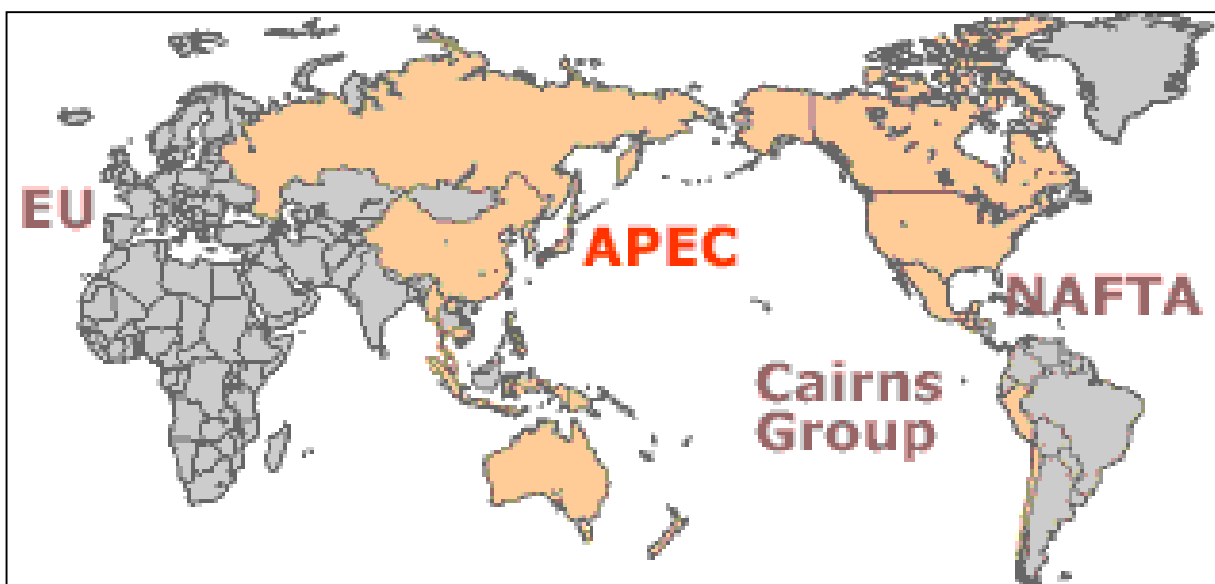


## Chapter II: APEC Agenda

The Asia-Pacific Economic Cooperation (APEC) is the megaregionalism of the region, and the major vehicle organization for trade liberalization in Asia. APEC represents 21 members, which include several developed countries like the United States and Japan, as well as developing members like China and Vietnam. APEC is a market-led type of “*de facto*” regionalization, where economic integration by market driven trade took place before the region needed any type of trade arrangement. APEC's formation is considered a shallow integration because of its policy making through consensus and maintenance of each member's sovereignty while completing the objectives based on Concerted Unilateral Actions (CUA). APEC is an “out-ward” looking system in its principle



of open regionalism, and its trade policies are applicable to non-members. It is “out-ward” looking in the sense that it is also expansive in its membership. These

characteristics sharply separate APEC from other megaregionalisms such as NAFTA or EU.

<source: [http://news.bbc.co.uk/furniture/special\\_report/1999/11/99/seattle\\_trade\\_talks/update\\_2001/apec\\_map.gif](http://news.bbc.co.uk/furniture/special_report/1999/11/99/seattle_trade_talks/update_2001/apec_map.gif)>

The first APEC ministerial meeting was held in Canberra, Australia in November 1989. Ministers from 12 nations gathered to discuss the process of regional cooperation. Starting members included Australia, Brunei Darussalam, Canada, Indonesia, Japan, Korea, Malaysia, New Zealand, The Philippines, Singapore, Thailand, and the United States. Today, APEC's membership has expanded to 21 economies<sup>1</sup> in the region, which represent over half of global trade.

From the principal formation of APEC, objectives focused on 'Liberalization', 'Economic Cooperation', and 'Harmonization' within the regional economies. 'Liberalization' refers to reduction or elimination of tariffs, trade barriers and investment regulations of each participating economy. 'Economic cooperation' is to establish the basic infrastructures of the economies in areas such as human capacity building, encouragement of growth in small and medium enterprises, and the transference or improvement of technology. 'Harmonization'

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<sup>1</sup> Participants of APEC are referred to as "economies", instead of "nations" for the special consideration of the inclusion of Taiwan (Chinese Taipei in APEC), where its independence is debated and is a political dispute with China. It is also to stress the entity of economies rather than nations, making it less political. 21 "economies" in APEC are the initial 12 members plus Republic of China, Chinese Hong Kong, Chinese Taipei, Mexico, Papua New Guinea, Chile, Peru, Russia, and Vietnam.

refers to standardizing customs procedures, conformance and regulations among member economies for the improvement of efficiency in the region's trade.

These principal objectives are still basically the same today in the APEC agenda, however, APEC as an organization has been going through some major changes in its structure. On the APEC secretariat homepage, it states; "Asia-Pacific Economic Cooperation (APEC) was established in 1989 in response to the growing interdependence among Asia-Pacific economies. Initiated as an informal dialogue group, APEC has since become the primary regional vehicle for promoting open trade and practical economic cooperation. Its goal is to advance Asia-Pacific economic dynamism and sense of community".<sup>2</sup> Institutional framework in APEC has slowly been evolving from loosely bound communities towards almost formalized systematic mechanisms of the region's economic integration.

In this chapter, APEC's market-led "*de facto*" open-regionalism is examined through the evolution of the APEC agenda from pre-APEC regional economic integration and organizational changes in the last 13 years of APEC's history.

### Pre-APEC integration of the region

The 'growing interdependence' that preceded the formation of APEC in 1989 refers to the economic integration accompanied by fast growth of economy in

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<sup>2</sup> <http://www.apecsec.org.sg>

the region, which occurred most visibly after the mid-1980s. The sudden rise of the region's economic growth with its export expansion owes much to Japan's strength and financial power of the time, and its attention in the region. It is also due to the region's capacity for taking on the attention and converting it into their national economic strength. The economic integration through quasi-governmental organizations that existed during the Cold War was also another contributing factor to this region's economic integration.

After World War II, Japan had been a recipient of strong support for the open trade policy from the United States. Backed by the United States, Japan officially entered the GATT in 1955 but did not receive full benefits since countries like France and England were against its inclusion. Meanwhile, with the expectation of Japan's full immersion in the GATT along with other nations, the United States voluntarily opened its large market for Japanese exports, and continued its support for the industrialization of the country and coordination for tariff reduction. There were two main reasons for the US policy of support to the Japanese economy. One was that the United States wanted the weight off from their continued financial aid for the reconstruction of Japan and wanted it to become self-sufficient enough for its development and growth. Another reason was the expectation that Japan sustained its democratic status with its capitalist economy, so that it would serve as a stopping point for the expansion of the Communist regime from the Soviet Union as part of the Cold War strategy.

Japan, under such supportive trade policies with the United States, achieved high economic growth through industrialization and expansive exports.

The growing Japanese economy in these decades after WWII and changes in its economic power also brought about harassing “trade disputes” from the United States, which escalated into “economic disputes” by the 1980s. Japanese exports changed from textiles and light industrial products, to color televisions and steel and iron products, followed by more sophisticated high-tech industry products, electronics, and automobiles by the 1980s. As Japan’s trade surplus became evident, the United States trade deficit expanded. The trade negotiations between the two countries at this time moved from tariff reductions on certain industries at the border coordination, towards US demands of changes in Japan’s domestic macroeconomic policies, which eventually escalated into “Japan Bashing”. This escalating economic dispute between the two countries made Japan wary about its strong dependence on the United States as an economical and political partner.

Japan had become the world’s largest financial power by the 1980s and its private sector increased their FDI (foreign direct investment) in various regions of the world. When the Plaza Agreement took place in September 1985 and caused about 30 percent appreciation of the yen against the dollar, Japan’s competitiveness in the international market reduced significantly. Already with higher wages in Japan, many of the labor-intensive industries started to look towards their Asian neighbors in order to relocate their production bases.

Booming of Japan's FDI in the region was supported with a huge outflow of the Japanese ODA (Official Development Assistance), as a coordinated effort of the country with new moves of their Multi-National Companies (MNC) in the region.<sup>3</sup>

Japanese FDI first concentrated its relocation of the production to the nearest, and most advanced countries of South Korea, Taiwan, Hong Kong and Singapore, then their own move of trade went on to other Southeast Asian nations, and Southern China.<sup>4</sup> FDI by Japan and other Asian countries of the industrializing economies of Pacific-Asia profoundly reshaped the economic structure of the region and the relationships among the economies.<sup>5</sup> MNC's relocation of production bases and the growing intra-industry and inter-industry trade in the region expanded the economic relations of the region, hence the 'growing interdependence of the economies in the region' which sought the trade coordination at the regional level.

The formation of the APEC with its underlying political character could not have happened before 1989, the very year that represented the end of the Cold War. Before the booming economy of the 1980's, the region had attempted to

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<sup>3</sup> Re-Asianation of Japan other than that of private sector's increased FDI, owes much to the work of INGOs discussed in the following paragraphs.

<sup>4</sup> This change in pattern of Japanese trade eventually spread over the region in a form called "flying wild geese pattern development", as discussed by Hosono (1995, p.17), a theory first introduced by economist Kaname Akamatsu. Gilpin explains, that "In this model, economic development is promoted by diffusion to the rest of the region of capital, technology and managerial skills from Japan, the most advanced economy in the region. Economic and technological diffusion enable industrializing economies to continuously upgrade their export and industrial structures. As those countries industrialize, they will export increasingly sophisticated goods to Japan and other countries. The theory envisions a cooperative pattern of economic development and regional integration in Asia that benefits both Japan and other economies in the region." (Gilpin, 2000, p.276) This pattern was promoted by the president of the PECC (later discussed), Okita, who was also then the Japanese foreign minister, to apply on East Asian countries. It was to be applied first, on more advanced economies such as Taiwan, Korea, Singapore and the ASEAN members.

form regional intergovernmental organizations various times, as suggested by Japan, the United States, and Australia since the 1960s. Although none of the governmental proposals came into effect, some of the public and private initiatives carried out dialogues and cooperation at a regional level. The economic organizations that existed since pre-APEC time were the Pacific-Basin Economic Council (PBEC), the Pacific Economic Cooperation Council (PECC), and the Pacific Trade and Development Conference (PAFTAD). They were formed and put into practice as International Non-Governmental Organizations (INGO). These INGOs were mostly composed of business leaders representing different economic sectors, governmental representatives, and academic circles from each member nation. Their meetings were held to exchange views on the facilitation of trade and development through regional cooperation, and the conclusions from these meetings were suggested to their respective governments through their governmental representatives. These INGOs held a series of meetings since the end of the 1960s, and throughout the next decades and their activities set the groundwork to carry out the formation of APEC by the end of the 1980s.

The first INGO was the Pacific-Basin Economic Council (PBEC), created in 1967. PBEC was initially suggested in 1961 between Japanese and Australian trade organizations to discuss the economic cooperation and the progress of the region. PBEC formally became an international organization with original members from Japan, Australia, and New Zealand; the United States

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<sup>5</sup> Gilpin, 2000, p.270

participated with observer status. Countries such as Mexico, Chile, Colombia, and Russia were also included along with other Asian nations as individual entities after the scheme of Regional Member Committees.<sup>6</sup> Members of PBEC were mainly composed of the business community and their objective was to promote open trade and investment to help in the economic and social development of the region. For this purpose, their activities were to hold international conferences for the exchange of views among the business leaders in the pacific region, and to suggest and advise each respective government and other international organizations of their policies. To pursue the latter activity of advising their respective government more effectively, mainly the business circle of the PBEC came to have a strong connection with the Pacific Economic Cooperation Council (PECC), which was formed in 1980. The PBEC members were incorporated by business representatives of the PECC, along with other members such as governmental and academic representatives. The academic representatives of the PECC were drawn from the PAFTAD (Pacific Trade and Development Conference) of 1968, or better said, the PECC was a creation of the PAFTAD. Thus the INGOs, quasi-governmental organizations that existed since pre-AEPC time were mainly the business oriented PBEC (1967), the academic centered PAFTAD (1968), then the combination of the two, that was made to have

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<sup>6</sup> Before the individual entity the participation, it was on the regional levels except for Chile. For example, South American Division, Chile Division, ASEAN division, and Hong Kong division.



a more effective influence by including governmental representatives in the PECC (1980).

The formation of these last two INGOs was followed by the regional formation of the Association of Southeast Asian Nations (ASEAN). The ASEAN was formed officially in August 1967 in Bangkok, with Indonesia, Malaysia, the Philippines, Singapore and Thailand as its starting members. Their main purpose was to stabilize their stance as nation-states first, then to act with the vision of Southeast Asian Nations cooperating actively towards peace, stability, progress and prosperity in the region. The ASEAN nations protested with strong resentment for the creation of the PAFTAD and the PECC. The INGOs that were initiatives of developed nations were seen by ASEAN nations with suspicion, even as arrogant in trying to combine the regional economies for their economic prosperity. The ASEAN nations were still developing nations, whose harsh historical experiences under colonial rule and the Cold War structure had just given them, for the first time, the opportunity to unify as a political entity to speak against international structures led by powerful developed nations. After the formation of the ASEAN, the initiatives made by Japan or the United States were seen with skepticism, which led to many dialogues and compromises in formalizing those INGOs. The ASEAN nations demanded that the INGOs be "loosely bound economic cooperation", that would not imply any political or security structure of the region. As a result, the PBEC (Pacific-Basin Economic Council), the PECC (Pacific Economic Cooperation Council) and the PAFTAD

(Pacific Trade and Development) all had their focus on “economic” or “trade and development” as seen in their names. Also, they were arranged to be Australian initiatives, so that the organization would not represent the US or Japanese strong power-led structures.

Taking much consideration of the requests made by developing countries represented by the ASEAN, the PECC was formed as an independent tripartite (academia / business / government) organization. Each nation’s member committee of the PECC is also tripartite with their respective senior representatives. The PECC is policy oriented, pragmatic and anticipatory, and its meetings are to be held with community spirit based on consensus. Its activities aim for a better cooperation and policy coordination in areas of trade, investment, finance, and Human Resource Development (HRD).<sup>7</sup> For the efficient functionality of organizational activities, the public entity of individual representatives in some cases is a high-ranking incumbent government official or an ex-Prime Minister. By these means, the PECC achieved much facilitation for the implementation of policies in their respective governments.

Also, with its stance as a Non-Governmental Organization, it was more flexible in dealing with the problems, which existed within the region, especially during the first process of the APEC development. An example of the success of the PECC in preparing the groundwork of the APEC was the inclusion of China and Chinese Taipei at the same time, where political difficulties had existed

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<sup>7</sup> [www.pecc.net/about\\_pecc.htm](http://www.pecc.net/about_pecc.htm)

between them. A similar act was followed by the APEC later by its inclusion of those two members along with Hong Kong. By such means, the INGOs functioned as preparatory organizations in pre-APEC time. INGOs also followed up the APEC policies through the communication network that already existed among tripartite actors of its members at the beginning of the APEC.

At the formation of the APEC in 1989, many of the traits that were fore taken by the INGOs remained. The ASEAN's strong influence in the making of these INGOs was perceived as ASEAN-centrism, and it is also apparent in the formation of the APEC.<sup>8</sup> The APEC was also formally suggested by then the Australian Prime Minister Hawke on his visit to Korea. At the international level, the region had always been referred to as "Pacific" or "Pacific-Basin" before APEC, but the word "Asia" was used for the first time for a regional organization, which emphasizes its main actors in Asia. Both the ASEAN and the PECC along with the PIF (Pacific Islands Forum Secretariat, formally SPF)<sup>9</sup> were included as APEC observers, where they could suggest the policy making of the organization or advise the agendas and the direction of the APEC at their Ministerial Meetings. Also, during the first 12 years of the APEC, an annual meeting was

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<sup>8</sup> ASEAN centrism is a tendency of strong influences of ASEAN in APEC, which will be discussed in more detail in the following chapter.

<sup>9</sup> Members of APEC Observers today are: ASEAN (Brunei Darussalam, Cambodia, India, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand, Vietnam), PECC (Australia, Brunei Darussalam, Canada, Chile, China, Colombia, Ecuador, Hong Kong-China, Indonesia, Japan, Korea, Malaysia, Mexico, New Zealand, Peru, the Philippines, Russia, Singapore, Pacific Islands Forum, Chinese Taipei, Thailand, the United States, Vietnam, and Pacific Territories of France and Mongolia as associate members), and PIF (Australia, Cook Islands, Federated States of Micronesia, Fiji, Kiribati, Nauru, New Zealand, Niue, Palau, Papua New Guinea, Republic of the Marshall Islands, Samoa, Solomon Islands, Tonga, Tuvalu, Vanuatu)

held at one of the ASEAN nations every other year, where that nation acts as the APEC Chair for that year's meeting.

**<APEC Chair and event since 1989>**

1989	Australia	1994	Indonesia*	1999	New Zealand
1990	Singapore*	1995	Japan	2000	Brunei Darussalam*
1991	Korea	1996	Philippines*	2001	China
1992	Thailand*	1997	Canada	2002	Mexico
1993	The United States	1998	Malaysia*	*- ASEAN member nation	

(Future meeting in 2003 to 2005 is to be held in Thailand\*, Chile and Korea, respectively)

**1989-1992 Agendas: Forming the APEC**

The first phase of the APEC meetings was carried out mostly with agendas on the basic objectives and mechanisms of the APEC at the time of its formation. During this phase, the APEC's highest level meeting was the ministerial meeting. The APEC's first ministerial meeting in Canberra, Australia in 1989 had agendas that reflected the conflicting debate of making a regionalism at the time. Four of the themes discussed at this time were world and regional economic development; the role of the Asia-Pacific region in global trade liberalization; opportunity for regional cooperation in specific areas; and future steps for Asia-Pacific Economic Cooperation.<sup>10</sup>

Ministers agreed at this first meeting to support the multilateral trading system and success of the Uruguay Round, and that the APEC would provide an opportunity to increase trade and investment flows within the region, and

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<sup>10</sup> Joint Statement of the First Ministerial Meeting at Canberra, Australia, Nov 6-7, <[www.apecsec.org.sg/virtualib/minismtg/mtgmin89.html](http://www.apecsec.org.sg/virtualib/minismtg/mtgmin89.html)>

identify the range of practical common economic interests. The APEC emphasized its support for the multilateral trading system with an open-regionalism, having coherence with the GATT principle. They were thus, to consult with the GATT and the OECD (Organization of Economic Cooperation and Development) for their coherence with their development plans. Within this framework of the multilateral trading system, the APEC established that it would be “consistent with the interest of Asia-Pacific economies, and that the cooperation should be directed at strengthening the open multilateral trading system, and it should not involve the formation of a trading bloc”.<sup>11</sup> Lastly, as for the future consensus building and support mechanism of the APEC, it was noted that the institution and processes of the ASEAN as well as the analytical capacity of the PECC were to be considered as existing mechanisms from which the APEC could derive constructively.

Seven basis work programs were identified covering broad areas at the second ministerial meeting in Singapore in 1990. The identified work programs at this time were review of trade and investment data, trade promotion with programs and mechanisms for cooperation, expansion of investment and technology transfer in the Asia-Pacific region, Asia-Pacific multilateral human resource development initiative, regional energy cooperation, marine resource conservation and problems of marine pollution in the APEC region, and telecommunications. At this meeting, the “Singapore Declaration on the Uruguay

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<sup>11</sup> Joint Statement of the First Ministerial Meeting at Canberra, Australia, Nov 6-7,

Round” was announced separately, where members reconfirmed their commitment to the multilateral trading system. Also, for the venue of future APEC meetings, the importance of the inclusion of Taiwan, China, and Hong Kong were recognized as vital economies to the APEC region and it was decided that these three economies were to be invited to participate in the upcoming work programs.

At the 1991 ministerial meeting in Seoul, Korea, the “Seoul APEC Declaration” confirmed APEC’s principles and objectives discussed in earlier meetings. The “Seoul APEC Declaration” set clear objectives for the APEC as regional economic organization:

- (a) To sustain the growth and development of the region for the common good of its peoples and, in this way, to contribute to the growth and development of the world economy;
- (b) To enhance the positive gains, both for the region and the world economy, resulting from increasing economic interdependence, by encouraging the flow of goods, services, capital and technology;
- (c) To develop and strengthen the open multilateral trading system in the interest of Asia-Pacific and all other economies:

(d) To reduce trade barriers on goods and services and investment among participants in a manner consistent with GATT principles, where applicable, and without detriment to other economies.<sup>12</sup>

In the keynote address of the Korean President Tae Woo, it was noted that the APEC should set an example of open-regionalism with a principle of free trade, complimenting and strengthening the multilateral free trade system. Members committed themselves to the basic structures of activities and work programs, based on open dialogue with equal respect for the views of all participants through consensus. The APEC work programs at this time expanded to ten, covering the three additional sectors of fisheries, transportation and tourism. At this time, for the topic on the future steps for the APEC, the possibility to establish mechanisms was also discussed. With the new participants of Taiwan (Chinese Taipei), China and Hong Kong, the members had now expanded to 15 economies. From this time because of the political concerns for China and Taiwan, the reference of the members as “economies” rather than “nations” was established. As such, with the “Seoul APEC Declaration”, the APEC had established its personality as an international organization, uniting the diversity of the region as an open-regionalism in support of the multilateral trade system.

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<sup>12</sup> Joint Statement of the Third Ministerial Meeting at Seoul, Korea, Nov 12-14, 1991  
<[www.apecsec.org.sg/loadall.htm?http://www.apecsec.org.sg/virtualib/minismtg/mtgmin91.html](http://www.apecsec.org.sg/loadall.htm?http://www.apecsec.org.sg/virtualib/minismtg/mtgmin91.html)>

In the fourth ministerial meeting in Bangkok, Thailand, also a key member of ASEAN, the members agreed on firm objectives of APEC's foundation and its involvement for the future. Prime Minister of Thailand Anand Panyarachun emphasized in his keynote address that:

- "APEC is poised to play a central role in promoting regional growth and prosperity while forming a strong defense against growing protectionism, notwithstanding the climate of rapid change and uncertainty in world events;
- APEC encourages the achievement of balanced results from the Uruguay Round, upon which APEC may then build;
- APEC, as a uniquely diverse and open consultative forum, holds vast untapped potential for cooperation in a broad range of areas, economic and otherwise;
- APEC's prospects as a possible "bridge" between the major subregional free trade areas in the Asia-Pacific region should be carefully explored; and
- APEC, as part of an interlocking network of complementary subregional economic organizations, is an open, evolving process that can further not only regional economic integration, but also balanced development in individual member economies."<sup>13</sup>

This second APEC Chair, Thailand, an ASEAN member, emphasized the cooperative nature of APEC, and that APEC could possibly serve as a "bridge"

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<sup>13</sup> Joint Statement at the Fourth Ministerial Meeting at Bangkok, Sept 10-11, 1992  
<[www.apecsec.org.sg/loadall.htm?http://www.apecsec.org.sg/virtualib/minismtg/mtgmin91.html](http://www.apecsec.org.sg/loadall.htm?http://www.apecsec.org.sg/virtualib/minismtg/mtgmin91.html)>



between already existing subregionalism, such as ASEAN itself. A working paper introduced by the Thai secretariat proposed institutionalization of APEC, which could further strengthen APEC's role and enhance its efficiency in promoting regional cooperation. With this suggestion, the “Bangkok Declaration on APEC Institutional Arrangement” was signed, which placed a small APEC Secretariat in Singapore, one of the ASEAN members. It was also decided that the administrative fund for the Secretariat was to be contributed on a proportional basis by APEC members. This year, Ad Hoc Group of APEC, co-chaired by Canada, Japan and Korea, proposed the establishment of a small Eminent Persons Group (EPG) to enunciate a vision for trade in the Asia-Pacific region. Regarding the future participation of new members, it was decided that a consensus of all members was needed in order to accept new participants. New participants were to have strong economic linkages in the APEC region and accept the principles and objectives stated in the “Seoul APEC Declaration”. Noting the emergence of NAFTA within its three members and the region's reality in its growing economic linkage with North America, ministers requested senior officials to examine the case for Mexico's membership in APEC and to report their findings at the fifth ministerial meeting in the United States.

The first phase in forming APEC included building principles, objectives and mechanisms. Confirming APEC's status as an open-regionalism of integrating economies without any trade discrimination for non-members, they pledged to support a multilateral trading system. Thus, the purpose of the APEC

was to be a building block for the economic globalization based on GATT/WTO rules, where regional efforts would be coherent with the world norms and complimentary activities were to be shown by setting a good example in the region's economic activities. APEC has been now given the character of a loosely bound integration of economies, because of the small and limited function of the new Secretariat, and its principal means of consensus for any agreement.

### 1993 - 1994 Agendas: Institutionalizing APEC

The APEC meetings held between 1993 to 1994 can be characterized as a turning point in APEC. The influences of the leadership practiced by the host participants through their role as APEC Chair have been most visible in this phase. In truth, it is not an easy task to achieve a unanimous result with the process of APEC through Consensus-building. The rotating responsibility of the APEC Chair and its leadership is necessary as an influential factor in focusing on the agenda. Every year, senior officials meetings (SOM) are held several times before the ministerial meeting. SOMs make recommendations to the ministers and carry out their decisions through the general mechanism of APEC. SOMs also oversee and coordinate, with the approval from ministers, the budgets and work programs of the APEC fora.<sup>14</sup> In the "Seoul APEC Declaration", it states that any member may host the ministerial meeting and that that host would provide the chairman of the meeting. SOMs are chaired by a representative of

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<sup>14</sup> APEC Organization <[www.apecsec.org.sg/97brochure/97organize.html](http://www.apecsec.org.sg/97brochure/97organize.html)>

the host of the subsequent annual ministerial meeting, and make necessary preparations for the meeting. Consequently, this process gives a large responsibility to the APEC Chair and, it also provides power of influence in carrying out the meetings through SOMs. APEC meetings chaired by the United States (1993) and by Indonesia (1994) changed the nature of APEC from a loosely bound consultation forum through consensus to more of a regional economic institution with a character of systematic mechanism.

APEC's fifth ministerial meeting in Seattle absorbed different dimensions of attention because of the United States' new interest in the Pacific-basin, that changed the character of APEC towards more of a 'regional economic system'. C. Fred Bergsten, of the Eminent Persons Group (EPG) of the United States, recommended in the EPG's first report, that APEC should undertake initiatives in four areas: regional and global trade liberalization; trade facilitation programs; technical cooperation; and most importantly, institutionalizing APEC.<sup>15</sup> EPG was asked to present a more specific proposal on how the next ministerial meeting might carry out the recommended long-term vision. The EPG proposal on the institutionalization of APEC was seen as a bold vision of the future role of APEC, because APEC was initially formed as a consultation and a consensus-building organism with a loosely bound nature. Also, this reflected a sudden interest from the United States in the region, with its intent on making APEC a more

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<sup>15</sup> Joint Statement at the Fifth Ministerial Meeting in Seattle, Washington, USA, Nov 17-19,1993  
<[www.apecsec.org.sg/loadall.htm?http://www.apecsec.org.sg/97brochure/97organize.html](http://www.apecsec.org.sg/loadall.htm?http://www.apecsec.org.sg/97brochure/97organize.html)>

systematical mechanism to pursue its own agendas. This year, members of APEC expanded to include Mexico and Papua New Guinea as new participants. Mexico was to become a NAFTA member the following year. Mexico's entrance and the United States' new interests in the APEC could be seen in the context of an expanding regionalism, being led by the United States.

The first unofficial economic leaders' meeting, which started this year meant the upgrading of APEC as well. The suggestion of the regional leaders' meeting to discuss the future of the region had initially been proposed by the Prime Minister of Australia. The United States partly took on its proposal to pursue it on its term for APEC Chair. Malaysia's Prime Minister Mahathir Muhamad did not assist the meeting, showing much reluctance and suspicion towards the US's new interest in the region. As for the leaders of Chinese Taipei, and Hong Kong, each of the respective economic leaders was invited. Considering the political sensibility of this occasion, the meeting was held as a retreat exclusively for the invited personnel at Blake Island, a small touristic island outside of Seattle.

Although informal, economic leaders on first leaders' meeting announced initiatives to confirm the member's consolidation and advancement for the regions economic cooperation. "Leader's Initiative on Blake Island" set forth eight programs including: finance ministers meeting; Pacific Business Forum (PBF); APEC education program; APEC business volunteer program; small and medium business enterprise ministers meeting; investment code, energy; environment and

economic growth; and technology transfer exchange center.<sup>16</sup> The meeting also outset the “Declaration on an APEC Trade and Investment Framework”, which newly established a committee on trade and investment (CTI) to define APEC identity, expand economic activity and facilitate the flow of goods, services, capital, investment and technology throughout the region.

Starting with the institutionalization of APEC, then the entrance of the first Latin American nation, Mexico (being also a future-member of NAFTA) and finally, upgrading of the APEC with the Leader’s Meeting, all indicated a new turnaround of APEC’s vision toward a US-led regionalized trading system. The APEC leaders’ meeting reinitiated the diplomatic ties between China and the United States, which had ceased to exist after the 1989 Tiananmen Square Incident<sup>17</sup>. The gathering of leaders also gave opportunities for some bilateral meetings outside of the APEC framework. As a result, it increased the political relevance of APEC one fold.

The sixth ministerial meeting and the second leaders’ meeting were held in Indonesia in 1994. Chile was included as a new member this year. The Indonesian APEC Chair prepared a strategy and program to advance regional and global open trade through previous SOMs, and identified mechanisms to achieve that goal for this year’s ministerial meeting. The ministerial meeting

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<sup>16</sup> APEC Leaders Economic Vision Statement, Blake Island, Seattle, November 20, 1993  
<[www.apecsec.org.sg/loadall.htm?http://www.apecsec.org.sg/97brochure/97organize.html](http://www.apecsec.org.sg/loadall.htm?http://www.apecsec.org.sg/97brochure/97organize.html)>

<sup>17</sup> An incident occurred in June 4, 1989, when the Chinese Government lost patience with a student movement calling for democracy in Tiananmen square. They ordered the peoples army to turn their weapons on the people. <[www.cnn.com/SPECIALS/2001/tiananmen/](http://www.cnn.com/SPECIALS/2001/tiananmen/)>

established task forces to advance on those eight initiatives that were agreed during the previous year's "Leader's Initiatives on Blake Island". At the leaders' meeting in Bogor, "APEC Economic Leaders' Declaration of Common Resolve" was chartered. It stated three objectives in fulfilling the leaders' initiatives by strengthening the open multilateral trading system; enhancing trade and investment liberalization in the Asia-Pacific; and intensifying Asia-Pacific development cooperation.

This declaration better known as the "Bogor Declaration" set an objective date for the completion of trade liberalization goals to be set for 2010 for developed nations, and 2020 for developing nations. The objectives set out in the "Bogor Declaration" were to be worked through the two main pillars of trade investment facilitation programs for accelerated trade and investment liberalization, and regional development cooperation in areas of human resource development and science and technology cooperation. For the dispute mechanism of APEC, the members confirmed their support for the GATT/WTO structure and announced to take on a voluntary consultative dispute mediation service to supplement the WTO dispute settlement mechanism.

Considering the changes in the focus of the previous year by the United States in institutionalizing APEC with trade and investment liberalization, this year's success in announcing the "Bogor Declaration" with its emphasis on development cooperation was the result of the leadership by the Indonesian APEC Chair. On this occasion, the Prime Minister of Malaysia assisted in the

signing of the “Bogor Declaration”, thus making this time-framed institutionalization of APEC official this time. Although it emphasized on development cooperation, the most important element of the “Bogor Declaration” was the setting of dates for its trade and investment liberalization for 2010/2020. This still reflects the strong influence of members such as the United States on trying to accelerate the liberalization process.

This phase of APEC in 1993-1994 represented the visible fragmentation of APEC members, in which developed western nations and developing Asian members’ focuses became clearly divided. Their positions on the means of institutionalization of APEC, and activities and processes of liberalization became clearly distinct between developed members like Australia and the United States and developing ASEAN nations.

#### 1995-2002 Agenda: APEC at work

Following the “Bogor Declaration”, the 1995 APEC meeting held in Osaka, Japan basically laid out the detailed plans for reaching the objectives set out by the “Bogor Declaration”. The ministerial meeting decided on the framework to establish the self-driven initiatives of Individual Action Plans (IAPs) and Collective Action Plans (CAPs). These actions were to be pursued with two pillars of trade investment liberalization and facilitation (TILF), and economic and technical cooperation (ECOTECH). The IAPs and ECOTECH represent the interest of developing nations in APEC, such as ASEAN nations and China.

CAPs and TILF, on the other hand, represent the western developed members' interests. Ministers agreed to introduce and utilize "Partners for Progress" (PFP), a paper presented at the Bogor ministerial meeting from Japan, as a new mechanism based on mutual assistance and voluntarism to promote economic and technical cooperation more efficiently within APEC. PFP addressed all aspects of economic and technical cooperation with particular focus on cooperation, which directly supports the liberalization and facilitation of trade and investment. "APEC Osaka Action Agenda" (AOAA) for APEC covered fifteen areas (tariffs, non-tariffs measures, customs procedures, intellectual property rights, competition policy, government procurement, deregulation, rules of origin, dispute mediation, mobility of business people, implementation of the Uruguay Round outcomes, and information gathering and analysis) to be developed.<sup>18</sup>

Then, the detailed plan of AOAA was drawn in the "Manila Action Plan for APEC" (MAPA) at the 1996 summit in the Philippines. Members committed on a unilateral basis to reinforce their liberalization commitments through MAPA. Each member's actions for free trade and investment were to be implemented as of January 1, 1997. MAPA consists of two parts of AOAA, the TILF and ECOTECH. Cooperation on standards, improving customs procedures, coordinating competition policies, and dispute mediation are the specific focus of TILF. Development assistance and cooperation projects in the areas of infrastructure, energy and environment are the focus of ECOTECH.

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<sup>18</sup> APEC Economic Leaders' Declaration for Action, Osaka, Japan, November 19, 1995



Implementation of MAPA topics are pursued through Individual Action Plans (IAPs), Collective Action Plans (CAPs), and Economic and Technical Cooperation (ECOTEK) as previously decided in AOAA. IAPs are voluntary acts of individual members submitted by them, covering the 15 areas that are decided in AOAA, and are mainly pursued by the lowering of tariffs and other barriers, and liberalizing rules for foreign investment. CAPs contribute to, and support APEC's work of reducing transaction costs, simplifying administrative procedures, improving transparency and promoting the understanding of the trade and investment environment of the region. Any actions taken via IAPs and CAPs were to be consistent with APEC principles such as comprehensiveness, WTO-constancy, comparability, non-discrimination, transparency, stand still, simultaneous start, continuous process and different time tables, flexibility and cooperation.<sup>19</sup>

**A summary of individual action plans in MAPA<sup>20</sup>**

Country	IAPs
Australia	Generally goes beyond WTO commitments. Plans to reduce tariffs, currently averaging 6.1% compared to 18.2% in 1988, to between zero and 5% by 2000.
Brunei	Plans to fix total tariff levels at 5.0%, going beyond its WTO commitments. Aims for zero tariffs by 2020.
Canada	Strongly supports Information Technology Agreement to remove tariffs on these products by 2000 and is prepared to discuss similar arrangements on oilseeds, non-ferrous metals, wood products, fish products and electronics.
Chile	Exceeds WTO commitments on tariff reductions and envisages completing most trade and investment liberalization by 2010 rather than APEC's 2020 deadline for developing

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<sup>19</sup> APEC Economic Leaders' Declaration for Action, Osaka, Japan, November 19, 1995

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<sup>20</sup> This table is to see the extent of differences of commitment of the members. Only includes the initial 18 members at the time of MAPA before 1998 accession of Peru, Russia, Vietnam. Updated IAPs are available on < <http://www.apec-iap.org/> >. IAPs are updated every year by individual members. (Table source: Seunghee Han and Inkyo Cheong, *APEC Trade Liberalization: Its implications* Economic Department Working Papers No.197 OECD, 1998)

	countries.
China	Plans to reduce average tariff to 15% by 2000 from the current 23%. Aims to promote foreign participation in banking, insurance, transport, telecommunications and retailing.
HongKong, China	All Hong Kong's commitments go beyond WTO. Aims for zero tariffs by 2010. Also plans to consider introducing business travel pass scheme by 1997-98.
Indonesia	Plans to lower tariffs to a zero to 10% range by 2003. Also aims to privatize state enterprises covering the steel industry, services, shipping and railways.
Japan	Plans to align product standards with the rest of the world and to speed up its quarantine control procedures for animal and plant product imports. Also determined to introduce a wide-range of deregulatory measures for structural reform, with a view to re
Korea	Plans to remove all non-tariff barriers on all items, except rice, by 2001 and to open up more sectors to foreign involvement.
Malaysia	Foreign equity of up to 49% to be permitted in domestic brokerages.
Mexico	To speed up tariff reductions if other member countries agree to do so. Plans to eliminate the 49% ceiling on foreign direct investment in the automobile industry by 1999, permitting 100% foreign ownership of international land transport by 2004.
New Zealand	Already exceeds WTO commitments and pledges further liberalization.
PapuaNewGuinea	Aims to simplify cumbersome procedures for approving foreign investments.
Philippines	Aims to reduce tariffs to uniform 5.0% by 2004, except for sensitive agricultural products. Plans to eliminate some remaining restrictions on foreign ownership in the financial sector.
Singapore	To remove all tariffs by 2010. Plans to expedite liberalization of basic telecommunications sector and to meet other commitments ahead of schedule.
Chinese Taipei	To reduce tariffs to an average 6.0% by 2010. Plans to lift barriers to some agricultural imports when it accedes to WTO.
Thailand	Goes beyond its WTO commitments in most sectors and in the rest fully complies with its earlier APEC commitments. To allow privately-owned ports, higher foreign participation in the insurance industry and to liberalize natural gas power and generation.
United States	Plans to set the pace in any areas where it has not already met or exceeded its APEC and WTO commitments.

<source: summarized by Han and Cheong, 1998, p.10>

The 1997 APEC Vancouver summit was held at the beginning of the Asian financial crisis. Ministers urged each nation's financial sector to review and strengthen their area and to closely work with IMF. As for the MAPA advancement members adopted the Early Voluntary Sectoral Liberalization (EVSL). EVSL was to accelerate the voluntary liberalization measures. Members committed themselves for the liberalization in 15 sectors (environmental goods and services, energy sector, fish and fish products, toys, forest products, gems and jewelry, medical equipment and instruments, chemicals, telecommunications

mutual recognition arrangement (MRA), automotive, oilseeds and oilseed products, food sector, fertilizers, natural and synthetic rubber, civil aircraft). The liberalization on those fifteen sectors was to be completed by 1999, among which, the first nine sectors were to be completed by 1998 with EVSL.<sup>21</sup>

The 1998 Kuala Lumpur meeting was held in the midst of the Asian financial crisis. The main topics discussed throughout the meetings concentrated mostly on the recuperation of the economic vitality in the region. It emphasized on strengthening of the financial system, business and investment flow, science and technology base, economic infrastructure and person-to-person communication between academia and business. The members also agreed to encourage the extension of similar EVSL to non-members of APEC that are also WTO members. Peru, Russia and Vietnam were included as new members that year and the total APEC member count reached 21.

The 1999 Auckland summit reiterated the strengthening of the market and improvement of the financial structure. Enhancing competition and regulatory reform based on open and competitive markets were recognized as the key drivers of economic efficiency and consumer welfare. Also, the promotion of the participation of women in the economy was encouraged.

In the 2000 summit in Bandar Seri Begawan, in Brunei Darussalam, the topics were concentrated on information technology development. Agendas discussed at the Ministerial Meeting were building stronger foundations, creating

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<sup>21</sup> Manila Action Plan for APEC

new opportunities, and making APEC matter more. By this time, the doubt regarding the effectiveness of APEC as a vehicle to trade liberalization in the region started to surface.

The theme for APEC 2001 in China was “Meeting New Challenges in the New Century: Achieving Common Prosperity through Participation and Cooperation”. The agenda of the meeting was structured to reflect the three sub-themes of APEC 2001: advancing trade and investment; sharing the benefits of globalization and the new economy; and promoting sustainable economic growth.<sup>22</sup> The importance of strengthening competition in the APEC region was emphasized and Mexico proposed to host a training program in 2002 on promoting competition in regulated sectors, so as to enhance interaction among APEC economies in this field at the next APEC Chair hosted by the country. Mexico also proposed to hold a workshop on regional and bilateral investment rules and agreements. At this meeting, Mexico and Japan offered to submit their IAPs for review under the new peer review process in 2002.

At the leaders’ meeting, it was reaffirmed that the regional and bilateral trade agreements should serve as building blocks for multilateral liberalization in the WTO, and that the existing and emerging regional trade agreements should therefore be consistent with WTO rules and disciplines. The “Shanghai Accord”

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<sup>22</sup> APEC Economic Leaders' Declaration at Shanghai, China, 21 October 2001, Meeting New Challenges In The New Century

<[www.apecsec.org.sg/loadall.htm?http://www.apecsec.org.sg/97brochure/97organize.html](http://www.apecsec.org.sg/loadall.htm?http://www.apecsec.org.sg/97brochure/97organize.html)>

was announced, in which completion of the “Bogor Declaration”, e-APEC Strategy, e-APEC Task Force were to be priorities for the members.<sup>23</sup>

This year, series of APEC meetings are being held in Mexico, which started with the official opening of the first SOM in February. The implementation of APEC New Economy strategy starts this year. Working Programs throughout the meetings, carry the long run based activities. Three aspects being focused are development of a proper framework for the strengthening of market structures and institutions; the facilitation of an adequate environment for investment in infrastructure and technological development; as well as the building of human capacities and enterprise promotion. Ministerial meetings on finance, energy, tourism, joint ministerial (trade and foreign affairs), as well as gender integration reunion are being held throughout the year, until the economic leader's meeting, which is to be held in October. Mexican Chair of APEC 2002 meetings is expected to provide the opportunity to act as a bridge between most developed economies and the least ones in the Asia-Pacific area and to influence the agenda for the growth of the whole region and particularly, in Mexico.<sup>24</sup>

So far, one of the most important meetings of Ministers Responsible for Trade (MRT) was held in May in Puerto Vallarta. At this meeting, the commitments and responsibilities assumed by Mexico in being the headquarters and holding the chair of the APEC Economic Cooperation Mechanism were

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<sup>23</sup> Shanghai Accord  
<[www.apecsec.org.sg/loadall.htm?http://www.apecsec.org.sg/97brochure/97organize.html](http://www.apecsec.org.sg/loadall.htm?http://www.apecsec.org.sg/97brochure/97organize.html)>

addressed. This meeting was also attended by the Director-General of the World Trade Organization and the Vice President of the World Bank in a discussion of APEC' contributions to the WTO in support of the new Doha Round of Negotiations. It was the first occasion in which the World Bank had been involved in APEC's ministerial meetings.<sup>25</sup>

Throughout the history of APEC, member economies have been hosting a number of other ministerial meetings for education, energy, environment and sustainable development, finance, human resource development, regional science and technology cooperation, small and medium enterprises, telecommunications and information industry, trade, and transportation.<sup>26</sup> Each project in the work program is carried out by a workgroup composed of representatives from the different members, coordinated by one or more participants. The workgroups identify specific areas of cooperation and policy options relating to each project. These projects mentioned at the "Leader's Initiatives in Blake Island" are executed by task forces and the general work programs of APEC. The interest of the members was also shown in their invitation to host these meetings for the APEC fora or specific work programs.

(See Organigram chart at the end Chapter)

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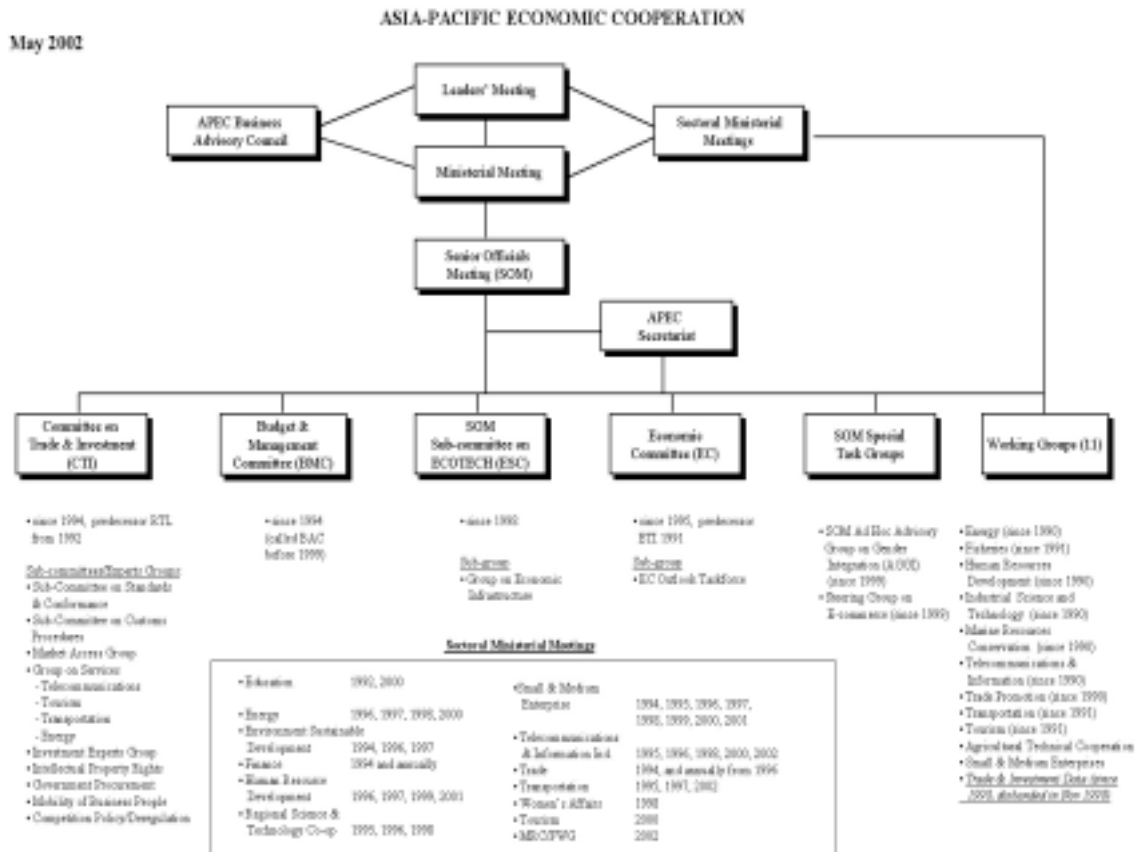
<sup>24</sup> Press Release 002 by Mexican Minister of Economy, Luis Ernesto Derbez, February 27th, 2002  
<[www.apec2002.org.mx/index.cfm?action=content&IdCategory=35&IdSubCategory=83&IdTopic=26](http://www.apec2002.org.mx/index.cfm?action=content&IdCategory=35&IdSubCategory=83&IdTopic=26)>

<sup>25</sup> Meeting of Ministers Responsible for APEC Trade, May 2002  
<[www.apec2002.org.mx/index.cfm?action=content&IdCategory=35&IdSubCategory=83&IdTopic=28](http://www.apec2002.org.mx/index.cfm?action=content&IdCategory=35&IdSubCategory=83&IdTopic=28)>

Today, the relevance and functionality of the APEC as a mechanism for trade liberalization has become questionable to many. Although the slowdown of the economic vitality may have been causing the difficulty in advancement of Individual Action Plans, many of the APEC activities are still at work. APEC's ECOTECH measures and the domestic reforms in the economic and financial structure are being undertaken and the long-term success of APEC is not seen negatively.

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<sup>26</sup> APEC Organization  
<[www.apecsec.org.sg/loadall.htm?http://www.apecsec.org.sg/97brochure/97organize.html](http://www.apecsec.org.sg/loadall.htm?http://www.apecsec.org.sg/97brochure/97organize.html)>



<source: APEC Organization Chart><sup>27</sup>

<sup>27</sup> <http://www.apecsec.org.sg/>