

**Policy Analysis Focus 19-2**  
**Preliminary Review of the Achievement of the Bogor Goals<sup>1</sup>**

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**I. Introduction**

In November 1994, the leaders of the Asia-Pacific Economic Cooperation (APEC) announced the Bogor Goals, their “commitment to complete the achievement of [the] goal of free and open trade and investment in the Asia-Pacific no later than the year 2020.”<sup>2</sup> This study examines the current state of tariff reductions in the APEC economies, one year before the target year, and considers the remaining issues for trade policy making.

Tariff data in this study is derived from the International Trade Centre (ITC) Market Access Map database<sup>3</sup> and the Global Trade Analysis Project (GTAP) database.<sup>4</sup> GTAP database version 10, the latest version, released in July 2019, provides global trade and tariff data for 2014. Meanwhile, the Market Access Map has developed forward looking tariff data reflecting the expected outcomes of the various trade agreements during their respective periods.

**II. Trends in tariff reductions**

Tariffs have fallen substantially in the APEC economies over the past 25 years. ITC tariff data indicates the average tariff rate for the APEC economies on 2019 imports from APEC economies to be 1.9 per cent<sup>5</sup> (Table 1), which is lower than that for 1995 (7.9 per cent,<sup>6</sup> according to GTAP database version 4). In 1995, tariff rates were higher,

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<sup>1</sup> The views expressed in this article are the author’s own and do not represent those of GRIPS Alliance or other organizations to which the author belongs.

<sup>2</sup> 1994 Leaders’ Declaration, APEC, November 16, 1994

[https://www.apec.org/Meeting-Papers/Leaders-Declarations/1994/1994\\_aelm.aspx](https://www.apec.org/Meeting-Papers/Leaders-Declarations/1994/1994_aelm.aspx)

<sup>3</sup> Market Access Map, ITC, <https://www.macmap.org/>

<sup>4</sup> <https://www.gtap.agecon.purdue.edu/databases/default.asp>

<sup>5</sup> Trade weight is derived from the GTAP database version 10. The average is calculated without Papua New Guinea, for which data is not available in the GTAP database.

<sup>6</sup> This is the average of the APEC economies without Brunei, Papua New Guinea and Peru, for whom data are not available in the GTAP database version 4. The data for Russia is proxied by that for the former Soviet Union.

**Table 1 Tariff rates in APEC**

	1995	2019	Future	EPA	(%) no EPA
Japan	14.1	2.2	1.7	1.4	2.0
China	27.7	3.0	2.7	0.7	4.6
Korea	10.4	3.7	3.0	2.5	4.4
Hong Kong, China	0.0	0.0	0.0	0.0	0.0
Chinese Taipei	9.7	1.9	1.9	0.0	2.0
Brunei	-	0.4	0.3	0.3	1.3
Indonesia	8.4	1.0	1.0	0.6	3.8
Malaysia	10.4	0.8	0.6	0.4	3.0
Philippines	25.5	1.3	1.3	0.9	3.0
Singapore	1.4	0.0	0.0	0.0	0.0
Thailand	17.0	2.0	1.8	1.1	5.4
Viet Nam	19.6	2.1	1.3	0.9	6.4
Australia	8.9	0.8	0.8	0.8	2.7
New Zealand	3.5	0.3	0.0	0.0	0.3
United States	2.3	1.3	1.0	0.1	2.6
Canada	1.1	1.4	0.6	0.0	3.0
Mexico	1.5	0.9	0.8	0.0	2.8
Chile	10.4	0.2	0.2	0.1	5.9
Peru	-	0.5	0.4	0.3	1.5
Russia	12.2	8.6	8.6	0.8	8.7
Average above	7.9	1.9	1.6	0.6	3.4

Source: GTAP database versin 4 and 10 and Market Access Map, ITC

at double digit levels in most Asian economies. On the other hand, they were already lower in the United States (US), Canada and Mexico after the North American Free Trade Agreement (NAFTA) went into force in the three economies on January 1, 1994.

Moreover, the average APEC tariff rate will be reduced to 1.6 per cent sometime in the future, when the already concluded Economic Partnership Agreements (EPAs) and Free Trade Agreements (FTAs) among the APEC economies will fully be implemented,<sup>7</sup> according to the aforementioned ITC forward looking tariff database. The average preferential tariff rate of the APEC economies implementing trade agreements in the future will be 0.6 per cent, against the 3.4 per cent average APEC tariff rate applied to those trade partners with whom the APEC economies have not yet agreed trade agreements. It is suggested that tariffs have fallen more on Most Favored Nation (MFN) basis, as indicated by the fact that average tariff rates applied to trade partners without trade agreements have fallen substantially, with trade agreements also contributing to

<sup>7</sup> It is assumed here that the Trans-Pacific Partnership (TPP) agreement would also eventually be implemented among the 12 economies including the US.

**Table 2 Real GDP impact of tariff reductions**

	Past (A)	Remaining (B)	Ratio (B/A)	(%)
Japan	-4.1	1.8	43.5	
China	-4.7	1.2	25.1	
Korea	-8.7	3.0	35.0	
Hong Kong, China	-2.2	0.1	6.2	
Chinese Taipei	-6.1	2.5	40.1	
Brunei	-	0.3	-	
Indonesia	-4.4	0.3	7.8	
Malaysia	-15.2	0.8	5.3	
Philippines	-20.6	0.6	3.1	
Singapore	-7.4	-0.4	-5.5	
Thailand	-21.3	2.7	12.7	
Viet Nam	-23.2	5.1	22.0	
Australia	-3.6	0.2	6.6	
New Zealand	-5.3	0.0	0.1	
United States	-0.4	0.3	60.6	
Canada	-1.0	0.5	47.6	
Mexico	-6.7	1.0	15.1	
Chile	-4.9	-0.2	-4.6	
Peru	-	-0.2	-	
Russia	-2.9	1.5	50.7	
Average above	-3.1	0.8	25.8	

Source: Author's simulations

further reductions of tariffs. That said, it should be noted that in a few economies, including Japan and Korea, tariff rates would not necessarily be close to zero even after trade agreements were implemented.

### III. Economic impact of tariff reductions

It is estimated here that if the APEC tariff rates remained unchanged at their 1995 levels, on average the APEC real GDP would be 3.1 per cent smaller (Table 2).<sup>8</sup> This effect is shown to vary widely among the APEC economies, ranging from 0.4 per cent in the US to 23.2 per cent in Viet Nam. The effect appears to be correlated to the magnitude of changes in tariff rates. In any case, it is indicated that the economic impact of tariff reductions may not necessarily be significant in light of the magnitude of economic

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<sup>8</sup> This is estimated by the author's simulations using a modified version of a standard Computable General Equilibrium (CGE) model of global trade provided by GTAP based on the GTAP database version 10. In the author's model, in addition to capital accumulation effects available in the standard GTAP model, pro-competitive productivity effects are introduced.

growths over longer term.

On the other hand, it is estimated that the APEC real GDP on average would be boosted by 0.8 per cent as a result of the removal of remaining tariffs in the APEC economies. This increase accounts for 25.8 per cent of economic impact generated by the APEC tariff reductions in the past from 1995 to 2019. This ratio of economic impact is shown to be proportional to the ratio of tariff reductions, as already discussed above. It is suggested then that further tariff reduction efforts would still contribute to economic benefits in the APEC. It is shown here that a few APEC economies would lose rather than gain from further APEC tariff reductions, but they have enjoyed relatively larger benefits from past tariff reductions.

Two major pathways toward the Free Trade Area of the Asia-Pacific (FTAAP) have been suggested: TPP, which has been agreed previously; and the Regional Comprehensive Economic Partnership (RCEP) in East Asia, which is under negotiation. RCEP is expected to play a role in the work towards further tariff reductions in the near future.

#### IV. Concluding remarks

Tariffs have fallen substantially in the APEC economies, but further tariff reduction efforts could well contribute to economic benefits in the APEC. The development of major trade agreements in the APEC economies, particularly RCEP, should be watched.