



**OFFICE OF ECONOMICS WORKING PAPER**  
**U.S. International Trade Commission**

**APEC: ORGANIZATION, GOALS AND APPROACH**

Diane L. Manifold  
Country and Regional Analysis Division  
Office of Economics  
U.S. International Trade Commission

March 7, 1997

The author is with the Office of Economics of the U.S. International Trade Commission. Office of Economics working papers are the result of the ongoing professional research of USITC Staff and are solely meant to represent the opinions and professional research of individual authors. These papers are not meant to represent in any way the views of the U.S. International Trade Commission or any of its individual Commissioners. Working papers are circulated to promote the active exchange of ideas between USITC Staff and recognized experts outside the USITC, and to promote professional development of Office staff by encouraging outside professional critique of staff research.

*address correspondence to:*  
Office of Economics  
U.S. International Trade Commission  
Washington, DC 20436 USA

## **APEC: ORGANIZATION, GOALS AND APPROACH**

**Diane L. Manifold<sup>1</sup>**  
**U.S. International Trade Commission**

APEC has committed to achieving free and open trade and investment in the Asia-Pacific region by 2020, as set forth in the 1994 Bogor Declaration. In moving towards its long-term goal of free trade and investment, APEC is employing “concerted unilateral liberalization” through voluntary efforts by individual economies and collective actions that all APEC economies have agreed to take. This paper provides an overview of APEC’s institutional structure and functions including APEC’s goals for, and approach to, trade and investment liberalization. The potential benefits and drawbacks of APEC’s relatively unbureaucratic, consultative approach to addressing APEC’s wide-ranging agenda is discussed. The lessons for other trade fora, such as APEC’s minimalist institutionalism, its joint emphasis on liberalization, facilitation and cooperation, and the potential for “liberalization gridlock” are reviewed.

---

<sup>1</sup> The information presented in this paper reflects the views of the author and not necessarily those of any U.S. government institution.

## **APEC: Organization, Goals and Approach**

Concepts for economic cooperation in the Asia-Pacific region date back to Kiyoshi Kojima's proposal of the mid-1960's for a Pacific Free Trade Area.<sup>2</sup> Thirty years later, some of the early ideas for economic cooperation have been realized in the ambitious agenda of the Asia-Pacific Economic Cooperation (APEC) forum which includes achieving liberalization of trade and investment by the year 2020. The purpose of this paper is to provide an overview of APEC's institutional structure and functions, to discuss APEC's goals for, and approach to, trade and investment liberalization (including potential challenges and incentives), and to review the potential lessons of APEC for other regional and multilateral trade fora.

### ***Background***

At the initiative of Australian Prime Minister Hawke, APEC was established in 1989 as an informal consultative forum at a Ministerial Conference held in Canberra, Australia. The twelve original members of APEC included the six ASEAN economies (Singapore, Malaysia, Thailand, Indonesia, the Philippines and Brunei), Japan, Korea, Canada, Australia, New Zealand and the United States. In 1991, China, Taiwan and Hong Kong joined APEC, increasing the total membership to 15 countries. The admission of the "Three Chinas" was important in providing a broader basis for regional cooperation and for promoting an exchange of views among these economies. Currently, with the addition of Papua New Guinea and Mexico (in 1993), and Chile (in 1994) there are eighteen APEC members.<sup>3</sup> Many other economies (Russia, Vietnam, Peru, Ecuador, India, Colombia and Mongolia, for example) have expressed

---

<sup>2</sup> See for example, Hadi Soesastro, "The Institutional Framework for APEC: An ASEAN Perspective," in Chia Siow Yue, ed., *APEC: Challenges and Opportunities* (Institute of Southeast Asian Studies: Singapore, 1994), pp. 36-53.

<sup>3</sup> "Fact Sheet: Asia-Pacific Economic Cooperation," APEC Secretariat, February 1996.

an interest in or have formally requested to join APEC. However, in 1993 APEC Ministers agreed to a 3-year moratorium on admitting new members and in November 1996, they decided not to extend the moratorium beyond its expiration. The Ministers agreed that a set of criteria for evaluating applications would be adopted in 1997. Based on the criteria, APEC Ministers also decided that new members would be announced at the 1998 Ministerial in Kaula Lumpur and would be admitted at the 1999 Ministerial in Auckland.<sup>4</sup>

In 1996, APEC Ministers also adopted guidelines regarding non-member participation in APEC Working Group activities. A key element of the guidelines is a statement indicating that, “There must be no linkage between participation in APEC Working Groups and any application for a full membership in APEC. In other words, participation in a Working Group is neither necessary nor sufficient for a successful application to become an APEC member.”<sup>5</sup> In 1996, APEC Senior Officials approved requests by Russia and Vietnam, to participate in one-time APEC symposium and conferences. Some non-APEC members already participate in the Working Groups (such as Peru in the Fisheries Working Group) that have programs and activities closely related to the interests of their economy.

At the Canberra conference establishing APEC, there was a recognition among economies of the region of the need for an effective means of drawing the region closer together, for strengthening the multilateral trading system, for providing an opportunity to assess trade and investment trends, and for identifying common interests.<sup>6</sup> From the United States’ perspective, APEC was viewed as a vehicle which could serve as a counterweight to the possible emergence of an exclusionary regional organization. However, the United States was initially concerned that the Asia-Pacific region was too diverse

---

<sup>4</sup> APEC, “Joint Statement of the Eighth APEC Ministerial Meeting,” APEC, 96/MM, Nov. 2-23, 1996, p. 18.

<sup>5</sup> APEC, “Consolidated Guidelines on Non-Member Participation in APEC Working Group Activities,” October 1996, p. 2.

<sup>6</sup> “Chairman’s Summary Statement,” Ministerial Level Meeting, Australia Overseas Information Service, Nov. 1989, p. 5.

economically and politically to create a viable cooperative organization. Meetings subsequent to Canberra allayed these fears as the group was able to resolve progress on issues of trade facilitation without being sidelined by politically divisive issues.<sup>7</sup> The Asian economies, for their part, were worried that APEC could overwhelm their own organization, the Association of Southeast Asian Nations (ASEAN). However, the Joint Statement from the Canberra meeting noted the “significant role ASEAN institutional mechanisms can continue to play in supporting the present effort to broaden and strengthen regional economic cooperation.”<sup>8</sup>

### ***Organization***

APEC is a relatively unbureaucratic, consultative organization with a practical, yet wide-ranging work program. The chairmanship of APEC is rotated annually between ASEAN and non-ASEAN members of APEC. The Chair is responsible for hosting annual meetings of foreign and economic ministers in the region, preparatory Senior Officials Meetings (SOMs), and Leaders meetings. Since 1989, seven annual Ministerial meetings have been held in Canberra, Singapore, Seoul, Bangkok, Seattle, Jakarta and Osaka.<sup>9</sup> The Philippines hosted the 1996 APEC Ministerial in Manila during November 22 and 23. In 1997, Canada holds the chairmanship. The November Ministerial meetings are a focal point and the culmination of APEC activities throughout the year. Major decisions regarding APEC’s ongoing work and future activities are taken by the Ministers and recommendations are made to APEC Leaders at the November meetings.

Other Ministerial-level meetings are also held throughout the year. As APEC’s agenda has

---

<sup>7</sup> "Asia-Pacific Economic Cooperation (APEC), Part I: A Short History," National Center for APEC, Feb. 6, 1997.

<sup>8</sup> APEC, "Joint Statement at the First APEC Ministerial Meeting in Canberra", Canberra, Australia, Nov. 6-7, 1989.

<sup>9</sup> Ibid.

widened and as the organization has begun moving towards implementation of its liberalization objectives, the number of ministerial level meetings has increased from five in 1995 to a total of nine in 1996. In 1996, these meetings included ministers in charge of trade, finance, transportation, telecommunications, education, energy, sustainable development, environment, and small and medium-sized enterprises.<sup>10</sup>

One feature of APEC's operations which is different than that of the EU or NAFTA are regularized meetings of the heads of state of the APEC economies. The APEC Leaders' meetings are held in conjunction with the annual November Ministerial and provide sustained political momentum for APEC's initiatives. The first APEC Leaders' meeting was held on Blake Island near Seattle, Washington in November 1993 at the invitation of President Clinton. Leaders from every APEC economy, except Malaysia, attended the meeting. In initiating the Leaders' meetings, the United States believed that the meetings could serve as a mechanism for guarding against the potential for malaise or inertia that could develop following the conclusion of the Uruguay Round.<sup>11</sup> Individual APEC Leaders have played an important role at the meetings in shaping and in providing forward momentum for APEC's agenda. For example, President Soeharto's personal appeal to APEC to "resolve to continue and promote the endeavor to facilitate the flow of investment and trade, both for ourselves and for other regions," was critical in beginning to implement the APEC vision for trade and investment liberalization set forth in Seattle.<sup>12</sup> By contrast, President Clinton's decision not to attend the November 1995 Ministerial because of domestic budget issues was widely criticized by other APEC members as a possible indicator of U.S.

---

<sup>10</sup> "Asia-Pacific Economic Cooperation (APEC), Part I: A Short History," National Center for APEC, Feb. 6, 1996.

<sup>11</sup> Remarks by Nancy Adams, Assistant U.S. Trade Representative at "APEC: What's in it for Business," U.S. Chamber of Commerce, July 24, 1996.

<sup>12</sup> State Secretariat of the Republic of Indonesia, "Speech by President Soeharto of the Republic of Indonesia at the Inauguration of the Sixth APEC Ministerial Meeting at the State Palace," Jakarta, Indonesia, Nov. 11, 1994.

diminished interest in the institution.<sup>13</sup> However, during 1996 the United States sought to dispel this perception and to reaffirm its support for APEC's work and goals.

APEC Senior Officials are responsible for making operational decisions for the organization, putting forth recommendations to, and implementing the decisions of, the Ministers.<sup>14</sup> Typically, four Senior Officials Meetings or SOMs are held each year. The Senior Officials review the work of APEC's permanent committees -- the Committee on Trade and Investment (CTI), the Economic Committee, and the Budget and Administrative Committee. The CTI is APEC's permanent focus group for development and implementation of APEC's trade and investment agenda. The adoption of APEC's Declaration on Trade and Investment Framework which established the CTI in 1993 was a key action-forcing event, marking a turning point in the organization's focus by expanding its agenda from facilitation and cooperation to liberalization.<sup>15</sup> During 1996, the main direction of the CTI's work was on implementing and reporting on the APEC collective actions (see explanation below), including reviewing, refining and expanding on them. Lead economies or convenors were designated by the Committee to be responsible for compiling matrices of collective actions for each of the 15 issue areas contained in the Osaka Action Agenda. The CTI also continued its ongoing work in other areas including: investment (updating the *APEC Investment Guidebook*); standards and conformance (completion of a report on the alignment of standards); customs procedures (implementation of the Customs Action Plan and numerous other activities); government procurement (initiation of two surveys); dispute settlement (preparation of recommendations for the Ministerial); Tariff Data Task Force (development of APEC Tariff Database on the Internet/Worldwide Web); deregulation and competition

---

<sup>13</sup> "Clinton's No-Show In Tokyo May Strain U.S.-Japan Relations," *Japan Economic Survey*, December 1995, pp. 1-2 and "Clinton's Absence at Trading Forum Worries Japanese," *Journal of Commerce*, November 28, 1995, p. A13.

<sup>14</sup> William Bodde, Jr., *View from the 19th Floor* (Institute of Southeast Asian Studies: Singapore, 1994), p. 9.

<sup>15</sup> APEC Secretariat, "Asia-Pacific Economic Cooperation (APEC)", 1994.

policy (review of concept paper and conduct of workshop); rules of origin (consideration of implementing technical rules of origin work in the Customs Action Plan); Uruguay Round implementation (discussion of combining work on Uruguay Round with Trade Policy dialogue work); intellectual property rights (initiation of an Intellectual Property Contact Points list); and mobility of business persons (an APEC Business Travel Card will be developed).<sup>16</sup> The CTI's two Subcommittees on Customs Procedures and Standards and

Conformance have made substantial contributions to the CTI's work in these areas. The CTI's report to Ministers in November 1996 was important in moving APEC's liberalization agenda forward.

The Economic Committee serves as APEC's analytical group and provides reports on economic trends and related issues in the region, including an annual economic outlook paper. In 1996, the Committee's work included an analysis of issues relevant to achieving sustainable growth and equitable development in the region. The Committee published, "The State of Economic and Technical Cooperation in APEC," which provides an overview and recommendations regarding cross-cutting activities currently underway within APEC. The Committee is expected to be especially useful in providing studies of cross-cutting issues in support of APEC work in the future.

There are 10 APEC Working Groups, each covering a broad issue area: human resources development (HRD), telecommunications, transportation, tourism, energy, marine resources, fisheries, trade and investment data review, trade promotion and industrial science and technology. The Working Groups are headed by "shepherds" or APEC economies which volunteer to take responsibility for guiding

---

<sup>16</sup> APEC Committee on Trade and Investment, First Meeting for 1996 (February 10-11, 1996), "Chair's Summary Record of Discussion, pp. 1-10.

their activities for a select period of time. The Working Groups report directly to the Senior Officials. In addition, because of its program on trade and investment the CTI has also instituted a process to monitor the Working Groups activities. Each of the Working Groups has extensive work programs and activities. For example, the Working Group on Human Resources development had implemented 80 joint projects by yearend 1996, including the launching of a Labor Market Information database which identifies focal points for each member economy.<sup>17</sup> Other examples of Working Group activities in 1996 were the adoption of non-binding energy principles intended to reform regional energy policies, the implementation of a program to mobilize investment in power sector infrastructure and the adoption of a strategic approach to reducing the environmental impact of energy supply and use.<sup>18</sup>

Since its initiation, APEC has sought to integrate and encourage business participation in every level of its work program.<sup>19</sup> In recognition of the need for regularized input from the business community, in 1993, APEC leaders called for the creation of the Pacific Business Forum (PBF), or a temporary business-sector experts group to provide APEC with a vision and advice to the Leaders on practical steps for how to facilitate trade and business in the Asian-Pacific Region. At the November 1994 APEC Ministerial, the PBF submitted its first report which included in its recommendations the achievement of free trade in the region by no later than 2010.<sup>20</sup> At the Osaka Ministerial in 1995, the PBF recommended the creation of a new permanent business sector advisory committee to ensure the integration of the business community into APEC's work program. Following upon these recommendations, APEC Leaders called for the establishment of the APEC Business Advisory Council

---

<sup>17</sup> APEC Secretariat, "Human Resources Development (HRD), (<http://www.apec.sec.org.sg/hr2.html>), Aug. 12, 1996.

<sup>18</sup> APEC, "Joint Statement of the Eighth APEC Ministerial Meeting," APEC 96 M/M, Nov. 22-23, 1996, pp.8-10.

<sup>19</sup> The Pacific Economic Cooperation Council (PECC), a permanent observer to APEC, provides technical assistance to the organization through reports and studies. Bodde, p. 56.

<sup>20</sup> APEC, "APEC 1995: A Guide for the Perplexed," p. 17.

(ABAC) “to provide insights and counsel for our APEC activities.”<sup>21</sup> The PBF was subsequently disbanded. The ABAC’s two functions are: 1) to provide advice on implementation of the APEC Action Agenda and on other specific business sector priorities and 2) to respond to APEC requests for information about business-related issues or other business perspective on specific issues of cooperation.<sup>22</sup> In 1996, ABAC met four times and presented its recommendations to APEC Leaders on November 24.<sup>23</sup> The recommendations included the establishment of a central registry for patents and trademarks; adopting a set of common professional standards for business service providers; holding joint public/private sector roundtables to develop guidelines for infrastructure projects; developing an APEC-wide network and providing other technical cooperation for small and medium-sized enterprises. APEC Ministers were directed by Leaders to work closely with ABAC in examining ways to implement their recommendations.<sup>24</sup>

### ***APEC’s trade and investment liberalization goals***

The 1991 Seoul APEC Declaration laid out APEC’s primary goals, including its primary and consistent aim of supporting the multilateral trading system:

The objectives of Asia Pacific Cooperation . . . will be: a) to sustain the growth and development of the region for the common good of its peoples and, in this way, to contribute to the growth and development of the world economy; b) to enhance the positive gains, both for the region and the world economy, resulting from increasing economic interdependence, including by encouraging the flow of goods, services, capital and technology; c) to develop and strengthen the open multilateral trading system in the interest

---

<sup>21</sup> "APEC Economic Leaders’ Declaration for Action,” Osaka, Japan, Nov. 19, 1995.

<sup>22</sup> ABAC, “The APEC Business Advisory Council,” National Center for APEC, June 4, 1996.

<sup>23</sup> APEC, “APEC Economic Leaders’ Declaration for Action,” Osaka, Japan, November 19, 1995.

<sup>24</sup> APEC, “APEC Economic Leaders’ Declaration: From Vision to Action,” Subic, Philippines, Nov. 25, 1996, p. 4. During 1996, the Philippines sponsored the “APEC Business Forum” in conjunction with the 1996 Ministerial to provide an opportunity for networking among senior business representatives and for defining short-term private-sector initiatives to facilitate intra-APEC cooperation. “The APEC Business Forum,” briefing paper presented at “APEC 1996: What’s in It for Business,” U.S. Chamber of Commerce, Washington, D.C., July 24, 1996.

of Asia-Pacific and all other economies; and d) to reduce barriers to trade in goods and services and investment among participants in a manner consistent with GATT principles, where applicable, and without detriment to other economies.<sup>25</sup>

APEC members have indicated that they are opposed to the creation of an inward-looking trading bloc and favor “open regionalism”<sup>26</sup>, or the extension of APEC benefits to other members in conformity with the WTO. APEC trade Ministers recently stated that they consider it “especially important that regional and multilateral approaches to trade and investment liberalization support and reinforce each other.”<sup>27</sup>

At the SOM held in Seattle during November 14-19, 1993 the Eminent Persons Group (EPG)<sup>28</sup> presented its “vision” for APEC by the year 2000, recommending initiatives in the areas of trade liberalization, trade facilitation, technical cooperation and institutionalization towards a goal of free trade and investment in the region. The EPG vision also called for the creation of an Asia-Pacific Economic Community, generating an intensive debate within about the aim of APEC and specifically about the meaning of the term “Community.” Many of the Asian representatives (China, Indonesia, Japan, Brunei, the Philippines and Malaysia) were concerned that the term could imply institutionalization in the sense of the European Community, a concept they opposed. Ultimately, APEC ministers endorsed the EPG’s “broad thrust and direction” regarding open trade, investment and economic cooperation, but did not accept all of its recommendations. APEC Leaders, in their meeting, adopted a vision for free trade and

---

<sup>25</sup> APEC, “Seoul APEC Declaration,” (Seoul, South Korea, Nov. 14, 1991) *Selected APEC Documents, 1989-1994*, APEC Secretariat, February 1995, p. 61.

<sup>26</sup> The concept of “open regionalism” has been interpreted differently, but generally refers to regional trade liberalization that does not disadvantage other countries while supporting the multilateral trading system. For a discussion of the term, see Ross Garnaut, “Options for Asia-Pacific Trade Liberalization (A Pacific Free Trade Area?)” in *APEC: Challenges and Opportunities*, ed. Chia Siow Yue (Institute of Southeast Asian Studies: Singapore, 1994), pp. 94-97.

<sup>27</sup> APEC, “Statement of the Chair,” APEC Meeting of Ministers in Charge of Trade,” Christchurch, New Zealand, July 15-16, 1996. Japan has sought to have the benefits of APEC trade liberalization extended to non-APEC members. However, this would invite free-riders and has not gained the support of APEC. The United States has argued that benefits should be accorded to non-APEC members on a reciprocal basis.

<sup>28</sup> The Eminent Persons Group (EPG) was formed following the recommendation at the 1992 Ministerial that a group of “persons with high calibre and international repute within the region” be nominated by member APEC economies to “develop a vision of trade in the Asia-Pacific region to the year 2000.”

investment in the region and agreed to create a “community of Asia-Pacific Economies.”<sup>29</sup>

The following year in Bogor, the Leaders’ committed to achieving “free and open trade and investment in the region by 2010 for industrialized economies and 2020, for developing economies.” This was a turning point for APEC in that it represented an important step towards the creation of the world’s largest free-trade area. The Leaders also reaffirmed APEC’s commitment to the WTO and the multilateral trading system. The Leaders agreed that APEC members should accelerate their Uruguay Round commitments and refrain from introducing new protectionist measures. Reflecting the Chairman’s (Indonesia) status as a leading developing economy, the Bogor Declaration also called for developing economies to provide growth opportunities to developing economies at the same time that developing economies will strive to

maintain high growth rates. According to the Bogor Declaration, “The approach will be coherent and comprehensive, embracing the three pillars of sustainable growth, equitable development and national stability.”<sup>30</sup>

In November 1995, the Leaders adopted the Osaka Action Agenda which sets forth a “template” for implementing the commitment made in Bogor to liberalize trade and investment, beginning in January 1997.<sup>31</sup> In adopting the Osaka Action Agenda, the Leaders noted, “We have, with Osaka, entered the action phase in translating this vision [of a community of Asia-Pacific economies] and these goals into

---

<sup>29</sup> APEC, “APEC Leaders Economic Vision Statement,” Seattle, Washington, November 20, 1993. According to U.S. officials, “community” means different things to different people, but includes all of the underpinnings that hold APEC together or it is all of the ways that we recognize that we are a region.” Remarks by Nancy Adams, Assistant U.S. Trade Representative at “APEC: What’s in it for Business,” U.S. Chamber of Commerce, July 24, 1996.

<sup>30</sup> The Declaration did not identify which economies would be considered developed or developing. APEC, “APEC Economic Leaders’ Declaration of Common Resolve,” Bogor, Indonesia, Nov. 15, 1994.

<sup>31</sup> “APEC Economic Leaders’ Declaration for Action,” Osaka, Japan, Nov. 19, 1995.

reality. Today we adopt the Osaka Action Agenda, the embodiment of our political will, to carry through our commitment at Bogor.”<sup>32</sup> The Leaders emphasized that the Osaka Action Agenda rests on the three pillars of trade and investment liberalization, facilitation, and economic and technical cooperation. The Leaders reaffirmed APEC’s determination to lead in strengthening the multilateral trading system, as represented by downpayments or “initial actions” brought by each of the APEC economies to Osaka to accelerate implementation of their commitments made in the Uruguay Round and their commitment to advancing global trade and investment liberalization.

The ultimate endpoint for APEC’s liberalization goals has yet to be defined, however, it is not likely to take the form of an FTA or to look like NAFTA. The Bogor Declaration itself does not include any references to free trade “area”, “arrangement” or “zone.”<sup>33</sup> Unlike NAFTA which includes a long negotiating process, APEC’s aim is to complete its liberalization by 2010. U.S. officials have acknowledged that there is some confusion in the public about APEC’s free trade goals and skepticism about the timeframe for achieving them. According to Sandra Kristoff, U.S. Coordinator for APEC, “. . . there is a credibility problem that APEC has. We’ve talked about that before this group. APEC has yet to -- has produced very good political statements, statements of vision, but it really has yet to generate solid arrangements or understanding that are of direct benefit to business, particularly in the area of reducing transaction costs to businesses working in the region.”<sup>34</sup>

### ***APEC’s process or approach to liberalization***

In moving towards its long-term goal of free trade and investment in the region, APEC is

---

<sup>32</sup> Ibid.

<sup>33</sup> "APEC Economic Leaders’ Declaration of Common Resolve,” Bogor, Indonesia, Nov. 15, 1994,

<sup>34</sup> Remarks by Sandra Kristoff, U.S. Coordinator for APEC State Department, USIA Foreign Press Center Briefing, Feb. 23, 1995.

employing voluntary efforts by individual economies and collective actions. This process has been labeled “concerted unilateral liberalization” whereby a series of principles and guidelines agreed to by APEC economies are used to guide individual APEC economies’ actions. APEC members do not formally refer to the process as “negotiations”, however, each economy is setting forth its position regarding liberalization in its Individual Action Plan (IAP), as discussed below. According to one U.S. official, despite the denials by Asian APEC members, it “walks and talks like a negotiation, but we just don’t use the term.”<sup>35</sup> The fact that APEC economies will progress faster or slower during the liberalization process is no different than any other trade negotiation, according to U.S. officials.<sup>36</sup> Through the “competitive liberalization” process it is expected that APEC members will have an incentive to move forward with their commitments in order to ensure that they do not lose business opportunities to neighboring economies who will be implementing their own liberalization programs. The guiding principles to be used in advancing liberalization and business facilitation are contained in Part One of the Osaka Action Agenda, including: comprehensiveness; WTO-consistency; comparability; non-discrimination; transparency; standstill; simultaneous start, continuous process and differentiated timetables; flexibility and cooperation.

In accordance with the OAA, APEC has developed two sets of action plans: Collective Action Plans (CAPs) and Individual Action Plans (IAPs). The collective actions or steps that all APEC members have agreed to implement represent APEC’s “value-added” to the multilateral liberalization process, according to U.S. officials. Overall objectives and guidelines for both the collective actions and individual actions are defined for 15 concrete issue areas: tariffs, non-tariff measures, services, investment, standards, customs, intellectual property rights, competition policy, government

---

<sup>35</sup> Remarks by Robert Cassidy, Assistant U.S. Trade Representative for Asia and the Pacific, at “APEC: What’s in it for Business,” U.S. Chamber of Commerce, July 24, 1996.

<sup>36</sup> Ibid.

procurement, deregulation, rules of origin, dispute mediation, mobility of business people, implementation of Uruguay Round outcomes, and information gathering and analysis.<sup>37</sup> During 1996, APEC worked on developing standardized guidelines and formats for the CAPs which consist of summary reports and matrices indicating actions that APEC members have agreed to take as a group to advance liberalization in the 15 issue areas. The CAPs are to be

reviewed and expanded during 1997, with a particular emphasis on “deliverables” in the area of facilitation.

Complementing the collective actions, each APEC economy has drafted its own IAP. The IAPs are intended to provide concrete actions and timetables for fulfilling the Osaka Action Agenda’s goal of trade and investment liberalization, including implementation of the collective actions and fulfillment of WTO obligations, “plus.” Work began on both the individual and collective action plans following the 1995 Osaka Ministerial. At the SOM held in Cebu, Philippines during May 1996, all eighteen APEC members tabled an IAP. The content, quality and format of the IAPs varied, including some that were very detailed and addressed all 15 issue areas and others that contained only vague commitments in a few issue areas. During May through November 1996, members improved their IAPs in accordance with guidelines adopted by Senior Officials. The individual action plans (IAPs) were submitted at the 1996 Ministerial meeting for review and integrated into the Manila Action Plan (MAPA) which was endorsed by APEC Leaders. The Ministers noted the importance of “ensuring transparency of and comparability among the respective action plans and their implementation in conformity with the principles set out in the OAA.”<sup>38</sup> The Ministers recognized the IAPs as “a credible beginning to the process of liberalization

---

<sup>37</sup> Ibid.

<sup>38</sup> Ibid. The OAA rests on the three pillars of trade and investment liberalization; facilitation; and economic and technical cooperation. The principles include: WTO-consistency; comparability; non-discrimination; transparency; standstill; simultaneous start, continuous process and differentiated timetables; flexibility and

and noted the rolling nature of the IAPs.”<sup>39</sup> In their declaration, APEC Leaders

indicated that APEC was committed to improving the individual action plans, including comparability and comprehensiveness and taking into account the views of the private sector.<sup>40</sup>

Overall implementation of the IAPs was scheduled to begin in January 1997 with annual reviews thereafter. A consultative process is taking place to ensure that there is a balance between the IAPs overall, although the plans are not presumed to be identical. There is an understanding that all members should move at a comparable pace with no back-loading or free riding.<sup>41</sup> During the first SOM of 1997 the issue of the methodology and appropriate APEC fora for comparing the IAPs was discussed. The CTI is to address further development of the IAPs and to improve the CAPs. The APEC Secretariat is responsible for monitoring implementation of the IAPs and CAPs.

Another aim of the Osaka Action Agenda (Part Two) is to continue to build a sense of community and cooperation within APEC. This section of the Osaka Action Agenda sets forth economic and technical cooperation to be undertaken jointly by APEC members in the ten areas covered by the APEC Working Groups. Common policy concepts, including goals, basic principles and priorities will be developed in each of the 10 specific areas (for example, providing a quality basic education is one priority in the area of human resources development). In each area, joint activities such as compilation and sharing of data and information, surveys, training, seminars, research and technical demonstrations will be conducted. In addition, an economic policy dialogue will review and evaluate the common policy

---

cooperation. "APEC Economic Leaders' Declaration for Action," Osaka, Japan, Nov. 19, 1995.

<sup>39</sup> APEC, "Joint Statement of the Eighth APEC Ministerial Meeting," APEC 96/MM, Nov. 22-23, 1996, p. 3.

<sup>40</sup> APEC, "APEC Economic Leaders' Declaration: From Vision to Action", Subic, Philippines, Nov. 25, 1996, p. 2.

<sup>41</sup> "Asia-Pacific Cooperation (APEC), Part I: A Short History," National Center for APEC, p. 3.

concepts and the joint activities.<sup>42</sup>

### ***Progress and obstacles to attaining APEC goals***

APEC members have committed to achieving free trade in a GATT-consistent manner and the principle of non-discrimination was endorsed at the Osaka Ministerial in November 1995. The Osaka Action Agenda states: “The outcome of trade and investment liberalization in the Asia-Pacific region will be the actual reduction of barriers not only among APEC economies but also between APEC economies and non-APEC economies.”<sup>43</sup> The commitments in the 1994 Bogor Declaration are ambitious, covering not only goods, but also services trade and capital flows. APEC’s commitments extend beyond border measures to include investment regulations, financial markets, infrastructure, environmental protection, and competition policy. However, leading up to the 1995 Ministerial in Osaka there was some question whether APEC’s commitments would be comprehensive in terms of sectoral coverage. Japan, Korea, China and Taiwan favored excluding agriculture from their commitments. According to one analysis, the APEC liberalization in the agricultural sector would have the most severe impact on employment in Japan and Korea. In other APEC economies, the adjustments would be relatively minor. In all cases, the improvements in efficiency and gains from greater specialization would lead to an increase in per capita disposable incomes for employees in the agricultural sector.<sup>44</sup> Ultimately, the principle of comprehensiveness was endorsed by the Ministers in Osaka and the commitment to liberalization of agriculture remains.

The gains from APEC liberalization on a non-discriminatory basis would lead to real GDP being

---

<sup>42</sup> APEC, “Osaka Action Agenda,” Osaka, Japan, Nov. 19, 1995.

<sup>43</sup> APEC, “Osaka Action Agenda,” Osaka, Japan, Nov. 16, 1995.

<sup>44</sup> *Ibid.*, p. 2.

higher than otherwise in all APEC economies, according to some studies. The real GDP gains would tend to be larger in the smaller and more open economies such as Singapore.<sup>45</sup> With regard to terms-of-trade effects, some analyses suggest that an APEC FTA covering tariffs and non-tariff barriers could lead to upward and downward shifts in certain sectors such as fisheries, forestry, primary ferrous metals, meat products, milk products, other food products, textiles, and wearing apparel.<sup>46</sup> However, achievement of full liberalization could be difficult given, that post-Uruguay Round tariffs for many developing economies of APEC (China, Indonesia, Korea, Malaysia, Papua New Guinea, the Philippines, Taiwan and Thailand) will remain high, and that nontariff measures are prevalent in the manufacturing, agricultural and services sectors. Some of the major non-tariff barriers to trade and investment in APEC economies include restrictive import policies, lack of harmonization in standards and certification policies, non-transparent and discriminatory investment policies, inadequate protection of intellectual property rights, excessive and non-transparent regulations and anticompetitive business practices.<sup>47</sup>

With regard to facilitation, estimated gains from implementing APEC commitments on trade facilitation range from \$216 to \$442 billion per year, gains from liberalization of services total \$128 billion and gains from merchandise trade liberalization total \$175 billion.<sup>48</sup> It is not clear whether APEC's goal will lead to the complete elimination of border controls. If APEC forms a free trade area on a

---

<sup>45</sup> Philippa Dee, Chris Geisler, and Greg Watts, "The Impact of APEC's Free Trade Commitment," Feb. 1996, p. 16.

<sup>46</sup> K.M. Huff, R. McDougall, Kr. Pearson and A.A. Powell, "Medium-Run Consequences for Australia of an APEC Free Trade Area: CGE Analyses Using the GTAP and Monash Models," General Paper No. G-11, COPS and Impact Project, Monash University (1995) cited in Pacific Economic Cooperation Council, *Survey of Impediments to Trade and Investment in the APEC Region* (1995), pp. 63-64.

<sup>47</sup> For examples of specific barriers to trade and investment in APEC economies, see USTR, *1996 National Trade Estimate Report on Foreign Trade Barriers*, Mar. 1996.

<sup>48</sup> Philippa Dee, Chris Geisler, and Greg Watts, *The Impact of APEC's Free Trade Commitment*, Australian Industry Commission Staff Information Paper (Canberra: Commonwealth of Australia, Feb. 1996).

discriminatory basis, monitoring and enforcement of rules of origin could become complex.<sup>49</sup>

As has been noted, APEC has set definitive goals and timeframes for achieving liberalization and the first steps are being taken to implement them (i.e., agreement upon collective actions and the submission of IAPs). However, APEC officials have cautioned the business community, in particular, about raising any expectations for short-term results. According to the U.S. Representative to APEC, Ambassador John Wolf, it could take at least seven years (of the 14 to 24-year liberalization process) before there is concrete forward movement towards liberalization.<sup>50</sup>

Nonetheless, APEC is moving ahead and expected to produce early results in several areas especially, customs and standards.<sup>51</sup> In areas such as services, where little has been achieved thus far, there may be more progress within APEC in conjunction with its free trade commitments.

Already, APEC has produced concrete results that will contribute to business facilitation including: the APEC Tariff Database; APEC publications on members' investment regimes, customs procedures, rules of origin, business travel, government procurement and intellectual property rights; an Umbrella Mutual Recognition Arrangement of Conformity Assessment for Food and Food Products; an Arrangement for the Exchange of Information on Toy Safety; a guide for the alignment of members' standards with international standards; and the harmonization of tariff nomenclature and other customs procedures.

### ***Lessons from APEC: Institutional and Procedural***

#### ***Institutional***

---

<sup>49</sup> Ibid., p. 11.

<sup>50</sup> Remarks by Ambassador John Wolf, U.S. Representative to APEC at "APEC: What's in it for Business," U.S. Chamber of Commerce, July 24, 1996.

<sup>51</sup> Remarks by Sandra Kristoff, U.S. Coordinator for APEC State Department, USIA Foreign Press Center Briefing, Feb. 23, 1995.

APEC officials have noted that there are institutional and functional differences associated with APEC that distinguish it from other regional organizations such as the EU or multilateral fora.<sup>52</sup> For example, APEC has deliberately avoided the creation of a large bureaucracy. The budget for the APEC Secretariat, established in Singapore in February 1993 in accordance with the Bangkok Declaration, increased to \$3.1 million in 1996 (of which only \$1.4 million was actually spent) compared to its original \$2.2 million level. Unlike other institutions, APEC does not require large contributions from its membership. For example, the United States and Japan, the largest contributors, pay \$360,000 each while the developing economies contributions total \$50,000 each.<sup>53</sup> In approving the establishment of the Secretariat there was considerable debate among members and concerns about how to limit the size and scope of the Secretariat's activities. Some economies (Australia, Canada, the United States, New Zealand and Singapore) have been more enthusiastic about further institutionalization, including establishment of the Secretariat, than others (China, Indonesia, Philippines, Chinese Taipei, Thailand, Hong Kong and Brunei). Malaysia has consistently opposed any attempts to increase APEC's formal structures and activities.<sup>54</sup> The Secretariat's staff has increased from its original total of 13 in 1993 to 33 people -- still relatively small given that the organization encompasses 18 economies and covers a wide-range of activities. The minimal size of the Secretariat is viewed by many APEC members as being less costly and more efficient than larger institutions.<sup>55</sup> While the Secretariat is responsible for providing technical and logistical support (routine coordination and publication of documents) for APEC meetings

---

<sup>52</sup> Remarks by Nancy Adams, Assistant U.S. Trade Representative at "APEC: What's in it for Business," U.S. Chamber of Commerce, July 24, 1996.

<sup>53</sup> "Asia-Pacific Cooperation (APEC), Part II: APEC's Component Parts," National Center for APEC, Feb. 6, 1996.

<sup>54</sup> Bodde, pp. 36-37.

<sup>55</sup> Some changes in the status of the management positions of APEC may eventually be needed to ensure continuity in the operations of the Secretariat. For example, one recommendation is that a professional manager be hired for a five-year term to run the day-to-day operations and to ensure that the Executive Director has the time to focus on policymaking activities. Bodde, p. 57.

and the activities of the working groups, the economies themselves are responsible for implementing APEC programs.<sup>56</sup>

While there are many benefits to APEC's institutional minimalism, such as low costs and flexibility, there will be an increasing need for administrative support from the Secretariat as APEC's work enters the more detail-oriented, implementation phase. As more projects are put forth by the Working Groups for approval and funding, an increase in the Secretariat's staff will likely be required to provide the necessary logistical support. Because of the proliferation of APEC documents, standardization and distribution of documents could increasingly becoming a burden on the Secretariat.

The Senior Officials provide "hands-on" guidance to APEC members with limited reliance on the Secretariat.<sup>57</sup> This approach has both advantages and disadvantages for the organization, on the one hand, Senior Officials are required to travel frequently and must constantly communicate with each other to implement APEC's agenda. Conversely, because the Senior Officials are located in their own capitals and are thereby in constant contact with their own bureaucracies there is less of a "disconnect" between APEC decision-making and implementation compared to multilateral fora.<sup>58</sup> Officials from numerous different ministries and agencies are directly involved in APEC activities through Ministerials and Working Group Activities. U.S. officials believe that this direct and close relationship between those APEC officials and the national bureaucracies could ultimately help to facilitate movement on difficult issues where progress has been slow in the WTO. Telecommunications is an example of one issue area where there appears to be more opportunities for achieving progress within APEC than has occurred

---

<sup>56</sup> Raphael Cung, "Asia-Pacific Economic Cooperation (APEC): The Seattle Ministerial," *Business America*, U.S. Department of Commerce, Nov. 1, 1993.

<sup>57</sup> Remarks by Nancy Adams, Assistant U.S. Trade Representative at "APEC: What's in it for Business," U.S. Chamber of Commerce, July 24, 1996.

<sup>58</sup> Remarks by Robert Cassidy, Assistant U.S. Trade Representative for Asia and the Pacific, at "APEC: What's in it for Business," U.S. Chamber of Commerce, July 24, 1996.

within the WTO, according to U.S. representatives to APEC.<sup>59</sup>

### *Procedural*

APEC operates on the basis of consensus, whereby each country has one vote and can essentially veto any proposal that it opposes. This method of operation has been criticized by some observers as holding the risk that the organization may become grid-locked and not produce results.<sup>60</sup> However, once consensus is reached it tends to be maintained and provides assurances to the smaller members of APEC that their views are being taken into account.<sup>61</sup> Building consensus within APEC is also seen as a means of seeking out common areas of agreement that can be built upon in other fora. Asian members have sought to resist United States' pressures to transform APEC into a formal negotiating organization with binding rules. They prefer instead to seek consensus through intensive and often laborious consultations.<sup>62</sup> Nonetheless, APEC's agenda, at least from the viewpoint of the membership, is practical and results-oriented.

The organization operates in a collegial and informal manner<sup>63</sup>, with Senior Officials referring to each other by their first names, for example. The atmosphere of the discussions, at the SOMs in particular, is generally congenial and accommodating of all members' views, and as such could more conducive to reaching agreement on difficult issues than other more formal organizations.<sup>64</sup>

APEC's agreements and declarations are non-binding in a legal sense, but the Leaders' meetings ensure that there is sustained pressure on member economies to implement their commitments.

---

<sup>59</sup> Ibid.

<sup>60</sup> See for example, statement of Bob Lees, PBEC, "New Directions for Asia-Pacific Economic Cooperation (APEC), East-West Center, Sept. 24, 1993.

<sup>61</sup> Bodde, p. 63.

<sup>62</sup> "Asian Members Resist Muscular Approach," *Financial Times*, Nov. 29, 1995.

<sup>63</sup> Remarks by Nancy Adams, Assistant U.S. Trade Representative at "APEC: What's in it for Business," U.S. Chamber of Commerce, July 24, 1996.

<sup>64</sup> Bodde, pp. 26-27.

According to the National Center for APEC: "It [APEC] is entirely different than other economic/trade organizations or agreements such as the WTO, NAFTA, the OECD, or the European Union, because it does not have legalistic compliance mechanisms or formal negotiating sessions. APEC works on self-discipline, peer pressure and a sense of self-benefit from collective action."<sup>65</sup> According to Sandra Kristoff, former U.S. Coordinator for APEC, State Department, in reporting on the results of the Bogor meetings:

. . . First, a reiteration that APEC is a voluntary organization. That implies that it's not contractual, and that also suggest, I think, that APEC in its action agenda will avoid trying to recreate Geneva in Singapore. I think there was a recognition that Bogor may not be a legally binding document, but it is very politically binding. Therefore, we're not engaged in trying to define -- redefine what the Bogor declaration meant. We're intent on carrying it forward.<sup>66</sup>

### ***Challenges and Incentives to APEC Liberalization***

Some characteristics of APEC's diverse membership have influenced the pace and scope of APEC's liberalization agenda. APEC includes economies with different types of economic, political and legal systems spanning four continents -- North America, Asia, Latin America, and Australia-- and islands of the Pacific. APEC's member economies include the both highly developed and developing economies with per capita incomes ranging from over \$30,000 per year for Japan, the United States, Canada, Taiwan, Australia, Singapore and Hong Kong to less than \$3,000 for China, the Philippines and Indonesia.<sup>67</sup> Some economies such as the Hong Kong, Singapore, the United States, Canada, Australia and New Zealand are relatively open with low tariffs and few remaining non-tariff barriers while economies such as China or Korea remain relatively closed. Two APEC economies (China and Chinese Taipei) are not members of the WTO. APEC members' political systems range from open democracies

---

<sup>65</sup> "Asia-Pacific Economic Cooperation (APEC), Part II: APEC's Component Parts," National Center for APEC, Feb. 6, 1996.

<sup>66</sup> Remarks by Sandra Kristoff, U.S. Coordinator for APEC, State Department, USIA Foreign Press Center Briefing, Feb. 23, 1995.

<sup>67</sup> Per capita GNP, exchange-rate basis (U.S. dollars). USITC staff estimates.

to monarchies. While the North American members of APEC have highly developed legal systems and rely heavily on legal remedies, many of the Asian economies employ less formal means of dispute settlement and have relatively less developed regulatory regimes. For example, some economies lack competition codes or consumer protection laws. All of the aforementioned diversities present challenges to APEC which must be accommodated if APEC is to implement common economic policies and to achieve free trade in the region.<sup>68</sup>

Some of the above-mentioned differences in economic and political systems among APEC members have been reflected in the organization's agreements and decisions. For example, in 1994, there was considerable debate within APEC between the United States and the Asian developing economies before agreement was reached on including a phased-in timetable for liberalization in the Bogor Declaration. The principle of flexibility with regard to the pace and process of liberalization, within the timeframe agreed to, reflects a recognition of the different domestic situations of APEC economies and concerns by Japan, Korea, China, and Taiwan about excluding sensitive sectors such as agriculture from the liberalization process.<sup>69</sup> Other issues where the differences in views between the developed and developing economies have been the most apparent include investment, technology transfer, and development cooperation.

APEC's joint emphasis on liberalization, facilitation and cooperation is being adopted by other organizations. Technical cooperation is serving an educational purpose within APEC by providing developing economies an opportunity to become familiar with how developed economies handle certain issues such as deregulation, investment or competition policy. The Philippines is currently improving its customs procedures through APEC technical cooperation assistance.

---

<sup>68</sup> Nanto, p. 6.

<sup>69</sup> APEC, "The Osaka Action Agenda," Osaka, Japan, Nov. 19, 1995 and "Asia-Pacific Economic Cooperation (APEC), Part I: A Short History," National Center for APEC, Feb. 6, 1996.

Coalitions of economies have emerged within APEC regarding certain issues. For example, Singapore and Hong Kong have generally been leaders in pushing for free trade and investment. The roles of some economies have apparently shifted over time, in some cases due to domestic concerns. For example, Australia and New Zealand have served as bridges between the developed economies of North America and Asia in the past. However, recently, on issues such as competition policy, for example, Australia and New Zealand have increasingly adopted positions more consistent with those of Japan or Asia.

Some individual APEC members have carved out roles or niches for themselves within the organization, mainly as a result of their leadership of the Working Groups or specialized expertise or interest in certain areas of APEC's work program. For example, Canada has assumed a leadership role in environmental issues. Australia and New Zealand have led APEC's work in the development of the tariff and non-tariff work areas. Japan, Korea and China have been promoting APEC's agenda in the area of science and technology. The United States has been the lead economy in pursuing APEC's goals of liberalization trade in telecommunications goods and services. Indonesia has represented the developing economies' on issues such as sustainable development and pushed for APEC initiatives in the area of infrastructure development.<sup>70</sup>

### ***Lessons of APEC: Potential benefits and drawbacks to the APEC Approach***

In 1993 APEC's package of trade concessions served as a catalyst to the stalled Uruguay Round negotiations and sent a strong message to the European Community.<sup>71</sup> In previous rounds of multilateral negotiations, the United States, Japan and the EU initiated liberalization initiatives, but during the

---

<sup>70</sup> See for example, APEC, "Joint Statement of Ministerial Meeting," Osaka, Nov. 16-17, 1995.

<sup>71</sup> Bodde, p. 45.

Uruguay Round, other developing economies influenced the negotiations in key sectors such as agriculture. APEC's developing economies could be important in achieving consensus during future rounds of multilateral trade talks. APEC could continually strengthen the multilateral trading system by adopting more forthcoming and detailed commitments in areas such as export subsidies, government procurement and import licensing, for example, than have been agreed to under the WTO. APEC's work on trade promotion, human resources development transportation, tourism, fisheries and energy could lead to a reduction in barriers to trade and investment in areas not covered by the WTO. APEC's work in developing a database on tariffs and non-tariff measures in the region is one example of the type of practical work that could aid prospective investors and provide a basis for discussion of economic policy performance.<sup>72</sup>

In 1996, APEC provided momentum for discussion on issues already included in the built-in agenda at the WTO Ministerial in Singapore in December 1996. At the APEC Trade Ministerial held in Christchurch, New Zealand (July 15-16, 1996), the Ministers discussed the WTO's work on trade in services, expressing disappointment that only one area of the WTO's work in services, Movement of Natural Persons had been completed. The Ministers expressed determination "to make definitive progress in the remaining areas of Financial Services, Basic Telecommunications Services and, in due course, Maritime Transport Services, when negotiations resume in accordance with respective decisions." Each APEC economy agreed to examine what further contribution could be made in each of these areas. In addition, the Trade Ministers specifically noted the "importance of ensuring that trade and environment policies are mutually supportive of sustainable development" and agreed to resolve to work for a balanced report from the WTO Committee on Trade and Environment including specific recommendations to the Singapore Ministerial Conference. The ministers agreed that the key task at the

---

<sup>72</sup> Ernest H. Preeg, "Rationale, Objectives and Modalities," Richard L. Grant, Amos A. Jordan, Ernest H. Preeg, and Jusuf Wanandi, *Asia Pacific Economic Cooperation: The Challenge Ahead*, Center for Strategic and International Studies (Washington, D.C.: 1990), pp. 19-23.

Singapore Ministerial conference would be to establish a work program based on the built-in agenda for future liberalization in the WTO. APEC Trade Ministers considered some initiatives that could be undertaken in addition to the built-in agenda, including further work on improvement for market access for industrial products and more limited sectoral initiatives in the short-term. In November 1996, APEC Ministers issued a relatively strong statement emphasizing support for the success of the WTO Ministerial conference. Ministers stressed the importance of full, effective and timely implementation of the Uruguay Round agreements and commitments; endorsed APEC's role in providing technical assistance to member economies; emphasized the need to complete ongoing negotiations on financial services, basic telecommunications and rules of origin within the agreed timeframe; expressed support for the built-in agenda and noted the importance that regional trade arrangements be consistent with the WTO.<sup>73</sup> APEC Leaders referenced many of the same issues with somewhat weaker language in their declaration.<sup>74</sup>

In their statements of support for the WTO, APEC Leaders and Ministers called for the conclusion of an Information Technology Agreement (ITA) at the WTO Ministerial Conference that would "substantially eliminate tariffs by the year 2000."<sup>75</sup> Gaining APEC support for an ITA was a major objective of U.S. officials. As originally proposed to APEC, the ITA would eliminate tariffs on information technology products by the year 2000, beginning in 1997. During discussions among APEC Senior Officials at their meetings in Davao (August) and Manila (October), there was support for the agreement among most members, however, some economies favored broader product coverage and a phased in timetable for elimination of tariffs.<sup>76</sup> By the time of APEC's November Ministerial meetings,

---

<sup>73</sup> APEC, "Joint Statement of the Eighth APEC Ministerial Meeting," APEC 96/MM, Nov. 22-23, 1996, p. 6.

<sup>74</sup> APEC, "APEC Economic Leaders' Declaration: From Vision to Action", Subic, Philippines, Nov. 25, 1996, p. 2.

<sup>75</sup> Ibid.

<sup>76</sup> Substantive discussions regarding specific content of an ITA were referred to members' WTO representatives in Geneva. For an explanation of the agreement reached on the ITA at the Singapore WTO

support for total elimination of tariffs had apparently weakened somewhat due to concerns by some of the developing APEC economies. Instead, the final language included in the Leaders' Declaration called on members to "substantially" eliminate tariffs on information technology products. APEC members did agree to including a deadline of the year 2000.<sup>77</sup>

On the other hand, APEC's very strengths -- both institutional and functional -- could also become its weaknesses. For example, while APEC's North-South and East-West representation may well provide a core group to build on in the multilateral process, it is also possible that the APEC consensus will breakdown over the same issues have proven to be the most contentious in the WTO. If groups of economies within APEC such as Japan, Korea, Taiwan and China increase their solidarity on issues such as liberalization of sensitive sectors (agriculture, for example) there could be a slowdown within the multilateral discussions. So far the United States has succeeded in preventing the unraveling of the Bogor commitments by stressing the principle of comprehensiveness.

There is also some danger that APEC's ambitious work program could become unwieldy. Some observers have cautioned that APEC's role as an economic organization could be diluted by proposals to address issues such as the environment, population and security, for example.<sup>78</sup> Already, as APEC members themselves have noted, there is some redundancy and overlap among committees and functions. For example, there are two groups working on trade databases, the Trade Promotion Working Group and the Trade and Investment Data Group. Several groups are working on issues that affect small and medium-sized enterprises. As William Bodde, former Executive Director of APEC has noted, in the past there has been little effort on the part of the SOM or the Secretariat to substantively analyze or prioritize the proposals of the Working Groups, but that a special committee could be set up with the

---

Ministerial Conference, see Chapter 2.

<sup>77</sup> APEC, "APEC Economic Leaders' Declaration: From Vision to Vision," Subic, Philippines, Nov. 25, 1996, p. 2.

<sup>78</sup> Bodde, p. 53.

goal of consolidating or eliminating the groups.<sup>79</sup> This contributes to the potential of duplication among APEC working groups. APEC's wide-ranging activities held in different APEC locations, have increased the burdens and costs of participation, particularly for developing economies in meetings by APEC members economies. As an example of APEC's extensive schedule, in September 1996 alone, for example, numerous subcommittees, technical conferences, workshops, business fora, and ministerial meetings are to be held in ten different APEC economies.<sup>80</sup> Some of the same problems that have arisen in other multilateral fora have also emerged in APEC such as continually increasing numbers of participants at the SOMs, many of whom are new to the organization. According to the former Executive Director of APEC, William Bodde, this means that additional time must be spent in briefing new officials on APEC procedures and less time is spent on important substantive issues.<sup>81</sup>

### ***Conclusions***

APEC offers benefits to both the United States and the Asia-Pacific region. APEC serves as an anchor for U.S. economic policy and ongoing economic dialogue in the region, as an underpinning for regional security, as a vehicle for opening markets in the region, for promoting multilateral liberalization and for guarding against the development of an exclusive economic bloc. In addition to serving as the primary institutional means of engagement for the United States in the Asian-Pacific region, APEC is presently viewed by U.S. officials as one of several "diplomatic tools" for liberalizing trade and investment, in addition to multilateral, regional and bilateral efforts.<sup>82</sup> From the U.S. viewpoint, APEC's agenda which includes issues such as removing structural barriers to trade and encouraging deregulation

---

<sup>79</sup> Bodde, pp. 30-31.

<sup>80</sup> APEC Secretariat, "Calendar of Events Beginning July 1996."

<sup>81</sup> Bodde, p. 27.

<sup>82</sup> Remarks by Ambassador John Wolf, U.S. Representative to APEC at "APEC: What's in it for Business," U.S. Chamber of Commerce, July 24, 1996.

is viewed as being mutually reinforcing of other U.S. economic goals.

Asian APEC members hold contradictory views of the potential impact of the organization on the region. On the one hand, since APEC's founding, Asian members have been worried that the United States would use APEC to pursue its own liberalization priorities and that the larger economies of the United States and Japan, in particular, would dominate the organization. Some of these fears have lessened over time and APEC's work program has grown to include priority issue areas of both Asian and non-Asian members. For example, human resources development and assistance to small- and medium-sized companies -- both important issues to ASEAN -- have been incorporated into the work program. In addition, while APEC is indeed gradually moving away from being solely a consultative body, it has not yet been transformed into a formal negotiating program as many had feared. On the other hand, because of concerns about a perceived decline in the U.S. military presence in the region, Asian members have viewed APEC as a potential fora for discussing security issues and thereby serving their interests as a stabilizing institution.<sup>83</sup>

If APEC achieves its goals of free trade and investment, the United States will have established free trade with those economies that account for at least one-half of the U.S. trade deficit -- China and Japan.<sup>84</sup> Even if APEC is unsuccessful in achieving its goal of free trade and investment by 2020, it will continue to serve as a forum for bringing together representatives of diverse economies and political systems for relatively informal discussions on important issues. The organization can continue to encourage stability in the region and its agenda could be expanded, if necessary to address issues such as arms control and energy security -- before any crises erupt in these areas.

---

<sup>83</sup> Dick K. Nanto, "APEC - Asia Pacific Economic Cooperation: Free Trade and Other Issues," Congressional Research Service, Nov. 10, 1993, p. 6. So far, APEC has not engaged in discussions on political or security issues, but Secretary of Defense Perry commented informally that APEC could address regional defense issues

<sup>84</sup> Dick K. Nanto, "APEC and Free Trade in the Asia Pacific," Congressional Research Service, Dec. 18, 1995, p. 1.

Decisions and recommendations taken at the 1996 Ministerial will be critical in solidifying APEC's transition from the planning to the implementation stage of its trade and investment liberalization program. From the U.S. viewpoint, it is important that Asia demonstrate its commitment to liberalization and the United States itself must continue to be a leader within the organization. In the words of one U.S. official, "APEC needs results; the United States needs patience."<sup>85</sup>

---

<sup>85</sup> Remarks by Nancy Adams, Assistant U.S. Trade Representative at "APEC: What's in it for Business," U.S. Chamber of Commerce, July 24, 1996.