

APEC: Yokohama & Beyond

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In the upcoming November APEC summit meeting to be held in Yokohama, the 21 member economies of the organization will be making their first assessment of the progress towards the Bogor Goals adopted in 1994. Since adoption, the Bogor Goals have served as the most important vision and guiding principle of APEC. Accordingly, its assessment this year will have an important impact on setting a future direction and new vision for the Asia-Pacific economies.

The timing of the November APEC meeting is also significant in that it is taking place in the midst of other prominent international meetings such as the G-20 summit in Seoul (November 11-12) and the UN Climate Change Conference in Mexico (November 29-December 10). In view of the concurrence of these events, APEC leaders are expected to address not only important global trade issues such as protectionism and the Doha Development Agenda (DDA), as the WTO round of trade talks is officially known, but also deliberate on issues such as climate change.

While protectionism has not spread following the financial crisis in a major way as feared by some, the perception is still strong that, due to lingering high unemployment in many parts of the world, protectionism has yet to run its course. There is also widespread pessimism about the DDA negotiations, which appear to be making no meaningful headway. As APEC has given a great deal of prominence to the multi-lateral trade agenda since its inception, the APEC leaders are expected to call for the reaffirmation of commitment on the standstill of protectionist measures and the early conclusion of the DDA. Also, given the proximity of the APEC meeting to the Climate Change Conference and the slow pace of progress in that arena to date, the APEC leaders may decide to devote some time to discussing key climate change issues.

In addition to the Bogor Goals assessment, the APEC economies in 2010 are expected to make deliberations on three major areas, called “three pillars” by the Japanese host: (1) regional economic integration; (2) new growth strategy; and (3) human security. First, APEC will intensify its work on regional economic integration by exploring possible pathways to a Free Trade Area of the Asia-Pacific (FTAAP) as well as by advancing the ongoing discussions related to promoting trade and investment liberalization and facilitation. Second, APEC will develop a new growth strategy for the region with the objective of achieving economic growth that is balanced, inclusive, sustainable and innovative. Third, APEC will intensify efforts to promote human security in the region, particularly in the areas of food security, health, counter-terrorism, emergency preparedness and anti-corruption.

Bogor Goals

The year 2010 is an important year in the evolution of APEC since, under the Bogor Goals, the developed economies are committed to achieving free and open trade and investment by the end of this year. The five developed economies that made this commitment are

Australia, Canada, Japan, New Zealand and the United States. In addition to these five economies, eight developing economies – Chile, Hong Kong, South Korea, Malaysia, Mexico, Peru, Singapore and Taiwan (officially called Chinese Taipei) – voluntarily agreed to be reviewed. The assessment will be made on the progress made so far and the remaining tasks to be fulfilled to effectuate the Bogor Goals.

While the Asia-Pacific region has made good progress in trade and investment liberalization, there still remain pockets of hard-core protectionism in many economies and the goal of achieving a completely free and open trade and investment regime remains elusive in most economies. Now that we are nearing the completion of the first assessment of progress made towards the Bogor Goals, the APEC economies must plan on developing a new vision which will guide the work of APEC for the years to come.

Regional Economic Integration

In accordance with the mandate set forth by the leaders in 2009, APEC will explore a range of possible pathways to an FTAAP in 2010. Various ongoing regional initiatives with different membership will be the basis for such examination. These initiatives include those involving Asian economies only such as ASEAN, the ASEAN plus three (China, Japan and South Korea), and the ASEAN plus six (Australia, India and New Zealand besides the three), and the more recent, broader-based initiative such as the Trans-Pacific Partnership (TPP).

Since many of these initiatives are still in early stages, it may be appropriate for the APEC economies to keep various options open for now, while accelerating various ongoing work to strengthen regional economic integration. These include investment, standards/technical regulations, trade facilitation, rules of origin, intellectual property rights, environmental goods and services, and the “ease of doing business.” As some areas are more advanced than others, the objective in 2010 should be to produce concrete results in some of these areas by November.

New Growth Strategy

Following the agreement reached in Singapore in 2009 (*Photo*), APEC is expected to finalize the new growth strategy for the region in 2010. The aim of this strategy is to support more balanced growth within and across regional economies; achieve greater inclusiveness in the societies; meet the challenges of environmental and energy sustainability; and seek to raise the region’s growth potential through innovation and developing knowledge-based economies. The strategy will be formulated by pulling together the views of industry, academia and government as well as seeking input from APEC meetings of ministers responsible for trade, energy, human resource development, SMEs, the telecommunication and information industries, finance,

and others. A new structural reform agenda is also being developed to support this new growth strategy.

Human Security

In 2010, APEC will also strengthen the ongoing work of promoting human security in the fields of emergency preparedness, counter-terrorism, anti-corruption, health and food security. These are efforts to reduce and prepare for potential threats and disruption to trade as well as strengthening the region's capacity to achieve a secure and resilient economic and social environment.

Achievements of APEC

The development of APEC has been a slow process. Since 1989, APEC experimented with new initiatives towards trade and investment liberalization and facilitation. At times, the voluntary and nonbinding nature of the organization has made progress difficult. Nevertheless, today APEC has evolved into a high-profile regional cooperation body where 21 leaders meet every year to deliberate on regional cooperation issues. The APEC secretariat has also matured over time in many ways. Just as one example, the creation of the Policy Support Unit (PSU) has led to providing professional analytical and evaluation capacity, preparing policy papers and designing and implementing capacity-building programs. Twenty years after its establishment, APEC has evolved into a premier regional organization, promoting regional economic integration and addressing other important issues facing the region such as security.

During the last 20 years, the APEC economies have also moved significantly closer to the vision of free and open trade and investment. Tariffs have been lowered substantially. People and capital are moving more freely around the region. The business environment in the region has become more accommodating with the adoption of more efficient customs procedures, introduction of mutual recognition standards, and implementation of other trade-facilitating arrangements. This is no small achievement.

Although not a trade-negotiating body, APEC has served as the platform for promotion of free and open markets. The process has involved a wide range of people – leaders, businesspeople, government officials, academics and others – who have met regularly to exchange ideas to promote this idea. Institutionally, APEC has been successful in promoting voluntary trade and investment liberalization through individual and collective action plans as well as trade facilitation action plans, which has successfully reduced trade transaction costs by 10% from 2002 to 2010.

APEC has also made its mark by addressing issues that accompany the vast and rapid proliferation of regional and bilateral free trade arrangements (FTAs) in the region. To maximize the positive effects while at the same time minimizing the potential disruptive impacts of these arrangements, APEC moved to develop “model measures” in specific trade areas such as the rules of origin, which can be used as a guide to members negotiating high-quality FTAs.

Future of APEC

Now that the first assessment of the Bogor Goals is to take place in Yokohama, the APEC economies must develop a new vision which will guide the work of the organization in the years to come. The



Singapore's Prime Minister Lee Hsien Loong (center, front row) speaks as other APEC leaders look on at the end of the APEC Summit in Singapore on November 15, 2009.

meaning of free and open trade and investment under the Bogor Goals has evolved since their adoption in 1994. A wide range of behind-the-border issues affect market access today. The scope and composition of international economic transactions have changed, affecting the international movements of goods, services, capital, people and information. The concept of free and open trade is under challenge from terrorists, pandemics and advances in technology. The Bogor Goals thus need to be revamped and redefined.

The Bogor Goals have so far remained a collective ideal for all economies in the region. Now that the assessment of these goals is nearing completion, the APEC economies could perhaps move on to setting more operational targets, with a focus on individual economies, bearing in mind that the level and scope of liberalization are diverse and different in each economy. The time has come to set new directions. They must be ambitious, but they must also set realistic timetables with well-defined milestones for measuring progress.

For APEC to remain relevant, it must be prepared to evolve in a dynamic and responsive way. It must be able to accommodate today's more complex and integrated business environment. It must stay ahead of the changing trade and investment policy landscape such as: (1) globalization of business, which has resulted in accelerating the movement of people, goods, services and capital; (2) widening of an international trade and investment agenda, which is now more focused on issues such as business mobility, anti-corruption and intellectual property rights; (3) proliferation of FTAs; (4) slow progress in the multilateral trade and climate change negotiations; and (5) additional challenges imposed on trade and investment through the changing international security environment.

APEC needs to address these issues squarely by doing a number of things. First, it must launch a more ambitious and effective action plan – individually as well as collectively – with a strengthened implementation and review process. Secondly, it must place greater emphasis on trade and investment facilitation and improving the business environment behind the border. Thirdly, it must undertake a more comprehensive work plan regarding regional trade agreements and FTAs. Lastly, it must steadfastly support the multilateral trading system and the global effort to combat climate change. **JS**

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