

Still relevant after all these years

What has APEC achieved in the two decades of its existence, and is it in need of fundamental restructuring?

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APEC is 20 years old this year. What has it achieved in the past two decades? Is it still relevant? Should it be drastically restructured?



In this essay, I wish to argue that APEC has made impressive progress towards its core mission, that it is still relevant and there is no need for it to be fundamentally restructured.

What is the core mission of APEC? To quote from the Bogor vision, it is to promote a regime of 'free and open trade and investment' in the Asia-Pacific region. There is an English maxim that the proof of the pudding is in its eating. The decisive question to ask is, therefore, what is the percentage of intra-APEC trade? The answer is that it is an astonishing 67 per cent of APEC's trade with the world. This compares very favourably with the percentage of intra-EU trade, which stands at 68 per cent.

A sceptical friend has asked whether the intra-APEC trade of 67 per cent is due to APEC. One can similarly ask whether the intra EU trade of 68 per cent is due to the EU. In the case of APEC, the process of trade and investment liberalisation is partly driven by the public sector and partly by the private sector.

Unlike the EU, the process of APEC's liberalisation is bottom-up rather than top-down, consisting of the myriad of decisions made by individual traders, entrepreneurs, investors and other business people. It is based upon voluntary, unilateral liberalisation and peer pressure, and not based upon treaty, law and mandatory liberalisation.

There is wisdom in the maxim: If it ain't broke, don't fix it. APEC is certainly not broken.

This is not to say that APEC governments have played no role. They have concluded more than 40 free trade agreements between and among themselves. They have reduced tariffs, from about 17 per cent in 1989 to about 5 per cent today. They have also played an enabling role in making business in APEC 'easier, faster and cheaper'. In the light of these facts, it is not possible for any reasonable person to say that APEC has been a failure. My first point is that APEC is a success, not a failure.

Is APEC still relevant? I would argue that APEC is still relevant today, both economically and politically.

Economically, APEC is a very significant grouping. Its 21 economies represent 54 per cent of the world's GDP and 44 per cent of world trade. Four of the world's largest economies, namely,

the US, Japan, China and Russia, are in APEC. APEC is a bulwark against protectionism and a force for free trade. It played a positive role in bringing the Uruguay Round to a successful conclusion. APEC's agreement on information technology was subsequently adopted by the WTO. APEC can and should play a leadership role in helping to bring the Doha Round to a successful conclusion.

APEC leaders have put their weight behind the G20 commitment for a standstill on trade-restrictive measures. APEC trade ministers have institutionalised a peer review mechanism to monitor member economies' use of trade-restrictive measures, based on reports by the WTO and the APEC Business Advisory Council (ABAC).

But APEC's work is not done. The Bogor vision of free and open trade and investment in the region, by 2010 for developed economies and 2020 for developing economies, has not yet been completely achieved. More can be done. Four APEC members, namely, Brunei, Chile, New Zealand and Singapore, have concluded a quadrilateral free trade agreement called the Trans-Pacific Partnership or TPP. The US, Australia, Peru and Vietnam have expressed their wish to join the TPP. This could serve as the nucleus of an eventual APEC-wide free trade agreement as envisioned by President George W Bush in 2006.

In recent years, APEC has accelerated the economic integration agenda, going beyond trade liberalisation to regulatory reforms aimed at reducing business costs and impediments. APEC is currently reviewing issues and impediments to trade behind the national border and across national borders. For example, APEC is focusing on the ease of doing business and simplifying rules of origin and customs procedures. APEC is also focusing on logistics and connectivity.

ABAC has been an important strategic partner, making the political leaders aware of the realities on the ground, including such sensitive issues as heavy-handed bureaucracy and corruption, and the gap between rhetoric and reality. The Pacific Economic Cooperation Council, or PECC, has also helped APEC by harnessing ideas from the academic community and by building bridges between the government, academia and business community.

Politically, APEC is an important forum which brings the two sides of the Pacific together. Those of us who have lived through the Pacific War do not wish to see a recurrence of conflict between the United States and an adversary from the opposite side of the Pacific. APEC serves as a useful forum for the US and a rising Asia to engage each other and to manage the changing equilibrium between them. The adjustment process can be conflictful, as history has shown. Our challenge is to ensure that the transition is peaceful and that harmony and cooperation will continue to prevail in the relations between the dominant power, the US, and a rising Asia. My second point is, therefore, that for economic and political reasons, APEC is still relevant today.

Does APEC need fundamental restructuring? I do not think so. APEC is a dynamic organisation and has responded positively to the region's felt needs. APEC has responded creatively to the challenges of terrorism, public health pandemics and climate change.

What APEC needs most is not institutional reform, but strong and visionary leadership. I hope that the current chair (Singapore) and the next three chairs (Japan, US and Russia) will provide APEC with such leadership in 2009 to 2012. My third point is that there is wisdom in the maxim: If it ain't broke, don't fix it. APEC is certainly not broken.

The 20th anniversary is a good time for us to stock-take, to re-energise the institution and to re-commit ourselves to the vision of making the Pacific an ocean of peace, prosperity and amity.

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