



A quarterly publication of the Australian APEC Study Centre

Vol 5, No 1 March 2000

Brunei to Host APEC 2000

Brunei Darussalam will host the APEC Economic Leaders' Meeting in its capital Bandar Seri Begawan on November 15-16.

Since its inception in 1989 APEC has rotated its chairmanship amongst its member economies. The practice has been for an ASEAN economy to host APEC activities every second year. Brunei Darussalam is host for 2000. Many of the meetings of APEC's various fora will also take place in Bandar Seri Begawan. A notable exception is the meeting of APEC trade ministers which will be held in Darwin on 6-8 June.

The host economy, in consultation with the other members of APEC, develops a theme for the year. Brunei has decided upon the theme of *Delivering to the Community*.

This theme was chosen after giving a high priority on continuity allowing APEC to build on previous work. Other factors in the decision were the desire to enable economies to use APEC to become innovative and forward looking; the need to respond to calls for more coordination and coherence in APEC activities; to emphasise the role of Human Resource Development; Information and Communication Technology; and Small and Medium Enterprises in APEC; and to address topics which will bring in the business sector and other key institutions.

After a decade of hard work, it is important for APEC to be showing in clear terms that it is a relevant process for the people of the Asia-Pacific region.

The theme has been broken into three strands

I. Building Stronger Foundations

This strand includes *Strengthening Markets* building on work to increase the relevance of Finance Ministers to APEC and stepping up work on corporate governance. *Trading Confidently* will highlight APEC's interests in the multilateral trading system and trade facilitation. Finally, recognising that people are our key resource we include what we call the 'Integrating the human factor will step up HRD across APEC in a coordinated way. Trading Confidently

II. Creating New Opportunities

A major component of this theme is *Information and Communication Technology* including a section for the physical infrastructure and policy/legal infrastructure. The other component called *Technology Plus* include the way APEC members prepare their people, their economies and the business sector to ensure they can take advantage of new technologies.

III. Making APEC Matter More

Interacting effectively with business will include attention to the improvements in Action Plans, improving information flows for SMEs and addressing the role of women in business. The *Benefiting regional travellers* sub-stream will address issues relating to the Aviation sector, tourism and the APEC Travel Card for business travel. *Youth and Education* is designed to lift the horizons of youth in the region. The final section, *Focusing on Necessities*, will encompass the ongoing work in the APEC Food System, issues relating to biotechnology and energy.

The Government of Brunei has set up a web site to inform interested persons of progress in APEC activities this year. It includes a newsroom which is updated regularly. It is available at <http://www.apec2000.gov.bn/>

New Secretariat Chair

Ambassador Serbini Ali of Brunei Darussalam assumed on 4 January 2000 the position of Executive Director of the APEC Secretariat for this year when Brunei Darussalam is the APEC Chair.

The Executive Director of the Secretariat, who is seconded from the member economy chairing APEC, serves for one year.

The Deputy Executive Director is appointed by the economy designated to assume the chair the following year. In line with this practice, Ambassador Zhang Yan of the People's Republic of China has taken up the position of Deputy Executive Director.

APEC Telecoms Training Course

The APEC Telecommunications Training Program was conducted at the Monash University Conference Centre in Melbourne, during 7 to 18 February 2000. Developed by the Australian APEC Study Centre in conjunction with the Australian Department of Communications, Information Technology and the Arts (DCITA), the program was fully funded by the Australian Agency for International Development (AusAID), under its APEC Support Program. The aim of the Program was to provide training to 14 middle-level delegates from the APEC economies of Indonesia, Korea, Papua New Guinea, the Philippines, Thailand, and Vietnam.

The Program examined in depth how processes of liberalisation impact on overall development of an industry and the economic development of a country. Training Course delegates examined different approaches that will enable all members of society to participate in the benefits of improved access to telecommunications technology.

The Program provided delegates with an enhanced ability to understand the regulatory operations of their telecommunications environment, and how this environment influences the trade economy. Delegates also compared industry and regulatory experiences between countries and participants underscored the need for a free and open, but well regulated, trading environment in the area of telecommunications systems. The delegates reiterated their commitment to maintaining a liberal economy in spite of the recent Asian Financial Crisis, during 1997. For example, PNG is initiating national policies, in accordance with the WTO and the Osaka Action Agenda, that will deregulate its telecommunications industry.

Patrick Xavier of Swinburne University was the principal lecturer, with guest speakers from major Australian telecommunications providers and related bodies, such as the ACCC, the ATUG, and the former Secretary-General of the International Telecommunications Union (ITU) Geneva, Richard E. Butler AM. Topics covered by the program included the policy environment, strategies for universal access, and establishing regulatory frameworks.

The delegates regarded the APEC Telecommunications Training Program an overall success and found the structure, content and timing of the program extremely useful. Insights gained into regional regulatory systems and international agreements in the area of telecommunications will help shape future policy formulation.

The effectiveness of the program can be most reflected in a document titled, The APEC Telecommunications Recommendations, that was compiled by the recipients themselves during the training course. Moreover, the skills brought by each delegate served to increase the quality of the project and meant that the targets scheduled by the Centre were more than met.

Utilising the expertise of the delegates, the APEC Study Centre conducted a program review in the last two days of the course. The participants were asked to make recommendations on regional

telecommunications issues including: establishing independent regulatory bodies; better meeting consumer demand; and improving the technical and policy development skills of officials from developing economies. The APEC Study Centre is compiling these recommendations into a publication that will be distributed to industry groups, governments throughout APEC and at future APEC Telecommunications Workshops.



APEC's Role After Seattle - financial reform now the key issue

Comment by Alan Oxley

With the failure at the WTO Ministerial meeting in Seattle in December to settle on a comprehensive program for trade liberalization, APEC's own efforts to set up a program of liberalisation among APEC economies have completely stalled. The need for economic reform among the Asian APEC economies has never been greater. But the focus needs to be on financial reform, not trade liberalization.

At the Auckland APEC Summit last November, APEC Leaders made the best of a poor situation. After Japan had refused to go along with the proposed package of "Early Voluntary Sectoral Liberalisation", the Leaders decided to pursue it in the WTO, where it was renamed the "Advanced Trade Liberalisation" package. When Seattle stalled, there was no forum for general trade liberalisation and therefore no way to progress the package.

Most economic analysts from APEC Study Centres thought this was no bad thing when they reviewed the APEC liberalisation package at their annual conference in 1999. Econometric modeling in Australia, New Zealand and Taiwan showed the package lowered rather than increased the economic welfare of those economies. This is a common consequence of efforts at partial rather than comprehensive liberalisation.

Liberalisation stalled

From one standpoint, it is not surprising that trade liberalisation has stalled. The main economic game in Asia in the last two years has been to repair the fundamental weaknesses in monetary and financial institutions rather than to liberalize trade. Indonesia, Thailand and Korea are struggling to get new institutions and laws in place, Malaysia is in denial and it is still an open question as to whether there is sufficient political will in Japan to modernize its financial sector.

When the Asian currency crisis hit, most analysts declared it as a short-term issue, a cyclical rather than a structural problem. Like all recessions, there would be recovery within three years. Growth has resumed in Thailand, Malaysia and Korea, but the quality of the growth must be questioned. Massive bad debts remain and reform of the financial sectors is incomplete. Opinion on Japan is divided. Some now question whether Japan has the political capacity to deploy its massive savings effectively to restore growth.

This is not the end of Asian growth, but it does present a major test. Do the Asian economies understand why the Asian currency crisis blew some of their economies out of the water and why Japan is mired in recession? Until they do, recovery will be erratic and weak. The major threat now to Asia is a crash in US stocks. The recovery in the Asian stock markets is fragile, as it should be with fundamentals still weak. A crash on Wall Street could have severe effects in Asia.

Avoiding the problem

It is no longer an option in Asia to avoid the problem. There are signs this is not understood. At their Summit last year, ASEAN leaders decided to explore establishment of a new institution linking ASEAN with China, Korea and Japan. President Estrada of the Philippines went so far as to talk about forming an East Asian economic community and a common currency. This repeats a pattern of behaviour in ASEAN where political institution building is too ready a substitute for facing down real economic problems. Given Asia's economic problems today, reviving the Confederacy in the US has better prospects than formation of an East Asian economic community.

APEC's greatest strength is to give political impetus to economic reform. APEC needs to intensify the strategic shift begun at the Auckland Summit to de-emphasize trade liberalisation and sharpen the focus on the need for institutional reform of financial sectors. This is the task before APEC in 2000.

What's Happening in APEC

New Appointment to ABAC

The APEC Business Advisory Council (ABAC) consists of three business people nominated by each host economy. It is a permanent body which provides an independent business perspective within the APEC process, on both progress by APEC on its trade and investment liberalization agenda, and on future work to improve the regional business environment.

Mr David Murray, Managing Director of the Commonwealth Bank was recently appointed as one of Australia's three representatives on ABAC. He replaces Mrs Imelda Roche. Australia's other representatives are Mr Michael Crouch of Zip Industries and Mr Malcolm Kinnaird of Kinhill Pty Ltd.

ABAC Chairman for the year 2000, Mr. Timothy Ong, of Brunei Darussalam, who chaired the meeting, emphasised that, "The APEC way is fundamentally about creating prosperity through liberalization and broadening access to prosperity through capacity building. The two must go hand in hand; both parts are inextricably linked." ABAC reiterated its view that APEC has a crucial role in making sure that the people of the region will benefit from globalisation despite growing concerns about rising global inequalities. "In ABAC we recognise that globalisation is not optional, but we must ensure its benefits are broadly enjoyed."

ABAC hold four full meetings annually and informs the public about its activities in a web site at <http://www.abaconline.org/>

APEC Tourism Working Group

The APEC Tourism Working Group (TWG) had a landmark year in 1999 under New Zealand's Chairmanship. New Zealand, and indeed many of the economies represented on the TWG, had recognised that the Group was working in the fringes of the region's largest industry and was failing to address many of the key issues that make tourism such an effective tool for economic and social development.

In 1999 the TWG committed itself to improving its performance and raising its profile, both within and outside APEC, and it chose three mechanisms to achieve this. The first is the drafting of the APEC Tourism Charter which sets a policy framework and effectively provides a business plan for the TWGs activities. Very briefly the four policy goals that the Charter addresses are:

- removing impediments to tourism business and investment
- increasing mobility of visitors and demand for tourism
- sustainable management tourism outcomes and impacts

- enhancing the recognition of tourism as a vehicle for economic and social development.

The second and third mechanisms are the presentation of the Charter to the tourism private sector at the APEC Tourism Forum, being held in conjunction with the 49th Pacific Asia Travel Association (PATA) conference to be held in April this year in Hong Kong, China, and the endorsement of the APEC Ministers responsible for tourism at the Inaugural APEC Tourism Ministers Meeting to be held in Korea in July of this year.

Through the development of a relevant Charter, cultivation of buy-in from the private sector and endorsement by Ministers responsible for Tourism, the TWG is hopeful that tourism will increase its contribution to economic and social development in the region.

Contact Prof Ray Spurr Dept of Marketing UNSW

Important role for the Energy Sector in APEC 2000

Energy will feature prominently in APEC in 2000. Brunei as Chair of APEC in 2000, has stated that the APEC agenda this year will focus on energy as one of the "necessities of life" and address the region's significant energy interests with an integrated approach to policy development. APEC Energy Ministers will meet in San Diego 10-12 May. Also, Brunei will host the Energy Working Group (EWG) meeting on 6-7 April to prepare for the Energy Ministers' meeting.

High amongst the priorities for APEC in the 21st century is acquiring the capacity to meet the forecast 41% increase in primary energy demand over the period 1995-2010. The public sector alone cannot accomplish the task so APEC Energy Ministers have endorsed several initiatives to enhance that capacity and are continuing to seek more ways to prevent energy becoming a bottleneck to sustainable economic growth in the region.

At the energy roundtable held in December 1999, Senator the Hon Nick Minchin, Minister for Industry, Science and Resources acknowledged the ongoing significance of the APEC forum in meeting Australian objectives. The Minister also noted that the energy industry in Australia consisted of many facets and all sectors could benefit from the expected growth in energy demand in the APEC region.

The suggested theme for the Energy Ministers meeting in May, "Turning Vision Into Reality", signifies that implementation of energy initiatives is required. The EWG is considering practical solutions to expedite energy policy reform to facilitate energy infrastructure development. Based on the rationale that energy could play a larger role on the Economic Leaders agenda, it is hoped that a message can be sent to economic leaders demonstrating how energy can play a leading role in the region's economic recovery. The Ministerial will include a dialogue between ministers and other senior government, industry and financial representatives from APEC's 21 economies.

The APEC business community (including Australia) will have strong input into the Ministers' meeting, via the EWG Business Network. The role of the Business Network is to provide a business perspective to the EWG on energy related issues. The Australian Energy Alliance has been established to form an Australian industry network to underpin the activities of the Australian representatives in the Business Network, Dr Roland Williams (President, Business Higher Education Roundtable Australia) and Mr Barry Cusack (Managing Director, Rio Tinto, Australia). The Energy Alliance will ensure the Australian representatives have a wide industry input to allow their participation in the Business Network to reflect the broad nature of the Australian energy industry.

Key items on the Business Network agenda include, "APEC Energy Principles", "Strengthening Operational Aspects of APEC Micro-economic Reform", "Harmonising Economic and Environmental Objectives of Energy Policy" and preparation of a report to Energy Ministers.

The Business Network held its most recent meeting in Melbourne on 19 March. A full report on the outcomes of this meeting and the Brunei EWG meeting will be included in the next edition of APEC Currents.

For further information, on the EWG or Business Network please contact Michael Schwager, Phone 02 6213 7833, Fax 02 6213 7900, email: michael.schwager@isr.gov.au or visit the EWG Website at: <http://www.isr.gov.au/resources/apec-energy/ewg>

Automotive Dialogue

The failure of APEC's Early Voluntary Sectoral Liberalisation (EVSL) proposals in 1998 stalled progress on many sectoral initiatives in APEC. One exception is in the automotive sector where officials are continuing work in this important area.

The automotive sector is an important driver in the economic and social development of the Asia Pacific region. APEC member economies currently account for \$234 billion, or approximately 47.6 percent of global automotive exports. Automotive exports account for 17 percent of the APEC region's total manufactured exports.

An Automotive Dialogue has been established to advance work in this sector. The Dialogue serves as a forum for governments and industry to work together to map out strategies for increasing integration and development of the automotive sector within the region. The first Meeting of the Dialogue was held in Bali on 26-27 July 1999. The next Dialogue is scheduled to take place in Manila from 6-8 April 2000. A Steering Committee guides and facilitates the meetings of the Automotive Dialogue.

Information on the Automotive Dialogue can be found at <http://www.apecsec.org.sg/committee/auto/auto.html> or contact Ms Elizabeth Schick, Department of Foreign Affairs and Trade, Canberra ACT 2600, Australia Tel.: 61 2 6261 3678 Fax.: 61 2 6261 2067 Email: Elizabeth.Schick@dfat.gov.au

APEC Events in 2000

A full listing of APEC Events can be found at <http://www.apecsec.org.sg/whatsnew/calend/calendar.html>

Democracy and Free Markets Dinner

On November 26 1999 a dinner was held in honour of Mr Anand Panyarachun, former Prime Minister of Thailand. In his after dinner address *Democracy and Free Markets in Asia in the 21st Century* Mr Anand outlined his views on the political and economic changes which have been taking place Asia and in the context of the broader choices facing societies.

The paper examines the argument that free markets inevitably lead to democratic societies and then explores the types of market system that can best achieve desirable social and political outcomes. Mr Anand also commented on the experiences of Thailand in its political and economic reforms in the wake of the Asian financial crisis.

The event was jointly organised by the Australian APEC Study Centre, the Centre for Democratic Institutions, and the Asia Society, AustralAsian Centre. The full text of the speech is available on the web site.

Study Centres Consortium Meeting in Brunei Darussalam

The annual meeting of the International Consortium of APEC Centers will take place in Brunei Darussalam on 26-28 May 2000. The timing of the meeting coincides with the APEC SOM Meeting and will be immediately followed by the HRD Working Group Meeting.

The theme of the Conference will be "Managing the Future: Empowering the Private Sector". Sub themes will be Managing Finance, Managing E-commerce, Managing Regional Relationships and Managing Human Resource Development.

The program outline is available at <http://www.arts.monash.edu.au/ausapec/consorti/sccm2000pro.htm> and further details of the conference will be added to this site.

Enquires should be addressed to: Rubiah binti Haji Yacob, University Brunei Darussalam, Phone: 673-2-249001 ext: 157 & 152 Fax: 673-2-249757 Email: rubiah@ubd.edu.bn.

Study Centers on the Web.

The 1999 meeting of the Consortium of APEC Study Centers in Auckland in delegates expressed the need for a mechanism to distribute information between the centers on the Internet. The Australian APEC Study Centre has developed a site to facilitate this exchange.

The site is still under development and is growing as more Centers provide information. At this stage it contains a directory of Study Centers, information about Consortium events and links to research output from the Centers. The site also has a facility for users to register to become part of an electronic mailing list if they wish to receive up to date information about the consortium.

It can be located at <http://www.arts.monash.edu.au/ausapec/consortium/conshome.htm>

Essay competition 2000

As part of its ongoing commitment to encouraging the study of APEC topics in secondary schools the Centre will once again conduct the Ansett-APEC Essay competition for secondary students. The prize will again be two airline tickets to an Asian destination.

The prize is awarded for the best essay of 800-2000 words written by a student enrolled in an Australian secondary school. The competition closes on 5 October 2000.

This is the third year that the competition has been conducted and is made possible again by the generous sponsorship of Ansett Australia. At present other sponsors are being sought to help defray the costs of publicising the competition.

Full details of the competition are at <http://www.arts.monash.edu.au/ausapec/essay2000h.htm>.

General Tariff Inquiry

The Assistant Treasurer has referred Australia's General Tariff Arrangements to the Productivity Commission for inquiry and report by 22 July 2000.

The central issue is the scope for a post-2000 reduction in the general tariff, covering only rates of 5 per cent or less, and excluding the PMV and TCF sectors.

As part of the inquiry, the Commission will consider a range of questions including:

- the costs and benefits of tariff reductions;
- implications for trade negotiations; and
- implications for the Manufacture in Bond and the TRADEX schemes, the Tariff Concession System and Project By-Law arrangements.

The Australian APEC Study Centre has written a submission to the inquiry, arguing that the general tariff rate should be reduced to zero by 2005. This measure would improve the Australian economy,

improve the competitiveness of Australian manufacturing and restore credibility to the Government's tariff policy. Such a commitment would enable the goal of securing an open global economy to be restored as the leading goal of Australian trade policy.

The submission further argues that the government should also agree to determine this year the rate of reductions of tariffs in the automobile sector and clothing and textile sectors in the period after 2005. Australia cannot effectively pursue its trade interests in the WTO or APEC while doubt remains about its long-term attitudes to protection in those sectors.

Further information about the Inquiry and the submissions to it can be found at the Productivity Commission Site at <http://www.pc.gov.au/inquiry/tariff/index.html> and the full text of the Centre's submission has been published as Issues Paper 17 at <http://www.arts.monash.edu.au/ausapec/iss17.htm>

Report on Labour Standards in the Asia Pacific Region

Due to the renewed interest in trade and labour issues since the WTO meeting in Seattle the Centre has decided to republish the *Report on Labour Standards in the Asia-Pacific Region* (Duffy Report).

The Report was written by a Tripartite Working Party on Labour Standards under the chairmanship of Hon Michael Duffy, a former Trade Minister. It contains a thorough analysis of labour standards issues in the region against the background of international institutions, agreements, and declarations. Mechanisms for encouraging observance of labour standards are examined and recommendations are made.

The feasibility and effectiveness of various options for action by Australia and international bodies are assessed including bans, development cooperation, international pressure, the inclusion of labour standards clauses in trade agreements and market based measures are analysed and assessed.

Although the report was written in 1996 the analysis it contains represents valuable background to those wishing to contribute to or observe the current debate in the WTO and the wider trade policy arena. An electronic version of the report is now available at <http://www.arts.monash.edu.au/ausapec/TradeLabourC/labour.pdf>

Staff changes

Over recent months there has been some changes to the staff at the APEC Centre. Jackie Taylor has left to concentrate on her family including new arrival Harry. Rosie Morrison has left to pursue further studies and Tim Thornton is pursuing his travel plans and a growing career as a musician. The Centre wishes to record its appreciation for their contributions and we wish all three well in their endeavours.

Julie Arcilla has joined us as Office Administrator/Conference Manager, while Andrina Gorman and Melinda Rankin have been with us for some time as Project Officers.