

# 1995: Implementing the APEC Bogor Declaration

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## Preamble

At their two meetings, APEC leaders have set the basic direction of APEC. At Seattle in November 1993 they envisioned APEC as "a community of Asia Pacific economies," and at Bogor in November 1994 they set as its agenda "a balanced package of trade liberalisation, facilitation, and development cooperation." The vision of free and open trade and investment in the Asia Pacific is to be realised by 2010 and 2020. At the coming Osaka meeting in November 1995, an Action Agenda implementing the Bogor Declaration is expected to be adopted by consensus. APEC Senior Officials, in their preparation for the Action Agenda, invites input from the private sector. Responding to this invitation, PECC wishes to input its view formed through its unique tripartite participation of academic, business and government, all in their private capacity.

## RECOMMENDATIONS

The eighth Trade Policy Forum of PECC, held on April 20-21, 1995 in Chinese Taipei, discussed trade policy issues for APEC, which among other things focused on the implementation of the APEC Bogor Declaration. A draft report based on those discussion, which became the basis for this report, was presented and discussed at the PECC Standing Committee Meeting held on May 11, 1995 in Guangzhou (China). The following is a summary of PECC recommendations:

### 1. On the Vision for APEC

- 1.1. APEC to continue to evolve on the principle of open regionalism in the Asia Pacific as a framework for maintaining the high and sustainable economic growth and rapid, market-driven integration in the region.
- 1.2. APEC to continue to promote liberalisation of both trade and investment, supplemented by facilitation and development cooperation programs.
- 1.3. The APEC agenda be adopted in accordance with the guidelines formulated and implemented through coordinated decisions of individual APEC governments.

### 2. On Promoting Global Trade Liberalisation

- 2.1. APEC governments to confirm their Uruguay Round (UR) commitments, reaffirm the stand-still of their current restrictions, complete the remaining negotiations in services, and accelerate a significant part of their UR liberalisation.
- 2.2. APEC governments to encourage initiatives conducive to broadening discussions in the WTO leading to eventual negotiations on further global trade liberalisation in areas in which the UR did not achieve substantial progress.
- 2.3. APEC governments to cooperate to complete the negotiations for the entry to WTO by non-WTO members of APEC.
- 2.4. APEC governments to talk to the European Union (EU) and others to encourage them to join in similar actions and, at a later stage, propose to take a joint initiative for a new round of WTO liberalisation.

### 3. On APEC Trade Liberalisation

- 3.1. The implementation of trade liberalisation under the Bogor Declaration be undertaken unilaterally but in a

concerted way. It is important to have a clearly defined target.

3.2. APEC governments to implement an initial action program for concerted unilateral trade liberalisation.

This would involve the following steps:

- (1) APEC government to reaffirm the standstill commitments made at Bogor;
- (2) APEC governments to formulate a common guideline, by no later than 1997, for APEC cooperation and more specific targets for APEC trade liberalisation involving coverage and instruments aimed at liberalizing trade in goods and services by no later than 2010 and 2020;
- (3) The scope of APEC liberalisation should be comprehensive. No sector or instrument is to be excluded.
- (4) The coverage of liberalisation for all tradable goods should comprise of the following possible phases:
  - implementation of liberalisation under each economies' UR commitments;
  - acceleration of the UR commitments;
  - deepening of UR commitments;
  - broadening of UR commitments;

(5) The instruments for undertaking liberalisation should include reduction of tariffs and non tariff barriers (NTBs) in goods and services; other instruments beyond these two measures should also be identified and examined;

(6) Initially, each APEC government to document and set out their schedules for meeting the obligations they have made under the UR. The combination of unilateral commitments by each APEC government to be prepared in accordance with the common guideline would form the basis for concerted APEC trade and investment liberalisation;

(7) APEC governments to commit to a regular monitoring and review of progress towards trade liberalisation associated with implementation of the UR as well as additional unilateral commitments to liberalisation.

3.3. APEC governments to draw up, by no later than 1997, schedules for across-the-board concerted liberalisation to achieve the Bogor commitments.

**4. On Facilitation of Trade and Investment**

4.1. APEC governments to clarify that the Bogor vision entails the dismantling of impediments to the full range of international economic transactions.

4.2. To complement APEC trade liberalisation, it will be important for APEC governments to define in a comprehensive manner a set of medium-term objectives for substantial, measurable reductions in a wide range of impediments to international economic transactions.

4.3. APEC governments to commit to collective action to dismantle barriers to international economic transactions, including deficiencies in infrastructure and information and such impediments as border barriers, policy divergences and uncertainties.

4.4. APEC governments to promote technical cooperation programs to enhance the capacity to implement the various trade and investment facilitation programs.

**5. On Development Cooperation**

5.1. Cooperation programs in physical and human infrastructure, and technology transfer as well as in financial, energy, and environmental issues are integral parts of the APEC agenda for sustaining effective development in the Asia Pacific region and need to be implemented together with liberalisation and facilitation programs.

5.2. Some cooperation programs will go beyond exchange of information and consultation to concrete action programs and they will also go beyond conventional development cooperation and will involve more private sector participation.

5.3. APEC governments to review the numerous APEC cooperation projects, prioritise them, and implement them for concrete achievements.

**IMPLEMENTING THE APEC BOGOR DECLARATION**

## **The Vision for APEC**

APEC will be a new model of regional integration, quite different from the EU and NAFTA. As agreed at its inaugural meeting in 1989, APEC will be a more flexible and outward-looking regional forum, suited to the realities of the Asia Pacific.

Recognizing the increasingly sophisticated nature of international economic transactions, the scope of trade and investment liberalisation in the Asia Pacific will go well beyond that of traditional Free Trade Areas (FTAs). APEC liberalisation of trade in goods and services will be supplemented by facilitation to dismantle all impediments to all international economic transactions as well as development cooperation programs. A balanced program of liberalisation, facilitation and development cooperation accommodates the vast differences in stages of development, current level of impediments to trade and investment.

The highly interdependent, market-driven growth of the Asia Pacific economies has been generated by active trade and investment in spite of remaining tariffs and NTBs. It will be necessary for APEC to evolve institutionally in order to further promote and accelerate trade liberalisation, facilitation, and development cooperation in the region.

The liberalisation and facilitation agenda of APEC will be adopted and implemented by coordinated decisions of individual participants. Individual APEC governments will announce their own liberalisation and facilitation programs voluntarily, in accordance with the common guideline for APEC cooperation, which will be adopted by consensus. Individual members will then implement them according to their domestic legislative processes.

Their unilateral efforts will be concerted through consultation within APEC and their actual implementation will be regularly monitored and reviewed jointly so that unilateral efforts are encouraged. By moving quickly in implementing the Bogor Declaration in a market-consistent fashion, APEC governments will provide an unambiguous signal to the private sector that market-driven integration in the region will be further strengthened.

## **Promoting Global Trade Liberalisation**

Because of their high dependence on trade and investment links beyond the region, Asia Pacific economies have shown great interest in global trade liberalisation and have participated actively in the UR negotiations. APEC trade ministers should confirm their commitment to implement UR agreements in good faith, reaffirm the standstill of their current restrictions, complete remaining negotiations in services, and accelerate the UR liberalisation in a number of significant areas. Concerted action by APEC governments would enhance their collective capacity to promote global liberalisation.

The areas of accelerated or additional liberalisation, beyond the requirements of the UR shall be decided and implemented by individual APEC governments. The implementation of this advanced liberalisation package shall be regularly monitored and reviewed jointly by all members.

APEC governments should talk to the EU and others to encourage them to join in a similar accelerated implementation of the UR outcome. Moreover, they should invite the EU to initiate, jointly, a new round of global liberalisation within the WTO.

APEC governments should also cooperate to complete negotiations for the entry of non-WTO members of APEC into the WTO and to integrate the proposed liberalisation efforts into a truly APEC-wide undertaking.

## **APEC Liberalisation**

APEC members differ greatly in their stage of development and current level of trade restrictions. Nevertheless, they all realize the need for liberalizing their trade impediments in order to make their industries competitive in the world market and pursue their economic development efficiently. In fact, many of them have implemented

very substantial programs of unilateral liberalisation. Individual APEC governments shall start their APEC liberalisation in accordance with the action program to be adopted no later than 1997 and complete them even before the target years of 2010 and 2020.

The commitment by APEC leaders can be implemented, starting immediately, by taking the following initial steps:

1. APEC governments to reaffirm the standstill commitments made at Bogor;
2. APEC governments to formulate a common guideline, by no later than 1997, for APEC cooperation and more specific targets for APEC trade liberalisation involving coverage and instruments aimed at liberalising, in principle, trade in goods and services by the agreed target dates of 2010 and 2020;
3. Each APEC government to document and set out their schedules for meeting the obligations they have made under the UR. The combination of unilateral commitments by each APEC government to be prepared in accordance with the guidelines would form the basis for concerted APEC trade and investment liberalisation to achieve the Bogor commitments;
4. APEC governments to commit to a regular monitoring and review of progress towards trade liberalisation associated with implementation of the UR as well as additional unilateral commitments to liberalisation. In this process, APEC could draw on inputs from and develop mechanisms to cooperate with PECC and the network of national institutions and business sector organizations in the region.

It will not be easy for each member to draw up a complete across-the-board liberalisation program beyond the UR agreements in the first year of implementing the UR liberalisation and announcing its accelerated schedule. But they may be able to go beyond the UR liberalisation in some well-prepared sectors and to implement in advance some areas to be completed in the continuing service negotiations. Individual members shall announce their APEC liberalisation programs and implement them in a manner consistent with GATT/WTO rules.

In this process, individual APEC governments will be encouraged by unilateral offers of fellow APEC governments and their liberalisation offers will be summarized in an APEC package of unilateral liberalisation which goes beyond their UR agreements. This package, together with APEC guidelines for liberalisation, shall be adopted by consensus. Individual APEC members shall implement their liberalisation offers according to these APEC guidelines and implementation will be regularly monitored and reviewed jointly.

While the UR liberalisation is implemented on schedule, or in advance of the schedule, additional liberalisation in some further areas by individual members in accordance with the common guidelines for APEC trade and investment liberalisation will be pragmatic way of maintaining the momentum of liberalisation. By no later than 1997 each APEC government should draw up an across-the-board liberalisation program to achieve the Bogor commitments by no later than 2010 and 2020.

## **Facilitation of Trade and Investment**

The scope of the Bogor undertakings needs to be interpreted broadly. Traditional trade barriers, such as tariffs and quotas, are no longer the only strategic obstacles to the mutually beneficial integration of the Asia Pacific region. The reduction of these barriers needs to be accompanied by work to reduce transactions costs imposed by uncertainties, infrastructure problems as well as wide divergences in domestic regulations and administrative procedures which affect the ease or cost of trade, investment and other economic transactions among APEC economies. Accordingly, APEC governments will need to address comprehensively and collectively the full range of impediments to such transactions, including:

1. deficiencies in infrastructure, such as transport and telecommunications, and information about regional markets and policies;
2. policy-based impediments, such as barriers to transactions applied at borders, divergences in domestic policies influencing economic transactions, and uncertainties due to the lack of transparency or arbitrary application of policy.

To ensure attention is paid to all significant impediments to international economic transactions, simultaneous efforts will be needed to understand the relative importance of all impediments to international economic transactions, to develop policy options which could reduce or eliminate these impediments, and to agree on timetables for taking these actions.

There is an urgent need to built on APEC's ongoing work to improve data on regional economic transactions and on the nature and cost of all non-tariff obstacles to trade and investment.

The 1995 study of impediments to trade and investment, being carried out by the Trade Policy Forum of PECC at the request of APEC, will be a useful first step. It will need to be followed up by a more comprehensive effort to sample the views of the private sector involved in intra-regional commerce. Trade facilitation measures should be promoted in the direction of mutual recognition, simplification and harmonisation.

The key to sustaining the momentum of APEC as a voluntary form of regional cooperation is to establish consensus on proposals for facilitation which will result in gains to all economies which choose to implement them. Through such consensus building, APEC governments have already adopted a non-binding set of investment principles. There is scope for building on this positive experience, by addressing important new areas of policies which influence economic transactions among APEC members, including competition and environment policies. APEC governments should also develop agreed approaches to dismantling impediments to a gradually broader range of international economic transactions.

Such a process of facilitation could be accelerated by the clearer definition of specific, operational objectives which need to be achieved to realize the vision of an effectively integrated and outward-looking economic region in the Asia Pacific. It should be possible to set operational, medium-term objectives for all aspects of trade and investment facilitation as well as for liberalisation. Meaningful targets and action plans can be devised for the progressive dismantling of most impediments to most international economic transactions. Examples of ambitious medium-term objectives which are relevant to realizing the Bogor vision of APEC leaders and which are achievable within agreed parameters include:

- International investment: national treatment of all firms; harmonisation of fiscal incentives towards international investment;
- Trade in services: full rights of establishment and no limits on travel related to the provision of services;
- Dispute mediation: adoption of an APEC code of practice to mediate policy and/or investment-related disputes, based on existing multilateral mechanisms;
- Competition policy: following the adoption of region-wide minimum standards for competition policy, no anti-dumping actions among APEC members;
- Administrative procedures: full compatibility and EDI of customs data and procedures;
- Transport: acceleration of the development of an adequate, efficient and safe transportation system and infrastructure;
- Telecommunication: mutual recognition of all relevant technical standards and national treatment for access to local telecommunications networks;
- Tourism: introduce 'smart card' passports and visa-free short-term travel;
- Professional qualifications: set up procedures for APEC-wide accreditation of courses and/or tests of competence.

These examples illustrate the relative importance of facilitation as a complement to trade liberalisation with potential for significant net gains to all economies involved. Setting and meeting such targets will require considerable political leadership and some of them can only be achieved over the medium-term. But to realize the vision of free and open trade and investment in the Asia Pacific, all of these challenges need to be met by no later than 2010 or 2020. In all cases, successful implementation will require considerable technical cooperation, to share the information, technology and expertise among APEC members.

## **Development Cooperation Programs**

A variety of cooperation programs should be implemented together with liberalisation and facilitation programs in order to maintain the development of the Asia Pacific economies. Such programs include:

- Development of public infrastructures such as transportation, telecommunication, and public utilities;
- Development of human resources such as technical skills, managerial and administrative capabilities, and higher education;
- Technical cooperation in fostering competent small and medium enterprises in supporting industries, agriculture, and fishery;
- Financial cooperation in currency stability and international capital market;
- Secure supply of energy and its efficient use;
- Cooperation in protecting against region-wide environmental pollution.

These cooperation programs reflect the unique characteristics of the APEC membership with vast differences in stages of development, levels of technology, and managerial and administrative capabilities. It is imperative to implement cooperative measures to fill these gaps, such as training customs officials, transferring advanced quarantine and testing technology. Neither liberalisation nor facilitation programs can be implemented effectively without complementary cooperation efforts.

Both bilateral and multilateral cooperation programs have been implemented to meet these need. However, new elements of cooperation programs have evolved in the region recently. Cooperation between developing economy members has increased. The business sector and local governments have become more involved in building infrastructure. APEC, in close cooperation with multilateral agencies and conventional donors, can help develop new cooperation programs to meet these changing needs.

Many of these cooperation programs have long been discussed and studied in Pacific cooperation forums such as PECC, PAFTAD, and PBEC. Strong interest has been shown in technical cooperation among APEC members and around 200 cooperation programs have been proposed by the ten work projects of APEC. They focus mainly on research, seminars, gathering and dissemination of information. PECC, through its task force activities, has accumulated similar efforts. APEC should review its cooperation projects in light of the needs that have recently emerged in the region. APEC governments should promote deregulation so as to increase the active participation of the business sector.

In order to avoid divisions within APEC and to ensure consistency with APEC's basic principle of mutual respect, it is vital that APEC support development cooperation projects in which all participants perceive mutual benefits.

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The PECC International Secretariat, 4 Nassim Road, Singapore 258372  
Tel: +65 737-9823 | Fax: +65 737-9824 | E-mail: [peccsec@pacific.net.sg](mailto:peccsec@pacific.net.sg)