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*An American Trader Initiative -  
Asian Studies Center Symposium*

## Advancing American Business Interests Through APEC

*By Hon. Barbara Franklin, Stuart Allan,  
Philip Vaughn, and Dan Amstutz*

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**ADVANCING AMERICAN BUSINESS  
INTERESTS THROUGH APEC**

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*The Lehrman Auditorium  
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# Advancing American Business Interests Through APEC

**BARBARA FRANKLIN:** “Advancing American Business Interests Through APEC” is our topic this morning. It is an important topic. We have three excellent panelists who will approach it from different points of view.

This program is a joint production of the Heritage American Trader Initiative (ATI) Advisory Council, newly formed in the last year, and the Heritage Asian Studies Center. The ATI brings together the foreign policy and international trade aspects of Heritage’s work, which are considerable, and we have created a new advisory council of private-sector business and policy leaders, which I am pleased to chair. I’m Barbara Franklin, former U.S. Commerce Secretary. The other half of the equation is Heritage’s Asian Studies Center, which has been going on for some time and which really is excellent. I know Jim Przystup is here; he is the director of that program. So, with this bit of introduction, we will begin.

The Asia Pacific Economic Cooperation Forum (APEC) was founded in 1989, at the instigation of Australia. The United States has been a member ever since, and in 1993 hosted the first meeting of the leaders of the member countries in Seattle. There are now eighteen countries that belong to APEC. The obvious ones are in the Pacific Rim, plus the U.S., Canada, Mexico, and Chile. Ten working groups have been activated as a part of the APEC framework, and there is a secretariat today in Singapore.

That this group was formed at all is, I think, a reflection of the dynamic growth that is prevailing in Asia today, with economies growing, in many cases, in double digits. That part of the world is a very important marketplace for the U.S. In U.S. terms, our exports to Asia grew 12 percent in 1994 from the preceding year, to over \$153 billion. Our direct investment climbed 17 percent in that region, to over \$108 billion in 1994. Our exports to Asia now support 3.1 million jobs here at home.

There was an historic event at the APEC leaders’ meeting in 1994. In fact, it was so historic that some of us wondered whether it was possible. At last year’s meeting, on November 15, the heads of the APEC governments decided to set a goal for themselves: to create “free and open trade and investment” in that region by the year 2020. President Suharto of Indonesia, where that meeting was held, deserves a great deal of credit for overcoming a lot of differences in points of view, economic realities, and cultures. He did quite a magnificent job.

Now we have before us this year’s meeting coming up in just a few weeks in Japan, with the Japanese as hosts and with Prime Minister Murayama as the chairman. I think it would be fair to say that our Japanese friends have not been as aggressive in putting this meeting together as we might have hoped. After last year we began to have high hopes for what might be possible, and the hope was that we would come out of this meeting with a framework for implementing this free trade concept in the Pacific Rim by the year 2020.

Right now, we have a bit of a split, and that is what I hope some of our panelists will address. We have a split in the ranks, with the Japanese having proposed a “flexibility” that would allow the membership to exclude certain sectors, mainly agriculture, from the trade liberalization discussions. This concerns us. The U.S. is not in that camp. The “flexibility” group includes—in addition to Japan—China, Korea, and Taiwan. On the other side we have ourselves, Australia, Canada, Indonesia, New Zealand, Singapore, and the other countries.

In just a few short weeks, on November 19, we will have this meeting in Osaka. So the real question is: Can this division over “flexibility” and the exclusion of agriculture be overcome at this meeting? That is really the biggest question. I have read articles recently that would indicate that maybe APEC doesn’t matter, that business will flourish with or without it. It did before APEC was formed in the Pacific Rim, and some say business activity will overtake and outrun the APEC process. We have two representatives from our business community here, and we will be very interested in your answers to that question. And with that, let me introduce the panelists.

First of all is Stuart Allan, who is Director of the Office of Economic Policy, Bureau of East Asian and Pacific Affairs, at the Department of State. This is the office that interacts with APEC and is involved in planning this conference. Mr. Allan is a career foreign service officer, having joined the department in 1971. He has served as Counselor of Economic Affairs at our embassy in Australia and has also served in the Netherlands, Taiwan, Pakistan, and Mexico. He is a graduate of Davidson College in North Carolina, with an M.A. in economics from the University of Wisconsin.

**STUART ALLAN:** Thank you very much, Barbara. It’s a great pleasure to be here today to talk about this very important question of free trade in the Asia Pacific region and the prospects for moving forward on that. Sandy Kristoff, my boss, does extend her sincere regrets. She had been scheduled to come, she wanted to come, but as we move closer to ministerial and summit meetings, the leaders’ meeting, she gets pulled over to the White House quite frequently. So she extends her regrets.

In Canberra in 1989, when Secretary of State Baker joined the other foreign ministers for what was to be a very informal discussion on shared interests in the region, there was a lot of skepticism about the Australian initiative to pull the meeting together. There was some doubt in the region, particularly among some in Southeast Asia, as to the utility of the idea. But after the ministers met for a couple of days of fruitful discussion, they discovered that indeed they had a lot in common, that there were a lot of things they would like to pursue. They sketched out a work program in particular sectors where there might be prospects for cooperation to enhance trade and to enhance the ability of firms to do business in the region. From that slow and hesitant start, APEC has really burgeoned.

Barbara has pointed out the seminal event in Seattle in 1993, when President Clinton really elevated APEC from a meeting of foreign ministers and trade ministers to an annual meeting of leaders of the APEC economies. Then President Suharto last year hosted a similar meeting in Bogor, just outside of Jakarta, where APEC took another very important step forward. President Suharto, as an important leader of the developing member economies in APEC, and as a leader of the developing world as head of the non-aligned movement, was able to convince all the member economies of APEC to undertake this commitment to achieve free trade and investment in the region by specified dates. Those specified dates were 2010 for the industrialized members of the group and 2020 for the developing member economies.

So the challenge before the APEC members this year has been to frame an action agenda which the leaders requested. They asked the ministers to come forward with specific, detailed proposals on how to get from where we are to where they have committed us to be in 15 to 25 years. That has proved to be a major challenge over the past year. The Japanese have worked very hard, and it has been difficult. The situation in Japan is such that Prime Minister Murayama, as a member of a coalition government, is doing what he can to provide leadership. Within Japan there are competing bureaucracies that sometimes affect the Japanese ability to do things; but even with those constraints, they have worked very hard this year to try to frame an action agenda, working with the 17 other member economies, that could be finalized

by the foreign and trade ministers in their ministerial meeting in Osaka and then promulgated by the leaders in their meeting on November 19 in Osaka.

The draft, as it now stands, is maybe 70 to 80 percent agreed but still has some very important components that have yet to be concluded. The draft includes a section of general principles that the APEC member economies will seek to adhere to as they move forward to the free trade goal. Those principles include things like the main point that Barbara mentioned, the question of comprehensiveness. Under that principle, the question is: As we move forward, will it be to comprehensively liberalize trade and investment, or will there be exceptions? In the leaders' declaration last year, they did not mention any exceptions. They said "free trade and investment in the region" by specified dates.

But as we've engaged in this initiative this year, moving from the political commitment to the practical reality, a number of member economies have found that it begins to be very hard to swallow. I think the reasons are quite understandable. They were quite evident at the closing days of the Uruguay Round, for example. We found with a number of the member economies, particularly Korea and Japan, that the problem of agricultural liberalization was a major difficulty for them, but they moved forward.

Our approach is that the APEC leaders did not state any exception to comprehensive free trade and investment liberalization, and the leaders did not say anything about special consideration for sensitive sectors. The one understanding the leaders had was a recognition of the different levels of development, and that was reflected in the two different target dates, with the industrialized by 2010 and the developing by 2020.

How do we deal with this problem at this point? That has yet to be decided, but my sense is that in the run up to the ministerial meeting there will be intensive discussions in advance in Osaka. If the issue cannot be resolved at the working level, it will probably go to the ministers. And if the ministers are unable to reach agreement on this question of comprehensive coverage, I think it will ultimately have to go to the leaders. After all, it was leaders who made the commitment, it was leaders who did not say "except for sensitive sectors," and if there is some clarification required for the ministers and the rest of us, then maybe the leaders will have to do that. So the jury is out on this question of comprehensiveness and whether there might be an exception for agriculture.

The reason we are fairly firm on this, quite firm on it, is that once we start making exceptions for sensitive sectors—again, agriculture in the case of Japan and Korea—we will find that everybody has a sensitive sector. And if everyone was able to identify one sensitive sector for exclusion—I could imagine, for example, elements in the U.S. would be happy for the Japanese to exclude agriculture—we might exclude textiles, the Chinese might exclude automobiles, the Southeast Asians might exclude financial services. Pretty soon, if everyone takes one thing off the table, you don't have much left. It's quite easy to picture an unraveling of the objective. Moreover, agriculture is an important trading commodity, one that we are very efficient at exporting, so agriculture is an important issue. We will have to see where that comes out.

Other items in the principles section of the draft action agenda include things like the question of nondiscrimination; that is one that has to be worked out. The question of comparability is critical as member economies move forward to achieve the free trade goal: How do they do it, and how does one assure that the efforts and, more important, the market access results are mutually beneficial and comparable? These are open issues, and I think we will be able to reach agreement on them, but they are not yet agreed.

The second part of the draft action agenda addresses the central question of the process: How do we do this over the next 15 to 25 years? To generalize, there have been roughly two different approaches to this question. On one side, a number of member economies would prefer more of a voluntary and unilateral effort, whereby they accept the goal but move forward in their own way over the next 15 to 25 years to open up the different sectors, to address the different issues, so that they achieve the commitment. At the other end of that spectrum is a group of countries that think you cannot depend entirely on voluntarism, although some member economies have indeed been doing a lot unilaterally. Many of the countries in Southeast Asia, for their own benefit, have been deregulating, lowering tariffs unilaterally, to help open up their economies and continue to enjoy the rapid growth that they have enjoyed, in part because of wise, market-oriented policies.

On the other hand, there are other member economies in Asia where the track record is less encouraging. Therefore, for all the member economies to be confident that we are going to achieve the goal, some believe that we cannot depend solely on voluntarism and unilateralism, that we also need some collective action where we sit down and talk through some issues and agree on where we are going and how fast we are going to get there.

In the actual action agenda, what I think we will find is perhaps a mix of these different methods that might include unilateral and voluntary actions, might include some collective actions by member economies, ongoing actions in the context of the WTO to meet multilateral commitments which will also be beneficial in an APEC context. In APEC we have this notion of "18 minus X." Of the 18 members of APEC, perhaps a subset of 12, for example, might be able to agree on action in a particular area. And if the other six cannot move forward in the near term, subsets of the whole group can move forward. This is copied from a technique that is used in ASEAN, where they have a "6 minus X" approach. If some parts of ASEAN, say five of the six, can move forward, you don't hold out for absolute consensus; the other one basically catches up later and the five move ahead.

After principles and a process section, the key part of the action agenda will be a section that identifies specific sectors and issues that we will be focusing on at the outset and consistently over the 15 to 25 years. These issues include things like trade in services, intellectual property protection, government procurement, regulation and deregulation, competition policy, tariffs, and non-tariff barriers. There is an enumeration of 14 or 15 specific sectors and issues where the member economies are going to focus their efforts as they pursue liberalization individually, collectively, in the WTO, 18 minus X—the different methodologies.

That is where we stand. The senior officials of APEC—this is the group just below the ministers level—have met six times or so this year, both in a special restricted negotiating context and in the general meetings they routinely have. The action agenda draft is, as I say, about 80 percent toward where we need to be, but a lot of important work has yet to be done.

I would like to turn a little bit away from what I have been talking about, which is what has seized the headlines and focused the attention of a lot of people in the last 12 months, and understandably so, to look at another aspect of APEC: the more short-term, the more practical, concrete kinds of things that APEC has been doing and will continue to do to provide some tangible benefits for business. This is what APEC really started on back in 1989, with these working groups looking at tourism, looking at telecommunications, looking at transportation, looking at energy—some of the sector-specific working groups looking at ways the member economies could cooperate.



Let me just mention a few of the kinds of things that have happened or will be happening in this area, in different categories. One is activities that increase transparency. This is important. I think it is fair to say we have one of the most transparent trade and investment regimes in the world. But in the Asian part of APEC—and, again, think of Southeast Asia, think of China, developing economies—transparency is a problem for businessmen. To the extent that through APEC we can be clear in terms of what the business rules, procedures, and so forth are, and make that information more readily available to businessmen, that should make it easier to do business.

A couple of examples. One is the customs guidebook, a publication by the APEC Customs Subcommittee with information on the regulatory regimes, non-tariff barriers, and so forth, all collected in one place, in English, available globally for exporters of all the member economies. Another transparency measure seems kind of small and very specialized, but is quite important for one sector, and that is the fish inspection system handbook. There is a Fisheries Working Group looking at both health and safety and trade issues in the fisheries area. The U.S. is an exporter of seafood products, and seafood is traded widely in the APEC region. This is one of the most highly regulated sectors because of safety and health concerns. Now, through this working group, a handbook has been published that identifies what the rules, regulations, contact points, and so forth are to import and export shellfish and seafood products.

Another type of practical measure I would characterize as in the “doing business” category. This differentiation between “doing business” measures and “transparency” measures may seem a little artificial, but just let me give you a few other examples. Through one of the working groups of the Committee on Trade and Investment, over the last year the APEC member economies have developed a tariff database. It is now on a CD-ROM and can be purchased for \$50 or \$60 from the APEC secretariat; I can give you a contact point in the Commerce Department that can tell you exactly how to do it. Here on a CD-ROM, which will be updated annually, are all the tariff schedules for all the member economies, easily accessible on a common tariff description. I think it is BTN or the standard tariff classification. The key thing here is for American businesses, or any other businesses that are considering exporting a product into the APEC region, to find the tariff level. Is it a prohibitive tariff? Is it something they could deal with and still be competitive in that target market? Here is a key “doing business” question, with the information readily available.

Another one that we kicked off a few years ago was called the APEC Partnership for Education. I think this was initiated about 1991. The idea was that there are lots of foreign students studying in the United States, including many from Southeast Asia. They come here for four or five or six years and learn excellent English, become familiar with American education and the way we approach business and so on. There also are a lot of American multinationals working in Southeast Asia or in Asia that would like to offer employment to many of these students that have the language and American orientation. Many of those graduates, as they go back to their home countries, would like to offer their services as employees of those companies. So it was really a matchmaking exercise that was set up with some seed money from the U.S. Agency for International Development. I think in recent years that seed money has been removed, and the latest I heard is it is now self-sustaining by the two parties, the buyer and seller. I'm not sure who pays most of the costs, but it is an ongoing effort.

Each year for the last several years, in advance of the APEC ministerial meetings, there has been a customs symposium. I think we kicked this off in Seattle and found it to be very useful, where customs officials sit down and talk with importers and exporters about practical problems faced by firms doing business in that country. I sat in on a small part of this in Jakarta

last year, and this was an incredibly well-attended event: a roomful of probably three or four hundred businessmen talking with Indonesian customs officials. They had the director-general and the other customs officials, as well as some international customs officials from the GATT and the World Customs Organization, talking about practical problems in an actual forum where businessmen could go into some of the problems in terms of importing and exporting in Indonesia: good contacts and a good way to exchange information and seek to improve procedures and solve problems.

Another example is mutual recognition agreements. This is something that is still being worked on. Member economies have different product standards, and products typically will have to be tested and approved by different testing organizations. Even though individual economies may have their own standards for their own reasons, the ideal is to have a harmonized standard, but in many cases that will not be possible. In terms of testing and testing conformance to standards, is it fruitful and efficient to test every product in every place, or can we in APEC come up with an approach where we agree to test it once and accept it everywhere and, if so, this really facilitates movement of products in the region? Again, I think this is probably less a problem in the United States, but I know that many American exporters, as they try to ship a product into Japan or into China, face tremendous problems. Sometimes each product has to be tested. So if we could somehow simplify testing procedures, recognize the results of tests regionwide, that should really facilitate the movement of products in the region.

Finally, there is another category of tangible, near-term, and practical benefits for business, and I put it under the business promotion rubric. I'll give just a couple of examples. One example is simply showcasing technologies. This year Secretary of Transportation Peña hosted an APEC Transportation Ministerial meeting. All of the transport ministers from around the region met here in Washington for two days for an excellent session in one of the conference rooms of the State Department. Day One of that session was a symposium of the ministers with the business communities. Every minister was invited, and most of them brought a group of businessmen concerned with the transportation sector. For a day, the ministers sat down and talked with businessmen about transportation issues in the region.

There was an official ministers-only session the next day, and then Secretary Peña invited all of the ministers to go with him on a short tour through the United States in order to showcase some of the transportation technology of the U.S. They went to the new Denver airport, which Secretary Peña knew a lot about, as well as to Seattle to look at Boeing, look at some of the infrastructure there, and I think down to San Francisco: a good opportunity to showcase American technology to ministers from the region. We all know that infrastructure growth in the region, particularly transportation infrastructure, is very important and offers a lot of opportunities. So the post-ministerial tour provided a good exposure for U.S. transportation technology.

There was another, similar event in Vancouver a couple of years ago, when APEC environmental ministers met under Canadian chairmanship and there was a showcase of environmental technology. I think many American environmental technology companies showed their products at that time. I would hope that there will be more opportunities of the business promotion kind.

Another impact of APEC, in my opinion—and this may be more important for the United States than most other member economies—is to raise the profile of the opportunities in Asia. This is not a conscious objective of U.S. policy, but it is really an important byproduct. In the United States, we have very competitive multinationals, very active globally and in the region. But in the United States, we also have lots of small and medium-sized enterprises which are ac-

customed to doing business in their state, maybe nationally, but they are not sufficiently oriented to international exports and international investment opportunities. To the extent that the President of the United States and the Secretary of Commerce go to the ministerial and APEC leaders' meetings and thereby draw attention to the opportunities in Asia, they can stimulate the interest of small and medium-sized enterprises in exploring opportunities in Asia that they might not have thought about before.

Small and medium-sized business here is one of the great generators of new technology, of jobs and so on, and to the extent we can get small business more internationally oriented, that is good for the United States. This is true also in most of the other member economies. Small business is an important component of many of the developing economies, and many of the practical results in APEC that I described earlier really are more beneficial to small businesses, which face these big expenses in lack of transparency and lack of knowledge, than to IBM or General Motors, which are much more comfortable working internationally.

**BARBARA FRANKLIN:** Next is Philip Vaughn, Director of Government Relations for Fluor Corporation, a very large, diversified engineering and construction company operating in over 50 countries. Prior to joining Fluor, Phil was vice president of International Business Government Counselors, a consulting firm here in the District. Before that, he was on the staff of the House Ways and Means Committee when Dan Rostenkowski was the chairman and with the Peace Corps in Zaire. He graduated from Georgetown, with a B.S. in foreign service and an M.A. in Arab studies, and speaks French, Arabic, and Italian.

**PHILIP VAUGHN:** Thank you very much for asking me to be here today. As a real believer in APEC, I was very pleased to be a part of this program this morning. Actually, Fluor is very active in Asia. We have offices in all the APEC countries except for Brunei, New Zealand, and Papua New Guinea.

Our involvement in this started last year, when the President asked our chairman, Les McCraw, to be part of the Pacific Business Forum, which is the business advisory group to the APEC leaders. The Pacific Business Forum is made up of two members from each APEC economy, one from a large business—in the case of the U.S., Fluor Corporation—and one from a small business. The small business representative for the United States was Discovery Communications, although Discovery Communications is actually not all that small. For the past two years, Fluor has also been co-chairman of the Pacific Business Forum. We have done this with Indonesia last year, and this year we have been co-chairman with Indonesia and Japan.

I was asked to speak about business views toward APEC. I'm not going to go into great detail on the report which the Pacific Business Forum produced, but I will be happy to send people copies if they want to contact me. I wanted to talk a little more broadly about why APEC is important. I think it's a bit difficult to represent U.S. business views as a whole, for two reasons. First, as you all know, the U.S. business community is probably among the most diverse in all the APEC economies. There are differences between large and small, which we touched on earlier, between the manufacturing sectors and service sectors, heavy industry and high tech; so, depending on who you talk to, you might get a very different opinion on APEC.

Second, there really is a distinct lack of awareness in the business community about APEC and what it does, so I think, as a whole, business views have not fully matured at this point. Indeed, until our chairman was asked to be part of the Pacific Business Forum, Fluor was aware of APEC but certainly not deeply involved in it.

Before I go into the specific trade and investment issues that we were looking at this year in APEC as the PBF, I would like to make some very broad comments on why I think APEC is important to business.

**First**, it can help solidify the economic and political security of the region that business needs to feel confident in its investments. It is clearly in the interests of the U.S. business community to have a forum in which the U.S. can deepen its ties with all of its trading partners in the Asia Pacific region.

**Second**, APEC offers a mechanism for anchoring the U.S. in the region, as I mentioned, both strategically and economically. There seems to be a lot of debate today, at least around APEC, that America may be too focused on Asia, putting too much emphasis on the region; that we do not have a natural role there; that the cultural differences are far too great; and that we really should be focusing perhaps more on Latin America or Europe. I think the physical distance, the cultural differences, and the lack of a clear role in the post-Cold War world perhaps make APEC even more important, and keeping the U.S. involved in the region through APEC even more a priority.

**Third**, APEC is the only truly regional grouping in existence, and I think it can play an important role in bringing together the NAFTAs, the AFTAs (which is the ASEAN free trade area), the CERs (which is the free trade agreement between Australia and New Zealand), and prevent the region from breaking down into a multiplicity of isolated subregional trading blocs.

**And fourth**, APEC offers the U.S. a broad policy forum in which we can sit down and talk to our trading partners in more constructive dialogue, rather than in destructive confrontations that I think we have had in the past.

Beyond the tariff and trade and business reasons, I think those four are very broad areas or reasons to stay involved in the APEC process. But when you get to the business side, people always look at me and say, "Well, why APEC? Why are you involved in it? Does this really have any meaningful impact on your bottom line?" I think the answer really is a resounding, "Yes, it can," but only if APEC gets its act together this year and starts taking some tough decisions in Osaka is it going to prove to business once and for all that it is willing to move from being a policy talk shop into an action-oriented forum. I think that is the main thing we need to see from Osaka this year.

Our report that the Pacific Business Forum produced this year, in fact, addresses this issue. Our theme is "Making APEC more relevant to business." To achieve that business relevancy, APEC has to do two things this year. First, it has to establish itself as a credible and effective organization in the eyes of business, and, put very simply, that means we want to see APEC take some actions that are going to have an immediate and beneficial impact on our ability to conduct business in the region. If APEC does not begin to undertake these types of activities, I think it is going to lose its growing credibility with business, both in the U.S. and in the region, and the nascent business support you are seeing for APEC is going to evaporate.

Second, APEC really needs to strengthen its ties with business. There has been some general agreement that business has been the driving force behind the tremendous growth we have seen in the region in the last decade. Business is going to continue to do its part to drive that growth and create jobs, but we can do that better in partnership with the public sector through APEC in breaking down some of the barriers that you referred to. That is going to take a great deal of effort, because I'm not convinced that all of the APEC economies really want business input into the process. It is clear the U.S. is looking for it. Australia is looking for it. But I think there is a definite lack of interest in business participation by some of the other members.

Looking to the Osaka meetings, which are coming up in just about two weeks, there are three very broad things we would like to see. First of all, we need to see a clear road map on how we are going to get to free trade and investment in the region by 2010 and 2020. This would include time lines, milestones, and frequent progress reviews so that we can see exactly who is living up to their commitments, who is not living up to their commitments, and whether APEC as a whole is moving in the right direction. Declarations of intent and promises to do things next year and the year after simply aren't good enough any more.

Second, at Osaka we need to see a series of steps announced which prove APEC is serious about this trade and investment liberalization agenda. I think these can be small things. They don't all have to be focused on the tariff area. We can accelerate the work they have done in the customs area. We can look at visa-free entry for business travelers. You could look at further work on the rather weak investment principles that were adopted in Jakarta last year, look at continued work on intellectual property. These things are not difficult. They don't cost money, and with a little bit of political will by the leaders, I think they could be done.

Third, as I mentioned earlier, we need to strengthen this partnership between business and APEC, and there are two main ways I think that can be done. PBF has recommended that a successor organization to our group be established, which would be an official advisory group by regional business to the APEC leaders and ministers. I think there is a lot of debate about how that is going to come out.

In addition to that formal advisory group, APEC really does need to reach out, whether they want to or not, and get business involved in the working groups—the ten that you mentioned, some of the programs you mentioned—on an ongoing basis. Getting a report from business once a year will not keep APEC on the right track. They need to include businessmen in the official discussions; they need to include business in all of their meetings on an ongoing basis. Otherwise, I think we are going to see APEC waver from the path they are setting this year.

In conclusion, I want to say that I think APEC really is a remarkable organization. It has come a lot further, a lot faster, than anyone might have imagined. We are always intoning this mantra: that APEC's been around six years and, by God, it better do something this year or we're going to walk away from it. But if you look at it, APEC has been around for only six years. I think it has come rather far for an organization of 18 countries of very disparate levels of economic development, disparate languages and cultures. I think we need to support APEC—give them a little more time than we have so far.

Let me make one last observation. I mentioned earlier about keeping the U.S. involved in Asia. There seems to be a big debate these days on Asian values and Western values, and on differences between our philosophies and our ways of doing things. This is usually in the context of why APEC must fail or why ultimately the East and West cannot work together. Well, the PBF was 34 people from 18 different economies, different economic backgrounds, different outlooks, yet over time we all learned to respect each other, to respect each other's points of view. We have worked in great harmony and, in the true spirit of APEC, achieved consensus and mutual respect. We produced a report which every person put their signature on. If this represents the future of the region, I am really very optimistic that we are going to be able to work together in a long and productive partnership, both as business and as government. Thank you.

**BARBARA FRANKLIN:** Dan Amstutz became president and CEO of the North American Export Grain Association in Washington last April. For three years previous to that, he was executive director of the International Wheat Council in London. Earlier, he had been in the Reagan Administration for six years, first as undersecretary of Agriculture for international affairs and

commodity programs and then as ambassador and chief negotiator for agriculture in the GATT Uruguay Round trade negotiations. He was one of the key architects of the U.S. agriculture position in that round. When that round started, one of the U.S.'s major objectives was to have trade in agriculture products covered by GATT—now WTO—rules, and that was accomplished. Before that, Dan was with Goldman Sachs. He also was with Cargill for 25 years, the culmination of which was his serving as president and CEO of Cargill Investor Services in Chicago. We particularly wanted somebody who knew the agriculture sector around the world on this panel, given the divisions within APEC about that issue, so we are eager to hear from you.

**DAN AMSTUTZ:** Thank you, Barbara. Phil mentioned that some opine that, perhaps, here in America these days we focus too much on Asia to the exclusion of the rest of the world. But from an agricultural perspective, probably we do not focus enough. When one looks at the demographic and economic outlook, it is staggering. Just to pass on a few things that most of you have heard before, it is highly likely that the world's population by 2025 will increase by 50 percent over current levels; it is reasonable to expect that at that time some 35 percent of the world's people will live in only two countries, China and India; so, within a generation, half the number of people that live in the entire world now may be living in China and India alone.

The economic scenario is equally exciting. Currently, the five largest economies in the world are the U.S., Japan, China, Germany, and France. In the year 2020, when trade liberalization is supposed to be accomplished in the APEC, the five largest economies of the world, with the exception of the United States, will be Asian: China, Japan, India, and Indonesia. France will be ninth largest, behind Germany, Korea, and Thailand, and Britain will be the fourteenth largest, behind Russia and barely ahead of Mexico. Canada, currently part of the G-7, will not even be in the list of the top 15. It appears that the OECD is rapidly becoming irrelevant and that it will have to be replaced by a new grouping, but that is a different subject.

Consider just one example of why agriculture is so interested in Asia. This is an OECD estimate. If China, India, and Indonesia grow by an average of 6 percent a year economically, which is entirely feasible, and their income distribution remains unchanged from current levels, by the year 2010 some 700 million people in those countries will have an average income equal to Spain today. That is 600 million more than at present. The interesting thing about that number, 700 million, is that it is roughly equal to the current combined populations of the United States, the European Union, and Japan. So in a half a generation, a sophisticated market equal in size to Europe, the U.S., and Japan will develop in China, India, and Indonesia. For the agriculture sector, that is a lot of business: a lot of meat and a lot of all kinds of food products. It presents an exciting outlook for trade expansion.

The agriculture industry in this country, by and large, is very much in favor of trade liberalization. We believe, as an industry, that trade negotiations must be comprehensive; otherwise, they are self-defeating. That means that all industries must be involved, and all segments of each industry, and that all barriers, all forms of protection, must be addressed.

The magic of trade negotiations is the concept of reciprocity, and unless you have a comprehensive negotiation, the magic of reciprocity breaks down. How in the world can you expect the U.S. to agree to liberalize import barriers for textiles and apparel, for example, if it is not going to enjoy better market access for some products in which it has a comparative advantage, namely, in agriculture? The conclusion must be clear: There would be no progress.

The truth is that the history of trade negotiations, both bilateral and multilateral, has been one of addressing the subject almost on a case-by-case, product-by-product basis. The terminology is "request/offer." Country A says, "Can you open the market for more tires that we

produce here?” And Country B says, “Maybe we can do that, but what can you do about opening opportunities for the United Parcel Service?” I use those two examples because I read that when President Zedillo was here from Mexico, these were trade issues that he discussed with President Clinton. With heads of state and heads of government meeting with each other, this is the process that has ensued. So product by product, service by service, progress is made, but slowly. The objective of a multilateral approach is to expand markets quickly, to allow for the generation of more wealth and more buying power quickly. That can be accomplished, in my judgment, only if we follow a truly comprehensive approach.

It goes without saying that when that kind of approach is endorsed, there will be some displacement of industries in various countries. It goes without saying that there is an enormous need for retraining, for restructuring, for redeveloping industries. And that becomes a national obligation, both by government and by the private sector. The reason for reluctance, and the reason countries ask for flexibility in the approach to trade negotiation, is they do not want to face those necessities. But the payoff is more opportunity, more access, more growth for more industries. This was what we preached at the beginning of the Uruguay Round, and I am proud that we were able to maintain agriculture on a comprehensive basis during that round.

I might add that, even in my industry, there are losers from this, and there are some that say, “Wait a minute, let’s show some flexibility,” as the government of Japan currently says. Certainly, the textile industry of this country would like to slow down the flow of textiles and apparel into the United States. And certainly, as we have trade liberalization, there is going to be a need for some restructuring and retraining and redevelopment in that industry here in the U.S. But there are always new services and new products that can be developed and for which there can be a market around the world. Again, the question is, “How quickly, how rapidly, can world economies expand?” And the payoff from trade liberalization is that more countries are shipping more goods and services, and more wealth is indeed generated. That is what we’re searching for.

We don’t need an APEC to do that, I guess, but I’m here to tell you that an APEC really facilitates it, and really permits it to work much more effectively and much more rapidly. Is APEC competing with the World Trade Organization? Not at all. It is facilitating it and advancing the objectives of trade liberalization more rapidly.

Can there be sensitivity to weak economies in this? The term for this in trade negotiations is S&D, special and differential: special and differential treatment for economies that are developing more slowly, special and differential treatment for industries that have particular problems in various countries. Of course there can be, and APEC is on a dual track in this regard: 2010 for the developed countries, 2020 for the developing. And there can be flexibility shown within that—although I should not use the word “flexibility,” because it’s a buzz term for exclusions, and I want to speak out forcefully against that.

Within any industry there are some that will say, “Well, let’s not rush too rapidly into this because we’ll make some of our very good customers unhappy.” The truth is, the best customer in the world for American agriculture is Japan. By far. And I can tell you that we in American agriculture value the markets in Japan very much. We need them, we would like them to grow, and we want to help in that effort, in that pursuit. To use the word “reciprocity” again, we’re very eager to help Japan’s market outlets in this country grow as well.

The fainthearted cannot prevail these days on these subjects. You really cannot have your cake and eat it too; you either support overall growth in trade, or you opt for what I would say is a no-growth situation. So, again, to sum up, the opportunities for all involved in trade expansion in all the APEC countries—certainly in agriculture—are dramatic and exciting. We can

have optimum realization of these opportunities for all only if APEC plows forward with a truly comprehensive approach. Then the magic of reciprocity will really work. It is for all of us who are not in government to urge our governments to press hard for this, and I think we will all be pleased with the results in the years ahead.