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APEC

New Agenda in Its Third Decade

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APEC

New Agenda in Its Third Decade

Ippei Yamazawa



**INSTITUTE OF SOUTHEAST ASIAN STUDIES
SINGAPORE**

First published in Singapore in 2012 by
ISEAS Publishing
Institute of Southeast Asian Studies
30 Heng Mui Keng Terrace
Pasir Panjang
Singapore 119614

E-mail: publish@iseas.edu.sg

Website: [<http://bookshop.iseas.edu.sg>](http://bookshop.iseas.edu.sg)

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ISEAS Library Cataloguing-in-Publication Data

Yamazawa, Ippei, 1937–

APEC : new agenda in its third decade.

1. Asia Pacific Economic Cooperation (Organization).

I. Title.

HF1583 Y211

2012

ISBN 978-981-4311-63-2 (soft cover)

ISBN 978-981-4311-64-9 (E-book PDF)

Typeset by Superskill Graphics Pte Ltd

Printed in Singapore by Mainland Press Pte Ltd

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Preface

The Asia-Pacific Economic Cooperation's (APEC) momentum heightened in 1993–96. In 1993 in Seattle, the United States hosted the first APEC Economic Leaders' Meeting. In 1994 in Bogor, Indonesia, the leaders issued the ambitious statement of "the industrialized economies achieving the goal of free and open trade and investment no later than the year 2010 and developing economies no later than the year 2020". The Osaka Action Agenda was adopted in 1995 and the Manila Framework was adopted in 1996. However, ASEAN (Association of Southeast Asian Nations) and other Asian members were hit severely by the East Asian currency crisis in 1997–98, while APEC's liberalization agenda turned out to be much less than had been expected. Both leaders' meetings and ministerial meetings have continued to be held in one of the APEC member economies in autumn every year, but the media only report the leaders' statements. APEC has developed a pragmatic agenda for regional economic cooperation focusing on business facilitation and has achieved steady expansion of trade and investment in the region through its second decade.

Globalization has continued in terms of money, business, and people. While trying to overcome the current world financial crisis, all economies need to cooperate on such new global issues as global warming, pandemics, poverty, and human security. The G-20 Summit emerged in 2008 as a new global consultation forum for global governance, in addition to the United Nations, International Monetary Fund, World Bank, World Trade Organization, and World Health Organization, while APEC and other regional cooperation bodies are expected to supplement them.

APEC was hosted by Singapore in 2009, Japan in 2010, and will be hosted by the United States in 2011. It expects capable hosts to successfully tackle the new challenges in the beginning of its third decade. Japan took the lead in the assessment of the mid-term achievement of the Bogor

Goals in 2010 and paved the way towards the Free Trade Area of the Asia Pacific Region (FTAAP). With strengthened U.S. engagement, negotiations among nine APEC members for the Trans-Pacific Partnership (TPP) began in 2010. Following Singapore's lead in addressing the desirable attributes for growth in the region, Yokohama APEC announced the APEC Growth Strategy as the post-Bogor agenda.

However, these efforts are currently not well known to media and the general public in the region. Those who remember the heightened APEC momentum in the 1990s will ask, "So what happened to the Bogor Goals?" This book answers this question and details the current achievements of APEC in tackling these new challenges.

The book is organized as follows: Chapter 1 presents an overview of APEC's current agenda. At the onset of the current global financial crisis in the autumn of 2008, the APEC Lima Meeting responded in a timely manner to the G-20 Summit's call with a package of macroeconomic policy and financial stability measures. The APEC Singapore Meeting picked up a variety of issues requiring global responses, such as "inclusive growth" to address issues of increasing income disparity, poverty under globalization, and environmental protection. APEC Yokohama announced the mid-term assessment of APEC's progress towards the Bogor Goals and the post-Bogor agenda.

Chapters 2 to 5 examine the main activities of APEC, trade and investment liberalization and facilitation. Chapter 2 reviews its activities of the past twenty years, focusing on its unique modality of liberalization. Chapter 3 analyses the organizational details of APEC in comparison with the European Union. It also explains the private sector's participation in APEC. Chapter 4 presents the author's quantitative assessment of APEC's progress towards the Bogor Goals, together with APEC's group assessment of the thirteen economies in 2010. Chapter 5 explains current pragmatic approaches, such as various activities in response to prevalent free trade agreements, economic and technical cooperation, and domestic reform for behind-the-border measures.

Chapter 6 discusses the post-Bogor agenda in pursuance of Chapter 1. How can we further develop APEC's liberalization through the Trans-Pacific Partnership (TPP) and FTAAP?

Chapter 7 discusses interaction between APEC and the East Asian Community (EAC). The paradigm of East Asian regional cooperation shifted towards the EAC since the East Asian currency crisis in 1997–98.

But building the EAC will take time, due to insufficient capability of its leading members, immature cooperation among another group, and the unresolved difficulty of handling external partners. This chapter will argue how to utilize APEC and the TPP in parallel with the EAC towards Asia-Pacific integration.

APEC's advantage is its vast membership across the Pacific, including major industrialized and developing economies. And APEC has twenty years of experience in technical assistance in facilitation and eco-technology. Although it needs to strengthen aspects of liberalization through a pathfinder approach, its main modality of non-binding principles and open regionalism will continue to tackle the current and new cooperation agendas.

Forty years have passed since the author started to study Pacific economic cooperation following his mentor, the late Professor Kiyoshi Kojima. He has benefitted from recurrent discussion and communication with his colleagues in the Pacific Trade and Development Conference, Pacific Economic Cooperation Conference, APEC Eminent Persons Group, and APEC Study Center. He sincerely wishes more from the younger generation will join and further promote the study. This book will be his last contribution to this study, which he would like to devote to all of them.

The first draft of this book in Japanese was published in August 2010 by JETRO in the preparation for APEC 2010 Yokohama. This English book was drafted based on its Japanese edition but substantially rewritten and enlarged in order to update and include the heightened discussion of Trans-Pacific Partnership negotiation for the past several months so as to be published in time for APEC 2011 Honolulu.

The author would like to express his sincere thanks to the Institute of Southeast Asian Studies for this publication and its editor Stephen Logan for careful and extensive editing.

Ippei Yamazawa
May 2011

Abbreviations

| | |
|-------------|--|
| 3T | Telecommunication, Transportation, and Tourism |
| ABAC | APEC Business Advisory Council |
| ABTC | APEC Business Travel Card |
| <i>ABTH</i> | <i>APEC Business Travel Handbook</i> |
| ADB | Asian Development Bank |
| AFAS | ASEAN Framework Agreement on Services |
| AFTA | ASEAN Free Trade Area |
| APEC | Asia-Pacific Economic Cooperation |
| APIAN | APEC International Assessment Network |
| ASCC | APEC Study Center Consortium |
| ASEAN | Association of Southeast Asian Nations |
| ATIGA | ASEAN Trade in Goods Agreement |
| C-J-ROK | China-Japan-Republic of Korea |
| CAP | Collective Action Plan |
| CEP | comprehensive economic partnership |
| CEPEA | Comprehensive Economic Partnership for East Asia |
| CER | Closer Economic Relationship |
| CGE | computable general equilibrium |
| CMI | Chiang Mai Initiative |
| COP | Conference of the Parties |
| CTI | Committee for Trade and Investment |
| CUL | concerted unilateral liberalization |
| DDA | Doha Development Agenda |
| DRR | Disaster Risk Reduction |
| EAC | East Asian community |
| EAEC | East Asian Economic Caucus |
| EAFTA | East Asia Free Trade Area |
| EAS | East Asia Summit |
| EAVG | East Asian Vision Group |

| | |
|---------|--|
| ECFA | Economic Cooperation Framework Agreement |
| EDIFACT | Electronic Data Interchange for Administration, Commerce and Transport |
| EODB | Ease of Doing Business |
| EPA | Economic Partnership Agreement |
| EPG | Eminent Persons Group |
| ESC | Ecotech Subcommittee |
| ESTA | Electronic System for Travel Authorization |
| EVSL | Early Voluntary Sector Liberalization |
| FDI | foreign direct investment |
| FTA | free trade agreement/free trade area |
| FTAA | Free Trade Area of the Americas |
| FTAAP | Free Trade Area of the Asia-Pacific |
| GATS | General Agreement in Trade in Services |
| GATT | General Agreement on Tariffs and Trade |
| GDP | gross domestic product |
| GPA | Government Procurement Agreement |
| HSC | Harmonized Standard Classification |
| IAEG | International Atomic Energy Commission |
| IAP | Individual Action Plan |
| IEC | International Electrotechnical Commission |
| IFAP | Investment Facilitation Action Plan |
| IMF | International Monetary Fund |
| IPR | intellectual property rights |
| ISO | International Organization for Standardization |
| JACEP | Japan-ASEAN Comprehensive Economic Partnership |
| KIEP | Korean Institute of International Economic Policy |
| LAISR | Leaders' Agenda to Implement Structural Reform |
| LPI | Logistics Performance Index |
| MAPA | Manila Action Plan for APEC |
| METI | Ministry of Economy, Trade, and Industry, Japan |
| MFN | most favoured nation |
| MM | Ministerial Meeting |
| MRA | Mutual Recognition Agreement |
| MRT | Ministers Responsible for Trade |
| MTST | Mid-Term Stock-Take |
| NAFTA | North American Free Trade Area |

| | |
|--------|---|
| NBIP | non-binding investment principles |
| NTM | non-tariff measures |
| OAA | Osaka Action Agenda |
| ODA | official development assistance |
| OECD | Organization for Economic Cooperation and Development |
| PAFTAD | Pacific Trade and Development Conference |
| PASC | Pacific Association for Standards and Conformance |
| PBEC | Pacific Basin Economic Council |
| PBF | Pacific Business Forum |
| PECC | Pacific Economic Cooperation Council |
| PFP | Partners for Progress |
| PMC | Post Ministerial Conference |
| PNG | Papua New Guinea |
| ROO | Rules of Origin |
| RTA | Regional Trade Agreement |
| S&C | standards and conformance |
| SAA | Stabilisation and Association Agreement |
| SCCP | Subcommittee on Custom Procedures |
| SCSC | Subcommittee for Standards and Conformance |
| SME | small and medium enterprises |
| SOM | Senior Officials' Meeting |
| STAR | Secure Trade in APEC Regions |
| TAC | Treaty of Amity and Cooperation |
| TFAP | Trade Facilitation Action Plan |
| TFEP | Task Force on Emergency Preparedness |
| TILF | trade and investment liberalization and facilitation |
| TPP | Trans-Pacific Strategic Partnership |
| TPRM | Trade Policy Review Mechanism |
| TPSEP | Trans-Pacific Strategic Economic Partnership |
| TRIM | trade related investment measures |
| TRIPS | Trade-Related Aspects of Intellectual Property Rights |
| UR | Uruguay Round |
| URA | Uruguay Round Agreement |
| USTR | Office of the United States Trade Representative |
| VAP | Voluntary Arrangement for the Pacific |
| WCO | World Customs Organization |
| WTO | World Trade Organization |