

What Do We Expect from APEC?

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The 21 APEC members account for 55% of the world's GDP, 45% of global trade and 40% of the world's population. Data show that the Asia-Pacific region has achieved remarkable progress in the area of market liberalization, enjoying much lower tariff rates as well as lower business transaction costs. The Asia-Pacific is becoming the most dynamic region supported by increasing intraregional flows of trade, investment and services.

Nevertheless, debates on APEC have kept on going. The key concerns are how to make APEC more effective in facing the new challenges in the Asia-Pacific region and the world as a whole.

Meeting New Challenges

APEC is a unique regional grouping which has brought together developing, newly industrializing and advanced industrial economies into one framework of regional integration and cooperation. Under APEC agendas, all members are committed to reducing barriers to trade and investment and enhancing economic and technical cooperation following the approach of concerted unilateral and collective actions.

As APEC provides a regular meeting opportunity for leaders in the region to discuss and exchange ideas on policy and challenging issues, all members realize its real value. Although APEC is challenged by a series of issues, it is still a non-replaceable institution for the Asia-Pacific region. As a special forum strongly backed by member governments and business communities, APEC continues to be a pivotal platform to conduct policy dialogue, to initiate agendas and even to test new ideas in economic and trade cooperation, including on various global issues.

However, APEC needs to have its priorities and agendas readjusted to meet the new challenges. APEC should become more active and effective in dealing with the impact of the financial crisis, reform of the international financial system and domestic reforms of both financial and economic structures. As Andrew Elek suggested, since the main concern is global currently, APEC would be well positioned to play a role in handling the global issues and end preoccupation with cross-border issues, thus getting back to its original mission to help the member economies realize sustainable growth by improving their policies. Currently, the major challenge for the Asia-Pacific region is how to sustain economic growth dynamism by further concerted commitments and actions in the areas of macroeconomic policy, economic restructuring, financial reforms and development of low-carbon technology, etc. Actually, APEC's new credibility lies in its strong role in promoting change and reform aimed at creating a more balanced economic development model and structure in the new context.

Reconsidering Bogor Goals?

The 1994 Bogor Goals are designed as a key agenda of APEC's activities. The aim of the Bogor Goals is to realize free and open trade and investment in the Asia-Pacific by 2010 for developed economies and by 2020 for developing economies. In facing the slow progress in implementing the commitments to realizing the Bogor Goals, further efforts were made to facilitate their enforcement in the past years. For example, the 2001 Shanghai Accord, aiming to broaden APEC's long-term vision, sought to clarify the roadmap to the Bogor Goals and strengthen the implementation mechanism; the 2005 Busan Roadmap was set for the midterm stocktaking of progress toward the goals; and again, the 2006 Hanoi Plan of Action identified specific actions and milestones to implement the goals. However, there is still no reliable evidence to show the developed members have realized all commitments in this target year, 2010.

The question is whether the Bogor Goals are still relevant. As John Mckay suggested, APEC should abandon any remaining pretensions to intra-APEC trade liberalization and focus its collective power on strengthening the multilateral system, making further progress in harmonization of standards and regulations and on other aspects of trade facilitation. Ellen Frost also suggested that the Bogor Goals be substituted with the idea of a Free Trade Area of the Asia-Pacific (FTAAP).

As stated by APEC leaders in 1993, "The spirit of openness and partnership deepens, enabling us to find cooperative solutions to the challenges of our rapidly changing regional and global economy" (Blake Island, Seattle, November 20, 1993). Looking back at the progress of APEC, the priority of its agenda used to be guiding all members to keep the market open and to improve the policy and business environment. APEC should continue to play such a major role although, as recommended by the APEC Business Advisory Council (ABAC) recently, "a new vision is needed." In this connection, the ABAC urged APEC to build on the Bogor Goals to "reflect the changing nature of modern Asia-Pacific regional supply chains and value chains. This vision should seek to liberalize flows of goods, services, investment, technology, e-commerce and people; and have a strong emphasis on balanced and inclusive growth and sustainable development." (*ABAC recommendations for APEC trade ministers*, Sapporo, Japan, June 1, 2010, www.apec.org). Thus, it is necessary to readjust the approach and roadmap of the Bogor Goals so they will well reflect the new need of regional economic development. APEC leaders, acting on the recommendations, should agree on a new statement on the new vision.

FTAAP or TPP?

The FTAAP concept was first proposed by the United States as a new agenda for APEC. Until now, it is still very controversial. The key for an FTAAP is how to realize it. If APEC launches negotiations for an FTAAP, it would change the nature of APEC as a forum based on the voluntary participation and cooperation of its members. "APEC is not a negotiating forum. It is designed for cooperation that is nonbinding," a senior Thai official was quoted as saying by *The Associated Press* on November 14, 2006. Some also emphasized that voluntary cooperation is the only realistic way. So it seems still premature to put an FTAAP on the agenda of APEC as a real challenge this year or next.

One possible approach, as the ABAC recommended recently, is for APEC leaders to "recognize the importance of existing and progressing regional trade arrangements such as the Trans-Pacific Partnership (TPP), ASEAN+1, ASEAN+3, and ASEAN+6/CEPEA as potential pathways to delivering an FTAAP." In fact, APEC has tried to coordinate the existing complex "spaghetti bowl" of free trade agreements (FTAs) into a more consolidate framework. For example, in 2004, APEC adopted the "best practices" for regional trading agreements (RTAs) and FTAs, which consisted of "model FTA/RTA chapters." As a matter of fact, an easier and more practical approach may be simplifying and harmonizing rules of origin (ROOs) on the basis of APEC's "best FTA practices" in the Asia-Pacific region, such as an APEC-wide ROO arrangement. It is also necessary to enrich APEC's "best practices" with more specific contents. APEC has also taken many initiatives ranging from self-certification of ROOs and a supply chain connectivity framework (SCCF) to public-private partnership (PPP) and capacity building, etc. This is still the right direction for APEC to proceed.

The TPP, initiated by four small economies, has now received more attention because the United States and four other APEC members – Australia, Peru, Brunei and Vietnam – have shown interest. The concern is that if the United States really participates in TPP negotiations, it will bring about a negative impact on APEC. Also, the question is whether the TPP is an alternative to an FTAAP, or the Bogor Goals. The difficulty is how to include all APEC economies into the process for negotiations finally. As for the US government, Bernard Gordon and others questioned its feasibility and argued that the TPP may be only the game in town since the TPP market accounts for just 4.2% of America's trade, and no part-



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ner is even in the top 10 of US export markets.

The Asia-Pacific region is the center of the global economy. To keep the region dynamic, APEC should still give enough emphasis to its role as an intergovernmental dialogue and cooperation mechanism. Thus, John Mckay argued "there is a real need for a substantial effort to build an effective bridge across the Pacific, and APEC is the only organization that could fulfill such a role."

China's Concern

The Asia-Pacific region is the most important region for China's external economic engagement. The APEC region provides more than 60% of China's export and import markets as well as FDI inflows. Of China's 10 largest trading partners, eight are from the APEC region, and six of the top 10 investors are APEC members.

With the enriched experience and successful development of its economy, China has become more and more confident and active in participating in APEC. In facing the current financial/economic crisis, China has taken a leading role by itself and also called for cooperative actions to stabilize the financial sector, stimulate domestic demand and oppose protectionism.

China is active in negotiating bilateral and subregional FTAs and also supports the efforts by APEC for coordinating and integrating the multilayered FTAs in the Asia-Pacific. However, China shows reservation on an early FTAAP since China worries that to launch an FTAAP or join the TPP may change the nature and role of APEC as a voluntary and flexible regional institution for cooperation in a broad sense.

China will continue to have strong interest in participating in APEC activities and to support it, playing a positive role in promoting regional economic integration and cooperation in an "APEC way."

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