

**APEC : ADVANCING TRANSPORT
LIBERALISATION**

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ABSTRACT

The Asia Pacific Economic Cooperation Forum (APEC) has made significant strides in recent years towards advancing liberalisation and facilitation of trade opportunities in the Asia Pacific region.

This paper will discuss the workings of APEC, and the Transportation Working Group in particular, with a focus on the role the Forum can play in enhancing the contribution of transport to international trade in the region, and the contribution New Zealand can make to that process. The paper will also canvass the work in other fora towards the liberalisation of transport and transport reform generally

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[Lead Shepherd, APEC Transportation Working Group, 1996]

** The views expressed in this paper are those of the author and do not necessarily represent those of the APEC Transportation Working Group*

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Introduction

Formed in 1989, APEC (Asia Pacific Economic Cooperation) aims to enhance economic trade investment and economic cooperation in the Asia-Pacific region for mutual benefit

The forum currently consists of 18 regional "economies"¹, an important term given the participation of China, Hong Kong and Chinese Taipei, and has huge economic importance to New Zealand, and I'm sure, to Australia. APEC is becoming increasingly significant in world terms. It accounts for

- 38% of the world's population
- 45% of world trade, and
- 54% of world output

Over 70% of New Zealand's two-way trade and much of our inward and outward investment is with the other APEC economies. A high and growing proportion of our inward tourist flows originates from the region. APEC economies together make up the most dynamic regional grouping in today's global economy, with the rapidly growing economies of ASEAN, China, Taiwan, Korea and Chile participating alongside the more mature economies of North America, Japan and our single most important bilateral economic partner, Australia. A number of other economies are seeking to join the grouping, but currently there is a moratorium on new membership to enable the organisation to consolidate²

The composition of this group serves only to highlight the opportunities which will accrue to the global economy from pursuing the APEC agenda of liberalisation and facilitation of trade opportunities

How APEC Works

APEC is not so much a tangible thing or organisation, as it is a process. A process aimed at enhancing economic and technological cooperation and creating the world's largest area of free trade and investment by the year 2020, based on a shared belief in the power of free markets to generate prosperity and economic security.

In November 1994, in Bogor, Indonesia, the APEC leaders agreed to a goal of free and open trade and investment in Asia-Pacific, no later than 2010 for "developed" economies and 2020 for "undeveloped" economies. They directed Ministers and officials to "immediately" begin preparing detailed proposals for implementing the leaders' decisions.

¹ Australia; Brunei Darussalam; Canada; Chile; China; Hong Kong; Indonesia; Japan; Korea; Malaysia; Mexico; New Zealand; Papua New Guinea; Singapore; Chinese Taipei; Thailand and the United States

² As examples, interest in participation has been expressed by India, Mongolia, Peru and Vietnam

A year later, at Osaka, Japan, the leaders agreed to the content of the "Osaka Action Agenda" (OAA), outlining plans to implement the "Bogor Declaration". The OAA is a comprehensive document, containing significant elements of the "action plans" of each of APEC's 10 working groups (although it is important to note that each working group's *entire* action plan is considered part of the OAA). The OAA is divided into two parts:

- Trade and Investment Liberalisation and Facilitation (TILF) "collective actions", and
- Economic & Technical Cooperation (Eco-tech) "joint activities"

This year, APEC's principal focus is on member economies developing "Individual Action Plans" (IAPs) to outline the path they are taking towards the goal of free and open trade and investment. The "model" IAP contains details of proposed actions in the following specific areas:

- * Tariffs
- * Non-Tariff Measures
- * Services
- * Investment
- * Standards and Conformance
- * Customs Procedures
- * Intellectual Property Rights
- * Competition Policy and Deregulation
- * Government Procurement
- * Rules of Origin
- * Dispute Mediation
- * Mobility of Business People
- * Implementation of Uruguay Round Outcomes

It is expected that each economy's IAP will be submitted for leaders' agreement at Subic, Philippines, late November, in a document incorporating the working group action plans of the OAA and economy IAPs, to be known as the "Manila Action Plan for APEC". Thereafter economy IAPs will be revised and resubmitted annually, placing a strong discipline to demonstrate progress towards the APEC goal of free trade and investment.

A distinctly "APEC way" of doing things has evolved, founded on consensus and the acknowledgment of diversity as a positive force for progress. APEC is a voluntary process, [volunteers make better soldiers than conscripts] with members making contributions as they see fit, with open consultation and "moral weight" playing a significant role in ensuring that members play their part. This open and supportive interaction extends outside APEC also, to other regions and international economic institutions such as the World Trade Organisation.

Quite significantly, and unlike many other multilateral organisations, APEC operates with minimum infrastructure (its Secretariat in Singapore has only 38 staff, 18 of which are seconded), depending instead on the maximum involvement of member economies in the various sectoral and issue-based working groups to achieve its desired outcomes. And, refreshingly, APEC actively seeks participation from the wider community, particularly the business sector. The Pacific Economic Cooperation Council (PECC) has observer status in APEC fora and has contributed independent studies and recommendations on regional issues affecting business for APEC's consideration. An initiative of the Osaka Leaders' meeting was the establishment of the Asia-Pacific Business Advisory Council (ABAC) as a permanent source of business advice. Within working groups and individual economies, officials seek specific business opinion on APEC matters, and participation in meetings.

The work of APEC is given direction at the highest political level, with commitments given, and renewed, on an annual basis by the leaders of each economy when they convene for their overview of progress. Further political leadership is exercised through Ministerial meetings - Finance, Trade and Transportation are some examples.

"Senior Officers Meetings" or SOMs are held three or four times annually and are the officials' vehicle to ensure cohesiveness and progress between successive leaders' meetings. Reporting to the SOM are an Economic Committee and a Committee on Trade and Investment and ten working groups.

The leaders and ministers meetings are occasionally referred to as the "engine" which drives the APEC process. Presumably then, and to continue with a vehicular analogy, the SOM is the "transmission" and working groups the point where the "rubber meets the road".

Working to their agreed action plans, the groups promote practical cooperation in broad areas such as infrastructure rationalisation, technology transfer, education and training, environmentally sound development and protection of scarce resources, and trade and investment facilitation. These groups are the building blocks for the development of practical links between official representatives, business sectors and academic communities.

The Transportation Working Group

The Transportation Working Group (TPT) is one of four so-called "services" groups, along with Telecommunications, Energy and Tourism, all of which keep the Committee on Trade and Investment informed in respect of progress on their IILF collective actions. In respect of Eco-tech joint activities, all ten working groups report to the SOM. A particular feature of my role this year as Lead Shepherd of TPT has been the implementation of only recently developed matrix reporting requirements to CTI and SOM. Achieving group consensus on the content of those reports outside of our formal

meetings has not been without its share of frustration but has to be regarded as part of an evolving process which will "shake down" and become routine

Our working group, in which all 18 economies and PECC are represented, has existed since 1991 and has held nine meetings to April 1996. Our 10th meeting is to be held in Thailand in late November. The TPT has an agreed action programme containing 19 collective actions and joint activities some of which will be discussed later. A summary list is attached at Annex A. All but two of our activities have a "lead economy" which is responsible for establishing any expert groups and progressing the work both at and in between formal sessions of the TPT. All working groups are managed by one or more "Shepherd" economies and TPT has three - Indonesia, New Zealand and the United States. We have agreed that the role of "Lead Shepherd" will rotate annually and the USA will assume the group leadership in November. Briefly, the Lead Shepherd is essentially a coordinator and communicator both internally and externally, having oversight of the work programme, meeting arrangements and agendas, approving submissions for APEC funding of TPT projects and as mentioned before, reporting. The shepherds also handle any "ad hoc" decision making on behalf of the group. I have been somewhat overwhelmed at the time commitment demanded in fulfilling the preceding bland description of my role!

Turning to our work programme, the broad framework of the TPT's efforts is driven by the goals of APEC leaders' meetings, with specific initiatives emanating from the first Transport Ministers' meeting held in Washington DC in June 1995.

At that meeting, Ministers agreed on a number of "guiding principles" to shape the development of transport policies in the region. Included among these were:

- facilitating the harmonisation, co-ordination and transparency of transport policies, regulations, procedures and standards
- promoting a more co-operative framework among member economies while achieving a more competitive environment among the industry players, on the basis of fair, equitable, and mutually realisable opportunities for the transport industry to improve efficiency and reliability and enhance consumer choice
- encouraging the reduction of barriers to trade in goods and services and investment in transport in a manner consistent with WTO principles, where applicable, and without detriment to other economies;
- promoting timely, rational investment in the region's transport infrastructure
- encouraging efficient use of existing infrastructure through the application of appropriate trade and transport facilitation techniques and electronic data interchange

Consistent with these principles, Ministers agreed on a number of priority areas for action:

- ◆ *pursuing policies that significantly improve the transportation system through strategic investment in infrastructure, recognising the need for both public and private resources*

the IPT is establishing a group of experts to facilitate the provision of "best practice" advice to economies on the options for either privatisation or corporatisation of infrastructure projects.

- ◆ *promoting, on the basis of fair and equitable access to markets, a more competitive transportation operating environment, and to co-operate to address institutional constraints affecting the provision of transportation services in the region*

Singapore, as lead economy, convened a group of "experts" from 13 economies to prepare an options paper for more competitive air services, with fair and equitable opportunity for all member economies. This small group met in October 1995 and identified eight options for achieving this. This options paper will be considered by Transport Ministers at their next meeting, scheduled to be held in Canada in June 1997.

- ◆ *pursuing policies that improve the productivity, skills, entrepreneurial capabilities, and efficiency of labour and management in the transportation sector through human resources development, including training, personnel exchange programmes, research and development, and technology transfers, in part to narrow the gaps in human resource development between developed and developing economies*

the TPI is looking at the establishment of a technical transportation exchange programme to increase the capabilities in the transport sector through the exchange of experts, and the TPI is studying the feasibility of establishing a centre for transportation research development and education looking first at networking amongst existing institutions

- ◆ *working together, and in support of the efforts of other international organisations, to enhance safety and security in the transportation sector throughout the region.*

The TPI has now established a group of aviation safety experts and a project looking at the benefits of satellite communication and navigation systems in the region. Another project is looking at aviation personnel licensing requirements throughout the region. All these projects are concerned with assisting member economies to adopt consistent standards, enhancing safety and aiding in the flow of personnel and goods between economies

- ◆ *developing transportation systems that help reduce congestion, and are energy efficient and environmentally friendly, taking particular note of the value of mass transit in achieving these objectives.*

An Urban Transport Forum has been established as a means for exchanging ideas on this issue and its first meeting will be held in Korea, in November 1996

As you will appreciate, all these efforts are aimed at developing practical solutions to issues which are of immediate concern to APEC economies. However, as other examples of its work, the TPT has also been involved in:

Transportation Congestion Points

The TPT has engaged a consultant to undertake a three stage project designed to identify transportation bottlenecks at airports, seaports, and land access points in the APEC region, and offer strategies for relieving or alleviating these congestion points. The second phase of this study was completed in March 1996 and the final phase, which has the objective of producing a "Best Practices Manual" for alleviating congestion, is due for completion in October 1996

This work is aimed at ensuring that infrastructure throughout the region is designed, built and able to be utilised in a manner which ensures the most efficient movement of people and goods

Electronic Data Interchange

The TPT has had included in the Osaka Action Agenda a statement seeking elimination of the requirement for paper documents for the key messages relevant to international transport and trade. A number of economies have some experience in the development of EDI systems and the TPT is seeking to have this experience shared between members. Trials of completely paperless trading are planned, based on the exchange of UN/EDIFACT messages using implementation guidelines issues by the International Transport Implementation Guidelines Group. These trials are, however, dependent on generating sufficient interest among relevant exporters, carriers and importers.

Work on EDI is also being undertaken by the APEC Customs and Telecommunications Groups and the TPT is liaising with these to ensure that maximum benefit will derive from the relevant projects.

Road Transport Harmonisation

A significant piece of work being undertaken by the TPT is in the area of road transport harmonisation. A consultant has been contracted to analyse regulations in various economies applicable to a selected range of vehicle design features in order to assess the common features required to enable free trade between APEC

economies in respect of automotive products. A model Mutual Recognition Agreement is being developed which would result in a "one-stop" certification approach, facilitating the flow of goods between APEC economies.

Transport and Liberalisation

As noted above, one of the major drivers of the TPT is the Transport Ministers' meeting held in Washington DC in June 1995. At the conclusion of that meeting, Ministers released a joint statement which included the following:

We recognise the important role of transportation in the economic and social well-being of each economy in the region. The ability of a transportation system to efficiently handle the movement of people and goods is critical in order to maximise economic productivity, facilitate trade, and contribute to the mobility of people. We also recognise that we must promote an institutional environment which facilitates the development of safe and efficient transportation systems that serve the region's consumers and producers.

The work of the TPT impacts across all parts of the regional transport system and contributes towards the achievement of the APEC Economic Leaders' goals of free trade and investment contained in the Bogor Declaration. Identification of differences in approach to, e.g. regulation, can assist in exposing those differences which have no basis in the requirements of a particular economy. Once identified, steps can then be taken to eliminate, or where there are valid reasons for differences, minimising these so as to ensure that goods and services produced in one economy can be easily made available in any other APEC economy.

Similarly, identification of transport system bottlenecks enables us to identify where steps need to be taken to ensure development of infrastructure is best suited to overcoming potential problems in distribution systems. Minimising costs in this way benefits producers and consumers through ensuring that the right products and services can be delivered at the right place, at the right time.

The different stages of economic development, and different political, legal and administrative systems ensures that the work ahead will not be easy. Nevertheless, these also provide further impetus to our work as economies have the opportunity to offer advice and expertise based on their own experiences, hopefully ensuring that efforts are directed towards bringing about the most beneficial outcome, without having to re-invent the wheel within each economy.

The positive results and experience gained by New Zealand in its transport reforms since the early 1980's make it a natural advocate of transport liberalisation, and we are certainly "playing our part" in several TPT steering committees and expert groups - more competitive air services; aviation safety & security; road transport harmonisation, seafarer training; corporatisation and privatisation and the congestion points study.

Similarly our experience in restructuring the Ministry of Transport from a multi-modal bureaucracy of 4500 staff into a small policy-oriented group of 60 which provides the Government with policy advice and contracts with the various safety agencies and roading providers to deliver the Government's desired transport outcomes has also drawn the attention of some of our APEC colleagues

The Ministry of Transport therefore sees APEC as a positive opportunity, not only to advance efforts towards international transport liberalisation (particularly in air services within the region), but also in improving the efficiency and effectiveness of transportation systems within individual economies. It is a process that we are committed to, and while the 2010/20 target of the Bogor Declaration may seem a little distant, there is really no time to lose at all if the transportation sector is to play its part

SUMMARY OF TPT ACTION PROGRAMME

NB: Items 1-6 are TILF collective actions, and items 9-19 are Eco-tech joint activities. The TPT has not yet reached consensus on the categorisation of items 7 & 8. Item numbers do not imply priority order.

1 Promote the implementation of International Civil Aviation Organisation and International Maritime Organisation standards, regulations and safety measures. (No Lead Economy)	2 Complete the Road Transport Harmonisation Project and encourage the development of mutual recognition arrangements for road vehicles (Lead Economy: Australia)
3 Encourage involvement in dialogue with the United Nations Economic Commission for Europe and strive to move towards harmonisation of road vehicle regulations within an appropriate international forum (Lead Economy: Australia)	4 Examine the possibility of taking appropriate steps to facilitate environmentally or corporatisation of transportation infrastructure projects. (Lead Economy: Indonesia)
5 After completing in 1995, Phase II of the Transportation Electronic Data Interchange Study identifying barriers to transportation industry use of Electronic Data Interchange, initiate a pilot Electronic Data Interchange trial program, and determine future direction in the adoption of Electronic Data Interchange as widely as possible throughout the transport sector in the region. (Lead Economy: Australia)	6 Seek to eliminate the requirement for paper documents (both regulatory and institutional) for the key messages relevant to international transport and trade as soon as practicable within the next 10 years (Lead Economy: Australia)
7 To establish by 1995 a small group to jointly prepare an options paper for consideration by all APEC Members, on a consensus basis, for more competitive air services with fair and equitable opportunity for all members (Lead Economy: Singapore)	8 To complete in 1996 a survey of aviation personnel licensing requirements in the APEC region (Lead Economy: Australia)
9 To complete by 1996 Phase 2 of the Transportation Congestion Points Study, analysing the major bottlenecks at land, sea and airports throughout the region and to complete by end of 1996 Phase 3 of the Transportation Congestion Points Study, providing a best practices manual of how economies can address their respective bottlenecks. (Lead Economy: United States)	10 To start considering at an appropriate time how to enter into strategic consultation in development of well integrated regional transportation infrastructure (No Lead Economy)

<p>11 To establish the APEC Urban Transport Forum to develop transportation systems that help reduce congestion and are energy efficient and environmentally friendly (Lead Economy: Korea)</p>	<p>12 To establish in 1996 a group of experts to identify aviation safety problems in the region (Lead Economy: Canada)</p>
<p>13 To complete by 1997 a survey/analysis of aviation safety and security problems, and develop a plan of action based on experience with a pilot project on satellite navigation and communication systems (Lead Economy: Canada)</p>	<p>14 To consider by 1997 establishing a group of marine safety experts, and a security experts group, based on experience with the aviation safety experts group. (Lead Economy: Canada)</p>
<p>15 To complete in 1996 the investigation determining the value of establishing a technical transportation exchange program. (Lead Economy: United States)</p>	<p>16 To commence in 1996 the study of the feasibility of a center for transportation research, development and education. (Lead Economy: Indonesia)</p>
<p>17 To commence in 1996 the evaluation of seafarers training needs in the APEC region (Lead Economy: Indonesia)</p>	<p>18 To encourage the use of transport data and information networks such as the Database of Transportation Technology Research. (Lead Economy: Japan)</p>
<p>19 To commence in 1996 an inventory of activities on oil spills preparedness and response arrangements in the APEC region. (Lead Economy: Philippines)</p>	