

Trade and investment facilitation: efficiency in programs and actions in APEC

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Abstract

Trade facilitation and increased investment among its partners are one of the three pillars of the Asia Pacific Economic Association Forum's (APEC) agenda, reason why this chapter seeks to explore, almost thirty years after its foundation, if those goals have been fulfilled and to what extent. For which, a two-pronged analysis is made; first, a qualitative analysis regarding multilateral liberalization, the area of free trade and review of individual and collective action plans; and secondly, a quantitative analysis of efficiency measurement with respect to trade and investment. As a result of the presented work, it is necessary to channel APEC's efforts to comply with the Bogor goals since, despite the different efforts, these goals are still far from being achieved.

Keywords: Trade and investment, programs, actions, goals of Bogor, APEC.

Introduction

Almost thirty years after the first meeting of the Asia Pacific Economic Association (APEC) held in Canberra in 1989, different questions are in the APEC Post 2020 agenda, regarding an increase in protectionism, a rebalancing of the economy and diversified growth. It is important to remember that APEC seeks to achieve its objectives under three pillars: the liberalization of trade and investment; business facilitation; and economic and technical cooperation. Therefore, the goals proposed by the APEC leaders were to achieve open and free trade, as well as to encourage investment in the countries within the Pacific zone, these goals eventually became the goals of Bogor. However, despite the initial optimism of APEC and its members, the path has been doubtful, uncertain and controversial as to how to reach these goals.

In this sense, authors like Panennugi (2013) have then the task of interpreting possible paths to achieve the Bogor goals, obtaining three possible paths: a) the first one is through multilateral liberalization, on which little has been done, in spite of the 1994 Uruguay rounds, the establishment of the World Trade Organization (WTO) and the APEC declarations that have been made year after year; b) the second is an Asia Pacific free trade area. This proposal has been put on the table on different occasions, through the APEC Business Advisory Council after the meeting in Osaka, later in Chile 2004, Sydney 2007 and Yokohama 2010 where concrete steps were taken for said initiative; and c) the third path that is proposed is through the review of individual and collective action plans. In this sense, it would be necessary to review each one of the economic plans and their progress against the Bogor goals; particularly in elements such as: tariff rates and their reduction, non-tariff barriers, services, investment, customs procedures, intellectual property rights, competition policies, regulation and deregulation, mobility and transparency, among others.

In order to analyze the three paths listed above to achieve the Bogor goals, each of them and the respective progress of the APEC Forum are reviewed, starting with multilateral liberalization, followed by progress towards a free trade area and finally carrying out a quantitative analysis of the area to measure efficiency considering the variables of Foreign Direct Investment, imports and exports.

1. Multilateral liberalization, myth or reality

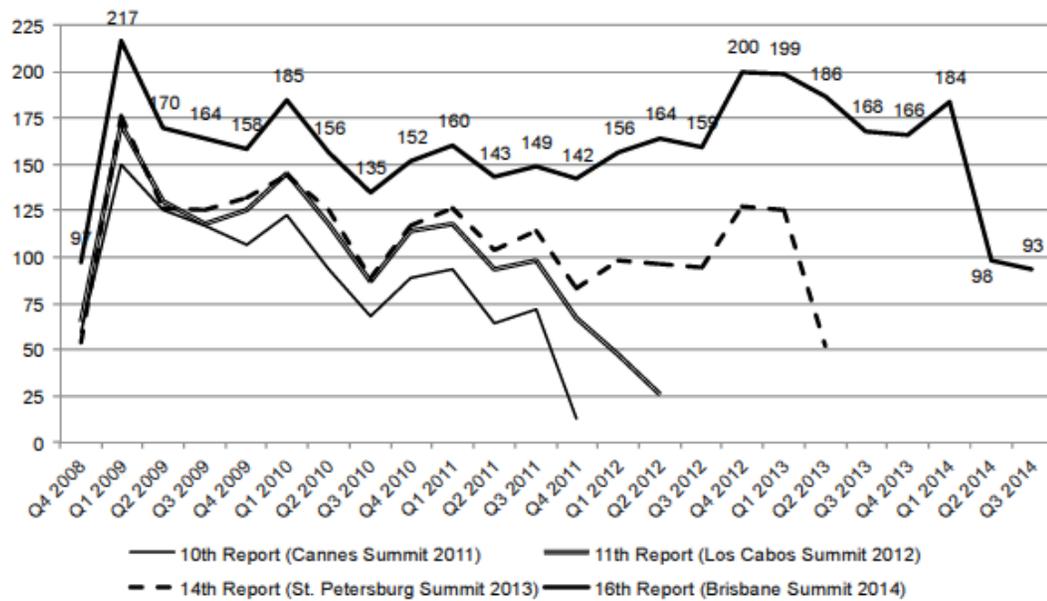
At APEC Forum, much has been said about increasing cooperation between economies and keeping markets open since it is regarded as the best way to generate economic growth and jobs. Nevertheless, facing reality, uneven growth is perceived; therefore, in order to get closer to the goals that were set to achieve strategic growth, talks now regard a more balanced, inclusive, sustainable, innovative and secure future.

However, reality once again exceeds the established goals in a contrasting way due to the global financial crisis that arose in 2008, since its consequences in one way or another still permeate the financial, economic, social and political reality. As a consequence, there is a growth in protectionist attitudes despite all the efforts made by the G20 to eliminate protectionist measures; despite the reaffirmation of maintaining multilateral mechanisms for free trade, investment, etc. The increase in protectionist measures in statistical data regarding non-tariff barriers and other measures is palpable. The annual survey of the Pacific Economic Cooperation Council (PECC) shows a 16 percent increase in protectionist measures for 2014 and 32 percent for 2016. Meanwhile, economies such as the United States of North America have manifested a clear protectionism, actively opposing regional and global treaties and agreements, applying a heterodox economic program, which deviates from the economic policy followed by the Americans in previous decades.

Beyond the anti-elite rhetoric of the speech of the President of the United States, Donald Trump, his economic policy is based on financial and fiscal deregulation, promoted with a significant increase in public spending, commercial and industrial policies accompanied by an increase in tariffs for certain strategic sectors as well as the relocation of phases of the industrial process, especially the automotive and military industries. Translating "America First" into a return to a logic of world power, which acts unilaterally in a context of bloc warfare. This supposes, firstly, an offensive against the institutionalization of the multilateral social and environmental framework of the United Nations, and secondly, not an anti-treaty measure but only in favor of those who best adapt to a capitalism in crisis and an economic war between blocks (Fernández & Hernández, 2017).

When analyzing the protectionist measures of four different reports considering the last quarter of 2008, the starting point is the growth of protectionist measures imposed worldwide from the first quarter of 2009, gradually declining and rising again in the first quarter of 2009. 2012, which shows that protectionism after the 2008 crisis has not abated (see graph 1).

Graph 1. Number of protectionist measures implemented in the world by quarter

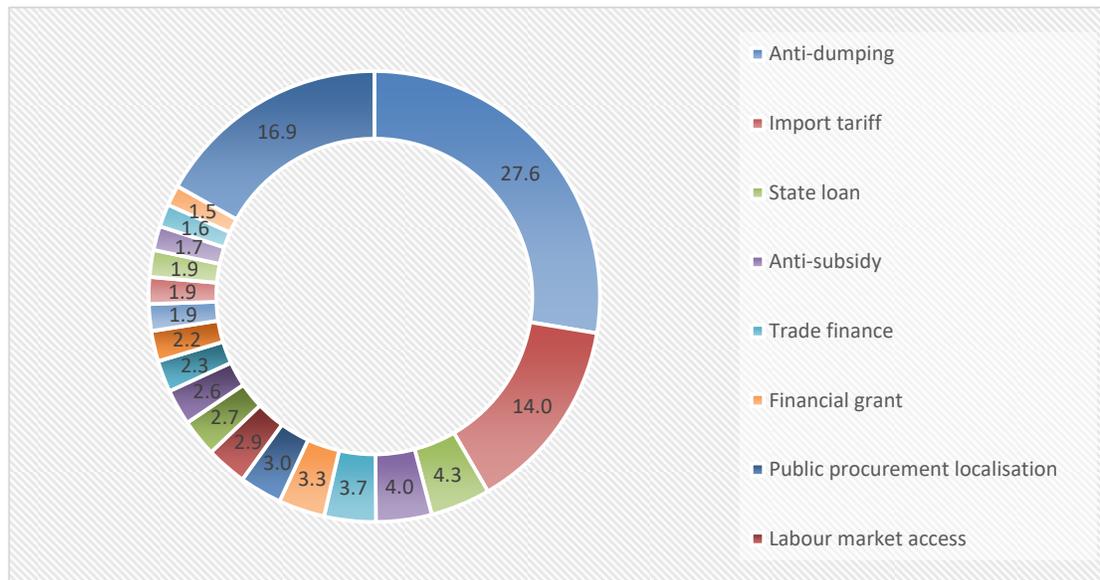


Source: Own elaboration based on Global Trade Alert, 2014.

Graph 1 shows the rise in the number of protectionist measures implemented in the period after the 2008 crisis, additionally it shows that despite several analyzes where a decrease in these measures was expected over time, the opposite is observed.

Regarding what type of measures have been implemented, as shown in graph 2, protectionist interventions in trade policy are subdivided into various areas where anti-dumping measures make up 27.6 percent, followed by 14 percent of import tariffs, these two being the most significant ones, currently.

Graph 2. Interventions in trade policy matters 2017, percentage.



Source: Own elaboration based on Global Trade Alert, 2018.

It is clear that there is a setback in trade openness in general and the Asia Pacific area is no exception, although the countries that make up the area have not closed their borders openly and unilaterally except for the United States, their efforts to opening have been precarious and disjointed. The biggest recent attempt to really incorporate efforts and get them off the wish list into practice has been the impetus for the signing of the Trans-Pacific Free Trade Agreement.

2. A free trade area in Asia Pacific

The idea of a free trade agreement in Asia Pacific is very old, the first proposal dates back to 1966 made by Kojima, a Japanese economist (Panennungi, 2013). Much has been said about a free trade area that ends up joining the various continents adjacent to the Pacific Ocean, however, various speeches and attempts to carry out this premise, the signing of a treaty of this nature remains unknown. The idea of signing a treaty begins by seeking to fulfill two specific goals: on the one hand, it seeks to bring the economies closer together in accordance with the Bogor goals regarding a free and open zone for international trade and investment in the Asia Pacific region.

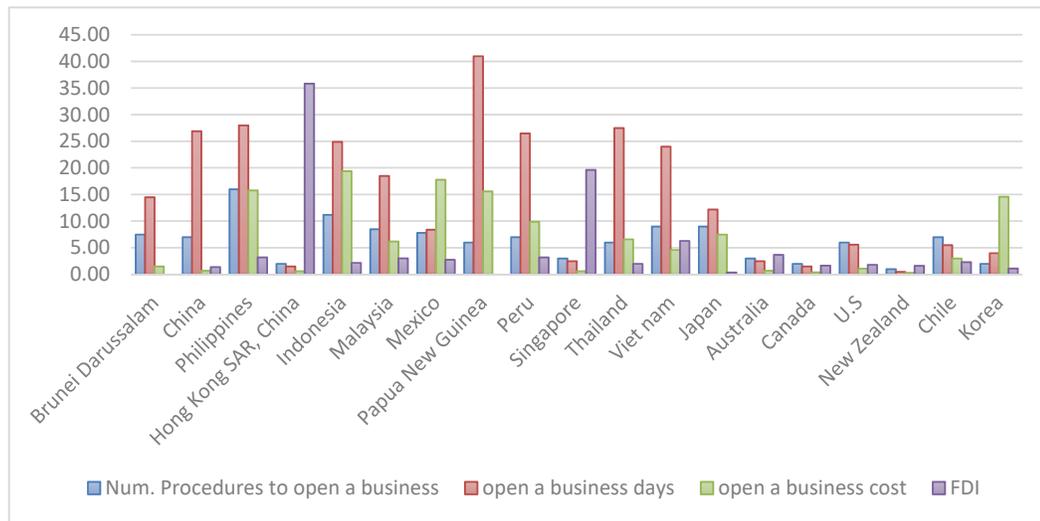
After a long time of discussions, negotiations and redesigns, the treaty known as the Trans-Pacific Partnership Treaty (TTP) was “put on hold” after Trump's rejection and later, with an executive order, the withdrawal of the United States was announced. However, after a long pause the treaty has been put to discussion as well as the possibility of signing it without the incorporation of the United States. Holding numerous meetings where they have continued working towards the signing of the Treaty, now “renamed” or known as the Comprehensive and Progressive Agreement for the Trans-Pacific Partnership (CPTPP) or popularly known as TTP-11 in the absence of the North American economy, the Treaty would be incorporated by, in alphabetical order, Australia, Brunei, Canada, Chile, Malaysia, Mexico, Japan, New Zealand, Peru, Singapore and Vietnam.

3. Individual and collective actions towards the Bogor goals

Regarding the second section proposed by Panennungi (2013), there are different studies that perform measurements seeking to analyze the degree of commercial integration. Among these studies, the one carried out by Yamazawa (2012) stands out. Said study measures the previously mentioned indicators (level of trade and investment), obtaining the best results regarding trade facilitation and business mobility, while the lowest indicators were found in tariffs, investment and services.

Analyzing some investment facilitation indicators, it can be observed, as shown in graph 3, that there is a great disparity between the APEC countries, highlighting three variables that permeate Foreign Direct Investment, such as the number of procedures to open a business, the average days it takes to open a business and the cost of opening a business.

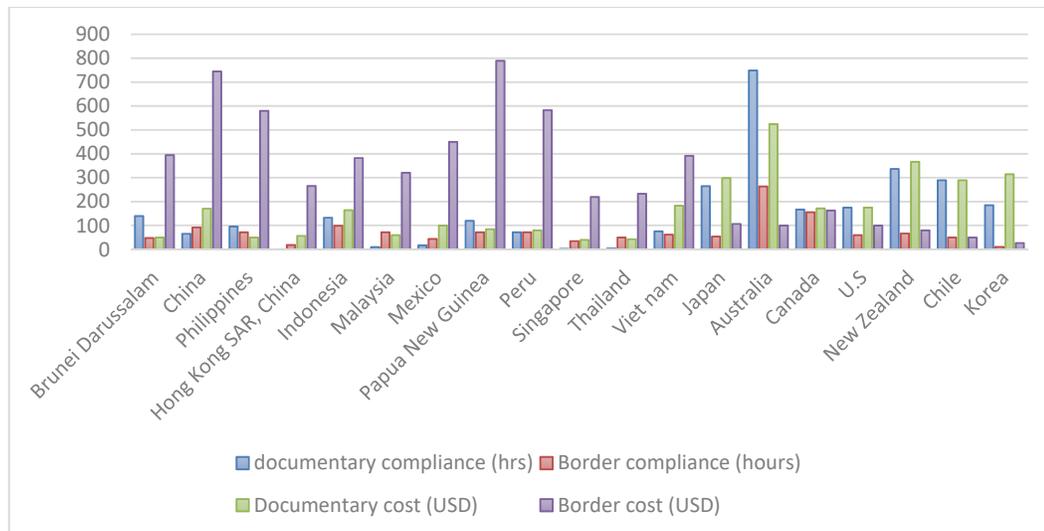
Graph 3. Investment facilitation indicators, year 2017



Source: Own elaboration based on World Bank, 2018.

Regarding the trade and customs facilitation indicators in the case of imports, graph 4 shows a diverse panorama in the sense that the countries with the highest border costs are those that in turn have the least number of hours in documentary compliance and vice versa.

Graph 4. Trade facilitation and customs indicators



Source: Own elaboration based on World Bank, 2018.

4. Programs for the facilitation of trade and investment in APEC

APEC economies have implemented various programs with the intention of fulfilling their trade and investment facilitation commitments towards the year 2020. Despite the relative uniformity of the commitments made, progress differs significantly from one country to another. Likewise, the aspects to be addressed seem to require considerably different efforts and times. These aspects have been modified and updated over time, which in turn has modified the commitments made by these economies, as well as their actions and priorities.

The Trade Facilitation Action Plans (TFAP), in their versions for the periods 2001-2006 and 2006-2010, were designed to allow economies to choose their own policy mixes to address four specific areas: customs procedures, standards and compliance, business mobility and electronic commerce (UNESCAP, 2018).

For the period 2010-2015, APEC economies adopted the Supply Chain Connectivity Framework Action Plan (SCFAP), which commits members to address eight basic weaknesses: lack of transparency in logistics-related regulation, inefficiency in transport infrastructure, lack of capacity of local logistics providers, inefficient clearance of goods at the border, onerous procedures for customs documentation, low capacity development of multimodal transport, variations in standards and regulations between borders and the lack of regional agreements for cross-border customs transit. The second phase of SCFAP covers the period 2017-2020 and contains five key points to address: the lack of coordinated border management and underdeveloped related procedures, inadequate quality and lack of access to transportation infrastructure and services, unreliable logistics services and their high costs, limited regulatory cooperation, and underdeveloped political and regulatory infrastructure for electronic commerce (APEC, 2017). Additionally, APEC members are limited to the 2017 World Trade Organization (WTO) Trade Facilitation Agreement, the 2017 APEC Cross-Border Electronic Commerce Facilitation Framework and the United Nations Regional Treaty on Trade Facilitation. Paperless Trade for Asia and the Pacific 2016 (UNESCAP, 2018).

This diversity of plans and agreements, in turn, makes objective evaluation of progress difficult. One of the efforts in this regard is that carried out by the United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP), which estimates that the general fulfillment of the facilitation commitments of trade acquired by APEC members for the year 2017 is around 75% of what was expected, although with important gaps between the performance of its members, highlighting countries such as Australia and Singapore with a compliance of almost 90% and lagging behind countries such as Brunei Darussalam and Papua New Guinea with 52 and 37% respectively (UNESCAP, 2018).

In addition to the deep compliance gaps between countries, the different types of commitments also show asymmetric progress. According to the most recent evaluation carried out by UNESCAP (2018), compliance with transparency commitments for trade facilitation for APEC members in 2017 reached an implementation of 90% of what was expected, while the facilitation of formalities reached an 83% advance. Other measures and programs appear to be presenting significant implementation difficulties. For example, in terms of institutional commitment and cooperation measures, the progress obtained is only 64% of what was expected, mainly due to the insignificant progress made in the delegation of control measures to the customs authorities. Another area that shows delays is related to the facilitation of the transit of goods, whose commitments have an implementation progress of only 30%. The weakest points of this variable are related to the lack of transit facilitation agreements between neighboring countries, the little support in the processing prior to the arrival of the goods and the lack of cooperation between the agencies of the countries involved in the transit (UN, 2017).

Regarding the measures aimed at facilitating Paperless Trade, one of the priorities of APEC members, the evaluation carried out by UNESCAP (2018) is divided into two sections: one assesses the use and application of the Technologies of the Information and Communications (TIC's) in commercial procedures and the other refers to the exchange and legal recognition of data and documents between stakeholders from different countries throughout the supply chain. Another priority for trade facilitation among APEC members is the implementation and operation of single windows. The

Single Window System (SWS) is a smart cross-border facility that allows parties involved in trade and transportation to present standardized information, mainly electronic, with a single point of entry to meet all requirements, regulations related to import, export and transit (APEC, 2018).

Since 2005 the APEC economies, in conjunction with the World Customs Organization and the United Nations Center for Trade and Electronic Business Facilitation, have worked to achieve SWS interoperability; Even so, APEC (2018) recognizes that progress is incipient given the technological and regulatory complexity that the initiative implies. The cost of its implementation seems to be a major obstacle. According to the experiences analyzed by UNESCAP (2018), the initial costs of implementing a SWS can vary between 100,000 and 27 million dollars; These expenses in turn require additional investments in customs automation systems that can range from \$ 550,000 to \$ 57 million.

Despite this, the APEC economies as a whole show a 40% implementation of the SWS, another 40% show a partial implementation and 10% operate pilot programs; Of the economies that have full implementation, the cases of Hong Kong, Japan, Korea and Singapore stand out for their futuristic orientation and efficiency (UNESCAP, 2018).

The challenges towards full implementation are still numerous: there are shortcomings in terms of the degree of commitment, cooperation, trust and communication between the participating institutions, the involvement of the private initiative and its participation with investments is necessary, it requires a total harmonization of the terminology used, as well as the processes and technologies, but particularly the adaptation of the applicable legislation and regulations is required (APEC, 2018; UNESCAP, 2018). On the other hand, the APEC Business Travel Card (ABTC) allows business persons (such as entrepreneurs and government officials) to enter APEC member economies without the need to present a traditional business visa. This represents an important saving for travelers since with this card they avoid having to process a different visa for each country for a period of time that can reach up to five years (INM, 2017).

6. Trade and Investment efficiency measure

Once the calculations are performed, results are obtained in three aspects or for three variables Foreign Direct Investment (FDI), imports and exports. The efficiency of FDI was measured based on the average days of opening a business in the country under analysis and the average cost of opening a business. While, the efficiency of imports and exports was measured with respect to the average cost to obtain the necessary documents to satisfactorily achieve customs clearance and the average cost to cross the border. The study was conducted for 19 countries that are part of APEC due to the availability of data.

Three columns of results are obtained for each analysis. In the case of FDI, New Zealand and Hong Kong are the countries that obtained an efficiency value in terms of Foreign Direct Investment. While, within the countries that were not efficient are Singapore, Canada, Australia and China with values of 0.76, 0.75 and 0.45 and 0.43 respectively. In descending order are the United States, Brunei, Korea and Chile with results of 0.27, 0.20, 0.13 and 0.10. Lastly, with the lowest efficiency values are the economies of Vietnam, Mexico, Malaysia, Thailand, Japan, Peru, the Philippines, Indonesia, and Papua New Guinea.

Regarding the 2017 results for efficiency in imports of the APEC countries, the efficient countries were Korea, the United States, Hong Kong and Singapore. It is worth mentioning that the values for the efficiency of imports were higher with respect to the values of Foreign Direct Investment.

Table 1. Efficiency results				
APEC countries, 2017.				
NO	DMU	<i>Exports</i>	<i>Imports</i>	<i>FDI</i>
1	Australia	0.22	0.51	0.45
2	Brunei Darussalam	0.02	0.8	0.2
3	Canada	1	0.81	0.75
4	Chile	0.04	0.95	0.1
5	China	1	0.76	0.43
6	Korea	1	1	0.13
7	U.S	1	1	0.27
8	Philippines	0.03	0.8	0.02
9	Hong Kong SAR, China	1	1	1
10	Indonesia	0.01	0.48	0.02
11	Japan	0.5	0.73	0.04
12	Malaysia	0.03	0.68	0.05
13	Mexico	0.03	0.47	0.06
14	New Zealand	0.71	0.7	1
15	Papua New Guinea	0.02	0.47	0.02
16	Peru	0.03	0.5	0.03
17	Singapore	0.04	1	0.76
18	Thailand	0.02	0.94	0.05
19	Viet nam	0.01	0.46	0.07

Source: Own elaboration based on World Bank, 2018.

The second block of countries is made up of economies that, although they did not reach efficiency values, they had values close to them. Such is the case of Chile, Thailand, Canada, Brunei, the Philippines, China, Japan, New Zealand, Malaysia, Peru and Australia. With the lowest values are Indonesia, Mexico, Papua New Guinea and Vietnam.

With a similar trend to the efficiency of imports, the efficiency in exports of the APEC countries for the year 2017, showed that the efficient countries were Canada, China, Korea, the United States and Hong Kong (see Table 1). For their part, New Zealand, Japan and Australia obtained the following results in descending order 0.71, 0.50 and 0.22. Consequently, the countries with the lowest values were Chile, the Philippines, Indonesia, Malaysia, Mexico, Papua New Guinea, Peru, Singapore, Thailand and Vietnam.

Conclusions

As it can be observed in the present document, there are different paths towards the fulfillment of the Bogor goals, as well as several attempts to fulfill the objectives set by APEC. However, many of the efforts are drawn lacking a clear structure to follow, disaggregated and, additionally, the disarticulation of the work undertaken by the nations is evident. While it seems that Australia is working hard for a commercial opening and development of the area, some other countries are somewhat more reserved in that sense, even countries like the United States have an open stance against such articulation.

Regarding the TTP, its failure and later the resurgence of the CPTPP, it is observed that its progress has been slow after the strong blow that shook it with the departure of the United States from the initial agreement. However, little by little it has gained momentum somewhat veiled by expectations regarding what would happen with the North American Free Trade Agreement (NAFTA), so that before any news was released in this regard, only three countries had ratified the CPTPP, these countries being Japan, Mexico and Singapore. Therefore, a little less than a month after the news that NAFTA is reformulated, maintaining commercial ties between the three signatory countries, the Australian Parliament ratified the incorporation of its country into the CPTPP, making a strong possibility the fact that Australia will enter the treaty. It is worth mentioning that Canada and New Zealand seek to declare their ratification at the end of the year while Chile, Peru, Vietnam, Brunei and Malaysia continue to review the Treaty. If this treaty is carried out, it could be a significant advance towards the Bogor goals, since 98 percent of the tariffs of 11 countries that together

make up a GDP of 10.6 trillion dollars and around 500 million consumers would be eliminated. . Despite this, there are two major absences: the United States and China.

Regarding the different measures of trade openness such as trade facilitation and business mobility, it is concluded that although there are efforts to facilitate trade, particularly in terms of exports, there is also a countercurrent in the increase in barriers to foreign trade. In most cases, in a veiled manner, maintaining low tariffs in accordance with the provisions of the World Trade Organization but increasing qualitative requirements with a dual purpose that goes beyond safeguarding the well-being of the countries and more environment to hinder and lethargy the entry of goods to economies.

It is important to remember that government policies or, more specifically, government policies regarding international trade are not those that lead to globalization, since globalization is caused by technological advances, through continuous improvements in the productive processes and in general given by the demand of the consumers and the satisfaction of their needs. Hence, even countries like the United States will hardly be able to stop the pace of market opening, which will soon become as easy as trying to stop the improvement of production processes or consumer demand.

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