

Editorial Statement

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PECC was established in 1980. It currently has 25 member committees from all over the Asia-Pacific region. Each member committee comprises tripartite senior representatives. In addition, PECC comprises two institutional members: the Pacific Trade and Development Conference (PAFTAD) and the Pacific Basin Economic Council (PBEC).

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The Chairman of CTPECC is Dr. David S. Hong who is also the President of Taiwan Institute of Economic Research (TIER). The Secretariat of CTPECC is set up at the Department of International Affairs, Taiwan Institute of Economic Research. The Director General is Dr. Darson Chiu.

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Asia Pacific Perspectives

The fate of Abenomics

Tristan Liu

The Background of the Abenomics

The so called "Abenomics" mainly refers to the monetary easing policy introduced by Shinzo Abe, the current Prime Minister of Japan. In addition to the monetary easing policy, the Abenomics also includes fiscal policies and long-term economic growth strategies to further encourage private investment in Japan.

The detailed policies include inflation targeting at a 2% annual rate. In addition, fiscal spending will increase by 2% of GDP while the consumption tax will be gradually increasing to 7% and higher to further stabilize the fiscal soundness. Finally, it is widely believed that the long-term economic growth strategies in Abe cabinet will mostly follow the current policies of Ministry of Economy, Trade and Industry (METI). However, the participation of TPP will highlight the main growth strategy in Abe cabinet to emphasize the importance of rebuilding production and trade network with the major advanced economies such as the United States, Canada and Australia.

The reaction inside of Japan

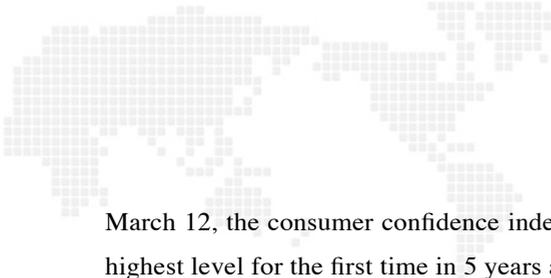
4 In order to meet the 2% inflation target, there are several steps to be

completed. Firstly, the financial status of both Japanese companies and households must be improved. Secondly, higher consumption and investment sentiment must be triggered without further uncertainty on either domestic policy or international economic turmoil.

About the current situation in the first step, many Japanese companies have already been financially benefited by the current yen depreciation. Since the cross elasticity of demand of Japanese goods to other neighboring countries in the domestic and main overseas markets is relatively small, the yen depreciation may not only further secure but also retake the once losing overseas market share. Specifically, high-tech and capital intensive industries are more likely to be significantly benefited.

In addition, many believe that Japanese companies will be financially viable or at least improved if yen depreciated by more than 10%. As the level of depreciation has been more than 10% during the current development, many multinational corporations have been showing promising recovery in stock prices, sales and profitability, even some of them are still under loss.

With the optimistic recovery in terms of profitability, as a result, Japanese companies and households are also starting to show better sentiment in investment and consumption. For instance, some multinational banks such as Citi Group are planning to enlarge its operation and employment in Japan for the prediction that Japanese companies may restart to need more financial services. In addition, many multinational companies such as Sharp and Panasonic have also decided to give their employees the scheduled salary increase despite the fact that these companies are still facing operating loss. With the Nikkei Stock Average exceeding the level before the collapse of Lehman Brothers, these ongoing scenarios within Japanese companies are likely to further trigger higher consumption sentiment in Japanese households. According to a survey by the Cabinet Office announced on



March 12, the consumer confidence index has reached 44.3, representing the highest level for the first time in 5 years and 8 months.

The reaction outside of Japan: Will Abenomics be stopped or neutralized?

Firstly, by taking a deep look at the Japanese CPI, one can certainly realize the difficulty of meeting the 2% inflation targeting. Among the CPI components, energy related products are the only goods most likely to experience price increases due to Yen depreciation. The price trend of other goods may still be flat or on the deflation due to serious market competition or further technology improvement and shorter product life cycle.

Moreover, in the micro level, best strategy for Japanese companies is to moderately raise their equipment utilization rate without taking the first strike to lower prices and enlarge production scale to grasp larger market share. After all, Yen depreciation may save the Japanese companies from the profitability issues but may not help them in improving their fundamental competitiveness. Hence, the best strategy is to hold the prices and production scale at the current levels and put more focus on restructuring their business operation.

Having realized this underlining fact, one can easily obtain a premature observation that the 2% inflation targeting will be hard to achieve unless the Japanese government levies higher consumption tax. In other words, this target setting is to grant the Abe cabinet more elasticity to conduct monetary easing.

How do other countries perceive Abenomics? Of course, depreciated Yen is not completely welcomed by the trade competing economies such as Korea, China and even Taiwan for the reasons of possible loss on their

competitive edge in the main overseas markets. However, it would also be premature to say that other trade competing economies will adopt complement strategies to neutralize the possible effects.

The reason is that Japanese companies have not actively attempted to lower the prices and overtake the market shares from these economies. Moreover, the trade relations between Japan and other economies within APEC region are mostly the supply chain networking within the group of Japanese companies. Hence, other economies have not faced the increasing pressure from market competition that leads them to the complement monetary easing policies.

From viewpoints of the United States, one can suspect that the tolerance of the United States on the depreciated Yen is based on the concerns of international relation issues. However, if Yen continues to depreciate, it may trigger more carry trade investments from Japan to overseas markets and become another financial and technological force to help developing American emerging industries.

In addition, through more American companies returning to the mother country, these American manufacturers may need to concern the increasing supply chain logistic costs and therefore the depreciated Yen could play a role on keeping the costs sustainable.

The future of Abenomics: is it the cure for Japanese economy in the long term?

Although Abe cabinet seems to gain significant success on the monetary policies, many people still believe that Japanese economy need more long-term structure changes to further guarantee the sustainable economic growth.

Among many vital factors, the demographic aging problem seems to



be on the center. There is a concern that the Japanese married couples are becoming incentive to increasing income when making decisions on child birth. Therefore, Abe cabinet may need to devote more efforts on other structure changes and incentive programs other than economic related policies. In the long term, Japanese society will also need to be more willing to adopt the role as an internationalized country and society, such as Singapore, to prevent the working population from continuous shrinking.

Another important issues related to the international competitiveness of Japanese economy is human capital formation. The quality of young generation workers in Japan seems to be less competitive than the older one partly due to the time-contract work system. In a knowledge economy where labor productivity highly depends on experiences and learning by doing, too many young generation workers taking the time-contract jobs will lead to serious issues on international competitiveness of Japanese economy. Abe cabinet will need to work on more policies related to labor market and industrial structure reforms so as to guarantee the long-term prospects of Japanese economy.

(Dr. Tristan Liu is the Deputy Director of Research Division II, TIER)

Establishing a Healthy Intelligent Property Policy Environment for Internalization of SMEs: Taiwan's Policy Framework

Wayne Chen

Intelligent property (IP) is a legal concept granted legislative status to intangible invention whose production and sale can be controlled and protected. As a result, IP incorporated much in contemporary business operations, industrialization policies and rules of trade in the international sphere. IP, including trademark, copyright, and patent, formed complex ideological systems with which related regulations contribute to innovation, technology dissemination and protection of intangible properties for enterprises across states. IP policy environment led by governments is therefore critical for both local companies and the pursuit of innovative growth of the state.

However, given its intricate character, IP is often considered as an obscure jargon to enterprises, particularly to Small and Medium Enterprises (SMEs), in routine business operations, and IP may only show its effect on business and trade once SMEs start stepping into the global arena. This essay investigates IP policies the Taiwanese government is drafting and implementing.



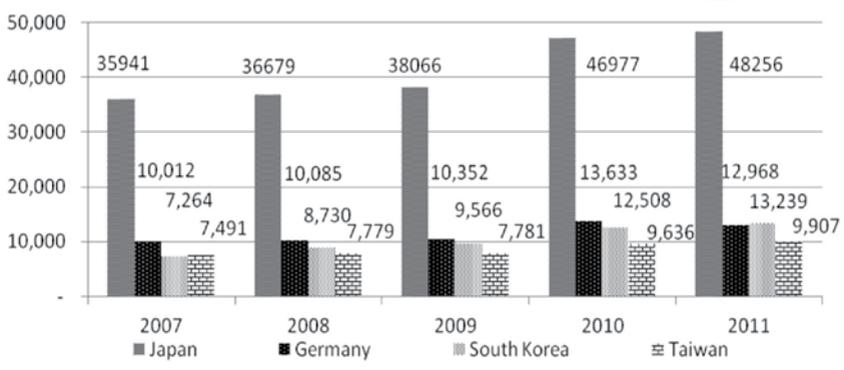
National Intelligent Property Strategic Framework

國家智財戰略綱領

In past decades, the Taiwanese government has been implementing abundant IP programs focusing on promoting IP education and awareness. In 1992, the Legislative Yuan passed the Copyright Act amendments and in 1999 copyright affairs and awareness programs expanded to patent and trademark areas under the jurisdiction of Taiwan Intellectual Property Office. Since 2000, several programs were initiated focusing on information exchange, patent licensing and business consultation services by a wide range of authorities, including Industrial Development Bureau, SME Administration and Council of Agriculture. In 2008, the IP court was established to adapt the legal system to the trend of IP.

In 2007~2011, according to the United States Patent and Trademark Office, Taiwan was the 4th country after Japan, Germany and South Korea (as shown in Figure 1) received the most patent in US which is the biggest patent market in the world. However, patent income in Taiwan was relatively low. In 2010, the patent expense was US\$4,943 million and the income was US\$460 million. In 2011, the gap between income and expense further widened while the former increased to US\$5,788 million and the income grew to US\$838 million. Low add-in value of patents granted and surge in litigation over IPs (which are always very expensive) were 2 major challenges facing both Taiwanese government and enterprises, in response, the Ministry of Economic Affairs proposed the National Intelligent Property Strategic Framework in 2011 and the Framework was approved by the Executive Yuan in 2012.

Figure 1. Number of Patents Granted by Foreign Country of Origin in US



As a high-level policy umbrella, the Framework coordinates IP policies and promotes cross-cutting cooperation among official agencies. It aims to 1. create and utilize high-end patents; 2. enhance utilization of cultural content; 3. promote agricultural patent planning, policy, and protection; 4. mobilize IPs from academia and research institutes; 5. promote IP licensing and litigation protection; and, 6. foster IP manpower. Correspondently, its bureaucratic structure involves the Ministry of Economic Affairs, the Ministry of Culture, the Council of Agriculture, the National Science Council and the Ministry of Education. Two action plans were proposed along with the Framework, namely the establishment of Taiwanese industrial IP defense and the Industrial IP planning mechanism. It was planned to set up 2 companies: an IP Management Company (or known as the IP Bank) to build a patent pool, upon which member companies could receive defensive litigation protection, and another IP Service Company invests and enhances management capacity of enterprises on IP planning.

The 2 action plans illustrate that the Taiwanese IP policies already progressed from education/awareness focus to enhancing IP planning



capacity for industries, legal environment and regulatory reform. However, how the government can assist enterprises reduce patent risk is still in question. In prior to the Framework initiative put into effect in 2012, the Intellectual Property Innovation Cooperation (IPIC) was established in 2011 under the sponsorship of Industrial Technology Research Institute, one of the largest nonprofit R&D organization engaging in applied research and technical services. Reviewing the history of IPIC, 3 potential challenges were found facing government's engagement in IP litigations. The WTO anti-subsidy regulations comes first, and requires governments to refraining from providing subsidies to an specific enterprise, industry, group of enterprises, or group of industries in the country. It is concerned that IP bank joined/sponsored by governments may be considered as a form of subsidies and anti-subsidy tax may apply as discipline. The second challenge is derived from the supply chain complexity via which lawsuits against foreign companies for the interest of one domestic enterprise may harm another local company associated with defendants. Furthermore, the excessive capital needed to create IP poor for member companies' IP protection is a critical challenge to government funds which are tangled with a wide range of budget laws and regulations.

Program for the Promotion of Invention Patent Industrialization 發明專利產業化推動方案

In despite of these difficulties of the IP defensive mechanism, IP licensing and planning are two more promising policy areas of common interest. Consultation, business diagnosis and education have been provided by numerous programs in the past decades and benefited abundant companies on R&D activities and internationalization. To improve effectiveness and

efficiency, in 2011, the Program for the Promotion of Invention Patent Industrialization was approved as one master program to coordinate government resources on commercialization of patents invented. Several ongoing projects are involved in the master program including Taiwan Technology Marketplace led by the Industrial Development Bureau; Patent Transaction Website, by Industrial Technology Research Institute; Taiwan Agriculture TechnoMart, by the Council of Agriculture; and, IP Technology Transfer Website by the Institute for Information Industry. Furthermore, 3 Universities: National Taiwan University of Science and Technology (Technology Transfer Center); National Chiao Tung University (Technology Licensing Office); and National Cheng King University (Center of Technology Licensing & Innovation Incubator), joined in facilitating IP commercialization and technology transfer.

Taiwan's IP policy is on the one hand reinforcing existing works on IP commercialization by numerous consultation and education projects. On the other, IP planning and IP legal protection are two emerging domain the Taiwanese government attempt to expand its services and yet in a relative early stage. Considering more than 97% of local companies are SMEs which has limited knowledge of IP rules, the government plays an essential role to familiarize enterprises with the IP order in the global trade communities. This is one important need of the government to ensure industrial competitiveness in the era of economic integration and globalization.

(Dr. Wayne Chen is the Associate Research Fellow of CTPECC and TIER)



Overview of APEC Regional Economic Integration

Chen Ho

Introduction

APEC's work toward the advancement of regional economic integration (REI) can be said to truly begin in 1994 with the development of the Bogor Goals. The reason is that the Bogor Goals provide APEC members with the rationale for exerting greater efforts through meetings, initiatives, individual actions and collective actions. Since the final deadline for the achievement of the Bogor Goals has been set for 2020, APEC has had many years to consider the relationship between the Bogor Goals and the strengthening of APEC REI.

At the same time, the changing international economic environment has affected APEC process, so that APEC members have also begun to examine other ways of enhancing APEC REI. The other important output of the search for alternative means of APEC REI is the realization of a Free Trade Area of the Asia-Pacific (FTAAP). There is the possibility that additional ways for building APEC REI will be promoted for the purpose of maximizing benefits to APEC members. Therefore, the main purpose of this article is to analyze the existing means for taking forward the APEC REI agenda. It must be stressed that the APEC process proceeds in a cautious manner.

Bogor Goals and APEC REI

After the creation of APEC, the next significant step for building APEC REI is the announcement of the existence of the Bogor Goals in 1994. The Bogor Goals provide the focus for APEC's work and eventually lead to the realization of the idea that APEC should promote REI. In the "1994 APEC Leaders' Declaration," Leaders have stated that they set a vision for the creation of an Asia-Pacific community that is based on the growing interdependence among APEC members consisting of developed and developing economies. Leaders believe that the narrowing of the gap in the stages of development among APEC members will be beneficial and will promote economic progress in the APEC region. In addition, Leaders recognize that APEC has to advance cooperation on the basis of equal partnership, shared responsibility, mutual respect, common interest, and common benefit. Most importantly, Leaders announce the Bogor Goals which are about the achievement of free and open trade and investment by developed economies in 2010 and developing economies in 2020. Furthermore, Leaders state that they seek to show APEC's leadership in advancing global trade and investment liberalization (APEC 1994).

The 1994 Declaration has not directly brought up integration and the concept of APEC REI. However, the ideas that are stated in the Declaration promote the development of APEC REI. Leaders have provided a clearer view of their thoughts. For example, the mentioning of the development of an Asia-Pacific community among APEC members is supportive of APEC REI. An Asia-Pacific community can be a strong indicator of APEC REI. This means that APEC members have strengthened their integration, in order to build an Asia-Pacific community.



Advancing APEC REI

APEC's support for REI becomes quite clear when the "2007 APEC Leaders' Declaration" includes "Regional Economic Integration" as one of the headings. In that section of the Declaration, Leaders state that APEC's commitment to open markets and economic cooperation has produced extensive regional integration. Leaders agree to strengthen efforts toward greater economic integration by: 1) Lowering barriers to trade and investment; 2) Enhancing economic efficiency and the regional business environment; and 3) Supporting integration in sectors, such as transportation, telecommunications, mining and energy (APEC 2007).

In the "2009 APEC Leaders' Declaration", Leaders reaffirm their commitment to achieve the Bogor Goals. In addition, Leaders state that they will continue to find ways to realize an FTAAP in the future. As for specific actions, Leaders direct officials to promote greater convergences among APEC members in areas, such as services, digital economy, investment, trade facilitation, rules of origin and standards. Leaders also call for the utilization of public-private partnership (PPP) to enhance transport infrastructure, so as to strengthen supply chain connectivity in the Asia-Pacific region (APEC 2009).

It is also important to examine the "2010 APEC Leaders' Declaration", because it provides a detailed description of Leaders' vision regarding an APEC community. Leaders call for the development of an economically-integrated community. This means the creation of a community that supports stronger and deeper REI. It is the Leaders' belief that the promotion of REI will build a solid foundation for prosperity in the Asia-Pacific region. The enhancement of REI will be advanced through APEC's work in trade and investment liberalization and facilitation. Additionally, Leaders mention that

barriers facing the movement of goods, services, and capital must be lowered and businessmen should be able to travel more smoothly. Leaders also state that APEC should ensure that businesses are able to trade and operate in the Asia-Pacific region cheaply and easily. There is the need for APEC to simplify and harmonize customs procedures. Regulatory cooperation should also be strengthened. Furthermore, the multilateral trading system should be enhanced (APEC 2010).

In addition to the "2010 APEC Leaders' Declaration", Leaders also announce the document called "Pathways to FTAAP". Leaders instruct APEC to implement concrete actions that will lead to the creation of an FTAAP. Leaders believe that an FTAAP will greatly advance APEC's REI agenda. Furthermore, APEC Leaders mention that the following points should be taken into account in developing pathways to FTAAP: 1) The changing global economic and trade architecture with the rise in the number of FTAs; 2) The progress in reaching the Bogor Goals by 2020; 3) The non-binding nature and voluntarism of APEC; 4) The importance of trade and investment issues, non-tariff barriers, and next generation trade and investment issues; and 5) APEC's support for the multilateral trading system (APEC 2010a).

Present Status of APEC REI

The "2011 APEC Leaders' Declaration" is also an important document for understanding APEC REI because the United States served as the 2011 APEC host. The United States have consistently supported REI through trade liberalization. According to the Declaration, the core mission of APEC is to integrate APEC economies and expand trade. APEC recognizes that trade and investment are needed to create jobs and advance economic prosperity. In addition, the strengthening of REI will promote peace and stability in the



Asia-Pacific region. Furthermore, Leaders state in the Declaration that APEC has addressed next generation trade and investment issues. Specifically, APEC will promote effective, non-discriminatory, and market-driven innovation policy. APEC will also seek to enhance the participation of small and medium-sized enterprises (SMEs) in global production chains (APEC 2011).

The work to advance REI in APEC continues to proceed in a comprehensive manner as well as specifically. Leaders have stated in the "2012 APEC Leaders' Declaration" that they are cognizant of the significance of the Bogor Goals. Additionally, Leaders reaffirm their commitment to the realization of an FTAAP, since it is an important way to enhance APEC's REI agenda. In particular, Leaders will continue to address next generation trade and investment issues, since they are beneficial to strengthen integration of APEC economies and expand trade in the APEC region. Therefore, APEC has selected transparency as the 2012 next generation trade and investment issue. Leaders say that transparency is important to trade liberalization, businesses, and elimination of trade barriers. Leaders believe that the promotion of transparency will benefit the advancement of APEC REI. Moreover, Leaders recognize the significance of information and communication technologies (ICT) to enhance integration in the APEC region. Leaders further state that it is necessary to ensure cross border flows of information are secured (APEC 2012).

In 2013, Indonesia is serving as the APEC host. Indonesia has announced that the priorities for 2013 are: 1) Attaining the Bogor Goals; 2) Sustainable growth with equity; and 3) Promoting connectivity (APEC ISOM 2012). It can be seen that Indonesia is also emphasizing the importance of advancing APEC REI. Particularly, the need to ensure the achievement of the Bogor Goals is being focused upon. At the same time, the importance of

promoting connectivity is stressed. The deepening of connectivity among APEC economies will enhance integration. Therefore, the work to promote APEC REI in 2013 and in the immediate future will continue to focus on comprehensive REI goals, such as the Bogor Goals and FTAAP. In addition, APEC will also seek to enhance integration in specific sectors.

(Dr. Chen Ho is the Associate Research Fellow of TIER)

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Chinese Taipei's APEC Initiative to Reduce Food Losses

Eric Chiou

In recent years, food security has become one of prominent issues attracting broad attention. As one of the key regional organizations, since 1999, APEC has been working toward enhancing food security in the region by promoting an APEC Food System. The latest volatility of international food prices in 2007-08 and in 2011 has brought devastating impact on the vulnerable people and reminded us of a lingering danger of food crisis, due to various factors, such as negative impact of global warming, increased use of biofuel, rising food demands from newly emerging countries, and growing frequency and intensity of natural disasters.

Since the population in the APEC region accounts for 41% of world population and 53% of global cereal production and almost 70% of fish production, strengthening food security in the APEC region will not only improve regional food stability, but will also effectively contribute to global food security. Given the pressing burden of food demand cannot be totally solved by rising food productivity, how to reduce food losses and wastes along the entire food supply chain has been considered as a promising way to improve food supply.

Against this background, Chinese Taipei has proposed an APEC multi-year project, "Strengthening Public-Private Partnership to Reduce Food Losses in the Supply Chain", in May, 2012, in Kazan, Russia, which

proposal has been endorsed by the APEC Agricultural Technical Cooperation (ATCWG) and APEC Policy Partnership on Food Security (PPFS) in January and February 2013, respectively. This project aims to address post-harvest losses in all stages of the entire food supply chain in the APEC region by strengthening public-private partnership. In addition to generating feasible solutions, policy recommendations, and action plans for lowering food losses, this project also intends to improve food quality and safety and to develop a consolidated methodology of food losses assessment suitable for APEC economies.

In sum, the objectives of this project are as follows:

1. To identify key issues on reducing post-harvest losses and costs along the entire food supply chain and improving food safety and quality in the APEC region;
2. To seek best practices in private and public sectors on reducing post-harvest losses and costs, to enhance the role of public-private partnership (PPP) along the entire food supply chain, to reinforce policy coordination among APEC economies, and to establish a milestone for APEC food security; and
3. To search and identify practical solutions, to enhance capacity-building on reducing food losses and costs as well as improving food safety and quality, and to develop a consolidated methodology of APEC food losses assessment, thus contributing to safeguarding food security in the APEC region.

This project is planned to be implemented in three phases within five years. Specifically speaking, in Phase I (2013), a Focal Point Network (FPN), containing experts, private sectors, and officials from members of ATCWG and PPFS, on a voluntary basis, will be organized as the core unit for implementing the project. The members of FPN will oversee and



provide guidance to the completion of a pioneering study in investigating the current status and critical issues of post-harvest losses in the APEC region. A seminar, providing a broad understanding of post-harvest food losses, identifying key issues, and facilitating exchanges of best practices from public and private sectors among APEC economies, will be held in August 2013 in Chinese Taipei, and it will pay special attention to the reduction of food losses on food crops as a major illustrated example in this phase.

Phase II (2014-2016) focuses on food losses issues of different types of foods for three consecutive years. In 2014, the major subject will be concentrated on reducing post-harvest losses of fruit and vegetables. In 2015, the main theme will be fishery and livestock products. In 2016, the topic will be moved to food wastes issues occurred on the food consumption, including how to reduce food wastes from individual household's food preparation, supermarkets, to restaurants. Additionally, the issue of how to facilitate food transportation during custom clearance process by enhancing cooperation between public sectors, to avoid unnecessary food losses will also be discussed in each year's seminar. In this phase, numerous technology-oriented workshops focusing on capacity building will be held back-to-back with an annual seminar.

Phase III (2017) is to synthesize the previous progress of the project and to generate the final conclusion of policy recommendations, action plans, and a consolidated methodology of APEC food losses assessment. The FPN will conclude research results, draft policy suggestions, develop a methodology of APEC food losses assessment, and establish a milestone for APEC food security as major outputs for a following high level policy meeting to be held in 2017. This high-level meeting is designed for an in-depth discussion on the achievements and policy recommendations provided by the FPN, in order to deliberate on the next steps and to consolidate the final deliverables to APEC.

In addition, this project also supports the capacity building needs of APEC developing economies and intends to increase their engagements through the following approaches:

1. Identification of specific needs: This project is planned to invite relevant officials and representatives of private sector in APEC developing economies, in order to identify key issues they concern and to account for major difficulties they encounter.
2. Facilitating exchanges of best practices and successful stories: Since this project underscores the importance of cooperation between public and private sectors on reducing food losses and costs, it will emphasize the experience-sharing of public sector's best practices and introduce private sector's successful stories in lowering food losses and costs. Furthermore, the applications of advanced technologies and the dissemination of the latest know-how and skills on reducing post-harvest losses along the entire food supply chain from successful firms in private sector will be introduced, in order to meet the needs of developing economies and thus contribute to reinforcing their capacity building.
3. Training programs with specific goals: Since this project will be executed in a gradual and annually specific-targeted manner, in addition to related knowledge dissemination, it also aims to hold various task-oriented training programs, which will benefit APEC developing economies, along with a yearly seminar. These programs will be specially tailored for the demands of APEC developing economies and be designed to focus on key components of food supply chain that food losses can be ameliorated, such as improving food packaging, utilizing the latest technologies to extend food preservation, establishing more efficient food delivery system, etc.

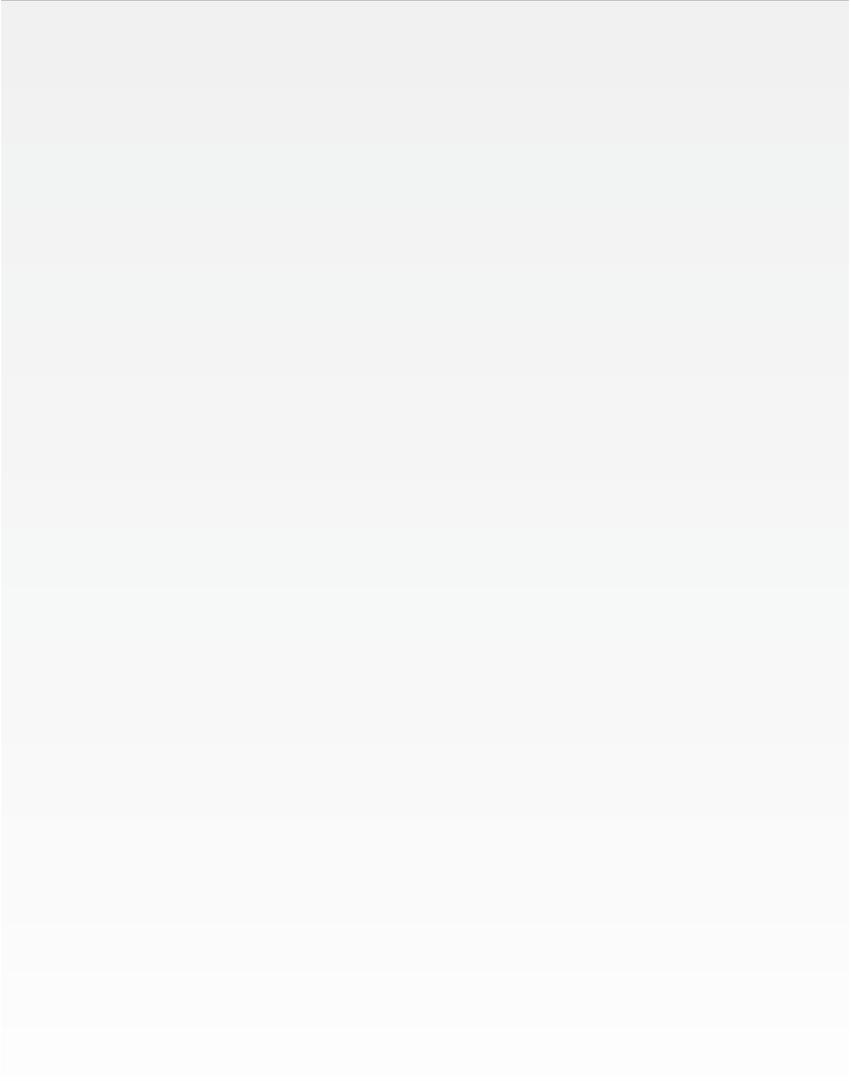
Overall, this project is expected to make substantial contribution to food security, which is the key to achieving the goals of APEC Growth Strategies,



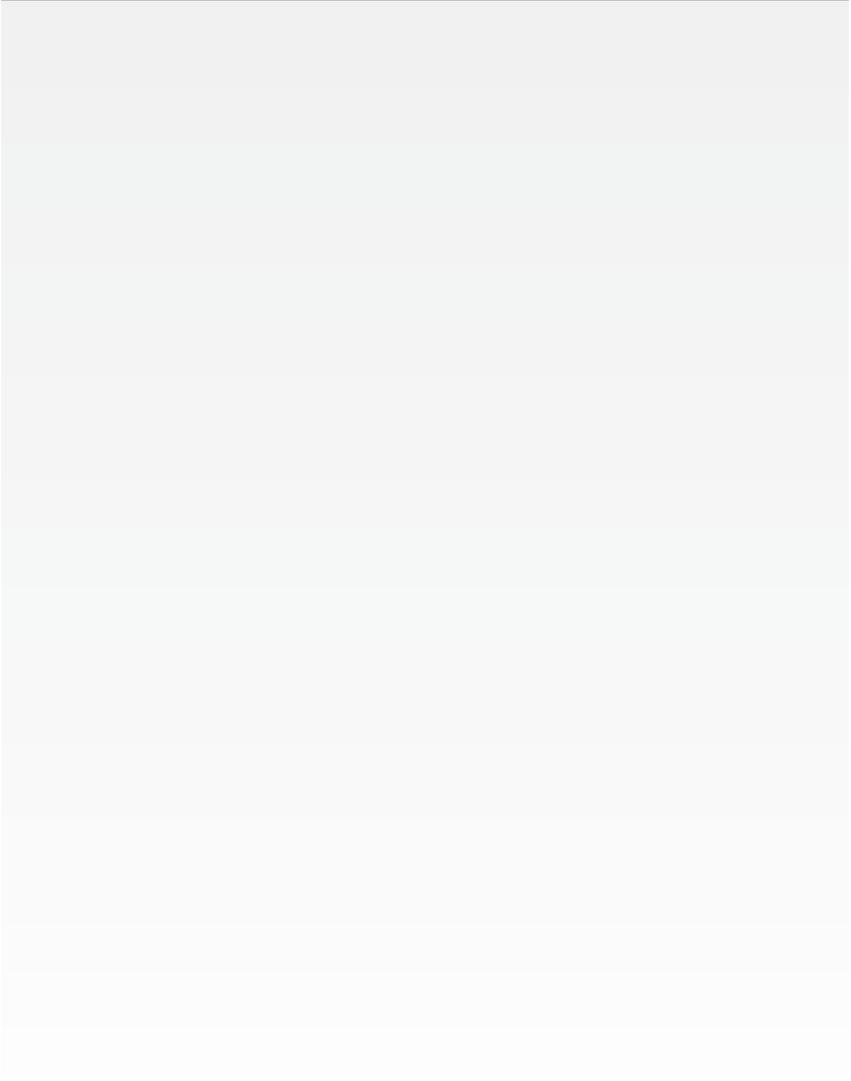
priorities and important tasks of APEC fora. If Chinese Taipei's APEC multi-year project can successfully obtain APEC funding support, food losses in APEC will be effectively alleviated, so as to enhance APEC food security in the long run.

(Dr. Eric Chiou is the Associate Research Fellow of TIER)

Memo



Memo





Memo

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