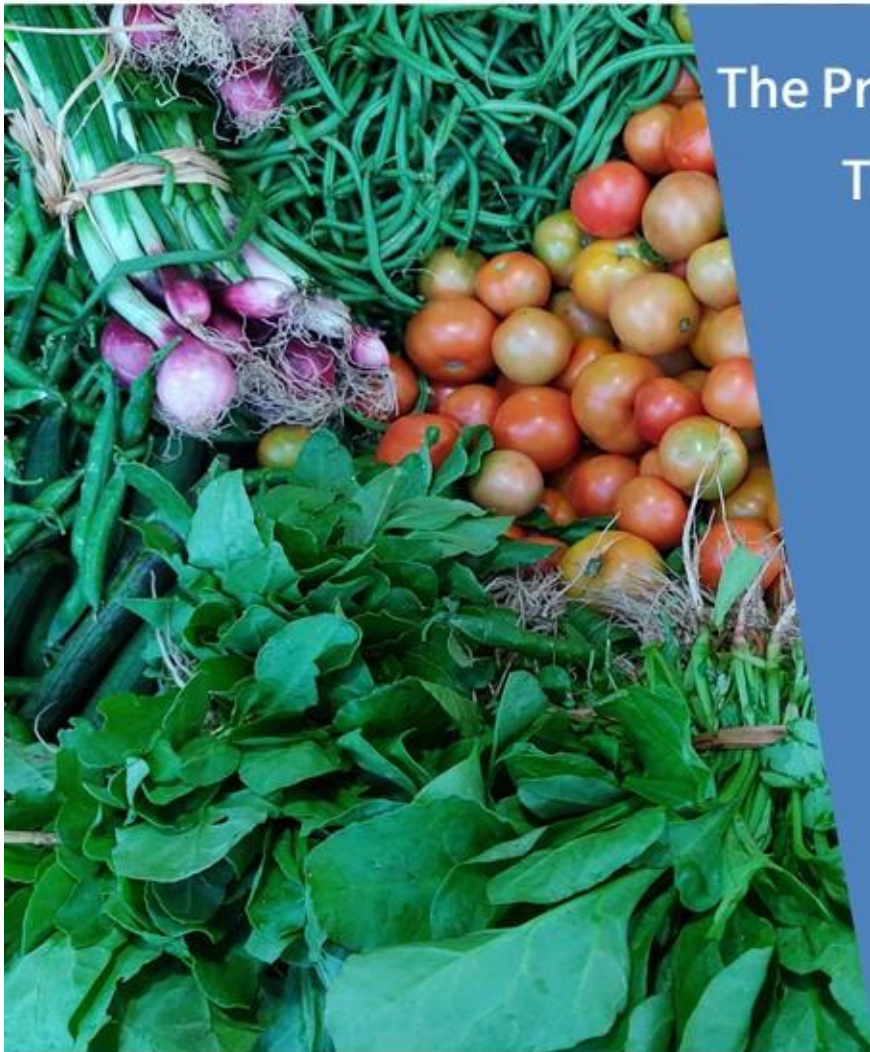


CTPECC ISSUE PAPER



The Progress of Promoting Free Trade and Food Security in Asia-Pacific Region

- **Why would APEC Matter for the Region?**
- **The Development of Food Security Issue in the APEC Region**

2021

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Issue Paper

This year, CTPECC is holding a number of forums and seminars based on the current issues in international political and economic situation as well as other notable topics. Based on the outputs of these events and the discussions inspired, this publication of issue paper mainly seeks to address the opportunities and challenges in response to the future regional development. The issue paper also provides readers with valuable information and perspectives that are widely noticed nowadays, and deliver the insightful views of experts and scholars.

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1. Introduction

The COVID-19 pandemic is an ongoing global pandemic of coronavirus disease that human survival and development are facing several severe challenges, such as, worldwide spread of infectious diseases, serious imbalances in income distribution, unsustainable debt in developing countries, and increased risks of climate changes. Trade is the main driver of stimulating global economic growth to minimize the impacts of COVID-19, which is necessary to promote trade and investment liberalization and facilitation, deepen regional economic integration, and non-stop operations of global industrial and supply chains.

On the other hand, food security is another issue to be discussed as COVID-19 impacts have led to severe and widespread increases in global food insecurity. Numerous countries are experiencing high food price inflation at the retail level, reflecting lingering supply disruptions due to the measures against COVID-19, currency devaluations, and other factors. Rising food prices have a greater impact on people in low-and middle-income countries since they spend large proportion of their income on food than those in high-income countries.

The 2nd volume of CTPECC's issue paper will generally introduce the progresses of promoting trade liberalization and food security in Asia-Pacific, and followed by identifying the challenges in such progresses in the region.

2-1. Why would APEC Matter for the Region?

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The Asia-Pacific Economic Cooperation (APEC) is a unique international organization. It operates as a consensus-based, cooperative, multilateral economic and trade forum. APEC members participate based on open dialogue and respect for the views of all participants. They undertake projects and initiatives helping the region to build up capacity in various aspects voluntarily. Unlike other international organizations, there are no binding commitments or treaty obligations for the APEC members.

APEC has 21 members: Australia; Brunei Darussalam; Canada; Chile; People's Republic of China; Hong Kong, China; Indonesia; Japan; Republic of Korea; Malaysia; Mexico; New Zealand; Papua New Guinea; Peru; The Philippines; The Russian Federation; Singapore; Chinese Taipei; Thailand; United States of America; Viet Nam. They are described as economies because the APEC cooperative process is predominantly concerned with trade and economic issues, with members engaging with one another as economic entities. This interaction mode, in a way, minimizes the political obstructions and facilitates practical economic collaborations.

According to the latest statistics published by the APEC Policy Support Unit, the total population of APEC economies is 2.9 billion, accounting for 38% of the global population. The APEC region generated 53 trillion USD GDP (nominal), accounting for 61% of the global GDP. In addition, the APEC region accounted for approximately 47% of global trade. The enormous population, economic scale, and trade volume reveal the impact of APEC in the region and the world.

The APEC objectives, stated in the "Seoul Declaration" in 1991, are to sustain the region's growth and development, improve economic interdependence, develop and strengthen the open multilateral trading system, and reduce barriers to trade in goods and services and investment. In 1993, the first APEC Leaders' Meeting outlined the APEC's vision of

"stability, security, and prosperity for our people." Furthermore, in 1994, APEC Leaders gathered in Bogor, Indonesia, and they committed to achieve free and open trade and investment by 2010 for industrialized economies and by 2020 for developing economies. So, the success of APEC development will be, in fact, significant for the well-being of the people not only in the region but also the whole world.

APEC is a non-binding dialogue platform, but it respects its commitment to the members. Once the plan has been endorsed by the leaders or senior officials, all working-level officials will strive to implement it. Therefore, even though there is no treaty obligation, APEC can still make concrete contributions to all others.

In the 2000s, the global development of free trade agreements flourished. However, as more economic coalitions formed in that period, trade and investment became more difficult across coalitions. Moreover, the slow progress of negotiations in the World Trade Organization, the APEC Business Advisory Council (ABAC), in 2004, came up with the idea that the Asia-Pacific region should develop a free trade area. Later in 2006, APEC leaders agreed upon ABAC's proposal and set it as a long-term vision of APEC. Therefore, APEC started to explore the path to realize the Free Trade Area of the Asia-Pacific (FTAAP). More specifically, the FTAAP should be a comprehensive and high-quality regional economic system that can respond to the next generation trade and investment issues. The realization of FTAAP shall be based on the incumbent regional economic cooperation architecture, which includes the Association of Southeast Asian Nations (ASEAN), ASEAN Plus (Regional Comprehensive Economic Partnership), and Trans-Pacific Partnership (Comprehensive and Progressive Agreement for Trans-Pacific Partnership).

The 3 pillars for the realization of FTAAP: ASEAN, RCEP, and CPTPP, have different characteristics and development. First, on December 31 in 2015, ASEAN established the ASEAN Community, following the ASEAN Charter. It aims to symphonize the policy measures, regulations, and goals in three major areas: Political Security, Economic, and Socio-Cultural. However, since the military coup broke out in Myanmar in February 2021, ASEAN, which has always adhered to the principle of non-interference in internal affairs, fell into a dilemma. And indecisive between maintaining

ASEAN's inner harmony and respecting the universal humanitarian values. It highlights that ASEAN's rules and norms may make it challenging to play a role in specific political and economic issues.



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Secondly, there are initially 16 participants (10 ASEAN countries, Japan, South Korea, China, New Zealand, Australia, and India) in the negotiations of RCEP. Although India withdrew before the negotiations' completion, the RCEP was still reaching an agreement in 2020. And several members have completed the domestic review process, so RCEP may come into force shortly. However, RCEP is low-standard economic cooperation, and many markets are not sufficiently open. The contents on market control are also empty due to opposition from socialist countries such as China.

Thirdly, in 2015, the 12 negotiating members of the TPP reached a consensus and signed the agreement. However, the TPP failed to take effect because the US withdrew from the agreement. But under the leadership of Japan, the remaining 11 TPP member states decided to relax or freeze some of the TPP articles and re-signed the CPTPP. Compared with RCEP, CPTPP is an agreement with more openness and covers more advanced issues such as protecting the environment, labor rights, and intellectual property rights, rather than limited to removing tariffs or non-tariff barriers. Therefore, CPTPP and RCEP are different in the scale and in the scope of

influence. Although the US withdrawal from the TPP is mainly because of the Trump administration's policy stance, it is still unknown whether the new Biden administration is willing to accept the existing conditions of the TPP to rejoin. If not, other members of the TPP will not accept to renegotiate, then the influence of the existing CPTPP will be significantly discounted.

The main challenge for APEC to achieve FTAAP comes from the uncertainty of the international political and economic environment, especially affected by the competition between the two global powers, the United States and China. Since the collapse of Lehman Brothers in 2008 triggered the global financial crisis, the United States' national strength decreased significantly. Although China's overall power is still inferior to that of the United States, the gap between them is continuously narrowing. Moreover, China has taken leadership in certain areas, and therefore, Beijing's confidence has also improved. The Chinese leaders are thinking about sharing the leadership of the Pacific with the United States. It seriously threatens the United States' global dominance. The challenge that China poses has also triggered a fierce countermeasure in the US policy circle. The strength of countermeasures also reached its peak during the unconventional Trump administration. The two countries then fought fiercely in the diplomatic, economic and military fields. To obtain more tools and bargaining chips, the United States and China both seek their own allies on the international stage, and other small and medium-sized countries are forced to choose sides between the two. The global geopolitical, economic environment is almost in a cold war scenario. Since the Asia-Pacific region is the main battlefield for the competition between the United States and China, APEC is then affected significantly.

Although ASEAN emphasizes ASEAN Centrality and hopes to maintain a certain degree of neutrality and autonomy on international issues, it is still divided into pro-American and pro-Chinese factions. Though the US is not a CPTPP member, the CPTPP can still be viewed as a pro-US trade block, for most of its members are US allies. In particular, the CPTPP is led by Japan, a US treaty ally. Therefore, there is still a certain degree of competition between the CPTPP and the Chinese-led RCEP. In sum, the 3 paths for APEC to achieve FTAAP may all develop in the shadow of the US-China competition. However, APEC is a platform for dialogue. It is a

place where the United States, China, and all other Asia-Pacific economies can exchange views frankly. In APEC meetings, all member economies respect different opinions, tolerate their differences, and allow others to promote plans or initiatives in their own interests. Under this formula of operation, APEC has achieved many success stories on many trades and investment issues. Some concrete examples include APEC has agreed upon and realized environmental goods tariff cuts. This year, the host economy, New Zealand, is leading the discussion to expand the existing item list. In addition, APEC has reached a consensus in 2020 on the facilitation of COVID-19-related necessities trade, which has a significant effect on slowing the spread of the pandemic. These developments are, of course, under the consensus of all APEC economies, including the US and China. These examples demonstrate that APEC can reduce competition and promote collaboration which is beneficial for the region.



(Source: unsplash.com)

In the current international geo-economic environment, Taiwan's international space is limited. In the Asia-Pacific region, whether Taiwan wants to participate in RCEP and CPTPP, it needs to obtain the unanimous consent of existing members. However, the RCEP is led by China. Therefore, Taiwan's participation in RCEP is bound to be affected by cross-strait relations. Furthermore, if China can influence the position of one of the CPTPP members on opening the door for Taiwan, we will also face

challenges in joining the CPTPP. Fortunately, APEC is currently one of the few critical international organizations that Taiwan can participate as an official member in which we have the same rights and obligations as other member economies in APEC. In addition, APEC's vision of achieving FTAAP already covers the scope of RCEP and CPTPP. So, actively participating in APEC will be beneficial for us to integrate into the region. Although the COVID-19 pandemic has caused APEC to cancel physical meetings and switch to virtual ones, which prevents us from participating in relevant meetings in person and interacting with officials from other economies, it, on the other hand, create an opportunity for us to highlights Taiwan's expertise in medical and digital technology.

Moreover, to follow Bogor Goal's spirit and continuously improve APEC as an institution, APEC launched Putrajaya Vision 2040 and vowed to cooperate toward building an open, dynamic, resilient, and peaceful Asia-Pacific by pursuing 3 economic drivers: Trade and Investment; Innovation and Digitalization; Strong, Balanced, Secure, Sustainable and Inclusive Growth. Taiwan should seize this opportunity to align with the Putrajaya Vision's implantation plan and demonstrate our advantage and enhance our international participation.

2-2. The Development of Food Security Issue in the APEC Region

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According to the outcome of World Food Summit in 1996, the Food and Agriculture Organization (FAO) indicated that food security exists when all people, at all times, have physical and economic access to sufficient, safe and nutritious food that meets their dietary needs and food preferences for an active and healthy life. Since 1998, food security has become a hot issue discussed by APEC Business Advisory Council (ABAC). The importance of food security remains to these days. We still can find food security related issues in the 2021 ABAC's agenda and work program. Although the discussion items have become more and more diversified with the development of emerging technologies, ABAC is still calling on APEC leaders to pay attention to the food issues in order to achieve the goal of sustainable development in the Asia-Pacific region.

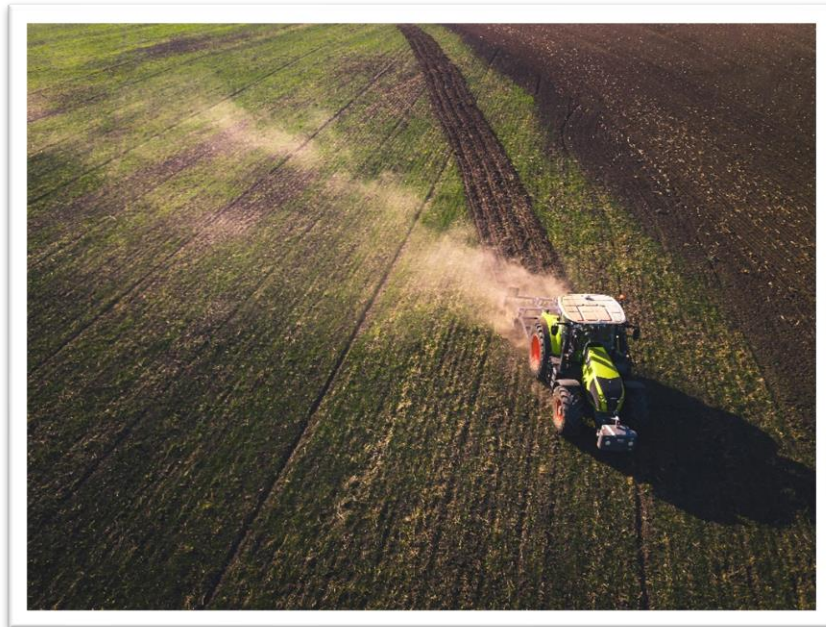
The 1995 APEC Leaders' Declaration mentioned that food scarcity may become a potential obstacle to economic growth. ABAC acknowledged the sensitivity and complexity of food issues so ABAC recommended APEC to establish an APEC food system as a regional framework. ABAC believed through implement the long-term framework plan of APEC Food System (AFS), it was possible to achieve the sustainable development goals in the APEC region.

APEC Food System is a regional food system that effectively integrates food producers, processors, and consumers. By following the APEC principles and the WTO principles such as non-discrimination and flexibility, the member economies could acquire food at reasonable prices for a long time and also to promote the sustainable growth of the food sector. APEC Food System could be regarded as a blueprint for rural development, agricultural trade liberalization and food safety.

Following the establishment of the APEC Food System after the APEC Leaders' Meeting in 1999, ABAC also actively provided concrete suggestions and recommendations to APEC, such as development of rural

infrastructure, technology transition, food trade promotion, convening APEC Ministerial Meeting on Food Security, conducting self-assessments, expanding participation in food mutual recognition agreements, and inviting international financial institutions to join together to promote regional prosperity and sound food systems.

However, ABAC was concerned about the ineffective implementation of APEC Food System. In order to facilitate APEC to effectively implement the APEC Food System, ABAC provided specific suggestions on how to catch up quickly, and also wrote to senior officials to reiterate the importance of APEC Food System and request senior officials to establish a special responsibility group under the APEC structure. Hence APEC established the Agricultural Technical Cooperation Working Group (ATCWG) to actively promote rural development, food safety, food hygiene, sustainable agricultural operations, agricultural diversification and other fields, and succeeded promote APEC Ministers of Agriculture to participate in the World Agriculture Forum to discuss food security issues together.



(Source: unsplash.com)

Though the development of APEC Food System was not as expected by ABAC, ABAC still regarded APEC Food System as one of the priorities. In 2009, ABAC published the "Strategic Framework for Food Security in

APEC" document to discuss key issues affecting food security and make specific suggestions such as commitment to the APEC food security system, establishment of a stable cooperation mechanism, elimination of export restrictions and subsidies. With the high expectation of ABAC, APEC formally convened the 1st APEC Food Security Ministers' Meeting in 2010, and announced the "Niigata Declaration on APEC Food Security" as concrete actions on food security issues. And the 1st Policy Partnership on Food Security (PPFS) was held in 2012.

In the past 10 years, ABAC had put forward a set of policy recommendations on promoting agricultural technology development, strengthening agricultural infrastructure construction, minimizing food loss and waste, and eliminating non-tariff barriers to food trade. Most of the recommendations had been written in the APEC Food Security Road Map towards 2020, Letter to APEC Minister of Agriculture and Food Security, ABAC Report to Economic Leaders, and were put into action progressively, playing a positive role in developing APEC Food System. Under the mega trends of population growth, urbanization, biotechnology, climate change, green consumerism, nutrition, health and safety needs, it is increasingly vital to establish a more inclusive, sustainable, and efficient food system, particularly facing great uncertainty in global agricultural market as a result of Covid-19 in 2020, leveraging digital technology to strengthen international cooperation matters more than ever.

On the other hand, the COVID-19 crisis has impacted food security regionally and globally by disrupting supply chains and affecting food production. The region's food systems is already facing significant challenges in terms of population growth, urbanization, climate change, and the depletion of natural resources. New innovative technological developments are expected to help transform the sector to build connectivity, resilience and productivity, while it is critical to build inclusivity and access to advances for limited resource farmers, women, and indigenous populations.

Inclusivity, efficiency, sustainability and healthy diet are recognized as the aspirations for the global food system, aligned with the UN Sustainable Development Goals. In recent years, digitization has significantly enabled the development of agriculture especially in the epidemic period and digital

technology could become an important facilitator for realizing these aspirations. However, pain points of digitalization in three dimensions of food system---Production, Distribution (including storage, logistics and trade) and Consumption need to be tackled, to maximize the opportunities for greater inclusion and more sustainable and efficient production and trade through the enhanced use of interoperable digital technologies at all stages of the food value chain.

Therefore, the objectives which ABAC is focusing on in 2021 are: (1) Improving Food Production Efficiency through Digital Technology Applications, (2) Leveraging Digital Technology to Facilitate Smooth Storage, Logistics and Trade, (3) Applying Digital Technology to Strengthening Safety Management of Agricultural Products.



(Source: unsplash.com)

ABAC believes that food security is critical to promote inclusive growth in the Asia-Pacific region and is also the key to achieve sustainable growth. ABAC hopes APEC continue to focus on food security related issues. Therefore, ABAC also supports PPFS. PPFS serves as an outstanding platform to integrate policies and initiatives from member economies to strengthen food security and balance the food supply and demand. This group ensures the betterment of sustainable food system in both urban and rural areas as well as maintaining an open dialogue to speed up food trade

in the APEC region. Not to mention, the group plays a fundamental role in promoting public-private partnerships and investments to improve the resilience of region's food system. By strengthening its partnership with ATCWG, particularly members' policies on food security have to be based on the support of technical cooperation and researches, which is the major objective of the ATCWG, PPFS's activities and outputs could be made more relevant to policymaking.

In 2021, PPFS will continue to work on initiatives and projects to strengthen regional food security, work towards a sustainable and inclusive food system and address the challenges posed by the COVID-19 pandemic. The Food Security Roadmap is an important guiding document for APEC member economies. Building on the APEC 2021 theme "Join, Work, Grow. Together", PPFS will develop the Food Security Roadmap Towards 2030 to ensure the key challenges facing the region on food security are addressed, including incorporating high level goals, strategies and objectives to ensure economies are resilient to future pandemics and other traumas.

PPFS always acknowledges the importance of the private sector in the food sector and their role in food security. In the future PPFS will focus on promoting public-private partnerships and investments to ensure greater resilience in the food systems and ABAC's recommendations for a whole-of-system approach for food production. A priority for PPFS is increasing quality private sector engagement, considering its contribution to enhancing food security. While policymakers take the lead in developing policy, without the input of primary producers, processors, distributors and import/exporters; the food system would not function. For this reason, PPFS will be seeking the enhanced involvement of the private sector in the development of Roadmap 2030 to ensure an innovative refreshed food system to meet food security challenges of the future, acknowledging also the valuable role and inputs of ABAC as Vice Chair of PPFS.

3. Conclusion

Asia-Pacific Economic Cooperation (APEC) is one of the few international organizations that Taiwan can actively participate as official members with same rights and obligations as other economies in APEC. APEC has adopted Putrajaya Vision 2040 that will make free and fair trade the focus of the APEC agenda for the next two decades. Despite the trade war between United States and China, Taiwan should still seize this opportunity to work in line with the Putrajaya Vision's implantation plan for pursuing the objective of trade liberalization and facilitation in Asia-Pacific region.

Other than actively facilitating free trade after the pandemic in the region, food security is another key issue post the pandemic. COVID-19 pandemic has drawn our attention to how disruptions in trade and supply chain can cause food shortages and its adverse effects on nutrition. Given the disruption to supply chains as well as a sudden change in consumer demand, economies in the region need to strengthen solidarity and cooperation, and continue their efforts to help ensure food systems remain open, innovative, reliable and sustainable.

Disclaimer:

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