



APEC 2005: economics takes center stage

by Jane Skanderup

Given the flurry of media coverage of the various summit meetings that did (or, in the case of China-Japan, did not) occur along the sidelines of the Asia Pacific Economic Cooperation (APEC) meetings in Busan, South Korea last week, it is easy to overlook the fact that the primary reason for this gathering was to discuss Asia-Pacific economic cooperation. While APEC is not an institution per se, and its agreements and declarations, reached by consensus, are not legally binding on its members, some noteworthy economic news did emerge from this "gathering of economies."

Specifically, there is a lot of meat on the bones of the "Busan Declaration," as well as the separate statement urging progress in the World Trade Organization (WTO) Doha Development Agenda (DDA) at next month's Hong Kong ministerial. The Doha statement was particularly contentious for APEC members, and the trade and foreign ministers spent long hours debating the contents of the statement.

In the end, the Doha statement argues that "there is more at stake in Hong Kong than just another phase of economic liberalization"; the credibility of the WTO and the rules-based multilateral trading system is on the line. It emphasized the "high level of ambition" envisioned at the launch of the Doha Round in 2001, and commits APEC leaders to "facing up to the political challenges" of the DDA.

This is more than clever wordplay. Although there are no specifics about the compromises individual members are prepared to make, the language reflects the recognition that APEC members have benefited from the WTO, and that future prosperity depends on more success at the multilateral level. The statement suggests that a strong rudder be provided by the more open economies in the region, but is also representative of the interests of the least developed economies. The laggards in the group lost out in this statement.

The "Busan Declaration" reflects the optimistic theme of APEC 2005, "Meet the Challenge, Make the Change." It states a goal to develop model measures for regional and free trade agreements (RTAs/FTAs) by 2008. While this is still too slow, interestingly, 2008 is the final year of China's eight-year phase-in period for implementing its WTO commitments (which Beijing is unlikely to complete in time). China has been guilty of lowering standards through its (politically motivated but economically weak) "free" trade agreements, and ASEAN in particular has been an accomplice. The fact that APEC agreed to the 2008 date could represent an important step forward to correct this problem.

Members also agreed to the "Busan Roadmap to the Bogor Goals," which has little fine print but does include a work plan on structural reform by 2010, and a pledge to

reduce trade transaction costs by 5 percent by 2010, a proposal put forward by the APEC business community. Cynics can be justified in questioning the value of the 1994 Bogor Goals, as the "Busan Roadmap" does not delineate a clear road ahead. Yet, remember that the "C" in APEC is "cooperation," and in that regard APEC is fulfilling its mission. The debate over whether APEC would adopt binding agreements ended over a decade ago with a resounding "no." Since then, however, members have been increasingly results-oriented; they remain mindful of the need to show progress.

The natural disasters that struck this past year awakened leaders to the need to improve their "collective response capability," and averting an avian flu pandemic has become a new APEC priority. The "APEC Initiative on Preparing for and Mitigating an Influenza Pandemic" commits members to a series of practical measures to implement effective surveillance, transparency, and openness, beginning with a desktop simulation exercise in early 2006. There is a region-wide consensus on the need for a collective response.

Energy issues were also addressed, with acceleration of energy technology development only one of several priorities. China in particular suffers from low energy efficiency, but adoption of new technologies is a region-wide concern. Japan's success since the 1979 oil shock in creating and adopting energy-efficient technology makes it a global leader in this field, and APEC members should take advantage of the lessons it has learned. Beijing in particular should step up to the plate and engage Japan to help China end its expensive and wasteful consumption practices.

Finally, as expected, anti-terrorism efforts maintained a foothold on the APEC agenda. Echoing the debate underway in the U.S. Congress about treatment of prisoners, members pledged to "comply with all relevant obligations under international law, in particular international human rights, refugee and humanitarian law." New initiatives include reducing airport vulnerability to Man-Portable Air Defense Systems, and expansion of the Regional Movement Alert List pilot project to track suspected criminals.

This wide-ranging agenda will now be passed on to Vietnam, host of APEC 2006. It is a good time for Hanoi to take the lead, as the next year may well see the successful conclusion of its negotiations to enter the WTO. As a developing economy that is struggling to globalize, mostly successfully, the APEC chair will provide Vietnam with an important opportunity to take APEC further down the path of Asia-Pacific economic cooperation.

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