

Session III: APEC Reform

**Beyond Trade Liberalization:
Rethinking the APEC Agenda**

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I. Introduction

APEC was launched with an objective of economic cooperation and trade liberalization in the Asia-Pacific region. From the initial 12 member countries, APEC now counts 21 member countries around the Asia-Pacific, which is the largest inter-regional institution in this region. These 21 member economies represent 55% of world trade, 57% of global GDP (about 19 trillion US dollars) and 40% of the world's population (2.6 billion). APEC has been enlarged both in terms of membership and agenda. APEC agenda has also been expanded. Security issues such as anti-terrorist measures became especially salient after the 9.11. However, the enlargement of APEC did not always bring positive feedback. APEC began to be criticized for the lack of focus and effectiveness.

One of the most visible changes in recent years was the diminishing salience of economic issues in the APEC while non-economic issues, especially security issues, were getting more attention. The weakening of trade and economic agenda in the APEC can be explained by several factors. One is the consolidation of WTO system and the rise of regional trade agreements (RTAs). Trade liberalization at the APEC level lost its visibility compared to recent trend of global and regional trade liberalization. Second factor is the changed international environment after 2001. The 9.11 terrorist brought anti-terrorism at the top of agenda in the APEC as well as in many other multilateral institutions. Non-traditional security threats such as terrorism, migration and transnational crime became a more popular agenda.

Furthermore, the development of various regional and inter-regional institutions since the mid-1990s posed a challenge to the position of APEC as a leading regional

entity. Most notably, ASEAN+3 has become a core axis of East Asian regional cooperation. A series of bilateral and multilateral FTAs supplement ongoing East Asian economic cooperation. ASEM has linked East Asia and Europe at the inter-regional level. In addition, ASEAN Regional Forum (ARF) has been given more attention as a security dialogue in the Asia-Pacific.

The expansion of APEC, as a consequence, brought overlaps with other institutions in the Asia-Pacific region. One of the common criticisms on the APEC was a decreasing visibility of the APEC agenda *vis-à-vis* other regional institutions. Instead of APEC's own agenda, APEC often got an attention as a meeting place for the national leaders. Lack of strong leadership was also noted as an internal problem which hindered an effective development of the APEC.

Considering the changing status of the APEC, this paper traces the emergence of non-economic agenda, especially security issues, in the APEC and evaluates its consequences. Part II and III of this paper ask why these security issues were emerged, whether it will be a new breakthrough toward a more effective APEC and to what extent these issues will constitute the APEC agenda. Part IV will compare APEC with other regional institutions in terms of membership and agenda. Part V concludes the discussion by providing suggestions that could reinforce the APEC in the future.

II. The Emergence of Security Agenda in the APEC

Until the 2000 APEC summit, security agenda did not receive full attention of the leaders. As indicated in the title of "Economic Leaders' Meeting," APEC agenda was confined to economic and technical issues. William Perry, the US secretary of

defense, once mentioned in the leaders' meeting in Osaka in 1995 that it would be possible to expand APEC to an organization that can take up security problems but his suggestion received a negative response in Asia.¹ A number of participants were concerned that APEC would run into difficulties in keeping the organizational coherence once the agenda were mixed with political and security issues. In fact, APEC was designed as an economic consultative and cooperative body from the beginning. Instead, ASEAN Regional Forum (ARF) would pick up the security issues.²

However, international environment after the 9.11 terrorist attacks changed the nature of traditional APEC agenda. The Shanghai summit in 2001 showed a shifting focus for the changing security environment. Strong support for strengthening the international anti-terrorism regime was needed and the leaders called for increased cooperation. The Declaration on Terrorism was issued in Shanghai, which was the first formal adoption of a security-related document of APEC.³ For the first time, geopolitical security issues had an explicit section in APEC's official communiqué. The Shanghai assemblage reflected U.S.'s effort to strengthen its antiterrorism coalition in Asia. President Bush's meeting with Jiang Zemin and Vladimir Putin complemented this effort. Combating terrorism was also seen as an essential agenda for restoring confidence in global economic growth.

2002 APEC meeting was held in the wake of another terrorist attacks in Bali. Australia and the Philippines also experienced terrorist attacks within their territories.

¹ David McDuff, "APEC after Shanghai: Which path Forward?" in *International Journal*, Vol.57, No.3 (Summer 2002), p.447.

² *Ibid.*

³ See <Appendix 1> for the details of the declaration.

Coalition against terrorism was once again emerged as a central agenda.⁴ Counter-terrorism got a separate section in the Leaders' Declaration.⁵ It was a crucial opportunity for the US to get support from China, Russia and other members in the Asia-Pacific for its war against terrorism and efforts to disarm Iraq. North Korean issue was also salient. A series of bilateral meeting between the US, South Korea, China, and Japan discussed the North Korean threat, which led to "APEC Leaders' Statement on North Korea."⁶ APEC diplomacy in the sidelined bilateral summits got more attention than before.

Terrorism was also discussed from the economic perspective. Member countries were expected to announce measures to bolster customs, immigration, transport and communications controls against terrorists. "APEC Leaders' Statement on Fighting Terrorism and Promoting Growth"⁷ shows these measures. However, complaints were growing from a number of countries for having been kidnapped the economic agenda by counter-terrorism concerns.

The Bangkok summit in 2003 dwelt also on security with a consensus on the fact that a lack of security hampers economic growth. It seemed quite evident that APEC's members were less willing to cooperate on economics than they were in the early 1990s. There were, in fact, alternatives to discuss trade and economic cooperation issues such as FTAs and DDA. The issue of counter-terrorism was inserted into the concept of "human security" which was newly introduced as a separate section in the

⁴ See <Appendix 2> for the details.

⁵ See <Appendix 3> for the details.

⁶ See <Appendix 4> for the details.

⁷ See <Appendix 5> for the details.

Leaders' Declaration and constituted another pillar of discussion.⁸ Security issues were also discussed at the Leaders' Retreat Session.⁹

Responsibilities for APEC's new focus also rested with North Korea, which heightened fears about its nuclear-weapons programme by lobbing at least one missile towards Japan as the summit talks got under way. While APEC gave a nod to North Korea's security concerns, it firmly backed the call for more six-party talks and for verifiable progress toward a nuclear-free Korean peninsula. However, the focus of attention on the North Korean issue was not formally reflected in the final statement.

In Santiago 2004, the concept of human security was more elaborated and the linkage of security agenda and economic goals became more visible. International counter-terrorism measures such as controls on materials used to manufacture atomic bombs, commercial flight safety and shipping and food stocks' safety from terrorist attacks were discussed.¹⁰

Security agenda was largely dealt in unofficial meetings, too. North Korea, Iran and Iraq were the main unofficial issues. Bush discussed Russia's commitment to write

⁸ See <Appendix 6> for the details.

⁹ According to Chair's summary of Retreat Session, following remarks were announced:

- On counter-terrorism, we reaffirmed APEC's resolve in fighting terrorism and noted the need to address both the symptoms and the root causes of terrorism, as this is a problem that undermines trade and investment which are APEC's main objectives. We agreed to intensify cooperation on counter-terrorism on various fronts, which are reflected in our Leaders' Declaration.
- We continued our discussion on Counter-Terrorism, and discussed the situation on the Korean Peninsula and APEC Reform during the working lunch.

APEC, Chair's Summary of Discussions at Retreats I and II, 11th APEC Economic Leaders' Meeting, Bangkok, 20-21 October 2003.

¹⁰ See <appendix 7> for the details.

off Iraqi debt with Putin. He took on trust the promise of further assistance in Iraq from Junichiro Koizumi. Bush's meeting Hu Jintao, Putin and Koizumi also dealt with North Korea's nuclear programme.

In 2005 Busan Meeting, APEC is expected to discuss the issues in human security, including counter-terrorism, energy security, health and disaster response and preparedness. North Korean issues will be given an attention, considering that South Korea is a host country and the US, China, Russia and Japan are all deeply interested in this issue.¹¹

One of the U.S. priority objectives for the 2005APEC is to strengthen the security of the region by continuing to implement the Bangkok Commitments on Security and improving the security of trade and travel in the APEC region. The US announced its plan for the 2005 APEC:

First, (The US plans to) focus on implementing the security commitments APEC has already undertaken. We will also help to build the capacity of APEC economies to implement those commitments. For example, last year, APEC agreed on export control guidelines. This year, the United States will sponsor an expert-level workshop on export controls.

Second, (The US plans to) propose that APEC develop guidelines on secure handling of radioactive sources. We can facilitate the use of radioactive materials in medicine and industry if we can help ensure that radioactive materials can be used safely, without harm to the public or danger of falling into the wrong hands.

Third, (The US plans to) continue to promote secure trade and travel. For example, the United States supports work in the APEC Sub-Committee on Customs

¹¹ APEC, "Theme and Priorities of APEC 2005" Senior Officials Meeting I, Seoul, Korea, 3-4 March 2005

Procedures to develop a framework to secure containers and ensure the security and integrity of supply chains.¹²

III. Security Agenda: APEC's Fourth Pillar?

Since 2001, security issues have constituted another pillar of APEC agenda in addition to the previous three pillars: trade liberalization, trade facilitation and economic and technical co-operation. The inclusion of security agenda showed a transition from low politics to high politics agenda. <Figure 3> summarizes the evolution of APEC agenda.

The emergence of security agenda stemmed from both external and internal factors. The 9.11 terrorist attacks and subsequent wars in Afghanistan and Iraq were most explicit causes for security discussion in the APEC. The US' keen interest in mobilizing a coalition against terrorism was a driving force for a more active stance of APEC in these issues. Continued threat from the North Korean nuclear programme also contributed to the security discussion in the APEC.

However, APEC's security agenda also reflected the inner problems of APEC since the mid-1990s. Slow progress of the previous economic agenda and the lack of inner dynamics necessitated a new momentum for the APEC meeting. The failure of Early Voluntary Sectoral Liberalization (EVSL) to create momentum in the WTO brought the stalemate of APEC's trade activities.¹³ Disagreements over how early the

¹² Lauren Moriarty (U.S. Senior Official for APEC), "U.S. Policy Goals for APEC 2005" Remarks to Korea APEC Year Forum and Business Executive Roundtable, Reston Hyatt Regency, Reston, Virginia, February 18, 2005 (<http://www.state.gov/p/eap/rls/rm/2005/43917.htm> (2005.5.10))

¹³ Michael Wesley, "APEC's Mid-Life Crisis?: The Rise and Fall of Early Voluntary Sectoral Liberalization" in *Pacific Affairs*, Vo. 74, No.2 (Summer 2001)

liberalization would occur, whether allowances would be made for developing countries and the voluntary nature of the initiative, which allows members to opt out of certain aspects of the package, all stymied progress. The WTO has eclipsed APEC's efforts at trade liberalization, in part because the former has the organized, binding, rules-making authority that the latter lacks. Rival regional institutions such as ASEAN+3 was accelerating its own version of trade liberalization, centered on FTAs. In sum, internal ineffectiveness of APEC in implementing trade liberalization was coincidentally combined with external shocks from the 9.11 terrorist attacks, which triggered a new kind of discussion in the APEC.

Does the enlargement of membership explain more security discussions in the APEC? As shown in the <Figure 1>, the enlargement of membership was finalized by 1998. Russian access to the APEC would have been an important factor considering the weight of Russia in international and regional security. However, Russia seemed to have been more interested in economic agenda and it was the US that triggered security discussion in the aftermath of 9.11.

The scope of security agenda still need to be discussed. In spite of recent emphasis on security issues, APEC has little background in the complex issues of hard security. Noting that APEC is still in the process of tactical learning, David McDuff argues that security agenda is not desirable for the APEC. Instead of widening APEC's agenda to include geopolitical topics, APEC's economic focus should be deepened.¹⁴ However, the security implication of APEC certainly has significance especially when the involvement of US is considered. Fred Bergsten noted that:

¹⁴ McDuff, *op.cit*, p.442.

APEC does not-and should not- discuss security issues but its security implications are profound. It provides an unprecedented institutional framework for constructively engaging China (the rising power) and Japan (the current economic heavy-weight) in a region where instability and hostility have dominated the past century. By maintaining American involvement in the economic life of East Asia, that same framework can maintain American security involvement too.¹⁵

The architects of APEC have so far tried to modify security agenda to fit into an existing economic agenda. Security issues were largely discussed at the technical level, such as STAR measures. The measures to prevent the proliferation of WMD and terrorist weapons and the measures to minimize the negative effects of counter-terrorist measures on economic activities linked security agenda and economic and trade agenda. The category of human security tried to pick up ongoing anti-terrorism measures. Security agenda was for economy rather than for itself. In this way, APEC seemed to create security as a by-product of its ongoing economic activities.

Hard security issues and more sensitive security issues have been discussed in a series of sidelined bilateral talks. These informal sessions often get more attention from the media. By introducing two track discussions on security agenda, leaders could avoid the criticism that security agenda led by the US were suffocating economic and trade agenda.

However, the relevance of APEC as a forum for regional security is still doubtful. Currently ASEAN Regional Forum is functioning as regional multilateral security regime and APEC's security agenda will inevitably overlap with the ARF agenda. Latin American countries are showing little interest in security issues in East

¹⁵ C.Fred Bergsten, "An Asian push for world-wide free trade," *Economist*, 6 January 1996, 62.

Asia and there are many sensitive issues, such as China-Taiwan relations, which are politically too sensitive to be fully discussed. When China is expanding its economic influence in East Asia, discussion on sensitive security issues may bring unnecessary confrontation between the US and China. There is also a danger that an emphasis on security issues may constrain existing economic cooperation measures. Inner-dynamics of the APEC is still weak and under institutionalization of APEC has often been criticized. In this stage, too much weight on security agenda will hinder the development of further economic cooperation.

Recently, the US, Japan and Australia preferred the proliferation of counter-terrorism and anti-proliferation measures in the APEC while China, together with Malaysia and Vietnam wanted to confined the APEC agenda to economic and technical level. This disagreement could lead to further discussion whether security issues should be the formal APEC agenda.¹⁶

The consequences of enlarged APEC agenda brought another round of discussion-its relations with other regional institutions and the effectiveness of the APEC. With the enlargement of membership and agenda, institutional overlap between APEC and ASEAN+3, ASEM and ARF seems to be inevitable while the criticisms on APEC's becoming a department store of agenda which would lead to Mini-UN in the Asia-Pacific are getting vocal. Part IV examines these problems.

IV. Clash between Institutions?

¹⁶ Dong Hwi Lee, "Evolution of APEC and Future Tasks: The Emergence of Security Issues" (in Korean) *Analysis of Major International Issues* (2004.11.26)

Overlapping Membership

APEC began with original 12 members in 1989.¹⁷ In 1991, Greater China (The People's Republic of China, Hong Kong, and Chinese-Taipei) joined. The 1993 APEC accepted Mexico and Papua New Guinea and Chile joined in the following year. In 1998, Peru, Russia, and Vietnam joined to constitute the APEC of 21 members. The APEC membership shows an interesting overlap with other regional institution around Asia and the Pacific. Except for Russia, all APEC members are under the WTO.

ASEAN+3 is by far the most active regional institution among East Asian countries. Along with the annual summit, ministerial and SOM meetings, ASEAN+3 also provides a number of bilateral and trilateral meetings. ASEAN+3 encompass 10 ASEAN countries and three Northeast Asian Countries—China, Japan and South Korea, thereby represent East Asia.

Participating countries in Asia-Europe Meeting (ASEM) includes 13 ASEAN+3 members and 25 EU members as well as the EU commission. Reflecting the enlargement of ASEAN and EU in recent years, 10 new EU member countries together with Myanmar, Laos and Cambodia joined the ASEM in the 5th meeting in Hanoi.

ARF membership is more diverse and, in fact, more similar to that of APEC than any other institutions in this region. From the initial 18 members¹⁸ in 1994, ARF enlarged its size by accepting Cambodia (1995), India and Myanmar (1996), Mongolia

¹⁷ Australia, Brunei, Darussalam, Canada, Indonesia, Japan, Malaysia, New Zealand, the Philippines, Singapore, South Korea, Thailand and United States.

¹⁸ 6 ASEAN countries-Thailand, Brunei, the Philippines, Singapore, Malaysia, Indonesia, 9 ASEAN Dialogue Partners-the US. China, Russia, EU (Presidency country), South Korea, Japan, Canada, Australia, New Zealand, and three observer countries (Laos, Papua New Guinea, Vietnam)

(1998) and North Korea (2000). The US and Russia participate in the ARF.

Seven ASEAN countries (ASEAN except for Cambodia, Myanmar, Laos), and three Northeast Asia countries—South Korea, Japan and China—are participating all the four regional institutions. The US and Russia participate in APEC and ARF. North Korea currently holds only the ARF membership. This overlapping membership is summarized in <Figure 2> and <Figure 4>.

Overlapping Agenda

Overlapping membership also brought an overlapping agenda among these institutions. APEC's trade agenda certainly overlap with that of WTO but APEC's visibility in trade liberalization is far lower than WTO. APEC made it clear that its function would complement and facilitate trade liberalization under the WTO system. APEC relied on voluntary compliance with unilaterally defined commitments while WTO system was based on specified obligations, legally binding commitments, reciprocity, and non-discrimination. Compared to WTO, APEC provided little certainty about the behaviour of partner economies and therefore lost the priority of member countries.¹⁹ Some are casting doubt whether APEC is really necessary for trade liberalization in the Asia-Pacific region.

ASEAN+3 Meetings cover a broad range of East Asian cooperation. The first meeting in 1999 included following comprehensive agenda: Economic cooperation, monetary and financial cooperation, social and human resources, scientific and technical

¹⁹ John Ravenhill, "APEC and the WTO: Which Way Forward for Trade Liberalization?" in *Contemporary Southeast Asia*, Vol. 21, No.2 (August 1999)

development, cultural cooperation, development cooperation, political and security cooperation. FTA negotiations within ASEAN+3 were galvanized by the announcement of China-ASEAN FTA by 2010 in the 2001 Summit. This announcement triggered subsequent Japan-ASEAN, Korea-ASEAN FTA discussion. Since 2001, ASEAN+3 Meeting began to include terrorism issue as a major agenda. Bilateral talks between ASEAN and three Northeast Asian countries became more formalized. So far, ASEAN+3 tried to avoid open discussion on the sensitive political and security agenda but recent meetings tackled the security issues such as Spratlys Islands, the Protocol to the Treaty on the Southeast Asia Nuclear Weapons Free Zone and the Declaration on the Conduct of Parties in the South China Sea. Recent ASEAN+ 3 agenda also included the nuclear issue on the Korean Peninsula, the Six-Party Talks, the accession of the Republic of Korea and the Russian Federation to the Treaty of Amity and Cooperation (TAC) in Southeast Asia as well as energy security in East Asia.

ASEM agenda consists of the three pillars—political, economic and Social/Cultural/Intellectual. Political pillar focuses on international crisis, security and multilateralism. Since the 9.11 terrorist attacks, the fight against international terrorism has become a priority in the political dialogue among ASEM partners. Political pillar also includes human rights and the rule of law, environmental dialogue, and dialogue on mitigations. Recent ASEM summits also adopted declarations on North Korean nuclear program. Under the economic pillar, WTO, globalization and sustainable development constitute major agenda. Economic discussion includes promoting economic multilateralism, enhancing trade and investment frameworks, crisis management, dialogue with the private sector, and ASEM Task Force for Closer Economic Partnership. The third pillar, Social/cultural/Intellectual agenda covers a “Dialogue on

Cultures and Civilizations,” The Asia-Europe Foundation (ASEF), education cooperation, developing cooperation on information technology such as Trans-Eurasian Information Network (TEIN) and the participation of civil society and the wider public. Both ASEM and ASEAN+3 cover comprehensive agenda ranging from economic cooperation to political issues.

ASEAN Regional Forum (ARF) is Asia’s only regional security forum. The ARF deals with both conventional security issues, such as nuclear proliferation, as well as non-traditional ones such as terrorism, transnational crime, the arms trade and human trafficking.²⁰ The ARF has been active in pursuing confidence building measures (CBMs) and preventive diplomacy (PD). However, the ARF has a predominantly ASEAN character and the conflict between the non-interference principle in ASEAN and interference by non-ASEAN participants was often illustrated.²¹ While suggesting the role of EU in Asian security, Axel Berkofsky argues, “so long as the ARF remains stalled on the road from CBMs to PD, the best the EU can do is to concentrate on soft/human security issues, promoting peace, stability and security in Asia through investment and economic co-operation”²² The 9.11 terrorist attacks led the ARF to shift its focused form conventional inter-state confidence-building issues to cooperation

²⁰ The objectives of ARF are outlined in the First ARF Chairman's Statement (1994) are: to foster constructive dialogue and consultation on political and security issues of common interest and concern; and to make significant contributions to efforts towards confidence-building and preventive diplomacy in the Asia-Pacific region. The 27th ASEAN Ministerial Meeting (1994) stated that "The ARF could become an effective consultative Asia-Pacific Forum for promoting open dialogue on political and security cooperation in the region.

²¹ Axel Berkofsky, “Can the EU play a meaningful role in Asian security through the ASEAN Regional Forum?” *EIAS Policy Brief*, 03/01, November 2003.

²² *Ibid*, p.3.

against transnational issues, especially counter-terrorism.²³ The ARF also dealt with North Korean issues but it has been criticized for insufficient handling the crisis in the Korean Peninsula since North Korea had been admitted to the grouping. <Figure 5> summarizes the scope of agenda of above institutions.

What are the reserved domains of the APEC?

As discussed above, APEC's agenda, both economic and security, overlaps with the agenda of ASEM, ASEAN+3 and ARF. As shown in <Figure 5>, APEC's security agenda moves the institution to the center of spectrum and increases the overlap with ASEM and ASEAN+3 as well as ARF. This overlap may undermine the effectiveness of APEC activity by lowering its visibility.

However, overlapping agenda among these institutions does not seem to seriously clash because there is no legally binding institution among themselves. Instead of sharp conflict, these institutions show multiple layers of loose duplication of agenda. Low degree of institutionalization is not a problem solely for APEC but a common problem of inter-regional cooperation. Inter-regional institutions were often bypassed between national, regional and global levels and remained as a supplementary dialogue

²³ At its annual ministerial meeting on July, 2002, the ARF adopted a series of measures targeting terrorist financing. These measures included: freezing terrorist assets; implementation of international standards; international cooperation on the exchange of information and outreach; technical assistance; and compliance and reporting. The ARF also formed an Inter-Sessional Group ISG on counter-Terrorism and Transnational Crime (co-chaired by Malaysia and US). ARF meeting in Cambodia held on 17 June 2003 added maritime security as another transnational challenge. Amitav Acharya, "The Role of Regional Organizations: Are Views Changing?" Paper Prepared for the Pacific Symposium, 2004, National Defense University, Washington, D.C. 22-23 April 2004.

process. Low level of institutionalization may hamper an effective function of these institutions but it can avoid unnecessary conflicts among them.

In spite of the duplication of agenda, APEC still has some edge *vis-à-vis* other regional institutions. First, ASEAN+3 and APEC are showing substantial degree of overlap both in economic and security agenda. ASEAN+3 has become the core of East Asian cooperation. However, the scope of APEC cooperation goes beyond East Asia. US, Russia and Latin American countries are participating in the APEC. The participation of Australia and New Zealand is also meaningful. In the APEC, therefore, more comprehensive economic and security dialogues would be possible.

Secondly, both APEC and ASEM are inter-regional cooperation while the latter is the meeting of two regional entity and the former has weaker sense of belonging as regional entities. However, APEC is significant in that the US and Russia, two superpowers in international politics, participate in the meeting. Furthermore, Europe and Asia are still remote regions to each other, especially in terms of security. The level of economic and political interdependence in APEC is much higher than that of ASEM.

Finally, APEC and ARF began to show a duplication of security agenda, especially soft security and human security measures. In addition, the composition of membership in these institutions is similar in that the US, Russia are participating together with East Asian countries. But the ARF is still a meeting at the ministerial level. It is the APEC summit that can deal with a higher politics agenda.

V. Rethinking the APEC Agenda

APEC Agenda is at the crossroad of enlargement and concentration. The rise of

non-traditional security issues was visible in recent years. Economic security and human security were getting more attention especially in the aftermath of 9.11 terrorist attacks. The decline of relative importance of trade issue would be inevitable considering ongoing DDA negotiation and recent proliferation of FTAs across regions. The expectation of member countries on trade liberalization at the APEC level was lowered. The US is changing focus into WTO, NAFTA and bilateral FTA regarding trade issues rather than APEC.

Inclusion of security agenda has been already done in spite of the concerns from several member countries. In terms of membership, the inclusion of the US and Russia is meaningful in pursuing further security cooperation in addition to trade cooperation. Furthermore, APEC summit can supplement the ministerial discussion in the ARF. The ultimate goal of APEC is to build the Asia-Pacific Community and it requires the settle-down of regional peace and stability, which certainly necessitates the discussion on the security agenda.²⁴ With the enlargement of the scope of security agenda, the leaders tried to strengthen the linkage between security agenda and economic agenda.

It is hard to answer whether APEC will be able to exist as a useful regional institution because the security and economic environment in the Asia-Pacific bears so many uncertainties. But, in the medium and long term, the enlargement of APEC agenda seems to be inevitable. This phenomenon is not peculiar to the APEC. Along with the deepening of globalization, diverse issues began to be interrelated horizontally or

²⁴ Yong Kyun Cho, "Future Development of APEC (in Korean)," *IFANS Policy Analysis* 2004-2 (January 2005)

vertically and most of multilateral institutions are experiencing similar process.²⁵

However, the gap between the nominal structure of Economic Leaders' Meeting and de facto contents of its Meeting will be widened since APEC included non-economic agenda. It may be necessary to change the title from Economic Leaders' Meeting to Regional Leaders' Meeting.

Overlap of APEC with other regional institutions will be inevitable as discussed in the previous section. There remain two tasks for APEC in this perspective. One is how to make a synergy out of these overlaps. The other is how to maximize the APEC's edge *vis-à-vis* these institutions.

The importance of sidelined bilateral talks should also be recognized. APEC has been criticized for becoming a "talk shop," but talk shop is also useful. What is important is that APEC should become an "expensive" talk shop rather than a "cheap" talk shop. Asian regional security issues are still mainly addressed on a bilateral basis. One of the salient values of APEC is the leaders of four superpowers can get together. A series of bilateral talks could solve not only economic issues but also political and security issues. It also contributed to the increased interdependence and network of participating countries. The APEC has been useful for national leaders to find the breakthrough in their domestic problems, too.²⁶ These meetings were often informal and secondary but it did create an important value.²⁷ Functioning as a leader-level

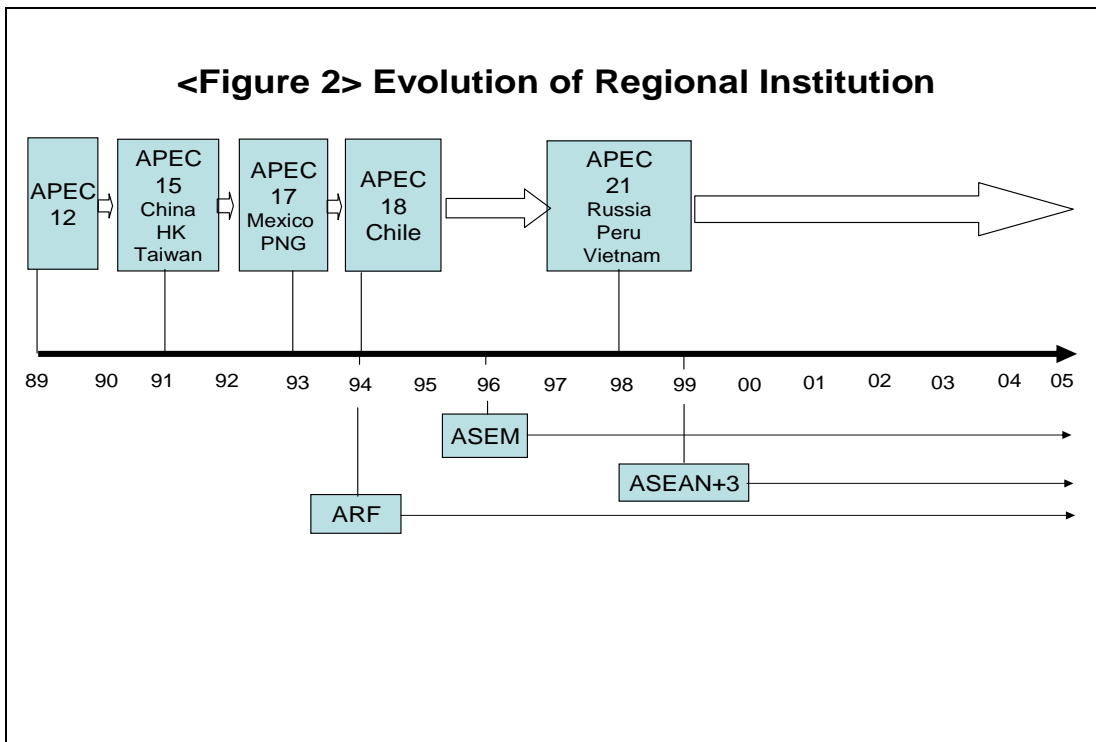
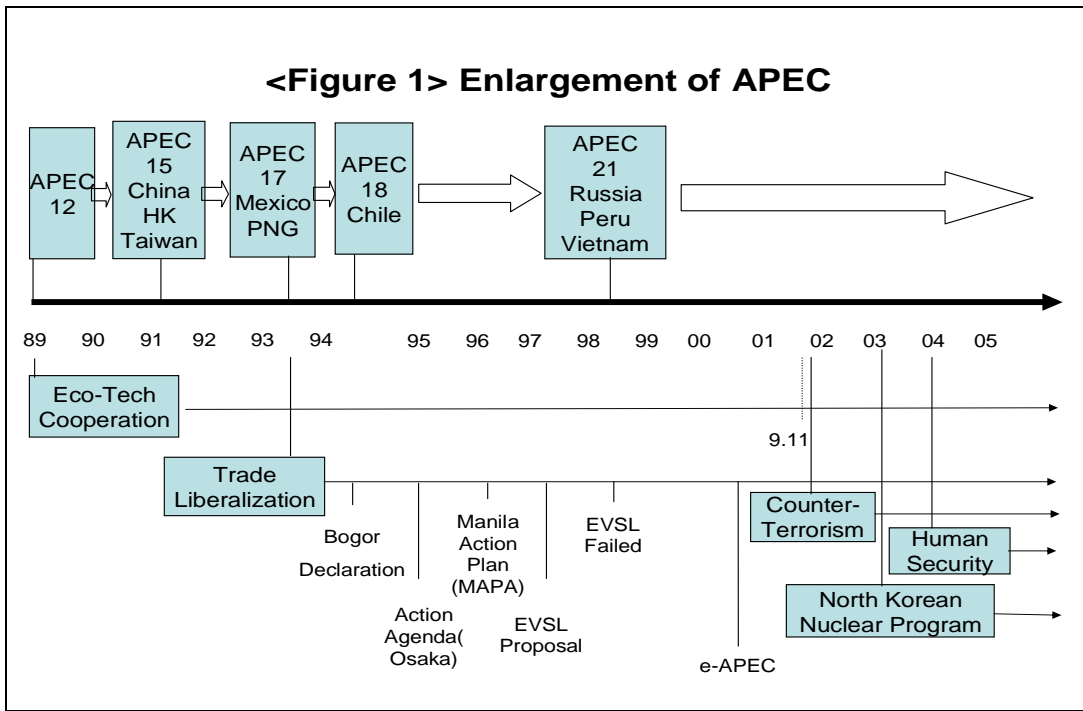
²⁵ G7 provides an interesting reference. See Vinod K. Aggawal and Charles E. Morrison, ed., *Asia-Pacific Crossroads: Regime Creation and the Future of APEC* (New York: St. Martin's Press, 1998), pp.403-406.

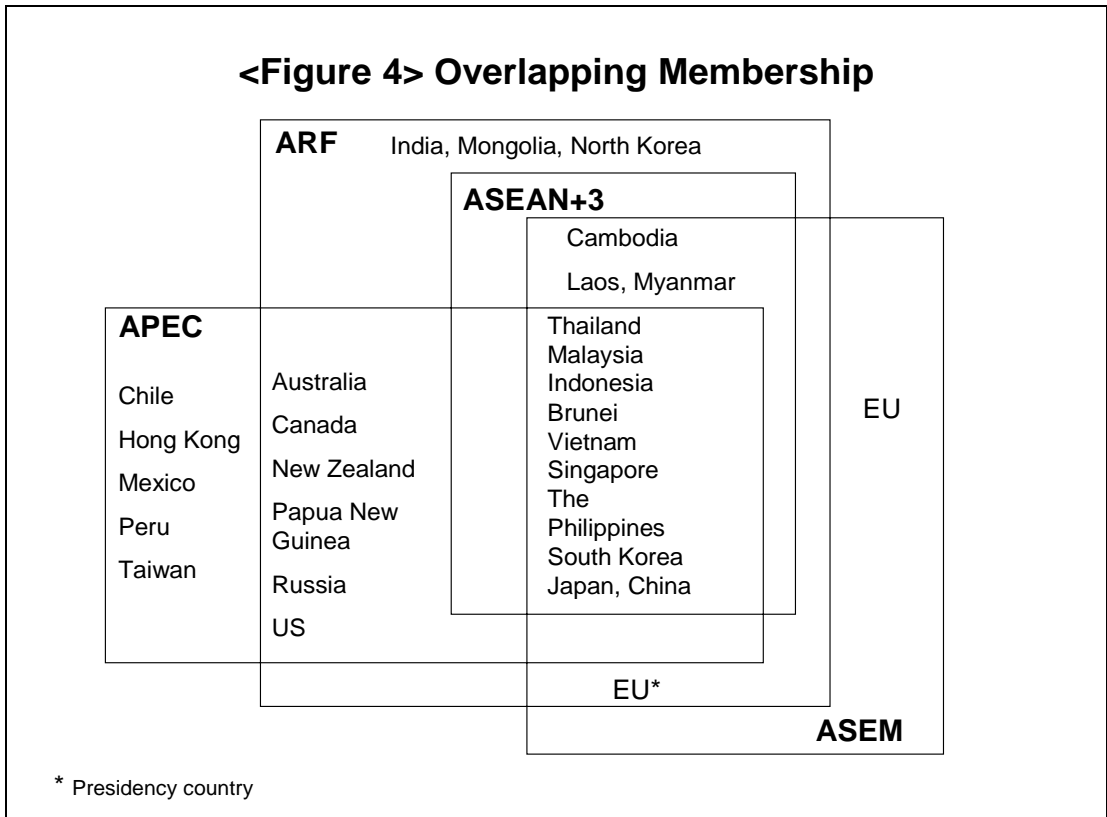
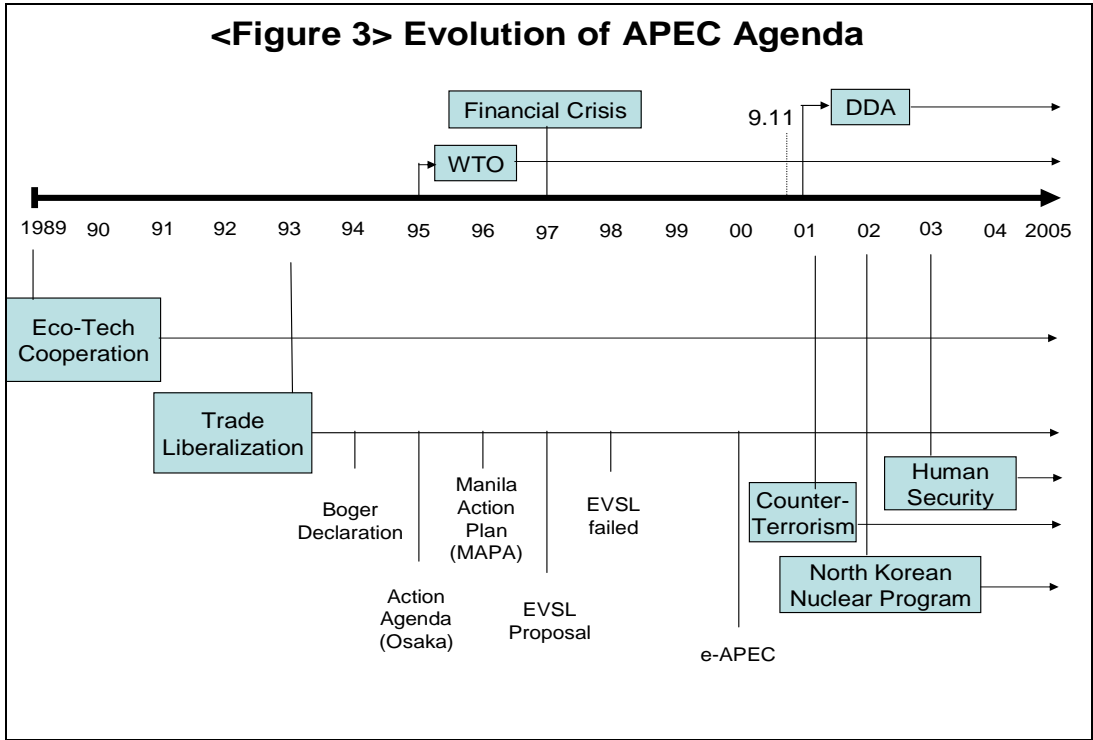
²⁶ Cho, *op.cit.*

²⁷ McDuff notes that this kind of institution may work as a 'clearinghouse' for other international matters or a network of actors who may use its annual leaders' meeting for incidental purposes, rather than an actor in and of itself. McDuff, *op.cit.*, p.440.

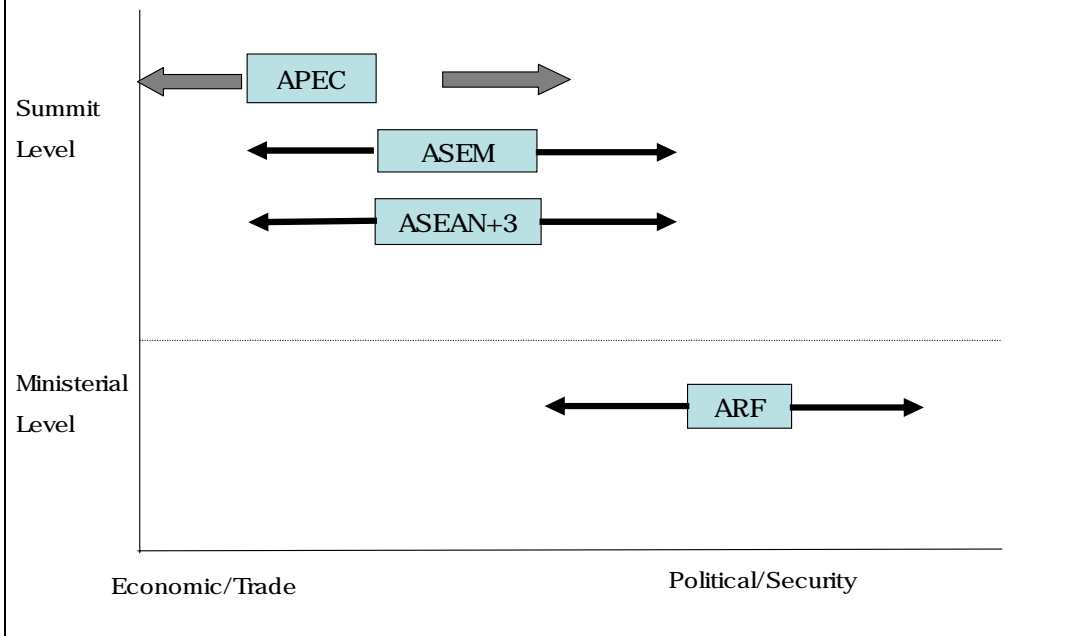
policy consultation, APEC diplomacy broadened its scope not only in formal session but also in informal session.

Finally, but not least importantly, leadership in agenda setting needs to be addressed. Agenda-setting power of the US has been crucial, especially in security agenda. Most security discussions were in fact led by the US. Agenda-setting power of the host country was also important in that they can add a new input. In sum, the dynamics of APEC in recent years depended on the participating country, the US and host country rather than principles and norms. To be a more effective institutions, however, APEC may need a new inner dynamics by combining these scattered initiatives in agenda-setting. A more consolidated pre-set agenda would be necessary in the future.





<Figure 5> Scope of Agenda



<Appendix 1>

APEC LEADERS STATEMENT ON COUNTER-TERRORISM

Shanghai, People's Republic of China

21 October 2001

1. Leaders unequivocally condemn in the strongest terms the terrorist attacks in the United States on September 11, 2001, and express their deepest sympathy and condolences to the victims of a large number of nationalities and their families and to the people and Government of the United States of America.
2. Leaders consider the murderous deeds as well as other terrorist acts in all forms and manifestations, committed wherever, whenever and by whomsoever as a profound threat to the peace, prosperity and security of all people, of all faiths, of all nations. Terrorism is also a direct challenge to APEC's vision of free, open and prosperous economies, and to the fundamental values that APEC members hold.
3. Leaders reaffirm that it is more important than ever for every economy to forge ahead in its commitment in achieving Boger's goal of free, open trade and investment.
4. Leaders deem it imperative to strengthen international cooperation at all levels in combating terrorism in a comprehensive manner and affirm that UN should play a major role in this regard, especially taking into account the importance of all relevant UN resolutions.
5. Leaders commit to prevent and suppress all forms of terrorist acts in the future in accordance with the Charter of the United Nations and other international law, pledge to implement the UN Security Council Resolution 1368 and 1373 faithfully and immediately, strongly support all efforts to strengthen the international anti-terrorism regime, call for increased cooperation to bring perpetrators to justice, and also call for early signing and ratification of all basic universal anti-terrorist conventions including the International Convention for the Suppression of the Financing of Terrorism.
6. Leaders are determined to enhance counter-terrorism cooperation in line with specific circumstances in their respective economies, through:
 - Appropriate financial measures to prevent the flow of funds to terrorists, including accelerating work on combating financial crimes through APEC Finance Ministers' working Group on Fighting Financial Crime and increasing involvement in related international standard-setting bodies;
 - Adherence by all economies to relevant international requirements for the security of air and maritime transportation. Leaders call on Transport Ministers to actively take part in the discussions on enhancing airport, aircraft, and port security, achieve effective outcomes as early as possible, and assure full implementation and cooperation in this regard;
 - Strengthening of energy security in the region through the mechanism of the APEC Energy Security Initiative, which examines measures to respond to temporary supply disruptions and longer-term challenges facing the region's energy supply;
 - Strengthening of APEC activities in the area of critical sector protection, including telecommunications, transportation, health and energy.
 - Enhancement of customs communication networks and expeditious development of a global integrated electronic customs network, which would allow customs authorities to better enforce laws while minimizing the impact on the flow of trade.
 - Cooperation to develop electronic movement records systems that will enhance border security while ensuring movement of legitimate travelers is not disrupted.
 - Strengthening capacity building and economic and technical cooperation to enable member economies to put into place and enforce effective counter-terrorism measures.
 - Cooperation to limit the economic fallout from the attacks and move to restore economic confidence in the region through policies and measures to increase economic growth as well as ensure stable environment for trade, investment, travel and tourism.
7. Leaders also pledge to cooperate fully to ensure that international terrorism does not disrupt economies and markets, through close communication and cooperation among economic policy and financial authorities.

<Appendix 2>

APEC LEADERS' STATEMENT ON RECENT ACTS OF TERRORISM IN APEC MEMBER ECONOMIES

**Los Cabos, Mexico
26 October, 2002**

Reaffirming the APEC Leaders Statement on Counter-Terrorism adopted in Shanghai, 21 October 2001 in light of the terrorist attack on 11 September 2001;

Acknowledging the need to immediately combat by all means, threats to international peace, security and economic sustainability of the region caused by terrorist acts;

APEC Leaders hereby:

1. condemn in the strongest terms recent terrorist acts in the APEC region, especially in Bali, Indonesia on 12 October 2002, and in the Philippines on 18 October 2002 which claimed a large number of innocent lives and injured so many people of different nationalities, as well as the seizure of a large group of people in Moscow, the Russian Federation, on 23 October 2002;
2. express their deepest sympathy and condolences to the victims and their families and to the Peoples and the Governments of Indonesia, Australia, the Philippines, and the Russian Federation, as well as from other economies;
3. highly commend the determination by the Governments of Indonesia, the Philippines, and the Russian Federation and their prompt and decisive efforts to find and bring the perpetrators, organizers, and sponsors of such terrorist attacks to justice;
4. welcome the issuance of the Emergency Decree on Anti Terrorism by the Indonesian Government and appeal to all member economies to take actions in supporting efforts to examine, investigate and ensure due process of law to any individuals or groups in connection to this despicable terrorist act, with full respect of human rights;
5. reaffirm that terrorism in all its forms and manifestations committed wherever, whenever and by whomsoever, constitutes a brutal and heinous act of violence that contravenes the applicable law, religious beliefs and the fundamental values of APEC members; and a direct challenge to APEC's vision of free, open and prosperous economies;
6. welcome the adoption of the UN Security Council Resolution 1440, 1438 and 1373 and appreciate ongoing cooperation and support amongst member economies to combat terrorism and deal with the consequences of terrorist acts and prevent further terrorist attacks in the APEC region;
7. continue to lead the charge in ending the threat of people smuggling, money laundering, illegal trafficking of drugs and arms which contribute to terrorism in order to ensure stability, security, economic growth and sustainability for a sound and prosperous community of Asia Pacific economies;
8. encourage joint efforts of APEC economies in mitigating the adverse impact of terrorist attacks in the affected economies;
9. call for strengthened international cooperation to support the region's efforts to eliminate terrorism and restore economic confidence in the region.

<Appendix 3>

APEC ECONOMIC LEADERS' DECLARATION

**Los Cabos, Mexico
27 October 2002**

Counter-Terrorism and Economic Growth

We discussed the challenge posed to the region's security and prosperity by terrorist organizations, noting the need to strengthen security while maintaining the smooth flow of goods, capital and people that has been key to the region's economic growth. We welcomed the efforts of member economies and APEC fora in response to the 2001 Leaders' Statement on Counter-terrorism.

- We condemned in the strongest terms recent terrorist acts in the APEC region, and reaffirmed our determination to enhance cooperation on countering and responding to terrorism.
- We adopted the Los Cabos Statement on Fighting Terrorism and Promoting Growth, in which we commit to taking a series of concrete steps that will protect and make more efficient the flows of trade, finance, and information.
- We called for the development of capacity building programs to assure that all economies are able to implement all elements of the statement.
- We also endorsed the strengthening of energy security in the region under the mechanism of the APEC Energy Security Initiative, notably the reporting of monthly oil data, which was highly commended by the 8th International Energy Forum, last September.

<Appendix 4>

APEC LEADERS' STATEMENT ON NORTH KOREA

**Los Cabos, Mexico
26 October 2002**

We note the potential for the Democratic People's Republic of Korea to benefit economically from greater participation as a member of the Asia Pacific community. Such a prospect will rest upon a nuclear weapons-free status on the Korean Peninsula. We reiterate our continued support for the nuclear non-proliferation regime. We uphold that a nuclear weapons-free Korean Peninsula is important to the peace and stability of the Peninsula and Northeast Asia, and is also in the interests of all members of the region. We call upon the DPRK to visibly honor its commitment to give up nuclear weapons programs and reaffirm our commitment to ensure a peaceful resolution of this issue.

<Appendix 5>

APEC LEADERS' STATEMENT ON FIGHTING TERRORISM AND PROMOTING GROWTH

**Los Cabos, Mexico
26 October 2002**

One year ago in Shanghai, meeting in the shadow of the attacks of September 11, 2001, we condemned international terror in the strongest terms and resolved to strengthen our cooperation in combating terror. In the year since, much has been accomplished. Yet much more remains to be done, and today we declare our strong commitment to put in place - as soon as possible - specific, additional measures needed to fully implement the broad principles we stated in the Shanghai Counter-Terrorism Statement.

The recent terrorist bombing in Bali, Indonesia carried out on October 12, 2002 reminds us of terrorism's brutality and the global imperative to oppose and fight this threat wherever it may be found. We condemn this mass slaughter of the innocent, many of whom were Indonesian and Australian citizens, and offer our deepest sympathies and condolences to the victims and their families.

Terrorism is a direct challenge to APEC's goals of free, open and prosperous economies and an affront to the fundamental values that APEC members share. We are united in our determination to end the threat that terrorism poses to our shared goals and committed to accelerate our progress towards the anti-terror goals and programs set forth last year in Shanghai.

Progress Since Shanghai

A year ago, we promised to strengthen cooperation at all levels in combating terrorism in a comprehensive manner and to faithfully implement our obligations under the United Nations. Since Shanghai, we have made important progress in working individually, bilaterally, regionally and globally, to meet our United Nations obligations, break up terrorist cells, and disrupt terrorist financing.

We are implementing the measures called for in relevant U.N. Security Council Resolutions, and are putting in place the legal and regulatory mechanisms to implement Resolution 1373.

Each of the relevant members of APEC has signed and ratified -- or is proceeding to ratify immediately -- the International U.N. Convention for the Suppression of the Financing of Terrorism.

We have established improved subregional and regional counter-terrorism mechanisms, significantly increasing the sharing of information between enforcement and intelligence officials.

We have upgraded security at the region's major ports and airports.

Collectively, we are working in APEC to introduce more effective baggage screening in airports in the region, improve coordination between immigration officials, implement new cyber security standards, advance the Energy Security Initiative to address disruptions in energy markets, and enhance anti-piracy cooperation.

Joint Commitment to Fully Implement Shanghai Counter-terror Statement

These measures have made important contributions to the fight against global terror. But more is needed. As we accelerate our progress against terrorism, APEC economies must also move to meet the challenge of encouraging global economic growth and bringing the benefits of global markets to all our peoples.

Consequently, we must grow our economies even as we protect our borders and find new ways to secure our key economic infrastructure from terrorist attacks.

Accordingly, we, the Leaders of APEC, agree to the following additional joint actions to fully implement the broad commitments we made last year in Shanghai. We endeavor to ensure that key Pacific Rim infrastructure in the areas of trade, finance and information systems is protected by:

Enhancing Secure Trade in the APEC Region ("STAR")

APEC represents 60 percent of the world's GDP and half of its trade. Most of the world's top megaports are in APEC economies, as are most of the world's busiest airports. We will work together to secure the flow of goods and people through measures to:

- **Protect cargo by**

- Implementing expeditiously a container security regime that would assure in-transit integrity of containers, identify and examine high-risk containers, and working within international organizations to require the provision of advance electronic information on container content to customs, port, and shipping officials as early as possible in the supply chain, while taking into consideration the facilitation of legitimate trade.

- Implementing by 2005 wherever possible the common standards for electronic customs reporting developed by the World Customs Organization that provide data to target high-risk shipments and facilitate trade.

- Promoting private-sector adoption of high standards of supply chain security, as developed by the private sector and law enforcement officials.

- **Protect ships engaged in international voyages by**

- Promoting ship and port security plans by July 2004 and installation of automatic identification systems on certain ships by December 2004.

- Enhancing cooperation on fighting piracy in the region between APEC fora and organizations such as the International Maritime Bureau Piracy Reporting Center and International Maritime Organization (IMO).

- **Protect international aviation by**

- Improving airline passenger and crew safety by introducing, highly effective baggage screening procedures and equipment in all APEC international airports as soon as possible, and in any case by 2005; accelerating implementation of standards for reinforced flight deck doors for passenger aircraft by April 2003 wherever possible; and supporting International Civil Aviation Organization (ICAO) mandatory aviation security audits.

- Enhancing air cargo security by promoting adoption of the guidelines developed by ICAO and the International Air Transport Association (IATA).

- **Protect people in transit by**

- Implementing as expeditiously as possible a common global standard based on UN EDIFACT for the collection and transmission of advance passenger information.

- Adopting standards for application of biometrics in entry and (where applicable) exit procedures and travel documents such as those being developed by the ICAO and the International Standards Organization.

- Assuring the highest possible integrity of all government officials who are involved in border operations.

Halting Terrorist Financing

We will jointly work to deny terrorists access to the world's financial system and use the money trail to locate and apprehend terrorists, in line with the comprehensive approach adopted by our Finance Ministers in September, including through measures to:

- **Fully implement U.N. and other international instruments by**

- Endeavoring to ratify the International Convention for the Suppression of the Financing of Terrorism no later than October 2003.

- Implementing quickly and decisively all measures needed to prevent terrorists and their supporters from accessing the international financial system, as called for in U.N. Security Council Resolutions 1373 and 1390. These measures include:

- effective blocking of terrorist assets;
- criminalization of the financing of terrorism;
- increased efforts to investigate and prosecute money launderers and terrorist financiers;

- preventive steps to protect the integrity of the financial system by regulating and supervising the financial sector consistent with international standards;
- joint identification and designation of targets of regional interest.

- Supporting the FATF's Eight Special Recommendations on terrorist financing and pledging to comply as quickly as possible with the recommendations; calling on the IMF and World Bank, in coordination with FATF, to begin conducting integrated and comprehensive assessments of countries' efforts to implement these recommendations and identifying jurisdictions which need technical assistance.

- **Promote better monitoring of alternative remittance systems and non-profit organizations by**

- Supporting the work of APEC finance officials and regional bodies on alternative remittance systems, including an analysis of the factors that encourage their use.
 - Protecting non-profit organizations and well-meaning donors from having their funds misused by terrorist financiers, and endorsing FATF's recently announced best practices for preventing abuse of charitable institutions by terrorists.

- **Enhance law enforcement and regulatory capabilities by**

- Establishing or identifying by October 2003 a financial intelligence unit (FIU) in each member economy, and taking steps to enhance information sharing with other FIUs.
 - Supporting private sector initiatives such as the Wolfsberg Statement on the Suppression of the Financing of Terrorism and endorsing cooperation between financial institutions and governments.

Promoting Cyber Security

Citizens of APEC economies now account for over half of the world's Internet users. The global communications network is only as secure as its weakest link, and we collectively commit to:

- Endeavor to enact a comprehensive set of laws relating to cybersecurity and cybercrime that are consistent with the provisions of international legal instruments, including United Nations General Assembly Resolution 55/63 (2000) and Convention on Cybercrime (2001), by October 2003.
- Identify national cybercrime units and international high-technology assistance points of contact and create such capabilities to the extent they do not already exist, by October 2003.
- Establish institutions that exchange threat and vulnerability assessment (such as Computer Emergency Response Teams) by October 2003.

We also call for closer cooperation between law enforcement officials and businesses in the field of information security and fighting computer crime.

Implementation and Capacity Building

Building an APEC region - and a global economic system - that is both more secure and more efficient is a monumental undertaking - and one that is critically important to the peace and prosperity of our planet. Success in fulfilling this vision will require enhanced cooperation, new procedures, and greater use of advanced technology.

We call on APEC officials to continue to cooperate in implementation of the joint actions outlined above and monitor progress of implementation. It is also important that all APEC economies develop the capacity to participate fully in this endeavor. Accordingly Leaders commit to work cooperatively to build capacity throughout the region so that all economies can benefit from the resulting gains in security and prosperity.

To build on the considerable counter-terrorism-related training and other assistance already being undertaken in the APEC region, we:

- Welcome new commitments by APEC members to contribute further to these capacity-building efforts,
- Commend current efforts by the international financial institutions to build counter-terrorism capacity in APEC economies and call on them to work with APEC members to further improve APEC member capacity,
- Encourage the private sector to work in partnership with APEC economies to implement secure trade measures, and
- Emphasize that counter-terrorism capacity-building in APEC needs to be demand-driven.

<Appendix 6>

BANGKOK DECLARATION ON PARTNERSHIP FOR THE FUTURE

**Bangkok, Thailand
21 October 2003**

We gathered in Bangkok for the 11th APEC Economic Leaders' Meeting to combine our diverse strengths to meet the challenges facing our region. In line with APEC's theme for this year, "A World of Differences: Partnership for the Future," and its sub-themes, following our interactive and meaningful exchange of views, we agreed that strong partnership is vital in order to achieve the goals we set out in Bogor. To realize our vision amidst the rapidly changing international environment, we agreed to strengthen our partnership not only to liberalize and facilitate regional trade and investment, but also to protect our peoples and societies against threats to their security, while preparing them to benefit fully from free and open trade. By taking these steps, we can realize the APEC vision, established by Leaders in 1993, of "achieving stability, security and prosperity for our peoples."

2. Enhancing Human Security

We agreed that transnational terrorism and the proliferation of weapons of mass destruction pose direct and profound challenges to APEC's vision of free, open and prosperous economies. We agreed to dedicate APEC not only to advancing the prosperity of our economies, but also to the complementary mission of ensuring the security of our people.

We therefore committed at Bangkok to take all essential actions to:

- Dismantle, fully and without delay, transnational terrorist groups that threaten the APEC economies.
- Eliminate the severe and growing danger posed by the proliferation of weapons of mass destruction and their means of delivery by strengthening international non-proliferation regimes, adopting and enforcing effective export controls, and taking other legitimate and appropriate measures against proliferation.
- Confront other direct threats to the security of our region.

We pledged to discuss at each Leaders' Meeting our progress toward these security commitments, and to take specific actions in pursuit of them.

We agreed this year to:

- Strengthen our joint efforts to curb terrorist threats against mass transportation and confront the threat posed by terrorists' acquisition and use of Man-Portable Air Defense Systems (MANPADS) against international aviation by committing to: adopt strict domestic export controls on MANPADS; secure stockpiles; take domestic action to regulate production, transfer, and brokering; ban transfers to non-state end-users; and exchange information in support of these efforts. We agreed to continue efforts to strengthen domestic controls on MANPADS and to review our progress next year in Chile.
- Increase and better coordinate our counter-terrorism activities, where appropriate, through effective collaboration, technical assistance and capacity building, and cooperation between APEC's Counter Terrorism Task Force, the Counter Terrorism Action Group (CTAG) of the G-8, the United Nations Security Council Counter Terrorism Committee and other relevant international, regional and functional organizations.
- Implement the APEC Action Plan on SARS and our Health Security Initiative to help APEC prevent and respond to regional health threats, including naturally-occurring infectious disease and bio-terrorism. We welcomed the establishment by Singapore and the United States of a Regional Emerging Disease Intervention (REDI) Center. We encouraged the Life Sciences Innovation Forum to complete its strategic plan by 2004.
- Establish a regional trade and financial security initiative within the Asian Development Bank, to support projects that enhance port security, combat terrorist finance, and achieve other counter-terrorism objectives.
- Support implementation of the Advance Passenger Information (API) System pathfinder initiative and efforts to explore development of a regional movement alert system to protect air travelers.
- Accelerate the implementation of the Energy Security Initiative by endorsing its Implementation Plan and, as appropriate, a new Action Plan to enhance regional and global energy security.

<Appendix 7>

**12TH APEC ECONOMIC LEADERS' MEETING
SANTIAGO DECLARATION
"ONE COMMUNITY, OUR FUTURE"**

**Santiago de Chile
20-21 November 2004**

Enhancing Human Security - Underpinning Economic Growth

We recalled the heinous acts and terrible consequences of terrorism as tragically manifested in Beslan and Jakarta during this past year. We reaffirmed our determination to advance the prosperity and sustainable growth of our economies and the complementary mission of ensuring the security of our people.

We encouraged relevant APEC economies to take measurable steps towards the ratification and implementation of, or the commitment to ratify, all basic universal antiterrorist conventions, so as to demonstrate APEC's unmistakable resolve to collectively confront the threat of terrorism and its disastrous effects on the people and also the economies of the region. In this context, we agreed to take steps to cut off terrorists' access to the international financial system, including implementing standards and agreements on combating terrorist financing and money laundering.

We commended the additional APEC work this year to help enhance the security of our people. We also commended the success of the APEC process and informal consultations in building consensus on these issues. We welcomed the further consensus arrived at by Ministers, and agreed to take the appropriate individual and joint actions to follow up on this consensus, in line with our respective circumstances. We welcomed the following actions adopted by APEC economies this year:

- Steps to advance compliance with the International Maritime Organization's new Ship and Port Security Standards through cooperative efforts;
- Financial contributions made to the Asian Development Bank's Regional Trade and Financial Security Initiative;
- Progress in implementing business mobility initiatives, including the Advance Passenger Information systems (API), the development of a Regional Movement Alert List System (RMAL), and cooperation for the issuance of machine readable travel documents by 2008;
- Cooperation on the supervision of exported and imported food, to prevent hidden hazardous or toxic materials; and
- Efforts to strengthen the public health system to respond to regional health threats.

We expect to review progress on our commitments to dismantle trans-national terrorist groups, eliminate the danger posed by proliferation of weapons of mass destruction, their delivery systems and related items, and confront other direct threats to the security of our region in the future.

We endorsed the initiative on *Fighting against AIDS in APEC*, and pledged our political commitment to work together, at the regional and global levels, to combat the further spread of the AIDS pandemic. We support efforts to increase access to health care and safe and affordable drugs for all people living with AIDS.

We encouraged new efforts during 2005 by APEC to address the specific threats posed by infectious diseases such as Severe Acute Respiratory Syndrome (SARS), avian flu, pandemic influenza, tuberculosis, malaria and polio in the Asia Pacific Region and to strengthen the research into and production of relevant vaccines. We also welcomed and endorsed the strategic plan to promote life sciences innovation in the region to improve the health and well-being of our people.

As a response to global concerns about high oil prices, and in keeping with our commitment to promote energy security, sustainable development and common prosperity within the APEC region, we instructed Energy Ministers to continue to implement and enhance the *APEC Energy Security Initiative*.