

Seeking Balance: Two Decades of the APEC Forum

By Richard Feinberg

Founded in 1989, the Asia Pacific Economic Cooperation forum, or APEC, has evolved implausibly into an important and permanent feature of regional economic and security diplomacy. Distinguished academic and APEC scholar Richard Feinberg takes a close look at two decades of APEC's development.

THE ASIA PACIFIC ECONOMIC COOPERATION (APEC) forum is a compromise between two contrasting views of multilateralism. On the one hand, advocates of an idea-driven ambitious multilateralism aspire to the rapid dismantling of national barriers to trade and investment and the creation of a trans-Pacific community. On the other hand, realist defenders of national sovereignty promote the rights of states to defend their national autonomy. APEC realists are wary of pooling sovereignty and prefer “dialogue.”

Masters of conceptualization and rhetoric, the ambitious multilateralists defined APEC's idealistic early agenda and set far-reaching goals, while the realists astutely worked to determine APEC's rules, procedures and structure. The realists insisted that APEC reach agreements by consensus, without formal voting, and even then implementation of agreed measures would be non-binding and voluntary. There would be no instruments to compel any member to take any action (Aggarwal and Morrison 2000). There would be only a weak, administrative secretariat. Let us call this compromise “voluntary multilateralism.”

In APEC, even after all 21 members sign on to an initiative, there are no penalties for non-compliance.¹ Voluntarism and non-binding rules allow individual members to eschew measures they consider adverse to their national interests and the dilemmas inherent when diplomats must negotiate with other states and also mount a winning domestic coalition. If APEC diplomats lack domestic political support, they can, if they wish, sign on to an initiative and simply eschew implementation.

1 APEC's 21 members are: Australia, Brunei, Canada, Chile, China, Hong Kong China, Indonesia, Japan, Malaysia, Mexico, New Zealand, Papua New Guinea, Peru, Philippines, Russia, Singapore, South Korea, Taiwan (Chinese Taipei), Thailand, Vietnam, and the United States.

2 (APEC/EPG 1994, pages 28, 29, 46).

Nearly two decades after its formation in 1989, APEC is a long way from realizing the maximalist goals of fully open markets within a trans-Pacific community. Yet, the ambitious multilateralists have had their victories as well. APEC members have made some progress on economic liberalization and they have also amended and expanded the scope of their agenda in response to new challenges and opportunities. APEC has spread international standards among its members and contributed to community-building in the Asia-Pacific. APEC has even taken steps to add flexibility to its decision-making, and most recently agreed to move toward fortifying its institutional structure. Rather than disappear, as some feared or hoped, APEC has become a permanent feature of regional economic and security diplomacy.

The following sections discuss: on-going compromises between ambitious multilateralists and national-sovereignty realists, institutional weaknesses and disappointments, and successes in terms of economic integration, agenda expansion and institutional modification. Concluding remarks suggest mechanisms for additional institutional innovation and strengthening, consistent with a flexible, evolving voluntary multilateralism.

sector (Aggarwal and Morrison 1998). According to an Australian diplomat active during those years, the motive for APEC was essentially “to preserve and extend a process of market integration amongst rapidly growing economies and their major regional partners.” (Garnaut 2000, 1) Nevertheless, had it not been for the leadership of key players in Australia and Japan, APEC might not have seen the light of day (Funabashi



1995, Pitty 2003). Small communities of intellectuals had helped to lay the intellectual groundwork for regional cooperation (Soesastro 1994) and were instrumental in the Eminent Persons Group appointed by APEC in 1992 to help it devise a substantive agenda. It was this Group that bestowed upon APEC the ambitious goal of free trade (APEC/EPG 1993).

The second report of the Eminent Persons Group succeeded in persuading the leaders to place target dates on free and open trade in the Asia-Pacific — the so-called Bogor goals (named for the location of the 1994 Leaders Meeting in



THE GRAND COMPROMISE

The formation of APEC in 1989 can be attributed to several factors. The end of the Cold War created fresh opportunities for regionalism. Growing market-driven economic interdependence created more demand for cooperative problem-solving by governments and for the dismantling of government-imposed trade and capital barriers among the increasingly powerful private

Indonesia) — of 2010 for developing countries and 2020 for industrialized countries. The report repeatedly used the word “negotiations,”² proposed that members be “bound” by the principles of a suggested “APEC Concord” once they accepted it, and even advanced an “APEC Dispute Mediation Service” whose recommendations would be binding. Driven by its forceful chair, C. Fred Bergsten, the eminent persons sought to

3 Following Barbara Koremenos et al. (2001, 762), we define international institutions as “explicit arrangements, negotiated among international actors, that prescribe, proscribe, and/or authorize behavior.” Multilateralism refers to “coordinating relations among three or more states in accordance with certain principles” (Ruggie 1993, 8).

4 Author interview with former senior Japanese government official, June, 2007.

define community as “a like-minded group that aims to remove barriers to economic exchange among its members in the interests of all.”

At the outset, the Association of Southeast Asian Nations (ASEAN) feared being overshadowed by APEC, and to accommodate ASEAN, the founders agreed to incorporate ASEAN’s own principles of voluntary multilateralism. ASEAN has never given its secretariat the resources to effectively monitor agreements that are reached, and there is no effective dispute resolution mechanism. ASEAN accords typically lack specificity; hence, it is not surprising that ASEAN has repeatedly failed to fulfill many of its stated goals (Ravenhill 2007). Conscious that international institutions can sometimes pursue an agenda harder and faster than the constituent members might prefer, the realists within APEC took steps to forestall any such dynamic.³ With its secretariat even smaller than ASEAN’s, APEC imitates ASEAN’s weak multilateralism.

Of course, there is not a one-to-one correspondence between ambitious multilateralists

typically have included the developing nations of South-East Asia (seven of the 10 ASEAN states are also in APEC) and China. Japan’s posture has varied over time (Munakata 2006); currently, Tokyo looks favorably upon APEC partly as a mechanism to check Chinese ambitions, and has volunteered to host the APEC Leaders meeting in 2010.⁴

It is not that the national-sovereignty realists opposed all integration initiatives. Many have recognized the virtues of regional economic integration and its broader context, globalization. The developing countries were vitally interested in improving the competitiveness of their economies, and to varying degrees recognized that regional integration was essential. China and Japan certainly preferred a more peaceful East Asia to guarantee a secure geo-political context for economic prosperity. In fact, the realists supported many APEC initiatives aimed at enhanced cooperation. But the realists preferred a more gradual pace always assuring that national prerogatives would not be pre-empted by a multinational institution they could not control.



Secure Trade in the APEC Region, an annual conference since 2002, provides a platform for dialogue and the formation of public-private partnerships to secure regional supply chains with a view toward harmonization of security measures and the better interoperability of supply chain security systems across borders.

and national-sovereignty realists and specific APEC members, as all geographical boundaries have housed individuals of both persuasions, who might even switch sides on specific issues. However, the governments that more often espoused an integrationist agenda have included the United States, Canada, Australia, New Zealand, Singapore, South Korea and Chile. The realists

APEC’S SHORTCOMINGS

In retrospect, the enthusiasm that greeted APEC was out of touch with the realities of the region. But few wanted to appear pessimistic. Hence, the national-sovereignty realists gave way on professed goals and objectives, and focused instead on rules and procedures that would, in the end, prove more enduring.

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The rules and procedures are the proximate cause of APEC's shortcomings. The full consensus requirement has allowed just one or two determined members to block progress. From the outset, former Malaysian Prime Minister Mahathir Mohammed objected to an APEC with a trans-Pacific vision and he instructed his representatives to deflect many initiatives that would conflict



APEC Business Advisory Council
an innovation engineered to capitalize on the founders' insight that the strengthening of the private sector could bring much to the table.

with his preferred projects. Other ASEAN nations, especially Indonesia, occasionally played spoiler roles. Dissenters found it easy to dilute draft declarations and plans of action with lengthy and debilitating discussions to reach the required consensus (Feinberg 2003). Even then, implementation would be voluntary and non-binding, even when heads of state and government signed the declarations and plans of action.

To make sure that "voluntary" remained just that, APEC created a weak secretariat. Located in Singapore, the APEC secretariat consisted of some 22 program officers lent from member governments on a temporary basis, so that their primary loyalty remained with their home agencies. There was no permanent senior staff and the executive director rotated annually, and was named by the country hosting the upcoming Leaders' meeting. Thus, there was no institutional memory, no leader or permanent bureaucracy that might assume a limited autonomy, develop its own identity and seek to drive its own agenda.

1) Multiple Fractures: With little experience in regional multilateralism, the heterogeneity was already a significant obstacle. Searing historical rivalries such as that between China

and Japan and no stable leadership alliance combined with diverse approaches to key economic and security matters were a recipe for weak institutionalism.

Theoretically, regional integration can proceed under a powerful hegemon whose leadership is widely accepted by the weaker states, or as in the case of the German-French condominium, under

shared, bi-polar leadership. After centuries of bloody rivalry, France and Germany sought peaceful accommodation through regional

integration, but China and Japan have not been prepared to overcome a thousand years of rivalry in East Asia. The presence of the US further complicates the mix. From the Japanese perspective, the bilateral alliance with the US may diminish Tokyo's interest in reaching an accommodation with Beijing. From the Chinese perspective, while economic ties with the US are critical, the US inevitably is seen as a rival for regional influence. In light of these underlying tensions, it is not surprising that no stable condominium has emerged.

China has viewed APEC with caution since it began. True, APEC has been an avenue for China to seek acceptance and influence in regional affairs. However, China has been wary of an institution open to Japanese diplomatic influence and US power projection. Most importantly, China was very unhappy with Taiwan's presence inside APEC. But after the Tiananmen Square crackdown in 1989, China felt too weak to veto Taiwan's membership, something Beijing surely would not accept today.

Washington has generally viewed APEC quite favorably. In 1993, the Clinton administration (following Australian counsel) elevated APEC from a ministerial-level consultation to an annual leaders' summit. Toward the end of the

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Clinton administration, following the rejection of its efforts to accelerate trade liberalization within APEC, interested flagged, but the Bush administration reaffirmed that a strong APEC was in the US national interest. Often US officials have been frustrated by APEC's rules and procedures, and Washington has from time to time given consideration to smaller-group formats. But US diplomacy has been mindful of Asian sensitivities, and for the most part has avoided pressing its leadership beyond what it felt was an emerging consensus. Some observers have mistaken this diplomatic delicacy for absence of leadership or interest, failing to understand the inherent dynamics of Asia-Pacific geo-politics.

Underneath the three-power rivalries, APEC also has been held hostage by ASEAN. As noted earlier, it was ASEAN that championed the "Asian way"

— informal agreements, slack procedures, non-binding resolutions, consensual decision-taking and voluntary implementation (Severino 2006).

2) Bureaucratic Constraints: At its inception, APEC was the domain of ministries of foreign affairs and trade (in some countries, such as Australia, these are housed in the same ministry). Established as an informal ministerial-level dialogue, it was only in 1993 that APEC added the Leaders' meetings and thereby engaged heads of government; nevertheless, the foreign and trade ministries have retained effective control over most APEC matters. As the APEC agenda expanded, and as the trade agenda became more cautious, ministries of foreign affairs gradually dominated APEC affairs in most governments.

While ministries of foreign affairs might establish inter-agency committees to coordinate

<p>1989 Mikhail S. Gorbachev named Soviet President. Deng Xiaoping resigns from China's leadership. After 28 years, Berlin Wall is open to West.</p>	<p>1992 Bush and Yeltsin proclaim a formal end to the Cold War. US lifts trade sanctions against China.</p>	<p>1993 British House of Commons approves European unity pact. Maastricht Treaty takes effect, creating European Union.</p>	<p>1997-98 Asian Financial Crisis. Hong Kong returns to Chinese rule. Indonesian dictator Suharto steps down after 32 years in power.</p>	<p>1999 East Timor population votes for independence from Indonesia.</p>
World milestones				
<p>1989 APEC Formed in Canberra, Australia as an informal ministerial-level dialogue. Mission statement: "To preserve and extend a process of market integration amongst rapidly growing economies and their regional partners."</p>	<p>1992 Eminent Persons Group (EPG) appointed by APEC to help it devise a substantive agenda.</p>	<p>1993 Following Australia's counsel, the Clinton Administration elevated APEC from a ministerial level to an annual leader's summit. The first Leader's Meeting is held at Blake Island, USA. The outlined vision is "Stability, security and prosperity for our peoples."</p>	<p>1997-98 The Early Voluntary Sectoral Liberalization (EVSL) — an effort at negotiating trade liberalization by APEC — fails miserably.</p>	<p>1999 John Howard, then Prime Minister of Australia, persuades other leaders to mount a UN peacekeeping force in East Timor, and coaxes the Indonesian government into not resisting this intervention. East Timor gained independence under UN tutelage.</p>
APEC milestones				
<p>1989 Sources: www.apec.org, www.infoplease.com</p>				

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intra-governmental decision-making, it is not surprising that other ministries chafed under the direction of a ministry whose core mission was not necessarily shared. In particular, the annual meeting of APEC ministers of finance proceeded largely separate from the rest of the APEC schedule and agenda, and many finance ministers purposefully stayed away from the Leaders' meetings. In many countries, the ministries of finance control budget allocations, and oversee the policies of the multilateral development banks, such that their non-incorporation into APEC made it more difficult to marshal financial resources — a significant shortcoming for an organization desperately short of cash.

3) Civil Society: The Democracy Deficit: If ministerial rivalries weakened APEC, another important obstacle in many countries was the

tense relationship between government and civil society. In APEC's early years, the founders had the important insight that the strengthening of the private sector could bring much to the table (Mullen 2003). Moreover, the very heart of APEC — regional economic integration — was market-driven. Two institutional innovations were engineered to capitalize on this insight: the APEC Business Advisory Council (ABAC), and a CEO Forum (later renamed the "APEC Business Forum").

But these innovations fell short of expectations. Many ministries were not accustomed to sharing power with the private sector. In many countries, contrasting cultures and diverse interests separated government and the private sector. Powerful businesspersons might, of course, have access to senior officials, but that was not

2001
In response to September 11 terrorist attacks, US and British forces launch bombing campaign on Taliban government and al-Qaeda terrorist camps in Afghanistan.

2002
East Timor becomes a new nation.
China's Jiang Zemin officially retires as general secretary; Hu Jintao named as his successor.

2003
North Korea withdraws from treaty on the nonproliferation of nuclear weapons.

2006
North Korea agrees to resume disarmament talks with China, Russia, Japan, the US and South Korea.

2007
Benazir Bhutto assassinated in a suicide attack at a campaign rally in Rawalpindi, Pakistan.

2001
At the post-September 11 Leader's Meeting in Shanghai, APEC adds security matters and counter-terrorism to action plans.

2002
The Trade Facilitation Action Plan (TFAP) calls for members to reduce trade transaction costs by 5% between 2002 and 2006.

2003
The Inaugural STAR (Secure Trade in the APEC Region) Conference, which provides a platform for dialogue and the formation of public-private partnerships to secure regional supply chains with a view toward security systems across borders.

2006
The "Hanoi Declaration" reaffirmed "the non-binding and voluntary nature of the model measures, bearing in mind that they will not prejudice the positions of APEC members."

2007
APEC appoints its first chief operating officer to oversee management of the secretariat.

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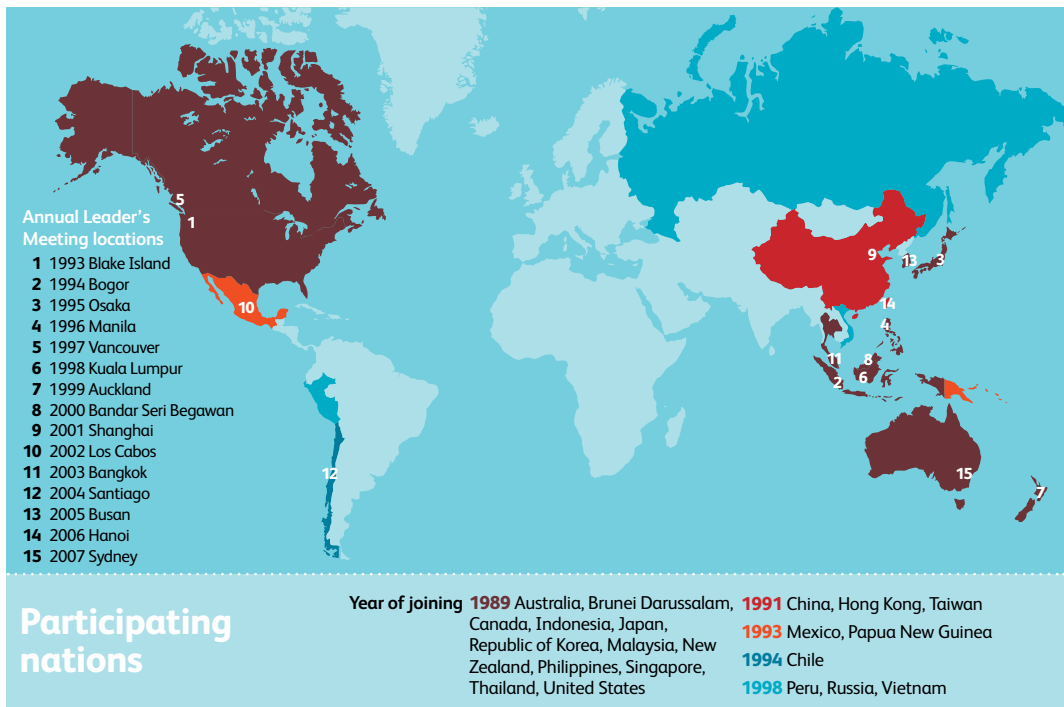
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the same as constructing institutional channels for meaningful interaction. ABAC would issue periodic reports with specific recommendations, but would be frustrated by official APEC's lack of responsiveness. The CEO/Business Forum evolved primarily into a social networking opportunity. In effect, APEC became largely an inter-governmental institution.

Early in its history, APEC encouraged the creation of APEC Study Centers (ASC) to allow governments the benefit of scholarly advice, and to assist APEC in outreach and constituency-building. In response, some 100 universities and public-policy institutes opened centers in the region, with some governments providing financial support. The centers gathered annually in the country hosting that year's APEC meetings. Some academics established on-go-

ing contacts with senior officials, and one effort at building a community of APEC scholars — the APEC International Assessment Network (APIAN) — issued two books and three policy reports that had some influence on official thinking. But overall, the study centers suffered a similar fate to ABAC.

Many APEC members were even more reluctant to involve civil society organizations, especially those non-governmental organizations that were considered highly critical and antagonistic toward their home governments. Many APEC members have actively opposed participation by organized labor. By falling back on traditional ways of doing things, governments neglected key communities — business, academic and civil society — and missed opportunities to widen APEC's constituencies and bases of public support.



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The rules and procedures are the proximate cause of APEC's shortcomings. The full consensus requirement has allowed just one or two determined members to block progress. Even then, implementation would be voluntary and non-binding, even when heads of state and government signed the declarations and plans of action.



APEC Study Centers, the creation of which was encouraged early in APEC's history.

4) Virtues and Accomplishments: Academic and media commentaries on APEC generally acknowledge the value of the Leaders' meeting as a convenient venue for presidents and prime ministers to meet and, on occasion, to address immediate regional crises. However, if the benchmarks are the glamorous goals enunciated by the ambitious multilateralists, APEC's performance falls short. But it would be wrong to conclude that APEC has no accomplishments to its credit even in the ambitious realms of economic integration and community-building.

5) Cognitive Diffusion: Barriers to trade and investment flows have been falling steadily in the region, declining from 17 percent in 1989 to 5.5

percent in 2004 (APEC 2005). If these liberalizing reforms can only partially be attributed to APEC, the unrelenting repetition of open-market verities at the many APEC forums at least added their weight to the historical momentum of globalization. The many APEC forums with their thousands of participants have spread the gospel of market-oriented standards and have socialized successive classes of government officials in the guiding concepts of contemporary economics. APEC's training programs and workshops also spread international standards and values, as well as specific technical knowledge.

Some observers have suggested that the market-oriented structural response to the 1997-98 financial crisis can be traced in some measure to APEC's conceptual imprint (Garnaut 2000). Indeed, it may be that APEC's most important, if hard-to-measure, influence is on the cognition

of its participants and the consequent domestic policy formation of its members. Certainly, decision makers who pass through APEC's corridors are made more aware of the regional and international effects of their domestic choices. The media often accuse APEC of being only a "talk shop," failing to comprehend the contribution of exchanging ideas.

6) The Core Agenda: Economic Integration: Dissatisfied and impatient with the pace of trade liberalization, the ambitious multilateralists drove APEC to make a stab at negotiating trade liberalization in 1997-98. However, this effort, Early Voluntary Sectoral Liberalization (EVSL), failed miserably. A violation of voluntary multilateralism, the initiative was blocked by protectionist forces and by widespread resistance to transforming APEC into a trade organization (Yamazawa 2004). Regrouping from the bruising, ill-considered EVSL encounter, APEC members have searched for measures to advance eco-

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conomic liberalization that were consistent with voluntary multilateralism.

APEC now places more emphasis on its Individual Action Plans (IAPs), unique templates through which APEC members report on their progress toward trade and investment liberalization. After the 1997-98 Asian financial crisis, APEC also began to focus more on transparency, particularly in regulatory matters and corporate governance, and these issues were added to the IAP template.

The action plans, however, are prepared by the governments themselves, and therefore suffer from the suspicions accorded to any self-assessments. Nevertheless, they have encouraged governments to take the various APEC non-binding action plans and guidelines more seriously (Yamazawa 2000, APEC 2005).

A second liberalizing measure was the Trade Facilitation Action Plan (TFAP), calling for members to reduce trade transaction costs by 5 percent between 2002 and 2006. Consistent with APEC's principles, members were free to implement agreed measures selectively, in accordance with their own preferences. To facilitate implementation, APEC provided some capacity-building assistance to the developing economies. Based upon member self-assessments, APEC declared the exercise a success and a second phase calls for another 5 percent reduction in transaction costs by 2010.

APEC has also addressed the proliferation of regional and bilateral free trade arrangements (FTA/RTA). These could be perceived as positive building blocks toward broader regional and even global integration, or as discriminatory, trade-diverting accords that draw momentum away from trade liberalization forums such as

the WTO. To maximize the positive effects and to counter disruptive impacts, APEC chose to design "model measures" on specific trade issues, to serve as reference points for APEC members negotiating high-quality FTAs.

However, incorporation of the model measures was non-binding and voluntary, and APEC did not mount a concerted effort to review trade agreements for consistency with the recommended templates. The APEC Leaders' Hanoi



Individual Action Plans

APEC now places more emphasis on these unique templates through which APEC members report on their progress toward trade and investment liberalization.

Declaration (2006) reaffirmed "the non-binding and voluntary nature of the model measures, bearing in mind that they will not prejudice the positions of APEC members."

7) 9/11 and Institutional Change: Initially, the realists insisted that APEC's agenda be limited solely to economics. APEC eschewed security issues as too emotional and fraught with conflict. Notwithstanding these reservations, "new" security issues began to seep into the APEC forum. When the human rights situation deteriorated sharply in East Timor in 1999, by chance at the very moment when APEC leaders were convened in Auckland, New Zealand, Australian Prime Minister John Howard persuaded other leaders, including the initially reluctant Bill Clinton, to mount a UN peacekeeping force, and even more impressively coaxed the Indonesian government not to resist this intervention into what it had considered an internal affair. The upshot was independence for East Timor under UN tutelage.

After the attacks of September 11, 2001, APEC engaged in serious and remarkably rapid insti-

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tutional change in response to this shock to the global system. All APEC members could label terrorists as common enemies, and agree that battling them required cooperation among states. Beginning with the Leaders' meeting in Shanghai in November 2001, APEC added security matters and counter-terrorism to its action plans.

Bureaucratically, this went much deeper than traditional security cooperation. Combating non-state terrorism required the cross-border

have discussed a range of terror-related issues. This significant expansion of APEC's scope made more concrete the aspiration of Asia-Pacific community-building.

8) Institutional Strengthening: Over time, the ambitious multilateralists recognized that consensual rule was allowing a single spoiler or two to veto initiatives that enjoyed strong majority support. To overcome this obstacle, they came up with the "pathfinder," which, although



sharing of information, cooperative preventive measures, risk mitigation exercises and post-disaster recovery preparations among myriad domestic agencies, including law enforcement, health ministries, and transportation authorities, to name but a few.

In an expanding range of security projects, there was a purposeful if somewhat elastic connection between APEC's core agenda on behalf of trade and investment integration and security and counter-terrorism. Since 2002, the annual Secure Trade in the APEC Region (STAR) conference has provided a platform for dialogue and the formation of public-private partnerships to secure regional supply chains with a view toward harmonization of security measures and the better interoperability of supply chain security systems across borders. A special APEC study group on trade recovery has encouraged cooperative responses in the aftermath of a major disruption caused by a terrorist incident. APEC forums

requiring a full consensus for initial approval, allows an initiative to proceed with as few as 25 percent of members agreeing to participate in it. By reducing the number required for launching projects, the pathfinder was an innovative response to a central problem in multilateralism, yet fully consistent with voluntarism.

The ambitious multilateralists have also succeeded in placing institutional reform on the formal agenda. APEC members generally came to recognize that its expanded activities are inadequately served by its small secretariat. In 2007 APEC belatedly hired a chief operating officer to oversee management of the secretariat. APEC also established a project management unit to improve operational efficiency and effectiveness. In a reform that could significantly strengthen the secretariat, APEC accepted a proposal by Japan and Australia to add a small Policy Support Unit to provide professional analytical and evaluation capacity, prepare policy

papers and design and implement capacity-building programs.

While incremental, these institutional reforms, combined with modest additional voluntary contributions, an agreement to “substantially” increase members’ annual contributions and offers by major countries (including Japan, the United States, and Russia), to host the next series of APEC Leaders’ meetings, suggest deepening interest in APEC. And despite the tensions of its structure, no APEC member has opted out and numerous outsiders, including India, are clamoring for entry into APEC.

9) **Competing Regional Initiatives:** APEC’s failure to fulfill high-level expectations in trade integration and financial stability led to the emergence of competing regional institutions. Following the 1997-98 financial crises, Asian nations forged the Chiang Mai Initiative to bolster re-

To tackle many such questions, Japan has offered \$80-100 million to establish an Economic Research Institute for ASEAN and East Asia.

Initially, the US was skeptical that these Asia-only integration initiatives would produce concrete results. But as integration has gained momentum, the US took a closer look at the proposal to negotiate a Free Trade Area of the Asia-Pacific (FTAAP). On the eve of the 2006 APEC Hanoi Leaders Meeting, President Bush concluded that the free trade area “deserves serious consideration,” albeit as a long-term proposition. Bush also announced that the US would double its annual support for APEC activities to \$5 million per year.

Whether a free trade area is feasible is uncertain, but the willingness of the US to contemplate the idea signals renewed concern not to be shut out of Asia, and a desire to re-invigorate trans-Pacific cooperation.

APIAN

APEC International Assessment Network, academic on-going contact with senior officials, an effort at building a community of APEC scholars.

gional financial cooperation and embarked upon massive foreign reserve accumulation. There is also frequent talk of an Asian Monetary Fund. In addition, ASEAN plus

3, and now the East Asia Summit (ASEAN plus 3, plus 3 — Australia, New Zealand and India) seek to advance Asia-only cooperation.

At the second East Asia Summit in January 2007, the 16 assembled leaders agreed on a Track II study of a “Comprehensive Economic Partnership in East Asia (CEPEA).” Views are mixed as to the near-term feasibility of regional free-trade negotiations, as the EAS struggles to define its work plan. Would such talks aim for comprehensive, high-standard agreements, or would they adhere to the Chinese preference for “pragmatic, flexible” agreements?

TFAP

Trade Facilitation Action Plan, a second liberalizing measure, calling for members to reduce trade transaction costs by 5 percent between 2002 and 2006.

FUTURE OF VOLUNTARY MULTILATERALISM
APEC members have learned important lessons about the constraints inherent in voluntary multilateralism. As APEC moves from early childhood to adolescence — it is far too early to talk of mature adulthood — there are steps that could be taken to strengthen voluntary multilateralism.

In the wake of the apparent collapse of the WTO-led global trade negotiations, some APEC members and supporters were making another go at pressing APEC to drive regional economic integration toward a “Free Trade Area of the

Asia-Pacific,” albeit with a more gradualist and voluntary approach. APEC members generally recognize that it would be a mistake to push too hard. Some members have suggested beginning with a series of — always-voluntary — domestic structural adjustment measures in such areas as regulatory reform, competition policy, legal infrastructure, public-sector management, corporate governance and anti-corruption.

Big questions remain. Would a regional free trade area encompass the same members as APEC — or might Taiwan be excluded to satisfy China, and would India be included? Would it be realized within APEC, or could the Free Trade Area of the Asia-Pacific be negotiated in a separate forum with stronger rules under the APEC umbrella? Might it be launched by APEC as a whole but pursued by a sub-set of participants, as a “super-pathfinder”? Might an FTAAP be mounted in increments, much as the GATT/WTO negotiated global trade liberalization during successive rounds over many decades? None of these questions is trivial, but a more seasoned APEC is better prepared to consider them.

In the security arena, it may be time to establish a more integrated security framework that would more clearly define APEC’s security parameters. One possibility is to build on the six-party talks on the denuclearization of North Korea (all are APEC members except North Korea), to establish a permanent body for Northeast Asian security affairs. In APEC language, this might also be considered a “pathfinder initiative” approved by general consensus but actively participated in by a sub-set of APEC members.

There are several other issue areas that are ripe for APEC attention. With its trans-Pacific membership and inclusion of Mexico, Peru and Chile, APEC now appears prescient, as East Asian trade with Latin America has boomed in recent years. APEC can explore how to promote Latin American exports to East Asia and Asian investment flows into Latin America. Sharing best practices and national experiences in social policy reform would also be relevant, as some Asian nations have done a better job at combining globalization and social safety nets than has Latin America.

APEC could also help enhance the legitimacy of regional integration and globalization more generally, by building on its initial studies on the distribution of the benefits of growth and on social safety nets (APEC Economic Committee 2006); here some countries of East Asia, as well as Australia and New Zealand, have much to teach the US and other Western Hemisphere nations. Such a directional reversal of the more traditional flow of advice and “best practices” would be a healthy innovation.

Finally, APEC can continue to build its secretariat. It remains to be seen whether the new Policy Support Unit will hire experts of sufficient stature to enable them to build a wide network of scholars, and to reinvigorate the APEC Study Centers. The new unit could also collaborate better with multilateral development banks, especially the Asian Development Bank. Similarly, some APEC members, preferring the informal consultative model, had been resisting the designation of a permanent executive director to lead the secretariat, but opposition finally collapsed at the 2007 APEC Leaders’ Meeting; what remains is for APEC members to select an effective figure with international stature.

Overall, the clashes between ambitious multilateralists and national-sovereignty realists have yielded a continuous process of innovation. Neither camp is fully satisfied with the outcome — which is perhaps a good sign. Substantively, the APEC experiment has contributed modestly to the core goals of greater economic and security cooperation in this vast region. In light of the many structural and bureaucratic constraints, this is roughly the outcome one might predict for a process characterized by an evolving voluntary multilateralism.

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