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APEC AT 20

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APEC AT 20

RECALL, REFLECT, REMAKE

edited by
K. KESAVAPANY
HANK LIM



INSTITUTE OF SOUTHEAST ASIAN STUDIES
Singapore



1. APEC Economic Leaders' Meeting, Bogor, Indonesia, 15 November 1994. The Bogor Goals provided a sharp focus to the vision of regional economic cooperation. *Photo courtesy of the APEC Secretariat.*

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Cover Photos:

APEC's beginnings when the first informal meeting of Ministers was held in November 1989 in Canberra, Australia, consisted then of only 12 member economies. The new APEC Secretariat Building in Singapore represents, in a way, the solid foundation for meeting the challenges and moving APEC ahead in this new millennium. APEC now has 21 member economies and includes most of the major developed and developing economies around the Asia Pacific. *Photos courtesy of the APEC Secretariat.*

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The map showing the 21 APEC member economies was kindly provided by the APEC Secretariat.

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Foreword

Twenty years is not a long time in the life of a regional process. I was involved with APEC at its conception and have returned. Observing the evolution of APEC in the intervening years has been akin to watching patiently the seemingly undirected behaviour of ants in a colony.

APEC in the late 80s was more a desire than a plan of action. You could perhaps detect it in the glint of the eyes of the founding fathers. Their desires were basic and instinctual — to create a process that would give form and shape to the Asia Pacific, to bring growth and prosperity to the region. Yet, arguments raged about the fundamentals of membership, substance and direction.

So, when APEC came into being in 1989, it was with just 12 members in a loose consultative forum, with no organizational structure, without a large bureaucracy supporting it, and with a limited programme of sectoral cooperation.

APEC took a sharp turn in 1993 with the first Leaders' meeting in Seattle. By the following year, APEC had united the region's Leaders around

the common goal of free and open trade and investment in the Asia Pacific. This was no mean feat considering the diversity and geo-political heft of its members.

Since then, APEC has grown in depth and scope. With close to 150 meetings, Leaders, officials and businesspeople meet throughout the year to debate and formulate new ways of advancing regional economic integration and to clear the paths for business to navigate across our borders.

Today, many critics still maintain that APEC is hampered by its own rules of consensus decision-making, that targets are aspirational rather than binding and that liberalization is at most unilateral.

I would dispute that summation because it fails to understand that APEC is a complex phenomenon, much like the World Wide Web which also celebrates its 20th anniversary this year. The WWW grew from a scientific project to a global phenomena that has reshaped the way the market works and touched the core of our lives.

In similar fashion, APEC has grown like an organism, achieving progress, not through legalistic formal mechanisms but through the disparate efforts of the clusters of people working in different sectors to advance regional well-being and growth. Think of APEC's innovations using the pathfinder approach to explore new ways of regional integration; building

convergence through the sharing of best practices; bringing the business world into the soul of APEC activities.

Hence, the test of APEC in the next 20 years will not lie in its speeches or declarations but in its concrete responses to the challenges ahead and in the level of innovation and creativity it brings to bear on these issues. I look forward to writing the next Foreword in 2029.

Ambassador Michael Tay
APEC Executive Director

Preface

This year marks the 20th anniversary of the inaugural Ministerial-level meeting held in Canberra in November 1989, which officially launched Asia-Pacific Economic Cooperation (APEC). Publishing a commemorative book on APEC's first 20 years thus seems opportune. In particular, a significant contribution to the existing extensive literature on APEC would be a collection of essays by "old hands" on APEC. Hence, the chosen title for this commemorative book, "APEC at 20: Recall, Reflect, Remake" contains personal and candid recollections and reflections of academics and policy analysts who have a longstanding involvement in APEC on the background of APEC, how its agenda have evolved in the last twenty years, its successes and challenges, as well as their prognoses on its the future, including the need to remake APEC.

Andrew Elek covers the birth of APEC, its overall goals, objectives and guiding principles, the major milestones since its inception, the challenges it faces

and its prospects. He rightly points out that the foundations for APEC were laid long before its official launch twenty years ago. He notes both its achievements and disappointments. And he argues that APEC's 20th anniversary can be an opportunity to recover credibility, as well as a time to reaffirm the concept of open regionalism.

Peter Drysdale likewise notes that the first step in considering how APEC might move forward in the future is to recall APEC's origins and the processes on which it is built. In particular, APEC's governing principle of open regionalism entailed a great deal of innovative thinking to come up with a new form of regionalism that would fit the circumstances of the Asia Pacific. Twenty years later, we see the emergence of the new regionalism in East Asia, and growing bilateralism and a move towards sub-regional FTAs that run counter to the principles upon which APEC was designed. A crucial issue for East Asia's global agenda then is to define a relationship between East Asian

cooperation and integration that is complementary to trans-regional cooperation in Asia and the Pacific. But APEC's preeminence in the Asia Pacific region persists despite the complementary evolution of East Asian regionalism. The future of APEC depends on how the Asia Pacific region moves to resolve the question of the relationship between the development of economic and political cooperation in East Asia and trans-Pacific cooperation with newly-developing South Asia.

Charles Morrison's essay also argues that the true measure of APEC's significance will lie in whether it is widely perceived to have had a transformative impact on prospects for international order in the Asia-Pacific region and globally, and whether it leads to something more. He evaluates some of the limitations and obstacles APEC confronts and concludes with suggestions about how the architecture of Asia-Pacific cooperation might be enhanced. In particular, he cites three key areas that the current regional architecture, including APEC, needs to address: the coverage of regional security; the extent to which the region consults on global issues; and rapid responses to new challenges. He argues that finding national champions for the regional process is probably the most important requirement for a new wind of broad Asia-Pacific cooperation. Australia and Japan had played this role in the early years of APEC. In contrast, the United States has rarely played this role despite its obvious interests in the region. He

hopes the new American leadership, combined with a set of changing international relations dynamics that encourage multilateralism in U.S. policy, proves to be the new wind in the sails of the noun "APEC" and trans-Pacific regional cooperation.

In her essay, Man-jung Mignonne Chan assesses APEC from three dimensions: participants, modality, and APEC as an institution in the geopolitical dynamics. She distinguishes between three types of APEC participants — liberal/idealists, realists, and constructivists, and their respective impacts on unilateralism, multilateralism, and constructivism. The nature of participants is core to the APEC process since it affects not only the project initiatives, stakeholders' participation eligibility and membership expansion, but also determines institutional identity, level of confidence, and future outlook of APEC. Chan then discusses APEC's chosen modality of concerted unilateralism, including its implementing framework consisting of CAPs, IAPs, and peer review process; the criticisms against it, as well as how to move it forward; and the alternative approach of competitive liberalization, including the FTAAP. Finally, on APEC as an institution in the geopolitical dynamics, Chan argues that APEC has provided numerous opportunities for people-to-people contacts that have fermented a strong sense of community, and promoted regional peace and prosperity.

Zhang Yunling and Shen Minghui track APEC's progress in terms of the

three pillars of its work programme through a series of initiatives undertaken in the past two decades. Key challenges remain. First is how to realize its Bogor Goals. Another challenge to APEC is how to realize its commitment of reducing economic development gaps. A new challenge to APEC is how to reduce the negative effect of the “noodle bowl” (spaghetti bowl) caused by the multilayered bilateral and sub-regional FTAs/EPAs. Considering the great diversity of APEC members, they do not think it is realistic to expect that APEC could initiate an APEC wide FTA agenda based on negotiations in the near future. Instead, they argue that APEC should become more active and effective in dealing with the current financial crisis, reform of the international financial system, domestic reforms on both financial and economic structures, as well as the post crisis agenda like sustainable and balanced trade structure and relations in the Asia-Pacific region. And China will continue to have strong interest to participate in APEC activities and to support its playing a positive role in promoting regional economic integration and cooperation.

Hadi Soesastro’s essay presents an in-depth analysis of APEC’s Bogor Goals and the choice of modality to realize them, the challenges of implementation and its strengthening over the years, and finally the need for a revamp. He reviews why and how the Bogor Goals were crafted, which also explains the adoption of the concept of concerted unilateral liberalization to achieve those goals. He

then examines how this concept was made operational, including key initiatives undertaken over the years to improve it, particularly the peer review process. Finally, he examines areas for considerations in strengthening the peer review process, which he deems a key element to revamping APEC’s concerted unilateral liberalization.

Ippei Yamazawa’s essay likewise looks at the Bogor Goals, particularly the Osaka Action Agenda and IAP/CAP framework. He discusses how the IAP/CAP framework tracks APEC’s progress in trade and investment liberalization and facilitation, and economic and technical cooperation. He notes that the challenge for Japan, as APEC host economy in 2010, is how to graduate the developed member economies from their Bogor commitment. Like Zhang and Shen, one option that he identifies is to suspend the Bogor Goals. At the same time, all member economies should be encouraged to pursue the expanded Busan Roadmap. Ultimately, he suggests the graduation route as the agenda for APEC 2010. That is, graduate APEC’s five developed economy members together with Singapore, Chile and Hong Kong, China; encourage the rest to remain engaged in the Bogor commitment; and set a post-Bogor agenda for the graduating group towards a higher level of liberalization and to complete the remaining agenda in the Busan Roadmap.

Finally, Tommy Koh, Lee Tsao Yuan and Arun Mahizhnan provide a succinct narration of the inception of the Pacific Business Forum, which served as

precursor to the very influential APEC Business Advisory Council (ABAC). As they rightly pointed out, APEC Economic Leaders' unprecedented approach of directly and formally engaging the business community as part of the APEC deliberative process, initially through PBC and later through ABAC, has proven auspicious.

We would like to acknowledge all those who contributed to this book particularly Tommy Koh who first suggested publishing such a commemorative volume. First of all, we express our appreciation to the Organizing Committee of APEC Singapore 2009 for supporting this project. We are most grateful to the paper writers for agreeing to contribute to the book despite the very tight deadline that we gave them. We also thank the APEC

Secretariat for giving us access to their archive of photographs and key information about the member economies of APEC.

We are pleased to release this book on the 20th anniversary of APEC. The book comes out at a time when the role and relevance of APEC, more than ever, is being reexamined, even questioned. But the essays in this book have indicated a continuing, albeit changing role for APEC regionally and globally, and have identified options on how to develop APEC and the APEC agenda to ensure its relevance in the years ahead. We hope this book will help readers to have a better understanding, and hence appreciation of APEC — what it truly stands for and what it aims to accomplish.

K. Kesavapany
Director
Institute of Southeast Asian Studies

August 2009

Hank Lim
Director of Research
Singapore Institute of International Affairs

About the Authors

The Editors

K. Kesavapany is Director of the Institute of Southeast Asian Studies (ISEAS) and Director of the Singapore APEC Studies Centre at ISEAS. Prior to 2002, Ambassador Kesavapany was Singapore's High Commissioner to Malaysia. In his 30-year career in the Foreign Service, he served as Permanent Representative to the United Nations in Geneva from December 1991 to March 1997, and has held key appointments in the Ministry of Foreign Affairs (MFA), Singapore. He was an active participant in the final phase of the Uruguay Round negotiations where he was elected the first Chairman of the WTO's General Council in 1995. He was also involved in the first APEC Senior Officials Meeting and the PECC process at the MFA, Singapore.

Hank Lim is currently Director for Research at the Singapore Institute of International Affairs (SIIA). Prior to joining SIIA, Dr Hank Lim was a faculty member at the Department of

Economics, National University of Singapore. He has extensive experience and exposure in international and regional cooperation issues. His areas of specialization include ASEAN, APEC and East Asian economies. He was the first Singapore Representative to the APEC Eminent Persons Group (EPG). From 1990 to 1993, he served as the first Director-General of the Pacific Economic Cooperation Council (PECC) International Secretariat in Singapore. Dr Lim has received numerous awards, including a Fulbright Fellowship and Japanese Ministry of Finance Foundation of Advanced Information Research (FAIR) award. He was appointed as an Expert for the APEC IAP Review of China in 2004 and of the Philippines in 2009.

The Contributors

Andrew Elek is Executive Director of Bellendena Partners, an enterprise involved in economic consultancy, specialising in international economic cooperation. He is also Research Associate of the Crawford School of

Economics and Government at the Australian National University and teaches at the University of Tasmania. From 1985 to 1987, Dr Elek served as Chief Economist in the Economic Planning Advisory Council of the Australian Government. From 1987 to 1990, he was Head of the Economic and Trade Development Division of the Department of Foreign Affairs and Trade. In 1989, he was the inaugural chairman of the APEC Senior Officials and had a central role in the establishment of the Asia-Pacific Economic Cooperation Process.

Peter Drysdale is Emeritus Professor of Economics and Visiting Fellow in Policy and Governance at the Crawford School of Economics and Government, the Australian National University. He is also regarded as the leading intellectual architect of APEC and won the Asia-Pacific Prize for his book, *The Economics of International Economic Pluralism* (1988). Until 2002, he was Executive Director of the Australia-Japan Research Centre. Professor Drysdale's main areas of expertise are international trade and economic policy; Australia's economic relations with East Asia and the Pacific; the East Asian and Japanese economy and economic policy and developments in Asia-Pacific economic integration. This work includes developments in Asia-Pacific economic cooperation; and relations between East Asia, Europe and APEC. His research work also extends to Chinese and Korean economies. Between 1984 and

1987, Professor Drysdale was Chairman of the Australian Pacific Economic Cooperation Committee (AUSPECC).

Charles E. Morrison has been President of the East-West Center, Honolulu, USA since 1 August 1998. He has had extensive involvement in the conceptualization, organization and funding of policy-oriented educational research and dialogue projects in both Japan and the United States, and has long been involved in promoting the concept of the Asia-Pacific community. In September 2005, Dr Morrison was elected international chair of the Pacific Economic Cooperation Council (PECC). He is a founding member of the U.S. Asia-Pacific Council, the U.S. National Committee for Pacific Economic Cooperation and is a member of the U.S. Committee for Security Cooperation in Asia Pacific. He is a past chair of the U.S. National Consortium of APEC Study Centers, a former director of the Center's Program on International Economics and Politics, and a former U.S. Senate aide and a research adviser to bi-national Japan-U.S. commissions.

Man-jung Mignonne Chan is Senior Advisor of the National Security Council in Chinese Taipei. Currently, she is on sabbatical leave from the Graduate School of American Studies at Tamkang University and also serves as APEC Expert on Individual Action Plans (IAPs). Dr Chan's career path traces a rare combination of academia, media, business, government and civil service of Asia-

Pacific regional organizations. Dr Chan has also served as Director-General of the PECC (Pacific Economic Cooperation Council) International Secretariat, Director (Research) at the APEC Secretariat, APEC IAP Expert and Chief of Staff for the Chinese Taipei ABAC (APEC Business Advisory Council).

Zhang Yunling is Professor, Academy Member, and Director of International Studies, Chinese Academy of Social Sciences (CASS) (2006– present), and President of the Chinese Association of Asia-Pacific Studies in the People’s Republic of China. At CASS, he was also Director of the Institute of Asia-Pacific Studies (1993–2007). He is also a Member of the Chinese People’s Political Consultative Conference (CPPCC, 2002– present), the East Asia Vision Group (EAVG, 2000–02), the Official Expert Group for China–ASEAN Cooperation (2001–02), and Chairman of the Joint Expert Group for Feasibility Studies on East Asia FTA (2004–06).

Shen Minghui is Assistant Research Fellow with the Institute of Asia-Pacific Studies at Chinese Academy of Social Sciences in the People’s Republic of China. Dr Shen specializes in international economics.

Hadi Soesastro is senior fellow at the Centre for Strategic and International Studies (CSIS), Jakarta, Indonesia. Formerly he was Executive Director of CSIS as well as a member of the

National Economic Council, an advisory council of former Indonesian President Abdurrahman Wahid. In July 2009, the Australian National University honoured Dr Hadi Soesastro for his achievements in promoting the idea of regionalism in East Asia and the Asia Pacific. He has also been instrumental in developing the Pacific Economic Cooperation Council (PECC). He is an Adjunct Professor at the Research School of Pacific & Asian Studies (RSPAS) of the Australian National University. In addition to lecturing at national universities, he has taught at Columbia University (New York). He is also on the editorial board of a number of international journals, including the *ASEAN Economic Bulletin* (Singapore) and the *Bulletin of Indonesian Economic Studies* (Canberra).

Ippei Yamazawa is Professor Emeritus, Hitotsubashi University, ex-President, International University of Japan (2003–06), and former President, Institute of Developing Economies /JETRO (1998–2003). He regularly participated in the Pacific Trade and Development Conference until 1999, and the Pacific Economic Cooperation Conference until 2003. Dr Yamazawa is Coordinator of APEC Study Center Japan Consortium (1995–present), a Member of the APEC Eminent Persons Group (1993–95), and Consultant on the APEC IAP peer review process (on Australia, 2002–03). He has published *Guidance to APEC* (in Japanese, co-authored with MOFA and MITI 1995), *APEC: Challenges and Tasks in the Twenty-First Century* (editor, 2000),

and *Japan-ASEAN Comprehensive Economic Partnership: Vision and Agenda* 2003).

Tommy Koh is currently Ambassador-at-Large at the Ministry of Foreign Affairs, Singapore, Chairman of the National Heritage Board and of the Institute of Policy Studies (IPS). Together with Lee Tsao Yuan and Arun Mahizhnan, Professor Koh convened the first meeting of the Pacific Business Forum (PBF) in 1994, subsequently renamed as the APEC Business Council (ABAC). During 1994 and 1995, IPS served as the secretariat of PBF.

Lee Tsao Yuan is currently Coaching Practice Leader of SDC Consulting, a regional provider of Organizational Development and Human Resource training, consulting and coaching services. She sits on the board of the Singapore Land Authority. Previously, Dr Lee was on the board of the Overseas-Chinese Banking Corporation Ltd and Keppel Corporation Ltd (2001–09), NASDAQ-listed Pacific Internet Ltd (2000–05), Keppel Capital Holdings Ltd (2001) and Keppel FELS Energy and Infrastructure Ltd (1999–2001). She was Deputy Director of the Institute of Policy Studies in Singapore from 1990 to 1997, and

Director from 1997–2000. She also participated as Singapore's only representative to the APEC Eminent Persons Group, and as Consultant to the Ministry of Foreign Affairs where she was directly involved in policy formulation associated with the hosting of the World Trade Organisation's Ministerial Meeting in Singapore 1996, as well as several APEC and ASEM meetings.

Arun Mahizhnan is Deputy Director at the Institute of Policy Studies (IPS), Singapore, in which he helped in setting the strategic direction of IPS, and overseeing its research output and the management of IPS. Mr Mahizhnan also leads the research work in the areas of Arts & Culture and Media at the Institute. His research interests also include business issues such as regionalization of the Singapore economy, the Pacific Business Forum, and development of entrepreneurship. He is concurrently an Adjunct Professor at the Wee Kim Wee School of Communication & Information at the Nanyang Technological University, Singapore. Before joining IPS in 1991, he worked in both the public and private sectors for 20 years, mostly in the field of public communication.

**Asia-Pacific
Economic Cooperation
(APEC)**



2. The First APEC Ministerial Meeting, Canberra, Australia, 7–8 November 1989. APEC begins as an informal Ministerial-level dialogue with twelve members. *Photo courtesy of the APEC Secretariat.*