

# APEC ENDORSES SELF-REGULATION – THE BEGINNING OF A NEW ERA

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## **Management Digest**

The just released APEC Leaders Declaration contains the following –

*“We endorse the APEC Action Agenda on Advertising Standards and Practice Development to promote alignment of advertising standards and reduce the cost of doing business across the region”*

The APEC Action Agenda on Advertising Standards and Practice Development is an outstanding document that extols the benefits of best practice advertising self-regulation and has a timetable for future action. This will affect all 21 countries/economies in APEC. 2015 will be a busy year for industry if it is to take full advantage of the opportunity granted by the APEC.

This ALERT examines the Action Agenda.

## **APEC Meeting**

The APEC Leaders meeting has just concluded in Beijing. It was a gathering of the Heads of State of the 21 APEC economies. The main outcome of the meeting is the announcement of a start of the negotiations of a free trade agreement – called the Free Trade Area of the Asia-Pacific (FTAAP).

It is also recognized in the Declaration that there is a need *“to accelerate “at the border” trade liberalization and facilitation efforts, improve the business environment “behind the border”, and enhance regional connectivity “across the border” to accumulate more building blocks for the realization of the FTAAP.”*

Among the actions that needed to happen is the implementation of the Action Agenda on Advertising Standards and Practice Development.

## **Action Agenda**

The opening paragraph of the Action Agenda recognizes the economic importance of advertising and of best practice advertising regulation –

*“As an important driving force in guiding consumption, expanding domestic demand and stimulating economic growth, advertising is a critical way of helping companies and industries across the APEC economies grow. Advertising enhances brand recognition, fosters competition, increases cross-border trade and provides for information and*

*educational exchanges that build modern industrial economies. Regulatory and self-regulatory frameworks for advertising help achieve innovation, productivity and growth in all goods and services sold across and within APEC economies. The APEC Policy Support Unit (PSU) study of 2014 recognised the significant benefits of advertising.” We reviewed the PSU report in ALERT 17/14.*

In the following paragraph is an endorsement of self-regulation –

*“Advertising standards refer to codes of practice – set out by the advertising industry on the basis of international experience and adapted to locally and culturally specific realities. As such, these standards provide guidance on how best to protect and inform consumers and prevent anti-competitive practices and complement a sound regulatory system. A self-regulation system that applies advertising standards is an implementation of self-discipline and self-management under industry auspices and is an important complement to government regulation and enforcement”*

The Action Agenda recommends to APEC members that advertising regulatory regimes reflect the following principles –

- “1. Be legal, decent, honest and truthful.*
- 2. Conform to the principles of fair competition, as generally accepted in business. Advertisers should respect intellectual property rights, and the legitimate rights of brand holders and advertising agencies.*
- 3. Respect the cultural, legal, and economic context of each individual APEC economy.*
- 4. Give special care in advertising practice directed towards or featuring children or young people. Advertisements targeting, or portraying, children shall not contain anything that will lead to physical and mental harm to them and shall not take advantage of their potential vulnerability or credulity.*
- 5. Advertising should not undermine healthy and active lifestyles or healthy balanced diets.*
- 6. Advertising should take particular care to ensure truthfulness and integrity in relation to environmental claims.*
- 7. Respect and protect personal privacy consistent with the APEC Privacy Framework and Cross Border Privacy Rules.*
- 8. Comply closely with regional laws and regulations, industry standards and ethics.*
- 9. Facilitate, rather than impede, trade and investment in the region.”*

## Recommended Actions

The Action Agenda has a number of recommended specific actions.

- Governments are urged to *“increase their support for efforts of advertising self-regulation”* and to *“actively explore specific ways to realize advertising self-regulation, should enhance communication and cooperation in terms of organizational structure, process design and performance management, and should endeavor to realize the significant industry role in self-regulation and extensive social influence of advertising self-regulatory practice.”*
- Industry associations *“are expected to actively participate in advertising self-regulatory practice. While raising awareness and capacity of self-regulation, they should play their role in guiding and rectifying their members’ advertising practice.”*
- Advertisers are to play a leading role – *“As the initiator, investor and drivers of brand advertising campaigns, advertisers should practice corporate social responsibility and actively promote responsible advertising. Brand owners and their representative organisations should, therefore, assume primary responsibility for advertising communications and industry self-regulatory practice.”*

## Timetable

2015 will be a busy year with four different very large tasks.

- “- Develop principles in 2015 for APEC economies to use in developing their advertising and self-regulatory regimes;*
- Develop and deliver mentoring and capacity building programs in 2015 that aim to help economies adopt these principles;*
- Develop an advertising regulatory checklist in 2015 that details key elements of a regulatory framework that facilitates trade and investment and protects consumers; and*
- Build public awareness programs of available consumer policy tools, including self-regulatory organizations (SROs) for roll out in 2015-2017.”*

## Discussion

Such an endorsement for best practice advertising self-regulation is unprecedented. The endorsement is even more remarkable when the nature of some of the political systems of APEC members is taken into account. In Europe it has been an endless struggle to convince the EU of the benefits of self-regulation and although EASA and its members have established a credible system there are still constant criticisms and calls to regulate.

The opportunity offered to industry is immense but quick action is needed. This will require planning, programs and funding. It is an opportunity that must be grasped.

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