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Neantro Saavedra-Rivano
Director, APEC Study Center
University of Tsukuba
Tsukuba, Japan
neantro@sk.tsukuba.ac.jp

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Introduction

This paper deals with the interplay throughout the years between the two main areas of activity and policymaking in APEC: trade liberalization and economic and technical cooperation. That has been a rather tense relationship and, as this paper will argue, one that has been progressively biased in favor of trade liberalization. We begin by an analysis of the official statements issued on the occasion of the Economic Leaders Summits and the Annual Ministerial Meetings. We then proceed to a more systematic discussion of the imbalance between these two legs of APEC policies and place them in the context of the respective roles of competitive and cooperative behavior in the pursuit of economic and social development. The paper concludes with some possible implications for the future orientation of APEC policies and for APEC reform. This paper is a slightly modified version of a presentation made at the International Conference on “*APEC Reforms and Evolving Trends*” (Vietnamese Academy of Social Sciences, Hanoi, 27-28 April, 2006) and I gladly acknowledge valuable comments received from the participants at that time, especially from my commentator, Dr. Hoang Anh Tuan.

TILF and ECOTECH: A Brief Annotated History

It was in the *Declaration for Action* (Osaka, November 1995) that APEC Economic Leaders referred for the first time to the “three pillars” of the organization, namely “trade and investment liberalization, their facilitation, and economic and technical cooperation”. The wording was slightly changed in Vancouver (1997) so that the second pillar became “business facilitation”. Subsequent mentions to “TILF” are not entirely consistent, at times merging the first two pillars according to their Osaka

definition and in other occasions using the latter definition. Although the image of three pillars is attractive from a graphical perspective, the important distinction in practice is that between TILF (including business facilitation) and ECOTECH. The main body of the Osaka Action Agenda, both in its original (Osaka, 1995) as in its updated (Shanghai, 2001) versions is composed of two parts, one for each of these components. We will follow that practice as we recount the history, from Blake Island to Busan, of the treatment given to these two areas of activity of APEC.

The *Economic Vision Statement* issued in **Blake Island** (1993) gave a central place to the idea of “a community of Asia Pacific economies”. It generally kept a balanced emphasis on the need for reduced trade and investment barriers and the importance of cooperative endeavors in fields such as education and training.

The *Declaration of Common Resolve* of **Bogor** (1994), which sought to advance this vision, singled out the need for action in three sets of issues: strengthening the open multilateral trading system; enhancing trade and investment liberalization in the Asia-Pacific; and, intensifying Asia-Pacific development cooperation. The second and third sets correspond, of course, respectively to TILF and ECOTECH. The Declaration goes on to explain in more detail actions to be undertaken for each of these three sets of issues. It is here that the goal of achieving “free and open trade and investment no later than the year 2020”, with the developing members achieving it by 2010, is clearly stated. As for cooperation, the Declaration also sets as an objective to “intensify development cooperation” among its members “so as to attain sustainable growth and equitable development”. Several areas of cooperation are explicitly mentioned, among them human resource development, science and technology (including technology transfers), promotion of small and medium enterprises, and infrastructure development. It is also mentioned that cooperative endeavors may start initially with those members who are ready to participate while others may join at a later date, an observation that would serve later as a foundation for the *pathfinder approach*. The generality of these goals could be easily contrasted to the specificity of the goals set for trade and investment liberalization. The simplicity and precision of the latter captured the imagination of the APEC community and its observers. These quickly named *Bogor Goals* became the one and lasting output of that Summit, indeed one that has had an overarching influence over APEC activities until now.

At their next summit in *Osaka* (1995) the Economic Leaders approved the *Osaka Action Agenda*, which codifies future actions in the pursuit of established goals in both TILF and ECOTECH. As said before the main body of the OAA has two parts, one for each of these two broad areas. Part I enumerates the well-known 15 issue areas of activity for TILF. It also establishes the *Action Plans* in their two modalities, by country or individual (IAP) and collective (CAP). Specific points for common action are set for each one of the issue areas. The process of submission and review of progress is also clearly set. In particular the Senior Officers are mandated to present systematic progress reports to the Annual Ministerial Meetings. Part II, dealing with ECOTECH, presents a seemingly parallel framework for this domain of activity. It enumerates 13 specific areas of action, roughly corresponding to currently existing APEC Working Groups. It also defines a framework that identifies *Common Policy Concepts* associated with each action area and that distinguishes between two types of actions: *Joint Actions* and *Policy Dialogues*. *Action Programs* (later to be called *ECOTECH Action Programs* or EAP) for these areas of action are then defined. The parallel, however, is incomplete inasmuch as this framework was not explicit as to schedules and, most importantly did not include any mention of a review process nor linked the process to the highest instances of APEC (such as the Annual Ministerial Meetings or the Economic Leaders Summits). Although the OAA was updated in 2001 these asymmetries were not corrected.

The summit in *Subic* (1996) adopted the *Manila Action Plan for APEC (MAPA)*, which contained a useful and balanced presentation of ongoing projects and achievements on both domains of activity, TILF and ECOTECH. At the Annual Ministerial Meeting shortly preceding it, the *Manila Framework for Strengthening Economic Cooperation and Development* was adopted. The document re-emphasized the importance of this domain of activity although it failed to establish a roadmap for its actions.

In *Vancouver* (1997) the balance tilted again in favor of TILF. On that occasion the program of *Early Voluntary Sectoral Liberalization (EVSL)* was launched for 15 economic sectors. As we know that initiative did not come to prosper in ensuing

years. The Declaration of that year did not contain much on ECOTECH other than praising the application of the Manila Framework approved the preceding year.

The years 1998-2000 are not particularly noteworthy, although the emphasis on both domains was generally balanced. Perhaps as a result of the Asian Financial crisis of 1997-8 many members came to realize the importance of economic cooperation while at the same time some of them were leery of the effects of financial opening. It might be noted that some new themes, such as e-commerce and the New Economy, came to be incorporated to APEC interests. In particular, the Declaration issued during the Economic Leaders Meeting in *Bandar Seri Begawan* (2000) included as an Annex an *Action Agenda for the New Economy*.

The meeting in Shanghai (2001) was remarkable for delivering several important initiatives in both TILF and ECOTECH, most explicitly presented in the *Shanghai Accord*. The Osaka Action Agenda was updated and the (voluntary) *IAP Peer Review Process*, initiated in 1997, was further consolidated.. ECOTECH activities were placed in a more central context and in particular the ECOTECH Sub-Committee (ESC) came under the direct supervision of the SOM. The *Pathfinder Approach*, whereby some countries could initiate cooperative schemes with other countries joining later, was formally established. The Leaders also encouraged the development of ECOTECH Action Programs. Generally, it can be said that Shanghai represented an explicit effort to place back ECOTECH in a similar status than TILF.

That effort for balance was not pursued in the following years, particularly 2002-4. It is remarkable that the term “Economic and Technical Cooperation” was not mentioned a single time in the Economic Leaders Declarations of *Bangkok* (2003) and *Santiago* (2004). The *Bangkok Declaration on Partnership for the Future* was entirely devoted to trade and investment liberalization, to issues of human security, and to the debate on the benefits of globalization. The *Santiago Declaration* kept basically the same themes. In a sense ECOTECH themes during those years were displaced by the worries prevalent at the time about terrorism, infectious diseases, and the backlash against globalization. This trend was well illustrated by the decision to discontinue the ECOTECH Action Plans taken in 2003. The decision was indirectly

acknowledged in the statement of the APEC Ministerial Meeting in Bangkok, at which time there was also a decision to focus ECOTECH work on four priority areas:

- ◆ Integration into the Global Economy
- ◆ Counter-Terrorism Capacity Building
- ◆ Promoting the Development of Knowledge-Based Economies
- ◆ Addressing the Social Dimension of Globalization

After those years of relative drifting the meeting in *Busan* (2005) represented a welcome attempt to steer APEC back towards its main objectives. The *Busan Roadmap*, endorsed on that occasion, contemplated the following six elements:

- ◆ Support for the Multilateral Trading System;
- ◆ Strengthening Collective and Individual Actions;
- ◆ Promotion of High-Quality Regional Trade Agreements and Free Trade Agreements (RTAs/FTAs);
- ◆ Busan Business Agenda;
- ◆ A Strategic Approach to Capacity Building; and
- ◆ The Pathfinder Approach.

The Roadmap was a conclusion of the *Midterm Stocktake* commissioned in 2001 and completed during 2005. The *Midterm Stocktake* was a major effort to assess progress in meeting the Bogor goals. The document is interesting as it explicitly enshrines the notion that the Bogor goals constitute “the key organizing principle for APEC”. In particular ECOTECH appears as subordinated to TILF and primarily useful as an auxiliary tool in achieving the latter. To quote from the document, “Comprehensive and effective economic and technical cooperation (ECOTECH) among APEC member economies is fundamental to the achievement of the Bogor Goals and helps to promote sustainable growth in the Asia-Pacific region.”

TILF and ECOTECH: Asymmetries

It is convenient to collect here the main differences in the approaches towards these two pillars of APEC. The following aspects will be highlighted: incentives for action; review and evaluation; governance; and access to information.

Incentives for action

The Osaka Action Agenda establishes the need for all member economies to provide Individual Action Plans detailing their activities towards meeting the Bogor goals of trade and investment liberalization and facilitation. In addition, the APEC Ministerial Statement on Membership (Vancouver, November 1997) indicates that successful applicants for membership “will be required to produce an IAP for implementation and to commence participation in the CAP across the APEC work programme from the time of its joining” the organization. There is no similar framework for ECOTECH, although the development of the EAP in the area of Human Resources Development in 2001 was applauded both by the Ministers and the Economic Leaders statements of that year. The explicit adoption of the Pathfinder Approach encourages, in principle, the adoption of cooperative schemes both in TILF and ECOTECH. Finally, the recognition of the importance of ECOTECH activities for the advancement of TILF goals may serve as a catalyst for the development of additional ECOTECH initiatives (albeit subordinated to their proven effectiveness as auxiliary to TILF).

Review and evaluation

Individual Action Plans are subject to voluntary Peer Reviews on a systematic basis. The Peer Review process has been recently revamped to make it more credible and effective and it involves the participation of independent experts as well as that of APEC Business Advisory Council (ABAC). At this point all 21 member economies have been reviewed in this way and the process will go on. Nothing comparable exists for ECOTECH. Indeed ECOTECH Action Plans were discontinued in 2003 so that there is not much to review at the Program level. At the Working Group (WG) level the Fisheries Working Group has had an independent assessment in 2004 as a pilot program. Independent assessments are currently being conducted or planned for two other Working Groups (Small and Medium Enterprises, and Tourism). The situation is better at the project level. The SOM Committee on ECOTECH has had the support, from 2004, of a Small Group on Evaluation, and the assessment and

evaluation of projects has been streamlined under a newly established Assessment, Monitoring and Evaluation (AME) Framework.

Governance

The Committee on Trade and Investment, which was established for this purpose in 1993, coordinates TILF activities. It oversees the work of 14 sub-fora and reports directly to the APEC Ministerial Meetings. In addition to the administrative and governing structure of its sub-committees and other sub-fora, the CTI has a Chair and receives the assistance of two Directors from the APEC Secretariat. The ESC, on the other hand, was originally created in 1998 under the name of Sub-Committee on ECOTECH, renamed in 2002 as the SOM Committee on ECOTECH, and most recently became the SOM Steering Committee on Economic and Technical Cooperation. As its name indicates the ESC reports to the SOM and is mandated to assist the SOM in coordinating and managing the ECOTECH agenda. It meets three times a year, gathering a membership composed of officers from their respective Ministries, in order to coordinate the activities of the Working Groups. The ESC possesses no sub-fora, with the exception of the Small Group on Evaluation mentioned earlier. The ESC has a Chairperson (currently the SOM from Australia) and a Director from the APEC Secretariat assists its work.

Access to information

Access to information on projects and related activities is of course essential to the achievement of the purported goals of those endeavors. APEC is to be commended for systematically pursuing policies of transparency and openness in relation to its activities. Its home page contains abundant information about the activities of its committees, groups and other fora. How easy is to retrieve the desired information, however, is another matter. In this respect there are important differences in the level of effort needed to retrieve information on TILF and ECOTECH activities. In the case of TILF the e-IAP web page (<http://www.apec-iap.org/>) organizes in a simple and intuitive way access to both Individual Action Plans and Collective Action Plans as well as to their Peer Reviews, all of which can be downloaded. The page contains also a link to the APEC Tariff Database. In the case of ECOTECH the equivalent would be the APEC Project Database. Despite the considerable effort that has certainly been directed at building this database it still lacks the easiness of navigation

of the e-IAP page. Furthermore the Project Database is not limited to ECOTECH activities but contains projects associated with the entire APEC. In addition to these two web pages, several of the sub-fora of the CTI as well as the Working Groups performing ECOTECH activities have their own web pages and in this regard there is no particular asymmetry.

TILF and ECOTECH in a Developmental Context

We all agree that trade and development are related in profound ways. Most would also agree that trade is not a goal in itself but instead a mean to increase prosperity. The liberalization of international trade (and also investment and, why not, technology transfers and human migration as well), in the modern world, is a necessary condition for economic development. On the other hand not all development is caused by trade liberalization. This last assertion is better understood once one observes that trade is usually associated with competition while development may also arise from cooperative schemes. Thus, while it is certainly possible to find reinforcing points between an agenda for liberalization and an agenda for cooperation, it is clear that neither agenda could be subordinated to the other.

The previous discussion may appear to stress the obvious. However the discourse to be found in the statements from APEC Ministers and Economic Leaders most often places the agenda for liberalization at the center of APEC endeavors. The Midterm Stocktake and Busan Roadmap endorsed at Busan last year goes as far as to refer to the Bogor Goals as the “key organizing principle for APEC”. Even as lip service is paid to the importance of ECOTECH most often ECOTECH is associated to the support that its activities might lend to the achievement of TILF goals. While the latter are not to be disregarded, that kind of emphasis constitutes an inversion of the most important connection: that liberalization is a mean to make possible more effective cooperation among APEC economies, which in turn will increase the prosperity and welfare of the Asia Pacific region and the world.

The basic implication of this discussion is that APEC needs a better balance between its TILF and ECOTECH activities if indeed it expects to fulfill the vision, expressed

in the first paragraph of the Blake Island Statement, of building “a new economic foundation for the Asia Pacific that harnesses the energy of our diverse economies, strengthens cooperation and promotes prosperity.” Several practical implications follow in relation to: the structure of APEC; the funding of its several activities; the access that its several stakeholders have to the higher layers in the APEC structure, and; the need to build a true constituency for APEC.

Although it is not within the ambitions of this short paper to present a proposal for a *reformed structure of APEC*, such a proposal would have to confer similar status and hierarchy to the units charged with the supervision of TILF and ECOTECH tasks respectively. In the same way, the mechanism to coordinate these activities and to exploit potential synergies would have to make explicit channels of interaction, identify mutual reinforcement effects, and adjust its administrative structure to these findings.

Funding of APEC activities has to be correlated to the importance ascribed to them. Although the Central Fund is probably adequate to a nimble bureaucratic structure and such a feature is worth preserving, the present practice of relying on special contributions by members needs to be complemented by a vigorous use of financing mechanisms with mid and long term maturity. Inasmuch as ECOTECH projects are expected to contribute in the aggregate and in the longer term to an increase in wealth and prosperity the issue of funding them becomes one of financial management. One possible idea would be to establish an APEC Development Bank with capital contributions by the member economies and the capacity to tap international financial markets. Another, less ambitious, idea would be to endow the new ECOTECH unit with the capacity to interact with the World Bank and with regional development banks (IADB, ADB) in order to channel funds to promising projects. A potential precursor to that approach is to be found in the Policy Dialogues that ESC has been holding with International Financial Institutions.

The set of *stakeholders* needs to be substantially broadened in order to provide real meaning to the established goal of building an Asia Pacific Community. Furthermore the access of stakeholders to the several layers of APEC administration and leadership has to be equitable and effective. The current situation is such that the only

stakeholder with direct lines of communication to the Economic Leaders Meetings is the business community through the APEC Business Advisory Council (ABAC). The International Consortium of APEC Study Centers (ASC), representing the academic community, has indeed no established lines of communication, although in some occasions a report has been presented to SOM II and has been incorporated as such into the official documents of that meeting. The third stakeholder officially identified by the APEC Secretariat, women, is represented by the Gender Focal Network Point, established in 2003 and reporting to SOM. There are no mechanisms to represent labor, farmers, environmentalists, journalists, or other groups that are so important in building a community. It is difficult to avoid the conclusion that the primacy given to the participation of the business sector is a consequence of and a complement to the emphasis placed on TILF actions.

All of these suggestions need, of course, to be tempered with some realism and with an understanding of some of the reasons underlying the imbalance that we observe. As for the latter an important cause for the imbalance lies in the heterogeneity of the APEC membership and the dominant role that is played by the more advanced economies within its structure. It is natural for these economies to be more interested in trade liberalization than trade cooperation while it is also understandable that the less advanced economies appreciate the importance of economic cooperation for their development. Another cause for the imbalance is that the results of trade liberalization can be usually perceived much more quickly than those originating from ECOTECH projects. It is not surprising, then, that the former will tend to build a stronger and more faithful constituency than the latter.

Concluding Remarks

Although the preceding section constitutes a strong criticism of current APEC trends it would be wrong to interpret them as portraying a negative view on the present situation of APEC. Even as the balance between the agendas for cooperation and for liberalization has not been maintained, both of them are very much alive. It is up to its membership to realize the need for restoration of a proper balance, one that is consistent with the original vision of building the foundations for a more prosperous

and equitable Asia Pacific community of nations. Such a balanced approach will be more effective in fulfilling the goals of both agendas

Although this may be obvious to many, it is always good to remember why ECOTECH is so important for APEC and its membership. In the first place, it is ideally geared to meet the development needs of its less developed members. Secondly, ECOTECH is a key to shared prosperity in the Pacific region. Thirdly, ECOTECH contributes to bridge the existing gaps between its members. And finally, cooperation is one of the best instruments for confidence building among societies that do not know each other so well. The last two arguments show that ECOTECH is an essential tool for the creation of a Pacific community.

The previous section offers, in this sense, constructive criticism and it also advances or hints at some practical proposals to move in a direction that will make APEC a more effective institution and one that will be better connected to the peoples of the Asia Pacific region. If the Hanoi Action Plan were to incorporate some of these ideas it would become a useful complement to the Busan Roadmap. While the latter is useful in providing a strategy to achieve the goals of the agenda for liberalization, it also conveys the impression that the value of the agenda for cooperation is only subsidiary to the former. It is important that such an impression be forcefully dispelled and that the balance between both of them be restored.

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