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APEC Development and Cooperation for Asia-Pacific Community Building

Purpose: Information

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I. Introduction

□ APEC process has been focused on the theme and priorities set by APEC Secretariat and the host economy of each year.

- The results and progresses are well documented as in the Leaders' Declarations of each year.

□ This is to examine APEC development in reference to the APEC themes and Leaders' Declarations.

- In parallel, it also examines trade development and trade structure among member economies and sub-regions in APEC since its inception.

□ Some achievements and limitations of APEC, including early voluntary sectoral liberalization (EVSL) and trade facilitation initiatives, will be reviewed

- To suggest some cooperative measures and institutions for facilitating to build an Asia-Pacific Community as one of the ultimate goals of APEC.

II. APEC Progresses

[Leaders' Declaration]

□ APEC Economic Leaders Meetings (ALEMs) have been held once a year in the host country since 1993.

- Declarations from the APEC Leaders Meetings set the policy agenda for APEC.

- Trade liberalization, economic cooperation, and economic growth for co-prosperity have been major interests of discussion.

- SMEs development, business and private sector participation began to be discussed more actively somewhat afterward.

- International financial system and some social issues were introduced in the APEC discussions with the onset of East Asian financial crisis.

□ APEC reform issue has begun to be emphasized with some questions on APEC credibility since the failure of EVSL.

- Due to 9.11 terrorism, security issues in the name of economic and human security were added to APEC discussions.

□ However, it is still an APEC priority to share benefits of growth through free and open trade and investment, economic cooperation.

- To meet subregionalism, model measures of RTAs/FTAs are being identified, practically trade facilitation rather than liberalization is being emphasized.

- Contributions to the multilateral trading system have been one of the major priorities of APEC and being further emphasized with the stalled DDA negotiations.

[Trade Performances and Potential]

□ Economic relationships of APEC member economies can be analyzed in terms of changes, performances and potential in international trade among them since 1989.

□ Above all, APEC regional subgroups have been integrating faster among member economies in each regional subgroup than they have been integrating with APEC as a whole.

- These trends are significant, especially for the major regional subgroups: ASEAN, North America and Northeast Asia.

□ Furthermore, potential trade among APEC member economies estimated with the gravity model of trade and compared them with their actual bilateral trade performances in 2001.

- Overall, the integration within each of the major regional subgroups, North America, Northeast Asia and ASEAN, is estimated potentially high.

- The integration between APEC member economies in different regional subgroups is estimated to be much more significant by considering complementarities (or structural similarities) in trade compared to the results from the basic gravity model.

□ The economic implications of integration within each of the regional subgroups need to be examined so that the trend is consistent, harmonious with and ultimately contribute to the integration of APEC as a whole.

- APEC should help its member economies to fully utilize their complementary relationships for the enhancement of economic cooperation among APEC member economies.

- For example, expanding relationships such as inter-industry trade in natural resources trade and industrial goods between the three regional subgroups (North America, Northeast Asia, and Southeast Asia) and the remaining subgroups.

- Among the former three major regional subgroups, however, complementary relationships from intra-industry trade are in industrial goods such as electric and electronic equipment, machinery, automobiles, related parts and accessories.

□ Besides, APEC has to concentrate on the implementation of what it has discussed and declared, especially the trade facilitation measures since establishment.

III. APEC and East Asia

□ We can observe various institutional development within APEC, especially in East Asia: ARF, ASEAN+3, ASEAN+6, East Asian Summit, etc.

- These trends might come into conflict with APEC-wide cooperation.
- However, there also emerge strong reactions in APEC to strengthen and institutionalize APEC-wide cooperation.
- FTAAP is in the forefront of the reactions.
- Not many people seem to believe that FTAAP will come true in the near future.
- However, it is meaningful that concrete institutionalized cooperation is being pursued for APEC as a whole.

IV. Cooperation for APEC Development

- APEC is an economic cooperation forum among the government in Asia-Pacific region.
- With its voluntarism and diverse member economies, we cannot overemphasize the importance of identifying common interests and providing solid foundation for them.
- EVSL is a good example, I believe, that failed to offer appropriate foundations for common interests.
- Members set a criterion for identifying candidates of EVSL as the magnitude of trade within APEC.
- However, it should be the magnitude of mutual trade rather than unidirectional trade for maximizing members of common interests. More specifically, EVSL should not have combined various primary sectors (such as fishery and forestry sector) and high-tech sectors (such as automobile MRA and civil aircraft) for balance of interests.
- For these purposes, a centralized research function is required to complement current APEC process among government officials and offer some bases for implementation.
- For example, we can establish a research oriented secretariat to complement on in Singapore in a member economy other than Singapore.
- Besides, it could guide institutional development of APEC since “nothing is lasting without institutions.”

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I. Introduction

- APEC process
 - focused on the theme and priorities
 - results and progresses documented in the Leaders' Declarations of each year
- Purposes
 - to examine APEC development in reference to the APEC themes and Leaders' Declarations
 - to examine trade development/structure for suggesting some cooperative measures and institutions

II. APEC Processes

- Statements from APEC Economic Leaders Meetings (ALEMs) set the policy agenda for APEC
 - major interests of discussion : trade liberalization, economic cooperation, and economic growth for co-prosperity
 - SMEs development, business and private sector participation discussed afterward
 - international financial system and some social issues with East Asian financial crisis.

II. APEC Processes

- APEC reform issue since the failure of EVSL.
 - economic and human security issues after 9.11
- However, still APEC priorities on sharing benefits of growth
 - to meet subregionalism, model measures of RTAs/FTAs, trade facilitation being emphasized.
 - continued support to the multilateral trading system with the stalled DDA negotiations

II. APEC Processes

- Economic relationships of APEC member economies in international trade
 - APEC regional subgroups integrated faster than APEC as a whole, especially for ASEAN, North America and Northeast Asia
 - Furthermore, integration within each of the subgroups potentially high.
 - However, considering complementarities (or structural similarities) integration between APEC member economies in different regional subgroups is much more significant

II. APEC Processes

- Implications
 - APEC help its member economies fully utilize their complementary relationships
 - For example, expanding relationships such as inter-industry trade in natural resources trade and industrial goods
 - Also expanding intra-industry trade in industrial goods such as electric and electronic equipment, machinery, automobiles, related parts and accessories
- Besides, to concentrate on the implementation, especially the trade facilitation measures

III. APEC and East Asia

- Various institutional development within APEC
 - ARF, ASEAN+3, ASEAN+6, East Asian Summit, etc.
 - might come into conflict with APEC-wide cooperation.
 - there also strong reactions to strengthen and institutionalize APEC-wide cooperation : FTAAP
- Not many believe that FTAAP will come true in the near future
 - however, it is meaningful as a concrete institutionalized cooperation APEC as a whole

IV. Cooperation for APEC Development

- APEC : an economic cooperation forum among the governments
 - With its voluntarism and diverse member economies, need to identify common interests and provide solid foundation for them
 - EVSL is a good example failed to offer appropriate foundations for common interests
- For these purposes, a centralized research function is required
 - For example, establish a research oriented secretariat
- Besides, need to guide institutional development since “nothing is lasting without institutions.”