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RSIS COMMENTARIES

APEC at 20:
Old Promises, New Challenges

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As APEC leaders convene for the Singapore summit this week, there is one question that needs to be asked: Can the consensual, inclusive norm that has propelled APEC be the driving force to bind regional groupings together?

THIS WEEK'S APEC Leaders Meeting in Singapore marks the 20th anniversary of the Asia Pacific Economic Cooperation forum. Critics of APEC have highlighted the lack of progress in promoting regional economic integration and the failure of its efforts at voluntary sectoral liberalisation. They doubt that its ambition of free trade across the APEC region will be achieved by 2020. The APEC summit is remembered by them more for the attire of the leaders than for the substantive pronouncements of the meeting. APEC is seen as a talk shop with few concrete benefits, unlike NAFTA or the European Union with their strong legal institutions and clearly defined rules.

APEC's Forgotten Role

However, this negative assessment ignores the dynamic growth that has occurred in the East Asian region over the past 20 years. The rapid recovery of East Asia during the current global financial and economic crisis bears testimony to the emerging shift in global economic power from West to East. Trans-Pacific trade and investment is now far more significant than trade and investment across the Atlantic. The regular meetings of leaders at APEC have facilitated this global adjustment as well as created an informal web of relationships within East Asia and across the Pacific. Even if APEC's developed members do not meet the Bogor 2010 goals next year, loosely structured cooperation through APEC has enabled East Asia to emerge as the fastest growing region in the world over the past two decades.

APEC's role in promoting trade liberalisation tends to be forgotten. China's participation in APEC since 1991 provided the impetus for Chinese unilateral liberalisation. It was a valuable learning experience prior to China's accession to the World Trade Organisation (WTO). APEC served as a template for China's 'early harvest' concessions to the ASEAN states during the China-ASEAN FTA

negotiations. APEC also provided the leadership for the WTO Information Technology Agreement (ITA) of 1996. The ITA facilitated the elimination of customs duties on computers, telecommunications products, semi-conductors, semi-conductor manufacturing equipment and scientific equipment. The significance of the electronics manufacturing sector for East Asia meant that the ITA had a greater trade liberalising impact than many of the bilateral FTAs that have been signed in recent years. APEC is now embarking on reducing non-tariff barriers to trade, which offers potentially the greatest gains to the trading community.

APEC and Political Issues

While APEC initiatives on multilateral trade liberalisation have stalled, recent summits have been marked by useful consultations on political issues. APEC discussed East Timor in 1999, terrorism since 2001 and is now involved in exchanges on "trade-related" security issues such as supply chain security, maritime security, energy and environmental wellbeing. Here APEC seems to be entering ground covered by the ASEAN Regional Forum (ARF). It is time for rationalisation of the work covered by APEC and the ARF.

It would be beneficial to hold back-to-back summits of APEC and the ARF when an ARF member hosts the APEC Leaders Meeting. Such a move is likely to win Chinese support. Back-to-back APEC/ARF summits would mean that APEC would focus on economic cooperation while the ARF would be the apex regional security institution. As Taiwan attends APEC meetings as 'Chinese Taipei', it would be included in regional economic institution building but excluded from major regional security dialogues.

The vision which should underpin our efforts to re-think the relationship between APEC and the ARF is founded on a critical need. We need institutions that can bind the United States -- the sole superpower -- and rising powers such as China within a framework that allows representation and participation by medium powers and smaller states in the region. Such inclusive institutions can serve as the basis for the emergence of a growing sense of regional identity and increased contacts among decision-makers in the Asia-Pacific.

Alternative View

An alternative view is that regional economic and security affairs should be shaped by the more powerful states in the Asia-Pacific. A paper at a recent Pacific Economic Cooperation Council (PECC) conference in Singapore called for a G-10 comprising the Asia-Pacific members of the G-20 which would be at the apex of Asia-Pacific decision-making. Proponents of this grouping argue that effectiveness matters much more than broad representation. However, the turn to a concert of powers reminds me more of the 19th century than a 21st century response to the challenge of creating regional order.

One of the strengths of APEC is that its practices have been shaped by the norms and values of the ASEAN states that played a critical role in establishing APEC and the ARF. The ASEAN approach emphasised consultation, consensus decision-making and an inclusive approach to regional institution-building.

The opportunities for informal exchanges and consensual decision-making in APEC could help to ensure that the concerns of both Western as well as Asian states are reflected in the evolving regional order. We need to recognise that there are divergent norms and values present in international society and that those differences could lead to possible conflict. Inclusive institutions such as APEC could serve as harbingers of cooperation on a larger scale.

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