



The APEC Santiago Declaration: Steady Progress, New Challenges by Jane Skanderup

Despite media reports that U.S. security concerns, especially North Korea, have come to dominate the APEC dialogue, the 12th APEC Leaders Meeting Nov. 20-21 in Santiago, Chile made clear that the 21 members have regional economic issues at the forefront of their agenda. The Santiago Declaration is noteworthy for a workman-like attention to economic issues great and small: attending to developing country concerns about capacity-building and access to the “knowledge society,” while also committing members to a successful completion of the WTO Doha Development Round (DDR). Critics of bilateral and sub-regional economic agreements will lament that the Declaration embraces these deals as “constructive in accelerating liberalization in the region,” but it also adopts measures to promote greater transparency in their effectiveness, scope, and consistency with WTO rules.

This APEC statement like others before it endorses cooperation on a broad range of topics from cooperation on HIV/AIDS and the life sciences, new initiatives on anti-corruption and e-commerce for small businesses, continued work on the APEC Energy Initiative, and numerous workshops on all these issues hosted by just about every APEC economy. Three issues stand out as priorities, however.

In the big trade picture, the “Santiago Initiative for Expanded Trade in APEC” seeks greater coherency among the WTO negotiations, members’ progress toward the APEC Bogor liberalization goals, and the plethora of free trade agreements and regional trade agreements (FTAs/RTAs) within APEC. Watch for several specific milestones to be met in the coming year as APEC leadership shifts to South Korea. First, the leaders mandated the first mid-term evaluation of progress toward the Bogor goals be assessed at the next trade ministers’ meeting in mid-2005. Recall that these liberalization goals – adopted a full decade ago in Indonesia with full implementation due between 2010-2020 – were to be voluntary and nonbinding, and don’t seem to affect members’ trade postures in other fora. Yet it is an opportune year for APEC’s mantra of “open regionalism” to in fact be more “open” and recapture the spirit of “regionalism.”

The second milestone is that trade ministers are tasked throughout the year to consistently review progress toward the DDR in preparation for the Hong Kong WTO Ministerial in December 2005. It was not lost on leaders that this critical WTO meeting will convene just one month after the next APEC summit in November 2005 in Pusan, South Korea, and APEC will be under pressure to demonstrate leadership in more than just words. APEC members have never been willing to resolve WTO issues among themselves; there are too many trade coalitions outside of APEC. Yet the APEC Geneva

Council, designed to build bridges between WTO and APEC, has a renewed mandate by leaders this year to redouble efforts between the two bodies.

A third measure adopted by leaders worthy of attention is a “Best Practices” guideline on the controversial FTAs/RTAs – numbering some 40 among APEC members – which global economists decry as diverting attention from the global rules-based multilateral trading system. The Asia Pacific Business Advisory Council (ABAC) warned this year that this plethora of deals creates a confusing mass of rules and regulations that increases transaction costs, is prejudicial against non-signatories, and lacks transparency. ABAC’s answer was to recommend a region-wide free trade area with a view toward “marrying” all these deals together. The leaders, rightfully in my view, did not endorse this recommendation; APEC’s challenge is to meet its current goals rather than adopt new ones. Yet the “Best Practices” guide is a step in the right direction to help ensure high-standard agreements across the board, and a website will be created to make public its details. This may be like throwing a pebble into the path of an oncoming train; all APEC members have a hearty appetite for “going bilateral.” Yet it does provide governments and the business community with a way to take others to task when deals are not in the broader interest of market liberalization. It should become a document in the hands of all trade negotiators, but will it?

One area that merits concern was the treatment of the “ecotech” agenda in the Santiago Declaration. Economic and technical cooperation and capacity building are priorities for developing economies given their limited resources, and while a commitment to trade facilitation and capacity building are sprinkled throughout the Declaration, there is a noted attempt to increase funding for these activities from both the private sector and the international financial institutions (IFIs). It is desirable to reduce overlap with the IFI’s mandate on ecotech activities, and the private sector should devote resources to training that creates good governance and a positive business environment. Yet one hopes that APEC is not relinquishing a leadership role in making sure that developing countries – some of whom are not members of the IFIs, the WTO, or other international economic fora – continue to have access to these activities.

Let me add a final word on misperceptions about the “human security” aspect of the Santiago Declaration. Since Sept. 11, fighting terrorism has become a key element of APEC’s agenda, but this shouldn’t be seen as a detour made at the United States’ behest. This past year, terrorism in both Russia and Indonesia (Beslan and Jakarta) as well as worrying signs in other APEC economies has caused concern throughout the region. Making APEC societies safe without creating obstacles to economic transactions is key to the “human security” agenda, and the Declaration makes clear that

APEC provides a forum for building consensus on the appropriate individual and joint actions “in line with out respective circumstances.”

In conclusion, the Santiago Declaration made steady progress and highlights that APEC has its work cut out in the coming year. With the WTO ministerial coming on the heels of the next Leaders’ Summit, it is critical to keep APEC, which meanders, on course. Writing in the business magazine *Asia Inc.*, Brunei’s economic and business expert Timothy Ong highlighted “APEC’s mid-life crisis,” noting that APEC is mid-way between its birth in 1989 and the Bogor deadlines of 2020. Continuing toward the realization of this region-wide mandate is in the interests of all APEC economies.

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Aloha! The Pacific Forum CSIS and Taiwan’s Institute of International Relations will be hosting a forum on “Taiwan after the December Legislative Elections” Dec.16, from 9-3 pm in Washington DC, at CSIS [1800 K. St. NW, B1 conference room]. Specialists from Taiwan will speak on such topics as the elections’ impact on domestic politics, foreign policy, cross-strait relations, and President Chen Shui-bian’s current and future policies. Lunch will also be served. Please RSVP to the Pacific Forum at pacforum@hawaii.rr.com if you can attend (or hit reply to this email). We look forward to seeing you on Dec. 16.