



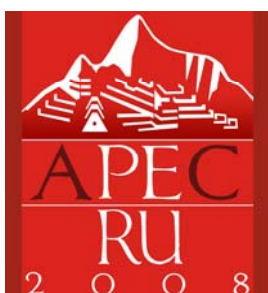
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## **Transforming APEC into a Transregional Institutional Architecture**

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# Transforming APEC into a Transregional Institutional Architecture

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## **I. Introduction**

Since the creation of APEC in 1989, it has played a significant role in strengthening economic cooperation in the Asia-Pacific region. At the same time, APEC has strived to serve as a vehicle for promoting economic development among its members. APEC has sought to realize these visionary ideas through the conceptualization of the Bogor Goals in 1994. Subsequently, the Osaka Action Agenda (OAA) was developed in 1995 to become a concrete plan. Finally, the Manila Action Plan for APEC (MAPA) came into being in 1996 to begin the implementation phase.

After several years of existence, APEC has begun to discuss the possibility of creating a Free Trade Area of the Asia-Pacific (FTAAP). This is a strong indication that APEC has taken a bigger step towards economic cooperation. APEC is also making every effort to raise economic development in the APEC region. In sum, APEC has become more institutionalized in recent years. Furthermore, APEC is constantly seeking to make improvements. This is the reason why APEC is undertaking reform. At the same time, APEC has been assessing some of its working groups, so as to derive suggestions for their improvement. In addition, APEC is trying to decrease the number of meetings. For example, SOM II will not be held in 2009 when Singapore becomes the APEC host (APEC SOM 2008). APEC has also focused on trade and investment facilitation with the development of Trade Facilitation Action Plan II (TFAP II) and the Investment Facilitation Action Plan (IFAP) (APEC SOM 2008b).

However, this paper posits that the improvements that APEC has made and plans to make in the future could never be considered adequate, if APEC is regarded as a regional institutional architecture rather than as a trans-regional institutional architecture. The main purpose of this paper is to show that APEC economies should

embrace the notion that APEC is a transregional institutional architecture. In doing so, APEC could work towards more equal balance between APEC economies of the Eastern Pacific Rim and APEC economies of the Western Pacific Rim. Furthermore, APEC should increase the number of members to include all Pacific Basin economies. With the approach of the datelines for the Bogor Goals, APEC could begin to examine the direction it would like to take in the future. This paper serves as a way to initiate discussions on the future of APEC.

## **II. Regionalism, Interregionalism and Transregionalism**

Professor Vinod Aggarwal has undertaken detailed analysis of regionalism, interregionalism and transregionalism. According to Aggarwal and Fogarty (2003), regionalism refers to “geographically-concentrated minilateral accords” and interregionalism is defined as “the pursuit of formalized intergovernmental relations with respect to commercial relationships across distinct regions.” They further define “pure interregionalism” as “the formation of ties between two distinct free trade areas or customs unions” (Aggarwal and Fogarty, 2003). Aggarwal and Fogarty (2003) further state that “hybrid interregionalism” occurs when “one customs union negotiates with a group of countries from another region, but the second group is not a customs union or free trade agreement.” Additionally, transregionalism is evident when “an accord links [economies] across two regions where neither of the two negotiates as a grouping” (Aggarwal and Fogarty, 2003). They relate that APEC is an example of transregionalism (Aggarwal and Fogarty, 2003).

## **III. Regional Institutional Architecture versus Transregional Institutional Architecture**

As a result of Professor Aggarwal’s analysis, we are informed that APEC exemplifies transregionalism (Aggarwal and Fogarty, 2003). This means that APEC links economies between two regions informally. However, most scholars and

policymakers refer to APEC as a regional institutional architecture (RIA). The reason is that APEC focuses on the Asia-Pacific region and this is one region. The idea of transregionalism indicates that APEC has connected two regions. Thus APEC can only be partially considered as a RIA, since the institutional architecture aspect of RIA is still valid for APEC. At the same time, transregionalism can only partially portray APEC. The APEC process is more than connecting two regions. APEC could also be characterized as having several regions. This paper conceives a new way to describe APEC called transregional institutional architecture (TIA). TIA combines the concepts of transregionalism, institutional architecture and new ideas. The following paragraphs explain the TIA notion in greater detail and show that the acceptance of the TIA concept would greatly strengthen APEC development.

Our understanding of APEC's current role in the Asia-Pacific region and future role in the Pacific Basin would be greatly enhanced, if we are cognizant of the similarities and differences between RIA and TIA. Let us proceed to examine the similarities. First, we can see that both RIA and TIA contain the word "institutional". According to the Merriam-Webster Online Dictionary (2008), institutional means "of or relating to an institution" and institution connotes "an established organization or corporation especially of a public character." From these definitions, it is apparent that economies must be deemed any RIA or TIA to be an established organization that is related to the public. We can infer that the definitions imply that a RIA or TIA should be in existence for some time and should have experienced. Additionally, a RIA or TIA should work towards benefiting the people.

The second similarity between a RIA and a TIA is that both include the word architecture. According to the Merriam-Webster Online Dictionary (2008), architecture is defined as "a unifying or coherent form or structure." This means that a RIA or a TIA must be regarded as being a structure. Therefore, the definition implies

that a RIA or a TIA should be strong and able to withstand challenges.

The third similarity is that both a RIA and a TIA can be seen from a geographical perspective. The first word of RIA is regional while the first word of TIA is transregional. Thus we can state that both RIA and TIA refer to geographical location.

However, there is a major difference between the geographical location of a RIA and that of a TIA. In a RIA, there is only one region whereas in a TIA, there are two or more regions. Therefore, we can define a RIA as any regional organization that strives to work for the public while a TIA is any transregional organization that strives to work for the public. The regional in RIA denotes a specific region, such as the Asia-Pacific region, in the case of APEC. Another example is NAFTA, which indicates the North American region. In addition, EU signifies the European region. Thus a RIA stands for one particular region. On the other hand, TIA represents two or more regions, because of the word transregional in the TIA. Examples of frequently mentioned TIAs are the Asia-Europe Meeting (ASEM) and the EU-Latin America Summit. This paper will demonstrate that APEC should also be called a TIA.

Furthermore, there are also more RIAs in the world today than there are TIAs. The reason could be that it is easier to form a RIA than a TIA, because of geography. Economies that are closer to each other could share higher degree of political, economic and cultural similarities. With the advent of globalization, we are beginning to see the formation of more TIAs. However, RIAs should continue to see greater growth in numbers than TIAs.

#### **IV. APEC's Emphasis on the Asia-Pacific Region**

We could say that Asian economies play a major role in APEC given that they are the majority in APEC. Additionally, ASEAN, Australia and Japan have been the initial economies that have started the idea of creating APEC. Subsequently, the U.S. and other economies from the Americas become APEC members. Another indication

of the importance of Asia in general and ASEAN in particular, is that the APEC Secretariat is located in Singapore. However, since the decision-making process of APEC is based on consensus, non-binding principle, and voluntary participation, there is high level of flexibility in terms of APEC members' participation.

APEC stands for Asia-Pacific Economic Cooperation. This indicates that APEC members seek to strengthen economic cooperation in the Asia-Pacific region. The APEC region is equated with the Asia-Pacific region. An examination of the meaning of the Asia-Pacific region could show that it means the Asian part of the Pacific Ocean. Therefore, APEC has consciously and subconsciously emphasized Asia. However, non-Asian members of APEC have not complained given that APEC has been created in Asia and the participation process is flexible.

#### **V. APEC's Transformation into a Transregional Institutional Architecture**

An outstanding characteristic of APEC is that it is always seeking to make improvements. This paper suggests that APEC should be transformed into a Transregional Institutional Architecture (TIA). A TIA means that it links two or more regions. APEC should be considered a TIA because it connects at least two regions. These two regions are the Eastern Pacific Rim and the Western Pacific Rim. If we would like to make further divisions, the current APEC region could be divided into five regions. They are South-East Asia, East Asia, Oceania, North America and South America.

The purpose for stressing regions in APEC is to bring greater balance to the work of APEC. As a first step, APEC should emphasize that the APEC region is not one region called the Asia-Pacific region, but two regions consisting of the Eastern Pacific Rim and the Western Pacific Rim. In doing so, APEC could work towards better linkage between the two sides of the Pacific Ocean. An analysis of APEC shows that a member that serves as a host always receives tremendous amount of attention and

resources. Since Mexico, Chile and Peru will have hosted APEC meetings by the end of 2008, these South American members of APEC would have to show interest in APEC through active participation in APEC work programs. It will be awhile before they serve once again as APEC host. Chinese Taipei could become an example to APEC's South American members. The reason is that Chinese Taipei has not served as an APEC host but it has actively taken part in APEC activities through participating in meetings, projects and initiatives.

Furthermore, it is suggested that APEC provides funding for TILF and ECOTECH projects that specifically entail participation of economies from both sides of the Pacific Rim, so as to enhance linkages. At present, APEC stresses capacity building and the need for cooperation between developed economies and developing economies. Another way to strengthen cooperation among APEC economies would be to increase cooperation between the two distinct regions of APEC.

In addition, the Pathfinder Approach is an excellent way to execute projects when only a partial number of APEC economies are ready to join in implementation. However, APEC could add the criterion that APEC projects implemented through the Pathfinder Approach should include economies from both regions. In doing so, the APEC process would become more balance.

Finally, in the distant future, APEC could consider enlarging its membership to include all economies that touch the Pacific Ocean in South-East Asia, East Asia, Oceania, North America, Central America and South America. In addition, Asian, Central American and South American economies that do not touch the Pacific Ocean but have substantial trade and economic ties with the above stated economies would also be allowed to join. In conclusion, the strengthening of APEC as a transregional institutional architecture entails that the coverage of membership would be widen and would include at least two regions. For example, the EU has enlarged its membership

in recent years but the process has not been without difficulties. However, the EU has been able to overcome challenges and has integrated to become stronger and larger. Therefore, APEC could strive in the same direction as EU, in terms of membership.

## **VI. Australian Prime Minister Rudd's Vision of Asia Pacific Community**

Recently, Prime Minister Rudd of Australia has given a speech to Asia Society's Australasia Centre in Sydney titled: "Address to the Asia Society Australasia Centre, Sydney: It's Time to Build an Asia Pacific Community." In the speech, Prime Minister Rudd states his vision of an Asia Pacific Community. He further calls for embracing a regional institution that focuses on the Asia-Pacific region. Specifically, the institution should include the United States, Japan, China, India, Indonesia and the other states of the region. Furthermore, Prime Minister Rudd says that the institution should address political, economic and security matters (Prime Minister Rudd 2008).

This paper's view is that the new concept for cooperation in the Asia-Pacific region is exciting and visionary. Australia has been instrumental in creating APEC and has made tremendous amount of contribution to the APEC process. Therefore, with Australia taking a major role in developing a new institution or changing an existing institution, it is beyond doubt that the institution would be successful.

However, there are many questions that need to be answered. Since this paper focuses on enhancing interaction among regions in the Pacific Rim, it would be interesting to know if the new institution would include economies in the Eastern Pacific Rim, aside from the United States. It is suggested that Eastern Rim economies that would like to join the new institution would have to express their desire to do so. In the meantime, active involvement in APEC is the best way to indicate support for transregional cooperation between both sides of the Pacific Rim.

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