

# APEC Assuming Increasingly Important Role

By Hiroshi Fukushima

As industrialized countries see their economies remain stagnant and countries in transition to market economies are mired in deepening economic crises, the fast-growing Asia-Pacific region is becoming the focus of global attention as the powerhouse pulling the world's economy toward higher performance.

The region occupies approximately 30% of the world's land area, its population and trade account for roughly 40% of the world total, and its production some 50% of the world total. It is versatile both in economic and non-economic terms, with countries coexisting in mutual trust and being complementary to each other. These characteristics have helped the region achieve dynamic growth.

After industrialized countries including Japan grew fast during the 1960s, newly industrializing economies (NIEs) in Asia and member countries of the Association of Southeast Asian Nations (ASEAN) have been on a high-growth track since the 1970s. The vigorous performance of the ASEAN economies since the late 1980s is particularly outstanding, steadily maintaining a growth rate in gross national product (GNP) above the world average.

## More interdependent

Amid the economic acceleration, countries of the Asia-Pacific have seen a steady deepening in their economic interdependence—in commodity trade, service trade, direct investment and human contacts. Growth in interregional commodity trade in recent years has outpaced the world average. The ratio of interregional trade to their total trade has risen 13 percentage points in the past 10 years to nearly 70%.

Most importantly, beyond exchanges inside North America or Asia, exchanges across the Pacific Ocean between North America and other member countries of the Asia-Pacific Economic Cooperation (APEC) forum, that is exchanges among

all APEC members, have vastly expanded. Trans-Pacific bonds now outweigh trans-Atlantic ties.

There are three economic factors enhancing interdependence and upholding the high growth of the APEC region: 1) countries of the region took the lead in adopting economic opening and adequate macroeconomic measures, 2) an increase in foreign investment under a multilateral free trade system led to expansion of exports, and 3) technological transfers from multinational corporations helped accelerate industrialization of the region.

If the Asia-Pacific region as a whole continues to implement appropriate measures, all member countries will be able to reap the benefits of economic growth through enhanced interdependence. The region will indeed continue to serve as a model growth center beyond 2000, demonstrating the efficacy of the multilateral free trade system.

As it maintained its role as the locomotive of the world economy, the Asia-Pacific region inaugurated APEC in 1989 after a proposal by Australian Prime Minister Bob Hawke.

APEC, whose original members were the six member countries of ASEAN (Brunei, Indonesia, Malaysia, the Philippines, Singapore and Thailand) plus Australia, Canada, Japan, South Korea, New Zealand and the United States, now has a total of 15 members, with China, Hong Kong and Taiwan added in 1991.

APEC members need to jointly address some inherent problems, such as overdependence on the United States and lack of skilled people and technology, in order to maintain its role as the growth center of the world in the medium and longer terms. While there are increasing misgivings about the emergence of regionalism as seen in the integration of the European Community and the formation of the North American Free Trade Agreement (NAFTA), APEC is looked to as an example of regional cooperation to

help enhance the soundness and openness of such cooperation elsewhere in the whole world.

## Target projects

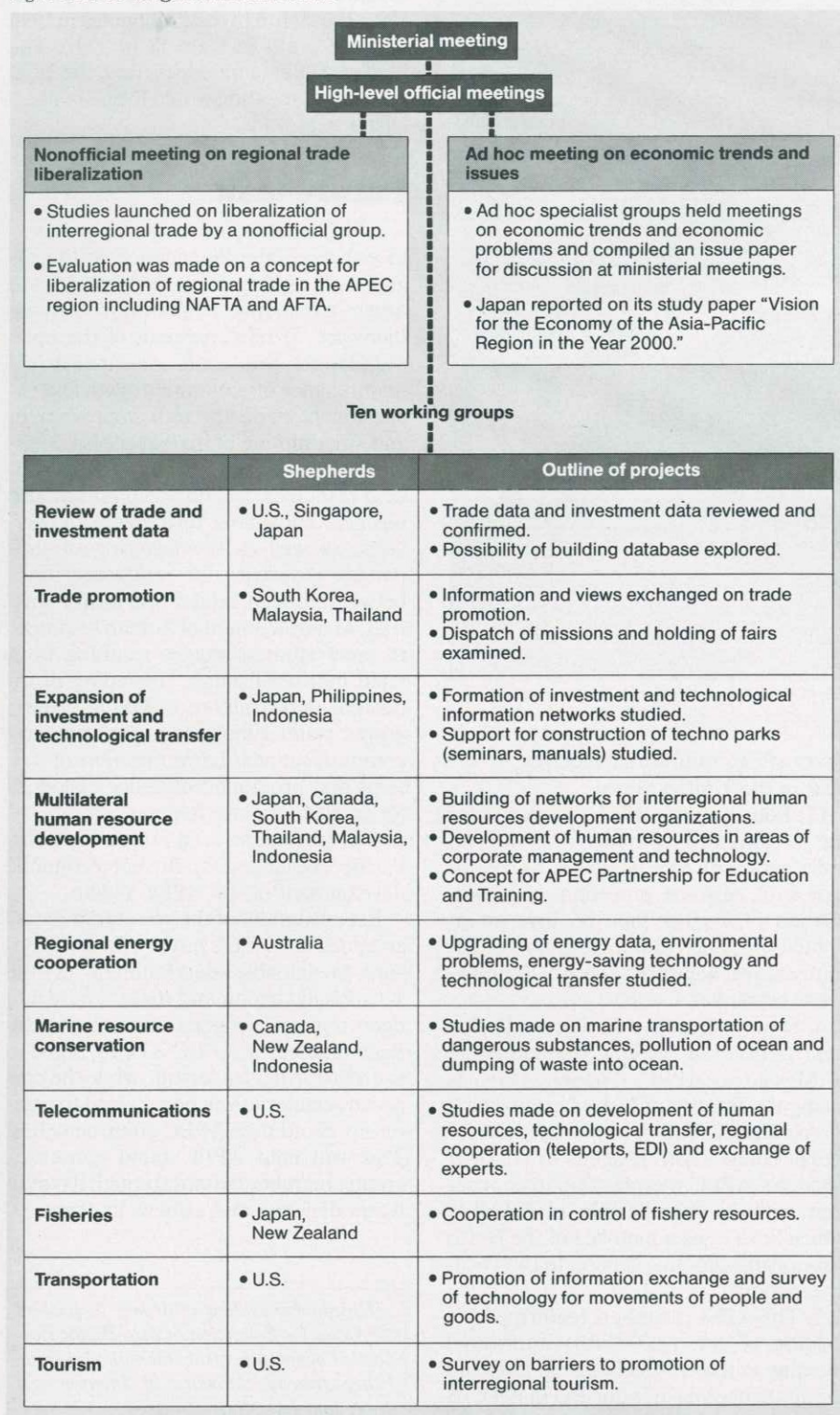
Since 1989, APEC has been smoothly promoting its activities by holding four ministerial conferences. Initially, APEC targeted seven projects (review of trade and investment data, trade promotion, human resource development, investment and technological transfer, energy, marine resource conservation and telecommunications), but it has added three more (fishing, transportation and tourism), bringing to 10 the total number of projects to be undertaken. In addition, APEC is conducting two policy reviews (regional trade liberalization and economic trends and issues), testifying to the new deployment of its activities (Fig. 1).

APEC's activities are vastly expanding, with various projects being proposed and implemented.

Since the time of APEC's inauguration, Japan has been assuming a positive role in the forum by proposing and implementing various activities. In the project to review trade and investment data, Japan undertook an analysis of coordination of commodity trade statistics. In trade promotion, Japan has organized seminars and is expected to organize the first Asia-Pacific international trade fair in Osaka in the autumn of 1994. Japan serves as a coordinator and has organized various seminars as part of its responsibility in the field of human resource development. Preparations for "techno parks" and techno park manuals feature Japan's contribution to investment and technological transfer. Building of a database and holding of seminars on new forms of energy highlighted Japan's extensive cooperation in the field of energy.

The fourth APEC ministerial meeting, held in Bangkok in September 1992, decided to establish the APEC secretariat, an epoch-making decision in the three-

Fig. 1 APEC Organizational Chart



year history of an organization which is now at a turning point. The decision was a follow-up to the adoption at the previous ministerial meeting of an APEC declaration which spelled out the organization's basic rationale, purpose and activities.

The following is a summary of what was discussed and decided at the fourth ministerial meeting:

1. The Bangkok Declaration on the establishment of the secretariat and the inauguration of a budget system for APEC was adopted. The document represented the culmination of a series of talks among senior officials on the institutionalization of APEC held since the previous ministerial meeting. The main points of the Bangkok Declaration are:

(1) The secretariat will be established in Singapore as of January 1993 to promote and coordinate APEC activities and manage APEC's finances. The secretary general will be dispatched from the country holding the APEC presidency. The post of deputy secretary general will be assumed by a person dispatched from the country which will be next to assume the presidency. Professional staff for the secretariat will be provided by member countries and assistant staff members will be locally employed.

(2) An APEC fund will be created. APEC's financial year is the same as the calendar year. All APEC member countries will be duty-bound to contribute to the fund each year. The total contribution for the first year will be not more than \$2 million, and each member country will make contributions based on its gross national product. The upper ceiling (to be applied to Japan and the United States) was set at 18% of the total and the minimum at 2.5% of the total.

2. All APEC members highly evaluated a report titled "Vision for the Economy of the Asia-Pacific Region in the Year 2000," presented by Japanese Minister of International Trade and Industry Kozo Watanabe, which analyzed the deepening interdependent relationships among APEC member countries in regard to economic and other matters, and made proposals on policies to be adopted by APEC for the future.

3. On the basis of debates on the Uru-



The 4th APEC ministerial meeting in Bangkok in September 1992, at which the organization decided to establish its own secretariat.

Photo: WWP

seventh ministerial meeting in Japan in 1995, the eighth in the Philippines in 1996 and the ninth in Canada in 1997. The United States announced that the next ministerial meeting would focus on liberalization of trade.

## Future task

APEC must address several problems to enhance interdependence of the region and ensure its sustainable growth under expanding equilibrium. Among them are: 1) reinforcement of the open multilateral free trade mechanism, 2) maintenance of economic growth and expansion of trade through improvement and streamlining of market access, 3) establishment of a freer flow of overall business resources, not only capital but also business know-how, technology and services, as well as the fostering of supporting industries for reinforcing links between foreign capital and local industries, 4) development of human resources to meet labor shortages resulting from rapid industrialization; upgrading of industrial infrastructure including electric power, water supply, transportation and communications; harmonization of systems and promotion of policy dialogues for accelerating interregional human and capital movements, and 5) spurring trans-Pacific exchanges for further economic development of the APEC region.

Establishment of the secretariat marks an epoch in APEC's history, for it will ensure sustainable development of the Asia-Pacific region and make a model of open regional cooperation to the world. Each member of APEC is being urged to exercise further leadership, while the proposed secretariat will be required to organically coordinate APEC group activities. This will help APEC build consensus among member nations through its traditional dialogue and achieve its tasks. ■

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guay Round of multilateral trade negotiations and liberalization of regional trade, a statement was adopted expressing APEC's political will to seek an early successful conclusion of the round. The statement expressed concerns about the delay in the negotiations and urged all countries participating in the round to act promptly and decisively to bring it to a successful conclusion by the end of the year, and confirmed APEC member countries' determination that it will do all it can to achieve the target. The statement was a follow-up to declarations adopted at previous APEC ministerial meetings in Singapore and Seoul, similarly urging a successful conclusion of the Uruguay Round negotiations.

On liberalization of interregional trade, the following agreements were reached:

(1) For promotion of interregional trade, an eminent persons' group will be established at an appropriate time after the ministerial meeting to study the desirable form for medium-term trade and restrictive factors, and will report to the

next APEC ministerial meeting, to be held in the United States.

(2) Four projects will be launched for the streamlining of trade. They are: a) building a tariff rate database, b) coordination of customs procedures, c) compilation of a guidebook on investment regulations, and d) rationalization of administrative measures toward improvement of market access.

4. Senior officials will discuss by the next ministerial meeting the admission of Mexico to APEC. Though APEC is facing the important task of establishing a secretariat and promoting interregional cooperation, it needs to consider Mexico's APEC membership in connection with its membership of NAFTA, which links it, as a member of the North American economic sphere, to the Pacific economy.

5. The APEC members reaffirmed the holding of the next (fifth) ministerial meeting in the United States in 1993 and the sixth meeting in Indonesia in 1994. At the same time, they decided to hold the