

The Case for the Peer Review Approach to Concerted Unilateralism and Ecotech Cooperation for Capacity-Building

Talking Points on the Roadmap to the Asia-Pacific Economic Community

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1. One of the hallmarks of APEC has been its insistence on the principle of *concerted unilateralism* as an approach to encourage its members to deliver on its commitments, especially, those for liberalization of trade and investment toward the Bogor Goals. APEC's progress toward these goals have been stalling. The ineffectiveness of concerted unilateralism as an enforcement mechanism has come to be considered a major cause of this failure. In fact, APEC's principle of concerted unilateralism has come to be considered by many as a major weakness of APEC itself. The principle of concerted unilateralism should be abandoned and replaced by a stronger enforcement mechanism unless, somehow, its effectiveness is improved and strengthened.

2. The experiences with the Asian financial crisis confirms what the Asian economies had been arguing all along, i.e., that it is difficult for an emerging economy to liberalize trade and investment, including capital flows, because they lack sufficient institutional and human resource capacities at home with which to manage their own globalization without endangering their domestic stabilities or immiserising themselves. From this perspective, they need, among other things, domestic institutional reforms and refinement. This is then one of the areas where APEC's Ecotech programs can be undertaken very fruitfully for the benefit of the emerging economies and the APEC region as a whole. Strengthening the domestic financial institutions is a prerequisite to ensuring the financial stabilities of the emerging economies and it is also a very important area for APEC's Ecotech programs for capacity-building.

3. APEC is advised to make its concerted unilateralism work better and effectively, as well as to give a new emphasis on helping its member economies strengthen their institutional capacities at home through requisite regulatory and other reforms. One time-tested approach to these two goals is the peer pressure approach that the OECD has

been employing toward the goal of helping or encouraging its member governments to reform or adjust their policies.

4. Peer pressure arises from peer review process as an effect of this process. This has been the most salient feature of the way the OECD has been functioning. The same approach is employed by other international organizations as well, however, such as UN, IMF, WTO and EU. APEC itself has been experimenting with this approach in monitoring the IAPs of its member governments. APEC will be well advised to employ and elaborate this approach to encouraging or helping its member governments to deliver on policy commitments over a broad range of TILF objectives or undertake desirable domestic reforms under Ecotech programs.

5. The OECD characterizes “peer review”[OECD, 2003, *Peer Review*]as follows:

- Peer review can be described as the systematic examination and assessment of the performance of a State by other States, with the ultimate goal of helping the reviewed State improve its policy making, adopt best practices, and comply with established standards and principles.

- The examination is conducted on a non-adversarial basis, and it relies heavily on mutual trust among the States involved in the review, as well as their shared confidence in the process.

- When peer review is undertaken in the framework of an international organization – as is usually the case – the Secretariat of the organization also plays an important role in supporting and stimulating the process.

- With these elements in place, peer review tends to create, through this reciprocal evaluation process, a system of mutual accountability.

6. The peer review process can give rise to peer pressure through, for example [*ibid.*]:

- i) a mix of formal recommendations and informal dialogue by the peer countries;
- ii) public scrutiny, comparisons, and, in some cases, even ranking among countries; and,
- iii) the impact of all of the above on domestic public opinion, national administrations and policy makers.

7. It should be noted that peer pressure does not take the form of legally binding acts, sanctions or other enforcement mechanisms. It is instead a means of soft persuasion which can become an important driving force to stimulate countries to change, achieve goals and meet standards. The following are the noteworthy characteristics of a typical peer review exercise [*ibid.*]:

- The exercise is a “discussion among equals, a “two-way, open, frank and constructive dialogue”, as opposed to a “one-way lecture”, or a “hearing by a superior body”.

- It is an information and experience-sharing process where the key is mutual learning. The translation and adaptation of foreign experiences can be useful for domestic purposes, and is, moreover, an important capacity-building instrument.

- The “soft law” nature of the process is particularly suited for encouraging and enhancing compliance in situations where traditional enforcement mechanisms, i.e., “hard law”, may have the unintended and opposite effect of only breeding animosity.

8. From the organizational perspective, a very important pillar supporting the peer review process is the ‘secretariat’ that consists of the related and neutral experts who:

- produce documentations and analyses;
- organize meetings and missions;
- stimulate discussions;
- uphold quality standards; and,
- maintain continuity as the keeper of historical memory of the processes.

The credibility of the whole process depends on the independence, transparency, accuracy, and analytical work done by the secretariat.

9. The OECD-type peer review may be “imported” by APEC because:

- The peer pressure it generates embodies the principle of concerted unilateralism;
- APEC already has the basic “surveillance” mechanism in place in the form of regular meetings in various fields;

- APEC has a number of agreed common goals in the respective sectors to serve as the benchmark in the peer review process, and also is willing to agree on target dates for those goals.

All these would serve as good building blocs for future peer review exercises. By building on these blocs, and adopting these processes, APEC may enhance the efficacy of its concerted unilateralism, and over time, gradually evolve into an OECD-type organization as it strives to make progress in pursuit of its set of diverse goals.

10. There, however, seem to be two major obstacles”

- The great diversity that exists among its member economies need not, but may, pose difficulties;

- The process requires installing a neutral, well-staffed secretariat of experts. This would be resource-consuming, among other things.

11. The political will, stemming from understanding and appreciation of the mechanism and value of the peer review process, holds the key. The evolution of the process can be gradual. Over a prolonged transition process, APEC may utilize and mobilize the vast network of private-sector institutions and think-tanks which already exist in the region. The OECD stands ready to offer assistance and collaboration with APEC, should APEC be willing to work with it.