

APEC needs to give East Asia a wake up call

THE APEC SUMMIT is one of the world's most exclusive clubs. The meeting in Shanghai will be the first for Presidents George Bush and Megawati Soekarnoputri. The biggest issue on the agenda is likely to be the WTO conference in Qatar. As important as that is, the most important thing APEC Leaders can do in Shanghai is give East Asia a wake up call. It desperately needs one.

As the US slips into recession, it has started to drag Asia with it. Singapore and Taiwan, economic extensions of Silicon Valley, are already being dragged down by the collapses in the US IT sector. Japan remains mired in recession and the economies hit by the currency crisis remain unreformed and dangerously exposed to the shock of US recession.

Signs for the region are ominous. Foreign investors have not returned. The "after effect" of the Asian currency crisis has created a new mindset. It is not the realization in

retrospect that East Asia grew too fast or that its economies were over-exposed to the vast surges of short term money. It is the realisation that financial and economic governance in many countries in the region was far worse than they were willing to concede. They all knew it was bad, but they didn't know it was "that" bad.

Governance Issues

Investment is not being held up because political risk is now great among East Asian economies (although in one or two it is) but because there is inadequate evidence that the weaknesses in the systems of governance of business and the finance sectors have been properly corrected. The time is past for taking at face value declarations by Governments that things are fixed. The post crisis mentality is to see the change, to see it in law and to see the law set up to enforce the change.

Until that occurs, foreign investors will stay away.

In the golden days of high growth, the "good old days", high profit compensated for low profitability. Asia's comparative advantage carried the day. Asia was more competitive than the rest of the world. No matter how much success pushed up costs, there was always another cheaper source of comparative advantage in the region. Usually it was cheaper labour costs. This one of the long term drivers of growth in East Asia.

That was in the good old days. East Asia is also losing competitiveness. Eastern Europe is now the cheapest producer of garments in the world. East Asia no longer has fallback of low cost labour. If that can change East Asian Governments should not assume that the region will remain the world centre of IT manufacturing.

Open Markets

East Asia is no longer the champion of open markets in the developing world. There is reluctance to move the ASEAN Free Trade Area liberalization along, and no one is calling up the Bogor Declaration as a regional target. Compare East Asia with Latin America, where in Quebec in March, the Heads of the Governments of North and South America recommitted to negotiate a legally-binding agreement by 2005 to create a free trade area in North and South America.

Yet there is no sign of anxiety in East Asia. As the region slips, there is talk of setting up an East Asian balance of payments fund in case

continues overleaf

AUSTRALIAN US FTA CONFERENCE



Alan Oxley,
Trade Minister
Mark Vaile and
Monash Vice-
Chancellor David
Robinson at The
Australian US
Free Trade
Conference.
See story page 7

Photo: Irene
Dowdy

there is another currency crisis. And there is talk of creating an East Asian economic community and speculation about a common currency. These concepts will not restore competitiveness and make East Asia attractive to foreign investors. The absence of them did no cause the Asian currency crisis or the lacklustre economic performance since.

As important as the WTO meeting at Qatar will be, APEC's leaders would be much better advised to use Shanghai to deliver the region a stern wake up call. If not, the next century may not be the Asian Pacific Century. That idea might remain just as a footnote in the history of the late twentieth century.

LEGAL FRAMEWORKS AND E-COMMERCE TRAINING PROGRAM

EIGHTEEN PARTICIPANTS from four APEC economies of Vietnam, Indonesia, China and the Philippines gathered in Melbourne for a two-week training program on Legal Frameworks and E-Commerce. The training program examined challenges that presently facing regional governments in dealing effectively with the complex legal and regulatory issues posed by the internet.

The Legal Frameworks and E-Commerce training program, held from the 18 to 29 June at the Monash Conference Centre, brought together senior public officials and academics from the four participating economies for a comprehensive and intensive course conducted by Centre for Law in the Digital Economy (CLIDE) from Faculty of Law, Monash University.

The training program, through the expertise of Ms Moira Paterson and Ms Elspeth McNeil from CLIDE, and a number of high-level guest presenters from government agencies and regulatory bodies, discussed

topics ranging from consumer protection to copyright issues. In order to complement the academic program, a series of successful site visits to Multimedia Victoria, Melbourne IT, eSign Australia and the Victorian Parliament were arranged.

The strength of the training program was the high calibre of the knowledgeable and enthusiastic participants. A number of the guest presenters commended the delegates on their depth of their expertise and their willingness to engage in discussion. The commissioning and presentation of case studies of Philippines, China, Vietnam and Indonesia enabled participants to draw on experiences from other countries.

In a highlight of the training program, Mr John Rimmer, CEO, National Office for the Information Economy (NOIE), outlined to the delegates the recent developments in e-government in Australia in a presentation at the program's formal dinner.

The feedback from delegates was highly positive. They highlighted the comprehensiveness of the program, the quality of the sessions and site visits and the usefulness of the discussions to pinpoint and address their particular concerns. One participant commented, "I think this is the best training program I have ever attended: international environment, small number of participants and comprehensive."

The formal, commissioned recommendations from the academic participants on future training initiatives will be presented to the next meeting of the APEC Electronic Commerce Steering Group (ECSG).

The website of the training program is available from the link on APEC Study Centre <http://www.apec.org.au>

BOOK REVIEW

A major contribution to discussions about APEC has been made by the APEC International Assessment Panel (APIAN). It is a group of over twenty academics from APEC Study Centres in thirteen economies bought together by a mission to critically assess APEC activities. In November 2000 APIAN produced a report *Learning from Experience*, a policy report for the APEC Leaders.

This year the APIAN Group has released a more comprehensive record of their findings in the form of a book *Assessing APEC's Progress: Trade Ecotech and Institutions*, edited by Richard Feinberg and YE Zhao.

The publication contains twelve issues reports on which the conclusions in *Learning from Experience* were based. They were written by contributors from APEC Study Centres in seven APEC economies, and the conclusions are endorsed by signatories from a wider range of ASCs.

The issue areas covered by the report include

- services
- investment
- competition policy
- business mobility
- human resource development
- the APEC food system,
- industrial science and technology
- energy
- economic infrastructure
- corporate governance
- financial stability
- APEC as an institution.

Each issue report summarises APEC initiatives in a particular area, provides an evaluation of progress and recommendations for further activities. The authors augmented existing information sources by questionnaires to experts in each issue area.

Assessing APEC's Progress is published by the Institute of Southeast Asian Studies, Singapore www.iseas.edu.sg

APEC's role in an antiglobal world

IT SEEMS that all international meetings dealing with economic issues will be dogged by vociferous, if not violent, protests from a broad coalition of discontents.

To some extent APEC has escaped the notice of the anti-globalisers although there were large protests associated with the 1997 APEC leaders summit in Vancouver. The WTO remains the favourite villain but the protest groups now seem to regard any international forum as fair game.

APEC needs to forarm itself before it becomes a target. It needs to be proactive in the globalisation debate to ensure that it has sufficient political support in member economies to remain viable. It is vulnerable to attack because there is popular understanding of its goals or activities upon which to mount a defence.

The problem for APEC is that it has little recognition or popular support. As an institution it suffers from public apathy rather than antipathy. Popular understanding of APEC is lacking. Very few Australians know much more about APEC than it has something to do with Asia. They are generally unaware that APEC has North American or Latin American members.

If globalisation itself is difficult to define then identifying what the anti-globalisation protesters are proposing is impossible. A quick browse through the web sites of the major antiglobaliser groups will convince you of the breadth of concerns about the direction of international economics relations. A coherent alternative to the current direction is difficult to find.

Fortunately the general public are sceptical about the more extravagant claims against globalisation, however those who believe in political and economic liberalism have no reason for complacency.

There are two major areas of concern about the increasing crescendo of antiglobal protests.

Firstly there is an inherently antidemocratic tone to the dissent. The slogans proclaim aims to blockage, close down or otherwise prevent meetings by various international bodies. It is one thing to argue against the role, membership or conclusions of organisations such as the WTO, WEF or CHOGM and another to seek to advocate their disruption by violent means.

The second problem is related to the problem of countering some of the misinformation peddled by antiglobaliser groups. In particular the common argument

Comment
by
Darby Higgs

that liberalisation inevitably leads to greater inequality needs to be rebutted.

The WTO has attempted, since Seattle, to bring on board NGOs by providing access to its

meetings and publishing information. This appeasement policy will be judged by the extent to which it can hive of NGOs with a genuine interest in development from the hardline antiglobalisers. There is some evidence that after the G8 meeting at Genoa that some NGO's are realise that they are being taken for a ride.

Some key messages

APEC has a good story to tell and should be telling it. An effective outreach plan must be targeted at the middle ground. It would be quite futile to try to refute the wilder claims of extremist ideologues who gain so much headline space.

APEC is about cooperation. It was set up to spread the benefits of economic development between and within its members. The APEC community must reinforce this is underpinning of its structure and mode of operation at every opportunity.

Trade liberalisation is one of APEC's objectives but not the only one. APEC should emphasise that its trade agenda is a means of support for its core objective of economic development.

APEC is voluntary, members have not signed a binding treaty and are not obliged to adopt policies against their national interests.

APEC has a record of success in assisting its members in opening their economies. There is overwhelming evidence that economies that have followed this general direction have done better than those who have resisted liberalisation.

APEC's agenda includes practical cooperative programs to assist members with economic problems, transition to market based economies and to manage the social impact of globalisation. These programs represent a better hope of increasing the economic welfare of all than a retreat into isolationism protectionism and surrender to sectional interests

A campaign which can reinforce these ideas would repay APEC in valuable public support for the long road to a liberal trade regime in the region.

Darby Higgs is Deputy Director of the Australian APEC Study Centre

W H A T ' S H A P P E

APEC HIGH LEVEL MEETING ON HUMAN CAPACITY BUILDING BEIJING 15-16 MAY 2001

THE APEC HIGH LEVEL MEETING on Human Capacity Building was held in Beijing on 15-16 May, 2001. On behalf of The Australian APEC Study Centre, Justin Kennedy joined the Australian delegation, to promote the recently held Legal Frameworks and E-Commerce Training Program.

The initiative had its origins in the vision laid out by APEC Leaders in Brunei who committed to put in place a policy framework which would enable all the people in APEC economies to have individual or community-based access to the services by 2010 and to treble the number with access in APEC economies by 2005. The event, was jointly sponsored by China and Brunei, was initiated by Chinese President Jiang Zemin and Brunei Sultan Hassanal Bolkiah, and endorsed by APEC leaders, at the eighth Informal APEC Economic Leaders' Meeting in Bandar Seri Begawan, capital of Brunei in November 2000.

More than 500 participants including Ministers and their

representatives, government officials, business leaders, and experts from the education, academic and training sector from all 21 APEC economies meet to address the theme of "New Economy, New Strategy: Co-operation and Innovation to Build Human Capacity for Common Prosperity". They worked together to reach a deeper understanding on the role of human resources in the economic and social development of the new economy.

Throughout the two days of the High Level Meeting, the participants discussed the challenges ahead in building and exploiting the new economy, the importance of the human factor and the preparedness of APEC economies, and explored new ways in which APEC institutions can work in a more innovative and effective partnership with businesses, educators and trainers. The High Level Meeting brought together a number of notable speakers from Government, Industry and Education. The speakers

included Mr Richard Li, (Executive Chairman, PCCW), Mr Timothy Ong, (Executive Chairman, Asia Inc), Mr. Li Yizhong, (General Manager of SINOPEC, China), Stephen Sample, (Chair, Association of Pacific Rim Universities and President, University of Southern California, U.S.A) and Mr David Barnes, (Vice-President, IBM Asia and Pacific).

The participants all agreed that all parts of the community could play a constructive role in the development of APEC wide human capacity building strategies. Participants shared a rich diversity of perspective and experiences that demonstrate partnership approaches to policy development and program delivery are successful.

At the conclusion of the High Level Meeting, Beijing Initiative on APEC Human Capacity Building was endorsed. In this initiative, the meeting called for further action by APEC stressing APEC economies would benefit from actively broadening the various cooperative

SOME ONLINE PUBLICATIONS FROM DFAT

The Australian Department of Foreign Affairs and Trade has recently published on its website the following publications.

APEC Progress on Tariffs, Implications for a New Agenda

APEC has been translating its commitment to open trade into real and sustained reductions in tariff levels. According to this report for the June 2001 APEC Ministers Responsible for Trade Meeting in Shanghai, average tariffs among APEC members have declined by one-third from 12% in 1995 to 8% in 2000.

There has been a significant increase in the proportion of trade flows of

goods with very low tariff levels. While tariffs have come down, APEC will need to do more to ensure that the benefits from open markets are maximised and shared by all APEC communities.

Business and Policy Strategies in The Asia Pacific

This publication summarises APEC activities aimed at involving the business sector in the APEC Process, and lists APEC's achievements and agenda as they relate to business.

The report provides updates of activities in strengthening financial markets: e-commerce, agribusiness, the Chemical Dialogue, The APEC

Automotive Dialogue, cutting conformance costs, intellectual property enforcement, business travel, and the development of open markets.

Investigating Globalisation through the APEC experience

This publication is a classroom teachers guide to using the publication *Open Economies delivering to People: APEC's Decade of Progress* (also on the Website)

Investigating globalisation is designed for use in Australian secondary schools. The guide includes abundant student activities, a useful glossary of terms and a list of Internet for further reference.

N I N G I N A P E C

channels, exploring new cooperation approaches, and undertaking various kind of activities in the principle of mutual benefit, complementary endeavour and sharing resources. The meeting formally recommended “this year’s APEC Economic Leader’s Informal Meeting and Ministerial Meetings integrate human capacity building as a central issue take into consideration outcome of this meeting. APEC fora should shape the agenda for actions and policies ahead and accelerate human capacity building so as to further facilitate trade and investment liberalisation and facilitation and sustainable economic growth for common prosperity in the Asia and Pacific region.”

APEC TOURISM RESEARCH NETWORK

TRAVEL AND TOURISM is the world's largest industry and has great potential to generate economic development throughout the region.

The Australian Cooperative Research Centre for Sustainable Tourism has developed a proposal for an APEC Tourism Research Network (TRN). This initiative was approved at the July 2000 APEC Ministerial Meeting in Seoul and builds on the APEC Tourism Charter and the Tourism Information Network.

The role of such a network is to build research aimed at driving innovation, sustainability, and policy development in the tourism sector. The TRN seeks to involve international agencies, national governments and their agencies, universities and research institutes as well as industry to achieve its aims.

Further information about this initiative can be obtained from Peter O'Clery at the CRC for sustainable Tourism tel 02 6230 2931 or email poclery@interact.net.au

APEC MEETINGS IN 2001-2002

15-16 Oct	Shanghai, China	Informal SOM
15-16 Oct	Acapulco, Mexico	Energy Working Group (EWG): 4th Environmental Cooperation Workshop (ECOW) and the 6th GEMEED Meeting
17-18 Oct	Shanghai, China	13th APEC Ministerial Meeting
18-20 Oct	Shanghai, China	CEO Summit
18-21 Oct	Shanghai, China	APEC Business Advisory Council: 4th ABAC Meeting
20-21 Oct	Shanghai, China	9th Informal APEC Economic Leaders' Meeting
29 Oct - 2 Nov	Kuala Lumpur, Malaysia	EWG: 'APEC Malaysia Energy Week' combined activities
6-8 Nov	Philippines	EWG: Workshop on Distributed Electric Power
8-10 Nov	Philippines	EWG: Expert Group on New & Renewable Energy Technologies (19th Meeting)
12-15 Nov	Langkawi, Malaysia	APEC Auto Dialogue Steering Committee Meeting
13-16 Nov	Pasig City, Philippines,	3rd APEC Future Leader's Forum
21-23 Nov	Ayutthaya Province, Thailand	Tourism Working Group: 19th Meeting of TWG
December 2001,	(to be advised) Philippines	EWG: Workshop on "Promoting Trade and Investments in the Energy Sector among APEC Economies through EVSL"
12 Dec	Puerto Vallarta, Mexico	Finance Ministers Process Technical Working Group Meeting
2002 – Mexico's Year as Host of APEC		
Feb	TBA	Women Leader's Network
6-9 Feb	Vancouver, Canada	1st APEC Business Leaders Council (ABAC) meeting
10-19 Feb	Mexico City	APEC Senior Officials Meeting (SOM I)
May	TBA	ASC: APEC Study Centre Consortium Meeting
6-9 May	Sydney, Australia	2nd ABAC meeting
22-30 May	Huatulco, Mexico	APEC SOM II
2-3 June	Acapulco, Mexico	Ministers Responsible for Trade
*Details of the APEC Calendar are updated regularly at www.apecsec.org.sg		

SOME ACTIVITIES OF THE APEC STUDY CENTRE

The Centre is engaged in the following activities

- The second training course for the first year of the Managing Regulatory Change program on life insurance and pensions was held in July. A report *Creating Long Term Confidence*, detailing the achievements of the first year of the MRC program has been published
- A symposium for regional regulators in the Managing Regulatory Change will be held in Beijing November.
- A training course *Reaping the benefits of biotechnology* will be conducted for Government officials from China, Indonesia, Philippines and Vietnam in October-November.
- The Monash APEC Lecture has been postponed will be held after the forthcoming Australian Federal Election.

CHINA HOSTS 2001 ASC CONFERENCE

THE INTERNATIONAL CONSORTIUM APEC Study Centres Conference was held at the Tianjin, Economic Development Area (TEDA) in Tianjin, China on 18-20 May. The event was organised and hosted by the APEC Study Centre at Nankai University. Delegates from ASC's in twenty APEC member economies attended.

The Conference is the key event in international cooperation between academics in the APEC region. The next ASC conference will be held in Mexico in May, 2002.

The following papers delivered at the Conference are available on the ASC Consortium Website at <http://www.apecstudy.org>

- *Trade and comparative advantage of Asia and Latin America manufactured exports*, Dr Siegfried Bender (Yale University) and Dr Kui-Wai (City University of Hong Kong)
- *How to improve public relations in support of the APEC mission (results of data collection exercise)*, Mr Randal Donohue (California Lutheran University)
- *APEC as a complex adaptive system: insights about the problem of multi-lateralism versus bilateralism from a new science*, Mr Darby Higgs (Australian APEC Study Centre)
- *The potential implications of a free trade area of the Americas (FTAA) for APEC*, David MacDuff (Asia Pacific Foundation of Canada)
- *Asia for Russia or Russia for Asia?*, Prof. Vasily Mikheev (Russian Academy of Social Sciences)
- *APEC needs a wake up call more than trade liberalization*, Mr Alan Oxley (Australian APEC Study Centre)
- *Mad cow disease: implications for world beef trade*, Cory Pickelsimer and Dr Thomas Wahl, (University of Washington)
- *The economic and social impact of the financial crisis on low-income*

households: case of Malaysia, Chamhuri Suiwar (Universiti Kebangsaan Malaysia)

- *APEC's northern frontier: Northeast Asia*, Professor Hisako Tsuji (Economic Research Institute for Northeast Asia, Japan)
- *Unequal exchange and which country gains more from free trade*, Prof Lepi Tarmidi (University of Indonesia)
- *Influence of ICT on human resource development*, Dr Yong Chee Tuan and Dr Hjh Hairuni Hj Mohamad Ali Maricar, (Universiti Brunei Darussalam)
- *APEC's Achievements and Tasks for Shanghai 2001*, Professor Ippei Yamazawa (Institute of Developing Economies)

APEC ROUNDTABLE: APEC AT THE DAWN OF THE 21ST CENTURY

THE 5TH APEC Roundtable was held in Singapore at the Institute of South East Asian Studies on 8-9 June on the theme of *APEC at the Dawn of the 21st Century*. Some 40 delegates attended, from 16 member economies of APEC as well as from the World Bank, the International Monetary Fund, the Asian Development Bank and the United Nations Commission for Latin America and the Caribbean.

The Australian APEC Study Centre was represented by Professor John McKay. The Roundtable was divided into two major sections. In the first part, a series of papers reviewed progress in a range of APEC programs and initiatives such as trade and investment liberalisation, trade facilitation, financial reform, and economic and technical cooperation. There was also detailed consideration of the development of APEC as an institution, and the implications for APEC of the recent blossoming of regional trade agreements, especially at the bilateral level. There was evaluation of the development of a number of initiatives at the regional

level, notably the 'ASEAN Plus Three' group and the Asia-Europe Meeting (ASEM), and a lively discussion of the prospects for the successful launch of a new WTO Round. There was strong agreement that in the current situation, APEC's relevance is as strong as ever, perhaps even more so. The revised papers from this part will be published by the Institute of Southeast Asian Studies within the next few weeks.

The second part of the Roundtable was devoted to the progress of the APEC International Assessment Network (APIAN). The first APIAN report was presented in 2000 at the Brunei Leaders' Meeting, and a more detailed volume of studies evaluating APEC's progress since 1989 has just been published.

The work of this group, drawn from a range of APEC study centres, has been very positively received, and the Singapore meeting considered the next stage in the work program. The Economic Committee and the ECOTECH Sub-Committee have each proposed that APIAN should undertake a number of studies and evaluations, and it was agreed that the first of these should be a major report on the development of APEC as an organisation. This will be presented at the Mexico APEC meetings.

ASC CONSORTIUM ONLINE

The International Consortium of APEC Study Centres now has a dedicated website, at www.apecstudy.org

With the demise of *Meeting Minds*, the print newsletter, there is no regular mechanism for ASC's to be kept in touch with each other.

If you wish to be kept informed of activities in the International Consortium of APEC Study Centers and take part in online discussions, you can join the majordomo mail list.

Go to <http://www.apecstudy.org/maillist.htm> and follow the instructions.

Centre Supports Australia US FTA Studies

WITHIN APEC bilateral trade and investment relations between the United States loom large in the priorities of all member economies. Hence many economies are considering or negotiating closer relations with the US in addition to working through the multilateral trade system.

The Australian APEC Study Centre believes that a Free Trade Agreement with the United States represents an exciting opportunity to advance Australia's trade interests. The expectation of early progress has faded, but it is likely that the proposal will be further pursued over the next couple of years.

There are a wide range of issues to be considered in the negotiation and possible implementation of such an agreement and clearly there is much to be done in exploring these issues with interest groups, formulating policy and communicating with stakeholders.

The Centre has been engaged in activities to support progress in clarifying Australia's policy development in this area. The Centre was commissioned by DFAT to prepare a report on *Australia-USA Free Trade Agreement: Issues and Implications*, and the Centre also conducted a Conference on the topic

The report begins with a survey of the current status of the Australia-US trade and investment relationship and goes on to explore the coverage of such an Agreement and its advantages and disadvantages. The report emphasises economy wide impacts as well as sectoral issues in the Australian economy. The economic impact of a FTA is discussed in the context of a best practice in the global economy and Australia's regional and multilateral interests.

The report is available online from



Photographed at the conference are Charles Morrison, President of the East West Centre in Hawaii, Alan Oxley and Professor John Higley of University of Texas at Austin.
Photo: Irene Dowdy

www.apec.org.au, or a limited number of hard copies are available from the Department of Foreign Affairs and Trade Tel 02 6261 3197.

On June 21st The Australian APEC Study Centre conducted a Conference,

An Australian US Free Trade Agreement: Opportunities and Challenges. The conference, which was held in Canberra, was attended by nearly one hundred delegates including business leaders, diplomats, politicians and government officials.

CONFERENCE PUBLICATIONS

The following papers from the Conference are available from the website at www.apec.org.au

The Centre has also developed online resources containing current information about these issues.

- *Keeping focused on Australia's interests*: Keynote Speech by Hon Mark Vaile, Minister for Trade
- *Can Australian and US competition policy be harmonised?* Brian Cassidy, (Australian Competition and Consumer Commission)
- *Agriculture: the strategic issues*, Peter Gallagher, (Inquit Pty Ltd)
- *The strategic setting: an American assessment*, John Higley, (University of Texas at Austin)
- *CER lessons*, Peter Lloyd (University of Melbourne)
- *Infoeconomy issues: E-commerce law*, Moira Paterson, (Law School, Monash University)
- *What the invasion of "McDonalds TV" means for Australia's media*, Stuart Simson, (Managing Director- Artsim Pty Ltd)
- *Implications for anti-dumping and countervailing*, Jeff Waincymer, (Professor of Law, School of Law Deakin University)
- *Benefits of free trade area between Australia and the US in the context of developments in the new economy*, Patrick Xavier (Swinburne University)

ISSUES PAPERS OF THE AUSTRALIAN APEC STUDY CENTRE

Issues Paper 20: APEC needs a wake up call more than trade liberalization, by Alan Oxley, Chairman, Australian APEC Study Centre, Monash University

SINCE THE ASIAN currency crisis, there has been a flurry of proposals for new instruments to facilitate economic integration among countries in the APEC region. Most are for new bilateral or regional trade agreements. Some are to create new regional monetary arrangements.

The interest in creating new arrangements stands in contrast with the lack of preparedness or capacity to tackle fundamental economic problems in domestic economies.

APEC economies would definitely benefit from greater trade liberalization. However proposals to do so will come to naught while there is unwillingness to undertake reform to allow markets to work more effectively in domestic economies.

The major issue in Asia today is not how to achieve trade liberalization, as important as that is, it is how to revitalize markets to achieve growth.

APEC Finance Ministers need to develop strategies for that purpose.

Issues Paper 21: APEC as a complex adaptive system: insights on the problem of multilateralism versus bilateralism from a new science, by Darby Higgs Deputy Director, Australian APEC Study Centre

THIS PAPER attempts to apply some of the insights gained in the study of Complexity Theory to the evolution of the APEC trade system. First a review of the history and description of Complexity Theory will lead to a description of the characteristics and behaviour of complex adaptive systems. It is shown that trade in the Asia Pacific region exhibits similar behaviour.

Much of the debate about multilateral versus bilateral

approaches to is based on assumptions about the nature of the trade which do not take into account the complex relationships between economies. The paper points to more appropriate models of the international economy which can better inform the debate.

The paper concludes with a discussion of some policy implications of Complexity Theory

for APEC, especially as applied to the current debate about bilateral, plurilateral and multilateral modes of trade liberalisation.

Both of these issues papers are based on papers presented at the Conference of the International Consortium of APEC Study Centres in Tianjin, China on 19 May 2001. They are available from www.apec.org.au

NEW PUBLICATION

Bridging the digital divide: refocusing on a market based approach, an APEC perspective, by Patrick Xavier

IN FEBRUARY 2000, a Workshop on the topic *Meeting the Challenges of the Information Age* was conducted by the APEC Study Centre. The workshop was funded by AusAID, the Australian Aid Agency. At the conclusion of the Workshop, participants recommended a number of policies. A primary recommendation was that a competitive market be vigorously fostered as the primary means of meeting the challenge of the Information Age, including bridging the Digital Divide.

Bridging the digital divide was authored by Patrick Xavier, the Workshop's principal facilitator. It seeks to elaborate upon the Workshop's major recommendations by refocussing attention on the role of a competitive market as the

primary means of addressing the Digital Divide. This approach reflects the underlying view of the paper that the most effective way of closing the digital divide in a sustainable way is to facilitate the development of market based, commercially attractive businesses around this task.

This is not to argue that government should not be involved; government action may be necessary to maximise the role of the private sector.

Emphasis on the market is seen to be critical because neither policy makers nor industry is in a position to reliably predict the implications of technological progress and commercial innovation over the coming years.

Bridging the digital divide is available from the Australian APEC Study Centre or you can download the report from www.apec.org.au

THE AUSTRALIAN APEC STUDY CENTRE

Chairman: Mr Alan Oxley
Director: Professor John McKay
Deputy Director: Mr Darby Higgs
Project Manager: Mr Kevin Ryan
Admin Officer: Ms Patricia Prowling
Admin Officer: Ms Melissa Garro
Project Officer: Mr Justin Kennedy

The Australian APEC Study Centre is located at:
Monash City Offices
Level 12, 30 Collins Street
Melbourne 3000
Telephone: 61 3 9903 8757
Facsimile: 61 3 9903 8813

email: apec@arts.monash.edu.au

home page: <http://www.apec.org.au>