

CHAPTER 2

ASIA PACIFIC ECONOMIC COOPERATION: FROM IDEA TO 2020 VISION

The concept of Asia Pacific cooperation

2.1 The idea of an Asia Pacific community that would encourage economic development in the region had been taking shape for many years prior to 1989. The concept emerged in the mid-1960s and slowly gained acceptance, mainly in the academic and business world, throughout the 1970s. By the late 1980s, it had taken hold and was waiting to be put into action.

2.2 In this introductory chapter, the Committee looks at the evolution of the notion of Asia Pacific economic cooperation and its gradual transformation from a broad, ill-defined concept into an active and ambitious organisation striving to promote the interests of economies in the Asia Pacific region.

2.3 In 1967, the Japanese Foreign Minister, Mr Takeo Miki, put forward an idea for a Pacific free trade area. The interest generated by this proposal led to the inauguration of the Pacific Trade and Development (PAFTAD) Conference which comprised academic economists and government officials in their private capacity. Although they rejected the notion of a free trade zone, they nonetheless could see the need for 'institutional innovation and policy initiatives directed towards the broad objectives of extending and securing Asian-Pacific economic cooperation'.¹ The PAFTAD conference series kept the debate on a Pacific economic community alive and continued to involve a wider group of policy-oriented economists in developing the theme of Pacific economic cooperation.

2.4 Also in 1967, a group of Japanese and Australian business leaders founded the Pacific Basin Economic Council (PBEC). A non-governmental organisation of senior business executives, PBEC was the first multilateral group established in the region 'at a time when there were no formal structures in place to coordinate and promote economic cooperation between economies in the Pacific region'. The Council sought to foster cooperation and to facilitate social progress throughout the Pacific.² Since that time, PBEC has consistently and effectively worked throughout the Asia Pacific area to promote closer cooperation among governments of the region so they can

1 P. Drysdale and H. Patrick, 'An Asian-Pacific Regional Economic Organisation', extract from paper prepared for the Committee on Foreign Relations, United States Senate, reprinted in *Pacific Economic Cooperation*, J.Crawford, ed., Heinemann Educational Books (Asia) Ltd., Petaling Jaya, 1981, pp. 63–82.

2 H. Soesastro, 'Institutional Aspects of Pacific Economic Cooperation', *Pacific Economic Cooperation: the Next Phase*, H. Soesastro and Han Sung-joo (eds), Centre for Strategic and International Studies, Jakarta, 1983, p. 19.

better manage, through the creation of open markets, the regulation and control of trade and investment.³

2.5 In 1973, the Australian Senate Standing Committee on Foreign Affairs and Defence, in its report on Japan, commended the activities of PBEC but wanted established ‘a more formal association between governments—but not exclusively so—with a broader scope of activities and one which embraces the developed and less developed countries of the Pacific’.⁴

2.6 Sir John Crawford and Dr Saburo Okita presented a report in 1976 to the Governments of Australia and Japan. In their report, based on research undertaken by the Australia, Japan, and Western Pacific Economic Relations Project, they recommended that:

Japan and Australia should co-operate with developing nations in the region to promote economic development, consistent with their long term aspirations, and to work for the upgrading and diversification of the economic structures of neighbouring economies in the Western Pacific Region including the establishment of an efficient network of intra-industry specialisation and trade throughout the region.⁵

2.7 The call for inter-governmental cooperation among Pacific countries on economic matters grew louder and more persistent as the 1980s approached. Peter Drysdale and Hugh Patrick, in a paper prepared for the Committee on Foreign Relations for the United States Senate, detailed the strengthening of Japan’s industrial power, the significant trade and industrial growth achieved by the developing economies of North East and South East Asia and the trend toward slower growth in Western Europe.

2.8 In noting the emergence of Pacific economic interdependence and the shift of world economic power towards Asia and the Pacific, Drysdale and Patrick suggested that the United States should consider a new focus in their economic policy and a new framework for dealing with Pacific economies.⁶

2.9 In January 1980, the Japanese Prime Minister, Mr Masayoshi Ohira, and the Australian Prime Minister, Mr Malcolm Fraser, agreed to the convening of a non-governmental seminar to examine the idea of a Pacific community. Representatives from the business community and government officials, acting in a private capacity,

3 Pacific Basin Economic Council, *Business Issues for APEC*, October 1995. PBEC has a membership of more than 1,200 corporate members in 20 economies throughout the Pacific region. G.L.Tooker, opening speech, 30th Annual IGM, 19 May 1997, <http://www.pbec.org/opening.htm> (5 August 1997).

4 Senate Standing Committee on Foreign Affairs and Defence, *Report on Japan*, Parliamentary Paper No. 2, 1973.

5 J. Crawford and Saburo Okita, Australia, Japan and the Western Pacific Economic Relations, *A Report to the Governments of Australia and Japan*, AGPS, Canberra, 1976, p. 5.

6 P. Drysdale and H. Patrick, 1981, op.cit., pp. 64–65, 71.

attended from the five ASEAN countries (Indonesia, Malaysia, the Philippines, Singapore and Thailand) and Australia, Canada, Japan, New Zealand, South Korea and the United States.⁷

2.10 The conference noted that the vigorous economic growth in the region together with the trend towards greater economic interdependence and the increasing significance of the region in global terms supported the idea of a Pacific community. It feared, however, that this emerging sense of community could be undermined in the 1980s by the growing tendency toward protectionist pressures in many countries; increased competition in international trade; a trend towards regionalism in other parts of the world; and problems with access to resources. Participants agreed that the concept of Pacific Basin cooperation held sufficient promise of substantial and mutual advantages to the countries of the Pacific region that efforts should be made to ‘translate this concept into practical realities’.⁸

2.11 The Pacific Economic Cooperation Council (PECC), an institution bringing together in a tripartite partnership academics, businessmen and governmental officials in their private capacities, grew out of this conference. Since its inception, PECC has assumed a major role in fostering regional awareness and in cultivating an appreciation of the region’s economic interdependence.

2.12 During the 1980s, the multilateral trading system came under sustained pressure:

- there had been an increase in the use of non-tariff measures and domestic trade distorting practices;
- doubts were mounting about the prospects of continued global trade liberalisation; and
- there were serious concerns about the drift toward protectionist sentiments and trading blocs.

2.13 Tensions were rising between the United States and Japan over bilateral trade and payments imbalances and the region needed ‘to meet the challenge of managing the emergence of China with its partially reformed centrally planned system, and uncertainties related to the possibility of a “fortress Europe” after 1992’.⁹

2.14 The idea of a Pacific cooperation forum, which had been maturing for decades, was ready for serious consideration. Countries in the region began to realise

7 Preface, *Pacific Economic Co-operation*, J. Crawford, ed., Heinemann Educational Books (Asia) Ltd., Petaling Jaya, 1981.

8 Dr Snoh Unakul, *Pacific Economic Co-operation*, J. Crawford, ed., Heinemann Educational Books (Asia) Ltd., Petaling Jaya, 1981, p. 18.

9 Background Paper by Australia, ‘Asia Pacific Economic Cooperation Global Trade Liberalisation’, APEC Ministerial-level Meeting, Canberra 6–7 November 1989, Documentation, Department of Foreign Affairs and Trade, Canberra, 1989.

that they had common interests that could be better served through greater consultation and cooperation. Developed and developing economies within the region recognised that the formulation and development of a more formal framework of international economic policy with an outward-looking focus would improve their opportunities for growth that would reap benefits for all in the region. They also began to appreciate that together they could raise a stronger voice in global forums, such as the General Agreement on Tariffs and Trade (GATT), to achieve their shared objectives.

2.15 In 1988, the then United States Secretary of State, Mr George Shultz, advocated the establishment of an inter-governmental forum for enhanced cooperation in the areas of education, communications and energy. In December of that year, United States Senator Bradley proposed a meeting of eight Pacific nations for joint action to promote common economic benefits, such as the success of the Uruguay Round negotiations. But it was the initiative taken by the Australian Prime Minister, Mr Bob Hawke, which was the main impetus for APEC's formation.

The idea of Asia Pacific cooperation takes form

2.16 At this time, the Australian Government had decided that the pursuit of Australia's international commercial interests was 'now a major foreign policy objective'.¹⁰ It recognised that the prosperity of the country would be best preserved and enhanced through the greater enmeshment of 'a diversified, productive, efficient competitive Australia' in the Asia Pacific region.¹¹

2.17 In an address to the Korean Business Association on 31 January 1989, Mr Hawke observed that the growth of all the dynamically performing nations of the region depended, in a large measure, on their capacity to take advantage of a relatively open and non-discriminatory international trading system. But he warned of serious cracks appearing in the global trading system that would influence the future health of the region and the world, such as:

- the bilateral trade pressures associated with the significant trade imbalances between a number of regional countries and the United States;
- the trend towards the formation of bilateral or regional trading arrangements which could undermine a multilateral trading system; and
- fundamental tensions within the GATT framework of multilateral trade.

2.18 Mr Hawke proposed a meeting of regional countries that would explore the possibility of creating a more formal inter-governmental forum for regional cooperation. In doing so, he stressed that his support for such an institution must not be seen as an attempt to establish a Pacific trading bloc but rather as a means to

10 The Hon R. J. Hawke, MP, Debates, House of Representatives, 2 March 1989, p. 340.

11 *ibid.*

reinforce the GATT system. The Australian Government did not intend the proposed conference to be a 'talk-shop'; it was to provide an opportunity for constructive discussions that would identify common interests and help develop strategies based on shared assessment.¹²

2.19 An intense period of diplomatic activity followed. Mr Richard Woolcott, as Australia's special envoy, conducted extensive consultations in his visits to the various capitals in the region to lobby support for an inter-governmental forum for the Asia Pacific region. One of his more sensitive and successful tasks was to reassure ASEAN members that the establishment of a wider regional organisation would not undermine the effectiveness or weaken the cohesion of their association. This exercise of 'niche diplomacy' culminated in an agreement by twelve countries in the Asia Pacific region to meet in Canberra.

2.20 Within Australia this proposal for an economic regional forum had political bipartisan support. The then Opposition acknowledged that the strengthening of Australian ties with the open economies of the Pacific Basin was of great importance to Australia's future and it publicly endorsed Mr Hawke's initiative.¹³

Canberra, 1989—APEC is born

2.21 On 6 and 7 November 1989, 26 Ministers from twelve regional economies namely: Australia, Brunei Darussalam, Canada, Indonesia, Japan, the Republic of Korea, Malaysia, New Zealand, the Philippines, Singapore, Thailand and the United States gathered in Canberra to discuss how to advance Asia Pacific economic cooperation. This was the first time that countries from the Pacific Basin had met as a regional group to discuss their shared economic future. By participating in the meeting, these countries, despite the diversity in language, culture, creed, history and economic development, demonstrated a willingness to come together in pursuit of common objectives and to take steps to promote the interests of their region.

2.22 The meeting recognised that a strong and open multilateral trading system was essential to the economic growth and development in the Asia-Pacific region. Ministers acknowledged that the GATT Uruguay Round offered the principal and most immediate and practical opportunity for them to reinforce and further liberalise the global trading system. Finally, Ministers agreed that they should maintain close consultation within the region to help bring about a positive outcome to the Round.

2.23 As part of the consensus-building process, Ministers accepted that the fundamental principles underpinning Asia Pacific economic cooperation should:

- recognise the diversity of the region, including the differing social and economic systems and current levels of development;

12 The Hon R. J. Hawke, MP, Speech, Luncheon of Korean Business Associates, 31 January 1989.

13 Debates, House of Representatives, 2 March 1989, p. 346.

- involve a commitment to open dialogue and consensus, with equal respect for the views of all partners;
- strive to strengthen the open multilateral trading system—it should not involve the formation of a trading bloc; and
- complement and draw upon organisations in the region, including formal inter-governmental bodies such as ASEAN and less formal consultative bodies such as the Pacific Economic Cooperation Council (PECC).¹⁴

2.24 Ministers appreciated that, if cooperation were to produce tangible benefits, they needed to move beyond general agreement on broad principles. They identified four areas where specific programs could be implemented—economic studies; trade liberalisation; investment, technology transfer and human resource development; and sectoral cooperation. Work in these areas would allow a more systematic assessment of common interests. Their intention was to put in place viable short to medium-term work programs that would be reviewed at the next Ministerial-level meeting.¹⁵

2.25 Ministers agreed that it was too early to decide on any particular structure either for a Ministerial-level forum or its support mechanism but that further consultative meetings should be held and work should proceed on matters of common concern. They welcomed Singapore's offer to host a second ministerial-level consultative meeting in mid-1990.

1990—Reaffirmation of APEC's general principles and objectives

2.26 At the second Ministers' Meeting, held in Singapore in July 1990, Ministers reiterated the general principles adopted in Canberra.

2.27 In their clearest statement of objectives, they announced that their primary goal for the year was to ensure a successful conclusion to the Uruguay Round. They maintained that, following the completion of this Round, an on-going central theme of APEC would be the promotion of a more open trading system. While acknowledging the importance of reducing trade barriers in goods and services in the region, Ministers agreed that any such liberalisation should be consistent with GATT principles.

2.28 In reviewing the progress of the work projects, Ministers formally endorsed them as concrete areas for closer cooperation and expressed satisfaction with their progress. Each work project was managed by a group of APEC members, or a single member, called a shepherd. A number of shepherds' meetings and work group meetings had already been held in various APEC countries. The seven projects were:

14 Summary by Chairman, Senator the Hon Gareth Evans, APEC Ministerial-level Meeting, Canberra, 6–7 November 1989, Documentation, Department of Foreign Affairs and Trade, Canberra, 1989.

15 Summary by Chairman, Senator the Hon Gareth Evans, APEC Ministerial-level Meeting, Canberra, 6–7 November 1989, Documentation, Department of Foreign Affairs and Trade, Canberra, 1989.

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- Review of Trade and Investment Data
 - Trade Promotion: Programmes and Mechanisms for Cooperation
 - Expansion of Investment and Technology Transfer in the Asia Pacific Region
 - Asia Pacific Multilateral Resource Development Initiative
 - Region Energy Cooperation
 - Marine Resource Conservation: Problem of Marine Pollution in the APEC Region
 - Telecommunications.

2.29 Finally, Ministers accepted that APEC should be made up of economies with substantial economic linkages in the Asia Pacific region but decided to keep the question of additional members under review. They agreed that it was desirable for the three economies of the People's Republic of China, Taiwan and Hong Kong to participate in future meetings.

1991—APEC: ‘an international personality’

2.30 From APEC's inception, most participants shared the basic understanding that it would be an informal consensus-building forum, sensitive to the cultural, political and economic diversity among its members. They appreciated that APEC needed to cultivate a spirit of cooperation: that people in the region had to become accustomed to the idea of a Pacific community before major advances in cooperation could be made. Since 1989, APEC had been proceeding step by slow but steady step to build Asia Pacific economic cooperation.

2.31 The Ministers' Meeting in Seoul in November 1991 represented a major stride forward. The People's Republic of China, Hong Kong and Chinese Taipei, through the brokerage of Korea, had reached an understanding enabling them to participate in APEC. This was the first international meeting at which Taiwanese representatives using Ministerial titles had sat at the same table as Ministers from China. The admission of the three Chinese economies, increased APEC's economic significance substantially. APEC now accounted for half of the world's GDP and 40 per cent of world trade.

2.32 At this meeting, Ministers endorsed the recommendation of the Senior Officials to establish three additional work projects covering fisheries, transportation and tourism and directed them to pursue vigorously their development. They reiterated forcefully their resolve to see a successful conclusion of the Uruguay Round pledging to instruct their representatives to the Round ‘to return to the negotiating table with

renewed vigour, and to work with each other and their trading partners outside the region to produce a bold and forward-looking result'.¹⁶

2.33 APEC Ministers, who had for two years been deliberating on the principles that should underpin their organisation and the direction it should take, issued a strong declaration of objectives. The objectives as set out in the Seoul Declaration were:

- a) to sustain the growth and development of the region for the common good of its people and, in this way, to contribute to the growth and development of the world economy;
- b) to enhance the positive gains, both for the region and the world economy, resulting from increasing economic interdependence, including by encouraging the flow of goods, services, capital and technology;
- c) to develop and strengthen the open multilateral trading system in the interest of Asia-Pacific and all other economies; and
- d) to reduce barriers to trade in goods and services and investment among participants in a manner consistent with GATT principles, where applicable, and without detriment to other economies.

2.34 Moreover, Ministers reaffirmed their commitment to open dialogue and consensus-building, with equal respect for the views of all participants.¹⁷ This meeting defined APEC's purpose and 'endowed it with a clear international personality'.¹⁸

1992—in search of a vision

2.35 In early 1992, the Australian Prime Minister, Mr Bob Hawke, observed: 'APEC is now a healthy, practically-orientated body whose substantial work program is building a wide-ranging network of official co-operation on these important matters and a growing consensus on the necessity for a small permanent secretariat.'¹⁹

2.36 This confidence in APEC's development was also evident at the Ministers' Meeting in Bangkok in September 1992. As the work projects continued to make progress, Ministers were able to consider in greater detail the practical implementation of the various projects. For example, they directed their Senior Officials to implement proposals to establish, subject to a feasibility study, an electronic tariff data base for APEC members to facilitate regional trade through better information flows.

16 APEC, *Selected Documents, 1989–1994*, p. 65.

17 APEC, Seoul APEC Declaration, *Selected Documents, 1989–1994*, pp. 62–3.

18 R. Woolcott, Address to the Sydney Institute, 29 November 1991, *Backgrounder*, vol. 2, no. 21, 6 December 1991, pp. 2–7.

19 The Hon R. J. Hawke MP, 'APEC or regional agreements—the real implication', *Australian Quarterly*, vol. 64, no. 4, Summer 1992, pp. 339–49.

2.37 The Ministers also restated their determination to pursue the objectives of APEC as detailed in the Seoul Declaration issued the previous year. In regard to the Uruguay Round, they renewed APEC's 'unwavering commitment' to achieving a successful conclusion of the Round in order to strengthen the international trading system.

2.38 Ministers agreed that it was timely and appropriate to set up a small secretariat as an effective support mechanism to facilitate and coordinate APEC activities. The secretariat would provide logistical and technical services as well as administer APEC's financial affairs under the direction of the APEC Senior Officials. A fund was to be established to cover APEC administrative and operational costs. APEC members were to contribute to this fund on a proportional basis to be determined by Ministers. The opening of the permanent secretariat in Singapore in February 1993 marked a significant step toward the institutionalisation of APEC and signalled a very definite commitment by its members to ensure its effectiveness as an organisation.²⁰

2.39 In addition, Ministers agreed that a small Eminent Persons Group (EPG) should be established to articulate a vision for trade in the Asia Pacific region to the year 2000. This group would also identify constraints and issues that APEC should consider and would report initially to the next ministerial-level meeting in 1993.

2.40 Aware of the benefits to be gained from private sector involvement in APEC, Ministers requested Senior Officials to determine how to include the private sector more effectively in the activities of the work projects. The establishment of the permanent secretariat would facilitate communication and help coordination between APEC and the business community. Indeed, establishing closer ties between business and APEC groups would build on a relationship that had already produced results—for example, the detailed discussions on the possible advantages of a region-wide investment code by PECC's Trade Policy Forum had helped to place investment matters firmly on APEC's agenda. PECC welcomed APEC's approach to involving business in APEC and suggested that the sharing of information and practical knowledge about trade and investment allows for 'private sector inputs to regional cooperation at a substantive, rather than rhetorical, level'.²¹

2.41 The establishment of the EPG was also likely to attract greater input from the private sector. The majority of members of the EPG had been associated closely with

20 According to Ambassador Timothy Hannah, Executive Director of APEC Secretariat (1999), the Secretariat is the core support mechanism for the APEC process. It has grown and now in 1999 has a staff of 23 seconded from Foreign and Trade ministries from 18 member economies and the same number of Singaporean staff. It provides coordination, technical, advisory support to the Chair and the 250 or so meetings of different APEC working groups and other fora held annually; it maintains a large database of information on APEC activities, assists member economies in formulating APEC's economic and technical cooperation projects (currently about 258) and their finances. See Ambassador Timothy Hannah, 'The Role of APEC in the Asia-Pacific Region', lecture at Foreign Affairs College, 21 June 1999, Beijing, <http://www1.apecsec.org.sg/whatsnew/speeches/speech11.html> (30 July 1999)

21 Australian Pacific Economic Cooperation Committee, *Sixth Report to the Australian Government*, 1992.

the development of PECC and they could draw on this experience and their network in the business community to develop a series of pragmatic steps to achieve trade liberalisation objectives. PECC was one of the three observer organisations at APEC meetings and the only non-governmental body to have that status.²²

1993—the Leaders’ Summit and political horsepower

2.42 The EPG presented their report to APEC Ministers in October 1993. They urged APEC members to accelerate and expand cooperation to counter the forces that threatened the region’s continued vitality. The EPG identified three main dangers to the region’s economic growth:

- the erosion of the multilateral global trading system;
- the trend toward inward-looking regionalism; and
- the risk of fragmentation in the region.

To enhance economic activity in the region, the EPG recommended that APEC:

- set a goal of free trade in the Asia Pacific to help realise the full economic potential of the region;
- pursue an active program of regional trade liberalisation;
- reach an agreement in 1996 on a target date and timetable for the achievement of free trade in the region; and
- commence immediately an extensive series of APEC trade and investment facilitation programs, such as the adoption of an Asia Pacific Investment Code, an effective dispute settlement mechanism and mutual recognition of product standards that would be reviewed at the annual Ministerial meetings.

2.43 In placing APEC in the broader economic system, the EPG recognised that APEC members had a vital interest in the well being and openness of the global economy. They recommended that APEC’s goal of regional free trade should be pursued to the greatest possible extent through multilateral liberalisation and that APEC should work toward achieving the successful conclusion of the Uruguay Round by 1993. Mr William Bodde, APEC’s first executive director, wrote that the task of EPG ‘was to point out the stars that APEC could use to navigate into the twenty-first century’. He remarked, however, that in plotting the way forward the EPG had been a little too daring for some of the Ministers.²³

2.44 From 17 to 19 November 1993, APEC Ministers met in Seattle. Since 1989, they had been calling for a successful conclusion to the Uruguay Round. Year after

22 See para 1.10 for more information on the Pacific Economic Cooperation Council.

23 W. Bodde Jr., *View from the 19th Floor*, Institute of South East Asian Studies, Singapore, p. 37.

year, Ministers had asserted their determination to develop APEC's global role as an outward-looking forum working through consultation and by consensus to reinforce the multilateral trading system. A stern note of resolve stamped their declaration on the Uruguay Round in which they stated that the time for pledges and commitments had long past and they called for urgent action to complete successfully the Uruguay Round. They declared:

...as the most economically powerful and dynamic region in the world representing nearly 40% of the world's population and 40% of world trade, we collectively are determined to assure that the Round succeeds by helping to forge the necessary consensus in Geneva.

They challenged participants in the Uruguay Round to improve their market access and announced that APEC members were prepared to take the lead by offering to eliminate, reduce or harmonise tariff and non-tariff barriers in particular sectors.

2.45 The Seattle meeting moved closer to establishing a formal framework for trade and investment in the region with their approval of the creation of the Committee on Trade and Investment (CTI) and its far reaching work programme. The meeting also agreed to admit Mexico and Papua New Guinea as members in 1993 and Chile the following year. It took the position, however, to defer consideration of additional members for three years.²⁴

2.46 At this time, the Ministerial-level meeting was the highest level policy-making body of APEC. In April 1992, the Australian Prime Minister, Mr Paul Keating, sought to change this arrangement. He wrote to President Suharto of Indonesia about the possibility of holding periodic Asia-Pacific heads of government meetings based on APEC membership. President Suharto and later the American President, Mr George Bush, quietly endorsed the proposal.²⁵ Mr Keating believed that such high-level gatherings would inject some political horsepower into APEC.²⁶ He was convinced that unless APEC could draw on the executive authority of national leaders it would 'remain a modest and essentially peripheral organisation'.²⁷ Six months later, he explained to the Japanese Prime Minister, Mr Miyazawa, that heads of government meetings would add political weight and status to the APEC process.²⁸

2.47 It was the newly-elected American President, Mr Bill Clinton, however, who acted upon Mr Keating's proposal when he invited APEC leaders to attend an informal get together which was intended to promote a free exchange of views on regional and world economic development. The meeting was to be held at Blake

24 APEC, *Selected Documents*, pp. 87, 93.

25 The Hon P. J. Keating MP, House of Representatives Debates, 7 May 1992, p. 2631.

26 The Hon P. J. Keating MP, Address to the Chinese Chamber of Commerce, Perth, 15 February 1995.

27 The Hon P. J. Keating MP, Lecture 'Australia, Asia and the new regionalism', Singapore, 17 January 1996.

28 The Hon P. J. Keating MP, House of Representatives Debates, 13 October 1992, p. 2002.

Island immediately following the Ministers' Meeting in Seattle. The Malaysian Prime Minister, Dr Mahathir Mohamad, declined to attend.

2.48 At Blake Island, the Leaders, who met without officials and without a formal agenda, took a number of initiatives which endorsed the principles and objectives set down by their Ministers. This meeting not only complemented the Ministers' Meeting but, as predicted by Mr Keating, it gave APEC greater international credibility and authority. At the meeting the Leaders pledged:

- to bring the Uruguay Round to a successful conclusion by the deadline of 15 December;
- to deepen and broaden the outcome of the Uruguay Round by strengthening trade and investment liberalisation in the region and facilitating regional cooperation;
- to encourage the further development of business networks throughout the region; and
- to nurture APEC's spirit of community.

2.49 As a more practical and concrete step toward forging closer links with business, APEC Leaders agreed to the establishment of a Pacific Business Forum (PBF). This forum would draw on the experience and advice of business people in the region to determine ways in which APEC could facilitate regional trade and investment and promote the further development of business networks.²⁹ It held its first meeting in Singapore in June 1994 and became the 'major business conduit into APEC'.³⁰ Although the members came from diverse economies, they shared the same philosophy, 'of doing business better, faster and more effectively'.³¹

2.50 The united front conveyed in the Ministers' report and the Leaders' joint statement, masked underlying tensions in APEC. The prolonged and unresolved Uruguay Round of multilateral trade negotiations created uncertainties in the region. The formation of regional arrangements including the European Community and the North American Free Trade Agreement warned of a drift toward preferential trading blocs centred on Europe, North America and East Asia.³² The Malaysian Prime Minister, Dr Mahathir, in particular, was troubled by the possibility of APEC transforming into a trading bloc. He maintained that the Leaders' Meeting at Blake

29 APEC, *Pacific Business Forum Report*, 15 October 1994.

30 Senate Debates, 23 June 1994, p. 1955.

31 Members of the Pacific Business Forum to President Soeharto, Chairman, Asia Pacific Economic Cooperation, 15 October 1994, APEC, Report of the Pacific Business Forum, *A Blueprint for APEC*, October 1994. The Australian representatives were: Philip Brass, Managing Director, Pacific Dunlop Ltd. and Imelda Roche, Managing Director/President, International, Nutri-Metics International Holdings Pty Ltd. Group.

32 Australian Pacific Economic Cooperation Committee, *Sixth Report to the Australian Government*, 1992.

Island would be counter-productive and that it had been convened only to create trade blocs and to take on Europe.³³

2.51 Indeed, in 1990, Dr Mahathir had proposed the formation of an East Asian trade group to counter the single market concept of the European Community and the North American Free Trade Area. He envisioned a formal grouping of East Asian countries that would facilitate consultation and consensus prior to negotiating with Europe or America or in multilateral fora such as GATT. He maintained:

We in East Asia must not form a trading bloc of our own. But we know that alone and singly we cannot stop the slide towards controlled and regulated international commerce...To stop the slide and to preserve free trade the countries of East Asia, which contain some of the most dynamic economies in the world today, must at least speak with one voice.³⁴

2.52 Australia and the United States strongly opposed the formation of an East Asian Economic Group or Caucus because of concerns that such an association might undercut the effectiveness of APEC. The likelihood of being excluded from such a regional economic grouping also worried Australia.³⁵

2.53 One of the central underlying fears of some APEC members—that the less developed economies would be overshadowed by the more dominant members—also came to the surface at this time. From APEC's inception, participants had agreed that APEC should be an informal consultative forum that would nurture the concept of an Asia Pacific community. For some, it seemed that APEC was now drawing away from its fundamental commitment to consensus-building. The Malaysian Minister for Trade and Industry maintained that 'APEC is slowly turning out to be what it wasn't supposed to be, meaning that APEC was constituted as a loose consultative forum'.³⁶ The leadership role taken by Mr Clinton in calling APEC leaders together at Blake Island heightened the anxieties of some of the less developed economies. Dr Mahathir insisted that; 'A true Pacific community cannot be built on the basis of hegemony and imperial command.'³⁷ Despite underlying anxieties, the Leaders' Meeting proceeded to quicken the pace of progress in APEC.

33 Article by Eric Ellis, *Australian Financial Review*, 19 November 1993.

34 Quote taken from Tan Kong Yam, Toh Mun Heng and Linda Low, 'ASEAN and Pacific Economic Co-operation', *ASEAN Economic Bulletin*, vol. 8, no. 3, March 1992, p. 326.

35 For more information on Dr Mahathir's proposal and EAEC see Chapter 9, 'Subregional Groupings—stepping Stones or Stumbling Blocks?', paras 8.77–84.

36 Quoted in Hadi Soesastro, 'ASEAN and APEC: do concentric circles work?', *The Pacific Review*, vol. 8, no. 3, 1995, pp. 483.

37 Mahathir Bin Mohamad, excerpts from keynote address at the 27th International General Meeting of the Pacific Basin Economic Council, Kuala Lumpur, 1994, <http://www.moshix2.net/APER/countries/malaysia/mohamad.htm> (5 August 1997).

1994—the 2020 Vision: the Bogor Declaration

2.54 The EPG presented its second report in August 1994, which recommended that APEC implement a trade liberalisation program which should be completed by 2020. The Group again urged APEC to pursue a trade facilitation and technical cooperation program and to create a dispute mediation service.

2.55 The newly-formed Pacific Business Forum (PBF) brought forward a number of recommendations designed to promote free trade. It recognised the importance of maintaining forward momentum and urged APEC to prove its worth by making substantive and practical progress towards a predictable trade and investment environment in the Asia Pacific region. It emphasised:

businesses will not, and cannot, wait for governments. Businesses will go where bureaucracy is minimal and procedures straightforward and transparent.³⁸

It emphasised that APEC must be pragmatic and achieve concrete results. Ambitiously, it recommended that:

- APEC economies should achieve free trade and investment liberalisation by 2002 for developed economies and no later than 2010 for all APEC members;
- APEC Leaders should as soon as possible adopt a policy of standstill on the introduction of new trade and investment barriers and incorporate the principles of a non-binding Asia Pacific Investment Code into domestic laws; and
- APEC economies should implement the Uruguay Round commitments, accelerate the fulfilment of these commitments and undertake further market opening measures beyond those of the Uruguay Round.

2.56 To facilitate business, it suggested, *inter alia*, that transparency in administrative systems, rules and regulations should be a priority; adoption of a common APEC customs code should be an important goal; and government practices and product standards that affect cross-border trade and investment should be harmonised.³⁹ The PBF also suggested that APEC continue to give priority to human resources development and to take measures to improve the government-business sector partnership.

2.57 Both the PBF and the EPG, with their close networks into the business community, were pushing for the implementation of practical, achievable measures that would bring about free and open trade and investment in the region and beyond.

2.58 At their meeting in Jakarta in November 1994, Ministers reaffirmed the important role of the private sector in APEC and noted that the reports of the EPG and

38 APEC, *Pacific Business Forum Report*, 15 October 1994, pp. i–ii.

39 APEC, *Pacific Business Forum Report*, 15 October 1994.

PBF would serve as valuable reference documents for future deliberations. They restated their commitment to achieve full implementation of the results of the Uruguay Round, which had finally concluded, and to continue to provide leadership for the early ratification of the agreement establishing the World Trade Organization (WTO), GATT's successor, so that it would come into operation as of 1 January 1995.⁴⁰ They also endorsed a set of non-binding investment principles.⁴¹

2.59 The Economic Leaders met in Bogor on 15 November 1994. In their Declaration of Common Resolve, they issued a forthright mission statement which spoke of an organisation with a clear understanding of its objectives; confident of its ability to work toward those goals and determined to realise them.

2.60 The Leaders noted the conclusion of the Uruguay Round and APEC's contribution to its success. They now agreed to carry out the Uruguay Round commitments fully and without delay and called on all participants in the Round to do the same. To place trade reform firmly on track, they decided to hasten the implementation of these commitments and to undertake work aimed at deepening and broadening the outcome of the Uruguay Round negotiations. Further, they agreed that they would try not to use measures that would result in increasing levels of protection. They called for the inauguration of the WTO and pledged to support it. Once again, they reaffirmed their commitment to achieving free and open trade and investment by further reducing barriers to trade and investment and by promoting the free flow of goods, services and capital among the region's economies.

2.61 In a bold move, the Leaders agreed to reach their objective of free and open trade in the Asia Pacific region by no later than the year 2020. The rate of implementation was to take account of the differing levels of economic development among the APEC members. The industrialised economies were to achieve free and open trade and investment no later than 2010 while developing economies were set a deadline of no later than 2020. Furthermore, the Leaders expressed their determination to pursue these goals in a way that would encourage and strengthen trade and investment in the world as a whole.

2.62 The Leaders also decided to complement and support the process of trade liberalisation by expanding and accelerating APEC's trade and investment facilitation programs. In particular, they asked Ministers and Officials to submit proposals on APEC arrangements on customs, standards, investment principles and administrative obstacles to market access. They invited their members to show leadership by agreeing that economies ready to initiate and implement a cooperative arrangement could proceed to do so, while those not yet prepared to participate might join at a later

40 APEC Secretariat, *Selected APEC Documents 1989–1994*, January–February 1995, pp. 107–8. The final act of the Uruguay Round and the Marrakesh Agreement Establishing the World Trading Organization were signed at the Marrakesh Ministerial Meeting in April 1994.

41 APEC Secretariat, *Selected APEC Documents 1989–1994*, January–February 1995, p. 117. For more information on the Non-Binding Investment Principles see Chapter 5, 'Trade and Investment Facilitation—the Costs of Doing Business', paras 5.68–75.

date. With less conviction, they agreed to examine the possibility of a voluntary consultative dispute mediation service.

2.63 To encourage APEC members to move decidedly toward the stated objectives of free and open trade by 2010/2020, the Leaders commissioned their Ministers and Officials to start immediately to prepare detailed plans for the implementation of these goals. Leaders directed that ‘the proposals are to be submitted soon to the APEC economic leaders for their consideration and subsequent decisions’. Proposals were to address all impediments to achieving their goal. They asked Ministers and Officials to consider seriously the recommendations contained in the reports of the EPG and PBF.

2.64 APEC had rolled up its sleeves. In this declaration, known as the Bogor Declaration, Leaders had fixed their focus on the goal of free trade; they had clearly defined their purpose; and set down a timetable for meeting their goals. They had moved from ‘a vision to a practical blueprint for action’.⁴² The Leaders concluded:

...we are determined to demonstrate APEC’s leadership in fostering further global trade and investment liberalisation...We will start our concerted liberalisation process from the very date of this statement.⁴³

2.65 The Bogor Declaration had set an ambitious agenda that challenged all APEC members to reduce trade barriers. Ministers in devising an action plan were also to address the less visible impediments to trade and investment such as the lack of international product standards and different customs procedures. APEC leaders wanted to see the elimination of procedures that waste time and resources and which generate uncertainties in business.

2.66 Participants in APEC realised that much detailed work on the trade liberalisation agenda remained to be done before they could settle on an agreed plan of action. The Bogor Declaration left unanswered questions as to whether free trade would apply to all products and to services and whether it meant zero or merely negligible tariffs. Some members balked at the hard and fast deadlines and the meaning of ‘open regionalism’ still awaited clarification. There was uncertainty about whether the action plans would impose any obligations.⁴⁴ The Malaysian Trade and Industry Minister, Rafidah Aziz, noted that ‘Anything that happens in APEC is non-binding’.⁴⁵ Clearly, there would be problems in building a durable consensus especially on these difficult matters.

42 See Warren Christopher, US Statement at the Seventh APEC Ministerial, 16 November 1995.

43 *Selected APEC Documents, 1989–1994*.

44 For example see, Article ‘Leaders dodge the details in APEC trade declaration, *Australian*, 21 November 1994; Article by Malcolm Booker, *Canberra Times*, 22 November 1994.

45 Article by Lindsay Murdoch, *Age*, 10 November 1994.

1995—Drawing up the template: the Osaka Action Agenda

2.67 The challenge now confronting APEC members was to translate commitment into action. The Bogor Declaration had taken APEC from a forum for consultation and cooperation to one charged with the task of overseeing the implementation of programs with clearly defined goals and set timetables. The next step was to draw up a comprehensive action plan that would see APEC economies realise the Bogor goals.

2.68 The Australian Government acknowledged that the fundamental challenge confronting APEC was for each member to develop an action agenda that would demonstrate its commitment to eliminating trade and investment barriers.⁴⁶ It understood that, while APEC members would move toward the Bogor goals, they would not necessarily take the same path. Each member had its own starting point and its particular capability for reform. It would set its own pace and priorities and, within the broader APEC framework, map out, in an Individual Action Plan, its own strategy for meeting the Bogor commitments of free trade and investment. The Australian Government intended its plan to address not only tariff reduction, but areas such as investment, non-tariff barriers, export subsidies and services.

2.69 In August 1995, the EPG presented its third, and what was to be its last, report to APEC. Again, it was a document rich in ideas and suggestions but its central proposal urged APEC to move promptly and decisively toward the implementation of measures that would see the Bogor Declaration realised.

2.70 In a similar vein, the PBF, in its 1995, report stated that the stage had been set for action. It stressed that APEC leaders must reach consensus in Osaka on how to proceed to 2010/2020 and that the implementation of their decisions must begin immediately thereafter.⁴⁷ It also recommended the establishment of a permanent business advisory forum to forge a successful partnership between APEC and the business community. The two main advisory bodies to APEC were insistent that APEC must give substance to the Bogor Declaration.

2.71 In November 1995, Press Secretary of the Japanese Ministry of Foreign Affairs, Mr Hiroshi Hashimoto, echoed the same sentiment. He announced that ‘APEC is now moving on from a stage of “visions” and “concepts” to that of “actual implementation of measures.” The APEC Osaka Meeting marks the start of the first Year of Action.’⁴⁸

2.72 But as the time for the Osaka meeting drew closer, a number of prickly issues came to the fore. The matter of comprehensiveness—of whether some sectors, such as agriculture, should be excluded from the Bogor liberalisation objective—was of

46 Australia’s APEC ambition: background paper, Senator Bob McMullan, Press Release, 27 June 1995.

47 APEC, Pacific Business Forum Report, 1995.

48 The Ministry of Foreign Affairs, Japan, APEC 1995 Osaka, Official Information, *Japan’s Views on APEC*, 15 November 1995.

particular concern to Australia. The Minister for Trade, Senator Bob McMullan, made plain Australia's position when he insisted that, 'it is vitally important that the action agenda we are currently developing to implement the APEC leaders' commitment to free trade and investment endorse the principle that there be no exceptions to the free trade and investment undertaking'.⁴⁹ Some APEC members, notably China, Japan, South Korea and Taiwan, were looking to dilute the general principle of comprehensiveness sought by Australia and the United States by excluding agriculture from the action agenda.⁵⁰ The second issue to be clarified was whether APEC liberalisation would be on a discriminatory and preferential basis or whether it would be on a non-discriminatory and open basis.

2.73 Indeed, Mr Hashimoto told journalists in Osaka that the principles of comprehensiveness, comparability and non-discrimination were the most difficult issues confronting APEC and he hoped they would be settled before the Ministerial Meeting.⁵¹ On the question of whether the action agenda would be binding on member economies, he offered the view that, while the action agenda, legally speaking, was not binding, it was binding politically.⁵²

2.74 During APEC's formative years, its primary focus had always been on trade and economics. Some people, however, now saw it as an ideal vehicle to advance other causes. In October 1995, the issue of the inclusion of social clauses on the APEC agenda and the establishment of an APEC body to address labour conditions, environmental safeguards and the social consequences of APEC agreements was raised. The then Australian Minister for Trade, Senator McMullan, reminded the Senate that APEC worked on the basis of shared commitment and coordinated voluntary actions by its members. Nevertheless, he stated that issues such as labour standards and environment were being considered by a number of committees in various working groups in APEC.⁵³

2.75 The main focus of APEC activities throughout 1995 had centred on the formulation of an action agenda based on intensive and wide-ranging deliberations. In preparing this draft action agenda, APEC Senior Officials incorporated contributions from all relevant APEC fora and took account of the voluntary commitments made by each member economy. At the Seventh Ministerial Meeting, held in Osaka on 16 and 17 November 1995, Ministers discussed the draft action agenda prepared by the

49 Senator the Hon R. F. McMullan, Senate Debates, 28 August 1995, p. 428.

50 Florence Chong, article, *Australian*, 15 November 1995; Robert Garron and Cameron Stewart, article, *Australian*, 15 November 1995; Michael Richardson, article, *Australian*, 16 November 1995.

51 The Ministry of Foreign Affairs, Japan, APEC 1995 Osaka Official Information, 'Japan's Views on APEC, 15 November 1995.

52 *ibid.*

53 Senator the Hon R. F. McMullan, Senate Debates, 25 October 1995, p. 2498.

Senior Officials and agreed to place it before the Economic Leaders for their consideration and adoption.⁵⁴

2.76 On 19 November 1995, APEC Leaders met at Osaka and reaffirmed their target dates of 2010 for developed economies to remove trade impediments and 2020 for developing economies. Each Leader submitted a ‘down payment’ toward 2010/2020 in the form of an outline of an initial Individual Action Plan which sketched the measures that his economy would be taking, and has taken, to contribute to a free and open trade and investment system. The Leaders stated that these voluntary actions demonstrated their ‘firm commitment toward realising the goals identified at Bogor...’⁵⁵ They hoped that this initiative together with complementary APEC measures, such as the early implementation of WTO agreements, would encourage non-APEC members to follow suit and help forward global trade and investment liberalisation.

2.77 In turning to the draft action agenda, Leaders maintained that this was the template for future APEC work toward their shared goals. They adopted the draft as the Osaka Action Agenda. It mapped out the overall strategy for realising the Bogor Declaration. The Action Agenda went beyond tariff reduction to encompass a broad area of technical cooperation and the transfer of technology. Part One of the Agenda covered the areas of trade and investment liberalisation and trade and investment facilitation; Part Two dealt with economic and technical cooperation. These three areas—trade and investment liberalisation; trade and investment facilitation, and economic and technical cooperation—formed the three pillars of APEC activities; they were to be complementary and equally significant.

2.78 The Osaka Agenda instructed each APEC economy, when drawing up its own Individual Action Plan, to observe the objectives and guidelines set down for each of fifteen specific areas. These areas embraced a broad and diverse range of issues which covered: tariffs; non-tariff measures; services; investment; standards and conformance; customs procedures; intellectual property rights; competition policy; government procurement; deregulation; rules of origin; dispute mediation; mobility of business people; implementation of the Uruguay Round outcomes; and information gathering and analysis.

2.79 The Agenda set down the principles that were to apply to the entire process of trade liberalisation and trade facilitation in the region. The principles were:

- *comprehensiveness*—the liberalisation process to address all impediments to the long-term goal of free and open trade and investment;
- *WTO consistency*—measures undertaken in the context of the APEC Action Agenda to be WTO-consistent;

54 APEC, Seventh Ministerial Meeting, 16–17 November 1995, Osaka, Japan.

55 APEC, *Selected Documents, 1995*, pp. 3, 125.

- *comparability*—APEC economies to try to ensure the overall comparability of their trade and investment liberalisation and facilitation, taking into account the general level of liberalisation and facilitation already achieved by each APEC economy;
- *non-discrimination*—APEC economies to apply or try to apply the principle of non-discrimination between and among them in the process of liberalisation and facilitation of trade and investment;
- *transparency*—APEC economies to ensure transparency of laws, regulations and administrative procedures that affect the flow of goods, services and capital among APEC economies;
- *standstill*—APEC economies to try to avoid measures that increase levels of protection;
- *simultaneous start, continuous process and differentiated timetables*—APEC economies to begin simultaneously and without delay the process of liberalisation, facilitation and cooperation, contributing continuously to achieving the long-term goal of free and open trade and investment;
- *flexibility*—APEC economies, in accommodating the varying levels of economic development among APEC members, to show flexibility in dealing with issues arising from such circumstances;
- *cooperation*—APEC economies to actively pursue economic and technical cooperation.⁵⁶

2.80 A schedule and format, contained in the Agenda, directed Ministers and Officials to start immediately to prepare their own concrete and substantive action plans to be submitted in 1996. Overall implementation of the plans was to begin on 1 January 1997; they were to be reviewed annually; and could be revised and improved in response to changing circumstances. The formulation of the Individual Action Plans (IAPs) was to be the first step in a long-term and on-going process leading to the achievement of the Bogor objective of free trade and investment. It marked the beginning of a determined effort by APEC members to embark on a definite course toward their common objectives.

2.81 APEC also agreed on collective action in areas where solutions and results could be best produced by a group. The Collective Action Plan (CAP) identified the measures that APEC economies would take as a whole to remove impediments to trade and investment. The APEC Committee on Trade and Investment (CTI), established in 1994, was to coordinate the preparation of these plans. CAPs were intended to advance activity in the first fourteen areas listed in the Agenda and to

56 Based on the Osaka Action Agenda, APEC, *Selected Documents 1995*, pp. 5–6.

provide the means to monitor and report on progress. Overall, CAPs were designed to facilitate business and reduce the cost of conducting business in the region.⁵⁷

2.82 The objectives and principles in the Action Agenda were clear; the template for the action plans complete. Individual APEC members now had the task of drawing up their own plans. With determination, the Leaders asserted:

We have, with Osaka, entered the action phase in translating this vision and these goals into reality. Today we adopt the Osaka Action Agenda, the embodiment of our political will, to carry through our commitment at Bogor. We will implement the Action Agenda with unwavering resolve.⁵⁸

2.83 Leaders agreed to establish an APEC Business Advisory Council (ABAC) to provide advice on business views and priorities for APEC activities. This Advisory Council would replace the Pacific Business Forum and was to be APEC's peak business advisory body—'a channel for business to present its views to leaders on what APEC should be doing to promote trade and investment in the APEC region'.⁵⁹ More specifically ABAC was to provide advice on the implementation of the Osaka Action Agenda.

2.84 The then Australian Prime Minister, Mr Paul Keating, stated that the plan of action and the Leaders' Declaration met all of Australia's aims particularly in having the comprehensive coverage of all sectors and issues placed firmly on the APEC agenda. He explained that this 'is a real win for Australian farmers because it enables them to plan confidently for the opening of the vast market around us and brings closer our vision of Australia as a global supplier of food'.⁶⁰ The then Leader of the Opposition, Mr John Howard, made plain that the goals of APEC were shared by both sides of the Commonwealth Parliament.⁶¹

1996—the Manila Action Plan: APEC means business

2.85 All 18 members met the deadline in submitting their draft Individual Action Plans to the APEC Senior Officials Meeting in Cebu in May 1996. The plans were to undergo further review and fine-tuning before being presented to the APEC Ministers and Leaders meetings in Manila and Subic. The then Australian Minister for Trade, Mr Tim Fischer, explained that in giving further consideration to the Australian draft,

57 APEC, Annex One, APEC Collective Actions, Action Report for 1996, <http://www.apecsec.org.sg/02anxone.html> (3 July 1997).

58 APEC Economic Leaders' Declaration of Common Resolve, Osaka, Japan, 19 November 1995.

59 Australian representatives were Michael J. Crouch, AM, Chairman and CEO, Zip Industries (Aust) Pty Ltd; Malcolm Kinnaird, AO, Executive Chairman, Kinhill Engineers Pty Ltd; and Imelda Roche, Co-Chairman, Nutri-Metrics International Holdings, Pty Ltd.

60 The Hon P. J. Keating MP, Debates, House of Representatives, 22 November 1995, p. 3497; APEC: Statement by the Prime Minister, House of Representatives, 22 November 1995, Press Release, 22 November 1995.

61 The Hon J. W. Howard MP, House of Representatives Debates, 22 November 1995, p. 3500.

his department would give priority to areas of most importance to Australian business including the liberalisation of minerals, agriculture, and services trade; the reduction of high tariffs on industrial products; and progress on harmonisation or mutual recognition of standards. He stated that Australia's plan was fully consistent with the general principles of the Osaka Action Agenda, including comprehensiveness, WTO consistency, comparability and transparency.⁶²

2.86 The CTI, which would come to be acknowledged as 'the engine of trade liberalisation in APEC', gave priority during 1996 to the development of Collective Action Plans (CAPs).⁶³ It met five times in 1996 and reported that 'although APEC members have adopted a careful and measured approach to the initial year of the CAP process, the content of CAP formats reveals an encouraging level of APEC "tangible outputs" in the short term'.

2.87 As the time for the APEC Leaders' meeting approached, doubts were expressed about the depth of commitment for the Bogor Declaration. Mr Fred Bergsten, the former chairman of the APEC Eminent Persons Group, looked back on the Osaka meeting as 'largely procedural' and cautioned that a second year of inaction would seriously undermine APEC's credibility.⁶⁴ He believed that the IAPs and the CAPs were unlikely to demonstrate that APEC was moving ahead. Nevertheless, he could see useful progress being made towards harmonising and modernising customs practices throughout the region and the adoption of a 'business visa' to speed commercial travel.

2.88 In their report submitted to the Economic Leaders on 26 October 1996, ABAC emphasised that, if the Blake Island vision and the Bogor goals were to be realised, APEC's trade and investment liberalisation and facilitation agenda must be accompanied by concerted economic and technical cooperation.⁶⁵ The emphasis was on achievable initiatives. The chairman of ABAC, Mr Roberto Romulo, stressed that APEC had reached a critical stage, 'where everyone must get down to business and be more practical'.⁶⁶

62 The Hon Tim Fischer MP, Press Release, 9 May 1996. The final version of the Australian Individual Action Plan incorporated the existing tariff reduction programs to the year 2000 in the textiles, clothing and footwear and passenger motor vehicles sectors. It also included a commitment to review zero to five per cent tariffs by 2000 or earlier subject to an assessment of progress in the liberalisation commitments by others in APEC and the WTO. It addressed reform in the micro-economic services sectors such as the introduction of full and open competition from 1 July 1997 in the telecommunications sector and the progressive liberalisation of access to the Australian aviation market.

63 Chair's Summary Record of Discussion, APEC Committee on Trade and Investment, First Meeting for 1998, Penang 19–20 February 1998.

64 *Financial Review*, 1 November 1996, p. 25; see also *Financial Review*, 12 November 1996, p. 15.

65 APEC Business Advisory Council, *APEC Means Business: Building Prosperity for our Community*, Report to the APEC Economic Leaders, 25 October 1996.

66 Paul N. Villegas, Business World Online Edition, APEC Special Report, November 1996, <http://bworld.com.ph/APEC/Latest/report/specialaction.html> (12 August 1997).

2.89 Ministers, at their meeting in Manila on 22 and 23 November 1996, adopted the Manila Action Plan for APEC (MAPA) for endorsement by the APEC Economic Leaders. This plan integrated the IAPs, CAPs and Progress Reports on Joint Activities of APEC members and the various APEC fora. They welcomed the submission by member economies of their Individual Action Plans, which they agreed generally conformed to the principles and guidelines contained in the Osaka Action Agenda.

2.90 On 25 November, APEC Economic Leaders met in Subic, the Philippines. In their Declaration, they pledged to implement the initiatives contained in their Individual Action Plans from 1 January 1997. They acknowledged that the MAPA contained only the first step of an 'evolutionary process of progressive and comprehensive trade and investment liberalization toward achieving our Bogor goals by 2010/2020, in accordance with the Osaka Agenda'.⁶⁷ The Leaders expressed their determination to sustain the dynamism of their plans through an on-going process of review and consultations. They remained committed to build on the MAPA and to improve their action plans. As a means to push further ahead with the agenda, the Leaders instructed their Ministers to identify sectors where early voluntary liberalization would have a positive impact on trade, investment and economic growth in the individual APEC economies as well as in the region, and to formulate recommendations on how this could be achieved.⁶⁸

2.91 The Leaders praised the results of APEC's CAP work, which they believed would facilitate the conduct of business in and between APEC economies by increasing competitiveness and reducing transaction costs. They announced that they had agreed to harmonise tariff nomenclature by the end of 1996 and customs clearance procedures by 1998. Further, they had directed their Ministers to intensify their efforts in 1997 on the simplification of customs clearance procedures, effective implementation of intellectual property rights commitments, harmonisation of customs valuation, facilitation of comprehensive trade in services, and enhancing the environment for investments.⁶⁹ Ministers welcomed the decision of Australia, Korea and the Philippines to proceed with a trial of an APEC Travel Card in 1997. Business leaders hoped that by filling in one form a business traveller would be pre-cleared for travel to all APEC economies participating in the scheme.

2.92 The Malaysian Prime Minister, Dr Mahathir, concerned about the way in which the market liberalisation measures were being pursued by APEC, again questioned APEC's ambitious free trade schedule. He maintained that it 'would be unrealistic and grossly unfair to coerce particularly the less advanced member

67 APEC Economic Leaders Declaration, Subic, the Philippines, 25 November 1996.

68 *ibid.*

69 *ibid.*

economies to undertake liberalization measures at a pace and manner beyond their capacity.’⁷⁰ He stated:

The greatest challenge facing APEC business leaders, and some governments too, is to have enough patience to nurture the region’s immense potential for co-operation and for development’.⁷¹

2.93 The Australian Prime Minister, Mr John Howard, accepted that not every economy would move at the same pace in the same area. But, while conceding that APEC did not require mathematically precise reciprocity, he argued that for APEC to work there would have to be ‘continual movement across all sectors’.⁷²

2.94 The President of the Republic of the Philippines, Fidel V. Ramos wanted people to remember that APEC’s way is ‘open regionalism, which is non-exclusive and non-collusive’. He added, ‘Our method of cooperation allows each member economy to march at its own pace—moving gradually toward greater economic cooperation and mutual benefit.’⁷³ Timothy Ong, an EPG member, had earlier described this situation:

There are many trains in APEC, fast and slow, primitive and advanced. Some are enthusiastic, some are cautious.

He suggested that, although the trains are coming from different places and moving at different speeds, they are all heading for the same destination.⁷⁴

2.95 For some, the IAPs matched the ambitions of the Bogor Declaration. In brief, PECC noted that the individual APEC economies are ‘all well on track towards the Bogor goal and the tariff reductions are mostly faster and deeper than their Uruguay Round commitments’. In the area of non-tariff barriers, PECC reported that a start had been made but progress was less evident. On the other hand, for some the gap between APEC rhetoric and deeds was noticeable. Mr C. Fred Bergsten was critical of the IAPs. He maintained that the results were disappointing and added:

The United States and Japan, the two largest economies in APEC (and the world) faced nationwide elections and have thus resisted significant new liberalization. Indonesia, whose leadership was pivotal in forging the Bogor Declaration in 1994, adopted illiberal policies in several key sectors. A few of the smaller countries have taken constructive first steps. But the IAPs

70 Mahathir Bin Mohamad, Speech at the closing of the APEC Business Forum Manila, the Philippines, 23 November 1996, <http://bworld.com.ph/APEC/Latest/speeches/mahathirl.html> (12 August 1997); *Age* (Melbourne), 25 November 1996, p. A6.

71 *Australian*, 25 November 1996, p. 5.

72 The Hon J. W. Howard MP, House of Representatives Debates, 3 December 1996, p. 7513.

73 Fidel V. Ramos, Keynote Address, ‘Pacific in Transition’, 30th annual IGM, 19 May 1997, <http://www.pbec.org/his.htm> (5 August 1997).

74 Taken from *Asian Business*, vol. 32, no. 1, January 1996, p. 25.

seem unlikely to provide convincing evidence that APEC is moving ahead and could instead trigger widespread scepticism about the seriousness of the exercise.⁷⁵

2.96 Indeed the test for APEC would be:

- whether the mechanism of consultation, review and revision would deliver tangible outcomes;
- whether such a mechanism could effectively prod each member economy to progressively deepen and widen commitments, and to proceed from identifying specific immediate term actions to outlining the medium and longer term actions more specifically; and
- whether economic and technical cooperation programs would produce tangible results.⁷⁶

2.97 The MAPA revealed that APEC had a distance to travel before the Bogor goals could be met. APEC had mapped out the route and all members were showing a preparedness to stay on course, though some were wary and resented the sense of being hurried. Clearly the process of monitoring progress and reviewing plans remains an important means of maintaining the momentum toward 2010/2020.

1997—Vancouver: attempts to achieve Early Voluntary Sectoral Liberalisation (EVSL)

2.98 APEC now had the task of overseeing MAPA's implementation and improvement. In ABAC's opinion, the Ministers' and Leaders' meetings in Vancouver, would 'set the pace for APEC's advance from vision to action'.⁷⁷ During the year, APEC members had been buoyed by their successful contribution in bringing the Information Technology Agreement (ITA) to fruition. APEC had nurtured the agreement during its early stages before it was taken up and endorsed by the WTO. In May 1997, the United States Trade Representative, Charlene Barshefsky, maintained that there had been a sea-change in APEC over the last year. She stated:

After our success in bringing the ITA on line, there is now a recognition of APEC's ability to set an agenda for trade expansion initiatives using a

75 C. Fred Bergsten, *APEC in 1996 and Beyond: The Subic Summit*, Institute for International Economics, Working Paper 96-12, 1996.

76 APEC Secretariat, 'Manila Action Plan for APEC: Introduction', *Selected Documents*, March, 1997, p.11.

77 ABAC, 1997 ABAC Report to Economic Leaders, *APEC Means Business: ABAC's Call to Action*, <http://www.apecsec.org.sg/ABAC/abac97/abac97.html> (November 1997).

sectoral market-opening strategy. These initiatives are the ‘building blocks’ in opening up global markets on reciprocal terms.⁷⁸

2.99 In the meantime, however, the economic situation in some Asian economies had begun to deteriorate and attention turned to how the APEC Ministers and Leaders would deal with the unfolding financial crisis.

2.100 This climate of economic uncertainty gave an edge to the Vancouver meetings. Ministers recognised the effect that the currency and financial market instability was having on the economies of the region. In the face of growing economic turbulence, however, they did not veer from their stated conviction that continued trade and investment liberalisation and facilitation remained fundamental to economic growth and equitable development in the Asia Pacific region.

2.101 In turning to the APEC agenda, and in response to the directive given by leaders 12 months earlier, Ministers at the ministerial meeting in Vancouver named 15 sectors where they expected early voluntary liberalization to have a positive influence on trade, investment and economic growth in APEC economies and throughout the region. In refining this list further, the Ministers called for the development of appropriate agreements or arrangements for market-opening and facilitation and economic and technical cooperation measures, based on existing proposals in the following nine sectors:

- environmental goods and services;
- energy sector;
- fish and fish products;
- toys;
- forest products;
- gems and jewellery;
- medical equipment and instruments;
- chemicals; and
- telecommunications mutual recognition arrangement.⁷⁹

Ministers wanted preliminary work on these sectors, such as determining the scope of coverage, flexible phasing, measures covered and implementation schedule, to be concluded in the first half of 1998 with a view to implementation in 1999.

78 USIA, Charlene Barshefsky, ‘APEC Charts New Course in Opening Global Markets, Statement issued by the Office of the US Trade Representative, 10 May 1997, <http://www.usia.gov/regional/EastAsia/apec/ustr597.htm> (21 November 1997).

79 Ninth APEC Ministerial Meeting Joint Statement, 21–22 November 1997.

2.102 The Leaders, who gathered immediately after the Ministers' meeting, also devoted substantial attention to the financial troubles in Asia. They felt that the international dimensions of the regional currency crisis required 'a global response, with regional initiatives to complement and support these efforts'. They concluded:

We believe it is critically important that we move quickly to enhance the capacity of the international system to prevent or, if necessary, to respond to financial crises of this kind. On a global level, the role of the IMF remains central. Therefore, we welcome and strongly endorse the framework agreed to in Manila as a constructive step to enhance cooperation to promote financial stability...

We recognize that as the region's most comprehensive economic forum, APEC is particularly well suited to play a pivotal role in fostering the kind of dialogue and cooperation on a range of policies and develop initiatives to support and supplement these efforts.⁸⁰

2.103 At the time of the Vancouver meetings, there were concerns that the financial turmoil would delay APEC's trade and investment liberalisation agenda. Leaders, however, did not step back from their commitment to achieve the Bogor goals and rejected outright any idea of softening their approach to free and open trade. They declared:

We remain convinced that open markets bring significant benefits and we will continue to pursue trade and investment liberalization that fosters further growth.

2.104 As a measure of their determination to force the pace of liberalisation, Leaders endorsed the recommendation of their Ministers for EVSL. They directed that action be taken toward early liberalisation in the 15 designated sectors, with the nominated nine to be advanced throughout 1998 and to commence implementation in 1999.

2.105 The then Australian Minister for Trade, Mr Tim Fischer, announced that the APEC agreement to accelerate liberalisation in 15 trade sectors was 'the most significant positive trade outcome of the year'. He added:

This marked the coming of age of APEC from an organisation focused on intentions, to one focused on outcomes. It is now absolutely vital that liberalisation timetables set for these 15 sectors are progressed with vigour and determination.⁸¹

80 APEC 1997 Leaders' declaration, 25 November 1997.

81 '1997 trade playing field flatter, but more levelling work needed', Tim Fischer, Minister for Trade and Deputy Prime Minister, press release, 28 December 1997.

2.106 The EVSL proposal was not, however, without its critics. The Australian Productivity Commission subsequently published a report on the issue which concluded that:

It remains a real question, therefore, whether EVSL initiatives are likely to guarantee real income gains to a majority of APEC members.⁸²

2.107 The EVSL proposals were also criticised by independent commentators and the Shadow Minister for Trade, Senator Peter Cook.⁸³

2.108 In turning to the IAPs, Leaders recognised the efforts made by members to strengthen their commitments. A report by ABAC, however, highlighted the need for further work. It pointed out that, while half of APEC's members announced tariff reductions beyond their Uruguay Round commitments, real progress on lowering non-tariff barriers was difficult to discern. ABAC called for a higher level of transparency in the IAPs and for greater clarity by giving more detailed specifications of the intended path to the Bogor goals.⁸⁴

2.109 Although, to some extent, the emphasis given to the new area of EVSL shifted attention away from the IAPs, it also raised expectations that APEC would deliver more immediate and tangible results. The commitment to early sectoral liberalisation was clear, loud and very specific.

2.110 In regard to membership, APEC Leaders agreed to admit Peru, Russia and Vietnam as new members of APEC. They were to become full members at the APEC Ministerial Meeting in November 1998 in Kuala Lumpur. This would increase APEC's membership to 21 and would account for 55 per cent of total world income and 46 per cent of global trade.⁸⁵ The Opposition was critical of the admission of these new members, particularly Russia, on the grounds that they would make APEC a more unwieldy and less cohesive forum.

2.111 Given the currency crisis and the unpromising economic climate in some Asian countries, APEC appeared to be holding steady on its course toward achieving the Bogor goals. The new initiative on EVSL had given APEC members a sharper focus and a tighter schedule to meet the challenge of achieving free and open trade in the region. It now stood prominently as a milestone on the way to the Bogor goals.

82 P. Dee, A. Hardin and M. Schuele, *APEC Early Voluntary Sectoral Liberalisation*, 1998, Productivity Commission Staff Research Paper, AusInfo, Canberra.

83 See Senator the Hon P. Cook, *APEC: Meeting the Challenge of the New Millennium*, Policy Discussion Paper, June 1999. See also three papers presented to the APEC Study Centre Consortium Conference, held in Auckland from 31 May–2 June 1999; P. Lloyd, 'EVSL and Sector-Based Negotiations'; A. Rae, S. Chatterjee, and S. Shakur, 'The Sectoral Approach to Trade Liberalisation: Should we try to do better?'; Y. Woo 'APEC After 10 Years: What's Left of Open Regionalism?'

84 ABAC, *1997 APEC Means Business: ABAC's Call to Action*, ABAC Report to Economic Leaders, 1997.

85 Ambassador Timothy Hannah, Executive Director of APEC Secretariat, Lecture at Foreign Affairs College, Beijing, 21 June 1999.

2.112 When asked to give a designation to the year ahead for APEC, the United States APEC Coordinator, Ambassador John Wolf, replied that 1998 would be, ‘The year of opportunity—the opportunity that we are back on the road and moving forward’.⁸⁶

1998—year of opportunity postponed

2.113 In May 1998, Finance Ministers met in Kananakis, Canada, where their discussions focused on the then economic situation and policies needed to restore financial stability and growth to the region and also on the development and strengthening of financial markets. They identified three priority areas in which they would intensify their efforts—capital market development, capital account liberalisation and strengthening international financial systems.

2.114 At this time, Ambassador Dato’ Noor Adlan, Executive Director of the APEC Secretariat, conceded that APEC as a multilateral organisation had not been in the forefront of the international response to the economic crisis. But he argued that ‘APEC has never sought or been given a role in financial-crisis management and it should not try to duplicate the work of other institutions better constituted to play this role’. Put simply, he stated ‘For APEC to seek to duplicate the IMF or World Bank’s role would be wasteful at best and might have resulted in competitive “forum shopping” at worst’.⁸⁷

2.115 APEC Trade Ministers met a month later in Kuching. Again, the financial and economic turbulence in the East Asian region demanded attention. They acknowledged:

While individual APEC economies affected by the financial turmoil must undertake domestic policy initiatives to effect economic recovery, other APEC member economies could, where possible, assist in the process of economic recovery. APEC may not be the mechanism for direct intervention, but it is important that APEC supports initiatives to manage the financial crisis—both in terms of causes and impacts.

2.116 In turning to the EVSL initiative, Trade Ministers instructed their Senior Officials to continue work to finalise the sectoral arrangements on the fast-track sectors and to further develop the remaining six sectors.⁸⁸ But a mood of hesitancy had crept into the meeting indicating that some APEC economies were reassessing their commitment to EVSL. The Ministers noted that ‘In order to enable finalisation of

86 USIA, transcript, Ambassador John Wolf, Worldnet on Vancouver APEC Results, 10 December 1997.

87 Ambassador Dato’ Noor Adlan, Executive Director of the APEC Secretariat, Editorial, *Far Eastern Economic Review*, 28 May 1998, reprinted <http://www.apecsec.org.sg/whatsnew/announce/feer3.html> (6 August 1998); See also *The Road to Kuala Lumpur*, The Asia-Pacific Foundation of Canada, 1998, which asserts that APEC is not ‘a crisis management organisation’.

88 APEC, Meeting of Ministers Responsible for Trade, Kuching, Sarawak, 22–23 June 1998.

the sectoral arrangements...flexibility would be required to deal with product-specific concerns raised by individual economies in each sector'.⁸⁹ At their meeting in September, Senior Officials agreed with their Ministers and added 'such flexibility would generally be in the form of longer implementation periods and, in principle, developing economies should be allowed greater flexibility'.⁹⁰

2.117 Before the Ministerial meetings in Kuala Lumpur, ABAC urged APEC Leaders to reaffirm their commitment to continued trade and investment liberalisation. It wanted APEC members to finalise a credible program of early voluntary sectoral liberalisation at their November meeting.⁹¹

2.118 Some APEC members held fast to the plan for EVSL. United States Ambassador to APEC, Mr John S. Wolfe, stressed that 'An important trade goal for the APEC region this year is successful conclusion of the APEC early voluntary sectoral liberalisation initiative'. He maintained that renewed growth and not bailouts was the key to recovery and that such renewal was built on open markets.⁹²

2.119 Despite encouragement from organisations such as ABAC for APEC to keep pushing ahead with its EVSL process, Japan gave notice that it would not adhere fully to this process. Before the Kuala Lumpur Ministerial meetings, it announced that it was not in a position to take any further measures in the tariff and non-tariff areas of the fish and forestry sectors beyond undertakings given in the Uruguay Round. The United States urged Japan to be a complete participant in the EVSL exercise.⁹³ Despite pressure from other members to support unequivocally the EVSL initiative, Japan held its ground by reasserting its basic stance that the EVSL process should be implemented in accordance with the principles of voluntarism.⁹⁴ It indicated, nonetheless, that it was willing to include these sectors in WTO discussions.

2.120 An accommodation along these lines was reached at the Ministerial Meeting in November. Ministers noted the participation of 16 economies (Mexico and Chile were non-participants) in the EVSL process. The 16 participating economies agreed to improve and build on this process by:

89 APEC, Meeting of Ministers Responsible for Trade, Kuching, Sarawak, 22–23 June 1998.

90 Summary conclusions of the Third Officials Meeting (SOM) for the Tenth Ministerial Meeting, 13–15 September 1998, Kuantan, Malaysia.

91 APEC Secretariat Press Release 36/98, 6 November 1998, APEC Business Advisory Council, <http://www1.apecsec.org.sg/whatsnew/press/rel103698.html> (1 June 1999).

92 John S. Wolfe, 'Meeting the Crisis: What should Governments Do?', Presentation to PBEC Conference, Los Angeles, 19 October 1998, <http://www.usia.gov/regional/East Asia/apec/wolf1019.htm> (12 April 1998).

93 Ambassador Wolf, *Worldnet on Upcoming APEC meeting*, 4 November 1998 and Richard Fisher, US Trade Representative, 12 November, Press Conference in Bangkok.

94 On-the-Record Briefing, 15 November 1998, Ms Mikie Kiyoi, Spokesperson for Minister for Foreign Affairs, <http://www.mofa.go.jp/policy/economy/apec/1998/brief15.html> (1 December 1999).

- broadening the participation in the tariff element beyond APEC—in this regard, the WTO process would be initiated immediately with a view towards improving their participation and to conclude agreement in the WTO in 1999; and
- working constructively to achieve critical mass in the WTO necessary for concluding agreement in all 9 sectors.

2.121 The then Australian Trade Minister, Mr Tim Fischer, described the compromise to transfer the nine sectors to the WTO as ‘a second best option’ but insisted that APEC was still moving forward. The Thai Foreign Minister, Surin Pitsuwan, conceded that the problem was over-expectation because the crisis had undermined the capacity of economies to deliver. He stated ‘Maybe the early voluntary sectoral liberalisation was a bit too big of a bite to chew, but at least they made the attempt.’⁹⁵ Helman Sohmen, PBEC Chairman, was less conciliatory in his interpretation. He described the referral of the nine sectors nominated for EVSL to the WTO as ‘a fig leaf to save embarrassment all round’.⁹⁶

2.122 This setback to accelerate the sectoral liberalisation initiative in APEC was offset to a degree by the consensus reached by APEC economies on dealing with the financial crisis.

2.123 The financial situation in Asia showed no signs of improving as the second half of the year approached. By November 1998, economic growth had slowed to the 1.5 per cent range down from 3.5 per cent in 1997 and the crisis had entered its sixth quarter in the economies that were hit at the outset.⁹⁷ Having evolved in a climate of economic growth and optimism, APEC now faced a new challenge of adjusting to a period of economic turbulence and uncertainty.

2.124 Mr Roberto Romulo, the Chairman of PECC, urged APEC members to find timely solutions to the economic difficulties in Asia by identifying the appropriate regional response. He asserted: ‘APEC must squarely face the challenge of developing a coherent regional response to the regional crisis.’⁹⁸ He argued:

APEC is the ideal vehicle to drive a bold, new regional response to the crisis, because it already implicitly recognises the importance of coherence

95 Asia Week, 27 November 1998.

96 Helmut Sohmen, PBEC Chairman, PBEC’s Role in APEC, 30 November 1998, <http://www.pbec.org/speeches/1998/helmutapec.htm> (15 December 1999).

97 See remarks made by Roberto R. Romulo, Chair, PECC, Opening speech at PECC Meeting, 6–8 September 1998, Taipei and APEC Press Release on the 1988 APEC Economic Outlook, 15 November 1998.

98 See remarks made by Roberto R. Romulo, Chair, PECC, Opening speech at PECC Meeting, 6–8 September 1998, Taipei.

in its framework through its three pillars of trade and investment liberalisation and facilitation, and economic and technical cooperation.⁹⁹

2.125 PECC called on APEC leaders to adopt immediate measures ‘to bolster investor confidence and restore capital flows to the crisis-plagued economies in Asia’. It wanted APEC leaders to issue a statement reaffirming their commitment to market-driven economic integration through free and open trade and investment in the region.¹⁰⁰

2.126 At the APEC Ministerial Meeting on 14–15 November 1998, Ministers agreed that the major challenge confronting APEC was to advance policies and collaborative efforts directed at early recovery and sustainable growth in the region. In their statement they:

- stressed the critical role of open markets in underpinning economic recovery;
- supported the work programme of APEC finance ministers in strengthening the international and domestic financial systems;
- concurred that capacity building initiatives were integral in enhancing the resilience of domestic economies and their ability to withstand future economic turbulence; and
- reaffirmed their commitment to achieve APEC’s trade and investment liberalisation goals.¹⁰¹

2.127 The APEC Leaders also recognised the need to deal promptly with the financial crisis. They were alert to the economic difficulties facing a number of their members and acknowledged that they must alleviate the adverse social effects of the crisis and restore financial stability and economic growth. They realised that as members of APEC they must be able to attract growth-enhancing stable capital flows into the region and strengthen the international financial architecture so as to prevent future financial instability.

2.128 Having identified the need for decisive action, the Leaders announced a number of initiatives they hoped would help create a sound and stable financial environment that would revitalise the regional economy, rekindle confidence in the region, promote sustainable economic growth, and attract investment.

2.129 They called for the establishment of a taskforce to develop practical proposals that would strengthen the international financial system. It would, among other things, examine the scope for strengthened prudential regulation of financial institutions in

99 Press Releases, ‘PECC calls for an APEC-led Asia Pacific community to the Asian economic crisis.’; A Coherent Response to the Economic Crisis, PECC Statement to the APEC Trade Ministerial Meeting, 22–23 June 1998, Kuching, <http://www.PECC.net/pr980623-2.html> (5 November 1998).

100 Press Releases, ‘Immediate APEC action on crisis urged’, PECC News, 9 September 1998.

101 Tenth APEC Ministerial Meeting, Joint Statement, Kuala Lumpur, 14–15 November 1998.

industrialised economies and also look at the matter of appropriate transparency and disclosure standards for private sector financial institutions involved in international capital flows.

2.130 In recognising the importance of developing ‘strong, resilient and well-regulated domestic financial markets within the framework of a stable financial system’, they called for the adoption of internationally recognised principles for improving supervision of the banking and securities markets. They highlighted the importance of improving economic transparency and predicability at the national and international level and welcomed the Finance Ministers’ initiative to examine ways to strengthen corporate governance in the region.

2.131 In looking to bolster the failing economies, the Leaders welcomed the Australian initiative on Economic Governance Capacity Building. Before the Leaders’ Meeting, the Australian Prime Minister had actively promoted the need for APEC economies to strengthen economic and financial sector management and to take action to improve the international financial system. The Australian Government argued that strengthened economic governance would be a key factor in rebuilding domestic and international confidence in East Asian economies. It argued further that APEC was an ideal vehicle to promote cooperation in economic governance and that APEC members were well placed to work cooperatively to implement practical ways to strengthen their financial institutions.¹⁰²

2.132 To assist APEC economies improve economic governance in the region, the Australian Prime Minister announced a \$50 million, three-year package. Mr Howard intended this Economic and Financial Management Initiative to help APEC members take practical measures to strengthen their economic and financial management. In particular, he felt that strong supervisory and prudential institutions were needed to help restore sustainable growth. He pointed out that Australia’s aid would focus on priority areas such as the training of central bank officials and technical assistance for prudential supervision programmes.¹⁰³

2.133 In turning to the social cost of the crisis, Leaders directed their Ministers ‘to work with the World Bank, the ADB, the Inter-American Development Bank and where appropriate, public and private institutions to formulate strategies of concrete actions aimed at strengthening social safety nets’.

102 The Australian Government had commissioned an economic governance survey that covered Indonesia, Malaysia, South Korea, the Philippines, Thailand and Vietnam. It was tabled at the November APEC meetings and according to the Prime Minister, would serve as a valuable reference tool to be used to develop responses to the financial crisis and to improve coordination and targeting of these responses’, Australian Economic and Financial Management Initiative, Background, <http://www.aisaid.gov.au/apec/background.html>.

103 Australian Economic and Financial Management Initiative, Background, <http://www.aisaid.gov.au/apec/background.html>.

2.134 On the difficult matter of EVSL, the Leaders, without any explanation on the agreement reached in the Ministerial meeting, simply welcomed progress on the package.

2.135 Although the financial crisis and the need to compromise on the EVSL initiative dominated the concerns of the Leaders, they, nonetheless, kept in sight the full range of APEC activities and their ultimate goal of free and open trade and investment in the region. Three new members, Peru, Russia and Vietnam officially joined the current 18 Members at this Leaders' Meeting. Leaders praised the work being done to facilitate the flow of goods, resources, capital and technology amongst APEC economies and pledged to improve this facilitation process to promote efficiency and cost reduction. They welcomed the progress made in the key areas of human resources development and harnessing technologies of the future and instructed Ministers to give 'further focus to strengthening coordination in Ecotech activities and intensify work in the priority areas'. Leaders endorsed the '1988 APEC Agenda for Science and Technology Industry Cooperation into the 21st Century' and the '1998 Kuala Lumpur Action Programme on Skills Development in APEC'. They also commended their Ministers for formulating the 'APEC Blueprint for Action on Electronic Commerce'.

2.136 APEC was now entering its tenth year of cooperation and Leaders felt it was time for a review of APEC's activities, structure and mechanisms. They instructed their Ministers 'to complete the review of the APEC process by 1999 and for implementation of measures in 2000'.

2.137 Public assessment of the Kuala Lumpur APEC meetings varied from dismal failure to moderate success. Helmut Sohmen, PBEC chairman, felt that 'the list of definitive measures coming out of the leaders' summit was rather short'. He went on to state:

Despite the hype and the positive political spin that surrounds the APEC process, little of real substance has been achieved in the ten years of summiteering, except for the setting of targets in the fairly distant future.

Even on those issues where agreement has been reached in principle, specific follow-up measures and actual implementation are frequently not proceeding as planned.¹⁰⁴

2.138 This criticism of APEC as a political 'talk-fest' has dogged the organisation for many years. APEC emerged from Kuala Lumpur with a damaged image, its credibility under question and its progress toward free and open trade unsteady—indeed with its very leadership role under a cloud. APEC had stumbled on EVSL exposing a gulf between words and actions; it had failed to meet expectations in dealing with the financial crisis; and, as 1999 progressed, there were mumblings about

104 Helmut Sohmen, PBEC Chairman, 'PBEC's Role in APEC', 30 November 1998, <http://www.pbec.org/speeches/1998/helmutapec.htm> (15 December 1999).

a resurgence of protectionism. Nonetheless, while the spotlight focused on the cracks opening up in the liberalisation pillar of APEC, the pillars of trade and investment facilitation and Ecotech continued to grow in strength.

2.139 Clearly, APEC had not been able to manage expectations or mould perceptions: it had got ahead of itself—ambition had overtaken ability. Ambassador Timothy Hannah, Deputy Director, APEC Secretariat, asked people to regard APEC as ‘in an implementation phase’ progressing through the necessary stages of establishing principles, setting goals, drawing up a blueprint for the implementation of those goals, and finally tackling the difficult implementation stage.

2.140 As a first step toward building a more realistic appreciation of APEC, the New Zealand Prime Minister, Jenny Shipley, advised ‘we would be wise to temper our ambition with patience. APEC is an investment in our future and like many investments it will take time to reach its full potential’.¹⁰⁵

1999—addressing practicalities

2.141 In 1999, this year of review, APEC clearly sought to take stock—to assess its progress, review its objectives and determine its course for the next century. New Zealand, as chair of APEC 99, set the tone for the coming year in promoting three themes each with very real practical application. The first theme ‘expanding the opportunities for business’ addressed the very pressing need for APEC to demonstrate its effectiveness in removing obstacles to free trade and investment. The second theme, ‘strengthening markets’, was a concrete response to the recent economic crisis and of direct relevance to the difficult economic situation being faced by some member economies.¹⁰⁶ The third theme, ‘broadening support for APEC’ clearly was concerned with communicating the benefits of APEC to the broader community and with engendering a more realistic expectation of APEC’s role.

2.142 Early signals in 1999 also indicated that some APEC members, particularly the United States, would emphasise APEC’s role as a ‘very good launching pad’ for the new round of WTO negotiations. Having handed on the task of EVSL to the WTO, it was expected that APEC would assume a major role in shaping the WTO’s

105 Right Hon Jenny Shipley, Address ‘Post APEC Auckland Business Lunch’, 27 November 1998, <http://www.executive.govt.nz/minister/shipley/jss271198.htm>.

106 Organisations such as PECC showed very early in 1999 their intention to encourage APEC to look to the more effective functioning of markets in the region with an emphasis on improving transparency and disclosure and with upgrading the financial regulatory structures and harmonising accounting standards and supervision practices. ABAC was one organisation calling for the strengthening of legal, regulatory and accounting framework within which the local markets operated. See Dean O’Hare, Chairman and CEO, The Chubb Corporation, ‘International Economy in Crisis: Options for Sustaining and Stimulating Recovery, PBEC Speeches, 11 February 1999, <http://pbec.org/passportent/ptls/speeches.wpi?pageID=992303114848EN>; Chairman’s Statement at the Close of the PECC Standing Committee Meeting, 15–16 April 1999, Canberra; Joint Ministerial Statement, Sixth APEC Finance Ministers Meeting, Langkawi, Malaysia, 15–16 May 1999, http://www.apecsec.org.sg/whatsnew/press/re126_99.html (6 March 1999).

future agenda.¹⁰⁷ In June 1999, the Shadow Minister for Trade, Senator Peter Cook, called on the Australian Government to use APEC to spearhead a new round of WTO negotiations. Senator Cook also called on the Government to work towards having APEC's Bogor Declaration goals endorsed by the WTO.¹⁰⁸ Neither of these recommendations was adopted by the Government.

2.143 The APEC Ministers carried the three themes into their meeting in Auckland in September 1999. In particular, they accorded high priority to the need for more effective communication and engagement with communities. They emphasised the importance of specific outreach activities to build greater understanding of APEC's goals and to ensure participation by APEC communities in economic activities was as wide as possible.¹⁰⁹

2.144 The Leaders in Auckland returned to APEC basics. They returned to the fundamental principles of consensus-building and cooperation, respect for diversity in the social and economic systems, especially current levels of development, and support for the multilateral trading system.

2.145 Leaders urged each member to shoulder its own responsibility for moving APEC along. They stressed that 'individual actions by economies are the principal means by which APEC's goal will be attained'. But they also urged those better placed to help developing economies to participate successfully in the global economy, through enhancing human and institutional capacities and progressively opening markets. With far more modest ambitions for achieving free trade, APEC members accepted responsibility for resisting protectionism and pledged not to impose new or more restrictive trade measures during the millennium round of the WTO trade negotiations.

2.146 Rather than spearhead trade liberalisation, APEC would provide a solid platform on which the WTO could build. The Leaders agreed that:

This year APEC has a unique opportunity to give impetus to deliberations in the World Trade Organisation (WTO). We will give the strongest possible support at Seattle to the launch of a new Round of multilateral negotiations within the WTO...

2.147 The Asian financial situation by this time was showing promising signs of a revival and APEC Leaders spoke of improved competitiveness through ongoing

107 Statement of PECC Chairman Roberto R. Romulo at the meeting of APEC Ministers responsible for Trade, Auckland, June 1999; USIA transcript: Deputy USTR Fisher, Worldnet Program on APEC, 16 June 1999; USIA Washington File—Fisher very pleased with APEC Trade Ministers' Meeting, 30 June 1999; USIA Washington File—12 July 1999, Clinton, Australian Prime Minister Howard, Confer on trade, APEC, 12 July 1999.

108 Senator the Hon P. Cook, *APEC: Meeting the Challenge of the New Millennium*, Policy Discussion Paper, June 1999.

109 APEC, Eleventh APEC Ministerial Meeting, Auckland, New Zealand, 9–10 September 1999, p. 3 <http://www1.apecsec.org.sg/virtualib/minismtg/mtgmin99.html> (20 September 1999).

reform as the road to recovery and sustainable growth. Their intention was to expand opportunities for business and employment growth and to build strong and open markets. Using now a familiar message, they stated, 'Open, transparent and well-governed markets, both domestic and international, are the essential foundation of prosperity and enable enterprises to innovate and create wealth'. To demonstrate their commitment to free and open trade, they endorsed the APEC Principles to Enhance Competition and Regulatory Reform.

2.148 In picking up the theme of Broadening Support for APEC, the Leaders decided to focus on trade facilitation and the 'substantial benefits' already delivered to promote APEC's image as an effective and creditable forum.

2.149 The value of APEC, however, as a regional forum, whose influence and understanding had spread beyond the boundaries of economics and trade became evident in Auckland. Over the years, through dialogue and cooperation, APEC had built up a reservoir of goodwill and understanding between members and established a wide and deepening network of diplomatic relations. In Auckland, this climate of cooperation helped to ease tensions between various members and allowed APEC Leaders to discuss difficult political and security issues such as the serious breakdown in law and order in East Timor. Rather than unravel the friendly relationships, APEC members were able to use this web of official and unofficial contacts to meet behind the scenes and to find common ground on the problem of East Timor. The Japanese Prime Minister, Mr Keizo Obuchi, observed, 'APEC...is a forum to discuss economic cooperation and not to discuss politics. However, I sense that the spirit of cooperation now seems to be starting to expand in a natural way to the issues of East Timor and others, matters of immediate concern to all leaders gathered here'.¹¹⁰ It also provided China and the US with the opportunity to repair their damaged relationship.

2.150 APEC can look back on ten years of consolidation. Initially 12 economies gathered tentatively and cautiously to exchange views and to discuss economic cooperation in the region. Since that time this informal group has grown into an important regional forum of 21 members who share a solid and bold commitment to achieve free and open trade by 2010/2020. In working toward economic cooperation these members have established strong links and developed a better understanding and appreciation of the diversity among their members. Although tensions still exist between members, APEC has nurtured a sense community in the region and has laid down a substantial sub structure of economic cooperation.

2.151 In turning to the future, APEC still faces many challenges, but it can do so with optimism. The Leaders in Auckland spoke with anticipation and hope for the future that lay ahead for this young but gradually maturing organisation when they declared:

110 Press conference by Prime Minister Keizo Obuchi, 13 September 1999, http://www.mofa.go.jp/policy/economy/apec/1999/pm_press.html (27 September 1999).

We embark on APEC's second decade confident that an enduring spirit of openness, partnership and community is being built. The challenge we collectively face is to maintain our momentum and deliver on our commitment. We accept the challenge.¹¹¹

111 'The Auckland Challenge: Comments on the Leaders Declaration', Rt Hon Jenny Shipley, Prime Minister of New Zealand and Chair of APEC New Zealand 99, 13 September 1999, <http://www.apec.govt.nz/fmedia/decmmedia.htm> (27 September 1999).