The East Asian Community Initiative and APEC Japan 2010

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“Change and Action”
The Initiative for an East Asian Community

- Promote concrete cooperation in a broad range of areas, based on a functional approach, with like-minded countries
- The following are possible examples of such cooperation:
  - Cooperation to prosper together (e.g., FTAs)
  - Cooperation to save a Green Asia
  - Cooperation to protect human lives (cf. Pacific Partnership)
  - Cooperation in building a “sea of fraternity”
  - People-to-people exchange (e.g., transferring credits interchangeably among universities)

✓ “In my initiative, I propose that countries sharing a common vision promote cooperation in various fields. This would be based on the principle of ‘open regional cooperation.’ Through this, our region would develop a multi-layered network of functional communities. I attach the greatest importance to the promotion of concrete cooperation in a broad range of areas such as trade, investment, finance and education.”

From Address on “Japan’s New Commitment to Asia -Toward the realization of an East Asian Community-”
by H.E. Dr. Yukiko Hatoyama, Prime Minister of Japan, 15 November 2009, Singapore

✓ “It will be essential for relationships of trust among countries to be consolidated over time across a broad range of fields if we are to bring this initiative to fruition. We must not under any circumstances make this into an exclusive community in which only certain countries come together, nor an economic bloc intended to compete with other regions. In that sense, not only is the importance of an unshakeable Japan-US Alliance unchanged but such an Alliance is indispensable as a precondition for forming an East Asian community. ... Among the concrete measures that will help engender an East Asian community, I would like to emphasize in particular cooperation to ensure sustenance of life, along with the intensification of cultural exchanges.”

From Policy Speech by Prime Minister Yukiko Hatoyama at the 174th Session of the Diet, 29 January 2010
The European Union began with joint management in the energy field and expanded to cooperation in customs liberalization; liberalization of capital, labor, and services; and a common currency.

With the “East Asian Community” as a future goal, we can utilize the features of growth dynamism-rich East Asia and take continuous concrete cooperative action aimed at resolving the region’s issues, such as FTAs, infrastructure development, and energy and the environment.
APEC (Asia-Pacific Economic Cooperation)

Primary forum on regional cooperation of 21 Asia-Pacific economies

• Founded in 1989

Members
- Japan; Republic of Korea; People’s Republic of China; Hong Kong, China; Chinese Taipei; Russia
- ASEAN: Brunei Darussalam; Indonesia; Malaysia; the Philippines; Singapore; Thailand; Viet Nam
- Oceania: Australia; New Zealand; Papua New Guinea
- North, Central and South America: The United States; Canada; Mexico; Chile; Peru

Accounts for roughly half of global GDP, population, and trade [GDP (53%), Population (40%), Trade (44%)]
(As of 2007)

Purpose: to advance cooperation aimed at Asia-Pacific economic development

• Regional cooperation on liberalization and facilitation of trade and investment, structural reform, energy, and other economic issues.
• Modeled for cooperation rather than negotiation and concessions. This style facilitates a progressive policy discussion which goes beyond legal commitments.
• The only forum where the region’s Leaders annually converge and may make joint commitments.
• Global private networks such as ABAC promote an atmosphere of positive group discussion among member economies.
Japan will host APEC in 2010 (15 years after APEC Osaka – The US will host APEC in 2011)

Besides the APEC Economic Leaders’ Meeting, ministerial meetings will be held on Trade, Energy, Small and Medium Enterprises (SME), Information Technology, etc.
Why is APEC Japan 2010 important?

Presenting a new vision of action for the changing global economy: “Change and Action”


- US (Seattle) - Indonesia (Bogor) - Japan (Osaka) - Singapore - Japan (Yokohama) - US (Honolulu)

Bogor Goals were set: Work to achieve the Bogor Goals of free and open trade and investment

Globalization accelerates
- International trade and investment expand
- Asia’s trade surplus expands

Trade friction intensifies
- Asian-Western confrontation
- Growing concern that the world economy may be divided into blocks

Interdependence increases
- Emerging economies’ rapid growth increases their global stature
- Global crisis emerges from growing global imbalances

The public questions globalization’s role as the growth engine
- Political and other movements to buy domestic products increase
- Energy and environmental constraints, various disparities weigh in

Long-Term Vision is adopted
“The Bogor Goals”
- Achieve free and open trade and investment in the Asia-Pacific (Industrialized economies by 2010, developing economies by 2020)

Agendas for 2010
1. Assess the progress toward the Bogor Goals
2. Deepen Regional Economic Integration
3. Formulate the Growth Strategy
4. Enhance Human security
Agenda 1 : Assess the progress made toward the Bogor Goals

• In 2010, industrialized economies’ progress toward the Bogor Goals is to be assessed
• Work toward a new vision which looks beyond the Bogor Goals

1. Assessment process - Endorsed at the 2009 APEC Ministerial Meeting
   1) Japan, the 2010 Chair, shall prepare for the assessment of progress toward the Bogor Goals in the industrialized economies
   2) Consider input from the APEC Policy Support Unit (PSU) and stakeholders to ensure the assessment’s credibility
   3) Schedule
      • Present the first draft of the assessment report for discussion at SOM1 in February 2010
      • Submit the assessment report to the Trade Ministers for their review and possible consensus in June
      • Submit the assessment report to the APEC Ministers and Leaders for their review and possible endorsement

2. Economies subject to assessment: Japan; the United States; Canada; Australia; New Zealand; Singapore; Hong Kong, China; Chile; and Peru (As of December, 2009)

(For reference) The Bogor Goals
• Achieve free and open trade and investment in the Asia-Pacific by 2010 for industrialized economies and 2020 for developing economies.
(Adopted by Leaders at their 1994 meeting in Bogor, Indonesia)

• Past efforts aimed at achieving the Bogor Goals
  1. The 1995 Osaka Action Agenda (OAA)
     • Action Agenda aimed to carry through APEC’s commitment to the Bogor Goals
     • Specific areas include tariffs, standards and conformance, intellectual property rights, and 12 others
     • Voluntary approaches to help realize the Bogor Goals through Individual Action Plans (IAP) and Collective Action Plans (CAP)
  2. The 2005 Busan Roadmap
     • Based on the outcome of the midterm assessment, present new works towards the achievement of the Bogor Goals (enhance the business-environment, promote high-quality RTAs/FTAs, etc.)
Agenda 2: Accelerate Regional Economic Integration

1. In 2010, explore a range of possible pathways to achieve FTAAP

- Promote existing regional integration initiatives
  (See graphic, right)

- Accelerate efforts in specific areas
  1. Service, Investment
  2. Rules of Origin
  3. Digital Economy, Standards and Conformance
  4. Environmental Goods and Services

2. Promote trade and investment facilitation
   1. Strengthen supply chain connectivity
      (e.g., streamline customs procedures)
   2. Improve IP Infrastructure
      (e.g., cooperation on patent acquisition, capacity-building)

3. Enhance the Business Environment
   Regulatory reform, competition policy, strengthening economic legal infrastructure, etc.
The Japanese Cabinet decided on its basic policies for the New Growth Strategy on December 30, 2009

The final New Growth Strategy will be compiled by around June 2010

A timetable for the “Growth Strategy Implementation Plan”, upon compilation of the final New Growth Strategy, will be determined

- “Early action items” for implementation in 2010
- Outcomes and items for implementation over a roughly four-year period
- Outcomes to realize by 2010

The New Growth Strategy highlights goals and measures on Asian economic policy* including Asia-Pacific regional economic integration

- Target to reach by 2020: Create a Free Trade Area of the Asia Pacific (FTAAP)
- Principal measures: Actively promote trade and investment liberalization as the 2010 APEC host economy, and prepare a roadmap toward the establishment of FTAAP

* Other relevant targets are: Promote domestic reforms to double the flow of people, goods, and money and incorporate Asian growth; Double the income of Asia to expand growth opportunities.
Agenda 3 : Formulate the Growth Strategy

• In 2010, formulate a Comprehensive Long-Term Growth Strategy

● The Four Pillars of the Growth Strategy: Built on APEC 2009’s achievements

1) Balanced Growth: Support more balanced growth within and across economies
   : Act to achieve more balanced growth and a resilient international financial system, and act to reap the benefits of an open economy

2) Inclusive Growth: Enhance structural adjustment and strengthen social resilience
   : Act to broaden access to opportunities created by globalization and to respond to its challenges
   – Upgrade SME assistance (access to global markets, technology, and finance)
   – Facilitate retraining, skill upgrading, and mobility of workers
   – Design stronger social safety nets (Provide short-term economic security, but avoid long-term dependency)

3) Sustainable Growth: Reinforce global actions on energy/environment; transition to green economies
   – Adopt more energy-efficient policies (including phasing out and rationalizing inefficient fossil fuel subsidies)
   – Advance work on sharing best practices in energy efficiency and developing renewable energy (including upgrading the APEC Peer Review on Energy Efficiency)
   – Promote trade and investment in Environmental Goods and Services (EGS)

4) Knowledge-based Growth: Raise growth potential through innovation and a knowledge-based economy
   : Act to consolidate and protect the innovative environment and promote emerging economic sectors
   – Facilitate patent acquisitions and standardization
   – Use Information and Communication Technology (ICT) to render social and economic activities more efficient
   – Improve business mobility (including further development of the APEC Business Travel Card)
Framework to Formulate the APEC Growth Strategy (an initial thought)

1. Set Strategic Objectives

Set target values, levels, and numerical targets to be achieved by around 2020 in APEC as a whole as well as in each economy.

E.g., Energy Efficiency Goal: achieve a reduction of energy intensity of at least 25 per cent by 2030, with 2005 as the base year (Sydney APEC Leaders’ Declaration on Climate Change, Energy Security, and Clean Development, 2007)

2. Set Action Principles (Guidelines)

Specific efforts to take in order to achieve the strategic target values.

E.g., Principles to achieve the energy efficiency goal: have each economy share its experiences, broaden experts’ networks, monitor progress toward attaining energy efficiency goals, etc.

3. Launch the Action Plan/Projects

Multi-year action plans and specific projects undertaken to achieve the objective

- Hold workshops to share knowledge and experience
- Conduct peer reviews (evaluate each other’s policies)
- Consult with specialized institutions
- Build a database to encourage information sharing
- Implement systems in a unified manner, employing common standards
- Other

E.g., APEC Energy Efficiency Peer Review Mechanism: each year Peer Reviews for 2-4 economies are undertaken. A review team, which is made up of members from at least 3 economies, the Asia Pacific Energy Research Center (APERC) and an IEA representative, where possible, is formed to assist the process. The Final Report is to be publicized. Progress is to be reported back to the APEC Leaders in 2010.