



Brunei 2000: Accomplishments, Stasis, and the Strategic Wisdom of APEC by Jane Skanderup

The annual Leaders' Meeting of the Asia-Pacific Economic Cooperation (APEC) forum has become an important political ritual, providing an opportunity for leaders to meet face to face and build confidence. This year's meeting, held in Brunei Darussalam on November 15-16, demonstrated that APEC has yet to realize the vision of its founding fathers: that economic cooperation has the overarching purpose of developing cohesive action on economic issues of abiding mutual interest. Bilateral cooperation is not enough, the founders believed, the region's economic interdependence requires concerted action in order for both developing and developed countries to move forward.

This year's Leaders' Declaration makes strong reference to embracing globalization and all of the restructuring that this requires. Yet there is still precious little of policy action in the Declaration, and commitments to liberalization once again fell short of expectations. With many governments in the region beset by political weakness and economic uncertainty, it is no wonder that the leaders were content that APEC remains a regional body full of ambition but with little effect on anyone's domestic machinery of policy making.

APEC's leaders, of course, continue to state their commitment to the 1994 Bogor Declaration's goals of free trade and investment by 2010/2020. To implement those goals, leaders agreed at the 1995 Osaka meeting to prepare voluntary Individual Action Plans (IAPs) that laid out liberalization measures; the United States and other members lost the battle to agree to a binding schedule of measures. We may yet see the day that the IAPs breathe life, but for the moment there is considerable more planning than action. This year, the leaders asked that the IAPs be available on-line during the coming year as a transparency building measure, and we may be able to then confirm how much or little is being offered up in the way of opening markets in meaningful ways.

The 12 founding members of APEC envisioned that regional economic cooperation would provide a model of how a varied grouping of distinct cultures and societies, at various levels of development, could achieve more together than alone. In 1989, the year of APEC's founding, the Uruguay Round of the GATT (predecessor to the World Trade Organization) was limping toward completion and APEC's founders wanted their strong voice in favor of concluding the round to be heard. The strategic wisdom of APEC's founders was in knowing that these widely diverse countries needed to walk down a common economic path to achieve individual states' economic potentials. In the international arena, they could also speak with one voice, recognizing that there were more fundamental common interests than differences among

them. The notion of APEC as a building block that could advance international trade and investment liberalization is deeply rooted throughout APEC's founding mission statements. And if progress on larger liberalization slows, smaller measures to facilitate trade could be tried.

As APEC has grown to 21 members, however, so has APEC's bureaucratic tendencies inherent in the very "developmental state" model that Asian countries have adhered to in various forms and degrees. The financial crisis is still tearing away at that model, but domestic patterns of how political and economic forces interact change slowly. As slow as economic restructuring is in the region, we should view this period as a healthy one of creative destruction, where the old model is being torn down and new models of governance are struggling to take root. In many countries, one can observe that societies are demanding more accountability from their governments, and an economic policy direction is being formulated that does seem to recognize the importance of an independently-functioning private sector. Meanwhile, the domestic scandals plaguing many Asia-Pacific countries are a sign of the old system still alive, while a more involved citizenry and its elected officials try to shine a new light of transparency.

We may eventually, see APEC's liberalization mission lifted out of its dreary state as governments rediscover its usefulness in keeping pace with globalization. Meanwhile, the voluntary nature of implementing Bogor's goals certainly reflects the Asian preference for consensus building. But witness the blossoming of bilateral trade and investment agreements in Bandar Seri Begawan and one can also conclude that APEC has failed to meet the needs of all of its members. Given the lack of progress, it seems promising that some 18 member countries want to go faster than APEC and are in the process of concluding or have already agreed to bilateral deals. But while the APEC 2000 Leaders Statement says these deals should be WTO compliant, there is no uniformity or standard of quality being set. Some FTAs actually sound like mere trade and investment facilitation, as between Japan and Singapore who have simply agreed to collaborate on making their rules known. This isn't a bad idea, but does not meet the rigors of a traditional FTA that would require Japan to open up its agricultural sector, for example. As the economic crisis has shown us, forced change is often the only way to reach a new plateau of sustained economic growth, and the bilateral deals being struck on the sidelines of APEC 2000 allow countries to continue to opt out of tackling the hard stuff, especially reforming economic sectors with political clout.

While an APEC-wide commitment to liberalization barely inches forward, the information and dialogue function of APEC has flourished. These functions must not be discarded or deemed unimportant; they help to make cooperation habit-

forming. But APEC is only what the members make it, and they have determinedly kept APEC's business separate from their own. The extensive dialogue and studies done over a decade through some 30 working groups, task forces, and ministerials feed a single bureaucracy that conveniently discovers little pathway into domestic implementation. Members must have contributed vast manpower to foster dialogue on everything from trade and investment to education and fisheries, yet with little practical result. APEC initiatives so far play only at the margins of the region's economic life.

The APEC 2000 Leaders' Declaration reflects all of the trends outlined above. As part of building new political/economic systems, the leaders seemed to understand that the forces of global integration will leave them behind if they do not respond as a region. The IAPs will go on-line, and there is now an Action Agenda (good thing it is not a plan!) for the new economy that aims to triple the number of people with Internet access by 2005. South Korea, for example, will establish various high-technology training courses at its own and regional universities to help advance capabilities of the less endowed economies. Japan will provide \$15 billion for this training effort, although these are the same funds announced at the July G-8 summit and it is not clear whether they are APEC-specific. Disseminating the benefits of the new economy throughout the region is of critical importance; an Australian study estimates that if nothing is done now, by 2010 the developed countries will have Internet access for about 60-70 percent of their populations, while the developing countries will be under five percent. Knowledge and technology are the new life blood of economic productivity, and if APEC can make some inroads into addressing the digital divide, it will have fulfilled the sense of mutual responsibility in the founding doctrines. This leads into the political and security arenas as well; APEC's founders knew that developing cohesiveness on economic matters was a first step toward addressing the much more difficult problems of differing security perceptions. APEC was supposed to entail some measure of political confidence building.

Also as part of the trend of building new economic systems, the three Latin American members of APEC are being better integrated by their Asian counterparts this year. Chile and Mexico are both sought after as trade and investment partners, as Asian members such as Singapore, Japan, and South Korea recognize that globalization happens to include the Southern Hemisphere, thereby extending their grasp toward Brazil as well as the southern gateway into the United States. We can expect this trend to deepen as Mexico will host APEC in 2002 and Chile in 2004. Many more Asians will be traveling to Latin America for the stream of meetings that typically precede the Leaders' Meeting, and they will see another region in transition with some similar challenges and even perhaps some solutions. The issue of public and corporate debt, for example, is as old as the hills in Latin America, with Mexico having experienced a severe debt crisis some 20 years ago. In addition, the Latins are more akin to the United States, Australian, and Canadian preferences for trade and investment treaties versus voluntary agreements. Mexico itself has some 30 treaties governing economic relations with Latin American countries, and has just concluded one with Europe. Mercosur, the Andean Pact, and the Central American

Common Market are all ongoing efforts to open markets, and the Asian members may come to see economic liberalization as more than an elite nations' prerogative.

Finally, as we look forward, Shanghai will host APEC 2001. It will be interesting to see how China's entry into the WTO may affect APEC's common will to commit to liberalization. Should China resort to the kind of selective bilateral deals that current members are indulging in, the region's economy will likely become badly distorted. It does matter that China now has the experience of negotiating the minutiae of the WTO agreement, and may be better prepared to implement the Bogor goals in a region it says it wishes to help lead. As host next year, China has the opportunity to make its imprint on APEC's direction, exactly as the founders intended by rotating the annual meeting. Throughout the next 12 months, we shall see what kind of APEC China strives to shape.

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