

RESHAPING APEC – IS IT REALLY NECESSARY?

ACCCI OPINION PAPER

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Introduction

In 2005 the Lowy Institute issued a *Policy Brief* entitled “How to Save APEC” (Gyngell 2005). Both the title and the contents suggested that APEC is struggling to maintain its status, but it is nevertheless capable of being rescued.¹ Since then more than 25 presentations and papers² have been written by government officials and academics, most of which conveys a similar desire to have reshaping and reforming items placed on the agenda for the meetings this year. A subsequent *Policy Brief* from the Lowy Institute, called “Design Faults: The Asia Pacific’s Regional Architecture”, is dated May of this year (Gyngell 2007) and reiterates the difficulties facing APEC at the present time. The latest call for a major change from the traditional focus on trade and investment to a “wider agenda of security and strategic issues” came from Paul Keating.³

Also in 2005, the Pacific Economic Cooperation Council (PECC), working with the APEC Business Advisory Council (ABAC), released the results of a survey taken from APEC representatives and observers.⁴ The overall attitude of the respondents appeared to be mildly optimistic. For example, among all respondents 42 per cent agreed that APEC is as important today as in 1989, while 37 per cent disagreed and 21 per cent were undecided. However, substantial differences are apparent by regions. For Northeast Asia the breakdown according to “agree”, “disagree” and “uncertain” was reported to be 49 per cent, 27 percent and 24 percent, respectively; whereas, for North America only 26 percent agreed compared to 52 per cent who disagreed. Additionally, 62 per cent of all respondents indicated their perception of a weak commitment to APEC from member economies and 56 per cent believed that APEC was lacking focus.

Both the survey and the analytical presentations/papers reflect a growing impatience with progress toward APEC goals, and display a sense of urgency in fixing the problems before they require more than normal maintenance and repair. There are some exceptions to this, but not enough to remove these characteristics as principal motivations for this *Opinion Paper*. Specifically, it is argued below that quick fixes and undue haste in making structural changes to APEC could cause more damage than can reasonably be attributed to the dangers they are intended to remove.

¹ This interpretation of the *Policy Brief* is reflected in media coverage of the brief. For example: “APEC Struggles to Maintain Status”, *Australian Financial Review*, 15 October 2005, p. 9 and “Regional Forum Can Be Rescued”, *The Australian*, 15 November 2005, p. 14.

² References for these presentations and papers are given below under two headings, reflecting the proceedings of conferences organised by the Australian APEC Study Centre, dated May 2006 and December 2006.

³ Reported by Peter Hartcher in “Keating’s Push for a Revamp of APEC”, *Sydney Morning Herald*, 23 August 2007, p. 1. An edited version of Keating’s speech to the Evatt Foundation on 23 August was published in the *Sydney Morning Herald*, 24 August 2007.

⁴ There were 370 respondents as follows: 20 NGOs, 9 media, 68 government, 91 business, 178 academic and 4 other (Morrison 2006).

It is argued further that many of the recommendations for changes to APEC are excessively oriented toward outcomes, with insufficient attention given to the *process* for achieving those outcomes. Flexibility in adjusting to the almost continuous changes in the economic and political circumstances in the Asia-Pacific region is an essential element in the success of any organisation that is dedicated to economic cooperation within the region. Altering the structure to meet specific outcomes *is likely to make that structure outcome-specific* and therefore less flexible. The process of reshaping must come from within the organisation, not from outside; and haste is not a virtue.

The Context Before 1993

A number of suggestions for a regional organisation for economic cooperation appeared prior the statement by Bob Hawke in January 1989 that the region needed such an organisation (refer to Important Dates in the Annex). The earlier proposals ranged from a Pacific Free Trade Area to an Organisation for Pacific Trade and Development, which was to be patterned after the Paris-based Organisation of Economic Cooperation and Development (OECD). The Pacific Economic Cooperation Council, which was mentioned earlier, was formed prior to 1989 and remains in operation today. However, it has limited functions as an advisory council with public sector, business and academic representatives making recommendations to the respective governments of these representatives. It is the only non-government organisation that has observer status with APEC.

After consultations with the Government of South Korea and the Government of Japan, followed by briefings with other, potentially interested governments, the formation of APEC was announced in November of 1989. Why is it that Hawke Government's proposal for an inter-governmental organisation met with success, while the other proposals did not? We cannot know all of the reasons with certainty, but several seem plausible.

First, Hawke's commitment to making Australia's involvement in East Asian (consult the Glossary in the Annex) trade and investment both broader and deeper was well known within the region. As well, the Hawke Government's brand of *consensus politics*⁵ was used extensively in Australia and had the potential to assist with the creation of a consultative framework in which consensus-based decisions were not binding to any member.⁶

Second, it was relatively clear by the beginning of 1989 that Hong Kong, Republic of Korea, Singapore and Taipei, China were approaching the status of fully developed economies at a lightening speed, and may require peer group support to avoid the excesses that sometimes accompany new-found wealth. At that time it was also perceived that China's economic reform, which began in earnest in 1979,⁷ was not likely to be reversed. China's trade sector was to be the main engine for this reform process and it was therefore important to ensure

⁵ This arose from Hawke's pre-parliamentary reputation as a negotiator, which carried over when he formed government by utilising public sector resources to mediate disputes, which, when resolved, led the way to a broadly based consensus for the enactment of relevant laws. It differed from the consensus politics that are said to have characterised the British Parliament during the '60s and '70s, which relied upon a consensus between the ruling party and the opposition party.

⁶ This is sometimes referred to as voluntary compliance. If wide support is sought for joint statements or commitments to future action, then either the lowest common viewpoint will emerge or some members may refuse to comply with the generally agreed upon statements or commitments. Peer pressure is often used to obtain initial agreement, and also to prevent abrogation, but excessive pressure on the first may create to a need for additional pressure on the second. This does not generally produce conditions for stable relationships. On the other hand, changing to binding conditions often lowers the common viewpoint since agreeing to substantially weaker commitments carries less risk of incurring punitive action when compliance is not possible.

⁷ It was formally announced at the Third Plenum of the National Party Congress's Eleventh Central Committee in December 1978 that the party leaders decided to undertake a program of gradual but fundamental reform of the economic system, and thus demonstrated the return to power of the Deng Xiaoping reformers.

that conditions were right for the region's most populous nation to have a smooth integration into regional and global trade flows.

Third, the Berlin Wall was removed in early November 1989, and even before then there were indications that the Soviet Union was beginning to unravel. This (likely) ending of the Cold War was expected to provide an opportunity for substantial growth in trade and investment, so the need to provide a consultative mechanism to ensure that the growth remained orderly was even more obvious.

As a result of these influences, while economics was the driving force behind the creation of APEC, global changes in politics made that creation seem more urgent and therefore more acceptable. The Hawke proposal was made at a time when the Asia-Pacific region was receptive to such a proposal, and it is possible that the level of receptivity began to decline shortly after 1989 as a result of less favourable external factors.

The inaugural structure of APEC was heavily influenced by conditions and philosophies that dominated the period, one of the most significant of which was the Thatcher-Reagan view of the size and role of government.⁸ Consequently, the APEC Secretariat was designed to be relatively small, with human resources added, as needed, with secondments from member economies.⁹ Perhaps more importantly, the practice of rotating among members the tasks of organising the various meetings each year made it possible to remove much of the responsibility that would otherwise be placed on the Secretariat. The costs accruing to the hosts are substantial,¹⁰ but were nevertheless incurred, in principal, once every 12 years, during the foundation period, and once every 21 years now. The added inducement for hosting the meetings is the ability to influence the agenda for the entire year by supplying the organising staff and chair persons. As a result, a waiting list for hosting has existed for some time.

APEC's early objectives were also influenced by a lack of progress with the Uruguay Round of trade negotiations under the General Agreement of Tariffs and Trade (GATT). The developed economies that became members of APEC strongly supported a multilateral trading system, but the GATT framework was increasingly recognised as ineffective since it lacked the means for enforcing tariff and trade agreements. GATT was replaced by the World Trade Organisation, but not until 1993. Before that happened the nature of the emerging multilateral framework was too uncertain to allow a constructive link to be created for APEC.

The most that can be said about the early objectives of APEC is this: the desire to liberalise trade in goods within the region was relatively strong, partly as a result of the then recent experiences of Hong Kong and Singapore and partly as a result of the widespread acceptance in Europe and North America that trade liberalisation contributes to economic growth, provided that sufficient time is allowed to transfer resources within the liberalising economy. Beyond that, APEC needed to find the most acceptable path to achieve this objective, together with the broader view of responding to the "growing interdependence

⁸ Margaret Thatcher became the British Prime Minister in May 1979. Ronald Reagan was elected President of the United States in 1980. Both were outspoken in their intention to discontinue government intervention in matters that could be effectively managed by the private sector, and of adding to government resources for national defence and international affairs. The rest of the world needed the subsequent decade to adjust to and accept these changes, but the changes eventually became part of mainstream thought.

⁹ See the note under November 1991 in the Annex for an explanation of APEC's designation of member *economies* rather than member *states*.

¹⁰ The cost of hosting the APEC meetings in Australia during 2007 is almost certain to exceed A\$216 (Gyngell, 2005, p. 3).

among Asia-Pacific economies and to the need to advance Asia-Pacific economic dynamism and sense of community” (Foreign Affairs and International Trade Canada 2005).

The Context from 1993 to 1997

The first meeting of the APEC Economic Leaders¹¹ occurred in Blake Island (near Seattle), hosted by Bill Clinton who was then the President of the United States, and this meeting represented a major shift in APEC’s *modus operandi*. Somewhat superficially, but nevertheless characteristically, it introduced a statement to the general public: *Ladies and gentlemen, right here on our stage we have a really big show* to quote a phrase from a different context made famous by Ed Sullivan. For better or for worse, attention given to APEC meetings shot upward with the “really big shows”.

A much more fundamental shift occurred from the abrupt ending of APEC’s previous institutional approach, which may be depicted as descriptive, holistic, collegial and against formalism, to an approach that is consistent with a formalist, individualist, reductionist and generally anti-interventionist approach, with several dollops of rational choice thrown in for flavour.¹² APEC formally adopted a specific vision of “stability, security and prosperity for our peoples” in 1993 (APEC Secretariat 2007). Perhaps it was time that APEC codified its progress from 1989 to 1993. At least it can be said that doing so would most probably cause no harm. The impact was in the *process* whereby this codification occurred.

Westerners tend to view institutions as organisations that have a life of their own and therefore do not depend upon specific individuals. Many Asian institutions, in contrast, tend either to be centred on individuals (such as institutions based upon patron-client relations) or they are rigidly hierarchical (such as institutions that are dominated for long periods by three or four elitist members). Westerners generally regard the Asian institutions as inferior since, if for no other reason, they almost always have a shorter life. Nevertheless Westerners tend to forget that their institutions are fundamentally cognitive entities that cannot exist apart from the active participants and their process-oriented prerequisites to cognition. Put differently, “the institutions think the way the active participants think”. This occurs whether the institution is dominated by one, or three, or many acting in a collegial manner. The difference, therefore, is in the way this institutional cognition is dispersed.

Since 1993, APEC as an institution has depended upon a cognitive process that places almost exclusive emphasis on rational, goal-oriented outcomes. The process is taken for granted since it incorporates and internalises the collegially determined thought processes that guarantee the relevant outcomes. This works well only if the institution is characterised by a relatively high degree of homogeneity in internalised processes. APEC is not such an institution. Moreover it is possible that homogeneity can be achieved with such a mixed set of processes only by transiting the collegial process in much the same way that medieval universities did when Europeans rediscovered the value of science and decided to incorporate something other than theology in their curricula.¹³

¹¹ Prior to that annual meetings were convened for “Foreign and Trade Ministers” (Foreign Affairs and International Trade Canada 2005).

¹² These phrases are nearly identical to those used by Mark Beeson to explain “an important methodological shift between the old and new institutionalisms” except that the phrase “collectivist by orientation” is replaced by “collegial”, for purposes that suit the argument posed here, and the phrase “oriented toward rational choice and economising models” is shortened to “dollops of rational choice for flavour”.

¹³ There is a substantial amount of literature on this question, but the author of this paper decided that citing it would only create confusion with a reference list that is almost as long as the text. Anyone who is interested in this literature is invited to send an email requesting information.

We have only an embryo of theory to show that institutions can converge if and only if the participants internalise processes that are near substitutes to those that were utilised in the past by the other institutions, and therefore acquire a “parallel history”. Some evidence can nevertheless be obtained from Asians who complete higher degrees from Anglo-American universities that place emphasis on the collegial process. Many of these students accept positions at universities in their home countries and as their numbers increase they have begun to re-orient those universities. Perhaps one day convergence will be obtained, but it cannot be done in haste.

To express this in more pragmatic terms for APEC: four relatively homogeneous sub-regions¹⁴ can be identified: North America, South America, Northeast Asia and Southeast Asia. If India is accepted into APEC, then five sub-regions are relevant. To achieve the necessary degree of process homogeneity it will be necessary for all (or at least most) members in each of those sub-regions to “step into the shoes” of members from all other sub-regions, at least temporarily, for the purpose of determining how the others think. The problem is not in defining an Asia-Pacific community geographically, as some observers have suggested. It is in determining the *process* that is likely to result in such a community.

The Context after 1997

Somewhat surprisingly, progress in determining the nature of that process was enhanced by the 1993 changes, but an outcome-orientation has been characteristic of the meetings since 1997. We can only speculate on the reasons for this. The hierarchical nature of East Asian institutions may have resulted in a strong desire to accept Clinton as a true leader of the Asia-Pacific region and allowed his proposals to be taken seriously. This would be roughly equivalent to accepting the Blake Island initiatives in good faith until there was reason to doubt them. If so, then doubts began to appear early in 1998, when it was perceived that the IMF “care package” for East Asia’s difficulties arising from the financial crisis, was more a “penal package” for not instituting the reforms that were urged at frequent intervals during the previous decade. That the reforms should have been undertaken was never questioned. Rather, it was a most inappropriate time to penalise, and the cognitive process that linked it with a “care package” was easily and quickly dismissed in East Asia.

APEC remained remarkably silent about the crisis at the meeting that took place in Kuala Lumpur in 1998. It is likely that the host for that year did not want the issue to be discussed since the opinion of Prime Minister Mahathir was well known by the end of the previous year. It is nevertheless worth noting that the APEC meetings in Vancouver during 1997 endorsed a proposal for Early Voluntary Sectoral Liberalisation (EVSL) in 15 sectors and decided that Individual Action Plans (initiated in 1996) should be updated annually. A year later, in Kuala Lumpur, the number of sectors was reduced to 9 and agreement with non-APEC members at the World Trade Organisation was sought for EVSL (APEC Secretariat 2007). This appeared to be “2 steps forward” for the new institutionalism and “1 step backward” to the old institutionalism.

Since 1998 APEC meetings were held in Auckland (1999) Bandar Seri Begawan (2000), Shanghai (2001), Los Cabos (2002), Bangkok (2003), Santiago (2004), Busan (2005) and Ha Noi (2006). Agreements reached at these meetings are summarised by the APEC Secretariat. Several of these initiatives and accords are mentioned here for the purpose of showing that: (1) outcomes since 1998 have been varied, (2) much of the variation can be attributed to issues that were considered important *at the time they were introduced* at the

¹⁴ The presumes that the relevant *region* without India as a member is “Asia-Pacific”, and “Asia-and-the-Pacific” with India as a member. There is considerable ambiguity in reference to geographic labels, as noted in the Glossary (see especially “Asia” and “East Asia”)

meetings and (3) many of the proposals for reshaping and reforming APEC are contained in one form or another in these agreements.

The meeting in Auckland in 1999 was relatively neutral in relation to promoting a particular form of institutionalism. APEC members made a commitment to achieve paperless trading by 2005 for the developed economies and 2010 for developing economies. The APEC Business Travel Card scheme was approved and a few other items that could be classified as “under the headlines” were also put into effect. In 2001 APEC adopted the Shanghai Accord, which focused on “broadening the APEC vision, clarifying the roadmap to Bogor and strengthening the implementation mechanism”. The e-APEC strategy was adopted with a view to setting out an agenda “to strengthen market structures and institutions”, facilitate investment in infrastructure, develop new technology for on-line transactions and “promote entrepreneurship and human capacity building”. APEC's first counter-terrorism statement was issued at this meeting in Shanghai.

The meeting in Bangkok in 2003 agreed for four commitments: (1) to re-energise the WTO Doha Development Agenda negotiations and stressed the complementary aims of bilateral and regional trade agreements, the Bogor Goals and the multilateral trading system under the WTO; (2) to take “specific actions to dismantle terrorist groups, eliminate the danger of weapons of mass destruction and confront other security threats”; (3) to improve personal security through an APEC Action Plan on SARS and the Health Security Initiative; and (4) to “strengthen efforts to build knowledge-based economies, promote sound and efficient financial systems and accelerate regional structural reform”.

At the last meeting in Ha Noi (Viet Nam) APEC Economic Leaders endorsed the Ha Noi Action Plan which identified specific actions and milestones to implement the Bogor Goals and support capacity-building measures to help APEC member economies. The Leaders also issued a statement on the WTO Doha Development Agenda calling for ambitious and balanced outcomes. There was an expressed desire to prioritise future agenda items by reforming working groups within APEC and strengthening the Secretariat.

Issues such as “actions to dismantle terrorist groups”, “eliminate the danger of weapons of mass destruction” or “personal security through action plans” can apparently be placed on the agenda for discussion with relative ease. The difficulty lies in getting an agreement among 21 member economies that shows a definite prospect of reaching meaningful outcomes. The latter is of course capable of varying interpretations, but using APEC's practice of “headlining” specific outcomes by giving them the name of the city at which agreement was reached, only 7 occurred since 1989 all of which were directly related to trade and investment: Bogor Goals (1994), Osaka Action Agenda (1995), Manila Action Plan (1996), Shanghai Accord (2001), Santiago Initiative (2004) and Ha Noi Action Plan (2006).

Perhaps APEC made too many “headlines” out of these core issues and perhaps it is time to move on to new ones. It was relatively easy to secure agreement in matters that make trade and investment in the region more open and more transparent, so much so that we might question the necessity of convening a meeting of 21 Economic Leaders to discuss them.¹⁵ It is nevertheless likely that much of the work on the core issues is done by the Secretariat and public servants seconded from members. This leaves time for the Leaders to talk about issues that interest them at the time of the meeting. Why have these issues not yet reached “headline” status? Consider some of the reasons that have been suggested.

It is more difficult to get a consensus from 21 members than from a smaller group of, say, 12. Membership in APEC should therefore be frozen permanently. Not surprisingly, this

¹⁵ This is similar to the statement by Paul Keating, cited in footnote 3 above.

seems to be stated more forcefully by members who tend to disagree with “new members” or feel that their influence has become diluted as a result of increased membership. But there is an important counterbalancing influence in making APEC truly representative of the region, and that cannot be done by limiting membership. Admittedly there is a greater chance of gaining a consensus among a few on the “hard” issues, but it has less meaning if it conveys the opinion of a small number of regional participants. Restricted membership is approximately equivalent to “getting more runs on the board”, but with a smaller team and a less prominent board.

There are too many competing organisations in the Asia-Pacific region so that some of APEC’s initiatives are duplicated while others tend to be neutralised by competing groups. New regional organisations have expanded outward from ASEAN, partly as a result of the desire of ASEAN members to retain a focus on Asia (rather than Asia-Pacific) and partly from a desire to give greater attention to issues that have not been recognised by APEC (such as regional financial cooperation in APT¹⁶). Limiting the membership of APEC would almost certainly lead to more competing organisations (or at least to a strengthening of existing organisations) as the excluded economies will seek membership elsewhere.

Reduce the resources in APEC that are devoted to trade and investment and increase the resources devoted to the “harder” issues such as those associated with the regional security and environmental issues. This suggestion may have some merit since it is generally recognised that institutions tend to collect excess personnel in the “headline” areas, and many of these people are likely to resist any devaluation to their worth. It is nevertheless recognised that some “behind the border” restrictions to free trade and investment remain within the Asia-Pacific region. It is believed further that reducing these restrictions will ultimately benefit global trade by encouraging similar initiatives to be made within the WTO framework.¹⁷

Apparently, most of the easy solutions to regional issues have already been made, as have easy answers to why progress is slower now than it was in the foundation period. For example, to return to the question that was raised in the title to this *Opinion Paper*, in the broad sense, it is necessary for APEC to be reshaped on a more or less continuous basis since it will otherwise be unable to respond to the changing circumstances in the Asia-Pacific region. In a narrower sense, it is being reshaped (1) by a different host for all meetings in a particular year, (b) by different Ministers and Leaders as a result of elections or shake-ups in ministerial responsibilities and (c) by a different set of advisory groups, expert panels and seconded bureaucrats. It therefore seems fitting to state a variation of an old nursery rhyme:

*APECs may have lost their way, and don’t know how to find it.
Leave them alone and they will come home, praising the consensus behind it.*

We should not leave it at that, however, since we are constituents of the respective Leaders and we are either directly or indirectly committed to the agreements into which they enter. Is

¹⁶ Consult the Glossary in the Annex of this *Opinion Paper*.

¹⁷ Debate persists as to whether bilateral trade agreements (or preferential trade agreements) open the way to progress in multilateral trade agreements. One side maintains that the large trading nations use their superior bargaining power to achieve a better deal and this could result in a series of unequal agreements with the smaller nations continuing to suffer the same trading disadvantages that motivated their desire to enter into a bilateral trade agreement. Thus, the gains are not equally shared and may be appropriated by the larger nations through a “divide and conquer” strategy. The other side argues that any reduction in trade barriers is necessarily an improvement over the previously restricted case, and when these benefits become apparent they will lead to further opening of trade and investment. Thus, according to this view, equality will eventually be reached when all barriers are eliminated.

the consensus that is being praised a true consensus among a large majority of APEC members, or is it constructed to avoid a public announcement such as:

The last APEC Leaders Meeting discussed a large number of pressing issues, but could agree on nothing.

Bilateral chambers of commerce, such as the Australia China Chamber of Commerce and Industry of New South Wales, have a similar responsibility to ensure that advice given by the APEC Business Advisory Council is a true consensus of business organisations. We can easily determine the names of Australia's representatives on ABAC by visiting the Council's Internet site. We have more difficulty in determining how those representatives think, what they believe, what they supported or even what was discussed at length at ABAC meetings.

We need people to periodically remind us and the Leaders that important issues have not been resolved. We also need people to grasp a hammer and chisel and suggest that parts of the regional cooperation structure should be severed and placed elsewhere. But more than that, we need "consensus seekers" to ensure that both the issue-reminding and the structural dismembering are consistent with prevailing regional views. Accordingly, ACCCI invites all who have an interest in APEC, or in regional cooperation, to send in either opinions or questions that will hopefully give rise to greater dialogue between individuals or between organisations. This may not lead to solutions to issues, or answers to questions, but at least it will allow the restructured nursery rhyme, as stated above, to have greater meaning.

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ANNEX

SIGNIFICANT DATES RELATING TO APEC CHANGES OR TO INFLUENCES THAT MAY HAVE EFFECTED CHANGE

Late 1960s

The concept of a Pacific Free-Trade Area (PAFTA) was advanced (but not implemented).

April 1966

The first Southeast Asian Ministerial Conference for Economic Development was held.

August 1967

The Association of Southeast Asian Nations (ASEAN) was formed.

May 1968

The Pacific Basin Economic Council (PBEC) was established.

1970s

The concept of an Organisation for Pacific Trade and Development (OPTD), a Pacific version of the Organisation for Economic Cooperation and Development, was advanced (but not implemented).

February 1980

The Pacific Economic Cooperation Council (PECC) was established and continues to function.

January 1989

Prime Minister Robert Hawke of Australia proposed the formation of a consultative system for the Asia-Pacific region, later to be called APEC.

November 1989

APEC was established at its first Ministerial Meeting in Canberra. The 12 founding members are ***Australia, Brunei Darussalam, Canada, Indonesia, Japan, Malaysia, New Zealand, the Philippines, Singapore, Republic of Korea, Thailand and the United States.***

November 1989 (9th)

The Berlin Wall was removed.

July 1990

APEC's second Ministerial Meeting was held in Singapore.

December 1990

The concept of an East Asian Economic Group (EAEG) was advanced (but not implemented).

October 1991

ASEAN reached agreement on creating the East Asian Economic Caucus (EAEC).

November 1991

APEC's third Ministerial Meeting was held in Seoul, and the ***People's Republic of China, Hong Kong, and Chinese Taipei*** became members, bringing membership

to 15. With the membership of Hong Kong and Chinese Taipei, APEC members were known officially as “member economics” rather than “member states”. The meeting issued the Seoul APEC Declaration, which spelled out APEC's principles and objectives.

End of 1991

The USSR ceased to exist as a nation.

January 1992

Agreement was reached among ASEAN members to establish the ASEAN Free-Trade Area (AFTA).

August 1992

Negotiations over the North American Free-Trade Agreement (NAFTA) reached a settlement.

September 1992

APEC's fourth Ministerial Meeting was held in Bangkok. Agreement was reached on setting up a secretariat (Singapore) and introducing a budget system.

End of 1993

The World Trade Organisation (WTO) was founded by the Final Act that concluded the Uruguay Round of (1986-1994) of multilateral negotiations under the General Agreement on Tariffs and Trade (GATT) of 1947, which it superseded, and was given the task of administering and policing the 28 free-trade agreements in the Final Act. It also oversees world trade practices, and adjudicates on trade disputes referred to it by member states. It did not begin operation until 1 January 1995,

November 1993

APEC's fifth Ministerial Meeting was held in Seattle, together with the first Economic Leaders Meeting, and **Mexico and Papua New Guinea** become members, bringing the membership to 17. The meeting issued a declaration on an APEC Trade and Investment Framework. The Committee on Trade and Investment was established and a report was submitted by the Eminent Persons Group.

November 1994

APEC's sixth Ministerial Meeting and the second Leader's Meeting was held in Bogor (Indonesia) at which time **Chile** became a member, bringing membership to 18. The Economic Leaders Meeting agreed to the goal of achieving free and open trade and investment in the region by 2020.

July 1997

A financial crisis began in Thailand and subsequently became a currency crisis with contagion effects, both financial and economic, that had an impact on other East Asian economies, especially the Republic of Korea, Indonesia and the Philippines.

November 1998

APEC's 10th Ministerial Meeting and the sixth Leader's Summit was held in Huala Lumpur, at which time **Peru, Russia and Viet Nam** became members, bringing membership to 21.

March 2006

The meeting of Senior Officials in Hanoi agreed that APEC reform should be structured around three broad but related themes: (a) improving operational

efficiency, (b) promoting operation linkages and (c) enhancing operational dynamism.

GLOSSARY

ABAC

APEC Business Advisory Council. It was established by the Economic Leaders in November 1995 in response to a call for a private sector body that could advise the Leaders on matters of primary importance to business in the region. It is considered to be part of APEC, but has a separate secretariat in Manila. More details from: <http://www.abaonline.org>

A-P Architecture

Asia Pacific multilateral institutions and their respective structures.

AMF

Asian Monetary Fund. It was proposed, but never established. A number of Asian countries sought to create a separate monetary fund devoted exclusively to the Asian region following the difficulties experienced with the somewhat painful recovery from the financial crisis that affected much of the region in the second half of 1997 and into 1998. Some (perhaps many) of these nations believed that the response of the International Monetary Fund (IMF) was inadequate and insufficiently informed to lead to a speedy resolution of the problem.

APEC

Asia Pacific Economic Cooperation. This is sometimes followed by the word “forum” (in lower case) but official documents now contain only the Italicised phrase above. Refer to “Dates” in the first part of the Annex for member economies.

APT

ASEAN Plus Three. It became functional in 1999. The three added to ASEAN membership at that time were China, Japan and Korea. The stated tasks consist of working toward (1) political and security cooperation, and (2) economic, trade and financial cooperation. It also seeks to achieve bilateral trading arrangements referred to as the “Chiang Mai Initiative”.

ARF

Asian Regional Forum. Established in 1994 and now has 24 members (ASEAN 10, China, Japan, South Korea, North Korea, India, Mongolia, Russia, the US, Canada, Australia, New Zealand, Papua New Guinea, EU and Pakistan). Main function relates to multilateral security dialogue, with cooperation in confidence building, nuclear non-proliferation, peace keeping and exchange of non-confidential information.

ASEAN

Association of Southeast Asian Nations. It currently has 10 member nations consisting of Brunei Darussalam, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand and Viet Nam

Asia

The word “asia” is probably derived from the Assyrian word meaning “east”, but was used as a name by the Ancient Greeks. In mythology it was a sea-nymph and the daughter of Oceanus and Tethys. The continent of Asia is said to be named after her,

but to the Ancient Greeks, and the Romans, the continent consisted of what is now called Asia Minor.

Bogor Goals

Declaration of Common Resolve (1994). This was issued at the Bogor meeting and had the effect of adding the objective of strengthening the open multilateral trading system to the APEC “pillars” described below under TILF and ECONTECH. It also contained the goal of achieving “free and open trade and investment no later than the year 2020”. Not surprisingly, this last goal attracted much attention. (See also “Pathfinder Approach”.)

CMI

Chiang Mai Initiative. This was one of the main features of APT and arose when the attempt to establish an Asian Monetary Fund (AMF) failed. The resulting initiative set up, among other things, a network of bilateral swap arrangements for currencies.

EAEC

East Asia Economic Caucus. It was proposed in 1990 by the Malaysian Prime Minister at that time (Mahathir) as an “Asians only” alternative to APEC.

EAS

East Asian Summit. Established in 2005 with 16 members consisting of ASEAN + 3 (China, Japan and Korea) + 3 more (Australia, India and New Zealand). The principal goal is to achieve a dialogue on broadly defined strategic, political and economic issues with a view to promoting peace, stability and economic prosperity in East Asia.

East Asia Sub-region

Conventional geographic designations specify that East Asia consists of the People’s Republic of China; Hong Kong, China; Republic of Korea; Mongolia; and Taipei, China. Common usage (and the one adopted in the paper) is moving toward a different classification of those three countries and two economies into a sub-region called Northeast Asia, and then combined with Southeast Asia to form the East Asian region. Other regions located in the Asian continent are then: Central Asia (including Armenia, Azerbaijan, Kazakhstan, Kyrgyz Republic, Tajikistan, Turkmenistan and Uzbekistan) and South Asia (including Afghanistan, Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan and Sri Lanka. The absence of natural boundaries, such as rivers or mountains, to separate the continent into clearly delineated regions and sub-regions has created arbitrary classifications that change over time with usage.

EVS

Economic Vision Statement. This refers to the statement issued in Blake Island (near Seattle) in 1993, which gave a central place to the concept of “a community of Asia Pacific economies” and indicated a desire for a balanced emphasis on the reduction of barriers to trade and investment (including behind-the-border barriers) and cooperative endeavours in a variety of fields including education and training..

EVSL

Early Voluntary Sectoral Liberalisation. This arose at the APEC meeting in Vancouver in 1997. Fifteen trade sectors were highlighted for a concerted effort to achieve liberalisation before the time set by the Bogor goals.

ECONTECH

Economic and Technical Cooperation. This is considered to be third “pillar” of APEC. Refer to TILF below for the first two.

Fora

The practice of using the Latin plural (-a) for words, such as forum, having (-um) as the singular form, has been remarkably consistent in documents and communications issued by APEC.

Pathfinder Approach

Refers to cooperative endeavours that commence with meetings or forums among members who are willing to participate actively in the endeavours, with others joining at a later date.

PECC

Pacific Economic Cooperation Council. The first meeting was held in Canberra in September 1980 at the initiative of Mr Masayoshi Ohira and Mr Malcolm Fraser, then Prime Ministers of Japan and Australia respectively. The first meeting was called the Pacific Community Seminar. It is a “tripartite partnership of senior individuals from business and industry, government, academic and other intellectual circles”.
<http://www.pecc.org>

TILF

Trade and Investment Liberalisation and Business Facilitation. This was originally used as facilitation relating specifically to trade and investment liberalisation, but has subsequently been broadened. These are considered to be two “pillars” of ASEAN, with the third being ECONTECH (see above).