

# Report on the Fourth Asia-Pacific Conference

By JJTI Editorial Staff



APEC meetings — good opportunities to address common issues within the APEC region

The Asia-Pacific Conference has been held once every two years since 1993 in order to provide a venue for the discussion of the region's political and economic issues. Participants at this conference come from throughout the Asia-Pacific region.

Since 1999 marks the tenth anniversary of the founding of the Asia-Pacific Economic Cooperation (APEC) forum, the June conference in Yokohama focused on the state of APEC as we move into the 21st century, the lessons of the Asian economic crisis as they relate to APEC, and various other APEC-related issues. The main content of the discussions is summarized below. It should be noted that this was an informal conference, and that the comments described below do not necessarily represent the views of all participants.

## I. Reviewing a Decade of APEC, Looking Ahead to the 21st Century

### 1. The Significance and Role of APEC

The very fact of the establishment of a collective body like APEC, whose membership encompasses nations from throughout the entire Asia-Pacific region, carries considerable political significance, and APEC has indeed contributed to the stability of the Asia-Pacific region. APEC has also helped to support some of its members to convert to market economies.

APEC has also made a major contribution to the liberalization and

facilitation of trade and investment. The basic principle of APEC is to support the elimination of restrictions, voluntary liberalization, and non-exclusive regionalism. APEC has produced two extremely important documents to date: the Bogor Declaration set forth APEC's main goals, while the Osaka Action Plan mapped out a concrete plan for achieving these goals. As for the liberalization of trade and investment, although there are issues which should be left to the World Trade Organization (WTO), it is also true that APEC activities have contributed to the success of the Uruguay Round, the WTO process, and toward the next round of WTO negotiations.

The APEC Economic Leaders' Meetings also carry great political significance. While focusing on efforts to liberalize and facilitate trade and investment, the fact that all the leaders of the APEC nations meet together in one place makes it possible for them to address issues of concern to countries throughout the APEC region. It would basically be accurate to say that the Pacific Ocean has become an "inland sea."

### 2. Key Issues

Against the backdrop of economic globalization and the Asian economic crisis, and in view of the need for economic development in the Asia-Pacific region and liberalization of trade and investment, it is important that APEC

work to "strengthen markets" (i.e., provide domestic systems, carry out structural reform, strengthen the industrial base, build financial systems, strengthen the base of small and medium-sized enterprises, etc.). It is important that APEC help its developing members to strengthen their markets by supporting their efforts to build up their economic bases and social safety nets.

With regard to the liberalization of trade and investment, the question of how APEC can contribute to the upcoming round of WTO negotiations is an important issue. One thing APEC can do, for example, is to promote the accession of new members to the WTO.

### 3. Key Problems

#### (1) Systemic Innovations to Address Macroeconomic and Financial Problems

The system now in place for addressing macroeconomic problems must be improved, as must the system of economic governance. To this end, it is important that we establish stronger linkages among ministers of trade and industry. Some conference participants also voiced the opinion that as APEC's task expands, the function of the APEC Secretariat needs to be strengthened through a number of measures, including the hiring of more specialists.

#### (2) Improved Mechanisms for Support and Aid

##### (a) Strengthened Linkages with Business

As a means of strengthening ties to the business community, conference participants called for an enhanced role for the Asia-Pacific Business Advisory Council (ABAC) and the APEC CEO Summits.

##### (b) Strengthened Political Appeal (to Secure the Support of Political Leaders and the General Public)

We must not treat APEC activities as "a task for the bureaucrats," but should make it the business of all society. At the same time, something must be done to ensure that there can be a dialogue that incorporates the thinking of the heads of state of all APEC members.

## (c) Strengthened Ties with Academia and the Press

An effort must be made to create a structure to strengthen the ability of APEC to develop new concepts.

## (d) A Larger Voice for Business and the General Public

Information technology must be used to strengthen the functions of the Secretariat. At the same time, there are problems which cannot be solved simply by strengthening the functions of the Secretariat, for which reason some conference participants suggested that it might be a good idea to establish an on-line system to give ABAC and other business organizations a greater voice in APEC affairs.

**II. Lessons of the Asian Economic Crisis in Relation to APEC***1. Causes of the Asian Economic Crisis*

Unlike Latin America, the Asia-Pacific region enjoys relatively strong economic fundamentals (high savings rate, low poverty rate, low inflation). The Asian economic crisis occurred due to the existence of weak microeconomic fundamentals within the context of an international financial system and increasing economic globalization.

It was also pointed out that countries

with a strong economic base (healthy small and medium-sized enterprises, etc.) were not so vulnerable to the impact of the economic crisis.

*2. The Need for Structural Reform*

Even if we assume that the economic crisis was due in part to an unstable financial system, restricting capital inflows and controlling foreign currency are not enough to solve the problem. In addition to maintaining and developing a sound macroeconomic situation, structural reforms are needed in order to achieve strong microeconomic fundamentals in the financial sector, individual companies, the labor market, and the public sector. Also, there is a need for measures to promote small and medium-sized enterprises and other aspects of the economic base. In so doing, each country must act in a flexible and open manner, as dictated by local conditions.

In addition, the cause of the economic crisis was also rooted in weak social fundamentals; thus it is important to design a social safety net to protect the weaker members of society. This safety net should include a pension system, health insurance, unemployment insurance, and other such systems.

Economic indicators from South Korea and Thailand seem to show that their

economies have bottomed out and could soon begin to rebound. Rather than see 30 years of economic growth in Asia brought to a halt by a single economic crisis, if we can carry out structural reform, we might be able to continue achieving solid development, although the pace might not be the same as before.

With regard to these structural issues, there is a need to broaden the APEC agenda so as to send out a political message to encourage all countries in the region to coordinate their policies.

**III. Defining the Role of Sub-regionalism**

With regard to the issue of sub-regionalism, some have voiced concerns about the formation of an exclusive bloc, but if the goal of sub-regionalism is the eventual achievement of global free trade, some participants stated that we should support this phenomenon. As this issue applies to APEC, some conference participants expressed the same basic idea once again — as long as an APEC bloc is open to other countries and the character of such a bloc is in keeping with the free trade that constitutes the final goal of APEC, we should support this type of sub-regionalism. JTI

**Asia-Pacific Conference hosted by JEF  
List of Participants**

(in an alphabetical order of surname)

Mr. Akazawa Shoichi	Deputy Chairman, Institute for International Policy Studies	YBhg Tan Sri Asmat bin Kamaludin	Secretary-General, Ministry of International Trade and Industry, Malaysia
Mr. Arai Hisamitsu	Vice-Minister for International Affairs, MITI, Japan	Dr. Kawai Masahiro	Chief Economist, East Asia and Pacific Region, World Bank
Dr. Peter David Drysdale	Professor, Asia Pacific School of Economics and Management and Research School of Pacific and Asian Studies, The Australian National University, Executive Director, Australia-Japan Research Centre	Dr. Thienchay Kiranandana	President, Chulalongkorn University
Mr. Robert Clarke Fauver	India and Pakistan Coordinator, U.S. Department of State, Former Deputy Assistant Secretary (Economics) for East Asian and Pacific Affairs	Mr. Kojima Akira	Director, Editorial Page Editor, Nihon Keizai Shimbun (NIKKEI)
Dr. Funabashi Yoichi	Chief Diplomatic Correspondent and Columnist, The Asahi Shimbun	Mr. John Anthony Miller	Director of Housing, The Government of the Hong Kong Special Administrative Region (Former APEC SOM)
Mr. Furuta Hajime	Director-General, Economic Cooperation Department, International Trade Policy Bureau, MITI, Japan (APEC SOM)	Mr. Run-Tzu Peng	President and Chairman, Taiwan Transportation Machinery Co.
H.E. Dr. Seung-Soo Han	Member of the National Assembly, Korea, Former Deputy Prime Minister and Minister of Finance and Economy	Mr. Daniel Schwanen	Senior Policy Analyst, C.D. Howe Institute
Dr. Hara Yonosuke	Director, Institute of Oriental Culture, Professor, The University of Tokyo	Mr. Shibuya Minoru	Deputy Director-General, Economic Affairs Bureau, Ministry of Foreign Affairs, Japan (APEC SOM)
Mr. Iijima Ken	Representative Managing Director and Deputy President, Sakura Institute of Research, Inc., Executive Director, Center for Pacific Business Studies of Sakura Institute of Research, Inc.	Dr. Shimada Haruo	Professor, Economics Department, Keio University
Dr. Iokibe Makoto	Professor of History, Department of Law, Kobe University	Mr. Tamori Aichy	Executive Managing Director, Japan Economic Foundation
		Dr. Taniuchi Mitsuru	Deputy Director-General, Coordination Bureau, Economic Planning Agency, Japan (Chair of the APEC Economic Committee)
		Mr. Toyoshima Toru	Chairman, Japan Economic Foundation
		Mr. Maarten Laurens Wevers	Chair, APEC Senior Officials' Meeting, Ministry of Foreign Affairs and Trade, New Zealand
		Mr. Xu Dan	Vice-President, China Institute of Contemporary International Relations
		Dr. Yoshitomi Masaru	Dean, Asian Development Bank Institute