

Editorial Statement

The Pacific Economic Cooperation Council (PECC) is a unique tripartite partnership of senior individuals from businesses and industries, governments, academia and other intellectual circles. All participate in their private capacity and discuss freely on current, practical policy issues of the Asia-Pacific region.

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.

Asia-Pacific Perspectives is a key publication of CTPECC and an open forum welcoming submissions of analyses, perspectives, and commentaries on the Asia-Pacific region. The periodical focuses on political, economic, business and social issues.

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Towards Peace, Stability and Sustainable Economic Development in the Asia Pacific Region

Sergey Lavrov

Recently, we have witnessed deep geopolitical shifts that fundamentally changed the global landscape. Against the backdrop of global transformation processes, the role of Asia Pacific region is rising as a significant factor that is determining now and will most likely determine the mainstream of international developments in the nearest future, becoming an influential player of emerging polycentric world order architecture.

In the present turbulence of world economy and finance, Asia Pacific states despite the fact that their high growth rates are slightly slowing down will continue to demonstrate the energy of growth and remain the locomotive of global progress. Today the Asia Pacific is a vital center of economic development and progressive political influence as well as an attractive area for cooperation, a cross point for interests of key stakeholders and major multilateral institutions.

Certainly, Russia being an integral and organic part of the region is also strengthening its presence here. For us this is a matter of principle. Our greater involvement in regional community affairs is a major precondition for securing continued national development as well as social and economic rise of Siberia and the Far East.

It is our clear commitment to ensure strength, stability, security and prosperity of the Asia Pacific. Intensification of the "Eastern" track policy,

development of regional bilateral ties, participation in inter-governmental structures are among Russia's foreign policy priorities. This has been noted in the new edition of the Foreign Policy Concept of the Russian Federation signed by the President of the Russian Federation Vladimir Putin on February 12, 2013.

Russia's policy in the Asia Pacific is deliberate and focused, aimed at truly stable balance of power and elaboration of cohesive regional agenda. Implementation of these goals is based on the solid foundation of our bilateral relations with regional countries, many of which are filled with time-tested friendship and multifaceted cooperation. Our contacts with China, India and Vietnam have been upgraded to strategic partnership. Ties with ASEAN states, the US, Japan, South Korea, New Zealand, Australia, Canada are also developing on a strong and mutually beneficial basis.

The increasing engagement of Russia with inter-governmental organizations and dialogue mechanisms – Shanghai Cooperation Organization, BRICS forum, ASEAN Regional Forum, Conference on Interaction and Confidence-Building Measures in Asia, Asia Cooperation Dialogue, Russia-India-China format, East Asia Summit and Asia-Europe dialogue – is of key importance for us. The prospect of developing productive interaction between these structures is an integral part of the long-term task to shape a strong regional and international network of relations.

The logic of Russia's foreign policy in the Asia Pacific proceeds from the recognition of the fact that creation of an advanced environment of international relations in the region in line with modern realities is of crucial importance. Such a configuration must simultaneously provide broad opportunities for the promotion of multilateral trade, economic and investment cooperation, eliminate existing multi-dimensional security challenges, prevent the emergence of new threats and serve to form an



integrated economic and political space.

Asia Pacific needs a system to ensure equitable cooperation, genuine balance of power and harmony of interests. It is necessary that every country along with other partners could participate in drafting a new agenda for regional relations and in resolving urgent development problems. We advocate a non-discriminatory regional order without any imposition of unilateral approaches, any division into leaders and supporters but with interstate communication based on trust and mutual respect.

Asia Pacific countries have made an outstanding pace in this direction. The Foreign Ministers of East Asia Summit member-states at their last meeting decided to launch multilateral consultations on regional security. In fact, consensus was reached on the necessity to develop the most reasonable approaches to strengthen security and develop interaction, to seek arrangements on mutually acceptable rules of the game.

Russia believes that such architecture should be based on the indivisibility of security, peaceful settlement of disputes, non-use of force or threat of force, rejection of confrontation and cooperation directed against third countries and partnership between multilateral organizations.

In order to achieve these goals we aim to promote and strengthen economic integration with primary accent on the Asia-Pacific Economic Cooperation (APEC) forum.

In 2012 Russia presided over the APEC forum for the first time, and according to partners' assessments, we coped quite well with this mission. The most important is that our proposed priorities, as one could say, "hit the bull's eye". Let me recall that along with traditional tasks of advancing trade, investment liberalization and regional economic integration we highlighted issues of ensuring food security, improving production and supply chains and encouraging innovative growth in the region. We also promoted cooperation

in energy, health care, fight against terrorism and corruption as well as emergency preparedness, which is also important for the region. Relevant Russian proposals are under implementation.

On the eve of the forthcoming APEC summit scheduled for October 7-8, 2013 in Bali, I believe it is necessary to point out that Indonesia – the present APEC chair – has ensured a proper succession of the forum agenda.

Support of the multilateral trading system and attaining the Bogor Goals remain the key tasks. Development of a network of free trade agreements forms the essential basis to implement them. Russia closely tracks the dynamics of cooperation in this area which takes place within the Regional Comprehensive Economic Partnership, Trans-Pacific Partnership and other formats. We consider it important that these agreements should cope with the WTO principles and be as open as possible for all. It is counterproductive to develop free trade zones for they ignore the interests of other countries, especially regional neighbors.

This is the approach Russia, Belarus, and Kazakhstan as member states of the Customs Union are committed to. By now, we have made significant progress in establishing a powerful regional development centre – the Single Economic Space – aiming at creating the Eurasian Economic Union by January 1, 2015 and thereby forging a link between Europe and the Asia Pacific. We believe that interaction between the Customs Union and APEC could serve our common interests.

Russia is ready to contribute to the discussion on sustainable growth with equity proposed by the Indonesian chairmanship. We consider the course for improving financial, regulatory and other conditions for business development, especially small and medium enterprises, creating new high quality jobs, advancing infrastructure development and investments as a priority.



An integral part of a new model of sustainable development and equitable growth is fair access for all participants of economic development, all APEC economies to physical and technological resources. Russia is ready for further cooperation in providing food security and promoting mutually-beneficial scientific, technological and innovation exchanges. We intend to continue our live involvement in this activity.

Issues of energy security in the Asia Pacific deserve special attention. In the framework of APEC constructive discussion pertaining to their "green" and environmental components continues. It is no doubt important. At the same time we see it is timely to bring up such issues as improving regulatory measures in energy, ensuring transparency and predictability of energy and raw-materials markets. It is necessary to diversify energy balances of regional economies, including through the increase of the share of ecologically clean natural gas and atomic energy.

We are continuously committed to further cooperation in other areas to ensure secure development in the region, first of all in the framework of the APEC consolidated counter-terrorism and secure trade strategy. It is important to promote interaction in preventing corruption, illegal trade and other types of organized crime. We will actively participate in implementing measures on emergency agencies' personnel and equipment cross-border movement facilitation in order to eliminate consequences of natural disasters and human-made catastrophes. We expect to intensify contacts between national crisis management centers having in mind the prospect of their possible future integration into an efficient regional network.

Another priority proposed by Indonesia for APEC – strengthening regional connectivity to create a comprehensively integrated Asia-Pacific community – also provides broad cooperation opportunities. Russia considers these tasks timely and reasonable.

We fully support commitment to adopt practical measures to ensure transparency of economy and improve taxation systems. Russia is ready to make a substantive contribution to the framework of connectivity in the APEC region, also through implementing our initiatives in supply chain area.

In order to ensure innovative development we are committed to actively participate in coordinating measures to facilitate cross-border movements of students, researchers and education services providers. We are also interested in discussing opportunities for regional tourist exchanges.

This year, Russia became a full member of the successfully functioning APEC Business Travel Card system specifically set up to facilitate visas procedures. We believe that this would intensify contacts between entrepreneurs and officials responsible for economy-related matters and thus expand trade and Russia's economic cooperation with other APEC member-economies.

In short, Russia proposes a transparent policy and economic agenda for the region. Our goal is equal cooperation of all countries with no exception in order to strengthen peace, stability and prosperity in the Asia Pacific.



Restructuring the Bogor Goals

Chen Sheng Ho

Introduction

An important theme of 2013 APEC is attaining the Bogor Goals. There exists the need to understand the meaning of the Bogor Goals that was developed in 1994. The purpose of this article is to restructure the Bogor Goals. The article will review some reports about the Bogor Goals as well as will analyze the Bogor Declaration. Finally, a suggestion for revising the Bogor Goals will be given.

Literature Review

An important report that APEC has generated to examine the progress towards the Bogor Goals is: "The Report on APEC's 2010 Economies' Progress Towards the Bogor Goals." According to the Report, the assessment focuses on 13 APEC industrialized and developing economies. There are five industrialized economies consisting of Australia, Canada, Japan, New Zealand and the United States. The eight developing economies that volunteered to be included in the assessment are Chile; Hong Kong, China; Korea; Malaysia; Mexico; Peru; Singapore and Chinese Taipei.

achieving free and open trade and investment but their work is not finished. In addition, the report mentions that APEC must continue to be ready to address new challenges, since the international economy is evolving and incorporating new technologies and new ways of conducting business (APEC 2010).

The APEC PSU published a report in 2012 called: "APEC's Bogor Goals Progress Report." The main points of the Report are that APEC members have continued to make progress, since the 2010 assessment. However, there is room for APEC to make further advancement. In the period of 2008-2010, APEC average tariff rate decreased from 6.6% to 5.8%. The report states that trade facilitation, services and investment have become major areas that APEC can focus on (APEC PSU 2012).

Another significant report on the Bogor Goals is: "Asia Pacific Economic Cooperation: Attaining the Bogor Goals; then towards a Seamless Regional Economy." The Report states that APEC has made substantial progress towards free and open trade and investment. APEC can now define Bogor Goals that are ambitious as well as attainable by 2020. There is an opportunity for APEC to show that the Asia-Pacific region is the most open region through the Bogor Goals. It is suggested that APEC could ensure that almost 100% of the value of trade in goods faces no tariffs or quantitative restrictions in the APEC region. In addition, APEC could support free trade in services. The Report also suggests that the development of an attainable form of the Bogor Goals could be complemented with the long-term objective of a seamless regional economy. The result is the creation of transport and communications networks in the APEC region. International commerce will then become cheaper, easier and faster (Elek 2012).



Analyzing the Bogor Goals

After reviewing the reports on the Bogor Goals, it can be said that the Bogor Goals remain the most important goals for APEC to achieve. An important feature of the Bogor Goals is the existence of deadlines for achieving the Bogor Goals, 2010 for developed economies and 2020 for developing economies. Since developed economies have more work to do following the 2010 assessment, the current final deadline is now 2020 for all APEC members. The 2020 deadline is clear and without controversy. However, the meaning of the Bogor Goals is not as apparent. There is room for APEC to define the Bogor Goals in a clearer manner.

The Bogor Goals are about the achievement of free and open trade and investment. An important question is: What is the degree of free and open trade and investment acceptable to APEC? For example, free trade can mean zero tariffs. Free trade can also be defined as freer trade. With a clearer meaning, it will be easier for APEC to state that the Bogor Goals have been achieved when the deadline of 2020 arrives. Essentially, the Bogor Goals will then not be a moving target, as is the case at the moment.

For the purpose of clarifying the meaning of the Bogor Goals, the most significant step to be taken is to examine the 1994 APEC Leaders' Declaration, which is also known as the Bogor Declaration. APEC Leaders state in the Declaration that they are meeting together for the purpose of setting the future path of APEC's cooperation. The outcome is the advancement of economic growth in the Asia-Pacific region as well as throughout the world. The strengthening of economic cooperation will be based on equal partnership, shared responsibility, mutual respect, common interest, and common benefit. Furthermore, APEC will take the lead to enhance the multilateral trading system, trade and investment liberalization

in the Asia-Pacific region, and Asia-Pacific development cooperation. Since the open multilateral trading system is the foundation of APEC's economic growth, APEC will seek to take the lead in advancing the multilateral trading system (APEC 1994).

In order to enhance trade and investment in the Asia-Pacific region, APEC Leaders agree to accept the long-term goal of free and open trade and investment. The goal will be reached through the reduction of barriers to trade and investment. Additionally, the promotion of free flow of goods, services and capital among APEC economies will also be pursued. This goal will be achieved in a manner that is consistent with GATT, so that APEC's actions will lead to more liberalization at the multilateral level (APEC 1994).

APEC Leaders agree that APEC should achieve the goal of free and open trade and investment in the Asia-Pacific region by the year 2020. Since APEC economies have different levels of economic development, the industrialized economies will achieve free and open trade and investment by 2010 and developing economies will do so by the year 2020 (APEC 1994).

In addition, APEC Leaders emphasize that they strongly oppose the creation of a trading bloc that is inward-looking and that prevents the pursuit of global free trade. APEC will support free and open trade and investment in the Asia-Pacific region in a way that strengthens global trade and investment liberalization. Therefore, the result of trade and investment liberalization in the Asia-Pacific region will lead to the lowering of barriers in APEC and also between APEC economies and non-APEC economies. APEC will pay attention to its trade with non-APEC developing economies to make sure that they will also gain benefit from APEC's trade and investment liberalization. APEC's efforts in trade and investment liberalization will conform to GATT/WTO rules (APEC 1994).



Revising the Meaning of Bogor Goals

The APEC Leaders had made the right decision in 1994 to announce the birth of the Bogor Goals. The reason is that it has brought significance to the existence of APEC. As a result, APEC's work has focused on attaining the Bogor Goals. The APEC way of formulating and implementing actions through consensus building and voluntarism have been criticized for being ineffective in supporting the achievement of the Bogor Goals. However, APEC has been able to exist because the APEC way leads to harmonious outcomes. For APEC members, APEC complements the trade liberalization work being undertaken in the WTO. With the approaching 2020 deadline for reaching the Bogor Goals, APEC may want to clarify the Bogor Goals. In particular, Bogor Goals can be revised to mean the attainment of freer and more open trade and investment. The emphasis is on progress by every APEC member as well as by APEC collectively.

Thus an updated definition of the Bogor Goals will be to revise the ideas stated in the 1994 Bogor Declaration (APEC 1994) to become the following main points:

- Achieve freer and more open trade and investment by 2020 for all APEC economies.
- Advance the WTO's multilateral trading system.
- Oppose the creation of a close trading bloc that does not promote global free trade.
- Ensure that the promotion of trade and investment liberalization in APEC will not only reduce barriers in the APEC region but will also lower barriers between APEC and non-APEC economies.

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Emerging Energy Security Actions in APEC: Renewable Energy and the Joint Crediting Mechanism Initiatives

Wayne Chen

"Achieving Sustainable Growth with Equity" was identified as one of the three priorities of APEC 2013, but not until the second Senior Official Meeting held April in Surabaya, Indonesia, energy was attached to this annual priority. The addition was built by 2 initiatives proposed which also seek for APEC Leaders' and Ministers' endorsement in October, namely the initiative of *Renewable Energy for Energy Security in the APEC Region*, proposed by Indonesia, and; the proposal of *Introduction of the Joint Crediting Mechanism (JCM) As a Leading Tool for Achieving Green Growth in APEC Economies*, tabled by Indonesia and Japan.

Renewable Energy for Energy Security

Considering that the APEC region represents 60 percent of the global energy demand and the ratio will go beyond one third by 2035, Indonesia suggests APEC to promote renewable energy and assist APEC economies on enhancing energy efficiency and using cleaner energy supplies.

To facilitate high level discussion on clean, renewable energy development and sustainability issues, Indonesia planned to hold a *Conference on Clean, Renewable Energy, and Sustainability in APEC Region* prior to APEC Leaders Summit. Three themes of the conference were

developed, namely,

1. Boosting investments in renewable energy sector
2. Capacity building and technical cooperation
3. Fostering cooperation among APEC member economies in clean and renewable energy development projects

The initiative emphasizes that government policy and establishment of a conducive business environment are crucial to the formation of public and private partnership and boosting investments in renewable energy sector. Policy such as feed in tariffs and other incentive mechanisms are needed in stimulating investments in renewable, supporting domestic industries and jobs creation. As new technology and rapid increase in production capacity in renewable energy resources made new energy more competitive and preferable against conventional energy resources, enhancing physical and financial infrastructure is another important task in developing renewable energy.

Capacity building and technical cooperation in renewable projects involve advanced technologies and human resources development both require planning and implementation over long period. Cooperation among APEC members should aim to accelerate the development process by exchanging views, experience and conducting concrete work plans on strengthening capabilities. Such mutually beneficial cooperation should be in a wide range of forms including promoting investment and transfer of technology activities in the fields concerned.

Indonesia envisions that by fostering cooperation amongst APEC members to engage in optimum renewable energy development projects, APEC would facilitate reduction of global GHG emissions and achieving the aspiration goal of reducing energy intensity of the Asia Pacific region which also contribute to mitigating the impact of global climate change.



Joint Crediting Mechanism

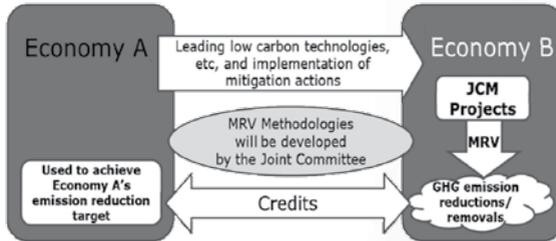
In echoing Indonesia's initiative on renewable energy, Japan, supported by Indonesia, encourages APEC economies to adopt the Joint Crediting Mechanism (JCM) to reduce carbon emission and contribute to mitigation of Climate Change.

Considering that public and private partnership is vital to boost dissemination of low-carbon technologies in achieving a low-carbon growth globally, Japan urges APEC economies to be devoted to improving policy framework and constructing enabling business environment where private companies to be eager to invest those environment-friendly technologies. The initiative aims to facilitate widespread use of advanced low-carbon technologies such as renewable energy, highly efficient power generation system and energy-efficient factories enable green growth in more effective manner.

Japan, Indonesia and Vietnam suggest that JCM is an effective and cross-border tool for dissemination of low-carbon technologies and encourages the mitigation actions of APEC economies.

The scheme of JCM (its operation shown in Figure 1) is to ensure that the GHG emission reductions achieved by low-carbon technologies and mitigation actions in developing countries are appropriately evaluated and credits are issued accordingly for trade in carbon markets. Before doing so, APEC economies should establish Measurement, Reporting and Verification (MRV) methodologies and systems which integrate 3 independent processes to calculate greenhouse gas emissions reductions.

Figure 1 Scheme of JCM



Source: Japan (2012).

Similar to the Clean Development Mechanism (CDM) which allows emission-reduction projects in developing countries to earn certified emission reduction (CER) credits under the Kyoto Protocol promoted by UNFCCC, JCM serves as a bilateral version of CDM built upon cooperation between one developed economy and another developing economy. In JCM, the Joint Committee (JC) is established by both sides for the implementation, deliberation of methodologies and notification for issuance of credits similar to the Executive Board in CDM. As a result, the governance in JCM is found of a more de-centralized structure, and MRV methodologies adopted can be more flexible and project covered can be of broader coverage.

At present, seeing the slow progress on global climate regime led by UNFCCC, Japan is very active in promoting the JCM as an alternative approach among developing economies. In 2012, Japan, in its report to the UNFCCC, suggested that the one-size-fits-all approach will not be best suited for addressing climate change related issues in full and in the most efficient manner. Economies should seek a wide variety of approaches and pathways which best reflect their circumstances while ensuring environmental integrity, to learn lessons from their own and other economies. JCM, in this light, provides flexibility needed to incorporate local industrial and environmental context in moving climate negotiations forward. In 2012, Japan initiated 54



feasibility studies with 19 countries, including Indonesia, India, Mexico, and South Africa, and bilateral documents for JCM were signed with Mongolia, Bangladesh, Ethiopia, Kenya, Maldives, Viet Nam, Lao PDR and Indonesia.

The transition of climate negotiations from multilateral to bilateral is at its early stage. JCM is creative but at the same time may divert the momentum promoting the Kyoto protocol. JCM is an alternative, bilateral negotiation to reduce GHG emission by skirting around the stagnated multilateral negotiations, but given its flexibility on implementation and methodologies, how the various JCM bilateral documents would converge and achieving an integral, global climate regime is still in question. JCM is pioneering in exploring new ways to mitigate climate change in accordance with market mechanism, but it is ambiguous if it can successfully construct enabling policy environment and carbon market from individual economies up to the global scale. For APEC under which no working group has been tasked to deal with GHG emissions, strong top-down leadership is required to carry JCM forward.

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Recent Development on Start-up Acceleration and Business Continuity Planning in APEC Region

Joan Shen

In the face of globalization and rapid advances in technology, Asia Pacific Economic Cooperation (APEC), as a platform for regional collaboration, takes an important role for promoting and facilitating regional trade liberalization. From the 2013 APEC Theme, "Resilient Asia Pacific: Engine of Global Growth", to the theme of the 20th SME Ministerial Meeting this year, "Enhancing SME Global Competitiveness", it is seen that APEC Ministers are actively encouraging officials to work collaboratively toward an SME-friendly environment and to empower SMEs from a variety of aspects, including entrepreneurship development, access to finance, and their capacity to expand to international market, which are also in line with the APEC SMEWG Strategic Plan 2013-2016. In the following paragraphs, a few key trends of APEC SMEWG will be discussed, including the recent development on start-up acceleration and business continuity planning in APEC region.

Accelerating Growth of Start-ups and SMEs in APEC Region

In the APEC region, SMEs, especially the high-growth SMEs and innovative start-ups, are increasingly recognized as the engine of economic growth, new job creation, and technology innovation. Recognizing the need



for SME and start-up development, APEC leaders endorsed the APEC Startup Accelerator (ASA) initiative in the 2012 APEC Leaders' Declaration, and encouraged officials to establish a platform for assisting startups and young entrepreneurs in building their capacities. In addition, the SME Ministers have also encouraged entrepreneurship development among member economies, and identified "Entrepreneurship Development for SMEs" as one of the sub-theme for the 20th SME Ministerial Meeting.

APEC Startup Accelerator (ASA) initiative serves as a framework for member economies to enable a greater focus on APEC projects that enhance start-ups and entrepreneurship. The Initiative identifies three core elements for supporting start-up growth: networking, mentoring and funding. It also helps facilitate innovative growth of SMEs by encouraging start-ups through connecting activities among high profile entrepreneurs, successful startups, angel and venture capital funders, and business and technical high-level executives. APEC member economies have been working actively on the initiative by hosting various start-up conferences, summits, and networking meetings, including Chinese Taipei (APEC Start-up Accelerator Leadership Summit 2013), Indonesia (Seminar on the Dynamics of SME: Informality and Women Entrepreneurship), Malaysia (Global Entrepreneurship Summit 2013), Peru (Start-up APEC Conference II 2013: Business to Global Market Workshop), Russia (Young Entrepreneurship Network) and Korea (APEC Start-up Conference).

Taking Chinese Taipei's event as an example, APEC Start-up Accelerator Leadership Summit is a platform for bridging regional resources to enhance co-incubation capacities in the region. The main activities of this project involve a high level and dialogue-style summit and a collaborative competition with private sectors (Intel APEC Challenge), with roundtable discussions and structured networking/mentoring sessions in order to

generate visionary commentary. The Intel APEC Challenge also provide a platform for APEC start-ups at various stages who seek internationalization, corporate partnerships, funding and opportunities to showcase their business strategies and products in a demo contest.

According to Global Accelerator Network membership statistics (2012), currently 60% of accelerators are located in North America, 14% in Asia, 13% in Europe, and 7% in Australia. This brings forward the issue that emerging economies in APEC region may need more accelerators to keep up with the number of new innovative start-ups in Asia, for both women- and men-own businesses. Given this fact, Chinese Taipei has proposed a project to set up a sustainable accelerating mechanism, namely the "APEC Accelerator Network (AAN)," to attract more investment over the globe and to maintain a healthy start-up ecosystem in APEC region. In collaboration with various stakeholders in the region, AAN will function as a platform to strengthen accelerator networking among emerging economies, where start-ups can benefit more in terms of cross-border incubation, mentorship, investment, and business opportunities.

Promoting Business Continuity for SMEs in APEC Region

The Asia-Pacific region experiences over 70% of the world's natural disasters, and these disasters are one of our biggest threats facing supply chain disruptions, which explain why APEC leaders have instructed officials to work toward a resilient Asia Pacific to help businesses to growth in the region. To reach a resilient Asia Pacific, one of SMEWG's multi-year projects is addressing on the specific challenges for APEC SMEs.

This multi-year project is proposed in late 2011 and launched in 2012, and it conducted a joint study to examine the reliability of SME supply chains



in the APEC region in collaboration with all APEC member economies, namely "the 2012 Survey on BCP Status in the APEC Region". According to this survey, only 13% of SME respondents have a business continuity plan (BCP), while 34.8% are in the process of developing one. Such results expose the fact that SMEs are prone to natural disasters, and their supply chains are easily disrupted in the event of a disaster. Economies with high-risk management expertise, such as the United States, Japan, Thailand, and Australia, in response to risk exposures, have begun to promote BCPs in the region to help in establishing a reliable supply chain. Not to mention the private sectors, such as Target, RedCross, and Taiwan Semiconductor Manufacturing Company (TSMC), also began to implement business continuity management in daily practices to secure their supply chains. Yet, this is not the case among SMEs.

Therefore, as a part of the deliverables for the multi-year project on Improving Natural Disaster Resilience of APEC SMEs, a Guidebook on Promoting SME Business Continuity Planning was established to increase the awareness of BCP among SMEs in the region. The guidebook identifies 10 simple steps for SMEs to establish BCPs in accordance with the international standards. In addition, realizing the lack of human resource capacities for SME BCP trainings, a 5-day "APEC Train-the-Trainer Workshop on Promoting Business Continuity Plans" is also held in 2013 to gather officials and seed trainers from the region in discussing how SMEs could enhance their capacities through developing BCPs.

All of these efforts will serve as the foundations for the APEC High Level Policy Dialogue on Resilient SMEs for Better Global Supply Chains in 2014, back to back with the 38th SMEWG Meeting in Taichung. High level officials, experts, and business executives from the region will be invited to examine ways how the project outputs can be further disseminated, and

how BCPs can be further promoted in the regions. In addition, Thailand, Indonesia, and Singapore will also support the project by establishing 3 more training workshops to disseminate important information/knowledge and the outputs of the project, enhancing SMEs' resiliency in the region.

Looking Forward: SMEMM Theme in 2014

During the 37th SME Working Group Meeting, the 2014 host economy, China, has proposed the main theme of 21st SME Ministerial Meeting in Nanjing, China: "Innovation and Sustainability"¹, both of which need member economies' collaborative efforts. Through start-up development and acceleration, innovation of the region could be further advanced and encouraged, continuously supporting enterprises of the region to grow and prosper. In addition, the sustainability of enterprises is not only set as the 2014 SMEMM theme, but also considered one of APEC SMEWG's long-term focus, where ensuring business continuity planning of SMEs continues its importance and is regarded as a key issue in APEC region.

¹Three sub-themes of the SMEMM in 2014 are outlined as "Increasing Innovation Capacities of SMEs", "Improving the environment for SMEs' innovation", and "Promoting SMEs' growth through innovation".



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Free Trade Agreement between New Zealand and Taiwan: Why Free Trade Pacts?

Silvia Lopez-Herce Arteta

On July 10th, 2013 Taiwan took one more step toward economic liberalization by signing an economic cooperation agreement (ECA) with New Zealand, which was named Agreement between New Zealand and the Separate Customs Territory of Taiwan, Penghu, Kinmen, and Matsu on Economic Cooperation (ANZTEC).

The significance of the agreement relies on the fact that New Zealand is the first developed country establishing this kind of trade pact with Taiwan. The ANZTEC is also the only trade agreement that Taiwan has signed with a country that it does not have diplomatic relations with. (CRAYMER, 2013)

Taiwan and New Zealand are two very different economies, each of them focused on one specific sector. While Taiwan is a worldwide leader in the Information and Technology Industry, New Zealand is well-known for having a very strong agricultural sector, which is in fact the core of New Zealand's economy. In spite of the differences, these two economies share the desire and even the need to be part of as many free trade pacts as possible. The ECA signed two weeks ago between Taiwan and New Zealand is believed to be highly beneficial for both economies allowing them to further enjoy the advantages of trade liberalization.

We will look at Taiwan's and New Zealand current economic situation to better understand the background and conditions in which the ANZTEC



has taken place. We will go through the main obstacles to Taiwan's and New Zealand's efforts for economic growth, the impact of competition from other countries in the Asia Pacific region on Taiwanese exports, and as a conclusion we will try to show how free trade agreements are beneficial for both Taiwan and New Zealand respectively.

Starting with Taiwan's situation, it is important to mention that the problems being faced by this economy in the first quarter of 2013 include both external and internal factors. Taiwanese economy has been severely affected by the recession in Europe. In addition to the fall in the number of direct exports from Taiwan to European countries, Taiwan's intermediate goods being exported to China have also decreased. Less demand for Chinese products from Europe translates into a change of strategy in the Chinese economy as a way to reduce costs; the so called "import substitution". This phenomenon has had a great impact on Taiwan's exports as it means China turning away from Taiwanese sourced products and looking for lower prices in other economies.

However, as it has been mentioned above, we cannot forget that there are internal elements in Taiwan economic scene that also hinder its growth. Among them we can find the fall in private consumption, being the brain drain and the taxes on capital gains two of its main causes. The reason why Taiwan is experiencing brain drain is due to the decline in real wages that comes as a result of Taiwanese companies wanting to reinvest and spend more on Research and Development using a business model (B2B) that does not allow them to make enough profits. For its parts, taxes being imposed on capital gains are having a fatal impact on the stock exchange, which is strongly related to private consumption.

These two factors together, the one coming from external circumstances and the one coming from the inside, combine to have a negative effect on

Taiwan's economic performance.

On the other hand, New Zealand's main impediment to become a strong economic powerhouse is the size of its market. New Zealand is a country of only 4,5 million people, meaning that external trade is a key driving force of its economy. However, being so dependent on exports makes New Zealand having to rely a lot on other countries such as China and Australia, which together account for a 40% of the total of New Zealand's exports. This is a very high percentage for only two countries. Therefore, New Zealand's main desire is to sign Free Trade Agreements with as many countries as it can and to be involved in as many trade negotiation talks as possible. Nevertheless, it must be noted that New Zealand faces one big obstacle when it comes to establishing FTA agreements with other countries. New Zealand's agricultural sector is very diversified and extremely competitive; there are no subsidies and no tariffs in agricultural products. The strength of NZ's agriculture has become a deterrent hindering the process of negotiations for FTAs between New Zealand and any other country with a less competitive agricultural sector. A recent example of this phenomenon would be South Korea and the reservations that it has been having to complete the talks for a FTA with New Zealand.

In regards to the competition to Taiwan coming from other countries in the Asian Pacific region we need to refer to the Japanese devaluation of the yen and the strength of the Chinese renminbi.

The devaluation of the yen in Japan is affecting Taiwanese exports in two different and opposing ways, having overall a mixed impact in the economy. On the one hand, some companies actually benefit from this policy because Japan is the biggest supplier of Taiwan and a great part of key components in the ICT industry are mainly imported from there. To these companies the devaluation of the yen has come as an opportunity to increase their profits.



On the other hand there are many traditional industries, like machinery industries, that are not able to enjoy any of the benefits coming from the devaluation of the yen. In fact, these industries are finding themselves in the difficult position of needing to face a stronger competition from Japanese higher quality products .

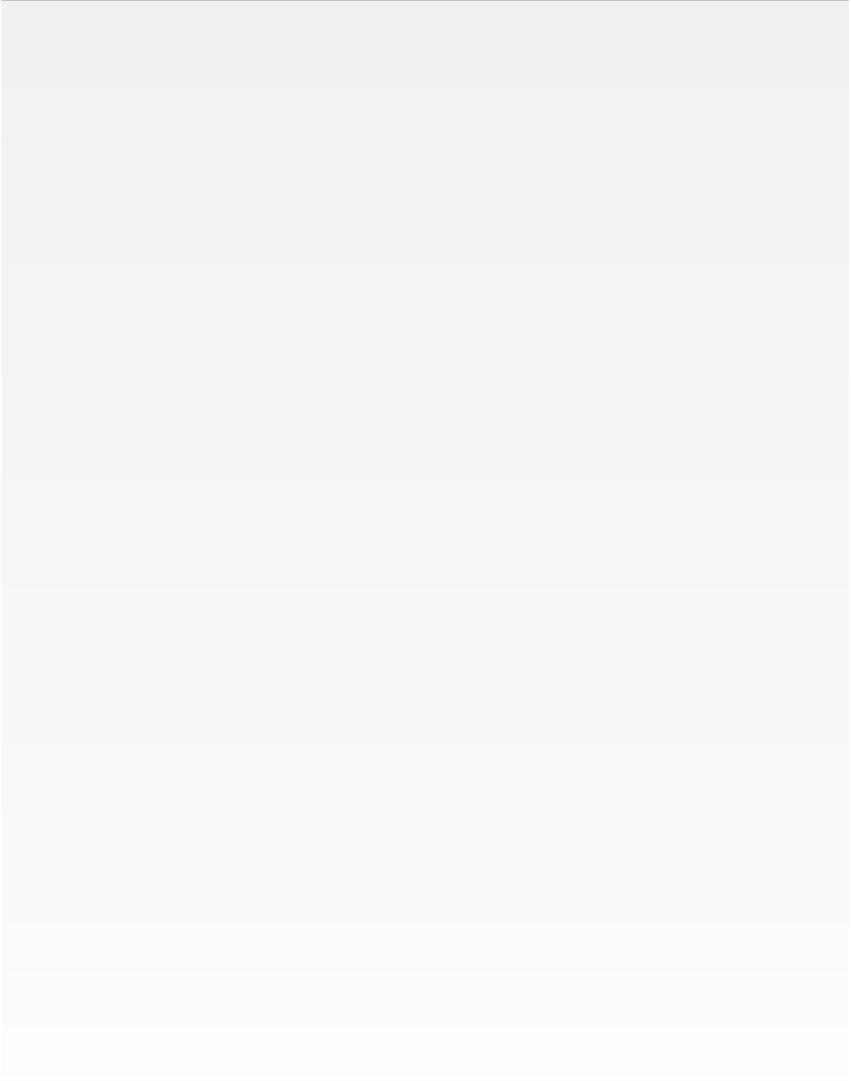
As for the Chinese remimbi getting stronger, it has to be said that it has been in some way good for Taiwan's economy. The reason why is that, as we all know, Taiwan's exports compete with Chinese exported products and Chinese companies are becoming more competitive than Taiwanese companies in this area. Therefore a stronger remimbi would mean a greater chance for Taiwan to boost its exports.

The previous pieces of information are only examples to show in a limited number of lines how Taiwan and New Zealand are both two economies highly dependent on exports and for which the establishment of free trade agreements occupies a top position in their economic agenda. The signing of the Agreement between New Zealand and the Separate Customs Territory of Taiwan, Penghu, Kinmen, and Matsu on Economic Cooperation has brought together two economies with very different backgrounds but a similar idea of what the best way to achieve economic growth.

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Memo





Memo

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