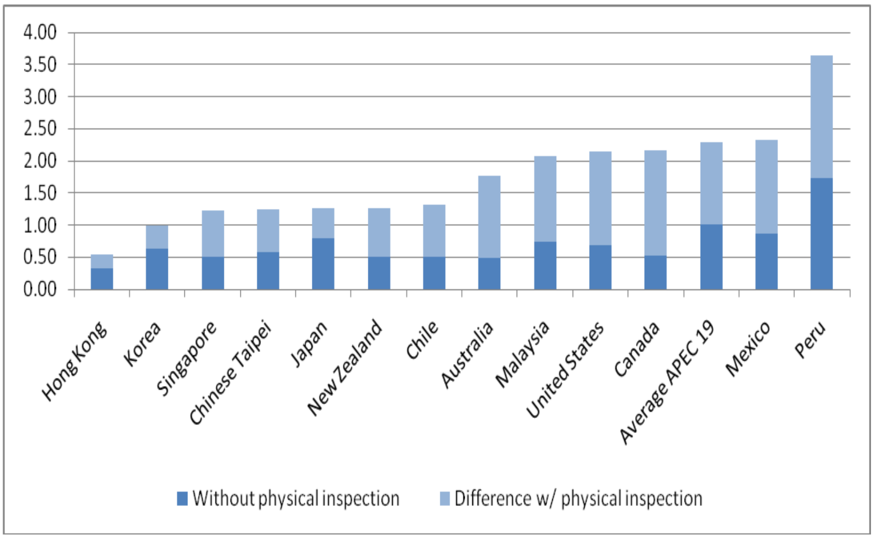
78. The time required to get a container ready to import fell over time. On average, all reporting economies in 2010 managed to eliminate 7 days from the process needed to import a container. On average, the APEC region eliminated one day from the process making importing a container last about 16 days, while the APEC-13 economies reduced the length of time needed by 3 days getting the process down to 11 days.

Length of Time Needed to Clear Customs

79. Fast clearance of shipments at the border is a matter of efficient intervention of Customs and other public authorities with responsibilities at the border, such as law enforcement agencies and ministries of industry and agriculture in charge of ensuring that traded goods meet given safety and quality standards. Coordination among all these agencies contributes to efficient clearance.

80. The length of time needed to get a container ready to import discussed above, includes different variables. Data from the World Bank's Logistics Performance Indicators enables the separation of one component of the time needed to import: the length of time needed to clear customs and other border agencies. The time varies depending on whether or not there is physical inspection of the cargo. The data suggests that with the exception of Peru, there is not much difference across the APEC-13 economies in the time it takes for goods to clear customs *if no physical inspection takes place* (Figure 6). It takes less than one day for goods to clear customs and, in some instances, less than half a day. There are, however, substantial differences in how long *physical inspections* take in individual economies.

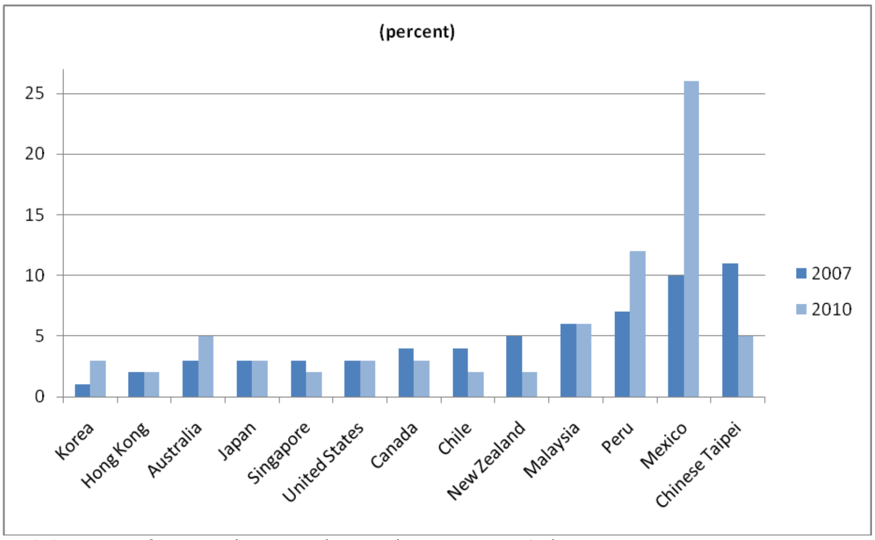
Figure 6. Clearance time (days) for imported goods, with and without physical inspection, in 2010



Note: Clearance time is defined as time taken between the submission of an accepted customs declaration and customs clearance.
Source: LPI 2010. Reflects evaluations by logistics professionals through a survey.

81. While physical inspections entail time costs for importers, public agencies rely on physical inspections for managing risk and enforcing national import regulations. As can be seem from Figure 7**,** the share of total imports subject to physical inspection by customs authorities has declined since 2007, amounting to 2-3% in the majority of APEC-13 economies. Exceptions are Korea and Australia, which inspected more imports in 2010, and Peru (12% in 2010) and Mexico (26%). This provides some evidence that as part of their reforms of border procedures, economies are making more use of automated intelligent systems and less intrusive methods of surveillance.

Figure 7. Percentage of imports that are physically inspected

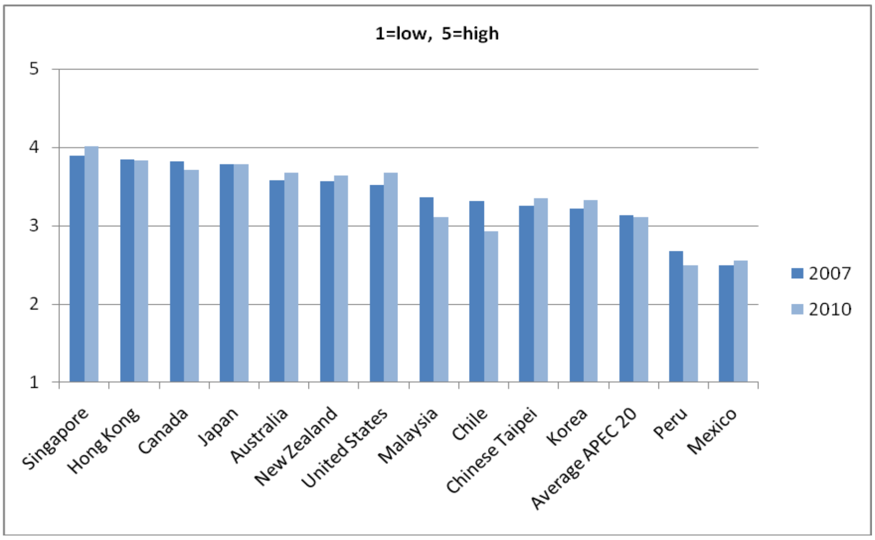


Note: APEC 19 = APEC 21 except for Brunei Darussalam and Papua New Guinea.
Source: Logistics Performance Index (LPI), 2007, 2010. Reflects evaluations by logistics professionals through a survey.

82. Overall, the clearance process to import goods seems to have become more efficient. In 2007 the clearance process in many of the APEC-13 economies was rated to work satisfactorily (Figure 8). With the

exception of Mexico and Peru, all economies exceeded the rated APEC performance on average. Data for 2010 show no changes or further improvements for most economies. Some deterioration occurred in Canada, Chile, Malaysia and Peru.

Figure 8. Efficiency of clearance process by customs and other border agencies



Note: APEC 20 = APEC 21 except Brunei Darussalam
Source: Logistics Performance Index (LPI), 2007, 2010. Reflects evaluations by logistics professionals through a survey.

Cost to get a Container ready to Export or Import

83. In addition to filling out documents and waiting while various procedures are completed, firms engaged in international trade are also charged fees for those and other services. Worldwide average fees charged to get a container ready to export averaged $1227 in 2006 (Table 10). The same fees faced by exporting firms in APEC region were substantially lower, averaging $716. The fees charged for these services in APEC-13 averaged slightly higher, totalling $731. Exporting firms in Singapore and Hong Kong, China faced the lowest fees averaging a little above $400 while firms in Mexico faced the highest charges averaging about $1 300 while firms in Japan and the United States faced fees averaging close to $1000.

84. Even though the number of documents and the time needed to get a container ready to cross a border fell over time, the fees to get that container ready increased. Worldwide, the average increase was 13% to $1387. The fees in the APEC region increased by a more substantial 21% to $867, still below world average, while fees for the APEC-13 increased by an even larger percentage (23%) to $897 (Table 10). Fees increased in each of the APEC-13, except in Chinese Taipei and Korea where they fell somewhat and in Japan where they remained at the 2006 level. The fees increased the most for Canadian exporting firms, more than doubling to $1610. Although reasons for the cost increase are not provided, the fact that costs were higher in the later years across a spectrum of economies points to systemic factors such as the financial crisis and higher inland fuel costs rather than policy changes.

85. Importing firms face higher fees than exporting firms possibly reflecting that on average more documents and a longer time period is required. The worldwide average fees charged to import a container was $1426 in 2006, almost $200 more than the fees charged to export that container (Table 10). The fees to get a container ready to cross the border were also higher than the fees to export in the APEC region although they were significantly below the world average with fees averaging $812 for all APEC

economies and a slightly higher $837 for the APEC-13. Individual APEC-13 economies with fees above the group average were Australia, Canada, Japan Korea, Malaysia and the United States.

86. Importing fees also increased over time despite falling number of documents and faster procedures that were implemented. Worldwide the fees increased 12% to average $1602 (Table 10). Fees also increased in the APEC region by 16% and 17% for all APEC economies and for the APEC-13 to an average of $939 and $975 respectively. Fees increased in each of the APEC-13 economies except in Chinese Taipei and Korea where they declined and in Japan where fees were held constant. Fees increased the most in Canada where they almost doubled over this time period to $1660 while Korea reduced these fees by almost 29% to $742.

Logistics performance indicators

87. The World Bank's Logistics Performance Indicators (LPI) are a useful instrument for diagnosing the extent to which conditions beyond tariffs support or impede the conduct of international trade by firms located within a particular economy. Within the context of the current review, the LPI allows for a more nuanced assessment of progress by the APEC-13 towards the Bogor Goal of "free and open" international trade. Like the Trading Across Borders indicators, the overall LPI score is a composite indicator based on a number of sub-indexes. LPI sub-indexes including those which overlap with the Trading Across Border indicators include: customs efficiency; infrastructure; international shipments; logistics competence; tracking & tracing as well as timeliness.

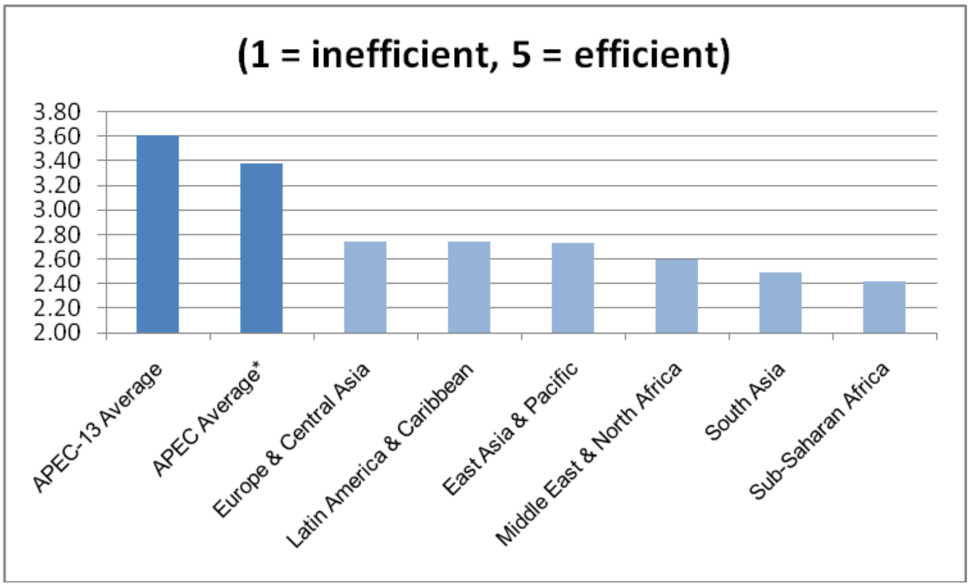
88. Derived from surveys of logistics professionals in the private sector, the objective of the LPI differs from the Trading Across Borders indicators in that it seeks to provide a more universal evaluation of non-tariff conditions affecting trade. It builds upon Trading Across Borders indicators covering red tape, infrastructure and transport costs, and broadens coverage to include more qualitative issues such as the reliability and timeliness of logistics infrastructure, which also affects decisions to trade.

89. This review has underscored that tariffs within the APEC region generally and that within the APEC-13 specifically have declined or are already at low levels overall. This backdrop makes the LPI an attractive basis for better understanding how "free and open" the APEC-13 economies are to international trade relative to the APEC and other regions of the world. The discussion in the previous sections has illustrated that significant progress has already been made in areas relating to non-tariff impediments to trade. The LPI allows for a broader assessment of the scope for future progress. This section concludes with an assessment of the progress APEC-13 economies have achieved between the first year for which the LPI was available in 2007, and 2010.

90. The APEC region and the APEC-13 particularly fare well in terms of international comparison under the LPI. As a region, the APEC area ranks above all other regions based on World Bank groupings while the APEC-13 ranks well above the APEC average (Figure 9). When the APEC-13 are compared with the entire APEC membership, they occupy the top nine positions with Malaysia, Chile, Mexico and Peru respectively occupying positions 11, 14, 15 and 17 among the 20 APEC members covered under the LPI (Figure 10).[20]

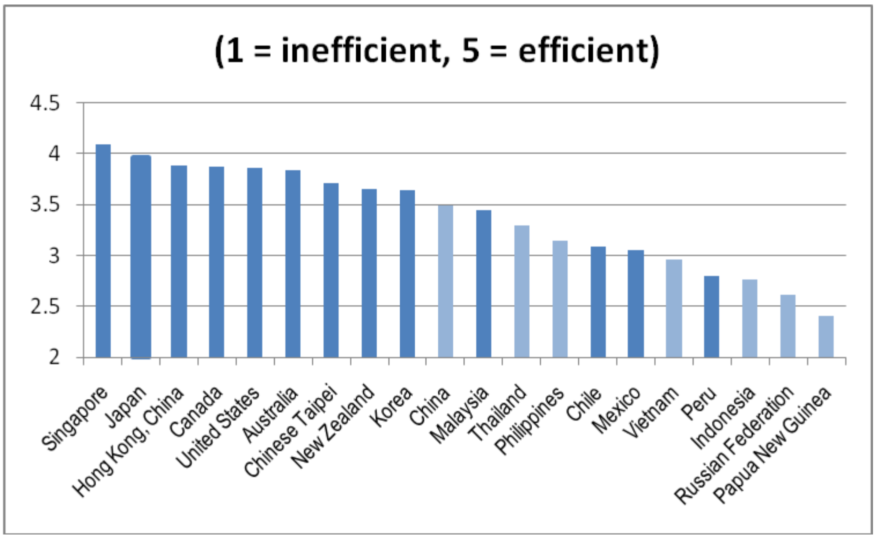
[20] The LPI index and hence the "APEC Average" does not contain data for Brunei Darussalam.

Figure 9. World Bank LPI: regional comparisons



Note: The LPI index and hence the "APEC Average" does not contain data for Brunei Darussalam.
Source: World Bank, Logistics Performance Indicators.

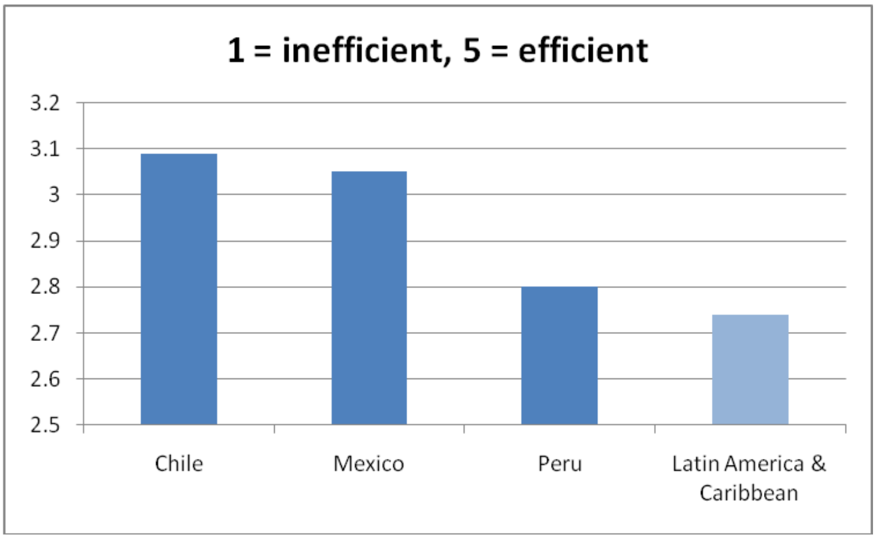
Figure 10. World Bank LPI: APEC economies



Note: The LPI index and hence the "APEC Average" does not contain data for Brunei Darussalam.
Source: World Bank, Logistics Performance Indicators.

91. Not among the most competitive within the APEC region under the LPI, Chile, Mexico and Peru nevertheless compare well when viewed within the context of their region (Figure 11).

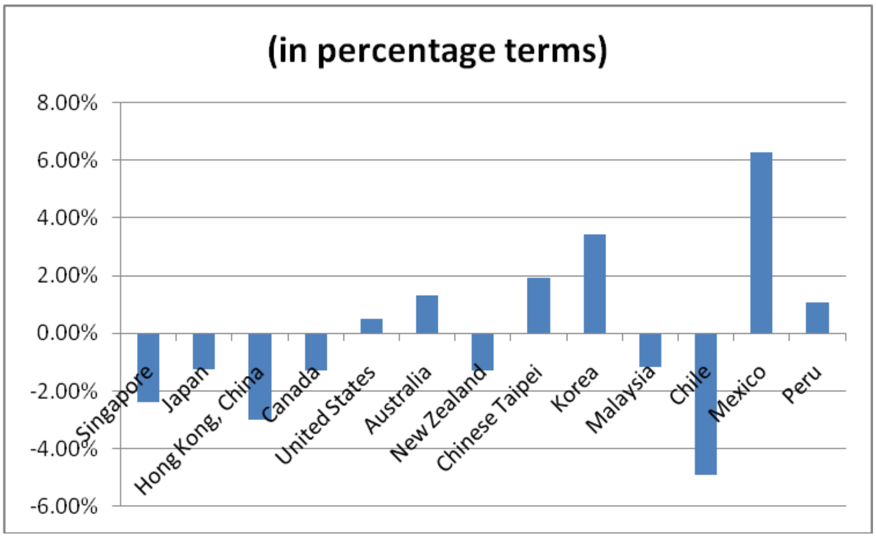
Figure 11. World Bank LPI: Chile, Mexico and Peru in regional context



Source: World Bank Logistics Performance Indicators.

92. In terms of progress between the first publication of the LPI in 2007 and the current 2010 update, the result are mixed with just less than half of APEC-13 countries recording improvements in their overall LPI scores (Figure 12). Across the APEC-13, a drag on performance often resulted from deterioration of scores under the International Shipments sub-index (Table 11 – in the Annex). It is somewhat unexpected that Australia as an economy highly dependent on international shipping for trade together with Malaysia and Korea were the only APEC-13 economies escaping the downward trend under this sub-index. Indeed, as the economy reflecting the most significant advances overall during this period, Mexico recorded improvements in all LPI sub-indices except in the area of International Shipments. No further obvious and consistent additional patterns emerge from the data in Table 11 in relation to the APEC-13.

Figure 12. Change in LPI score from 2007-2010 (in %)



Source: World Bank Logistics Performance Indicators.

93. A recent quantitative and novel study also seeks to assess APEC's progress in reducing trade costs since 2001.[21] It employs a broad trade cost measure (calculated based on *ad valorem* equivalents) as an indicator capturing the full range of (tariff as well as non-tariff) trade costs related to shipping goods overseas as opposed to those moved and consumed domestically. Its results are based on a longer period of analysis than possible based on LPI data. The assessment seeks specifically to examine the extent to which APEC economies have reduced trade costs in line with APEC leader's commitments under the 2001 Shanghai Declaration to cut trade transaction costs by 5% by 2006. The report unfortunately does not contain data for Chinese Taipei or Singapore. Key findings in the study relating to the eleven APEC-13 economies covered include:

- Tariff reductions have contributed to trade cost reductions achieved since 2001, but it is clearly non-tariff costs which account for the lion share of total trade costs involved in moving goods between economies.
- This tax implied by non-tariff trade costs on goods shipped abroad varied across the covered APEC-13 economies in 2006. It ranged from a low of 44% in the case of Canada to a high of 75% for New Zealand. In comparison, tariff related trade costs for the covered APEC-13 economies ranged from a low of 0.0% in the case of Hong Kong, China to a high of 5.5% for Korea.
- During the period 2001 and 2006, tariff inclusive trade costs have decreased for all APEC-13 economies for which data is available except in the cases of Canada and New Zealand where they increased slightly by 2.7% and 0.2% respectively.
- The evolution of non-tariff trade costs (excluding tariffs) is linked most closely to APEC's programme of trade facilitation and shows a modest decline between 2001 and 2006.
- Among the covered APEC-13 covered, only Chile and Japan have met or exceeded the 5% goal set by the Shanghai Declaration for 2006.

94. Overall, the study provides evidence that trade costs are a significant component of an economy's competitiveness in world markets. It confirms a continued role for tariff cuts in reducing overall costs of doing business across borders, but underlines that much scope remains further reducing transaction costs by targeting non-tariff cost factors associated with policy or natural impediments to trade. The data generated show mostly modest declines since 2001 in non-tariff trade costs for APEC-13 and other economies in the region.

21 Ben Shepherd, Trade costs and facilitation in APEC and ASEAN: Delivering the goods? Paper prepared for the MARKHUB Research Workshop on Rising Non-Tariff Protectionism and Crisis Recover, Macao, December 14-15, 2009. Revised 19 January 2009. The measure captures indirectly such cost factors as border infrastructure, customs and clearance procedures, access to trade finance, differences in business and investment climates, and behind the border regulatory measures, including standards and conformity assessment.

APPENDIX: TRADE LIBERALISATION IN THE APEC-13 ECONOMIES

Table 1. Gross Domestic Product APEC-13 for 1995 and 2007

		1995			2007		
		GDP USD (million)	APEC share %	Per Capita GDP (USD)	GDP USD (million)	APEC share %	Per Capita GDP (USD)
AUS	Australia	361,300	1.22	19,992	821,000	1.50	39,067
CAN	Canada	590,500	1.99	20,117	1,330,000	2.44	40,332
CHL	Chile	71,350	0.24	4,957	163,900	0.30	9,877
TWN	Chinese Taipei	N.A	N.A	N.A	N.A	N.A	N.A
HKG	Hong Kong, China	144,200	0.49	23,424	207,200	0.38	29,917
JPN	Japan	5,248,000	17.69	41,850	4,384,000	8.03	34,304
KOR	Korea, republic of	517,100	1.74	11,467	969,800	1.78	20,014
MYS	Malaysia	88,830	0.30	4,313	186,700	0.34	7,032
MEX	Mexico	286,700	0.97	3,146	1,023,000	1.87	9,715
NZL	New Zealand	62,050	0.21	16,892	135,700	0.25	32,093
PER	Peru	53,670	0.18	2,250	107,300	0.20	3,846
SGP	Singapore	84,290	0.28	23,915	161,300	0.30	35,152
USA	United States	7,342,000	24.75	27,570	13,750,000	25.19	45,590
APEC		16,447,720	55.44	6,860	28,633,099	52.46	10,792
APEC-13		14,849,990	50.05	22,932	23,239,900	42.58	32,102
WLD		29,670,000	100.00	5,228	54,580,000	100.00	8,257

Source: World Bank Development Indicators.

Table 2. Total and Agricultural Exports APEC-13 in 1995 and 2007

	1995				2007			
	All goods million USD	% Share World	Agriculture million USD	% Share World	All goods million USD	% Share World	Agriculture million USD	% Share World
Australia	53,622	1.06	13,483	2.90	147,750	1.09	22,409	2.45
Canada	188,258	3.73	14,431	3.11	404,770	2.98	30,577	3.34
Chile	16,402	0.33	3,096	0.67	66,566	0.49	7,502	0.82
Chinese Taipei	118,947	2.36	3,132	0.67	302,479	2.23	1,247	0.14
Hong Kong, China	70,741	1.40	2,405	0.52	92,146	0.68	2,975	0.32
Japan	457,461	9.07	2,086	0.45	728,919	5.36	2,600	0.28
Korea, republic of	124,740	2.47	1,806	0.39	380,189	2.80	2,572	0.28
Malaysia	83,001	1.65	7,062	1.52	200,817	1.48	16,026	1.75
Mexico	79,731	1.58	5,931	1.28	270,637	1.99	15,020	1.64
New Zealand	14,469	0.29	7,203	1.55	28,054	0.21	15,230	1.66
Peru	5,827	0.12	1,523	0.33	28,756	0.21	3,707	0.40
Singapore	98,484	1.95	3,742	0.81	202,657	1.49	4,259	0.46
United States	601,776	11.93	66,247	14.26	1,107,210	8.15	98,130	10.71
APEC-13	**1,913,460**	**37.95**	**132,147**	**28.45**	**3,960,948**	**78.55**	**222,253**	**24.26**
APEC	2,306,083	45.73	161,969	34.87	6,116,452	45.01	301,480	32.91
World	5,042,290	100.00	464,469	100.00	13,587,789	100.00	916,049	100.00

Source: Bauller and Zignago, (2009)"BACI" International Trade Database at the Product Level: The 1994-2007 Version.

Table 3. Total and Agriculture Imports APEC-13 in 1995 and 2007

	1995				2007			
	All goods million USD	**% Share World**	**Agriculture** million USD	**% Share World**	**All goods** million USD	**% Share World**	**Agriculture** million USD	**% Share World**
Australia	57,400	3.07	2,622	0.56	155,000	1.14	7,136	0.78
Canada	159,000	3.15	8,887	1.91	367,000	2.70	22,442	2.45
Chile	15,400	0.31	1,109	0.24	43,500	0.32	3,041	0.33
Chinese Taipei	90,200	1.79	6,273	1.35	243,000	1.79	8,057	0.88
Hong Kong, China	177,000	3.51	10,000	2.15	370,000	2.72	10,416	1.14
Japan	313,000	6.21	38,300	8.25	589,000	4.33	43,471	4.75
Korea, republic of	129,000	2.56	9,272	2.00	340,000	2.50	14,213	1.55
Malaysia	71,100	1.41	3,865	0.83	136,000	1.00	8,397	0.92
Mexico	65,700	1.30	5,070	1.09	259,000	1.91	18,922	2.07
New Zealand	14,100	0.28	1,043	0.22	30,400	0.22	2,590	0.28
Peru	8,037	0.16	1,137	0.24	20,000	0.15	2,148	0.23
Singapore	125,000	2.48	5,168	1.11	240,000	1.77	7,429	0.81
United States	735,000	14.58	32,500	7.00	1,870,000	13.76	77,778	8.49
APEC-13	1,959,937	**38.87**	**125,246**	**26.97**	4,662,900	**34.32**	**226,039**	**24.68**
APEC	2,271,817	45.06	159,815	34.41	5,966,634	43.91	312,675	34.13
World	5,042,290	100.00	464,469	100.00	13,587,789	100.00	916,049	100.00

Source: Bauller and Zignago, (2009)"BACI" International Trade Database at the Product Level: The 1994-2007 Version.

In order to examine the progress made by the APEC region toward this goal, and more specifically the APEC-13, their tariff profiles and how they changed over time was examined. Tables 3 to 5 below present a summary of the tariff profiles of the APEC-13 economies. The tariff levels in 1998, the first year with tariff data for most of the APEC-13 are compared to their levels in 2008, the last year available to us (the note at the end of each of the tables below indicate the exceptions). The values reported here may differ from those reported elsewhere for a variety of reasons including whether or not specific tariffs are included in the calculations and if so, how they are converted to their ad valorem equivalents. For this report, tariff data are from UNCTAD's TRAINS database. The calculations include the ad valorem equivalent of specific tariffs when those could be converted and the method used to convert is based on the WTO methodology proposed during the Doha Development Agreement discussions.

Table 4. Simple and weighted tariffs, number of lines and value of imports

		1998 Total	1998 Agricultural products	1998 Non agricultural products	2008 Total	2008 Agricultural products	2008 Non agricultural products
Australia	Simple average	6.24	9.83	5.69	4.08	6.07	3.78
	Weighted Average	9.75	16.80	9.43	3.21	3.82	3.19
	Number of lines	5 818	710	5 108	6 006	748	5 258
	Imports value in billion	60.62	2.69	57.94	154.98	7.08	147.90
Canada	Simple average	5.82	12.10	4.86	4.80	12.35	3.66
	Weighted Average	3.94	14.41	3.32	3.52	13.93	2.84
	Number of lines	8 029	1 347	6 682	8 432	1 368	7 064
	Imports value in billion	196.99	10.97	186.03	373.76	23.09	350.68
Chile	Simple average	10.97	11.00	10.97	5.99	6.08	5.98
	Weighted Average	10.94	11.00	10.94	5.98	6.05	5.98
	Number of lines	5 855	748	5 107	7 706	1 049	6 657
	Imports value in billion	16.94	1.33	15.61	42.66	3.13	39.52
Hong Kong, China	Simple average	0.00	0.00	0.00	0.00	0.00	0.00
	Weighted Average	0.00	0.00	0.00	0.00	0.00	0.00
	Number of lines	5 018	662	4 356	6 946	939	6 007
	Imports value in billion	186.04	9.67	176.37	369.95	10.41	359.54
Japan	Simple average	4.69	15.69	3.03	4.72	19.69	2.44
	Weighted Average	4.23	19.31	2.06	2.64	20.79	1.16
	Number of lines	9 103	1 770	7 333	9 040	1 867	7 173
	Imports value in billion	276.39	35.12	241.27	612.03	45.87	566.15
Korea, Rep.	Simple average	9.07	18.55	7.63	12.12	48.65	6.58
	Weighted Average	6.84	11.17	6.52	7.37	97.94	3.53
	Number of lines	10 651	1 406	9 245	11 843	1 570	10 273
	Imports value in billion	134.99	9.49	125.49	356.82	14.57	342.25
Malaysia	Simple average	8.34	3.24	9.08	7.18	2.45	7.86
	Weighted Average	4.77	2.06	4.92	4.17	3.06	4.24
	Number of lines	10 388	1 162	9 226	12 585	1 564	11 021
	Imports value in billion	71.73	3.81	67.92	144.19	8.34	135.85
Mexico	Simple average	14.69	20.75	13.76	12.47	21.81	11.05
	Weighted Average	13.05	27.61	11.93	10.83	38.89	8.50
	Number of lines	11 262	1 064	10 198	12 081	1 198	10 883
	Imports value in billion	121.34	8.67	112.67	303.92	23.33	280.59
New Zealand	Simple average	4.19	2.79	4.41	2.22	1.45	2.34
	Weighted Average	4.97	4.21	5.05	2.64	2.32	2.67
	Number of lines	7 246	977	6 269	7 270	1 000	6 270
	Imports value in billion	11.33	1.06	10.27	30.70	2.63	28.07
Peru	Simple average	13.38	14.95	13.14	6.08	10.05	5.48
	Weighted Average	12.71	14.68	12.28	2.78	5.97	2.39
	Number of lines	6 869	901	5 968	7 351	966	6 385
	Imports value in billion	8.22	1.45	6.77	23.22	2.58	20.65
Singapore	Simple average	0.00	0.00	0.00	0.77	5.88	0.00
	Weighted Average	0.00	0.00	0.00	1.15	41.18	0.00
	Number of lines	5 829	829	5 000	8 300	1 145	7 155
	Imports value in billion	123.31	5.33	117.98	256.21	7.18	249.03
Chinese Taipei	Simple average	8.46	19.30	6.81	6.35	18.42	4.51
	Weighted Average	5.28	16.97	4.63	2.05	11.34	1.68
	Number of lines	10 041	1 713	8 328	8 853	1 428	7 425
	Imports value in billion	108.92	5.73	103.19	218.65	8.26	210.38
United States	Simple average	4.31	5.45	4.13	3.68	5.19	3.45
	Weighted Average	3.34	8.03	3.12	2.30	4.75	2.19
	Number of lines	10 192	1 738	8 454	10 447	1 792	8 655
	Imports value in billion	908.93	42.41	866.52	1 955.90	80.80	1 875.11

Note: 1995 and 2007 for Korea, 2001 and 2007 for Malaysia, 1995 for Singapore, 1999 for Chinese Taipei.
Source: UN TRAINS Database.

Table 5. Frequency of tariffs lines by range of tariff value and corresponding import value

		Agricultural products								Non agricultural products							
1998																	
		Duty free	0 to 5	5 to 10	10 to 15	15 to 25	25 to 50	50 to 100	more than 100	Duty free	0 to 5	5 to 10	10 to 15	15 to 25	25 to 50	50 to 100	more than 100
Australia	MFN Bound lines	30.9	41.9	17.1	6.1	3.3	0.6	0.0	0.3	16.5	18.5	30.5	17.5	8.7	6.3	2.1	0.0
	MFN Tariffs lines	68.6	26.5	1.4	0.3	0.0	0.6	0.1	2.5	30.8	47.5	5.5	3.6	7.8	4.0	0.7	0.2
	Import value	48.4	40.2	0.3	2.6	0.0	0.7	1.3	6.6	35.0	43.6	5.9	3.7	1.8	3.8	5.2	1.1
Canada	MFN Bound lines	22.1	24.5	24.2	7.3	2.6	5.1	4.0	10.1	25.4	30.0	32.9	7.4	4.3	0.0	0.0	0.0
	MFN Tariffs lines	24.3	18.3	25.7	7.6	3.9	2.7	9.2	8.2	25.5	42.1	20.6	4.5	7.3	0.0	0.0	0.0
	Import value	31.5	19.9	25.0	8.9	2.1	1.2	8.1	3.3	37.7	33.8	24.4	1.8	2.3	0.0	0.0	0.0
Chile	MFN Bound lines	0.0	0.0	0.0	0.0	88.5	11.0	0.5	0.0	0.0	0.0	0.0	0.1	99.9	0.0	0.0	0.0
	MFN Tariffs lines	0.0	0.0	0.0	100.0	0.0	0.0	0.0	0.0	0.2	0.1	0.4	99.3	0.0	0.0	0.0	0.0
	Import value	0.0	0.0	0.0	100.0	0.0	0.0	0.0	0.0	0.4	0.0	0.5	99.1	0.0	0.0	0.0	0.0
Hong Kong, China	MFN Bound lines	100.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	100.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	MFN Tariffs lines	100.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	100.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	Import value	100.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	100.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Japan	MFN Bound lines	15.7	15.5	14.5	15.1	11.6	9.5	6.9	11.2	50.2	22.8	21.6	3.6	1.3	0.5	0.0	0.0
	MFN Tariffs lines	15.8	13.7	11.8	10.3	16.6	13.8	10.2	7.9	36.6	31.3	20.5	9.2	1.5	0.9	0.0	0.0
	Import value	37.0	8.9	12.9	6.4	9.7	18.4	2.0	4.7	60.2	25.3	8.2	5.6	0.5	0.1	0.0	0.0
Korea	MFN Bound lines	1.7	4.8	4.7	7.6	19.6	35.2	11.2	15.1	10.1	10.6	44.0	30.4	3.7	0.7	0.5	0.0
	MFN Tariffs lines	1.8	19.4	34.0	2.0	10.4	32.4	0.0	0.0	1.3	10.2	86.1	0.1	2.4	0.1	0.0	0.0
	Import value	0.6	63.2	11.0	1.0	3.3	20.9	0.0	0.0	2.6	28.8	68.3	0.1	0.2	0.0	0.0	0.0
Malaysia	MFN Bound lines	15.9	23.6	19.6	10.4	7.5	2.7	6.1	14.1	2.6	28.0	7.4	7.5	23.1	31.4	0.0	0.0
	MFN Tariffs lines	54.5	19.6	13.3	7.0	4.8	0.8	0.0	0.0	49.7	6.6	7.2	7.5	20.3	6.0	1.2	1.5
	Import value	78.7	9.9	4.3	5.3	1.5	0.2	0.0	0.0	65.2	11.6	6.2	3.8	7.6	4.0	0.8	0.7
Mexico	MFN Bound lines	5.7	0.0	2.4	1.8	15.6	73.9	0.6	0.0	0.0	0.0	0.0	0.0	0.6	99.4	0.0	0.0
	MFN Tariffs lines	8.9	2.3	34.8	16.5	29.6	1.6	3.1	3.1	0.2	8.5	12.8	32.4	37.1	9.0	0.0	0.0
	Import value	9.3	11.4	31.5	7.0	19.1	1.0	17.1	3.6	0.1	9.6	4.5	31.0	49.5	5.3	0.0	0.0
New Zealand	MFN Bound lines	35.7	10.3	19.4	19.5	14.2	0.9	0.0	0.0	31.6	6.8	13.0	11.7	23.1	10.5	2.8	0.5
	MFN Tariffs lines	51.6	19.4	24.5	0.0	0.8	3.3	0.0	0.4	38.0	20.5	29.4	3.6	5.3	2.9	0.3	0.0
	Import value	45.2	14.9	36.8	0.0	0.2	2.9	0.0	0.0	43.4	15.3	26.1	11.3	2.5	1.4	0.0	0.0
Peru	MFN Bound lines	0.0	0.0	0.0	0.0	0.0	97.3	2.7	0.0	0.0	0.0	0.0	0.0	0.0	100.0	0.0	0.0
	MFN Tariffs lines	0.0	0.0	0.0	64.2	35.8	0.0	0.0	0.0	0.0	0.0	0.0	87.8	12.2	0.0	0.0	0.0
	Import value	0.0	0.0	0.0	60.4	39.6	0.0	0.0	0.0	0.0	0.0	0.0	96.5	3.5	0.0	0.0	0.0
Singapore	MFN Bound lines	2.5	0.5	90.0	0.0	0.0	0.0	0.0	7.1	29.9	4.3	65.7	0.0	0.0	0.0	0.0	0.0
	MFN Tariffs lines	100.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	100.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	Import value	100.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	100.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Chinese Taipei	MFN Bound lines	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
	MFN Tariffs lines	12.6	16.9	8.2	8.7	14.7	38.6	0.4	0.0	9.5	42.9	25.8	13.0	3.6	4.7	0.4	0.1
	Import value	27.4	17.0	7.1	4.0	13.5	31.0	0.0	0.0	16.8	54.1	21.7	3.8	2.0	1.6	0.0	0.0
United States	MFN Bound lines	12.2	32.9	18.4	7.5	17.5	6.8	2.5	2.3	28.1	50.2	13.4	5.8	2.0	0.5	0.0	0.0
	MFN Tariffs lines	12.1	32.9	25.0	7.3	12.9	4.4	3.0	2.4	12.6	54.8	20.5	7.9	3.6	0.6	0.0	0.0
	Import value	24.2	47.1	17.3	2.8	2.9	2.2	2.8	0.8	23.1	60.8	8.4	3.9	3.5	0.3	0.0	0.0
2008																	
		Duty free	0 to 5	5 to 10	10 to 15	15 to 25	25 to 50	50 to 100	more than 100	Duty free	0 to 5	5 to 10	10 to 15	15 to 25	25 to 50	50 to 100	more than 100
Australia	MFN Bound lines	26.8	45.7	17.3	6.1	3.1	1.0	0.0	0.0	13.8	19.5	36.5	15.6	7.3	5.6	1.8	0.0
	MFN Tariffs lines	66.8	32.2	0.3	0.3	0.0	0.4	0.0	0.0	35.8	48.0	12.0	0.6	3.6	0.0	0.0	0.0
	Import value	47.7	48.6	0.2	2.7	0.0	0.8	0.0	0.0	44.9	38.7	14.0	0.1	2.3	0.0	0.0	0.0
Canada	MFN Bound lines	19.3	29.0	22.9	8.1	1.4	6.0	3.6	9.8	24.6	36.6	28.9	6.5	3.4	0.0	0.0	0.0
	MFN Tariffs lines	24.2	23.6	24.3	6.1	1.8	6.2	4.2	9.5	30.3	42.6	20.1	2.5	4.5	0.0	0.0	0.0
	Import value	31.4	18.6	27.4	8.7	0.4	6.7	3.3	3.5	43.3	32.4	21.0	0.9	2.3	0.0	0.0	0.0
Chile	MFN Bound lines	0.0	0.0	0.0	0.0	89.1	10.4	0.5	0.0	0.0	0.0	0.0	0.1	99.9	0.0	0.0	0.0
	MFN Tariffs lines	1.0	0.0	99.0	0.0	0.0	0.0	0.0	0.0	0.3	0.4	99.3	0.0	0.0	0.0	0.0	0.0
	Import value	0.4	0.0	99.6	0.0	0.0	0.0	0.0	0.0	0.2	0.3	99.5	0.0	0.0	0.0	0.0	0.0
Hong Kong, China	MFN Bound lines	100.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	100.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	MFN Tariffs lines	100.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	100.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	Import value	100.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	100.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Note: 1995 and 2007 for Korea, 2001	MFN Bound lines	13.8	17.4	13.4	18.9	10.6	11.6	6.3	8.0	52.1	22.4	19.9	2.7	2.4	0.4	0.0	0.0
	MFN Tariffs lines	14.5	15.9	12.5	12.8	12.5	12.8	7.6	11.5	41.5	29.8	22.3	3.9	1.4	0.1	0.6	0.3
	Import value	26.0	10.2	12.9	9.8	16.6	12.5	6.7	5.2	77.0	14.3	5.4	2.6	0.4	0.0	0.2	0.1
Korea	MFN Bound lines	1.6	2.5	10.9	16.1	20.1	26.5	10.0	12.2	13.3	10.7	46.2	26.2	2.5	0.8	0.4	0.0
	MFN Tariffs lines	3.9	12.5	27.5	4.5	14.1	21.5	6.1	9.9	13.2	11.8	66.8	5.4	2.8	0.1	0.0	0.0
	Import value	4.2	23.1	11.9	2.8	14.5	18.2	5.8	19.5	24.5	39.8	33.2	2.0	0.5	0.0	0.0	0.0
Malaysia	MFN Bound lines	14.0	24.8	20.9	12.0	6.8	2.3	6.5	12.6	2.1	25.7	9.9	6.4	28.5	27.2	0.0	0.0
	MFN Tariffs lines	54.3	24.0	10.5	7.6	2.2	1.3	0.0	0.0	37.5	9.5	11.5	11.5	19.8	10.2	0.0	0.0
	Import value	77.4	11.7	1.4	5.3	0.6	3.8	0.0	0.0	62.5	16.1	6.2	4.3	6.1	4.8	0.0	0.0
Mexico	MFN Bound lines	5.0	0.0	1.2	1.2	16.6	75.4	0.6	0.0	0.0	0.0	0.2	0.0	0.2	99.6	0.0	0.0
	MFN Tariffs lines	8.1	4.6	32.1	14.0	32.1	2.8	2.3	4.0	6.6	14.8	52.4	10.3	10.4	5.5	0.0	0.0
	Import value	6.8	12.9	19.7	8.3	24.4	7.2	4.7	15.9	15.5	12.5	49.9	8.7	6.3	7.0	0.0	0.0
New Zealand	MFN Bound lines	33.5	12.6	18.8	18.9	14.8	1.4	0.0	0.0	29.4	11.5	16.0	10.4	21.8	9.1	1.4	0.4
	MFN Tariffs lines	52.8	28.8	18.4	0.0	0.0	0.0	0.0	0.0	41.2	28.9	23.1	2.1	4.6	0.0	0.0	0.0
	Import value	45.6	28.7	25.7	0.0	0.0	0.0	0.0	0.0	42.1	25.7	19.8	9.3	3.0	0.0	0.0	0.0
Peru	MFN Bound lines	0.0	0.0	0.0	0.0	0.0	97.7	2.3	0.0	0.0	0.0	0.0	0.0	0.0	100.0	0.0	0.0
	MFN Tariffs lines	2.9	8.9	9.8	44.1	34.3	0.0	0.0	0.0	0.5	39.2	10.5	37.5	12.3	0.0	0.0	0.0
	Import value	1.1	21.5	21.9	38.8	16.8	0.0	0.0	0.0	16.8	45.8	6.7	27.4	3.3	0.0	0.0	0.0
Singapore	MFN Bound lines	3.0	1.1	89.1	0.0	0.0	0.1	0.1	6.6	29.8	4.3	65.9	0.0	0.0	0.0	0.0	0.0
	MFN Tariffs lines	99.1	0.0	0.0	0.0	0.7	0.0	0.2	0.0	100.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	Import value	98.5	0.0	0.0	0.0	0.2	0.0	1.3	0.0	100.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Chinese Taipei	MFN Bound lines	16.6	24.8	7.6	13.6	27.9	8.5	0.3	0.8	26.5	47.0	18.4	3.3	0.9	3.7	0.2	0.0
	MFN Tariffs lines	14.6	19.0	10.2	11.0	28.2	11.0	3.4	2.7	25.5	41.8	21.1	7.7	2.5	1.3	0.1	0.0
	Import value	43.5	8.4	16.7	6.0	13.8	10.0	0.6	1.0	42.6	50.1	5.2	0.9	0.4	0.9	0.0	0.0
United States	MFN Bound lines	10.3	38.4	19.2	6.9	18.5	4.1	2.7	0.0	24.5	58.8	10.7	3.9	1.4	0.5	0.2	0.0
	MFN Tariffs lines	10.6	39.3	18.4	8.1	12.6	8.1	2.4	0.6	24.7	54.2	12.6	5.7	2.0	0.7	0.2	0.0
	Import value	27.7	40.6	11.3	11.1	4.2	4.2	0.7	0.0	37.9	52.0	5.5	3.0	1.3	0.3	0.0	0.0

Note: 1995 and 2007 for Korea, 2001 and 2007 for Malaysia, 1995 for Singapore.
Source: UN TRAINS Database.

Table 6. Tariff by broad groups of products, SITC classification

A. Selected OECD countries

		Australia			Canada			Chile			Japan			Korea, Rep.			Mexico			New Zealand			United States		
		SAVG	WAVG	Max.	SAVG	WAVG	Max.	SAVG	WAVG	Max.	SAVG	WAVG	Max.	SAVG	WAVG	Max.	SAVG	WAVG	Max.	SAVG	WAVG	Max.	SAVG	WAVG	Max.
	MFN rates																								
1998	Food and live animals	1.4	2.6	37.2	13.6	14.9	532.2	11.0	11.0	11.0	17.1	18.0	3000.0	22.2	13.4	50.0	23.0	39.6	251.0	2.2	3.3	9.0	5.1	7.6	3000.0
	Beverages and tobacco	97.4	105.7	1115.3	11.9	10.0	271.0	11.0	11.0	11.0	14.4	10.0	66.2	28.0	33.9	50.0	30.0	26.1	67.0	22.6	12.5	1263.2	20.4	7.2	350.0
	Crude materials, inedible, except fuels	0.7	1.5	12.0	0.6	0.4	36.5	11.0	11.0	11.0	2.4	0.9	621.0	4.4	2.8	40.0	8.4	5.1	45.0	0.5	0.1	151.7	1.2	0.6	173.4
	Mineral fuels, lubricants and related materials	5.1	10.0	173.7	1.8	0.6	12.5	11.0	11.0	11.0	1.0	1.1	29.1	4.4	4.6	8.0	8.4	7.0	15.0	0.3	0.5	8.5	0.1	0.8	7.0
	Animal and vegetable oils, fats and waxes	1.7	0.7	5.0	7.3	5.7	263.5	11.0	11.0	11.0	5.3	3.7	15.8	10.6	5.9	40.0	30.3	22.2	260.0	0.9	0.7	7.5	3.9	2.0	20.2
	Chemicals and related products, n.e.s.	5.5	1.9	3000.0	3.3	3.9	45.3	11.0	11.0	11.0	3.5	2.5	404.9	7.8	7.6	30.0	9.7	9.0	20.0	1.0	2.0	186.3	3.6	3.2	38.3
	Manufactured goods classified chiefly by material	7.0	6.8	31.0	6.1	4.2	22.0	11.0	11.0	11.0	4.0	2.4	45.0	7.7	7.0	8.0	14.4	12.9	35.0	3.9	5.1	20.0	5.5	3.3	38.0
	Machinery and transport equipment	4.6	13.4	695.0	2.3	2.8	25.0	10.9	10.9	11.0	0.1	0.1	6.4	7.7	7.4	15.0	10.9	11.0	20.0	4.9	5.4	20.0	2.2	2.2	25.0
	Miscellaneous manufactured articles	10.4	8.1	31.0	9.2	6.1	25.0	11.0	10.9	11.0	5.3	6.3	30.0	7.7	7.7	15.0	21.3	19.7	35.0	10.0	9.6	246.6	6.2	6.9	48.0
	Commodities and transactions not classified elsewh	0.0	0.0	0.0	2.5	0.0	6.5	11.0	11.0	11.0	0.0	0.0	0.0	2.6	3.0	8.0	3.3	0.3	20.0	0.0	0.0	0.0	2.2	2.2	8.8
2008	Food and live animals	1.2	2.7	29.2	12.6	15.1	535.0	6.1	6.1	18.7	20.1	20.9	2684.3	46.4	82.3	887.4	23.4	51.1	245.0	1.5	2.4	5.0	4.5	4.6	136.5
	Beverages and tobacco	114.7	9.4	3000.0	15.0	8.0	256.0	6.0	6.0	6.0	8.9	4.4	79.6	22.1	20.5	40.0	29.8	24.8	67.0	2.4	3.2	5.0	17.7	3.6	350.0
	Crude materials, inedible, except fuels	0.7	1.4	7.5	0.4	0.3	18.0	6.0	6.0	6.0	3.7	0.5	877.8	10.4	11.5	754.3	6.4	4.3	45.0	0.4	0.3	101.4	1.2	0.6	163.8
	Mineral fuels, lubricants and related materials	0.3	0.0	5.0	1.9	0.6	12.5	6.0	6.0	6.0	0.8	0.2	7.9	4.0	2.9	8.0	5.4	3.5	10.0	0.2	0.5	5.0	0.3	0.5	21.4
	Animal and vegetable oils, fats and waxes	1.8	0.9	5.0	11.6	5.1	660.6	6.0	6.0	6.0	5.2	3.4	15.0	22.5	7.0	630.0	30.5	24.7	254.0	0.6	0.4	5.0	3.8	2.1	19.1
	Chemicals and related products, n.e.s.	1.6	1.7	10.0	2.7	2.7	50.7	6.0	6.0	6.0	3.4	2.0	494.3	9.4	6.8	800.3	6.8	6.4	20.0	0.7	1.5	5.0	3.1	2.1	27.3
	Manufactured goods classified chiefly by material	5.0	5.3	17.5	3.7	2.7	18.0	6.0	6.0	6.0	2.9	1.5	30.0	6.4	3.3	13.0	10.8	9.4	35.0	2.0	2.7	12.5	4.2	2.2	38.0
	Machinery and transport equipment	3.1	3.7	10.0	2.3	2.9	25.0	5.9	5.9	6.0	0.1	0.1	5.3	6.0	3.4	13.0	8.7	9.2	50.0	2.9	3.3	12.5	1.7	1.9	25.0
	Miscellaneous manufactured articles	6.2	5.3	17.5	7.9	5.7	20.0	6.0	6.0	6.0	4.4	4.8	30.2	8.4	6.4	16.0	19.9	12.0	35.0	5.2	4.7	12.5	6.0	5.5	123.4
	Commodities and transactions not classified elsewh	0.0	0.0	0.0	2.1	0.0	6.5	6.0	6.0	6.0	0.0	0.0	0.0	2.4	2.8	3.0	2.9	0.0	20.0	0.0	0.0	0.0	1.4	1.8	6.0
	Bound rates																								
1998	Food and live animals	2.8	4.7	35.1	14.6	38.3	5000.0	25.8	30.7	98.0	41.9	43.5	5000.0	66.3	126.9	887.4	36.9	37.7	72.0	6.2	7.7	35.2	5.15	7.25	5000
	Beverages and tobacco	13.9	12.1	105.4	15.1	17.4	256.1	25.0	25.0	25.0	15.7	17.4	89.0	38.6	53.3	65.5	45.3	40.9	67.5	11.5	14.0	46.8	18.4	6.5	350.0
	Crude materials, inedible, except fuels	1.6	2.1	27.5	0.9	0.6	18.0	25.2	25.4	31.5	2.3	1.4	623.7	14.2	26.5	824.4	30.6	31.4	50.0	1.1	0.4	23.5	1.08	0.58	163.8
	Mineral fuels, lubricants and related materials	2.7	0.1	15.0	3.6	3.9	8.2	25.0	25.0	25.0	0.9	0.7	7.9	5.4	7.4	13.0	33.5	33.9	50.0	1.1	1.7	27.0	0.3	1.7	16.6
	Animal and vegetable oils, fats and waxes	3.3	2.3	14.0	12.0	6.2	677.6	28.4	30.3	31.5	5.5	3.5	18.6	18.5	21.0	36.0	41.7	37.5	45.0	1.9	2.6	16.0	3.56	1.94	19.1
	Chemicals and related products, n.e.s.	8.9	7.3	25.0	4.3	4.4	41.9	25.0	25.0	25.0	3.7	2.1	292.4	10.0	8.3	800.3	34.9	34.8	50.0	3.7	6.3	29.0	2.8	2.2	32.1
	Manufactured goods classified chiefly by material	12.1	11.6	55.0	6.0	4.3	18.0	25.0	25.0	25.0	3.0	1.9	30.0	10.8	7.9	35.0	34.9	34.8	50.0	10.1	13.0	45.0	4.11	2.27	38
	Machinery and transport equipment	9.2	10.2	50.0	3.8	3.5	17.0	25.0	25.0	25.0	0.1	0.1	5.3	9.1	6.2	30.0	35.4	35.6	50.0	13.8	10.3	55.0	1.6	1.8	25.0
	Miscellaneous manufactured articles	17.6	14.3	55.0	8.7	5.6	20.0	25.0	25.0	25.0	4.3	5.2	30.0	15.3	10.0	362.8	34.9	34.5	50.0	23.7	22.4	1835.5	5.59	6.43	59.03
	Commodities and transactions not classified elsewh	0.3	0.0	1.0	4.0	0.1	7.2	25.0	25.0	25.0	0.0	0.0	0.0	4.1	5.1	10.0	35.0	35.0	35.0	0.0	0.0	0.0	1.8	2.0	6.0
2008	Food and live animals	2.7	4.5	29.0	3.4	3.9	238.3	25.8	30.2	98.0	8.5	8.8	61.9	60.9	95.8	1311.1	36.9	37.5	72.0	6.2	8.0	35.2	3.92	3.68	131.8
	Beverages and tobacco	10.5	8.9	25.0	6.4	5.3	16.0	25.0	25.0	25.0	7.2	3.4	29.8	38.0	37.6	65.5	45.3	41.1	67.5	10.6	14.3	26.0	80.7	7.1	350.0
	Crude materials, inedible, except fuels	1.7	2.1	27.5	1.1	0.7	18.0	25.1	25.3	31.5	0.9	0.4	30.0	14.3	13.9	754.3	31.1	30.8	50.0	1.3	1.2	26.0	1.61	0.48	163.8
	Mineral fuels, lubricants and related materials	2.3	0.1	15.0	3.7	4.2	8.2	25.0	25.0	25.0	1.1	0.9	7.9	5.8	6.8	13.0	33.6	34.4	50.0	1.5	2.8	27.0	0.7	4.2	7.0
	Animal and vegetable oils, fats and waxes	3.7	2.3	14.0	5.9	6.1	11.3	28.7	26.1	31.5	2.5	2.1	12.8	19.3	18.6	36.0	42.1	37.9	45.0	1.7	1.6	16.0	2.99	1.49	19.1
	Chemicals and related products, n.e.s.	8.9	5.9	35.0	4.3	3.9	15.7	25.0	25.0	25.0	2.0	1.1	27.2	9.8	7.2	800.3	35.0	34.9	50.0	3.9	8.5	30.0	2.8	1.6	14.1
	Manufactured goods classified chiefly by material	12.0	10.8	55.0	6.0	3.8	18.0	25.0	25.0	25.0	3.1	1.6	30.0	11.3	6.1	35.0	34.8	34.7	50.0	10.2	12.4	45.0	4.12	2.01	38
	Machinery and transport equipment	9.3	11.5	50.0	3.9	3.8	17.0	25.0	25.0	25.0	0.1	0.1	5.3	9.2	5.5	30.0	35.4	36.1	50.0	13.9	11.9	55.0	1.6	1.5	25.0
	Miscellaneous manufactured articles	17.8	15.7	55.0	8.8	6.2	20.0	25.0	25.0	25.0	4.4	4.8	30.0	15.3	10.6	504.9	34.9	34.7	50.0	19.3	18.5	45.0	5.4	5.17	48
	Commodities and transactions not classified elsewh	0.4	0.0	1.0	3.4	0.0	7.2	25.0	25.0	25.0	0.0	0.0	0.0	4.1	5.0	10.0	35.0	35.0	35.0	0.0	0.0	0.0	1.5	1.9	6.0

B. Selected economies

Year	Product	Hong Kong, China SAVG	Hong Kong, China WAVG	Hong Kong, China Max.	Malaysia SAVG	Malaysia WAVG	Malaysia Max.	Peru SAVG	Peru WAVG	Peru Max.	Singapore SAVG	Singapore WAVG	Singapore Max.	Chinese Taipei SAVG	Chinese Taipei WAVG	Chinese Taipei Max.
	MFN rates															
	Food and live animals	0.0	0.0	0.0	4.7	2.3	30.0	15.7	15.5	20.0	0.0	0.0	0.0	25.6	18.4	305.0
	Beverages and tobacco	0.0	0.0	0.0	20.0	22.6	30.0	12.0	12.0	12.0	0.0	0.0	0.0	42.0	47.7	50.0
	Crude materials, inedible, except fuels	0.0	0.0	0.0	1.4	1.3	30.0	12.1	12.2	20.0	0.0	0.0	0.0	2.6	0.8	45.0
	Mineral fuels, lubricants and related materials	0.0	0.0	0.0	1.2	2.1	25.0	12.0	12.0	12.0	0.0	0.0	0.0	2.6	5.9	12.5
1998	Animal and vegetable oils, fats and waxes	0.0	0.0	0.0	2.2	2.7	15.0	12.2	12.0	20.0	0.0	0.0	0.0	9.6	6.9	35.0
	Chemicals and related products, n.e.s.	0.0	0.0	0.0	3.4	4.9	50.0	12.0	12.0	12.0	0.0	0.0	0.0	4.1	3.9	50.0
	Manufactured goods classified chiefly by material	0.0	0.0	0.0	13.6	11.0	60.0	13.8	12.5	20.0	0.0	0.0	0.0	7.4	4.5	30.0
	Machinery and transport equipment	0.0	0.0	0.0	7.1	4.3	300.0	12.3	12.2	20.0	0.0	0.0	0.0	6.6	4.7	42.0
	Miscellaneous manufactured articles	0.0	0.0	0.0	11.5	4.7	105.0	14.6	13.0	20.0	0.0	0.0	0.0	7.6	5.2	180.3
	Commodities and transactions not classified elsewh	0.0	0.0	0.0	0.8	0.0	5.0	12.0	12.0	12.0	0.0	0.0	0.0	0.0	0.0	0.0
	Food and live animals	0.0	0.0	0.0	2.9	3.2	40.0	11.4	7.0	20.0	0.0	0.0	0.0	21.7	15.5	878.3
	Beverages and tobacco	0.0	0.0	0.0	15.9	20.4	25.0	8.8	9.0	9.0	139.4	167.5	3000.0	11.8	15.9	40.0
	Crude materials, inedible, except fuels	0.0	0.0	0.0	1.2	0.8	30.0	4.8	4.7	17.0	0.0	0.0	0.0	3.6	0.3	529.8
	Mineral fuels, lubricants and related materials	0.0	0.0	0.0	0.3	1.9	5.0	1.4	0.0	9.0	0.0	0.0	0.0	1.6	1.6	10.0
2008	Animal and vegetable oils, fats and waxes	0.0	0.0	0.0	2.2	1.8	15.0	5.8	1.6	17.0	0.0	0.0	0.0	18.7	1.7	338.0
	Chemicals and related products, n.e.s.	0.0	0.0	0.0	2.8	4.7	50.0	2.8	3.1	9.0	0.0	0.0	0.0	2.9	1.8	250.9
	Manufactured goods classified chiefly by material	0.0	0.0	0.0	13.0	14.5	60.0	7.2	3.4	17.0	0.0	0.0	0.0	4.9	1.7	12.5
	Machinery and transport equipment	0.0	0.0	0.0	5.2	2.4	60.0	1.6	1.8	17.0	0.0	0.0	0.0	4.0	1.7	30.0
	Miscellaneous manufactured articles	0.0	0.0	0.0	9.4	4.2	50.0	9.6	7.2	17.0	0.0	0.0	0.0	5.6	2.2	12.0
	Commodities and transactions not classified elsewh	0.0	0.0	0.0	0.7	0.0	5.0	9.0	9.0	9.0	0.0	0.0	0.0	0.0	0.0	0.0
	Bound rates															
	Food and live animals	0.0	0.0	0.0	211.6	76.3	5000.0	31.1	46.8	68.0	10.3	14.2	1075.3	..	..	..
	Beverages and tobacco	0.0	0.0	0.0	12.5	16.5	20.0	30.0	30.0	30.0	822.4	371.9	5000.0	..	..	..
	Crude materials, inedible, except fuels	0.0	0.0	0.0	42.9	68.5	5000.0	30.0	30.0	30.0	9.1	9.7	10.0	..	..	..
	Mineral fuels, lubricants and related materials	0.0	0.0	0.0	10.6	5.0	30.0	30.0	30.0	30.0	10.0	10.0	10.0	..	..	..
1998	Animal and vegetable oils, fats and waxes	0.0	0.0	0.0	5.7	6.8	20.0	30.0	30.0	30.0	10.0	10.0	10.0	..	..	..
	Chemicals and related products, n.e.s.	0.0	0.0	0.0	11.2	14.3	116.3	30.0	30.0	30.0	10.7	4.8	4452.3	..	..	..
	Manufactured goods classified chiefly by material	0.0	0.0	0.0	19.8	19.6	40.0	30.0	30.0	30.0	6.6	6.0	10.0	..	..	..
	Machinery and transport equipment	0.0	0.0	0.0	10.9	3.6	40.0	30.0	30.0	30.0	5.9	2.5	10.0	..	..	..
	Miscellaneous manufactured articles	0.0	0.0	0.0	15.7	7.2	35.0	30.0	30.0	30.0	7.2	4.7	10.0	..	..	..
	Commodities and transactions not classified elsewh	0.0	0.0	0.0	5.0	5.0	5.0	30.0	30.0	30.0	..	..	..	..	..	..
	Food and live animals	0.0	0.0	0.0	192.7	62.8	5000.0	31.0	41.1	68.0	9.5	8.5	10.0	18.3	14.4	184.0
	Beverages and tobacco	0.0	0.0	0.0	12.5	19.6	20.0	30.0	30.0	30.0	10.0	10.0	10.0	11.8	15.8	40.0
	Crude materials, inedible, except fuels	0.0	0.0	0.0	43.9	36.5	5000.0	30.0	30.0	30.0	9.0	9.7	10.0	1.7	0.7	500.0
	Mineral fuels, lubricants and related materials	0.0	0.0	0.0	9.2	5.0	30.0	30.0	30.0	30.0	10.0	10.0	10.0	2.5	4.8	10.0
2008	Animal and vegetable oils, fats and waxes	0.0	0.0	0.0	5.8	8.2	20.0	30.0	30.0	30.0	10.0	10.0	10.0	18.8	1.7	338.0
	Chemicals and related products, n.e.s.	0.0	0.0	0.0	11.0	14.9	116.3	30.0	30.0	30.0	5.2	4.3	10.0	2.8	1.9	20.0
	Manufactured goods classified chiefly by material	0.0	0.0	0.0	19.8	18.1	40.0	30.0	30.0	30.0	6.9	5.5	10.0	5.0	1.8	12.5
	Machinery and transport equipment	0.0	0.0	0.0	10.9	3.7	40.0	30.0	30.0	30.0	5.9	1.9	10.0	4.4	1.8	30.0
	Miscellaneous manufactured articles	0.0	0.0	0.0	15.7	8.6	35.0	30.0	30.0	30.0	7.1	4.2	10.0	5.7	2.2	12.0
	Commodities and transactions not classified elsewh	0.0	0.0	0.0	6.4	5.0	20.0	30.0	30.0	30.0	..	..	..	0.2	0.0	6.5

Note: 1995 and 2007 for Korea, 2001 and 2007 for Malaysia, 1995 for Singapore, 1999 for Chinese Taipei.
Source: UN TRAINS Database.

Table 7. Singapore's MRAs

MRA	Electrical and electronic equipment	Cosmetics	Telecom equipment	Pharmaceutical products	Food and horticultural goods
APEC	x		x		
ASEAN	x	X	x		
Singapore- New Zealand	x				
Singapore-Japan	x		x		
Singapore-Australia	x		x	x	x
Singapore-USA			x (APEC)		
Singapore-Canada			x (APEC)		
Singapore-Chinese Taipei			x (APEC)		
Singapore-Hong Kong			x (APEC)		
Singapore-Malaysia			x (ASEAN)		
Singapore-India	x		x		
Singapore-Brunei			x (ASEAN)		
Singapore-Indonesia			x (ASEAN)		
Singapore-Korea			x (APEC)		

Note: as of January 2010. x –MRAs in pipeline but not yet concluded. *Source*: Do bilateral and regional approaches for reducing technical barriers to trade converge towards the multilateral trading system? OECD Trade Policy Working Paper No. 58, 2007; Infocomm Development Authority (IDA) of Singapore.

Table 8. Average number of documents to export and import

	Average docs to export							Average docs to import					
	2006	2007	2008	2009	2010	% change		2006	2007	2008	2009	2010	%change
Australia	5	6	6	6	6	20		10	5	5	5	5	-50
Canada	6	3	3	3	3	-50		7	4	4	4	4	-43
Chile	6	6	6	6	6	0		7	7	7	7	7	0
Chinese,Taipei	7	7	7	7	7	0		7	7	7	7	7	0
Hong Kong,China	6	4	4	4	4	-33		8	4	4	4	4	-50
Japan	4	4	4	4	4	0		5	5	5	5	5	0
Korea, republic of	5	5	4	4	3	-40		8	8	6	6	3	-63
Malaysia	7	7	7	7	7	0		7	7	7	7	7	0
Mexico	5	5	5	5	5	0		5	5	5	5	5	0
New Zealand	7	7	7	7	7	0		5	5	5	5	5	0
Peru	7	7	7	7	7	0		8	8	8	8	8	0
Singapore	4	4	4	4	4	0		4	4	4	4	4	0
United States	4	4	4	4	4	0		5	5	5	5	5	0
APEC	6	6	6	6	6	-5		7	7	7	6	6	-19
APEC-13	6	5	5	5	5	-8		7	6	6	6	5	-20
WLD	7	7	7	7	7	-8		9	8	8	7	7	-18

Source: World Bank Doing Business.

Table 9. Average time to export and import

Average time to export	2006	2007	2008	2009	2010	%change	Average time to import 2006	2007	2008	2009	2010	%change
Australia	12	9	9	9	9	-25	12	8	8	8	8	-33
Canada	12	7	7	7	7	-42	12	11	11	11	11	-8
Chile	21	21	21	21	21	0	21	21	21	21	21	0
Chinese,Taipei	13	13	13	13	13	0	12	12	12	12	12	0
Hong Kong,China	13	6	6	6	6	-54	17	6	5	5	5	-71
Japan	10	10	10	10	10	0	11	11	11	11	11	0
Korea, republic of	12	12	11	8	8	-33	12	12	10	8	8	-33
Malaysia	18	18	18	18	18	0	14	14	14	14	14	0
Mexico	14	14	14	14	14	0	17	17	17	17	17	0
New Zealand	10	10	10	10	10	0	9	9	9	9	9	0
Peru	24	24	24	24	23	-4	31	31	31	25	24	-23
Singapore	5	5	5	5	5	0	3	3	3	3	3	0
United States	6	6	6	6	6	0	5	5	5	5	5	0
APEC	16	17	16	16	16	-2	17	17	17	16	16	-7
APEC-13	13	12	12	12	12	-12	14	12	12	11	11	-16
WLD	29	27	26	25	24	-19	34	31	31	27	27	-23
Source: World Bank Doing Business.												

Table 10. Average cost to export and import

Average cost to export	**2006**	**2007**	**2008**	**2009**	**2010**	**%change**	Average cost to import **2006**	**2007**	**2008**	**2009**	**2010**	**%change**
Australia	795	930	930	1200	1060	33	945	1120	1120	1239	1119	18
Canada	700	1385	1385	1660	1610	130	850	1425	1425	1785	1660	95
Chile	645	645	645	745	745	16	685	685	685	795	795	16
Chinese,Taipei	747	747	747	757	720	-4	747	747	747	769	732	-2
Hong Kong,China	425	525	525	625	625	47	425	525	525	633	583	37
Japan	989	989	989	989	989	0	1047	1047	1047	1047	1047	0
Korea, republic of	780	780	745	767	742	-5	1,040	1,040	745	747	742	-29
Malaysia	432	432	432	450	450	4	1,761	1,761	1,761	2,050	2,050	16
Mexico	1302	1302	1302	1472	1472	13	385	385	385	450	450	17
New Zealand	725	725	725	868	868	20	800	800	800	850	850	6
Peru	590	590	590	875	875	48	670	670	670	895	895	34
Singapore	416	416	416	456	456	10	367	367	367	439	439	20
United States	960	960	960	990	1050	9	1160	1160	1160	1245	1315	13
APEC	716	787	780	873	867	21	812	883	854	950	939	16
APEC-13	731	802	799	912	897	23	837	902	880	996	975	16
WLD	1227	1223	1218	1364	1387	13	1426	1429	1429	1577	1602	12
Source: World Bank Doing Business.												

Table 11. APEC-13: % change in LPI indexes from 2007-2010

Economy	LPI	Customs	Infrastructure	International shipments	Logistics competence	Tracking & tracing	Timeliness
Singapore	-2.39%	3.08%	-1.17%	-4.46%	-2.14%	-2.35%	-6.62%
Japan	-1.24%	0.00%	1.95%	-5.84%	-2.91%	1.23%	-1.84%
Hong Kong, China	-3.00%	-0.26%	-1.48%	-2.91%	-4.01%	-2.96%	-6.70%
Canada	-1.28%	-2.88%	2.03%	-14.29%	3.64%	0.75%	5.25%
United States	0.52%	4.55%	1.97%	-10.34%	1.82%	3.99%	1.95%

Australia	1.32%	2.79%	3.56%	1.61%	0.27%	-2.52%	1.46%
New Zealand	-1.28%	-2.88%	2.03%	-14.29%	3.64%	0.75%	5.25%
Chinese Taipei	1.92%	3.08%	0.00%	-0.27%	1.96%	12.22%	-5.50%
Korea	3.41%	3.42%	5.23%	0.87%	0.28%	7.58%	2.85%
Malaysia	-1.15%	-7.44%	5.11%	4.17%	-1.76%	-5.41%	-2.28%
Chile	-4.92%	-11.75%	-6.54%	-14.64%	-7.84%	5.05%	7.04%
Mexico	6.27%	2.00%	10.07%	-2.75%	8.57%	10.81%	7.65%
Peru	1.08%	-6.72%	3.50%	-5.50%	-4.40%	7.04%	12.67%

Source: World Bank Logistics Performance Indicators.

PROGRESS TOWARDS INVESTMENT LIBERALISATION BY INDUSTRIALISED APEC ECONOMIES

Introduction

95. This review describes recent progress toward investment liberalisation by APEC-13 economies, with special attention to experience by those economies which are members of the OECD (OECD-APEC economies) in advancing investment liberalisation under OECD investment instruments, and the contribution of investment dialogues hosted at the OECD to promote further liberalisation. The review covers the following issues: 1) the removal of restrictions on foreign investment; 2) the implementation of investment principles; 3) key areas of recent investment liberalisation; 4) transparency; 5) national security measures; and 6) preventing protectionism in times of economic and financial crisis.

Box 7. APEC economies and OECD work on investment

APEC economies play an important role in the work of the OECD on investment.

Australia, Canada, Chile, Japan, Korea, Mexico, New Zealand and the United States of America are members of the OECD and have accepted all OECD instruments that promote investment liberalisation.

The Russian Federation is a candidate for accession to the OECD.

Peru adhered in 2008 to one of the key OECD investment instruments, the Declaration on International Investment and Multilateral Enterprises.

Vietnam and the P.R. of China have recently undertaken OECD Investment Policy Reviews, and a similar review is currently underway for Indonesia.

All these economies take active part in the various investment dialogues hosted at the OECD, including the Freedom of Investment Roundtable.

Removing restrictions on foreign investment

96. The period ranging from the 1980s to the mid-1990s, saw a remarkable expansion of investment flows between OECD economies, including most APEC-13 economies[22]. Just as remarkable was the move towards liberalisation of international direct investment and the removal of restrictions and impediments to the free circulation of capital. APEC-13 economies took an active part in these developments.

97. Along with sounder macroeconomic management, a series of structural policies were introduced, reflected, *inter alia*, in promotion of competition, privatisation and de-monopolisation on an unprecedented scale. The removal of restrictions on foreign investment was a natural concomitant of new policy approaches applied by diverse economies. Liberalisation also had a "knock-on" effect: the first liberalisation measures inevitably drew attention to the restrictions in other economies and made it more necessary and easily accepted for those economies, too, to introduce more liberal policies.

[22] OECD (2002), "Forty years experience with the OECD Code of Investment Liberalisation"; OECD (1992), "International Direct Investment. Policies and Trends in the 1990s".

98. During the period from the mid-1990s and 2009, OECD members, including OECD-APEC economies, made further progress in investment liberalisation. This progress was, however, only marginal when compared with the wave of generalised liberalisation measures which took place in these economies between the mid-80s and the mid-90s. Investment flows peaked in several APEC-13 economies in the late 1990s- early 2000s (largely due to an exceptional wave of mergers and acquisitions), and in 2007: United States, Canada (Figure 13); Chile, Mexico (Figure 14); Hong Kong, China; Singapore (Figure 15).

Figure 13. FDI inflows in selected OECD-APEC economies (I)

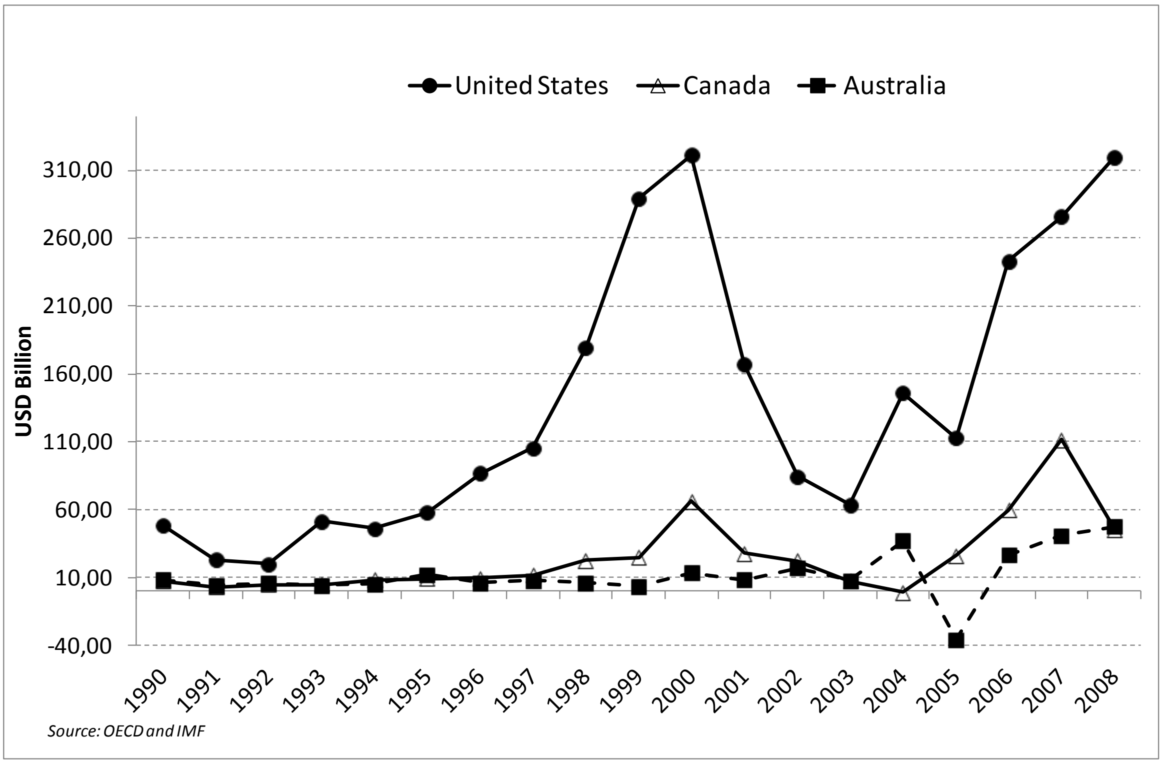


Figure 14. FDI inflows in selected OECD-APEC economies (II)

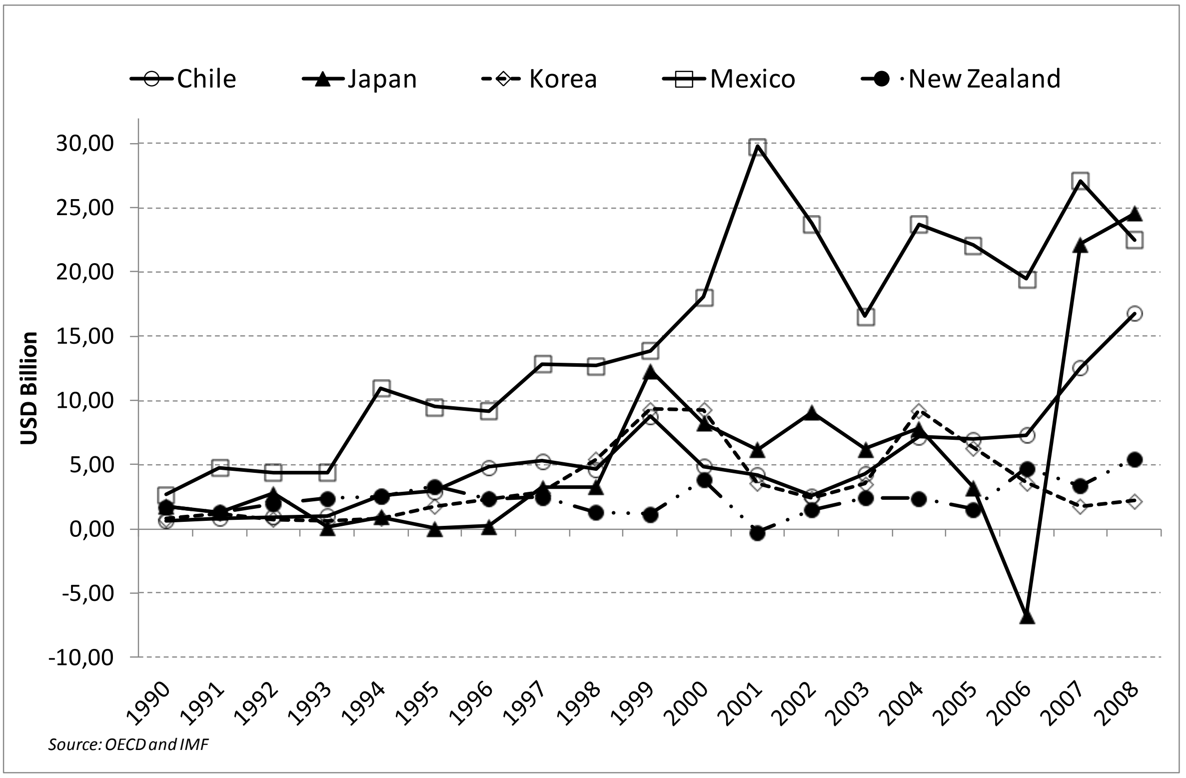
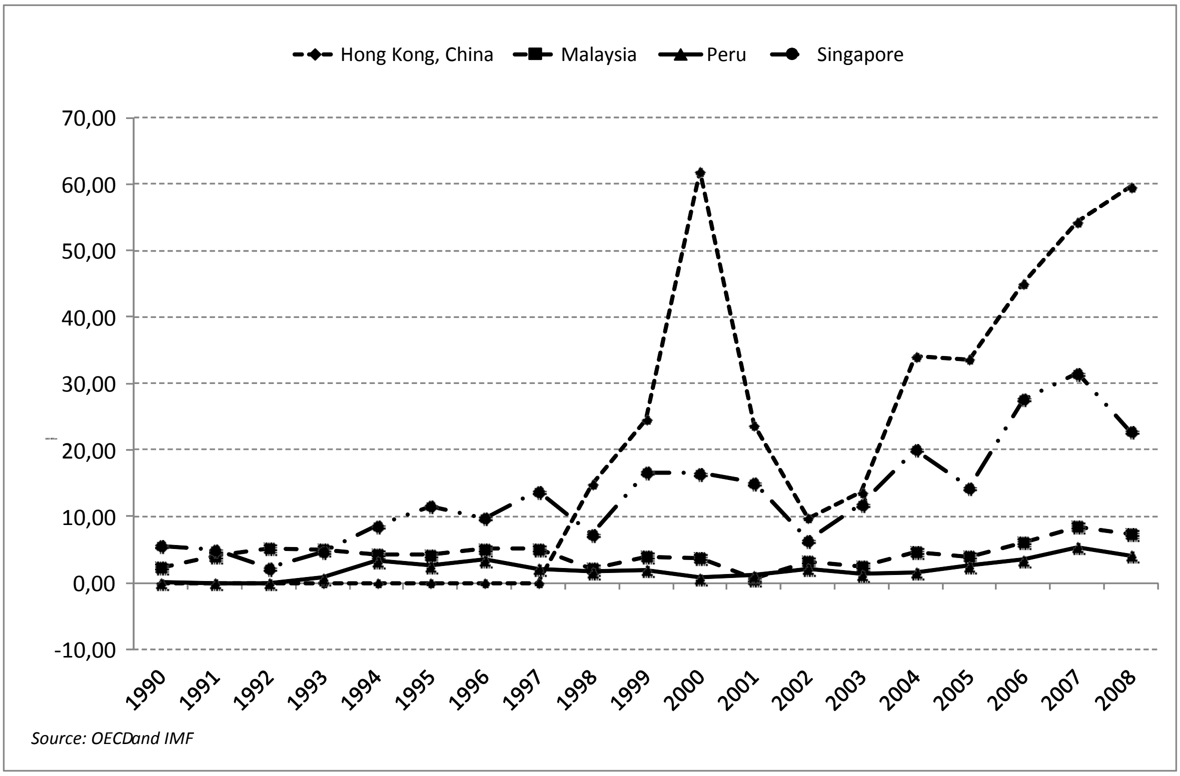


Figure 15. FDI inflows in selected APEC economies



99. Inflows into APEC industrialised economies[23] in 2008 constituted 69,7% (down from 85% in 2001) of total APEC flows, with OECD-APEC economies attracting 58,4% of total APEC inflows (down from 73% in 2001), and non OECD-APEC industrialised economies 11,3 % (down from 12% in 2001). Total investment inflows into the APEC region were 45,4% of total world inflows in 2008 (up from 42,6 in 2001).

23 For the purposes of the figures and table in this section, "APEC industrialised economies" comprises Australia, Canada, Chile, Hong-Kong, Japan, Korea, Malaysia, Mexico, New Zealand, Peru, Singapore, United States.

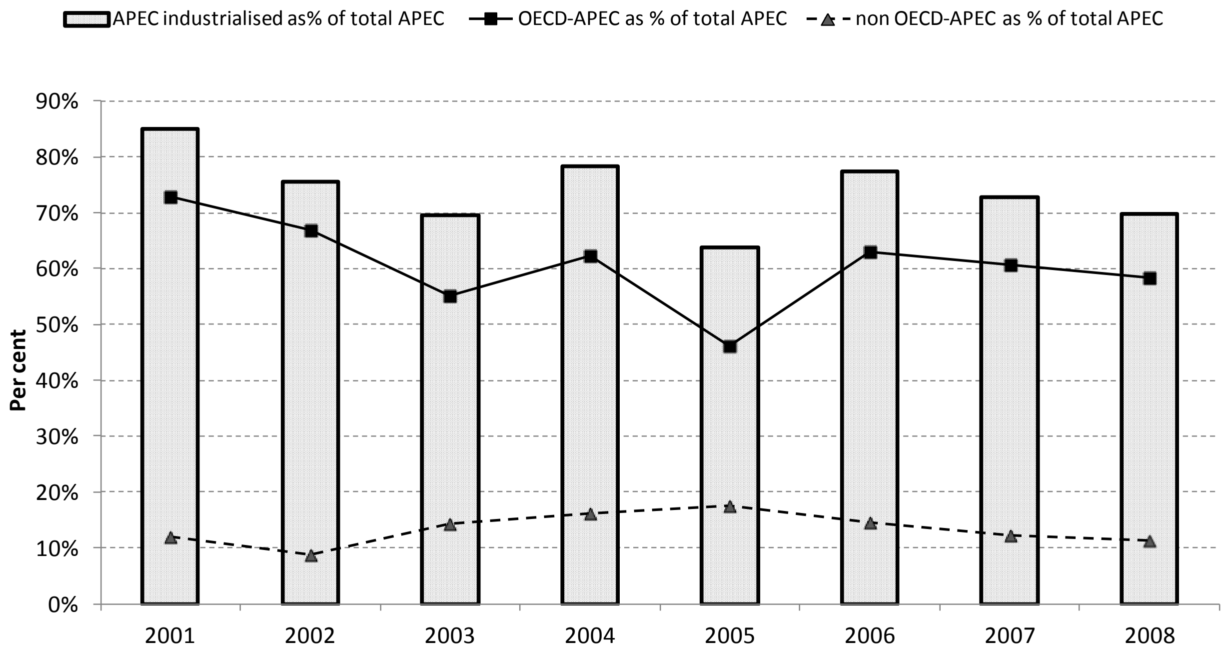
Table 12. FDI Inflows to APEC industrialised economies as % of world total (2001-2008)

FDI Inflows to APEC industrialised economies as % of world total (2001-2008)	2001	2002	2003	2004	2005	2006	2007	2008
Australia	1,0%	2,3%	1,3%	4,9%	..	1,8%	1,8%	2,6%
Canada	3,5%	3,0%	1,1%	..	2,3%	4,0%	4,8%	2,5%
Chile	0,5%	0,3%	0,7%	1,0%	0,6%	0,5%	0,5%	0,9%
Japan	0,8%	1,2%	1,0%	1,0%	0,3%	..	1,0%	1,3%
Korea	0,4%	0,3%	0,6%	1,2%	0,6%	0,2%	0,1%	0,1%
Mexico	3,8%	3,2%	2,6%	3,2%	2,0%	1,3%	1,2%	1,2%
New Zealand	..	0,2%	0,4%	0,3%	0,1%	0,3%	0,1%	0,3%
United States	21,0%	11,5%	10,0%	19,5%	10,0%	16,3%	11,9%	17,5%
Sub-total as% of total OECD	*6,5%*	*3,6%*	*6,1%*	*11,6%*	*6,6%*	*7,7%*	*5,8%*	*8,1%*
Sub-total as% of total APEC	*73,0%*	*66,8%*	*55,2%*	*62,3%*	*46,2%*	*63,0%*	*60,7%*	*58,4%*
Hong Kong, China	3,0%	1,3%	2,1%	4,5%	3,0%	3,0%	2,3%	3,3%
Malaysia	0,1%	0,4%	0,4%	0,6%	0,4%	0,4%	0,4%	0,4%
Peru	0,1%	0,3%	0,2%	0,2%	0,2%	0,2%	0,2%	0,2%
Singapore	1,9%	0,9%	1,8%	2,7%	1,3%	1,9%	1,4%	1,2%
Sub-total as% of total Non-OECD	24,1%	14,9%	18,3%	26,1%	17,8%	19,8%	17,0%	14,1%
Sub-total as% of total APEC	12,0%	8,8%	14,4%	16,2%	17,6%	14,5%	12,2%	11,3%
Memo items:								
APEC industrialised economies as% of total APEC	85,0%	75,6%	69,5%	78,4%	63,7%	77,5%	72,9%	69,7%
Total APEC as% of total World	42,6%	33,0%	31,8%	49,8%	27,4%	38,1%	35,3%	45,4%

Notes: Data for Chinese Taipei is not available.

Source: OECD and IMF

Figure 16. FDI inflows: APEC-industrialised economies as % of APEC total



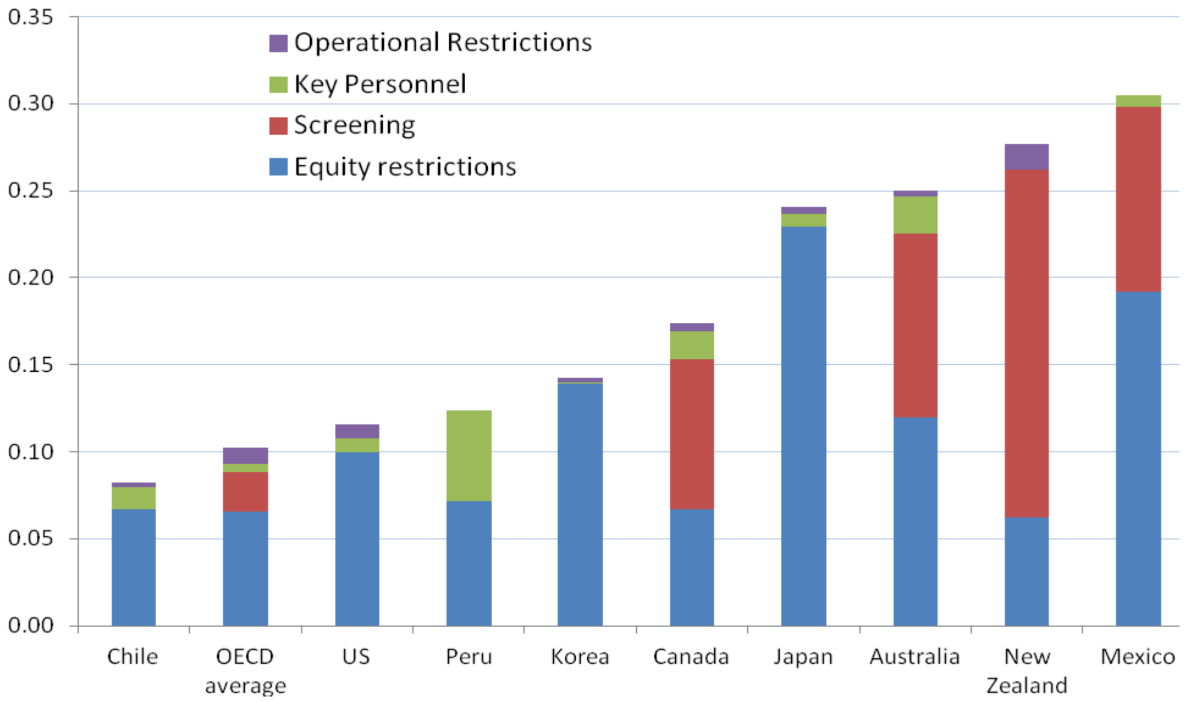
Source: IMF and OECD

100. One tool to measure and compare the degree of investment liberalisation across economies is the OECD FDI Regulatory Restrictiveness Index (FDI Index), which translates the positions of respective economies under the OECD investment instruments (or, in the case of non-OECD economies, other available information), to aggregate indicators. Figure 17 shows that the level of FDI restrictiveness in some industrialised APEC economies is low, and broadly within the range of the OECD average (Chile, United States, Peru), but above average for Korea, Canada, Japan, Australia, New Zealand, Mexico.

101. The FDI Index relies on a sliding scale of 0 to 1, with 1 representing a sector fully closed to FDI. It focuses exclusively on statutory restrictions on FDI and makes no attempt to take into account questions of implementation. It is not, therefore, an indicator of the overall investment climate, but it does nevertheless correlate with FDI inflows across countries: more open countries tend to receive more inward FDI relative to the size of their economies. The inclusion of primary sectors has tended to make many of the APEC economies appear as more restrictive relative to the OECD average.[24]

[24] In terms of methodology, the FDI Index is based on information on 22 sectors, with equal weights assigned to each sector. It records four broad types of restrictions on FDI: equity restrictions which tend to vary by sector; screening of foreign investors which tends to be horizontal; restrictions on the movement of key personnel; and operational restrictions related to i.a. land ownership and profit repatriation. The Index was revised in May 2010. The 2010 Index is not strictly comparable with earlier versions, as it includes a modified scoring system and more sectors.

Figure 17. OECD FDI Regulatory Restrictiveness Index for selected APEC economies (2010)



Implementation of investment principles

102. In their efforts to achieve investment liberalisation, most APEC-13 economies have greatly benefitted from the disciplines and guidance under the OECD investment instruments, which provide rules relating to capital movements, international investment, and trade in services. These rules are embedded in two sets of instruments: the *Codes of Liberalisation* and the *Declaration on International Investment and Multinational Enterprises* (Box 8).

Box 8. Key OECD investment instruments

The *Code of Liberalisation of Capital Movements and the Code of Liberalisation of Current Invisible Operations*[25]*, adopted in 1961,* constitute legally binding rules, stipulating progressive, non-discriminatory liberalisation of capital movements, the right of establishment and current invisible transactions (mostly services). Implementation of the Codes, in particular by removal of restrictions on cross-border capital flows and trade in services and the concomitant lifting of an economy's reservations against the Codes involves "peer pressure" exercised through policy reviews and examinations of specific economies to encourage unilateral rather than negotiated liberalisation.

The *Declaration on International Investment and Multinational Enterprises* is a policy commitment by the economies to improve the investment climate, encourage the positive contribution multinational enterprises can make to economic and social progress, minimise and resolve difficulties which may arise from their operations.[26] The Declaration was adopted in 1976 and has been revised several times.

25 Code of Liberalisation of Capital Movements, www.oecd.org/dataoecd/10/62/39664826.pdf and Code of Liberalisation of Current Invisible Operations, www.oecd.org/dataoecd/41/21/2030182.pdf.

26 OECD Declaration on International Investment and Multinational Enterprises, www.oecd.org/document/24/0,3343,en_2649_34887_1875736_1_1_1_1,00.html.

The Declaration consists of four elements (each underpinned by a Decision by the OECD Council on follow-up procedures:

- *The Guidelines for Multinational Enterprises* are recommendations on responsible business conduct addressed by public agencies to multinational enterprises operating in or from adhering economies. Observance of the Guidelines is supported by a unique implementation mechanism: adhering economies - through their network of National Contact Points - are responsible for promoting the Guidelines and helping to resolve issues that arise under the specific instances procedures.
- *National Treatment:* A voluntary undertaking by adhering countries to accord to foreign-controlled enterprises on their territories treatment no less favourable than that accorded in like situations to domestic enterprises.
- *Conflicting requirements*: Adhering countries shall co-operate so as to avoid or minimise the imposition of conflicting requirements on multinational enterprises;
- *International investment incentives and disincentives* : adhering countries recognise the need to give due weight to the interest of adhering countries affected by laws and practices in this field; they will endeavour to make measures as transparent as possible.

All OECD members, as well as 11 non-member economies, including Peru in 2008, have subscribed to the Declaration.

103. The investment principles on which OECD instruments are based, such as non-discrimination and transparency, are also reflected in the APEC Non–Binding Investment Principles, adopted in Jakarta in 1994. Contrary to the latter, however, the OECD investment instruments contain legally binding obligations.

The main principles emerging from the Codes are:

- *Standstill:* Under the Codes, countries may not introduce new barriers. Reservations to obligations under the Codes can only reduced or deleted but not added or expanded. The regulatory status quo is thus locked in and can only evolve in the direction of further liberalisation.
- *Rollback:* Liberalisation is the principal objective of the Codes. Members may achieve it gradually through abolishing restrictions over time and according to their individual situation.
- *Unilateral liberalisation*: Contrary to other international agreements on trade and investment, the Codes' approach is not one of bargaining and negotiating of mutual concessions. Instead, countries should be ready to abolish restrictions without expecting an immediate concession from other countries.
- *Non-discrimination*: Countries are expected to grant the benefit of open markets to residents of all other member countries alike, without discrimination. Where restrictions exist, they must be applied to everybody in the same way.
- *Transparency:* Information on the barriers to investment, capital movements and other operations covered by the Codes should be complete, up-to-date, comprehensible and accessible to everyone. Countries are required to notify all measures which affect any of the transaction covered by the Codes, as well as any modifications to these measures.

104. The National Treatment instrument addresses the treatment of foreign-controlled enterprises after establishment. Adherents (which include all APEC-13 economies, except Chinese Taipei, Hong Kong, China, Malaysia and Singapore) commit to notify their exceptions to National Treatment. The instrument's follow-up procedures include a commitment by adhering countries to report exceptions to National Treatment.

105. The distinctive OECD process of peer review of investment measures in a multilateral setting has provided support for policy-makers in adhering economies, by taking into account the specificity of their circumstances while, at the same time, sharing with them the accumulated experience of economies in similar policy situations. This approach relies on a process of shared, mutually beneficial learning, where economies "benchmark" domestic regulation and policy measures against the standards set by the OECD investment instruments, and the progress made by peer participants in this process to achieve those standards.

Key areas of recent investment liberalisation

106. In 2009, the OECD Investment Committee carried out a full review of restrictions to investment in OECD members under the Codes of Liberalisation and of exceptions to National Treatment. [27]

107. The revision shows that, in general, OECD-APEC economies have an open investment regime. Though they have only made moderate progress towards *direct investment* liberalisation during this period – as the bulk of liberalisation measures had already been taken by the mid 1990 - the number of restrictions remains very limited. One exception is Mexico, which has removed some restrictions to investment by non-residents (e.g., in financial leasing, factoring and investment companies, as well as in the transport sector) but still maintains a significant number of restrictions to foreign investment.

108. The 2009 review shows that OECD economies, including OECD-APEC economies, do not maintain general *capital and exchange controls*[28]. There has been some, though not very significant, progress in liberalisation of investment in the *services sector*. In Canada for example, foreign ownership restrictions and discriminatory restrictions on establishment in the form of a branch in insurance, banking and other financial services have been removed.[29]

109. Some progress in removing *reciprocity and other discriminations* among OECD economies has also been made. Australia and Japan withdrew reciprocity requirements in banking and financial services.

110. There has also been progress in limiting the scope of *all-sector measures*. Australia and Canada increased the asset value threshold above which foreign investment is subject to screening.

111. Under the OECD Codes of Liberalisation, members are only bound to liberalise measures vis-à-vis other OECD members. However, liberalisation measures have generally been *extended to the other members of the IMF*, consistent with the endeavour of members under the Codes.

112. The Appendix describes progress in the removal of restrictions to direct investment by OECD-APEC economies since 1997, as reflected in reservations to item I/A (inward direct investment) of the Codes of Liberalisation of Capital Movements. It also summarises progress in opening up investment regimes in Chile, which accepted the Codes of Liberalisation as part of its accession to the OECD, as well as in Peru, which adhered to the OECD Declaration on International Investment in 2008. Short summaries

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27 OECD (2009), "Modifications of OECD Countries' Positions under the Codes of Liberalisation of Capital Movements and of Current Invisible Operations and the National Treatment Instrument". www.oecd.org/dataoecd/24/27/43368090.pdf.

28 The only exception is Iceland, which is in the process of invocation of the derogation clauses of the Codes for restrictions introduced in 2008 in response to its financial crisis.

29 Canada has not yet agreed to delete its reservation under the Codes in these areas pending confirmation of the treatment of prudential measures under the Codes. The matter is currently under consideration by the OECD Investment Committee.

of the investment regimes in Hong Kong, China, Chinese Taipei, Malaysia and Singapore, as well as charts on FDI in-and outflows from 1991 to 2007 are also provided.

113. The 2009 review also allowed for an update of economy positions under the National Treatment instrument. The latest update shows that exceptions to National Treatment of foreign controlled enterprises established in the economy are typically limited to certain sectors, notably mining, transport, fisheries, broadcasting and telecommunications. Even there, many exceptions are of a limited nature and exceptions are reduced in scope or deleted as a result of unilateral measures, or as a result of the examinations. Box 9 provides specific information on the application of non-discrimination and national treatment in Peru.

Box 9. Non-discrimination and national treatment in Peru's investment regime

Peru has established an open and transparent investment regime. The principle of non-discrimination underpins Peru's legislation and regulations governing investment, notably the Foreign Investment Promotion Law and the Framework Law on Private Investment Growth. All enterprises have the right to organise and develop their activities under the form they deem appropriate.

Peru has taken far-reaching measures to improve regulatory transparency at all levels of government. An enterprise that considers that it will be threatened or affected by any law or administrative decision can file a lawsuit to the Market Access Commission, part of the National Institute for Defence of Competition and Protection of Intellectual Property (INDECOPI). The Framework Law provides for the possibility of signing "legal stability agreements" with interested domestic and foreign investors for transactions above a certain size which guarantee certain rights to investors (non-discriminatory treatment, free transfer of capital and profits, and the tax treatment in force at the time of the investment).

Peru has a limited number of restrictions on foreign investment. It maintains a restriction on foreign ownership of land, water and energy resources located within 50 km of the Peruvian border, motivated by national security reasons. Other sectoral exceptions to national treatment concern equity ownership restrictions in broadcasting, air transport and water cabotage services. These exceptions are present in a number of OECD and other adhering countries. Peru has limitations applicable to the foreign and domestic enterprises on employment of foreign personnel in services companies and requirements to hire Peruvian nationals or residents in key personnel in four specific sectors.

Combining existing limited restrictions and these other measures all together, Peru ranks among the most open economies by the OECD FDI Regulatory Restrictiveness Index.

Source: OECD (2008): Investment Policy Review: Peru

Transparency in support of investment liberalisation

114. Transparency, as described in APEC's Non-Binding Investment Principles, implies that member economies will make all laws, regulations, administrative guidelines and policies pertaining to investment publicly available in a prompt, transparent and readily available manner. Box 10 describes measures to ensure transparency on investment in Chile, the most recent APEC economy acceding to the OECD.

Box 10. Transparency on investment measures in Chile

Under the Constitution of Chile, all actions of the State are public; thus all procedures must be made public, including the process of preparing new legislation.

The Law on the Basis of Administration of the State provides that, prior to the issuance of regulations, regulators have the obligation to publish the proposed regulations in their website and receive comments and petitions.

The Law on Public Transparency and Access to Public Sector information regulates transparency in the public sector and the right of access of the economy's citizens to information held by public services. This law, which came into force in 2009, means that nearly all information about the decisions of state agencies is public and seeks to foster closer ties between the state and its citizens, facilitate constructive citizen participation and strengthen accountability.

The Council for Transparency, an autonomous body, was created to supervise the law's implementation and is empowered to issue instructions, apply sanctions and settle disputes when a person requesting information is not satisfied with the response. The Council is also responsible for public education about the new law, for training in its use and, in general, for fostering transparency in the public sector.

The government provides information, *inter alia*, through the web, on the regulatory framework for foreign investors, including on the discrimination complaint mechanism available to foreign investors under the Foreign Investment Statute D.L. 600. The text of all bilateral investment treaties in force is also available online.

Source: www.foreigninvestment.cl.

115. Transparency is also embedded in OECD investment instruments. Under the Codes of Liberalisation, members report any measures or changes thereto, having a bearing on their obligations under the Codes. Positions by members under the Codes of Liberalisation, reflecting remaining restrictions are regularly updated in lists and published on the OECD website. Most APEC-13 economies actively take part in this exercise.

116. Under the National Treatment instrument, adhering countries are requested to report on any exceptions to National Treatment. As is the case with the Codes, the exceptions are reflected in lists, which are regularly updated and published. The exceptions are periodically examined by the Investment Committee. These examinations result in a decision by the OECD Council, which formulates proposals for action by the economy concerned. In addition, adherents to the instrument notify information on all measures having a bearing on National Treatment.

117. The OECD also promotes transparency through dialogues and roundtables. One of these processes is the “Freedom of Investment" (FOI) process, which is hosted by the OECD Investment Committee. It has, since 2006, provided a forum for intergovernmental dialogue on how governments can reconcile the need to preserve and expand an open international investment environment with their duty to safeguard the essential security interests of their people and take action to recover from the crisis.

118. The FOI discussions include peer monitoring sessions through *tours d'horizon* of national developments, in-depth policy discussions of selected national security topics, and identification of good investment policy practices. These discussions involve both OECD members and non-members, including APEC economies Australia, Canada, Chile, P.R. China, Indonesia, Japan, Korea, Mexico, New Zealand, Peru, the Russian Federation, and the United States.

Investment liberalisation and national security-related measures

119. Over the last five years, national security reviews of incoming investments have become an increasingly important focus for investment policy makers. The 2009 review shows that economies are putting in place more measures for *essential security interests and public order reasons*. New measures in this area have been notified by OECD members, including most APEC-13 economies. Japan extended in 2007 the list of sectors in which foreign investment is subject to prior notification; the US codified and clarified the operation of its Committee on Foreign Investment through the adoption of the Foreign Investment and National Security Act (FINSA) in 2007; and Canada introduced a new national security review mechanism in 2009 (Box 11). These developments signal increased consideration to exercising investment safeguards, and indeed the number of individual investments reviewed or blocked on security grounds has recently increased.

Box 11. National security-related measures in Canada, Japan and the United States

In March 2009, *Canada* amended the *Investment Canada Act* to include a new Part IV.1 (Investments Injurious to National Security), which allows the Canadian government to review foreign investment that could be injurious to national security. Under this new Part of the Act, if national security threats associated with investments in Canada by non-Canadians are identified, primarily by Canada's security and intelligence agencies, they will be brought to the attention of the Minister of Industry. Once identified, the Minister of Industry, after consultation with the Minister of Public Safety and Emergency Preparedness, is responsible for deciding whether to refer these investments to the Governor in Council (GIC), which determines whether a review should be ordered. Once the GIC orders a review, the Minister of Industry, after consultation with the Minister of Public Safety and Emergency Preparedness, conducts the review and, if required, submits a report to the GIC with recommendations. The GIC has the authority to take any measures in respect of the investment that it considers advisable to protect national security.

Japan has expanded the coverage of the prior notification requirement for foreigners acquiring a stake in companies in designated sectors. According to the Foreign Exchange and Foreign Trade Act, the government can order investors to alter or withdraw from investment plans if it produces a significant impact on Japan's national security, public order and public safety. According to amendments approved by Cabinet in September 2007, the list of industries covered by the regulation has been adjusted to include those that produce sensitive products (such as arms, nuclear reactors and dual use products), as well as industries that produce sensitive products or provide related services. The stated purpose of the amendments is to prevent the proliferation of weapons of mass destruction or damage to the defence production and technology infrastructure. The new measures are reflected in the "transparency list" of the NTI. In May 2008, for the first time, the Japanese government ordered a foreign investor to discontinue further acquisition of shares under the Foreign Exchange and Foreign Trade Act on public order grounds. The Japanese authorities have indicated that some other 762 notifications submitted in the past three years have passed the review within 30 days, in accordance with the regulation and within this about 95% of the notifications have passed the review within two weeks.

In the *United States,* the 1988 amendment to the Defence Production Act, known as the Exon-Florio Act, established a review process for mergers, acquisitions and takeovers by foreign persons. The review process is carried-out by the Committee on Foreign Investment in the United States (CFIUS) within a national security focus. It evaluates each individual transaction on its own merits; there are no prohibitions on foreign investment in specific sectors or equity caps. Filings by foreign investors are voluntary (although CFIUS may itself make a filing to initiate an investigation, the mechanism has not been used) and action to block a transaction remains a last resort. A transaction may be blocked only if there is credible evidence of a threat to national security and other provisions in law do not provide adequate and appropriate means to protect national security. The decision to block a transaction is made by the President of the United States. Mitigation measures may be negotiated with the interested party in order to address national security risks, thus allowing the transaction to proceed. In 2007 the US adopted the Foreign Investment and National Security Act (FINSA). Practices have also evolved in recent years: the number of transactions filed with CFIUS is reported to have increased from 65 in 2005 to 113 in 2006; in 2006–2007, there were 13 second-stage investigations by CFIUS, more than in the previous fifteen years combined, and 27 mitigation agreements compared with 13.

Source: OECD (2009), "Modifications of OECD Countries' Positions under the Codes of Liberalisation of Capital Movements and of Current Invisible Operations and the National Treatment Instrument."

120. Participants in the FOI process have widely recognised that care must be taken to ensure that national security-related measures address genuine security concerns and avoid disguised protectionism, which would impose high costs on national economies and delay recovery. Against this background, the OECD Council adopted in 2009 a Council Recommendation on Guidelines for Recipient Country Investment Policies relating to National Security, to help governments preserve their reputation for fair treatment of international investors while meeting national security needs.[30] The Guidelines were developed in the framework of the Freedom of Investment Roundtable, with the participation of most APEC-13 economies. The Guidelines recommend steps which governments should take to make their national security measures least-discriminatory, transparent and predictable, proportionate to the objective pursued, and accountable in their application.

30 OECD (2009), "Council Recommendation on Guidelines for Recipient Country Investment Policies relating to National Security", www.oecd.org/dataoecd/11/35/43384486.pdf.

Preventing protectionism in times of economic and financial crisis

121. The financial and economic crisis has led to an increase of *emergency measures that might have an impact on investment.* An inventory of investment measures during the period November 2008-August 2009 carried out in the framework of the Freedom of Investment Roundtable shows that 43 out of 48 economies, including most APEC-13 economies, took emergency measures that could influence worldwide capital movements (Table 13).[31]

Table 13. Investment Measures taken between 15 November 2008 and 31 August 2009[32]

	Investment policy measures	Investment measures related to national security	Emergency and related measures with potential impacts on international investment		
			Financial sector	Automotive sector	Cross-sectoral measures
Argentina	•				•
Australia	•		•		
Austria			•		•
Belgium			•		•
Brazil			•		
Canada	•	•	•	•	•
Chile					•
P.R. China	•			•	
Czech Republic			•		•
Denmark			•		
Egypt					
Estonia					•
Finland			•		•
France	•		•	•	•
Germany		•	•	•	•
Greece			•		•
Hungary			•		•
Iceland			•		•
India	•		•		•
Indonesia	•				
Ireland			•		•
Israel			•		•
Italy			•		
Japan	•		•		•
Korea	•		•		•
Latvia			•		•
Lithuania					•
Luxembourg			•		•
Mexico	•		•		

31 OECD (2009), "Inventory of Investment Measures taken between 15 November 2008 and 31 August 2009", www.oecd.org/dataoecd/42/21/44067629.pdf.

32 APEC economies have been highlighted for the purposes of this report.

	Investment policy measures	Investment measures related to national security	Emergency and related measures with potential impacts on international investment		
			Financial sector	Automotive sector	Cross-sectoral measures
Netherlands			•		•
New Zealand	•		•		
Norway			•		•
Peru					
Poland			•		•
Portugal			•		•
Romania			•		•
Russian Federation	•		•	•	•
Saudi Arabia					
Slovak Republic					•
Slovenia			•		•
South Africa					
Spain			•		•
Sweden			•	•	
Switzerland			•		
Turkey					•
United Kingdom	•		•	•	•
United States			•	•	•
European Union	•		•		•

122. While the thrust of investment policy changes taken during that period is, for the most part, towards greater openness and clarity, there are risks that emergency measures may create advantages for domestic sectors and put foreign players at a disadvantage. Many recent policies give new powers and considerable discretion to governments in their application. In many instances, governments have entered into direct negotiations with companies and at times have become deeply involved in their management. Depending on how they are handled, direct interventions in the management of companies and the considerable discretion that this gives governments in influencing business decisions, can undermine competition and open up possibilities for discrimination among foreign investors.

123. Governments appear to be concerned about this and some have taken steps to limit or monitor their use of discretion. Among APEC-13 economies, New Zealand has published guidelines on the use of discretion in the choice of beneficiaries of some of its financial sector programmes and other economies have also issued detailed guidelines. Extensive public reporting on crisis measures and results (e.g. in Canada and the United States) and oversight commissions (United States) are also used to enhance transparency and accountability.

124. A follow-up review by OECD examining 49 economies' investment policies over the September 2009-February 2010 period shows that emergency measures accounted for most of the measures taken. Of the 49 economies, 35, including Australia, Canada, Japan, Korea, New Zealand and the United States, took emergency measures that could influence worldwide capital movements, or continued to implement emergency measures that they had introduced earlier. During the review period, 11 economies (including Canada and the United States) took measures to exit from crisis response programmes in the financial sector. Some exits occurred as a result of sunset clauses written into the original crisis response legislation (e.g. Canada). The United States published a strategy for exit from crisis measures. The creation of "bad

banks" or of public private partnerships to remove distressed assets from bank balance sheets also prepared the way for exit (Korea, United States). [33]

125. In a report on G-20 Trade and Investment Measures published in June 2010[34] for the Toronto G20 Summit, the World Trade Organisation (WTO) and the UN Conference on Trade and Development (UNCTAD) noted that unwinding emergency measures taken in response to the crisis still constitutes a great challenge for G20 governments. Although these measures are not, on the whole, overtly discriminatory toward foreign investors, they can pose threats to market competition in general and to competition operating through international investment in particular. The reports shows that, while G20 governments (including Canada, Japan and the United States) have started to dismantle some emergency schemes, they have also extended or expanded their programmes or introduced schemes for new sectors. This extension and expansion of emergency support raises the concern that such programmes could become entrenched features of economic policy in some G20 economies.

33 OECD (2010), "Inventory of investment measures taken between 1 September 2009 and 14 February 2010" (www.oecd.org/dataoecd/6/58/44938778.pdf)

34 WTO, OECD and UNCTAD (2010). "Report on G20 Trade and Investment Measures". www.oecd.org/dataoecd/8/30/45447145.pdf.

APPENDIX

REVIEW OF RECENT INVESTMENT LIBERALISATION MEASURES IN APEC-13 ECONOMIES

126. This Appendix summarises progress in investment liberalisation made by the individual APEC-13 economies. It includes, first, a review of measures in OECD-APEC economies (Australia, Canada, Japan, Korea, Mexico, New Zealand and the United States) further liberalising direct investment since the end of 1997. The review is based on the removal of reservations to item I/A of the Code of Liberalisation on Capital Movements since the update to specific positions published in 1997, followed by a list of the remaining reservations, as per the revision carried out in 2009.[35]

127. During the period 1997-2009, (Australia, Canada and Japan removed or narrowed some entries to their reservation to inward investment; New Zealand and the United States did not remove any entries to the reservation.

128. The Appendix also indicates the reservations lodged by Chile when it accepted the Codes of Liberalisation as part of its accession to the OECD in 2010. Descriptions of investment liberalisation in Peru; Chinese Taipei, Hong Kong, China; Malaysia and Singapore are also provided. The description on investment liberalisation in Peru draws on the OECD Investment Policy Review carried out in 2008 when Peru adhered to the OECD Declaration on International Investment.[36] It also lists the exceptions to National Treatment notified by Peru, as requested from adherents to the Declaration.[37] The summaries on Hong Kong, China and Singapore draw on material collected in the framework of work with non-OECD economies.

129. Each summary includes a graph of investment inflows and outflows for the period 1991- 2008, based on OECD and/or IMF data. Box 12 explains the terms used in the graphs.

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35 The full lists of reservations to the Codes are available at www.oecd.org/document/63/0,3343,en_2649_34887_1826559_1_1_1_1,00.html.

36 OECD (2008), "Investment Policy Reviews: Peru".

www.oecd.org/document/17/0,3343,en_2649_34887_41714577_1_1_1_1,00.html

37 The full lists of exceptions to National Treatment are available at www.oecd.org/dataoecd/32/21/1954854.pdf.

Box 12. Definition of FDI transactions

Direct investment flows are cross-border transactions within a given period between affiliated enterprises that are in a direct investment relationship: *i)* outflows are investments by resident direct investors abroad; and ii) inflows are investments by non-resident direct investors in the reporting economy. Transactions between residents of the same economy are excluded. Direct investment financial flows are composed of *equity capital*, *reinvestment of earnings* (and undistributed branch profits) and *other capital* (inter-company loans).

Equity capital comprises: *i)* equity in branches; *ii)* all shares in subsidiaries and associates (except non-participating preference shares; and *iii)* other capital contributions, including non-cash acquisitions of equity (such as through the provision of capital equipment). Ownership of equity is usually evidenced by shares, stocks, participations, depositary receipts or similar documents.

Reinvestment of earnings (and undistributed branch profit)s comprise the earnings on equity accruing to direct investors less distributed earnings, proportionate to the percentage ownership of the equity owned by the direct investor(s). Reinvested earnings are also included in direct investment income. Because reinvested earnings are not actually distributed to the direct investor but rather increase the direct investor's investment in its affiliate

Other capital: covers the borrowing or lending of funds between *affiliated direct investment enterprises*. The instruments covered include loans, debt securities, suppliers' (trade) credits, financial leases, and non-participating preference shares which are treated as debt securities.

AUSTRALIA

Progress toward investment liberalisation

Since 1997 Australia has removed entries to the reservation to direct investment by non-residents in: mass circulation and ethnic newspapers, broadcasting (including television) and has narrowed the entries related to proposals falling within the scope of Australia's Foreign Acquisitions and Take-overs Act 1975 and to telecommunications.

Remaining reservations

A reservation to direct investment by non-residents remains in the following areas:

i) investments in banking, real estate, civil aviation and uranium;

ii) proposals falling within the scope of Australia's Foreign Acquisitions and Take-overs Act 1975, which broadly covers acquisitions of partial or controlling interests in Australian companies or businesses with total assets valued over A$100 million or A$200 million for foreign offshore takeovers and other arrangements relating to foreign control of companies and businesses;

iii) foreign life insurers, which are not allowed to operate by way of branches in Australia;

iv) proposals to establish new businesses or projects where the total investment is A$10 million or more;

v) proposals involving direct investment by foreign governments or their agencies;

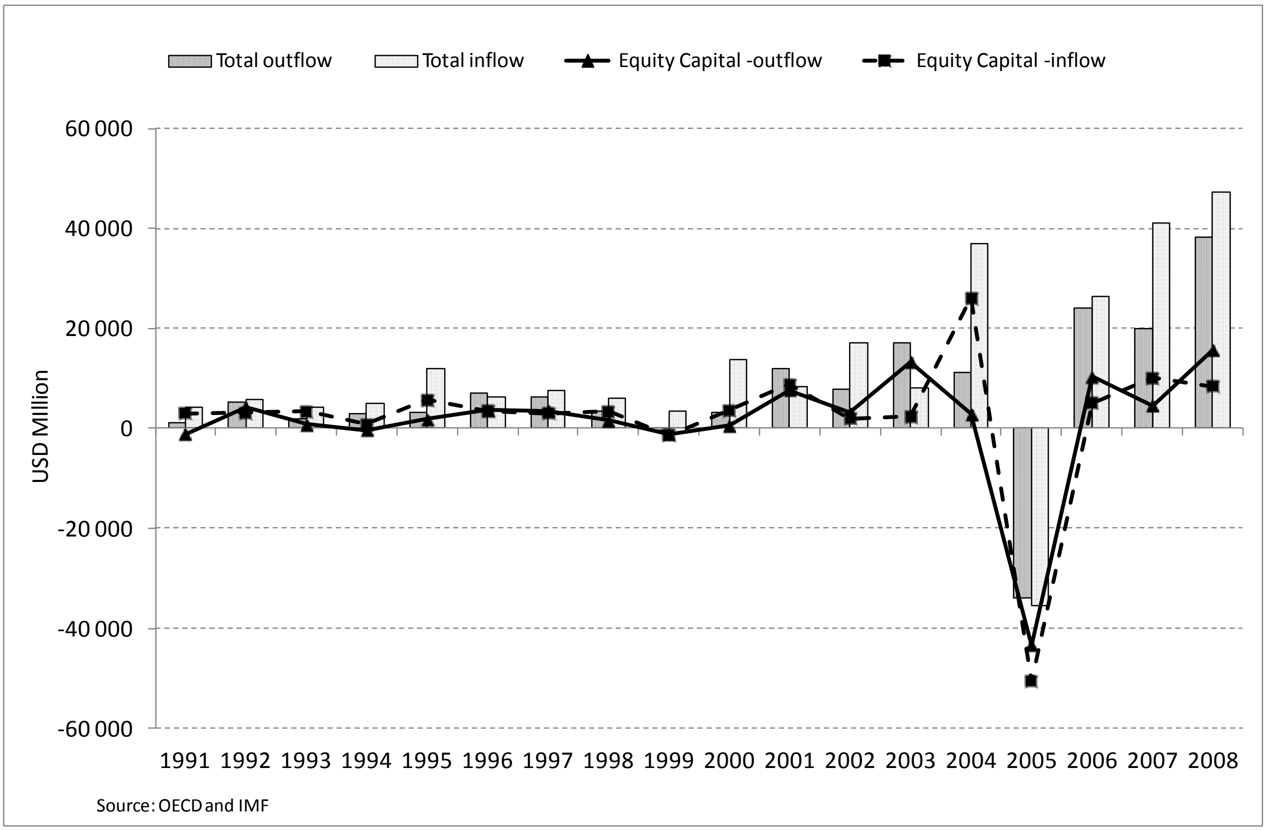
vi) investments to the extent that constituent States or Territories of Australia exercise legislative and administrative control over such investment;

vii) ownership of Australian flag vessels, except through an enterprise incorporated in Australia;

viii) telecommunications to the extent that the Telstra Corporation Act 1991 limits aggregate foreign ownership in Telstra to 35 per cent of the Telstra shares that are not Commonwealth held. The maximum individual foreign ownership allowed in Telstra is 5 per cent of the Telstra shares that are not Commonwealth held.

The reservation does not apply to acquisitions of shares in relevant corporations and interests in Australian urban land by foreign custodian companies when acting at the direction of clients.

Figure 18. Australia FDI inflows and outflows 1991-2008



CANADA

Progress toward investment liberalisation

Since 1997 Canada has narrowed entries to the reservation to direct investment by non-residents in relation with the review requirement under the Investment Canada Act, as well as in the area of telecommunications and energy.

Remaining reservations

A reservation for direct investment by non-residents remains in the following areas:

i) a review requirement under the Investment Canada Act applying to acquisitions of large Canadian businesses by foreign investors. For investors from WTO members, the review threshold is $312 million in 2009. Indirect acquisitions of Canadian businesses by WTO investors are not reviewable, except for those relating to Canadian cultural businesses. The review threshold for non-WTO members is $5 million for direct acquisitions of Canadian businesses and $50 million for indirect acquisitions. For all non-Canadian investors, acquisitions of Canadian cultural businesses are also reviewable at these lower thresholds ($5 million and $50 million). The thresholds for direct acquisitions by WTO members is also automatically adjusted annually according to a formula in the Act to reflect changes in GDP;

ii) activities related to Canada's cultural heritage or national identity, in particular:

   a) the publication, distribution or sale of books, magazines, periodicals or newspapers in print or machine readable form, but not including the sole activity of printing or typesetting any of the above;

   b) the production, distribution, sale or exhibition of film or video recordings;

   c) the production, distribution, sale or exhibition of audio or video music recordings;

   d) the publication, distribution or sale of music in print or machine readable form; or

   e) radio-communication in which the transmissions are intended for direct reception by the general public, and all radio, television and cable broadcasting undertakings and all satellite programming and broadcast network services;

iii) banking and financial services;

iv) insurance;

v) acquisition in air transport: only Canadians (citizens, permanent residents or companies incorporated in Canada that are controlled by Canadians and of which at least 75 per cent of the voting interests are owned and controlled by Canadians) may register an aircraft as “Canadian” and obtain Operator Certificates to provide the following commercial air services: 1) domestic air services; 2) scheduled international air services where those services have been reserved to Canadian carriers under air services agreements; 3) non-scheduled international air services where those services have been reserved to Canadian carriers under the Canada Transportation Act; and 4) speciality air services;

vi) maritime transport;

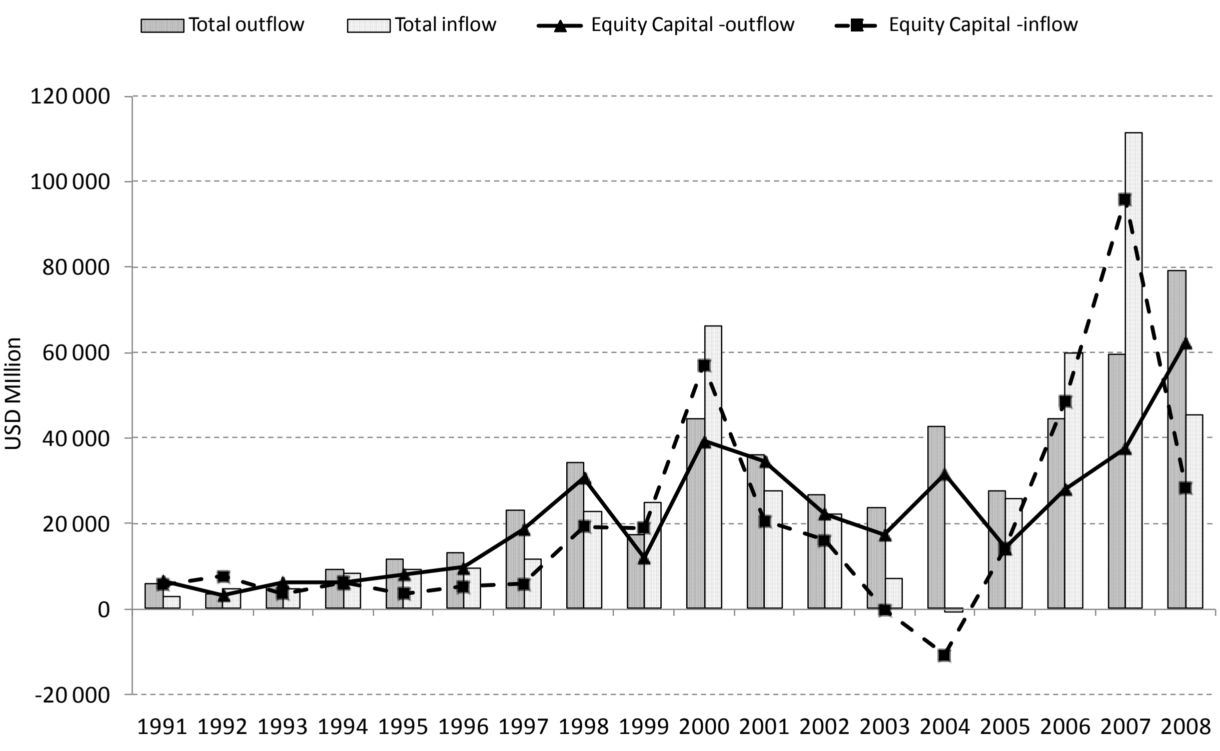
vii) telecommunications: Foreign ownership of voting shares of Canadian common carriers is limited to 20 per cent direct and 33⅓ per cent indirect (46.7 per cent combined direct and indirect).

Facilities-based telecommunications service suppliers must be controlled by Canadians. There are no restrictions on foreign ownership of non-voting shares.

viii) uranium: 51 per cent minimum Canadian ownership requirement in individual uranium mining properties at the stage of first production unless the project is in fact controlled by Canadian nationals, as defined in the Investment Canada Act. The Cabinet may grant exemption to the policy when Canadian partners cannot be found;

ix) fish harvesting.

Figure 19. Canada FDI inflows and outflows 1991-2008



Source: OECD and IMF

CHILE[38]

A reservation for direct investment by non-residents remains in the following areas:

i) the requirement of incorporation in Chile for auditors of financial institutions;

ii) establishment of branches of non-resident financial institutions except banks and insurance companies;

iii) the registration of aircraft which is reserved for Chilean natural persons or Chilean enterprises that are majority-owned by Chilean nationals;

iv) the registration of shipping vessels for which there is a requirement of incorporation in Chile and, in the case of vessels for water transportation, fishing, cabotage and tugging activities performed in Chilean ports which is reserved for Chilean natural persons or Chilean enterprises that are majority-owned by Chilean nationals, and - in the case of vessels - to co-ownerships in which a majority of members are Chilean naturals residing in Chile and in which the majority of rights belong to Chilean nationals;

v) international land transport which must be carried out by enterprises that are majority-owned by Chileans or by nationals of Argentina, Bolivia, Brazil, Paraguay, Peru or Uruguay;

vi) stowage and dockage which must be carried out by enterprises that are majority-owned by Chileans;

vii) small scale fishing, which must be carried out by enterprises that are constituted by Chileans or permanent resident foreigners;

viii) granting and use of concessions for radio broadcasting, which is limited to enterprises with no more than 10% foreign ownership;

ix) mining (including exploration, exploitation and treatment) of hydrocarbons, liquid or gaseous, of uranium and lithium is subject to prior authorisation.

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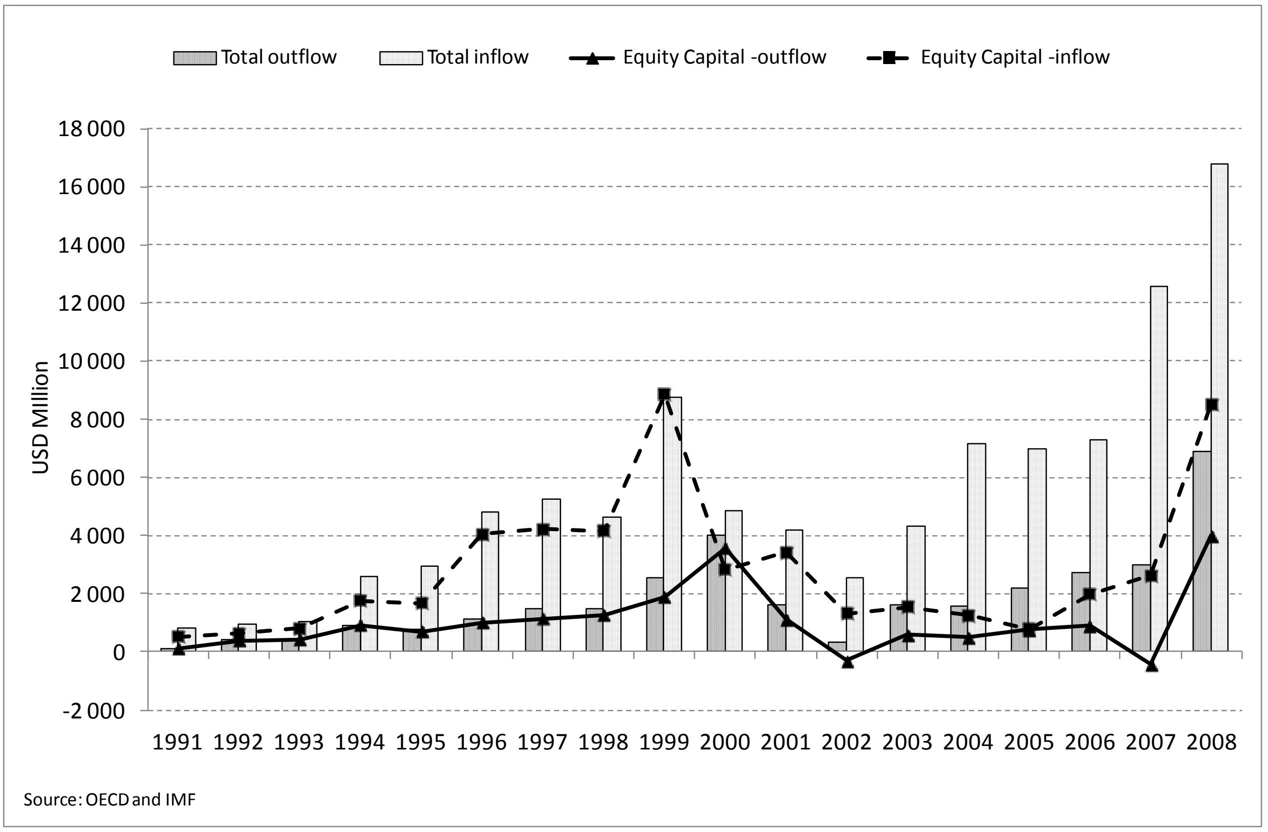
38 Chile became a member of the OECD on 7 May 2010. It accepted to be bound by the Codes of Liberalisation as part of its obligations of membership in the OECD..

Figure 20. Chile FDI inflows and outflows 1991-2008



JAPAN

Progress toward investment liberalisation

Since 1997 Japan has removed the entry to the reservation to direct investment by non-residents in relation with investment trust management business. It has also removed the entry to the reservation to direct investment abroad by residents in relation with investments in an enterprise engaged in: banking and/or securities business by banks and/or securities companies established under Japanese laws; the cultivation of pearls.

Remaining reservations

A reservation for direct investment by non-residents remains in the following areas:

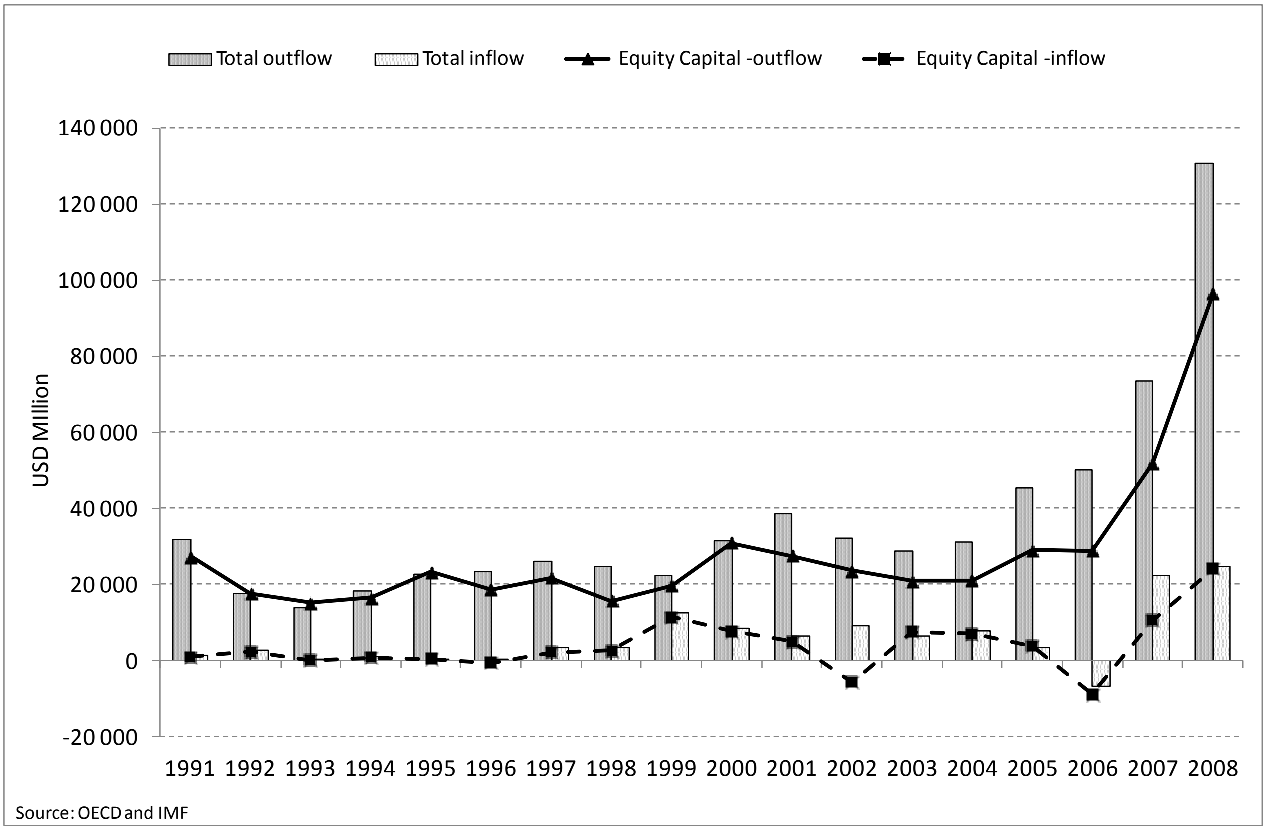
i) investment in the following sectors: a) primary industry related to agriculture, forestry and fisheries; b) mining; c) oil; d) leather and leather products manufacturing;

ii) investment in air transport;

iii) investment in maritime transport;

iv) foreign capital participation, direct and/or indirect, in Nippon Telegraph and Telephone Corporation (NTT) must be less than one-third.

Figure 21. Japan FDI inflows and outflows 1991-2008



KOREA

Progress toward investment liberalisation

Since 1997 Korea has removed entries to the reservation to direct investment by non-residents in the acquisition of shares of Korean enterprises, real estate, manufacture of refined petroleum products, petrol stations, book publishers, and the establishment of subsidiaries of banks and insurance companies. It has narrowed the entries related to agriculture, fishing, airline companies, maritime transport, news agencies, newspapers and other periodical publications, broadcasting and telecoms, and non-bank financial institutions.

Remaining reservations

A reservation to direct investment by non-residents remains in the following areas:

i. investment in primary sectors, as follows:

- a) the growing of rice and barley;
- b) cattle husbandry and the wholesale selling of meat except if foreign investors hold less than 50 per cent of the share capital;
- c) fishing in internal waters, the territorial sea and the Exclusive Economic Zone (EEZ) if foreign investors hold 50 per cent or more of the share capital;
- d) nuclear power generation; electric power transmission, electric power distribution and supply via state enterprises if foreign investors hold 50 per cent or more of the share capital or a foreign investor would become the single largest shareholder;

ii. establishment of financial institutions, as follows:

- a. branches of mutual savings and finance companies, short-term investment and finance companies, credit information companies and merchant banks;
- b. subsidiaries or joint ventures providing credit information services, when foreign investors, other than foreign financial institutions, own 50 per cent or more of the companies' shares; as well as acquisitions bringing foreign ownership by investors other than foreign financial institutions at or above 50 per cent of the share capital of such a company;

iii. investment in the transport sector, as follows:

- a. airline companies if foreign investors hold 50 per cent or more of the share capital;
- b. shipping companies engaged in cabotage, except those transporting passengers and/or cargoes between the ROK and the DPRK if foreign investors hold less than 50 per cent of the share capital;

iv. investment in the communications sector, as follows:

- e) news agencies if foreign investors hold 25 per cent or more of the share capital;
- f) enterprises publishing newspapers if foreign investors hold 30 per cent or more of the share capital;

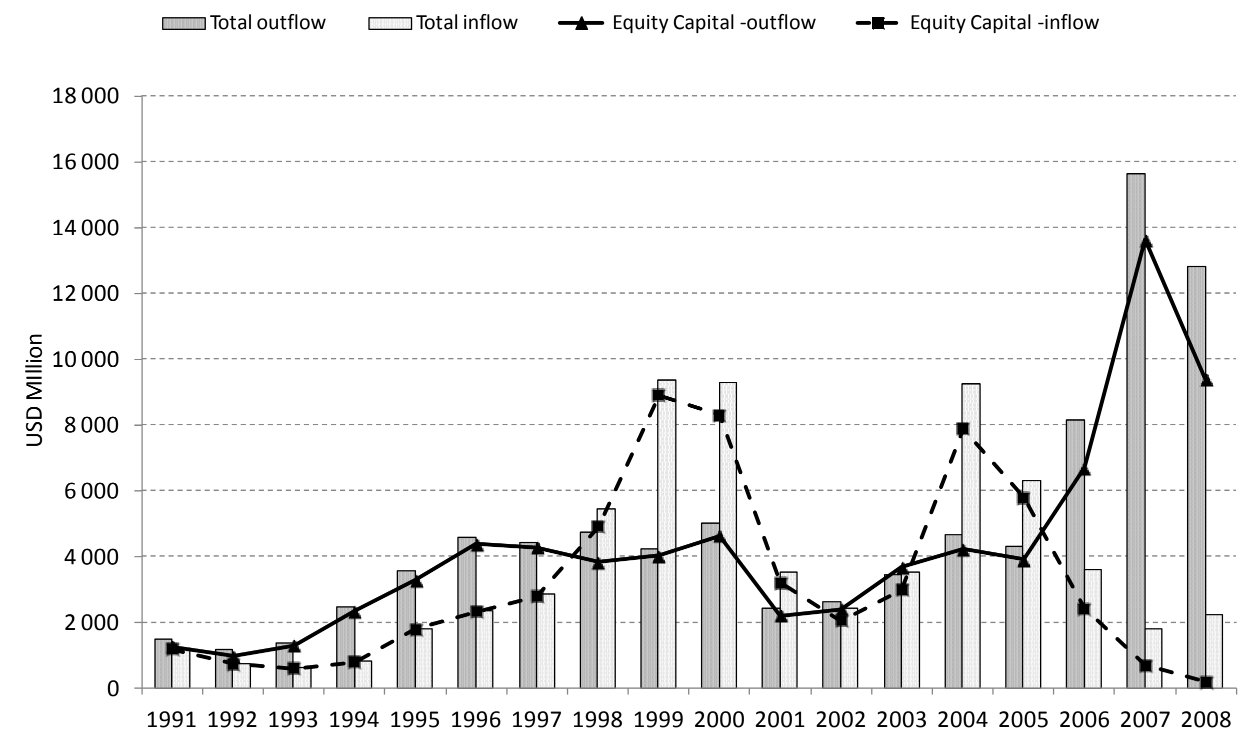
g) enterprises publishing periodicals if foreign investors hold 50 per cent or more of the share capital;

h) broadcasting companies, except if foreign investors hold 33 per cent or less of the share capital of a satellite broadcasting operator and if foreign investors hold 49 per cent or less in a program provider that is not engaged in multi-genre programming or news reporting, in a cable system operator, and in a signal transmission network business operator;

i) facilities-based telecommunications companies, if foreign investors hold more than 49 per cent of the share capital;

j) investment in designated resident public-sector utilities in the process of privatisation, in cases where the investment in question would bring individual or aggregate holdings of foreign investors above the respective percentages of a firm's outstanding shares allowed by the relevant laws.

Figure 22. Korea FDI inflows and outflows 1991-2008



Source: OECD and IMF

MEXICO

Progress toward investment liberalisation

Since 1997 Mexico has removed entries to the reservation to direct investment by non-residents in construction activities and in the manufacture and assembly of auto-parts, and has narrowed the entries related to financial services, air terminals, port services, maritime transport, railroads, cellular telephony, legal services and private education services.

Remaining reservations

A reservation to direct investment by non-residents remains in the following areas:

i) acquisitions exceeding a total of 49 per cent of the equity of a Mexican company, which are subject to review if the total value of the assets of that company exceeds USD150 million, which is adjusted annually[39];

ii) acquisition of land used for agriculture, livestock or forestry purposes; however "T" shares which represent the value of such land may be purchased up to a total of 49 per cent of the value of the land;

iii) investment in:

- a) retail trade in gasoline and distribution of liquefied petroleum gas;
- b) supply of fuels and lubricants for ships, aircraft and railroad equipment exceeding a total of 49 per cent of equity;
- c) construction of oil pipelines and other derivative products and oil and gas drilling exceeding a total of 49 per cent of equity, unless an authorisation is granted;

iv) investment exceeding a total of 49 per cent in fishing, other than aquaculture, in coastal and fresh waters or in the Exclusive Economic Zone;

v) investment in air, maritime and ground transport and related services including cabotage and port services, except:

- a) participation up to a total of 25 per cent of equity in national air transport, specialised air services and aerotaxi; up to a total of 49 per cent in the administration of air terminals, and above 49 per cent provided an authorisation is granted;
- b) participation up to a total of 49 per cent of equity in interior navigation and coastal sailing, except tourist cruises, the exploitation of dredges and other naval devices for ports and in port pilot services for interior navigation; in foreign commerce shipping and port services for interior navigation where participation above 49 per cent may be authorised;
- c) railroad related services and participation up to 49 per cent in the capital stock of a railway concessionaire enterprise (full ownership may be authorised);

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39 The specific amount is determined each year by the National Foreign Investment Commission (Comisión Nacional de Inversiones Extranjeras). In 2009, this amount was 2 756 411 632 Mexican Pesos (about USD 212 million).

vi) investment in radio and television broadcasting; investment exceeding a total of 49 per cent of equity in cable television, satellite communications, basic telephone services, newspapers for national distribution; and investment in cellular telephony where participation above 49 per cent may be authorised;

vii) investment by a foreign economy or public enterprise in any kind of communications or transports activities or direct or indirect investment by a foreign economy or public enterprise, or direct or indirect investment in financial institutions, except for commercial banks, financial holding companies, securities specialists and securities firms where the restriction applies only to investment by entities that exercise public authority functions;

viii) in the Restricted Zone, acquisition of real estate by branches established in the economy by non-resident enterprises and investment in residential real estate by enterprises with foreign participation incorporated in the economy;

ix) investment in aircraft building, assembly or repair, in shipbuilding and ship repairs, or in any activity requiring a concession other than railways, except through an enterprise incorporated in Mexico;

x) investment by foreign nationals in legal services[40] and private education services exceeding 49 per cent of equity, unless an authorisation is granted;

xi) investment in financial institutions as follows:

a) investment exceeding 49 per cent of the paid-in capital in insurance companies, general deposit warehouses, bonding companies and foreign exchange firms[41];

b) ownership of at least 51 per cent needs to be held of the common stock in a subsidiary of the following type: bonding companies, general deposit warehouses, foreign exchange firms, pension funds and managing companies and securities specialists, by non-resident financial institutions of the same general type of activities;

c) ownership of at least 51 per cent needs to be held of the common stock in a subsidiary of managing companies of investment companies, and of the fixed stock of investment companies, by non-resident financial institutions of the same general type of activities;

d) ownership of at least 51 per cent needs to be held of the common stock in a subsidiary of the following type: banks, securities firms, insurance companies, leasing companies, factoring companies and limited scope financial institutions (Sofoles), by non-resident financial institutions of the same general type of activities;

40. A professional license in law is required to be a public notary or a commercial public notary. Only a Mexican national by birth may be licensed as a public notary or a commercial public notary. Neither a public notary, nor a commercial public notary may have a business affiliation with any person who is not licensed in the same category of public notary.

41 Pursuant to the Credit Institutions Law and the General Law of Organizations and Auxiliary Credit Activities of 2006, "multiple-scope financial institutions" may engage in granting credit, financial, leasing and factoring activities without a prior authorization or licensing process. Financial leasing companies, factoring companies, securities advisory companies and managing companies of investment companies having been already in operation in 2006 may continue their operations until 2013, with the previous limit of 49 per cent foreign ownership.

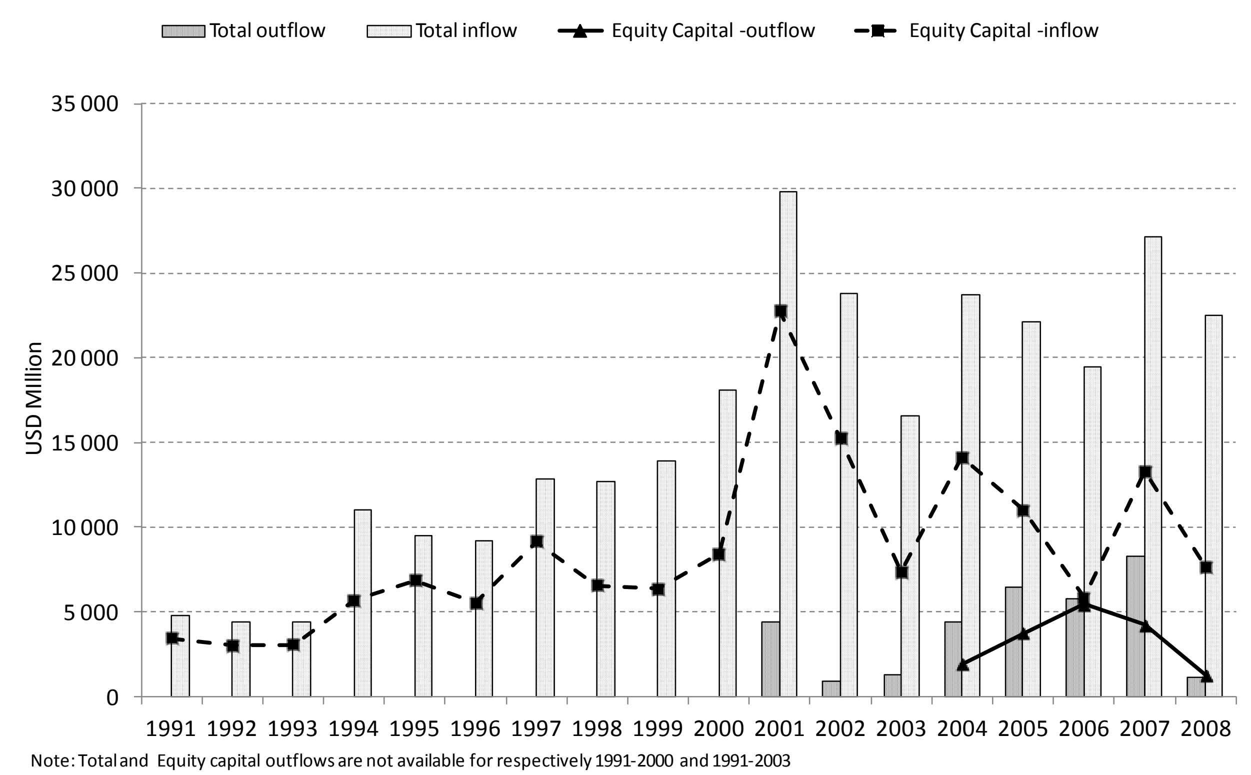
e) ownership of at least 51 per cent and up to a total of 100 per cent needs to be held of the common stock of existing financial institutions;

f) if the sum of the authorised capital of commercial banks owned and controlled by investors from OECD countries, measured as a percentage of the aggregate net capital of all commercial banks in Mexico, reaches 25 per cent, Mexico may request consultations with the OECD Member countries on the potential adverse effects arising from the presence of commercial banks of the other OECD Member countries in the Mexican market and the possible need for remedial action, including further temporary limitations on market participation. The consultation shall be completed expeditiously. In considering the potential adverse effects, the OECD Member countries shall take into account:

1. the threat that the Mexican payments system may be controlled by non-Mexican persons;
2. the effects that foreign commercial banks established in Mexico may have on Mexico's ability to conduct monetary and exchange rate policy effectively; and
3. the adequacy of the provisions of the Codes with respect to financial services in protecting the Mexican payments system;

g) subsidiaries of foreign financial institutions may not establish branches, subsidiaries or agencies outside Mexico

Figure 23. Mexico FDI inflows and outflows 1991-2008



Note: Total and Equity capital outflows are not available for respectively 1991-2000 and 1991-2003
Source: OECD and IMF

NEW ZEALAND

Progress toward investment liberalisation

Since 1997 New Zealand has removed no entry to the reservation to direct investment by non-residents.

Remaining reservations

A reservation for direct investment by non-residents remains in the following areas:

i) acquisition of 25 per cent or more of any class of shares or voting power in a New Zealand company where the consideration for the transfer, or the value of the assets, exceeds NZ$10 million, unless an authorisation is granted;

ii) commencement of business operations, or acquisition of an existing business, in New Zealand, where the total expenditure to be incurred in setting up or acquiring that business exceeds NZ$10 million, unless an authorisation is granted;

iii) acquisition, regardless of dollar value, of 25 per cent or more of any class of shares or voting power in a New Zealand company engaged in:

- commercial fishing; and
- rural land;

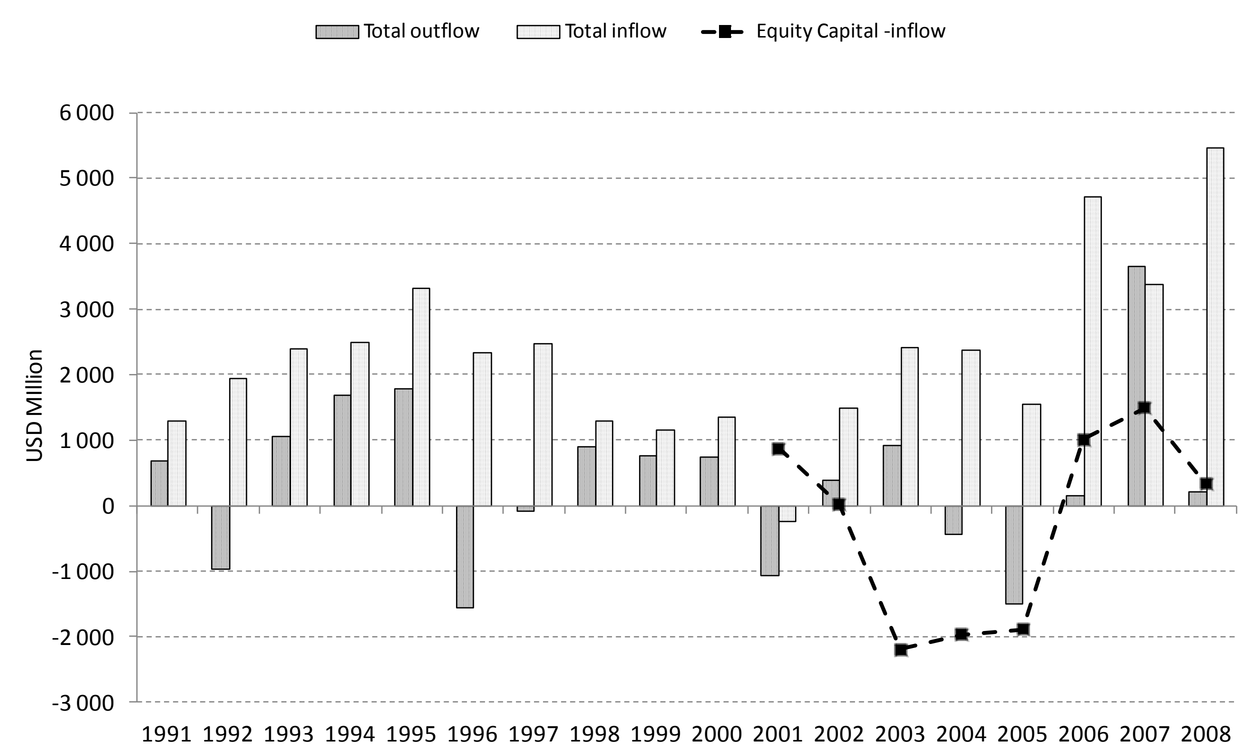
iv) any acquisition, regardless of dollar value, of assets used, or proposed to be used, in a business engaged in any of the activities listed in iii) above;

v) the registration of vessels to engage in maritime transport activities, except through an enterprise incorporated in New Zealand;

vi) telecommunications to the extent that no person who is not a New Zealand national shall have a relevant interest in more than 49.9 per cent of the total voting shares in Telecom Corporation of New Zealand Limited for the time being without, and except in accordance with the terms of, the prior written approval of the Kiwi Shareholder;

vii) the establishment of branches of foreign banks and insurers.

Figure 24. New Zealand FDI inflows and outflows 1991-2008



Note: Equity capital outflows are not available. Equity capital inflows are not available for 1991-2000.
Source: OECD and IMF

UNITED STATES

Progress toward investment liberalisation

Since 1997 the United States has removed no entry to the reservation to direct investment by non-residents.

Remaining reservations

A reservation for direct investment by non-residents remains in the following areas:

i) atomic energy;

ii) broadcasting (radio and television), common carrier, aeronautical en route, or aeronautical fixed radio station licenses as provided for in 47 United States Code § 310 , unless an authorisation is granted under 47 United States Code § 310(b)(4).;

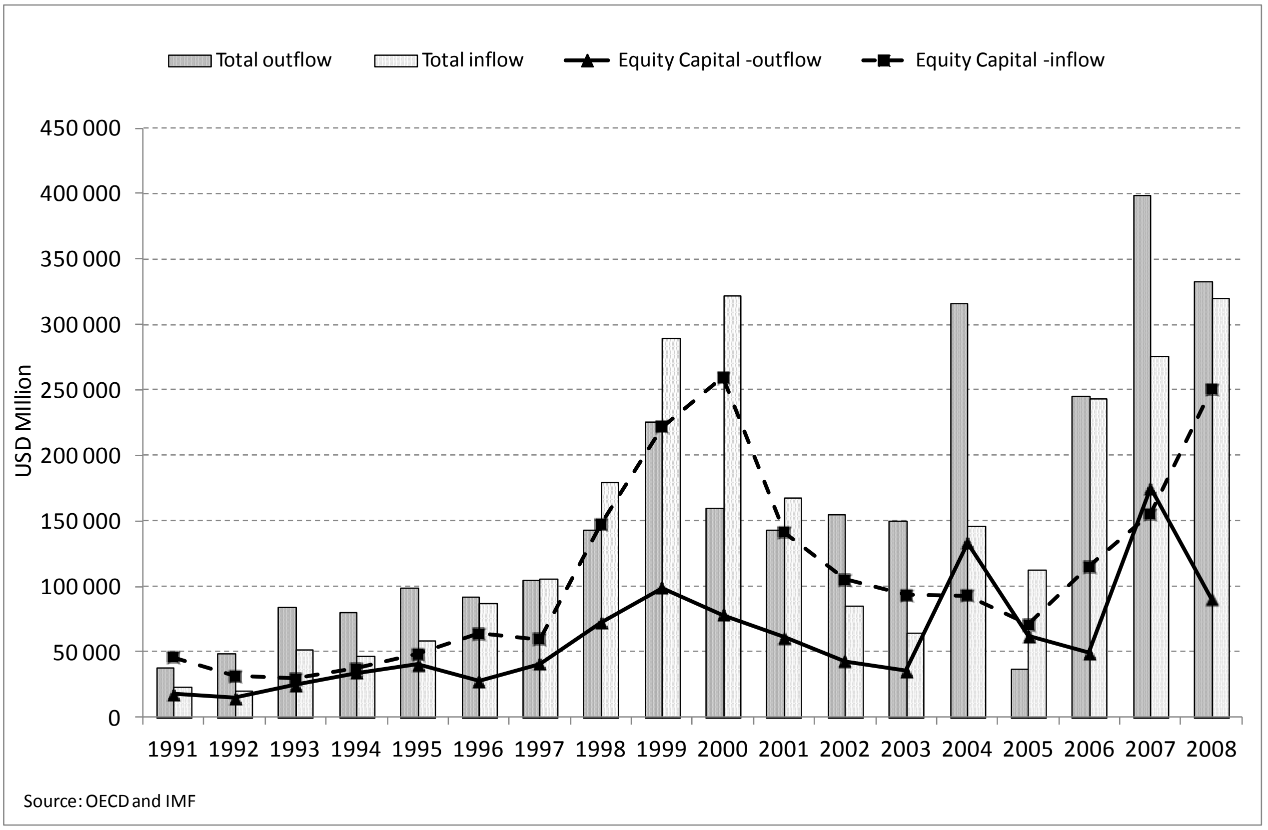
iii) air transport;

iv) coastal and domestic shipping (including dredging and salvaging in coastal waters and transporting offshore supplies from a point within the United States to an offshore drilling rig or platform on the continental shelf);

v) ocean thermal energy, hydroelectric power, geothermal steam or related resources on federal lands, mining on federal lands or on the outer continental shelf or on the deep seabed, fishing in the "Exclusive Economic Zone", and deepwater ports, except through an enterprise incorporated in the United States;

vi) branches of foreign insurance companies, to the extent that they are not permitted to provide surety bonds for US government contracts.

Figure 25. United States FDI inflows and outflows 1991-2008



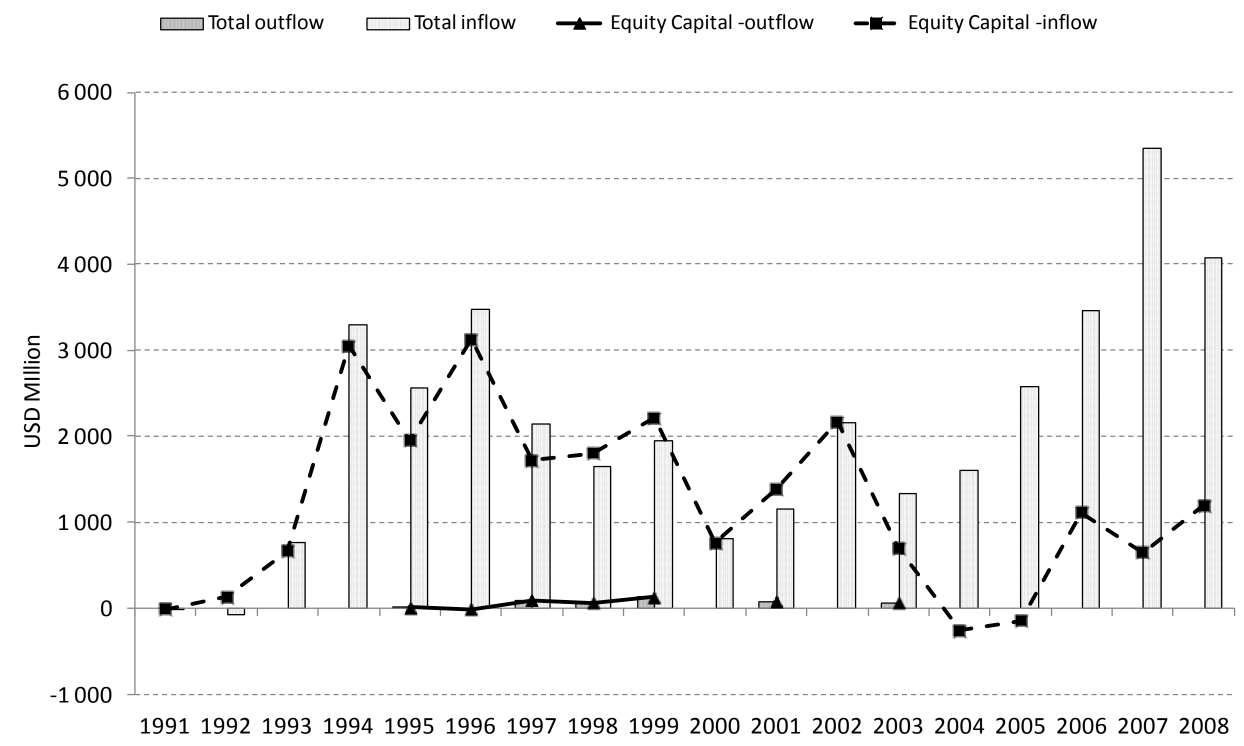
PERU

Peru introduced the principle of national treatment and opened access of foreign investors without prior authorisation and restrictions to most economic activities at the beginning of 1990s (Framework Law for Private Investment Growth, 1991; Foreign Investment Promotion Law, 1991; Regulations of the Private Investment Guarantee System, 1992). However, FDI inflows have started to increase significantly only since 2005 reflecting the government's continued efforts to improve the economy's attractiveness for foreign investors.

The recent initiatives include the following measures (i) to improve regulatory transparency based on clearly defined administrative competencies and procedures at all levels of government, including the precise timeframe required for administrations' replies to public inquiries (Positive Administration Silence Law, January 2008); and (ii) to ease administrative barriers by developing electronic communication such as the electronic registration of companies and an online public service for information and registration of property rights.

Peru adhered in July 2008 to the OECD Declaration on International Investment and Multinational Enterprises. As part of its obligations under this instrument, Peru notified exceptions to National Treatment in the areas of investment in land and real estate, broadcasting, and air and water transport.

Figure 26. Peru FDI inflows and outflows 1991-2008



Note: Total and Equity capital outflows are not available for 1991-1994, 2000, 2002 and 2004-2008.
Source: OECD and IMF

CHINESE TAIPEI[42]

Foreign investment in Chinese Taipei is governed by separate statutes or investment by Overseas Chinese and investment by Foreign Nationals, most recently updated in 1997. Foreign investments in either of these categories are accorded the same rights and obligations to which an enterprise operated by local Chinese nationals is entitled, except as otherwise provided for in other laws.

Foreign investment is permitted in all sectors except those included on a Negative List for Investment by Overseas Chinese and Foreign Nationals last amended on 16 May 2008, which lists industries in which foreign investment is prohibited and those in which it is subject to restrictions. The prohibited list is short and mostly consistent with national treatment (e.g. military-use chemicals), while the longer restricted list covers agriculture, infrastructure and some services sectors.

A major aim of Chinese Taipei's investment promotion strategy is to attract global multinationals to set up regional headquarters serving "Greater China" or the whole of East Asia. A pioneer of export zones, Chinese Taipei has also endeavoured to build a high-tech base with foreign investment, especially in the Hsinchu Science-based Industrial Park.

The focus of Chinese Taipei's outward investment has been the establishment of production centres in mainland China to take advantage of cultural and family ties, cheaper land and labour, and positive externalities generated by local clustering and zoning policies in China, particularly in Guangdong and increasingly also in Jiangsu, near Shanghai. Chinese Taipei is currently discussing a possible Economic Co-operation Framework Agreement (ECFA) with the People's Republic of China. This would be analogous to the Closer Economic Partnership Agreement (CEPA) between China and Hong Kong, China signed in 2003.

42 Based on http://investtaiwan.nat.gov.tw/ No graph is provided as data for Chinese Taipei are not available.

HONG KONG, CHINA[43]

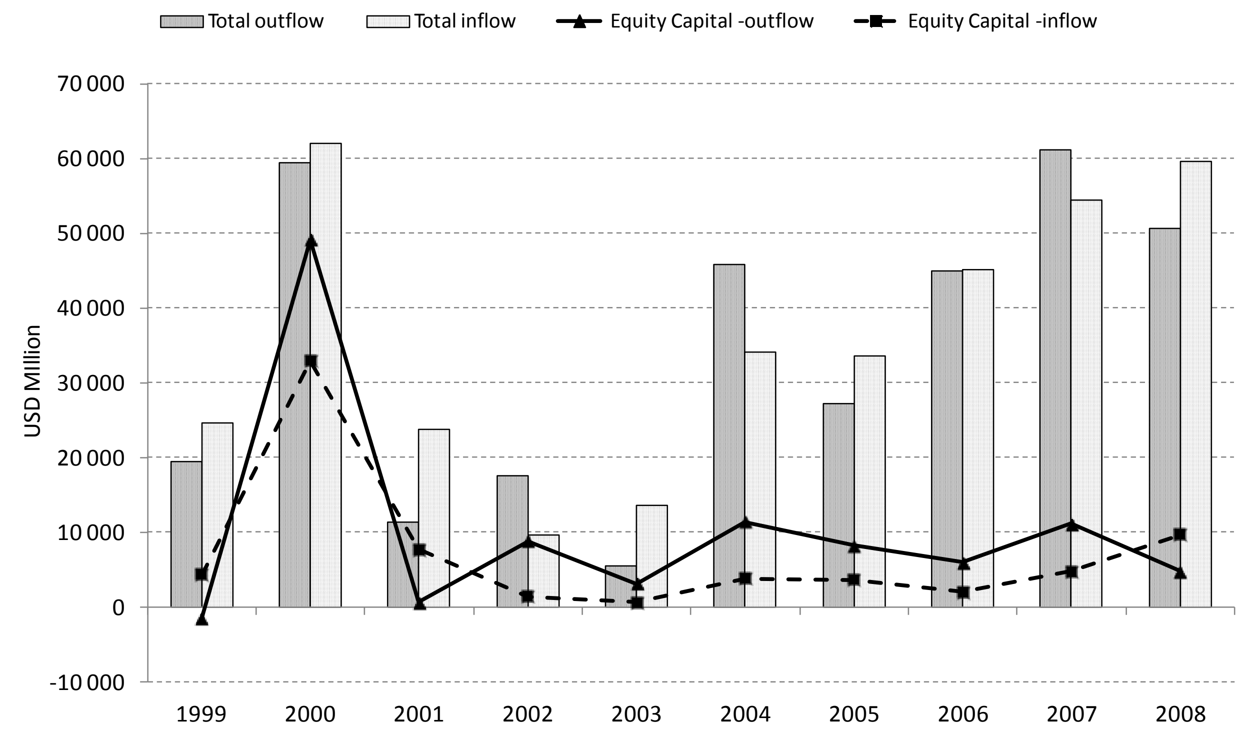
Hong Kong, China's investment climate is open. As a British colony until 1997, the institutional pressure was towards maintaining and developing an open investment environment. This tendency has been reinforced by the rise of inward investment from China as a result of the "open door" policy adopted in China in 1978 and also the great benefits derived from foreign investment from Japan and other major economies.

There is practically no distinction between "foreign" and "domestic" investment: no fiscal incentives or differential tax rates, no ownership limits, no screening. This policy stems from Hong Kong, China's status since its foundation in the 1840s as a free trade port. Since the handover to China in 1997 there has been no appreciable change in economic policies, but some movement towards an industrial policy has been evident in the creation after 1999 of Cyberport, a publically-owned development designed as an information technology incubation centre.

Liberalisation measures in recent years have been limited to the developing Closer Economic Partnership (CEPA) with China – essentially a bilateral free trade agreement between Hong Kong, China and China. Six supplements to CEPA have been signed so far. These updates include some further liberalisation of investment in services in Hong Kong-China, but only to investors from China.

43 Sources: "Hong Kong to 1994: A Question of Confidence", "Hong Kong after 1997" and "Invest Hong Kong," www.investhk.gov.hk/default_bodies/common/en_index.html.

Figure 27. Hong Kong, China FDI inflows and outflows 1999-2008



Note: FDI flows data are not available for 1991-1998.
Source: OECD and IMF

MALAYSIA[44]

Malaysia's investment policies have been framed in the context of the economy's development policies and since 1970 have accommodated an affirmative action policy called the New Economic Policy (NEP) to raise *Bumiputra* (native Malay) participation in the economy. Industrial Master Plans have guided investment policies by identifying specific sectors for government support and promotion. Available incentives for investment in targeted activities are generous, including an expedited administrative process, tax holidays, access to grants, and exceptions from certain regulatory requirements.

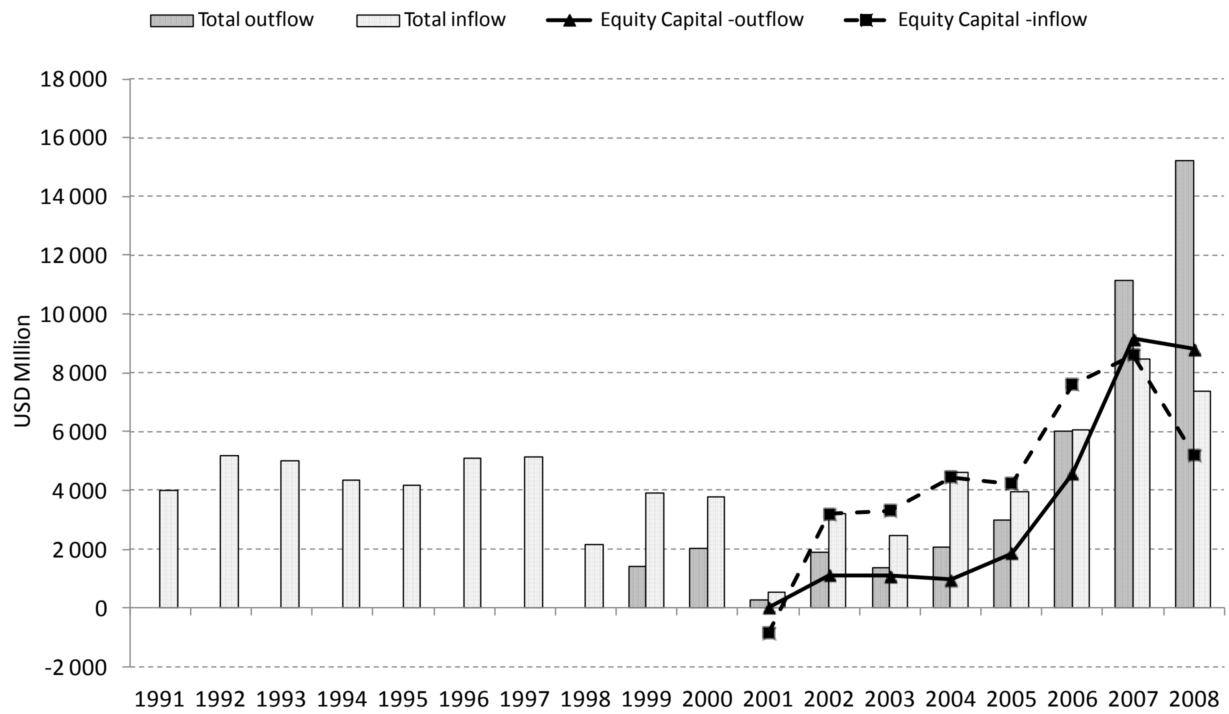
To meet the objective of the NEP, the government reserves a minimum 30% of equity for *Bumiputra* ownership for both domestic and foreign enterprises. This general requirement can be relaxed on a case-by-case basis if a particular investment is considered to contribute to the economy's economic goals and has generally not been applied to export-oriented projects. The requirement has been removed over time, first in manufacturing and then in services. Since 2003, manufacturing has been open to 100% foreign equity ownership except a few sub-sectors which remain restricted due to national security, public health and environmental concerns as well as excess capacity in the economy. In April 2009, the government liberalised 27 services sub-sectors to allow 100% foreign equity ownership, including sub-sectors in health and social services, tourism, transport, business services and computer and related services.

In June 2009, the government has further liberalised investment policies by removing the *Bumiputra* shareholding threshold on all mergers and acquisitions transactions except in strategic sectors, as well as on initial public offerings on the Malaysian stock exchange. Regulatory restrictions on foreign property ownership were also relaxed.

Selected strategic sectors such as power, telecommunications, water, transport and financial services still face foreign equity restrictions as decided by the respective sectoral regulators. Recently, however, Bank Negara Malaysia has liberalised financial services by issuing more banking and insurance licences to foreign players, increasing the scope for foreign ownership in certain financial institutions and relaxation certain operational restrictions.

44 Sources: Central Bank of Malaysia (www.bnm.gov.my.) Investment promotion agency, www.mida.gov.my/en_v2, and direct input provided by the authorities of Malaysia.

Figure 28. Malaysia FDI inflows and outflows 1991-2008



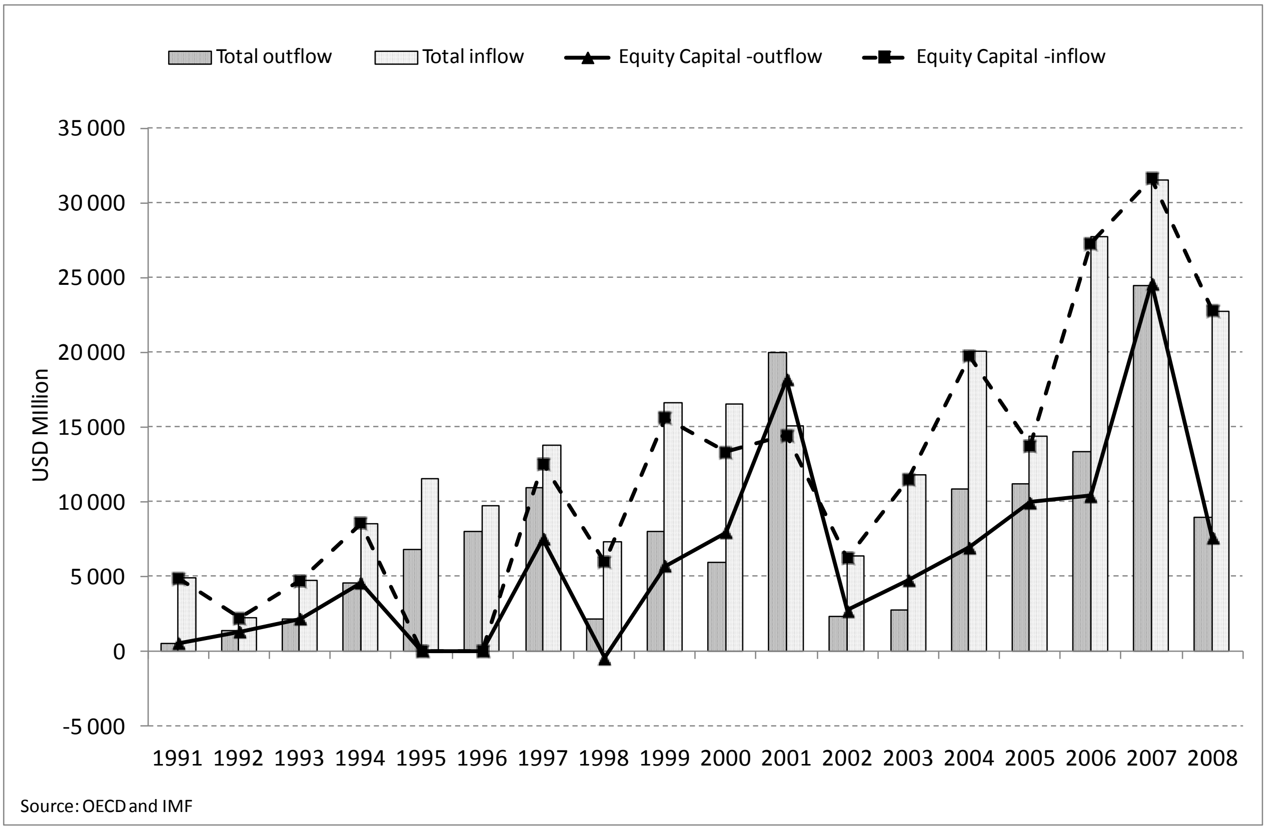
Note: Total outflows are not available for 1991-1998. Equity capital inflows and outflows are not available for 1991-2000.
Source: OECD and IMF

SINGAPORE

Singapore has an open investment environment where foreign ownership is allowed up to 100% except in banking, airlines, shipping, public utilities and the defence industry. No investment-related measures have been detected recently.

Singapore has an interventionist industrial policy implemented through its Economic Development Board (EDB). EDB provides a variety of incentives to foster development in a wide range of industries, including tax allowances and grants to encourage business expansion, inward technology transfer, innovative R&D. These are generally non-discriminatory between domestic and foreign investors, with the exception of the Script 2 Screen television programme funding initiative, a condition of which is that at least 30% of key positions in the company must be held by Singapore citizens or permanent residents. EDB also has an investment arm, EDB Investments, that invests "to create globally competitive and sustainable companies". Government investment in industry is the long-term counterpart of Singapore's compulsory retirement savings scheme, the Central Provident Fund (CPF), which has guaranteed a high saving rate and therefore ample investment funds for decades.[45]

Figure 29. Singapore FDI inflows and outflows 1991-2008



45 Source: Singapore Economic Development Board (EDB), www.sedb.com/edb/sg/en_uk/index.html.

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