

A Note on APEC's Bogor Goals' Mid-Term Stock Taking and Tariff Reduction

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1. APEC's characteristics

The Asia Pacific Economic Cooperation (APEC) as it stands now can be featured as the following three characteristics: “diversity”, “high-growth”, and “non-institutionalization” (Yamazawa, 2000). As for the first characteristic, APEC's “diversity” in terms of, e.g., per-capita GDP of its member economies, graphically shown in Table 1 and Figure 1, is significant, ranging from Vietnam's US\$ 423 to the United States' US\$ 32,407 (the difference being by the factor of almost 80). This diversity is also obvious in terms of population and land area (as in the Table), and presumably in terms of culture and religion. The second characteristic, i.e., “high-growth” can be seen in APEC's average annual GDP growth rate of close to 4 percent, which is barely less than double the pace of the world economic growth. APEC's third characteristic, “non-institutionalization” as compared with other regional groups (including the EU) reflects the first, diverse nature of the APEC region: accommodation of diverse economies necessitates loose organizational setup.

Whether or not the APEC region is a natural economic cluster remains contentious, yet there is no doubt as to the extent to which further reduction in trade costs would contribute significantly to the world-wide economic expansion (Anderson and van Wincoop, 2004). It appears that over the period between these recent years the APEC's total trade volume increase has been just commensurate with the world trade volume increase (Table 2): the APEC's share in total export volume being 44.4% in 1996 and 44.9% in 2004 (as calculated from the Table). Given the interdependent trade relationship between the APEC region and the rest of the world, the “trade creation” on the basis of the region's attractive host as inward foreign direct investment (FDI), function as the prime-mover of interdependence not only within the region but also with non-members. Indeed, “open regionalism” has been the governing principle of APEC's increasingly inter-dependent trade with both APEC members and non-members. This paper is a brief note which addresses the background of the Bogor Goals and highlights APEC's achievement of tariff reduction as one component of the Goals. The next section considers basic characteristics of APEC. The third section notes the Bogor Goals' Mid-Term Stock Taking. The fourth section looks into the achievement of individual economies and APEC as a whole in terms of tariff reduction, and the final section concludes.

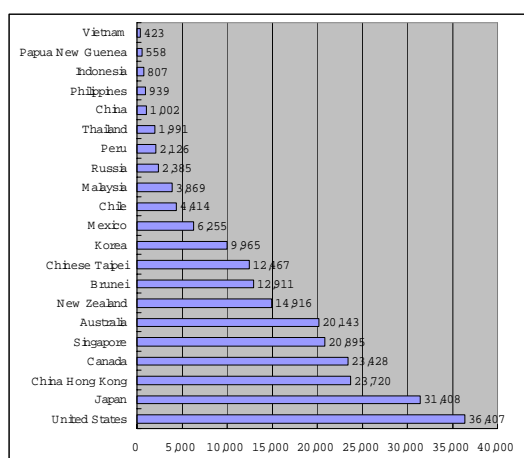
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Table 1. Main economic indicators of the APEC member economies, 2003

Economy	Population (million)	Land area (thousand square kilometers)	GDP (US\$ billion)	Per capita GDP (US\$ dollar)	GDP annual growth rate (2002-2003 average, %)	Trade as a share of GDP (%)	FDI net inflow (US\$ billion)
Australia	19.9	7.713	522.4	20,143	3.3	30.7	6.9
Brunei	0.37	6	4.7	12,911	3.0	121.8	2.0
Canada	31.6	9,971	856.5	23,428	2.7	60.4	6.3
Chile	15.8	757	72.4	4,414	2.8	55.9	3.0
China	1,292.3	9,561	1,412	1,002	8.8	60.1	53.5
Hong Kong, China	6.80	1.1	156.7	23,720	2.6	294.8	13.5
Indonesia	214.7	1,905	208.3	807	3.9	44.9	0.60
Japan	127.6	378	4,303	31,408	1.2	19.9	6.2
Korea	47.9	99	605.3	9,965	5.1	61.6	3.2
Malaysia	25.05	330	103.7	3,869	4.7	174.8	2.5
Mexico	102.3	1,964	626.1	6,255	1.0	54.9	10.8
New Zealand	4.0	271	79.6	14,916	4.0	44.0	2.4
Papua New Guinea	5.5	463	3.2	558	2.0	109.1	101.4
Peru	27.1	1,280	60.6	2,126	4.4	28.8	1.4
Philippines	81.1	300	80.6	939	4.5	94.3	0.3
Russian Federation	143.4	16,889	432.9	2,385	6.0	48.2	8.0
Singapore	4.19	0.7	91.3	20,895	2.2	297.8	11.4
Chinese Taipei	22.60	36	286.0	12,467	3.6	94.8	0.45
Thailand	63.96	513	143.0	1,991	6.1	109.4	1.9
United States	290.8	9,364	11,004	36,407	2.7	18.5	39.9
Vietnam	80.90	331	39.2	423	7.1	115.0	1.5
APEC as a whole (Share in the world, %)	2,608 (41.4)	54,428 (40.0)	21,092 (57.8)	11,001	3.9	92.4	277.2 (48.4)
World	6,301	136,056	36,500	5,510	2.3	41.5	572.8

Sources: World Bank, World Development Indicators; IMF, International Financial Statistics; ADB, Key Indicators and Developing Asian and Pacific Countries; United Nations, Statistical Yearbook for Asia and the Pacific.

Figure 1. per-capita GDP (US\$) among APEC member economies (in 2003/4)



Source: IMF, *International Financial Statistics*.

Table 2. Trade Matrix(fob basis), 1996 and 2003

(US\$ billion)

Importer Exporter	Year	World	APEC	EU15	NAFTA	MERCOSUR	USA	East Asia	Asian NIES	ASEAN4	China	Japan
World	1996	5,220	2,331	1,882	1,039	79	791	883	499	217	167	318
	2003	7,489	3,446	2,744	1,597	69	1,209	1,277	614	241	423	352
APEC	1996	2,320	1,703	342	752	34	536	674	383	168	124	216
	2003	3,358	2,429	519	1,090	28	768	985	483	191	310	239
EU15	1996	2,003	356	1,218	164	23	145	124	72	33	19	45
	2003	2,841	532	1,744	285	17	246	136	65	25	46	45
NAFTA	1996	911	653	142	431	21	238	125	83	28	14	77
	2003	1,148	857	170	637	16	360	136	74	29	33	59
MERCOSUR	1996	73	26	18	13	14	11	6	2	2	2	4
	2003	113	52	26	26	13	21	14	4	2	8	3
USA	1996	623	390	128	189	18	-	115	77	26	12	68
	2003	713	467	151	267	14	-	125	69	27	28	52
East ASIA	1996	994	676	125	190	8	177	345	180	81	84	120
	2003	1,463	1,099	206	300	7	271	586	283	108	195	155
Asian NIES	1996	549	405	73	118	6	110	222	82	63	78	52
	2003	708	543	92	137	3	123	328	95	67	166	51
ASEAN4	1996	203	156	31	43	1	41	71	51	13	6	38
	2003	317	245	43	61	1	56	126	73	24	29	44
China	1996	152	114	20	29	1	27	52	47	5	-	31
	2003	438	312	72	102	3	93	133	115	18	-	59
Japan	1996	411	308	63	122	3	113	176	103	51	22	-
	2003	470	355	71	125	2	113	213	105	45	63	-

Notes: "East Asia" consists of "Asian NIES" (Korea, Chinese Taipei, Hong Kong, Singapore), "ASEAN4" (Malaysia, Thailand, Philippines, Indonesia), and China.

NAFTA consists of Canada, Mexico and the United States.

MERCOSUR consists of Argentina, Brazil, Uruguay and Paraguay.

Source: Japan External Trade Organization.

Original sources: International Monetary Fund, *Direction of Trade Statistics*, June 2004, Taiwan Trade Statistics.

2. Basic characteristic of APEC

With the institutionalization of APEC taking shape, the trade and investment liberalization and facilitation (TILF), together with Economic and Technical Cooperation (“ECOTECH”), is almost synonymous with the *raison d’être* of the APEC. APEC’s “mechanism” for achieving TILF would therefore be best utilized when its institutionalization is further pursued rather than halted. It is in this spirit that all the APEC member economies should aspire to commit themselves further to the Bogor Goals as the embodiment of roadmap toward achieving TILF.

Basic characteristic of APEC is “open regionalism”, an example of which is its adoption of “concerted unilateral liberalization (CUL)” with a full commitment to trade negotiations at the WTO.

Brief chronology of APEC is shown in Table 3. As shown, the “Bogor Goals” appeared in 1994. That Economic Leaders’ Declaration (Paragraph 6, italics added):

“With respect to our objective of enhancing trade and investment in the Asia-Pacific, we agree to adopt the long-term goal of free and open trade and investment in the Asia-Pacific. This goal will be pursued promptly by further reducing barriers to trade and investment and by promoting the free flow of goods, services and capital among our economies. We will achieve this goal in a GATT-consistent manner and believe our actions will be a powerful impetus for further liberalization at the multilateral level to which we remain fully committed.

The “Bogor Goals” continues to state (italics added):

We further agree to announce our commitment to complete the achievement of our goal of free and open trade and investment in the Asia-Pacific no later than the year 2020. The pace of implementation will take into account differing levels of economic development among APEC economies, with the industrialized economies achieving the goal of free and open trade and investment no later than the year 2010 and developing economies no later than the year 2020.

Table 3. Brief chronology of APEC

Year	Event/Agreement
1989	Establishment of APEC for trade and investment liberalization and facilitation through cooperation and consultation.
1994	Economic Leaders’ meeting in Bogor sets “Bogor Goals”, as the vision of achieving free trade and investment by 2010/2020.
1995	Osaka Action Plan outlines an operational strategy to achieve the Bogor Goals.
1996	Manila Action Plan introduces Individual Action Plans (IAPs) and Collective Action Plans (CAPs); Information Technology Agreement (ITA) launched and later became a legally binding treaty.
1998	“Early Voluntary Sectoral Liberalization (EVSL)” fails to be adopted.

3. Bogor Goals’ Mid-Term Stock Taking

Achievement of free trade is among the chief objectives of the Bogor Goals. It is only natural that tariff reduction be the focus of attention. Shanghai Accord states under the heading

“Strengthening the IAP Peer Review Process” (in “III. STRENGTHENING THE IMPLEMENTATION MECHANISM”, italics added):

Leaders welcome the decision by Ministers to strengthen the Individual Action Plan (IAP) peer review process, and encourage member economies to volunteer their IAPs for peer review on the basis of the new approach. Leaders also agree that upon completion of such a review cycle, involving all volunteer economies, *a mid-term stocktake of the overall progress towards the Bogor Goals should be undertaken in 2005.*”

Thus, the Bogor Goal’s Mid-Term Stock Taking (MTST) which is under way this year (2005).¹

While the MTST has not been publicized, useful information is available in the Individual Action Plan (IAP) submitted by each member economy. IAPs are useful in particular for looking into information on each member economy’s tariff rate. What follows therefore is an IAP-based, brief assessment of tariff reduction.

4. Achievement of individual economies and APEC as a whole

Figure 2 is the APEC’s tariff reduction strategy: in a nutshell, APEC’s IAP attempts to achieve “WTO plus” tariff reduction. Instead of precisely measuring the “plus” component, APEC’s individual economies’ bound and applied tariff rates have been plotted on the basis of their IAP reports, as in Figures 3 through 22.²

What is revealed is that all the APEC member economies have consistently been committed to “freer” trade: while the issue of whether the tariff rate reduction of the APEC member economies has been achieved because of the APEC *per se* or because of WTO remains arguable, the steady overall decrease in the simple tariff rate (on both bound and applied bases) can be observed in the Figures.

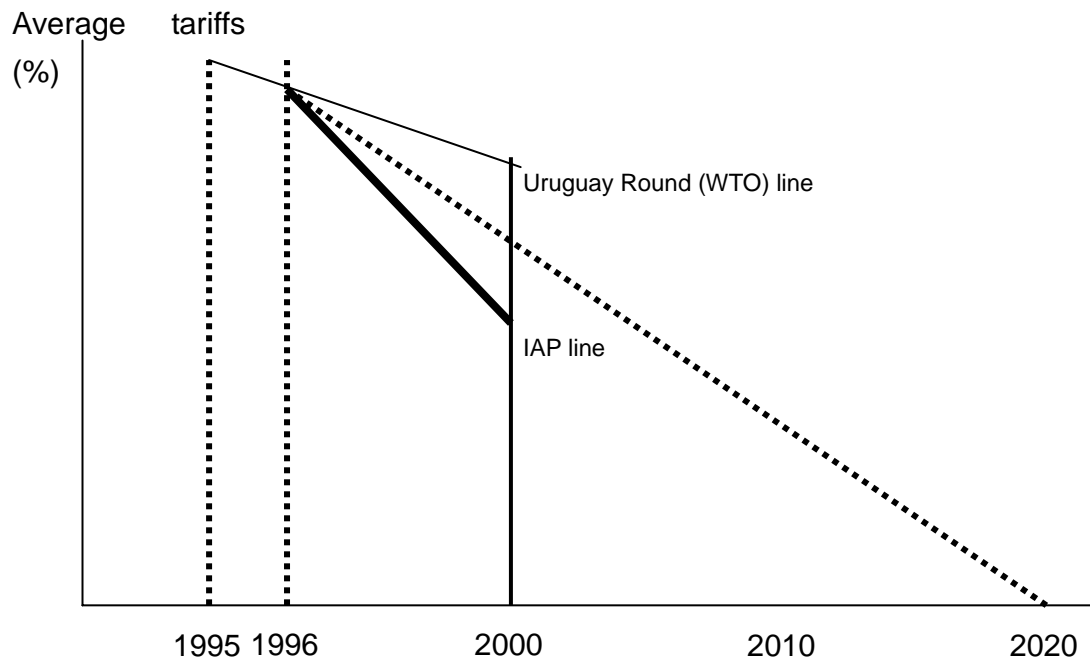
The APEC as a whole has therefore been committed to steady tariff reductions. Tables 4 and 5, which display the average tariff level and their reduction rate of APEC as a whole, reveal that APEC’s tariffs have been steadily declining, with its applied tariff rate having been steadily reduced while its bound tariff’s reduction accelerated during 2000-2004. Tables 6 and 7 show

¹ The author was appointed as one of the 5 experts for the Mid-Term Stock Taking of the Bogor Goals (together with experts from Korea (chair), Australia, China and Viet Nam).

² A figure for Papua New Guinea is not listed due to unavailability of straightforward data on simple average tariff rates.

that APEC's achievement in tariff reduction well surpasses non-APEC economies' performance in tariff reduction.

Figure 2. Tariff reduction toward achieving the Bogor Goals



Source: Adapted from Yamazawa and Urata (2000).

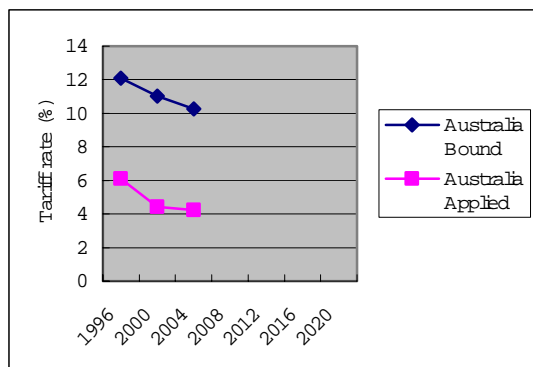


Figure 3. Australia's tariff reduction

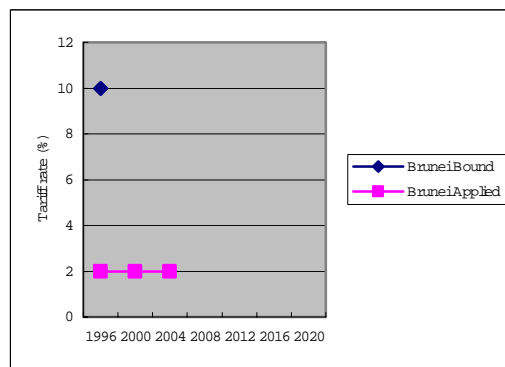


Figure 4. Brunei's tariff reduction

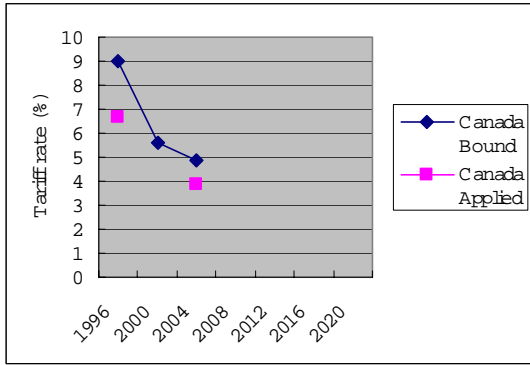


Figure 5. Canada's tariff reduction

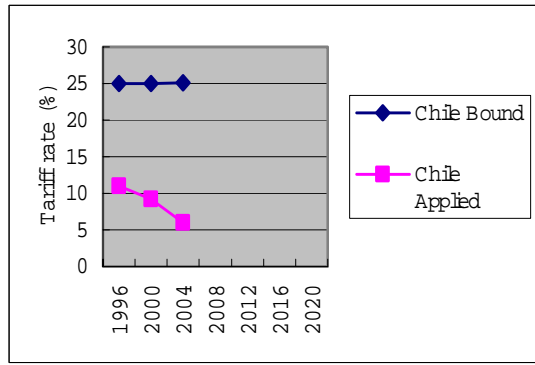


Figure 6. Chile's tariff reduction

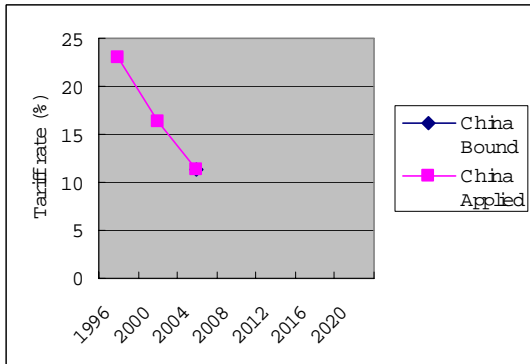


Figure 7. China's tariff reduction

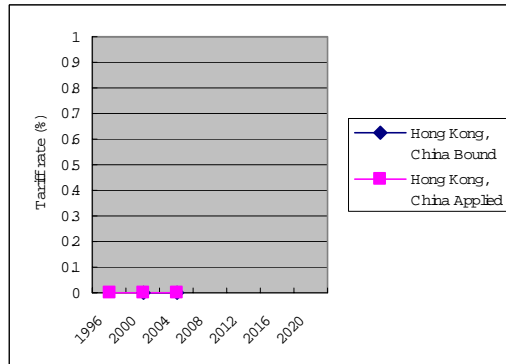


Figure 8. Hong Kong, China's tariff reduction

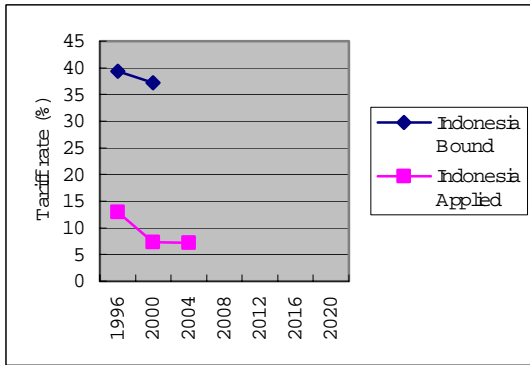


Figure 9. Indonesia's tariff reduction

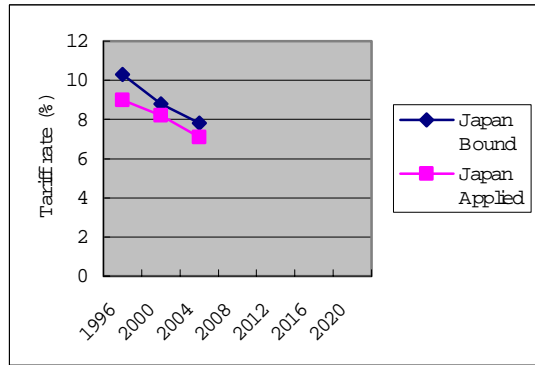


Figure 10. Japan's tariff reduction

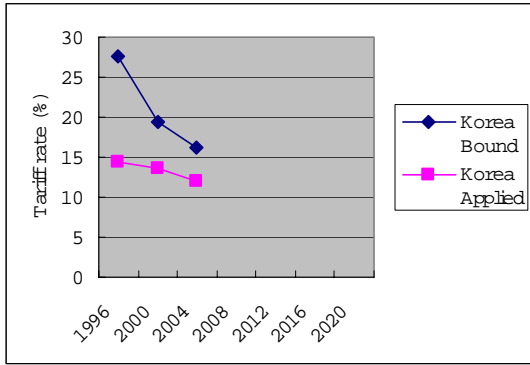


Figure 11. Korea's tariff reduction

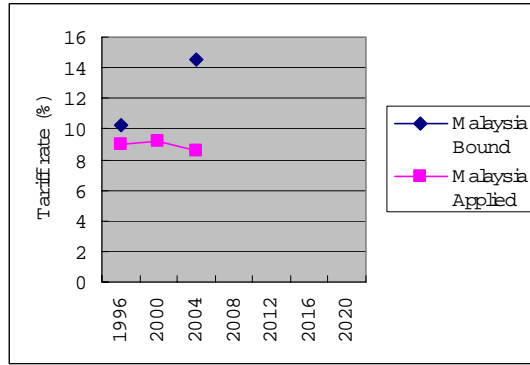


Figure 12. Malaysia's tariff reduction

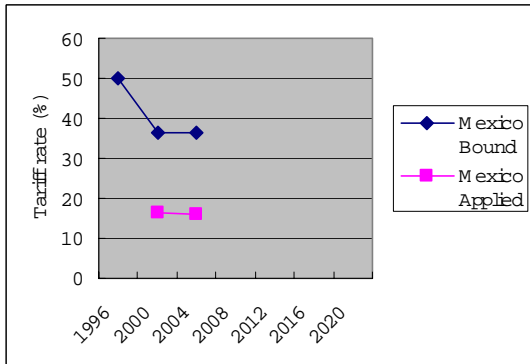


Figure 13. Mexico's tariff reduction

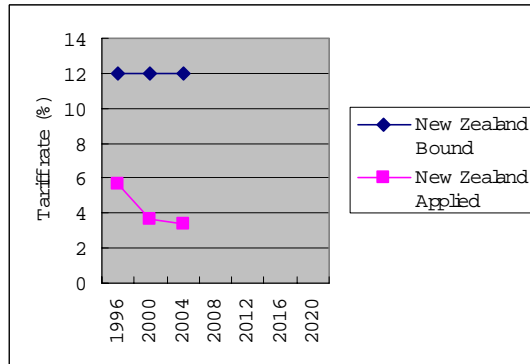


Figure 14. New Zealand's tariff reduction

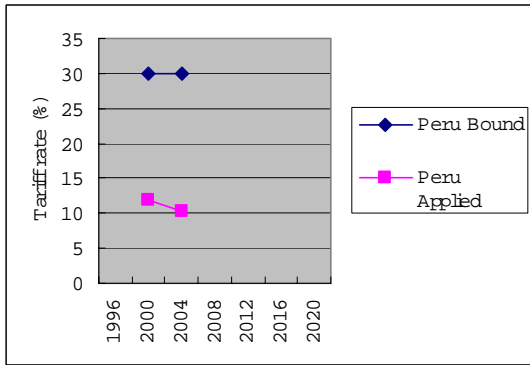


Figure 15. Peru's tariff reduction

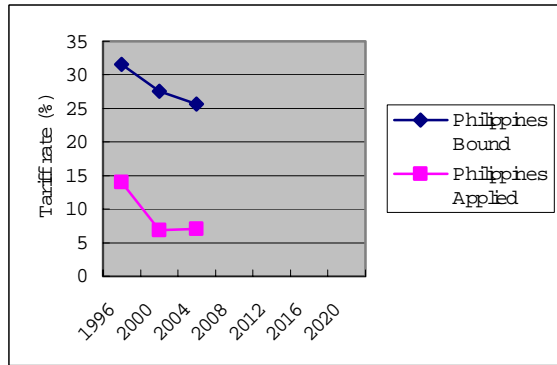


Figure 16. Philippines' tariff reduction

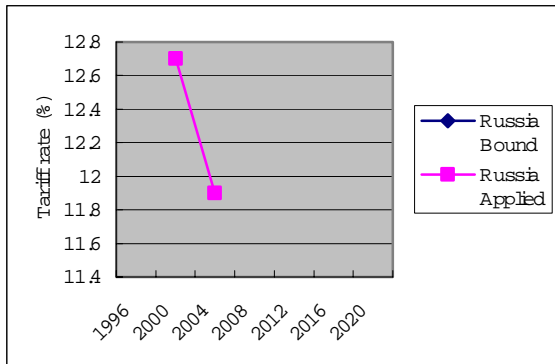


Figure 17. Russia's tariff reduction

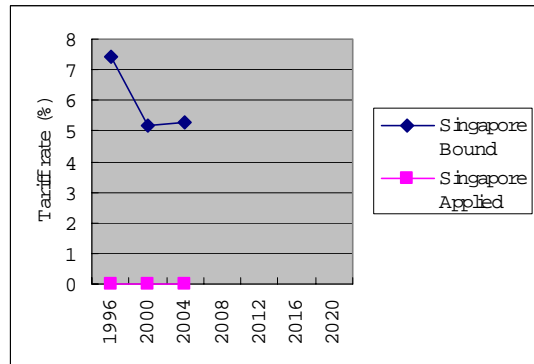


Figure 18. Singapore's tariff reduction

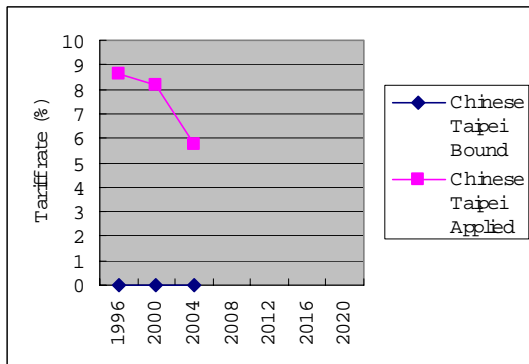


Figure 19. Chinese Taipei's tariff reduction

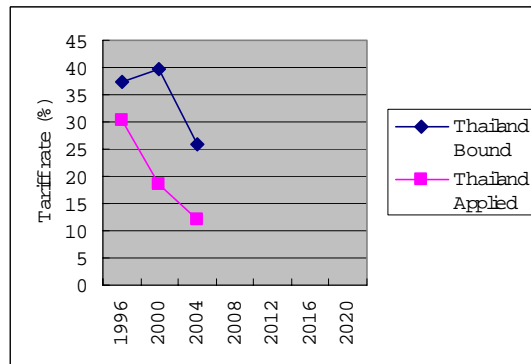


Figure 20. Thailand's tariff reduction

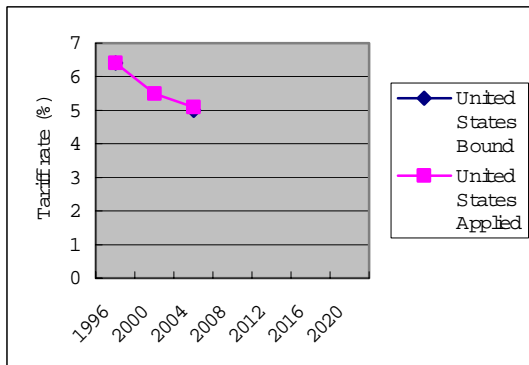


Figure 21. United States' tariff reduction

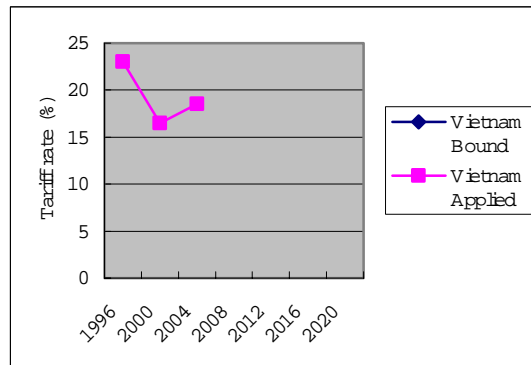


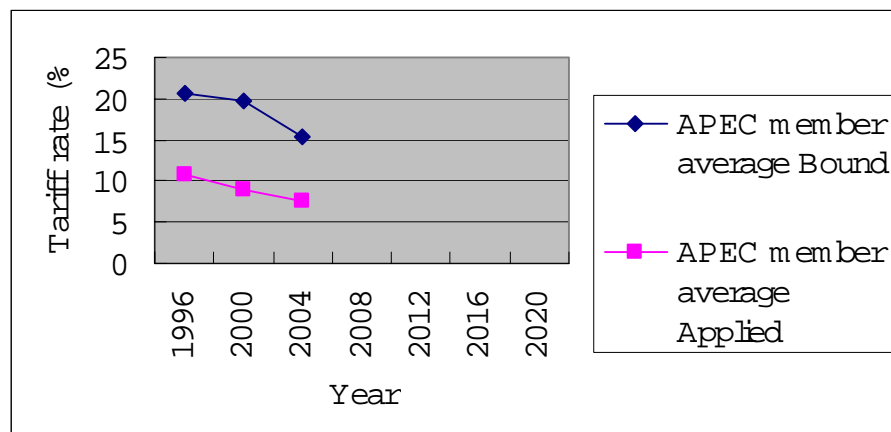
Figure 22. Vietnam's tariff reduction

Table 4. Average tariff rate of APEC as a whole, 1996, 2000 and 2004

	1996	2000	2004
Bound tariff	20.6	19.8	15.3
Applied tariff	10.7	9	7.6

Source: Calculated from member economies' IAP reports.

Figure 5. Graph of Table 4



Source: Calculated from member economies' IAP reports.

Table 5 Tariff reduction rate of APEC as a whole

Item	(percent)	
	Applied tariff	Bound tariff
Reduction rate between 1996 and 2000	15.9	3.9
Reduction rate between 2000 and 2004	15.6	22.7
Reduction rate between 1996 and 2004	29.0	25.7

Source: Calculated from the past IAP reports.

Table 6 Average bound tariff rates for the most recent available year

Item	(percent)		
	All products	Agricultural products	Non-agricultural products
APEC members' average	16.8	21.4	16.1
Non-APEC economies' average	42.8	59.8	31.9
Simple average of the world	39.0	54.2	29.6

Source: WTO, World Trade Report 2004.

Table 7 Average applied tariff rates for the most recent available year

Item	(percent)		
	All products	Agricultural products	Non-agricultural products
APEC members' average	7.5	11.4	6.9
Non-APEC economies' average	12.0	16.9	11.3
Simple average of the world	11.4	16.1	10.7

Source: WTO, World Trade Report 2004.

5. The way forward

To sum up, the Bogor Goals in terms of trade liberalization envision the achievement of “free trade” by 2010/20, albeit with its operational definition being ambiguous. APEC has been making a great progress in the field of tariff reduction. With further efforts utilizing APEC’s mechanisms, therefore, the goal of “free trade” –with its definitions ranging from “zero bound tariff across all-products” to “tariff rate reduction down to below 5 percent for substantially all products”- seems well in scope, or achievable. With the sure hope that “freer trade” would converge to free trade, the catalytic role of the Bogor Goals itself and its mid-term stocktaking should never be downplayed.

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- Yamazawa (ed.) (2000), Asia Pacific Economic Cooperation (APEC): Challenges and Tasks for the Twenty-First Century, London and New York: Routledge.
- Yamazawa, Ippei and Shujiro Urata (2000), “Trade and Investment Liberalization and Facilitation” in Yamazawa (2000).