

APEC Currents is a quarterly publication of the Australian APEC Study Centre. It is published in February, May, August and November each year

## Trade liberalization rekindled

THE BUSH ADMINISTRATION has re-energized global trade liberalization. As well as securing authority for trade negotiations from the US Congress, it also gave the flagging negotiations in the WTO a mighty kick start.

The significance of the latter was under-reported in Australia's media. While the media banner head-lined the intention of the US some weeks before to maintain hefty subsidies for its farmers (the Australian media was almost universally incorrect in reporting that the subsidies would increase substantially), a US proposal made in late July that Japan and the EU join it and remove 95 percent of subsidies to agriculture in the WTO was reported as a minor event.

It is a major event. There is certainly a lot of

ambit in the proposal. It only applies if the others follow. However, it is exactly the step that is required to get negotiation in the WTO going. The EU needs to cut its own subsidies to enable Poland and Hungary to join. So far it has not found the political will to do so. The sort of external pressure which the US proposal creates is just what is needed to edge the EU along. Furthermore it give the US Secretary of Agriculture, Anne Venemen, a committed free trader, a platform to work down the US's own subsidies.

Progress in all areas of the WTO negotiations goes no faster than the rate of progress on agriculture. With momentum restored to the discussions on agriculture, negotiations in all other areas will secure momentum. It will be several years however before the WTO negotiations are completed.

## Facilitating Trade Training Course

THE AUSTRALIAN APEC Study Centre with Monash International Pty Ltd (MI) delivered the *Facilitating Trade in Products and Services Training Program* to 16 Indonesian Government officials from 27 May to 19 July 2002. The program was delivered under the auspices of the Indonesia Australia Specialised Training Project (IASTP II), managed by Melbourne Enterprises International (AMC).

Participants were drawn from Indonesian Ministry of Industry and Trade, the Ministry of Agriculture and the Coordinating Ministry of Economic Affairs.

The Course was designed to give participants an enhanced knowledge of the economics of international trade including technical understanding of the

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Group photo of the Facilitating Trade in Products and Services Training Program, June/July 2002



This Conference was held in Canberra on August 29-30.

A full report on the conference and papers will be available shortly as a special issue of *APEC Currents*.



The Australian  
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international and regional processes of trade liberalisation. There was emphasis on appreciation of Indonesia's standing and interests in the international and regional economy and the economics and legal principles of the multi-lateral trading system and the ASEAN Free Trade Area.

Participants were exposed

to a variety of learning experiences including presentations from Australian experts from government, business and academia; simulations and practical exercises; site visits to appropriate Australian Government agencies and the preparation of a SMART Action Plan for implementation on return to Indonesia.

The participants' knowledge and understanding of

international trade and related matters generally, and in respect of Indonesia and Australia in particular, increased steadily throughout the course. This was evident from their capacity and increased willingness to discuss key issues and was also evident by the quality of questions asked. The development of individual SMART Action Plans also

helped the participants think about the existing problems faced in their workplace and what policy or procedure could be put in place to resolve these issues.

A comprehensive evaluation program indicated that the course met its objectives, with participants giving high ratings to most aspects of the course and associated arrangements very highly.

## MRC Program Continues

THE CENTRE continues to conduct the Managing Regulatory Change in Life Insurance and Pensions (MRC) Program. The latest activity was a two week training course held in July. This was the fourth training course in the series of six. While the general content of the courses has been similar, the course has evolved during the program to incorporate suggestions from participants and regulators.

Twenty six staff from regulatory agencies throughout the region took part. Once again the response from participants in the evaluation was very favourable. The course is greatly assisted by contributions from Australian Government agencies and the private sector. The financial sponsorship by The Asian Development Bank, AusAID, Axa Asia Pacific Holdings and the Commonwealth Bank is also acknowledged.



Group photo for the 4th MRC Training Course which was held at the APEC Study Centre in July.

An aim of the course has been to foster networks among staff in regulatory agencies throughout the region. During the July Training Course participants were given basic training in Internet based project management software. This software will be used to main-

tain contact among the alumni of the training programs. Although participants had variable levels of experience with Internet and email software they soon became enthusiastic users of the technology.

The next activity in the Program is the Annual Symposium for Senior Regulators, to be held in November. Further information about the MRC Program can be found at [www.apec-finsec.org](http://www.apec-finsec.org)

conjunction with International Trade Strategies recently completed a joint research project on trade and environment issues with a Chinese academic team from Peking University, Beijing. The project involved a policy study on trade and environment, the perspectives of developing countries and the implications for Chinese foreign trade policy. It was funded by the Australian Agency for International Development, AusAID.

The output from the project is the report *A study of the trade and environment issue* which is available from [www.apec.org.au](http://www.apec.org.au)

### Environment study available

THE APEC STUDY CENTRE, in

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# Australian/US Free Trade Agreement Advances

By ALAN OXLEY, Chairman, APEC Centre

AGREEMENT by the US Congress to give the Bush Administration authority to negotiate trade agreements on 1 August clears the way for negotiations to begin on a Free Trade Agreement (FTA) between Australia and the United States.

President Bush told the Prime Minister the US would negotiate an agreement during his visit to the US in June, but that work could not start until Congress authorized him to negotiate trade agreements. Under the US constitution, the Congress has to approve treaties.

The first question asked is can Australian farmers get better access to US markets? Some say we can't so we shouldn't bother. The Australian meat and dairy industry believe we can. The sugar industry has seen its share of the US market steadily fall over the years as cheaper sugar has been squeezed out by tougher trade controls. However since the US has agreed to negotiate an FTA, it will have to give some ground on agriculture.

We argue that it is looking backwards only to see agriculture when the FTA comes to mind. Economic trends show something new. In the last decade, exports of manufactures and two-way investment have expanded faster between Australia and the US than with any other of Australia's economic partners. It is the result of removal of protection of Australian manufacturing and the gain in productivity in both economies over the last decade.

America's public figures have been more visionary than ours. The US Trade Representative Robert Zoellick gave his vision of future economic links between the US and Australia (as well as a fascinating accounting of the economic history of the two countries) at a dinner in Washington in July.

He described two economies moving rapidly into the Information Age with the scope to build "Pacific partnerships" which enhanced growth and set examples for others to follow

in the Asian Pacific region. We were tickled about the research he drew on to paint the vision. It was work done by the Monash APEC Study Centre under commission from the Department of Foreign Affairs and Trade. It was the only academic source to which Zoellick referred in his speech. The report is available on [www.austa.net](http://www.austa.net)

These days Free Trade Agreements do much more than free up trade. Apart from agriculture (which now earns just 20 percent of Australian exports to the US), there are now few barriers to trade in goods between Australia and the US. Australia's tariffs are on average a bit lower than America's. FTAs also remove restrictions on movement of capital, services even people.

With no barriers to business between the two economies, there will be a large economic bonus for Australian business as it expands business in the US and US investment expands in Australia. As well as the direct gain from extra economic activity, there will be the greater, dynamic benefit as Australian business adopts the latest technology and business practices as they are continuously reshaped by Information Technology (IT) in the US market.

The US will continue to be the driver of innovation in the global economy as the Information Age unfolds. And we should not forget we are just at the beginning. The US will be the global standard setter of competitiveness.

Enormous gains in productivity are being achieved through IT. If Australia expects to remain competitive in the global economy in the future, it is vital that Australian business is at the forefront and adopt new systems and adapt business models to these changes when US business does, not after it does.

Some worry that an FTA with the US will send the wrong signals to Asia. This doesn't follow. Although economic growth prospects in Asia look weak for the next decade, it is essential to Australia's political interests in Asia that we continue to seek close relationships. We can pursue this while strengthening ties with the US or anyone else.

The APEC Centre has just produced a comprehensive study of the new role of Free Trade Agreements in the era of globalization, analysing a Free Trade Agreement with the US as a case study. The study also considers the geo-political implications on Australia's relations with Asia. It is available on [www.apec.org.au](http://www.apec.org.au)

## Academics having their say on APEC policy

By JOHN MCKAY\*

THE APEC INTERNATIONAL Assessment Network (APIAN) is an exciting initiative of members of the APEC Study Centres' network, and an increasingly important contribution to the development of the entire APEC process. An initial APIAN brainstorming meeting was held at the University of California, San Diego in January 1999. It was agreed that APEC could benefit from the knowledge and experience of a group of scholars and

outside experts able to bring independent and critical perspectives to bear on the program and progress of the organisation. Since then APIAN has been guided by the following mission statement:

*APIAN is a collaborative, independent project among participating APEC Study Centres to track and assess the design and execution of select APEC initiatives. APIAN's mission is to enhance knowledge among government officials and the general public with regard to APEC activities, to encourage the fulfilment of APEC objectives and commitments, and to identify ways for APEC to improve its performance.*

The decision to undertake evaluation and monitoring of APEC programs and activities was quite an innovative step for the organisation. Prior to the establishment of APIAN there had been a number of proposals to draw on external, non-government expertise, but this had always been resisted on the

grounds that any form of external monitoring would compromise the APEC principle of unilateral, voluntary compliance with goals accepted by consensus. However, the activities of APIAN have now received widespread acceptance. Many of those individuals active in APIAN have long experience in promoting regional integration and cooperation and thus are seen as sympathetic to the APEC agenda. But at the same time, APIAN has always stressed its independence and objectivity.

APIAN has now released two Policy Reports and a book of essays, a third Report is close to completion, and a second book is now being prepared. The first Policy Report (*Learning from Experience*) was released in November 2000 and was widely distributed at the Leaders' Meeting. The report argued that APEC had made a number of important contributions to the region and had established itself as a world-class forum for the exchange of ideas and the advancement of common goals, but as APEC entered its second decade it faced a number of important challenges. APIAN presented 12 recommendations for the improvement and advancement of the organisation, suggesting ways forward for both the Trade and Investment Liberalisation and Facilitation (TILF) and Economic and Technical Cooperation (ECOTECH) agendas as well as suggestions for enhancing APEC's institutional structures. Recommendations included the need to clarify and prioritise the trade policy initiatives, improve the individual action plans, encourage members to be more accountable for their APEC commitments and overhaul the ECOTECH programmes and be more active in funding these initiatives. It was also argued that the APEC Secretariat should be strengthened, partnerships with outside groups should be strengthened, and academic engagement through the Study Centres should be encouraged. The background papers on which this report was based were published

in book form (Richard Feinberg & Ye Zhao (eds) *Assessing APEC's Progress: Trade, Ecotech and Institutions*, Singapore: Institute of Southeast Asian Studies, 2001).

The second Policy Report (*APIAN Update: Shanghai, Los Cabos and Beyond*) was released in October 2001 and developed many of the themes introduced in the first paper. But several new themes were introduced, notably the need for APEC to foster greater cooperation among Western hemisphere and Asian institutions, allowing for a mutually profitable sharing of experience and best practices.

A third Report (*Remaking APEC as an Institution*) is now close to completion. This will deal in some detail with APEC as an institution and will put forward a series of recommendations for the strengthening of the APEC secretariat, management systems, policy development processes and budget capacity. This report is based on the largest research programme yet undertaken by APIAN, and the detailed papers are now being prepared for publication, again by the Institute of Southeast Asian Studies in Singapore, under the title *APEC as an Institution: Multilateral Governance in the Asia Pacific*.

What is particularly pleasing is the way in which APIAN research is now being incorporated and used in the development of APEC policy, and APIAN now reports its recommendations directly to the Senior Officials Meeting. The preliminary findings of the project on APEC as an institution were discussed with Senior Officials in Mexico in May 2002, and the final report will incorporate a number of suggestions from a variety of member economies.

*\*Professor John McKay is Director of the Australian APEC Study Centre and a member of the Executive Committee of the APEC International Assessment Network.*

## CURRENTS *publications*

### Changing role of Free Trade Agreements

OVER THE PAST FEW YEARS the proliferation of proposed and achieved bilateral and regional free trade agreements (FTAs) has underscored an aspect of how globalisation has changed the nature of the relationship between states. The enthusiasm for FTAs reflects a desire by governments to enhance national security through economic integration as well as by the more traditional political and military means.

The nature of FTAs has also changed; they are now concerned with a much wider range of issues than tariff reduction and removal. They are now tools for economic integration, freeing up the movement of capital and labour as well as goods to promote competitiveness.

*Free Trade Agreements in the era of globalization* – new instruments to advance new interests – the case of Australia by Alan Oxley, argues that deeper economic integration offers both economic and non-economic benefits for Australia and that an FTA with the United

States can be achieved without damaging the multilateral trading system, nor Australia's relationship with its Asian trading partners.

*Free Trade Agreements in the era of globalization* is published by the Australian APEC Study Centre as Issues Paper 23. It is available electronically from [www.apec.org.au](http://www.apec.org.au)

### Dispute Settlement in the WTO

THE WORLD TRADE Organisation WTO was established in 1995 when it took over

and expanded on the aims, scope, role and procedures of its predecessor the GATT.

A major role played by the WTO is dispute resolution, which has evolved considerably during the life of the organisation.

*WTO litigation: procedural aspects of formal dispute settlement* by Professor Jeff Waincymer is a comprehensive work which seeks to analyse all aspects of the dispute resolution process. The author holds the chair of International Trade Law at Monash University. The book is based on the author's

experience as an academic and practitioner in WTO disputes.

The book combines doctrinal and policy analysis of the decisions to date alongside a more general outline of the processes. Although the book concentrates on the new rules and procedures attention is given to the history of GATT/WTO procedures.

The work is completed by an extensive bibliography, numerous appendices and case tables for both the WTO and the GATT.

*WTO litigation* is an invaluable tool for all involved in the WTO dispute resolution process and represents a key reference for academics and students of international trade Law. It is published by Cameron and May, London, [www.lexmercatoria.com](http://www.lexmercatoria.com)

## Tourism best practice

*Best Practice in Tourism Satellite Account Development in APEC Member Economies* is a new publication of the APEC secretariat. It presents the results of a survey on Tourism Satellite Account (TSA) development carried out among APEC members. A total of 11 case studies from member economies that have already developed-or are in the process of developing-TSAs of their own. In addition, WTO, OECD and the World Travel and Tourism Council have contributed to this report. The publication hopes to address the primary requirements of member economies that have not yet implemented a full TSA and

are seeking guidance on others' experiences, best practice approaches and possible pitfalls.

Details about APEC Secretariat Publications are available at [www.apecsec.org.sg](http://www.apecsec.org.sg). They can be ordered directly from the Secretariat or from the Australian APEC Study Centre.

## International Trade Textbook

INTERNATIONAL TRADE can be

very dry topic. Authors of textbooks need to balance the presentation of sufficient background and theory with some more lively topics of current interest. John Gionea has succeeded admirably in bringing these two elements together in his new textbook *International trade and investment: An Asia-Pacific perspective*.

The topics of international trade, investment and business in the context of a rapidly globalising world are covered in sixteen well written chapters. Each chapter is

accompanied by review and discussion questions and an appropriate case study. The text is completed with a glossary and a succinct bibliography of printed and internet resources.

The author John Gionea has used his wealth of experience in teaching, government and business to produce a most useful resource for formal courses and training programs in this area. *International trade and investment* is published by McGraw-Hill, Australia.

### APEC MEETINGS FOR 2002

2-5 Sept	Manila, Philippines	Human Resource Development : APEC Alternative Dispute Resolution Executive Education Project
3-4 Sept,	Los Cabos, Mexico	Finance and Central Bank Deputies Meeting
4-7 Sept,	Vladivostok, Russia	Investment Experts Group : 7th APEC Investment Symposium
5-6 Sept,	Los Cabos, Mexico	Finance Ministers Meeting
9-12 Sept,	Vladivostok, Russia	Investment Experts Group: 3rd APEC Investmart
9-13 Sept	Monterrey, Mexico	APEC Young Leaders & Entrepreneurs Forum on Business Development with Social Responsibility
23-27 Sept	Brisbane, Australia	Transportation Working Group Meeting
24-27 Sept	Taipei, Chinese Taipei	Industrial Science & Technology Working Group
26-27 Sept	Guadalajara, Mexico	Ad Hoc Advisory Group on Gender Integration Meeting
28-29 Sept	Guadalajara, Mexico	2nd Ministerial Meeting on Women
(to be advised)	Taipei, Chinese Taipei	Energy Working Group Meeting
21-22 Oct	Los Cabos, Mexico	Senior Officials Informal Meeting
22-25 Oct	to be advised, Korea	APEC Auto Dialogue Steering Committee Meeting
22-26 Oct	Los Cabos, Mexico	APEC Business Advisory Council Meeting
23-24 Oct	Los Cabos, Mexico	14th Ministerial Meeting
24-26 Oct	Los Cabos, Mexico	CEO Summit
26-27 Oct	Los Cabos, Mexico	10th APEC Economic Leaders' Meeting
TBA	Seoul, Korea	EWG: 20th Meeting of the Expert Group on New & Renewable Energy Technologies
07-09 Nov,	Seoul, Korea	2002 APEC Renewable Energy Fair
16-18 Dec	Chiang Mai, Thailand	15th APEC Finance Ministers' Technical Working Group

\*Thailand will be APEC host in 2002

[A full listing of APEC events can be found at the APEC Secretariat website at www.apecsec.org.au](http://www.apecsec.org.au)

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