



## **APEC 2005: can South Korea lead the charge?**

by Jane Skanderup

There are two big events on the international economic calendar in the six weeks remaining in 2005. The first is the APEC Economic Leaders meeting that will be held Nov. 18-19 in Busan, South Korea; the second is the World Trade Organization (WTO) ministerial that will be held in Hong Kong Dec. 17-18. The two are linked: the 21 APEC members are acutely aware of the need to contribute to the successful conclusion of the WTO Doha Development Agenda. U.S. Trade Representative Rob Portman has praised South Korean trade minister Kim Hyun-chong for focusing APEC's attention on this task, calling him "a leader globally on trade issues."

The U.S. has a high stake in a successful APEC meeting. APEC economies account for nearly two-thirds of all U.S. exports and half of all global trade. Washington hopes that APEC agreements – though non-binding – will pressure key factions among the WTO's 148 members. Moreover, APEC's importance to the U.S. has increased amid a growing number of Asian forums that exclude the U.S. The Leaders Summit is a valuable opportunity for the U.S. president to demonstrate U.S. commitment to the region.

Minister Kim has promised that the assembled leaders will release special communiqué on Doha, which will include specific details of APEC members' commitments. Since APEC has a reputation for avoiding resolution of hard issues, this communiqué could help overcome skepticism about the forum's worth. Early evidence of APEC's support for Doha came at the June ministerial, when members endorsed a variety of trade liberalization measures, including the ambitious "Swiss formula" of tariff cuts on access to non-agricultural markets, as well as progress in agriculture and services.

A second important element of the APEC summit will be the "Busan Roadmap" that will outline actions to be taken to achieve the Bogor goals of removing barriers to trade and investment for developed countries by 2010 and developing countries by 2020. This 1994 APEC agreement has often lost momentum amidst so much attention on bilateral and regional trade deals. It will be a testament to Minister Kim's leadership if he can refocus members' attention on the importance of region-wide progress on trade and investment liberalization.

While APEC continues to have its detractors, its track record is not all that bad. Since 1989, the average tariff for APEC economies has fallen from about 17 percent to 5.5 percent in 2004; foreign direct investment flows have increased five-fold between 1989 and 2000. But many fear that APEC is running out of steam. As a result, Minister Kim has pledged that the Roadmap's focus will be on future actions – there will be considerable attention to how forthcoming APEC's normally reluctant members will be in this arena.

The APEC summit will also produce important agreements that won't make headlines, but will clearly impact the business environment. There will be a comprehensive anti-counterfeiting and piracy initiative sponsored by the United States, Korea, and Japan that aims for region-wide measures to be adopted in 2006 including for online piracy; since Korea is one of the world's most wired countries, this was an early goal for the U.S. and its realization will be a mark of success.

Further progress on the development of high-quality, model standards for the growing number of bilateral and regional trade deals has been promised, and progress on trade facilitation – a "pillar" of APEC's work – has also been pledged. U.S. APEC Ambassador Lauren Moriarty has discussed the importance of government-private sector partnerships, such as the anti-corruption agreement at APEC 2004 in Chile. The region-wide free trade zone that the APEC Business Advisory Council (ABAC) recommended at the Chile APEC seems to be gathering dust, so it will be interesting to see if ABAC has something more relevant to offer this year.

Finally, ROK President Roh Moo-hyun suggested in a recent press conference last week that he will raise "equitable benefits of globalization" at the APEC summit and will seek an initiative on tackling social injustice. While details remain sketchy, this sounds reminiscent of the complaints President Bush faced at the recent Argentina summit of Latin American leaders where protesters claimed as much attention as the leaders' failure to advance talks on the Free Trade Agreement of the Americas (FTAA).

With income gaps widening in South Korea since the financial crisis of 1997-98, President Roh has a personal and perhaps political interest in addressing the equity issue. And, as one of the few WTO members to have achieved developed country status while progressing from an authoritarian to democratic political system, South Korea can address this issue with a certain degree of credibility and moral authority. Whether this will be sufficient to move the APEC process forward remains to be seen; stay tuned!

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