

Gateway to the Asia-Pacific Region

By Kazumasa Kusaka

At the beginning of September, the first US meeting of the Boao Forum for Asia was held in Seattle, Washington. The Boao Forum was proposed by China and other regional leaders and since 2001 an annual meeting has been held in Hainan under the slogan “Making Asian Voices Heard”. The current chairman is former Japanese Prime Minister Yasuo Fukuda.

The choice of Seattle was symbolic as it is where the successful first meeting of APEC leaders took place in 1993, as well as the WTO Ministerial Conference of 1999 which was colored by an anti-globalization movement against the launch of a new millennial round of trade negotiations. Why Seattle? Because it is the most trade dependent area of the United States, and trade with the Asia-Pacific region has been expanding over the last two decades. It is not just a gateway to the Pacific but also hosts Microsoft, Boeing and other major organizations.

On the East Coast, Seattle is jokingly said to have already been taken over by China. The term “West” had originally meant west of the Hudson River, then west of the Mississippi River, and finally the frontier reached the West Coast. Now the center of gravity of the American economy has moved further to the West with trans-Pacific trade and investment, making the Asia-Pacific region the new American frontier.

Former President Bill Clinton’s decision to change the APEC meeting from trade minister level to national leader level and to have it in Seattle facing the Pacific was both good domestic politics, reinforcing West Coast support for the Democratic Party, and an effective message to Asian countries.

The Boao Seattle meeting, although it appeared like a US-China meeting in terms of numbers of participants, did include representatives of other countries and organizations, such as former Australian Prime Minister Kevin Rudd, former South Korean Prime Minister Han Duck-Soo, and Rajendra Pachauri, chairman of the Intergovernmental Panel on Climate Change. In the area of energy and environment, although governments coordinate energy policy and negotiate global warming policy, most of the resources, either human, financial or technological, are in the hands of the private sector. The objectives have to be realized in the markets. In that context, this forum turned out to be a good vehicle, with the market power of the Asia-Pacific region, US and Japanese technology and US and Chinese entrepreneurship to the fore. If these three factors are strategically combined, we could fully mobilize the private sector in tackling energy and environmental challenges.

As I was personally involved in the creation of APEC in the late 1990s, returning to Seattle to discuss the same objective of how to make this region’s growth sustainable at an energy session gave me an opportunity to dwell on the current trans-Pacific relationship and some of the architecture and institutions in comparison to the past.

The open access policy of the US, institutionalized by the Bretton

Woods System, certainly succeeded in integrating Japan under reconstruction into the Western economy, changing its traditional trade pattern in which it was dependent on China and other Asian countries. When Japan became a major economic competitor to the US, a series of bilateral trade conflicts arose and finally, as the impact of domestic policies upon trade began to grow under globalization, to deal with behind-border measures including fiscal policy, they initiated the Structural Impediments Initiative (SII) dialogue.

In the meantime, after the oil crises of the 1970s, France, Germany, the United Kingdom, the US and Japan started G5 economic summit meetings. At that time, the International Energy Agency was also created at Henry Kissinger’s initiative. The thinking behind these institutions was that neither one country’s macroeconomic policy nor its energy policy would be effective in competing against increasingly powerful market forces.

The theme of making Asian voices more widely heard in the world reflects, to some degree, that sentiment of the need to integrate the increasingly powerful Asian market forces into the world economy. The Chiang Mai Initiative of 2000, a series of multilateral currency swap arrangements involving ASEAN, China, Japan and South Korea, was well-coordinated with the IMF and turned out to be a success. And now China as the host economy this year of APEC is eager to create a regional infrastructure financing institution. The question then is how this new initiative will fit into the existing system of the Asian Development Bank and World Bank.

Now we have a global governance structure of G20 nations in place with more economies from the Asia-Pacific region, though the degree of macroeconomic coordination has been diluted. And instead of a bilateral SII, we have TPP negotiations whose main objectives aim to tackle behind-border measures. After Washington State, I visited Washington DC for Track II trilateral dialogue between the US, Japan and China.

As the long hot summer of this year comes to an end, likewise the political situation involving the three countries is changing from a “too hot to handle” to “cool and calmer” mood in which we may start feeling our way along a future path and through possible cooperation make economic growth in this region sustainable, and assure the private sector of a stable environment for business and investment.

In line with one of APEC’s earlier slogans — “APEC means business” — we are ready to listen to the private sector. The success of the Beijing APEC summit in this regard will be very important for this region.

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