



Asia Pacific Economic Cooperation (APEC)

By John Gershman

Asia Pacific Economic Cooperation (APEC), founded by a dozen countries in 1989, has matured into a forum of twenty-one countries that addresses economic issues in the Asia-Pacific region. This diverse group includes the U.S., Canada, China, Taiwan (officially Chinese Taipei), Hong Kong, Japan, Australia, New Zealand, the Philippines, Thailand, Singapore, Indonesia, Malaysia, Brunei, South Korea, Papua New Guinea, Mexico, Chile, Peru, Russia, and Vietnam.

Together, the APEC countries account for nearly half of the world's merchandise trade, half the global GNP, and approximately forty percent of the world's population. Operating from a modest secretariat in Singapore, APEC sponsors regular meetings and annual summits of senior government officials and heads of state. APEC operates by consensus rather than through binding agreements and the type of legalism evident in the North American Free Trade Agreement (NAFTA) or the European Union (EU). Through a process of "concerted unilateralism," APEC members define broad regional

goals but leave the specific aspects of implementation to each nation.

APEC consists of three occasionally overlapping processes. The first is economic and technical cooperation promoting economic and human resource development, or "eco-tech." These activities have become more central to APEC's activities over time.

The second is trade and investment liberalization, an agenda that emerged at its 1993 meet-

ing when President Clinton invited the (then) 18 APEC leaders to Blake Island, Washington, for the first-ever APEC Economic Leaders Meeting. The Bogor Declaration, adopted in 1994, proclaimed the elimination of all trade and investment barriers by 2010 for APEC's wealthiest countries and by 2020 for its poorest ones. Subsequent meetings led to a refinement of these goals in terms of individual and collective action plans with the actual liberalization commitments.

Subsequent efforts at pursuing liberalization floundered primarily due to opposition from Japan, and since 1998, liberalization has been on a back burner. The annual meetings since then have been dominated either by regional political events (the Asian crisis in 1998 in Kuala Lumpur and East Timor at the 1999 meeting in Auckland) or more technical

issues of economic cooperation (such as e-commerce at the 2000 meeting in Brunei). This year's meeting in Shanghai will include discussions of technical issues associated with e-commerce and a proposed new round of trade negotiations at the World Trade Organization's Ministerial scheduled for Doha, Qatar in November. However, the dominant issue for the heads of state will be a declaration supporting the anti-terrorism campaign led by the Bush administration. APEC will be an important forum for such a declaration because of three of its members—Indonesia, Malaysia, and Brunei—are Muslim-majority countries. If such a declaration is released it would be the first time the APEC summit issued a political declaration.

The third—and weakest—process is the sustainable development agenda. To date, this process has been characterized by a flurry of small-scale capacity building projects and little else beyond statements of principle. The weakness of the sustainable development agenda stems from five major causes: poor leadership by the wealthier countries, most prominently the U.S.; popular opposition to APEC's free trade agenda; failure to connect the trade, investment, and environmental tracks; the weakness of pro-sustainable development forces within negotiating governments (most of which are dominated by commercial interests); and the inability of pro-sustainable development forces from civil society to penetrate the national and regional processes of policy formulation.

The challenge of working with diverse economies and varying perspectives on trade and investment regulation gives APEC a certain informality and lack of cohesiveness. Although the APEC forum has declared its support for free trade, many members oppose mandatory implementation schedules for comprehensive reduction of tariff and nontariff barriers. Indeed, some countries—principally Malaysia and Japan—have insisted that the liberalization goals be nonbinding and have opposed the U.S. demand that all economic sectors be opened to foreign trade and investment. Countries that oppose the U.S. in its drive to convert APEC into another free trade area would prefer that APEC remain a consultative organization that facilitates technical cooperation on economic matters.

APEC failed to respond effectively to the Asian financial crisis. In the face of APEC's paralysis and a stalemate in trade negotiations at the global level, countries in the region are pursuing a range of bilateral and regional initiatives outside the APEC framework, including bilateral free trade agreements and a mechanism to protect countries during currency crises.

Key Points

- APEC is the largest, most diverse trans-Pacific forum of its kind.
- APEC envisions elimination of all trade and investment barriers by 2010 for the wealthiest countries and by 2020 for the poorest ones.
- APEC is in a quandary as the anti-terrorist campaign overshadows its original mission as a forum for economic issues.

Problems with Current U.S. Policy

Between 1989 and 1992, APEC had a relatively low profile within U.S. foreign economic policy. During that period, NAFTA and the Uruguay Round of the General Agreement on Tariffs and Trade (GATT) were Washington's top free trade priorities. The 1993 Seattle APEC meeting, hosted by President Clinton, marked both a higher priority U.S. role in the Asia-Pacific region in general and a more coherently articulated free trade and investment agenda for APEC. Clinton's free trade vision received strong backing from Australia, Canada, and New Zealand, but other countries—notably Japan and Malaysia—were less than enthusiastic.

For the U.S. government and business community, APEC offers an opportunity to exercise economic leadership in an important world region. U.S. economic objectives, however, have been at variance with those of several Asian members and with the goals of NGOs that are trying to raise issues about human rights, labor, the environment, and democratization. Washington regards APEC as an instrument to assert its economic liberalization agenda, reduce its merchandise trade deficit with the region, and build a regional free trade bloc with strong U.S. participation, while serving to discourage Asian nations from organizing into an exclusive trading bloc.

The Asia-Pacific region has surpassed Western Europe to become America's largest regional trading partner—both as a supplier of U.S. imports and as a customer for its exports. Like NAFTA, APEC is regarded by the U.S. both as a regional bulwark against advances of the European Union and as a lever to strengthen Washington's economic liberalization agenda at the World Trade Organization (WTO). By developing initiatives supported by a significant group of APEC members, the U.S. uses APEC to build a "critical mass" for incorporating its global liberalization agenda into the WTO.

The primary resistance to expanding NAFTA into a hemispheric Free Trade Area of the Americas (FTAA) comes from opponents within the U.S. who either oppose the free trade agenda or oppose attaching labor and environmental agreements to new trade accords. In the Asia-Pacific region, however, opposition to the U.S. free trade juggernaut comes from both governments and citizens. Although the Clinton administration succeeded in winning rhetorical commitments to free trade, its proposals for the establishment of a mandatory timetable for the implementation of a free trade area were consistently rejected.

The Clinton administration's insistence on liberalization—especially in the face of a massive economic crisis—was widely reviled in the region as predatory. Rather than trying to address the social costs of the crisis, Washington focused on pursuing policy reforms that would enable U.S. corporations to pick at the choice carcasses of Asia's economic crisis. Under Clinton, the U.S. harshly criticized Malaysia's Prime Minister Mahathir, for his use of capital controls, and derailed efforts by the Japanese to establish an Asian Monetary Fund to protect countries from currency speculation. Since then a scaled down version of such a fund was cre-

ated and Malaysia's capital controls have been praised by mainstream economists worldwide, vindicating those efforts and reinforcing a common regional view that the U.S. will resist initiatives that do not bear its imprimatur or advance its narrow commercial interests.

The collapse of the liberalization agenda within APEC is an opportunity for the U.S. to reorient its approach to economic cooperation in the region, one that is in line with Asian member nations preferences for APEC to revert to its original focus on the eco-tech agenda of economic and technical cooperation to facilitate economic and human resource development. This agenda emphasizes consensus building on broad policy areas and the pursuit of a range of projects. The over 300 eco-tech projects have produced meager results, with the major output being the construction of databases of dubious quality. This is because wealthier countries are unwilling to devote significant resources to fund projects, and because the process of selecting projects is uncoordinated and unfocused. With a fairly small amount of money and some minimal coordination, Washington could expand some useful capacity building efforts, especially between U.S. state and local governments and their counterparts in the region. With many Asian economic in the doldrums, such a capacity-building effort targeted at reducing poverty would do far more to ease the social costs of the crisis than pushing for a new trade round at the WTO. The broader benefit would be the commitment to community building in a region where multilateral institutions are weak.

The focus on terrorism at this year's meeting reflects a narrow U.S.-centered agenda. Asian countries are concerned about their own economic crises and the instability that might result from a prolonged economic downturn. Southeast Asian countries are concerned about the dual effects of a recession in the U.S. and China's entry into the WTO, which will make competition for market share even more intense. APEC was established to promote cooperation on economic issues, and there is an opportunity to expand discussions related to financial transparency and money laundering, areas where economic cooperation complements the fight against terrorism. But the Bush administration should seize the opportunity to regain some of the goodwill lost during the Clinton era with proposals for strengthening economic cooperation in areas of concern identified by other APEC members.

Absent a coherent agenda for cooperation, APEC's future is uncertain. Attention by nongovernmental organizations (NGOs) to APEC has ebbed and flowed with APEC's own activity. The 2001 meeting will be the third year since 1993 that NGOs will not organize a parallel summit (the Indonesian government blocked a planned NGO forum in 1994 as did the Brunei government in 2000).

Key Problems

- Washington's free trade model for the Asia-Pacific region has met with resistance.
 - U.S. policy in APEC promotes an economic model that downplays human rights and sustainable development.
 - U.S. policy has ignored the lower profile but essential elements of community building in the region.
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Toward a New Foreign Policy

Cognizant that two of APEC's three legs are unsteady and faced with domestic opposition to new, large-scale free trade agreements, Washington could seize the opportunity to pursue a less narrowly focused policy agenda toward APEC. Trying to force liberalization on APEC member states has failed, and maintaining it as the centerpiece of U.S. policy in the region is counterproductive to Washington's stated goals of promoting

democracy, equity, and environmentally sustainable development. At a time when even mainstream economists endorse capital controls, U.S. policymakers should rethink their commitment to comprehensive economic liberalization.

As the world's broadest regional economic institution, APEC can provide benefits in two areas: 1) contribute to community building efforts in the region that address shared social, environmental, and economic challenges, and 2) move toward a more balanced sus-

tainable development agenda. As first steps, the U.S. could gain support for these two goals by abandoning its liberalization-for-everyone approach, increasing its support for capacity building efforts at the national and regional levels through the eco-tech process, and leading by example at home.

U.S. policy should focus simultaneously on improving the transparency of APEC negotiations and on expanding the APEC agenda to include issues of concern to civil society organizations other than chambers of commerce. Any effort to make the APEC process more transparent and participatory should encourage more citizen involvement at the national level (particularly in the U.S.) in discussions about APEC policy. Although the Clinton administration occasionally included NGO representatives in some U.S. delegations, this sporadic inclusion falls short of the steps needed to open up the U.S. policymaking process. Also important is the participation of nonbusiness citizen groups at the committee and working-group levels. Washington should support the proposal by the International Confederation of Trade Unions' Asia Pacific Labor Network to create a Labor Forum as a counterpart to its APEC Business Advisory Council.

Discussion of the anti-terrorist agenda can be productive, but not if it is used to narrowly advance the U.S. agenda on terrorism to the exclusion of pressing economic concerns in the region. The U.S. should encourage an expanded dialogue to include other issues related to trade and development that may complement the anti-terrorism agenda. For example the administration is also faced with an opportunity to expand cooperation

on research and development of alternative energy sources and strengthening transparency in financial systems.

Human rights issues, while not on the formal APEC agenda, are slowly forcing their way onto the backdrop of the meetings. This is primarily because of demands by citizens in the region for democratization and respect for human rights. Human rights have also been highlighted when previous host governments have harassed NGOs or citizens engaged in protest or parallel activities. Last year's meeting in Brunei, and this year's in Shanghai, provided no arenas for civil society participation of any sort.

The informal bilateral discussions that parallel the multilateral meetings enable U.S. officials to raise issues not on the official APEC agenda. This year, such meetings are likely to be narrowly dominated by anti-terrorism issues. This would be a mistake. These are prime opportunities to discuss the social and environmental costs of current development strategies in Asia and to emphasize respect for human rights. The problem is that the inconsistency and hypocrisy that characterize U.S. policy in the region reinforce regional sentiment that America's promotion of democracy, worker rights, and environmental protection are self-serving in nature. To overcome these criticisms and to chart a more responsible foreign policy toward APEC and its member countries, Washington should indicate that the U.S., too, needs to improve its own practices regarding the environment and human rights.

Specifically, we recommend that Washington take the following actions:

- Acknowledge that the liberalization locomotive has halted and recognize the validity of Asian development models that allow for the judicious intervention of government as a legitimate strategy in pursuing industrialization and food security.
- Encourage the development of regional initiatives to address financial instability.
- Support regional mechanisms to induce successful strategies of community-based natural resource management, encourage the transfer of clean production technologies, and promote energy conservation and development of renewable energy sources.
- Expand U.S. support for national, state, and local governments to pursue capacity building projects through the eco-tech process.
- Create citizen advisory groups, paralleling APEC working groups, to enable NGOs and citizens to participate in the formulation of U.S. policy within APEC.

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Key Recommendations

- Washington should drop its insistence on comprehensive trade and investment liberalization and should recognize the validity of a plurality of development models and priorities.
- The U.S. should support initiatives that build capacity relevant to the sustainable development agenda in the region.
- The U.S. should insist that APEC become more transparent, participatory, and accountable.

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Sources for More Information

Organizations

APEC Education Network
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APEC Secretariat
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Website: <http://www.apecsec.org.sg/>

Asian Human Rights Commission
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World Wide Web

APEC Education Foundation
<http://www.apecef.org/>

APEC International Assessment Network
<http://www.apecstudy.org/APIANBuild.htm>

APEC Secretariat
<http://www.apecsec.org.sg/>

APEC meeting in Shanghai
<http://www.apec-china.org.cn/>

Good links on APEC
<http://www.nautilus.org/>

Human Rights Watch
<http://www.hrwatc.org/>

U.S. State Department Bureau of East Asian and Pacific Affairs
<http://www.state.gov/www/regions/eap/index.html>

U.S. Government's APEC Index
<http://www.apec.org/>

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