

**Investment Liberalization and Facilitation in the
Asia Pacific: Can APEC Make a Difference?**

Myrna S. Austria



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Investment Liberalization and Facilitation in the Asia Pacific: Can APEC Make a Difference?

Abstract

This paper tries to assess the role of APEC as an institution in promoting investment liberalization and facilitation in the region, focusing on the process and mechanisms by which it makes progress towards its goal of a free and open investment. APEC has made a difference in promoting liberalization of investment regimes and in facilitating the flow of investment in the region. This could be observed from the improved levels of openness and transparency of the investment regimes of member economies. While credit may not go to APEC alone, as member economies as pushing for liberalization under more than one initiative, APEC had helped speed up the liberalization process. But more work is at hand as impediments to investment still exist. The challenge for APEC is to use its progress on investment as the launching pad of initiatives for the new WTO round. In particular, APEC can influence the WTO to make use of the NBIP and the menu of options to expand or improve work on TRIMs, GATS, TRIPs and competition policy that would best serve the interests of its own membership. But at the same time, APEC can use the WTO process to achieve its own objectives and agenda. Ultimately, a successful round will add credibility to APEC, as this would mean member economies now binding themselves to implementing their APEC-WTO commitments.

Investment Liberalization and Facilitation in the Asia Pacific: Can APEC Make a Difference?*

Myrna S. Austria**

Foreign direct investment (FDI) has played a significant role in the growth and dynamism of the member economies of the Asia-Pacific Economic Cooperation (APEC). Most APEC economies are both recipients and sources of FDI. Up until the late 1980s and early 1990s, a number of these economies have pursued highly restrictive policies towards FDI for fear that multinational companies would control important activities in their domestic economies (Bora and Graham, 1995). However, the development experience of the newly industrializing economies (NIEs) of Asia in the late 1980s has fundamentally changed this view. The capital as well as the technology, management skills and other expertise brought in by the multinational companies (mostly from Japan and the US) have played a major role in the unprecedented growth experienced by these economies that has become the envy of other developing economies.

As a consequence, a number of economies have begun reorienting their FDI regimes towards greater openness and less regulation. This eventually led to the surge of investments into region during the last decade. At the same time, however, this flow of FDI facilitated industrial adjustment in the FDI source economies as it enabled them to relocate their labor-intensive industries in Asia, where labor is relatively cheap, as part of their global strategy to remain competitive. This was also true of the experience of the NIEs when they themselves later became sources of capital, targeting labor-intensive industries in the ASEAN and China (ESCAP, 1998). Such a development strategy ultimately increased economic integration among many APEC economies today where the production networks of multinational companies located in the region are interlinked in technologically advanced industries.

The region's dependence on FDI as a source of capital has not diminished but at the same time, the role of the region in global FDI flows continues to be strong. In light of the general recognition of the importance of FDI in the economic development of the region, an investment environment that facilitates the smooth flow of FDI becomes crucial. To this end, APEC is aiming for a free and open investment no later than 2010 for its developed member economies and by 2020 for its developing member economies. As stated in the Osaka Action Agenda (OAA), this vision can be achieved by member economies through the liberalization of their respective investment regimes by progressively providing for most-favored-nation (MFN) treatment and national treatment, and ensuring transparency; and by facilitating investment activities through technical assistance and cooperation.

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To attain the above goal, the OAA has set guidelines for member economies to follow. First, economies are to progressively reduce or eliminate exceptions and restrictions using as an initial framework the WTO Agreement, the APEC Non-binding Investment Principles, any other international agreements relevant to each economy, and any commonly agreed guidelines developed in APEC. Second, economies are to explore the expansion for APEC's network of bilateral investment agreements. The Leaders have also announced, through the annual APEC Economic Leaders' Declaration, a number of broad initiatives that provide the general direction on how member economies should advance the liberalization process of investment in the region.

The objectives of this paper are: (i) to assess the role of APEC as an institution in promoting investment liberalization and facilitation in the region, focusing on the process and the mechanisms by which it makes progress towards its goal of free and open investment; and (ii) to identify areas where APEC can advance further towards the realization of its goal through the APEC process itself and other multilateral efforts on investment, in particular, the new WTO round.

The paper is organized as follows. The next section discusses the progress of APEC in the area of investment. This is followed by a discussion of the mechanisms and approaches taken to move towards the vision of APEC on investment, highlighting the strengths as well as the weaknesses of such approaches. A brief discussion of the institutional set up, in particular the role of the APEC Investment Experts Group, follows next, including the factors and pressures influencing the investment agenda and decision-making process. Areas for strengthening APEC's investment policy agenda and process are then identified. The last section provides the summary and conclusion.

APEC's Progress in the Area of Investment

Member economies have undertaken a number of actions to move towards the goal of a free and open investment in the region. These include actions taken both at the economy level and at the regional level. Initially, these were simply initiatives that member economies committed to implement individually through the Individual Action Plan (IAP) and collectively through the Collective Action Plan (CAP).

One of the earlier efforts of APEC was the establishment of the Non-binding Investment Principles (NBIP) in 1994. The NBIP are principles for strengthening the efficiency of investment administration, eliminating investment obstacles, and establishing a free and open investment environment in the region. They are non-binding in nature and absent of the customary provisions that specify procedures with respect to exceptions and reservations. The drafting of the principles exposed the difficulties of arriving at a regional investment agreement. First, the proposal of having an investment code was met with strong resistance from within APEC (Soesastro, 1999). A legally binding code would not be acceptable, as this would mean losing some degree of flexibility in domestic policy-making, an issue which developing member economies are concerned about. Second, there was also the question on the desirability of having a set of rules on investment given that the surge of FDI in the region occurred in the absence of a regional or multilateral framework.

Finally, identifying the elements or scope of the investment principles was itself difficult because of the considerable diversity in the level of development and investment regimes among the member economies.

Given that a binding code was unacceptable, the NBIP was later established with the principle that it should seek to encourage greater openness, transparency and consistency in investment policy on a voluntary basis, and not to force any member economy that is not yet ready. Some considered the NBIP to be weak (Soesastro, 1999; Petri, 1999). One could also argue of what value are principles that are not binding and hence, in a legal sense, provide no protection.

But in retrospect, the commitment of APEC to adopt the NBIP showed its commitment to leadership in investment liberalization, especially in the light of the failure of the OECD's effort on the Multilateral Agreement on Investment (MAI). The NBIP marked an important step forward for investment liberalization in the region as they established the norms by which APEC can work towards achieving as a region (Bora and Graham, 1995). The output may not be the best but the process and the exercise of formulating the principles are by itself important as confidence-building measures as they familiarize economies with the issues, and as such would help them in strengthening and improving their individual investment regimes (Pangestu, 1994; Soesastro, 1999). While it falls short of the ideal, the NBIP can be used and is now actually being used, as a framework for improving the investment rules and policies in the region.

Nonetheless, there were two implementation issues. One, the implementation of the principles by *all* economies is hindered by the fact that the various economies are at different stages of development and preparedness. And two, since the NBIP is a broad statement of principles, coverage of investment issues is not detailed making it difficult for economies on how to proceed with implementation. These two implementation issues were however addressed by the Menu of Options. As will be discussed later, the Menu was a fitting response to the need to progressively implement the NBIP.

Liberalization of Investment Regimes

APEC member economies have significantly advanced in their commitments to liberalizing their investment regimes, as evidenced by the considerable improvements in the area of investment reported in their IAPs since the IAP process was first used in 1996 as a mechanism to monitor and encourage progress towards the Bogor goals.

Indeed, a PECC study (1999:54) shows that “there are now far fewer economies in APEC which can be defined as having relatively closed investment regimes”. The study developed an indicator system to measure the degree of openness of investment policy based on the 1996 APEC Investment Guidebook. Changes in investment policy were measured by updating the indicator system using policy changes documented in the IAPs for each economy between 1996 and 1998. The most significant change in policy occurred in the areas of market access, approval procedures and facilitation. Likewise, the investment liberalization made by member economies has been consistent with the WTO-Trade Related Investment Measures

(TRIMs) Agreement. The same study shows that the gap in the level of openness in FDI regimes among member economies has been narrowed down since developing member economies have made a considerable commitment in investment liberalization.

Nonetheless, a more recent joint ABAC-PECC survey of business around the region suggests that various impediments to FDI still exist (ABAC Report, 2001). The most serious barriers included performance requirements, restrictions in market access, restrictions related to entry and stay of personnel, and lack of transparency in investment regimes. The same survey shows that performance requirements and restrictions of market access mainly exist in APEC developing economies, while restrictions of entry and stay of personnel are found in both developed and developing economies.

Most of the member economies have complied with most of the NBIP. Bora (2001) noted that the NBIP might have played a major role in the individual country liberalizations. Also, for some of the economies, where there are restrictions or reservations in their current commitments in the NBIP, actions in the short to medium and long term have been identified (Austria, 2001). Likewise, where restrictions/exceptions are temporary, a definite timetable that matches the WTO deadline is indicated.

While impediments to investment do still exist, what is more important is that significant progress has been made and that the liberalization efforts are in the right direction.

Investment Facilitation and Capacity Building

APEC has been relatively successful in the implementation of the Collective Action Plan (CAP), most of which concerns investment facilitation and economic and technical cooperation. Most noteworthy, however, is the fact that efforts under the CAP have been expanded in the light of the developments in the region by including initiatives that were not originally in the OAA collective action.

Table 1 shows a summary of the initiatives implemented under the CAP since 1996 covering several areas: transparency, policy dialogue, facilitation, study and evaluation and economic and technical cooperation. One significant achievement in the area of transparency is the publication of the APEC Investment Guidebook that is available in both hard and electronic format on the Internet for easy access by the business community. The Guidebook has been updated to reflect changes in the economies' investment regimes. It is now on its fourth edition.

Policy dialogues were undertaken to reinforce business and investment linkages and create new investment opportunities. The dialogues were implemented through the Annual Investment Symposium since 1996, and Annual Investment Mart since 2000. As an investment promotion activity, these activities were effective in gathering thousands of potential investors from both member and non-member economies and provided an opportunity for member economies to present investment opportunities in their economies. Hosting of the symposium and mart by member economies is on a voluntary basis.

Another notable accomplishment for facilitating investment is the development of the Menu of Options. The Menu is a reference tool that member economies may voluntarily refer to when updating their IAPs and assist them in identifying policy measures to advance towards creating a free and open investment regime. This menu of options approach to investment liberalization is unique of APEC as it allows greater flexibility for economies to adopt measures suitable to their individual circumstances. It echoes the NBIP but it identifies more concrete steps and actions to implementing the NBIP.

On the other hand, economic and technical cooperation activities basically were in the areas of capacity building initiatives through seminars, trainings and workshops covering a range of topics, including those related to WTO.

As can be seen from Table 1, while there was a considerable progress in the implementation of the collective actions, much of the efforts were concentrated on activities that address the short-term objectives of the OAA. Efforts have yet to start along the areas that address the medium to long-term objectives. Until now, most of the initiatives are heavily concentrated on creating awareness and information giving through the annual investment symposium and investment mart, but nothing more concrete that would make a maximum impact on investment creation.

Approaches and Mechanisms: The IAPs and CAP

The Individual Action Plans (IAPs) and Collective Action Plan (CAP) are APEC's primary mechanisms for measuring and encouraging progress towards the Bogor goals. The IAPs, in particular, is the primary mechanism for the implementation of the TILF agenda. Many critics of APEC have initially cast doubts on the feasibility of APEC's concerted unilateral approach to liberalization, where each member economy announces unilaterally its own liberalization and facilitation programs and implements them according to its own pace and domestic rules. The approach, however, has certainly helped member economies to start implementing on their liberalization program.

Individual Initiatives. The proof of member economies' commitment to investment liberalization will be judged by their IAPs. The IAP approach promotes transparency in the reform process as the IAPs contain information that are of potential value to the region's investment community. To attract investment, business needs a transparent and stable investment environment. If the investment community is able to see clearly the steps an economy will undertake to liberalize, they could consider these into their planning and decision-making process.

The value added of APEC to the liberalization process of investment could be seen from the member economies' expanded scope of liberalization compared to other multilateral fora. The NBIP, for example, covers more investment measures compared to the narrow range of operational restrictions brought under the discipline of the multilateral trading system of the WTO's Agreement on Trade-Related Investment Measures (TRIMs). Also, the Menu of Options covers more areas not included in the WTO's General Agreement on Trade in Services (GATS) and Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPs).

However, since most member economies are implementing liberalization measures under more than one initiative (e.g. WTO, APEC, AFTA, NAFTA, etc.), it is difficult to tell whether the actual liberalization measures adopted by member economies are actually in fact APEC commitments or they were undertaken for other initiatives and only deployed as APEC deliverable (Curtis and Ciuriak, 1999). But since there is a general recognition among member economies of the importance of an open investment regime, it is safe to say that the combined IAP-CAP approach may have helped speed up the liberalization process.

One weakness of the IAP process though is that, since the IAP is a listing of efforts to liberalize investment regime, one cannot conclude that an economy, which is not reporting any initiative on a particular area, is adopting protectionist policies since it may have started from an already open regime.

Related to this, the listing approach in the IAP could leave everyone puzzled about the remaining impediments (Yamazawa, 1999). This is best illustrated by the somewhat confusing results of the PECC (1999) study and the ABAC-PECC (2001) survey. As presented earlier, the PECC (1999) study reported that there are now far fewer economies with relatively closed investment regimes and yet the recent ABAC-PECC (2001) survey shows that more impediments still exist. One would expect an improvement on the openness of regimes as APEC moves towards its target dates. Yet, this kind of information is impossible to see from the IAP format. That is, the annual IAP cannot inform the reader the degree of openness of an economy's investment regime nor can it give an indication of how far that economy is from the goal of an open and free investment.

Collective Actions. The IAP-CAP approach to liberalization is again unique of APEC and its significance should be highlighted. The CAP strengthens the IAPs to be implemented in a concerted manner (Yamazawa, 1999). The Menu of Options best illustrates this. The Menu was a CAP initiative; yet, it was also instrumental in enabling the economies identify concrete steps and measures to be included in their IAPs for liberalizing their investment regimes.

The CAP contains what are supposed to be joint actions of member economies. But following the APEC modality, participation is voluntary. The voluntary participation defeats what is supposed to be a collective action. Non-participation in an initiative could be due to lack of funding, lack of interest or the initiative itself is not needed by an economy.

Many of the CAP initiatives are not participated by all member economies. If the objective for collective actions is to generate contributions commensurate with members' capabilities, then surely more is expected from developed member economies. As discussed in the previous section, most CAP initiatives deal with capacity building and investment promotion. While developed economies may no longer see the need for capacity building initiatives, they could take the lead in initiating activities for the shared benefit of the developing member economies, operating under the ecotech principle of constructive and genuine partnership.

Certainly, there is much room for improvement in this kind of collaboration and partnership among the developed and developing members in implementing the CAP initiatives.

The Institutional Set-Up: Role of the Investment Experts Group

The Investment Experts Group (IEG) is one of the eleven sub-fora under CTI. It was established in 1994 in response to the mandate from the APEC Leaders to develop the NBIP. After the NBIP, the group was reconvened in 1995, with no set term, to assist the CTI in the implementation of the collective actions on investment contained in the OAA. The IEG is one of the five CTI sub-fora that are *ad hoc* and/or informal in nature, with no endorsed terms of reference¹. The group is composed of government officials, usually from the ministry of foreign affairs or investment, of member economies. A Chair, selected by the group from among themselves, for a term of two years, heads the group.

Setting up of agenda. A review of the various reports of the IEG gives the perception that the agenda is heavily focused on investment promotion activities, instead of improving investment policy. Likewise, there is no cohesive approach on how the collective actions should be implemented. Identification of initiatives and projects is basically *ad hoc* and largely reflects the interests of the economy proposing the initiatives. On some occasion, instruction to look at certain initiatives was received from the APEC Leaders (like the NBIP or Menu of Options). There are no set criteria in the selection of projects and hence, the tendency to accept any initiative or project put forward, without considering whether the result of such initiative is the most cost effective way of achieving the collective actions. Nowhere in the IEG reports can one read about screening or prioritization of projects.

Likewise, the business sector has not been invited to the IEG meetings. There were efforts to engage ABAC at IEG meetings in the past, but these have not borne fruit (ABAC Report, 1999). At best, the business sector's involvement was during the annual investment symposium and investment mart where they were invited as participants. In recent years, however, the business sector has been invited to provide inputs on the symposium topics or act as resource persons during the symposium. In some instances, the business sector had indirectly influenced the plans and programs of the IEG, but mainly via economy positions.

Delivery of work. The IEG meets three times a year, often but not always, in the economy hosting the APEC Leaders' Meeting. The physical meetings are useful in the deliberation of policy-related issues as they facilitate understanding and discussion. However, a review of the minutes of the meetings shows that a significant time is spent on reporting of progress in the implementation of initiatives or reporting

¹ The other groups that are informal include: (i) Group on Services, (ii) Group on Competition Policy and Deregulation, (iii) Informal Group on Uruguay Round Implementation/Rules of Origin, and the (iv) Informal Experts Group on Mobility of Business People. The CTI sub-fora that are formal and have endorsed terms of reference include: (i) Market Access Group, (ii) Sub-committee on Standards and Conformance, (iii) Sub-committee on Customs Procedures, (iv) Intellectual Property Rights Experts Group, (v) Government Procurement Experts Group, and (vi) Dispute Mediation Experts Group.

of proposed initiatives. It could be more cost effective if such agenda are done through electronic exchanges and only the summary or consolidated report will be reported during the physical meetings.

Furthermore, a review of the attendance in the meetings shows that only a few economies send the same representative/s to the meetings. In most economies, it is a different person/s for each meeting. This could affect the productivity of the meetings as familiarity of the issues and agenda depends on the attendance to the meetings by the same representatives. There are also instances when representatives cannot make decision and need to refer the matter to experts when they return home.

The representative of the economy that proposed the project also does project evaluation upon completion of a project. The evaluation is then reported to the IEG.

Linkages with other CTI fora. Linkage is not well defined, basically *ad hoc* depending on the issue at hand. For example, when the Menu of Options was expanded to include other areas, convenors of the relevant CTI sub-fora were invited during IEG meetings mainly for information sharing. This is not surprising however given the absence of a policy framework that links the works of the IEG with other CTI fora. This is ironic as investment issues are directly related to competition policy and deregulation (Group on Competition Policy and Deregulation), intellectual property rights (Intellectual Property Rights Experts Group) and trade in services (Group on Services).

Effectivity of the process. The APEC process has many levels – Leaders’ Summit, Ministerial Meetings, Senior Official Meetings (SOM), three committees (Committee on Trade and Investment, Economic Committee and Budget Management Committee) and eleven sub-fora for CTI.

The significance of the IEG process cannot be discussed in isolation of the whole APEC process. The consultative process at the various levels can produce initiatives which when implemented can enrich the agenda of APEC. The APEC process institutionalized a reform process. The meetings at the various levels—from working groups, to committees, SOMs and ministerial meetings- became part of the domestic bureaucratic process of reforms. In other words, the APEC process has mustered domestic political support for the policy reform process. What was politically difficult to implement unilaterally was made politically manageable through APEC (Intal and Austria, 2000).

Strengthening the Investment Policy Agenda and APEC Process

APEC’s progress towards its goal of a free and open investment in the region has opened an opportunity for APEC to play an international leadership role in investment liberalization. By building on the several steps that member economies have already taken to facilitate investment and liberalize their investment regimes, APEC can send clear signal that it is prepared to make further progress in this area. This section of the paper attempts to identify actions, both in terms of the investment policy agenda and the APEC process itself, that need to be made to push further investment liberalization and facilitation in the region.

Investment Policy Agenda

- Expansion of the Menu of Options to include work on investment incentives, and exceptions to MFN and national treatment principles.

Investment incentives. The NBIP includes investment incentives but one that is limited to those related to health, safety and environment regulations. When the NBIP was drafted, APEC did not come to an agreement on the use of subsidies and other fiscal incentives to attract foreign investment (Bora and Graham, 1999).

Competition among countries to attract foreign investment through the use of incentives has been pervasive. Studies have shown, however, that investment incentives have the same effect as trade restrictions in reducing allocative and dynamic efficiency (Brewer and Young, 1999; WTO, 2000). As competition for investment becomes global, the economic distortions produced by incentives will also increase. The possible impact that this may have on development warrants consideration of the possible need for discipline on investment incentives. APEC can take a lead role in addressing this development issue.

MFN and national treatment principles. While there is a general consensus among member economies on the principles of MFN and national treatment, the IAPs still report exceptions in many sectors or areas. The challenge for APEC is to work towards the reduction of the exceptions to the agreed principles. These exceptions vary across countries and for diverse reasons. Sectors would include industries that are important to national security, industries where there are monopolies or significant government ownership, industries that are highly regulated, or industries that are politically sensitive as those related to culture or religion. The process will not be an easy task, as it requires economies to resist pressure from the sectors concerned and for some cases, from policymakers themselves. But this is something that APEC can work at for the medium to long-term. The menu of options could design options that are industry-specific.

- Economies to prepare an inventory of all remaining impediments to investment with a definite timetable for implementation.

To further accelerate investment liberalization in the region, each economy should prepare a complete inventory of its remaining impediments. This will provide useful information to potential investors and will serve as a means of exerting pressure on some economies to accelerate liberalization. For each year, the IAPs will then indicate which impediments economies are committed to remove on that year and which are still to be retained. The IAP can then serve as an annual stock taking of the remaining impediments. Such approach will make monitoring of progress easier. It will also give a clear picture each year of how far the economies are from the goal of free and open investment. In case economies take exceptions to removing some impediments, this should be properly indicated and the basis for such exceptions (e.g. binding multilateral commitments) should be carefully articulated, so investors could consider ways of accommodating the legitimate concerns.

But then again the problem here is, before one can make a complete inventory of impediments, there must be a clear definition of what open and free investment means. APEC has yet to work on this. The indicators based on that definition will serve as benchmark or yardstick against which an economy can measure its degree of openness and assess what remaining impediments are there present that should be included in the annual IAP.

There is actually a great improvement in the IAP format on investment since its formulation in 1996. From a mere listing of commitments for the year, the 2001 IAPs indicate for each investment measure not only the current measures applied but also the position at base year (which is 1996), the cumulative improvements made to date and the planned improvements to be made further. Nonetheless, the improvement still falls short of the ideal. Some IAPs included blank format. For economies that have complied with the format, it is not clear whether the planned improvements are the only remaining impediments.

- APEC to use its progress on investment to influence the WTO process and agenda and advance the interests of the region in the new WTO round.

Much of APEC's work on investment is in line with the agenda being undertaken at the WTO. While the time for a negotiation for a multilateral framework on investment may not be ripe yet, APEC can use what it has already achieved to influence the agenda of the new WTO round. The NBIP for example has a wider scope than TRIMs which covers only four trade-related investment measures (local content, foreign exchange, trade balancing and domestic sales requirements); and hence, APEC can push for the expansion of the TRIMs. Also, the Menu of Options includes areas beyond the WTO agenda. The Menu can be used to improve TRIPs and GATS, both of which are highly regarded as reflecting developed country priorities and agenda. APEC could then consider improving or expanding the elements of the WTO work in these areas that could best serve its membership. APEC can also further expand the Menu to include areas that are significant to the WTO agenda.

APEC Process

- Enhance investors participation in advancing the investment agenda

There should be greater flexibility on APEC's rule regarding participation of the business sector in APEC fora. Currently, the participation of the business sector is limited to attending investment symposium and investment mart and in providing inputs to the symposium topics. They should be invited to attend the IEG meetings so they can provide inputs to the process itself and help shape the policy agenda and initiatives in support of the investment collective plans in partnership with economy officials. Such involvement is important to ensure that the IEG's work is relevant to real investment problems.

- Strengthen linkage of IEG with the Economic Committee and other CTI fora.

Economic Committee. The IEG's linkage with the Economic Committee, which is in charge of cross-cutting issues in support of the three pillars of APEC, is not

clear. But the work of the EC in the area of macroeconomic management is increasingly becoming important for those economies seeking to host FDI. That is, investors are not only looking for a liberalized and transparent investment regime but also for a stable economic environment. Hence, the work of the IEG in investment liberalization must be undertaken in concert with the work of the EC in establishing the other locational determinants for FDI such as sound monetary and fiscal policies, low interest rates and inflation, a sensible exchange rate policy and sustainable external balance.

An example of a possible collaborative effort between the IEG and the EC is in the area of policy dialogues. In the past, policy dialogues focused only on discussing investment regimes of economies. This could be improved by including a presentation of the macroeconomic environment of member economies.

Other APEC fora. As discussed earlier, investment is directly related to competition policy and deregulation, trade in services and intellectual property rights. Hence, the collaboration between the IEG and the APEC fora responsible for these areas should be strengthened.

- Use WTO process to achieve APEC's own objectives and agenda.

As discussed earlier, there is a need for APEC to work on the exceptions to the MFN and national treatment principles and investment incentives. As these are two difficult issues to deal with, one way of doing it is to build on the existing work of the WTO. As most of the exceptions to the national treatment principles are in services, APEC could push further work on the GATS. For investment incentives, APEC could channel work through the Agreement on Subsidies and Countervailing Measures (ASCM). APEC could begin work on the expansion of the ASCM, as the agreement applies only to trade in goods and its remedies are effective only when an investment had given rise to trade in goods.

Considering this, the IEG should take into account developments in the WTO in drawing up its work program along the above areas.

- Meetings should be focused on substantive issues to save on resources

Considering that participation in meetings involve enormous resources (airfare, hotel accommodation and per diem of participants) for the economies, especially for the developing members, IEG meetings could be limited to two per year, one at the beginning of the year, focusing agenda on the major projects/activities to be implemented for the year; and another before the Leaders' Meeting, focusing on what should be put forward for the consideration of the Leaders during their annual meetings, through the CTI and SOM, and an assessment of the progress made during the year. Representatives to the meetings must have the authority to make decision and make commitments.

Summary and Conclusions

APEC has made a difference in promoting liberalization of investment regimes and in facilitating the flow of investment in the Asia-Pacific region. This could be observed from the improved levels of openness and transparency of the investment regimes of member economies. While credit may not go to APEC alone, as member economies are pushing for liberalization under more than one initiative, APEC had helped speed up the liberalization process. The value added of APEC is indicated by the member economies' expanded scope of liberalization compared to other multilateral investment fora.

But more work is at hand as impediments to investment still exist. Investment initiatives should now graduate from promotional activities to something more concrete that could make a maximum impact on investment creation. This includes works towards the reduction of the exceptions to the agreed principles on national treatment and MFN; developing disciplines on investment incentives; preparing an inventory of remaining impediments so as to pressure economies on accelerating liberalization process; involving the business sector in shaping investment policy agenda and initiatives to be implemented so as to ensure that these are relevant to real investment problems; and strengthening the linkage of the IEG with other APEC fora.

The challenge for APEC is to use its progress on investment as the launching pad of initiatives for the much larger WTO round. In particular, APEC can influence the WTO to make use of the NBIP and the Menu of Options to expand or improve work on TRIMs, GATS, TRIPs and competition policy that would best serve the interests of its own membership. But at the same time, APEC can use the WTO process to achieve its own objectives and agenda. Ultimately, a successful WTO round will add credibility to APEC, as this would mean member economies now binding themselves to implementing their APEC-WTO commitments.

Table 1. Accomplishments, Collective Action Plan on Investment, 1996-2001

Collective Action		Activities Implemented
As stated in the Osaka Action Agenda	Addition since 1996	
<p>TRANSPARENCY</p> <p>1. Increase , in the <i>short term</i> , the transparency of APEC investment regimes by:</p> <p>(i) Updating the APEC Investment Guidebook on investment regimes</p> <p>(ii) Establishment of software networks on investment regulation & investment opportunities</p> <p>(iii) Improving the state of statistical reporting & data collection</p>	<p>(iv) Increasing the understanding among member economies on investment policy-making issues</p>	<p>Published 4th edition of the APEC Investment Guidebook</p> <p>Updated electronic version of the APEC Investment Guidebook</p> <p>Conducted seminar on improving member economies' capabilities on statistical reporting and data collection</p> <p>Conducted policy discussion fora covering the following countries: Chile, PNG, Hong Kong, Australia, Malaysia, Chinese Taipei, Philippines, New Zealand, Peru, China, Thailand, Brunei, Japan, Russia, Vietnam & South Korea.</p>
<p>POLICY DIALOGUE</p> <p>2. Promote, in the <i>short term</i> , dialogue with the APEC business community on ways to improve the APEC investment environment</p> <p>3. Continue dialogue with appropriate international organizations dealing with global & regional investment issues</p>		<p>Conducted six (6) APEC Investment Symposia and two (2) APEC Investment Mart</p> <p>Established policy dialogues to review investment aspects of the following FTAs: Canada-Chile Free Trade Area; ASEAN Investment Area; Mexico-Chile Free Trade Area</p>
<p>FACILITATION</p>	<p>4. Undertake, in the short term, practical facilitation initiatives by;</p> <p>(ii) Progressively working towards reducing impediments to investments including those investments related to e-commerce</p> <p>(ii) Undertake business facilitation measures to strenghten APEC economies</p> <p>(iii) Initiating investment promotion & facilitation activities to enhance investment flow within APEC economies</p>	<p>Conducted six (6) APEC Investment Symposia and two (2) APEC Investment Mart</p>

Collective Action		Activities Implemented
As stated in the Osaka Action Agenda	Addition since 1996	
<p>STUDY AND EVALUATION</p> <p>5. Define and implement, in the <i>short term</i> , follow-on training to the WTO implementation seminars</p> <p>6. Undertake, in the <i>short term</i> , an evaluation of the role of investment in economic development in the Asia-Pacific region</p> <p>7. Study, in the <i>short term</i> , possible common elements between existing subregional arrangements relevant to investment.</p> <p>8. Refine, in the <i>medium term</i> , APEC's understanding of free and open investment</p> <p>9. Assess, in the <i>long term</i> , the merits of developing an APEC-wide discipline on investment in the light of APEC's own progress through the medium-term, as well as developments in the international for a.</p>	<p>10. Study the advantages and disadvantages of creating investment rules-bilateral, regional or multilateral- with a view to fostering a more favorable investment environment in the Asia-Pacific region.</p>	<p>Conducted seminar on the WTO-TRIMs agreement</p> <p>Conducted a study on the impact of investment liberalization</p>
<p>ECONOMIC AND TECHNICAL COOPERATION</p> <p>11. Identify, in the <i>short term</i> , ongoing technical cooperation needs in the Asia-Pacific region & organize training programs which will assist APEC economies in fulfilling APEC investment objectives</p>		<p>Conducted seminars/trainings/workshops on the following: (i) implementation of the WTO-TRIMs agreement; (ii) experiences of economies with one-stop investment agencies; (iii) FDI policy and administration adjustment; (iv) start-up companies and venture capital; and (v) workshops (3) on the Menu of Options</p>
<p>MENU OF OPTIONS</p>	<p>13. Update Menu of Options</p>	<p>Developed menu of options for investment liberalization and business facilitation for incorporation into the IAPs; updated menu of options to include other areas.</p>

Source: Convenor's Summary Report on Investment (various years).

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