APEC Economies

Research Focus

APEC: Its Standing and Prospects after 14 Years

Richard Woolcott

As Secretary of the Department of Foreign Affairs and Trade, I was present at the creation of the Asia Pacific Economic Cooperation (APEC) forum. What is APEC's present standing and its prospects, 14 years after the first Ministerial meeting was held in Canberra in November 1989?

APEC is identified in the Australian government's 2003 white paper, Advancing the National Interest, as 'the pre-eminent forum to foster the development of open and transparent markets in the region'. It also enjoys firm bipartisan support, unlike our participation in the war in Iraq.

APEC has been through several troughs since its inception. It has been criticised in the past by some commentators as having become just a 'talking shop' or a 'bureaucratic club'. Others have suggested that it is 'moribund' and that it was 'marginalised' as a result of the East Asian economic crisis. In fact APEC has evolved and is as relevant in 2003 as it was in 1989. It remains an essential and effective part of the regional and international architecture for economic cooperation.

Economically, APEC is the most dynamic region in the world. It accounts for nearly half of the world's trade. Eight of Australia's top 10 trading partners are members of APEC. APEC includes the three largest economies in the world: the United States, Japan and China.

Seven of the 21 APEC economies have grown at annual average rates of more than 5 per cent over the last decade. In 2002, 62 per cent of Australia's investment overseas was in APEC countries while 68 per cent of its trade was with APEC countries. Both figures represent a considerable increase over the comparable figures for 1997.

The annual APEC Leaders' meeting has added substantially to the organisation's importance. It affords a ceremonial and informal setting for heads of government - in particular from the United States, China, Japan and Russia - to meet annually and discuss not only economic but also broader political and security issues.

The regular meeting of treasurers and finance ministers, established after the East Asian economic crisis, has also proved a useful innovation. While the crisis has passed, the need for improved corporate governance and a stronger financial sector in a number of member countries has not disappeared.

Given the perception in East Asia that the Howard government has linked Australia's security, trade and foreign policies even more closely with those of the United States over the last year, the forthcoming APEC meetings of heads of government, foreign ministers and trade ministers in Bangkok in October will offer an opportunity for Australia to place its policies in perspective and espouse an appropriate balance in its approaches to the United States and the countries of East Asia. It is important to avoid the appearance of a split between our trade interests in the United States and in East Asia.

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Research

Gordon de Brouwer will participate in the Reserve Bank's conference on Asset Prices and Monetary Policy on 18-19 August, and comment on Adam Posen's work on asset prices in Japan.

Andrew MacIntyre presented a seminar on political institutions, governance and development at Griffith University's Asia Pacific Research Institute on 31 July. On 7 August he will speak to the Northeast Asia Division of the Department of Foreign Affairs and Trade on Australia, East Asia and the United States.

Jeff Bennett will present a seminar on water rights to the NSW Branch of the Economics Society of Australia on 6 August. Between 11 and 15 August he will be in Beijing to commence work on a three-year ACIAR-funded project that will investigate the impacts of alternative policies designed to reduce land and water degradation in the northwest provinces of China. He will return via Vietnam, where he will be working with colleagues from the Economics University of Ho Chi Minh City on modelling the environmental impacts of water allocations in the Mekong River system.

Alexandra Sidorenko will make a presentation on the results of a study on ‘The Costs and Benefits of Services Trade Liberalisation: Health Services’ at the APEC Seminar on Trade in Health Services, Phuket, Thailand, on 16 August. The study was conducted jointly with Professor Christopher Friedlay.

Visitors

Hideaki Tanaka from the Ministry of Finance in Japan has arrived at the School for a year-long visit. Mr Tanaka will be working closely with Professor Gordon de Brouwer on the joint ANU-Ministry of Finance project on Future
The Bogor Declaration, agreed at the Leaders’ meeting in November 1994, committed participants to ‘free and open trade and investment’ by no later than 2010 for industrialised countries and 2020 for the other member states. It was a major development in that it established targets for free trade in the region. These targets are still in place.

A weakness of APEC has been its too exclusive focus on trade liberalisation in seeking to promote regional economic integration. APEC is an important advocate and supporter of trade liberalisation rather than the principal vehicle for such liberalisation.

APEC’S main economic focus over the next few years should be on trade facilitation. This is likely to produce results in terms of assisting firms in member countries to do business in the region. In the aftermath of the East Asian currency crisis, APEC must also stress the need for East Asian member governments to refocus attention on structural reform, to strengthen macroeconomic policies generally, and to improve the functioning of markets.

If corporate governance and economic reform do make progress, then confidence in investing in the region will also grow. Moreover, there is an important opportunity for APEC now and in the future to cooperate to prevent terrorism from disrupting regional trade. Another improvement in recent years has been the development of a wider network of active APEC centres and business councils in the region.

The recent move by Australia and other countries to seek to negotiate Free Trade Agreements need not supplant the wider roles of APEC and the World Trade Organisation (WTO) in promoting multilateral trade liberalisation. APEC is now firmly established. Continuing and steady progress will be necessary. The organisation does not need to produce major new initiatives every year, but it has a solid record of achievement in dealing with the expanding agenda of economic and political issues that confront the Asia Pacific region.

*Richard Woolcott AC was former Prime Minister Hawke’s Special Envoy to develop the APEC concept in 1989. He is also the author of a recent book, The Hot Seat: Reflections on Diplomacy from Stalin’s Death to the Bali Bombings, published by Harper Collins.

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**Research (cont.)**

Financial Arrangements to Support Development in East Asia.

**Events**

13 August, Heinz Arndt Memorial Lecture, Dismantling barriers and building safeguards: achieving prosperity in an era of globalisation, Anne Krueger (International Monetary Fund), 5.30pm, SAS Visions Theatre, National Museum of Australia

22 August, Solomon Islands Update, ANU

25 September, China Update, National Museum of Australia

**School seminars**

3 August, Iutisone Salevao, Law, Rights, and Custom: Banishment and the Right to Freedom of Movement and Residence in Samoa

12 August, Michael Hess, Social Capital in Public Administration: the Victorian Experience

19 August, Ann Nevile, Work for the Dole or Work for Wages? Evaluating the effectiveness of work for the dole as a labour market program

21 August (SPECIAL SEMINAR), Barry Eichengreen, Crisis Resolution: Next Steps, Lecture Theatre, 2.00pm, Innovations Building, Eggleston Rd, ANU

26 August, Tim Curtin, Higher Education Funding

**Short courses/training**

18-29 August, Leadership, management and governance in the public sector

21 August, Study tour to Canberra, Sydney and Kuala Lumpur for senior officials from the Democratic People’s Republic of Korea

25 August - 12 September, Corruption and anti-corruption

For further details: email: ruth.tampipi@anu.edu.au

18-22 August, Economics of Diplomacy

17-19 September and 8-10 October, Managing Government Finances

3-21 November, Responsible Parliamentary Government

For further details: contact Jan Berridge, Student Coordinator, Graduate Program in Public Policy, jan.berridge@anu.edu.au

**Publications**

New from Asia Pacific Press

Asia Pacific Security: Policy Challenges, David Lovell (ed.), Asia Pacific Press with ISEAS A$40.00

Rural Financial Markets in China, Christopher Findlay, Andrew Watson, Cheng Enjiang and Zhu Gang (eds), A$30.00

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**Pacific Economic Paper**

332 Strengthening Regional Financial Co-operation in East Asia

Haruhiko Kuroda and Masahiro Kawai

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Enquiries: Australia–Japan Research Centre

Tel: (61-2) 6125 3780

Fax: (61-2) 6125 0767

Email: ajrc@anu.edu.au