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APEC's Agenda:  
1997 and Beyond

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# APEC's Agenda: 1997 and Beyond

*Leonard J. Edwards*

**T**hank you for giving me the opportunity to speak to you today. I would like to take the opportunity to set the broader context for APEC's agenda for 1997 and beyond, then to describe how Canada, as 1997 Chair, intends to move the agenda forward toward the Bogor goals of 2010 and 2020. While these milestone dates may seem distant, it is important to recall that, as the developed economies currently represent approximately 85 percent of the trade within the APEC region, our effective date for free and open trade in the region is only 13 years away.

## **APEC AND THE TRADING SYSTEM**

APEC (the Asia-Pacific Economic Cooperation forum) operates on the principle of open regionalism, reinforced by the fact that its liberalization will proceed on a most favored nation basis. As APEC clearly does not exist in a vacuum, it is important to begin by setting the context. I know you are aware of APEC's work program, so I will start by talking about APEC's value added to the world trading system.

From the outset, let us remind ourselves that APEC is a very different creature from either NAFTA (the North American Free Trade Agreement) or the WTO (World Trade Organization). It operates on the basis of concerted but voluntary unilateral liberalization, unlike the negotiated approach to which we in North America have grown accustomed and which takes at its starting point the notion that a tariff cut seen as a benefit to your partner requires something in return for you.

Instead, around the APEC table, one talks of confidence-building and mutual benefits. The APEC approach proceeds directly from the principle that the main benefits of trade liberalization flow to the liberalizing economy, not to its trading partners, and that it is in one's interest to liberalize even unilaterally without waiting for others. This argument works especially well in a high-growth, optimistic environment. Still, human nature and practice both intercede along the way. This ideal world needs the external pressures of a true negotiation to support these liberalization trends and approaches. That is why APEC fits in so well with the complex of harder-edged sub-regional and bilateral agreements. That is why the WTO process remains the linchpin in international trade policy and global liberalization the ultimate goal.

Certainly, given Canada's heavy reliance on trade for economic prosperity, it is no secret that our best bet is to strengthen the rules-based, multilateral system rather than risk being thrown about in a world where the biggest players hold the best cards. Clearly, expanding the membership in the global, rules-based trading system is in Canada's interest and, we believe, in the interest of others. Can APEC play a role in achieving such concrete objectives?

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Let me give you some examples that demonstrate the possibilities:

- **First**, the “downpayments” that every economy brought to Osaka—that is, the initial indications of liberalization measures—were an important demonstration of political will. Significant press attention was paid to the commitment of the People’s Republic of China to reduce more than 3,000 tariff lines by as much as 40 percent. Taiwan, another non-WTO player, brought measures of its own. These stand as commitments in APEC, regardless of the timing of their WTO accessions, yet they were also part of, and driven by, the WTO process.
- **Second**, the Manila Action Plan for APEC, composed of 18 Individual Action Plans and the Collective Action Plans following the Osaka blueprint, moved us a step closer. While the IAPs, as they are called, did not contain significant new actions in the APEC context, they were important transparency documents. They were reasonably well received by outside observers. The Pacific Economic Cooperation Council (PECC) has given APEC economies a B+ so far, and they will be watching closely to see what we can do to move beyond this score in 1997.
- **Third**, APEC has never wavered in its support of the multilateral system. The APEC push in November 1996 for the Information Technology Agreement (ITA) provided momentum and a critical mass of support for the ITA into the WTO Ministerial in Singapore. And one of the key outcomes of the Subic meeting was a clear instruction from Leaders to identify further sectors for early voluntary liberalization.

In my view, these developments support the argument that APEC does work within the construct of global trade and has helped, and will continue to help, move the global agenda forward. To keep this instrument effective in its supportive role, however, the state of its work has to be at least WTO-equivalent if not preferably WTO-plus in all respects, and it has to continue to be seen helping deliver credible market-opening measures. This is key to APEC’s credibility in the private sector in particular.

## **APEC’s TRADE AGENDA FOR 1997 AND BEYOND**

Our starting point this year, to borrow a phrase from the WTO, is the “built-in” agenda of APEC; that is, the work we have already begun, and the specific directions and tasks given to us by Leaders and Ministers coming out of the meetings in the Philippines. Overlaying this agenda are the priorities and themes that Canada intends to deliver on, in collaboration with its APEC partners, through the year. Let me tackle each of those issues separately.

First, it is important to recognize that APEC has evolved to a new stage. The Bogor Declaration in 1994 set the vision of free and open trade and investment in the region by 2010/2020. Osaka established a detailed Action Agenda to serve as a blueprint for liberalization, and Manila took that Action Agenda further with the first Individual Action Plans from every member.

Vision and planning have been essential to APEC’s development, as would be the case with any young multilateral organization, and particularly one such as APEC that brings together 18 economies with such a wide range of interests, cultures, and levels of development. Now the time has come to move to more detailed and concrete implementation of APEC activities, and to measurable results.

It is clear that a first priority for our political leaders is to maintain the focus on, and momentum of, the trade and investment agenda. This can take a number of forms.

First, we must work to implement, and then to improve, the Individual Action Plans that were tabled in Manila. It will not be sufficient to go into Vancouver with the same texts and commitments that we had coming out of Manila. This does not mean a substantial rewrite of the plans, which were no small undertaking, but it is clear that we must have some elements of "additionality" if the process is to remain credible and if we are to meet the targets of 2010/2020. These plans are "living documents," and it is only with constant attention and improvement that we can reach the Bogor goals.

Some have criticized them for a lack of APEC-specific liberalization commitments, and for being largely a restatement of WTO or unilateral actions that would have been taken in any case. I would argue that we must walk before we can run. What we now have is a clear picture of the access regimes of APEC's 18 member economies, which will be a necessary benchmark against which to measure progress. And there must be progress.

This is no mean feat. Certainly, many witnesses to the Bogor commitment in 1994 would not have believed that just two years later, every APEC economy—from the three members of the G-7 to some of the most development-challenged parts of the region—would complete an Individual Action Plan with specific measures for liberalization.

Earlier, I mentioned the notion of reciprocity. The concept is reflected in the Osaka Action Agenda of 1995, which calls for an assessment of the "comparability" of the Individual Action Plans. This is the process by which gentle peer pressure can be applied to ensure that all APEC economies are moving at a pace which will have everyone meeting the Bogor commitments by the given dates. Starting points are important; economies that currently are more closed than others have more work to do than already comparatively open economies. Nonetheless, all economies must be moving forward to ensure the process remains credible.

Comparability will be ensured through a process of consultation on IAPs at various levels, but I would emphasize that the comparability exercise is just a means to an end. We should not get bogged down in this effort and lose sight of the "big picture"—improvement of the plans. We will welcome outside inputs from the APEC Business Advisory Council or further views from the Pacific Economic Cooperation Council or any other interested body.

As I said earlier, we have been instructed by Leaders to identify priority sectors for early, voluntary liberalization of trade. This was already featured in the Osaka Action Agenda, but we have taken the Manila statement to mean that we must accelerate the process. I do not underestimate this challenge, but we are committed to the task, and we will work throughout 1997 to try to identify sectors that might be ready for action in 1998–1999.

Governments cannot do this alone. We need the views of the private sector, domestically and collectively, to identify sectors of convergence. As we saw with the example of the Information Technology Agreement, broad-based industry support will be required across the region for progress in particular sectors, so the views of business will guide us in this process. In my discussions with the Canadian private sector, I have urged them to help us in this exercise, and would encourage links between the U.S., Canadian, and other private sectors to build support for specific sectors.

At our first meeting of Senior Officials in January in Victoria, there was considerable discussion as to the definition of “sectoral liberalization.” There appears to be agreement that the definition of “sector” needs to be broader than simply “zero-for-zero” tariff reductions, to encompass other market-opening measures—for example, substantive work to streamline customs procedures, or alignment of international and domestic standards.

Clearly, to arrive at zero-for-zero initiatives, members must work closely with their private sectors to develop broad support across the region for early liberalization in a particular sector. It also takes political will. In this respect, I can assure you that the signals being sent by Washington in the opening days of the renewed Administration are being watched closely.

This leads into another key element in the trade agenda: trade facilitation. It is here that APEC can perhaps make its most significant, and most immediate, contribution to reducing the cost of doing business. Our objectives are, for instance, to reduce the cycle-time through ports by harmonizing and modernizing procedures, to improve comfort levels for business through better protection of intellectual property rights, and to open government procurement regimes to provide better access.

Work is under way to identify specific results on trade facilitation for this year, such as customs and standards, as well as those that might be achieved with some greater political attention and impetus. Trade facilitation will be a principal theme of the meeting of APEC Trade Ministers that Minister Eggleton will host in Montreal in May. In fact, there will be a business symposium on customs procedures just prior to the Trade Ministers’ meeting, where customs administrations from across APEC intend to finalize results on streamlined procedures.

Trade facilitation measures are particularly important for small and medium-sized companies, which also happen to be a priority for assistance and work in APEC. While larger companies have more flexibility to absorb those bothersome additional costs involved in business transactions required for trade, these can be prohibitive for small companies. And they can be major factors in small business owners’ decisions to make the effort to expand into international markets, particularly in regions of the world with which they are less familiar.

What, then, is the outlook for Vancouver? These are still early days, but we would, as Chair, want to see a full delivery on directions received from Leaders; i.e., a set of 18 updated IAPs, an initial review of IAP implementation, and the identification of some new candidate sectors for voluntary liberalization. Canada’s Trade Minister, Art Eggleton, will be hosting a meeting of APEC Trade Ministers in May in Montreal to review these objectives and to see if we can be even more ambitious.

He will also lead ministers in an informal discussion of the situation in the WTO post-Singapore Trade Ministers meeting and of how APEC economics can, collectively and through the work program, contribute to the process of global liberalization through the WTO. This is an essential role for APEC, reinforced most recently at the Leaders’ Meeting in Subic Bay.

## **OTHER PRIORITIES FOR 1997: THE ROLE OF BUSINESS**

In addition to making significant strides on the trade agenda, Canada believes there is great scope for increasing the involvement of the private sector to make sure APEC remains in tune with the people who are out there trying to conduct business. This can take a variety of forms.

At one level, we would like to see more engagement of the private sector in APEC Working Groups. The Telecommunications Working Group, now chaired by the USA but with Canada to follow in March of this year, is the best example of strong participation by private-sector representatives in this sector. The feedback we have had from Canadian companies involved has been very positive in that they see a real value helping the group identify what needs to be done, for instance, on standards for new products. They participate at their own costs, and they are directly involved in setting the agenda for the work of the group.

We want to replicate this elsewhere in APEC and to bring it to a higher level on the political spectrum. We have built in substantial business elements in each of the five sectoral ministerial meetings that we will host in Canada this year: trade, transportation, environment, energy, and small and medium-sized enterprises. Each meeting will have a business forum where senior private-sector representatives from around the region can meet to discuss their concerns and their priorities for trade liberalization and facilitation, and then tell ministers their views in a joint session. We continually say that "APEC Means Business," and we want to make sure that business priorities are clear to ministers and officials charged with advancing the APEC process.

This is not a fabricated agenda. Business interest in influencing APEC has become increasingly evident. Canadian participants at the November 1996 APEC Business Forum (ABF) in Manila, for example, came away impressed by the opportunities it offered for discussion and networking, and felt a real sense of contribution to the APEC policymaking process through their session with ministers.

Led by the Business Council on National Issues (BCNI) and the Canadian Committee of the Pacific Basin Economic Council, the Canadian business community is organizing a CEO Business Summit to be held in Vancouver at the end of November, coinciding with the Leaders' Meeting. The style will be different from that of the ABF in Manila: CEOs only, but with representation of large and small firms; a smaller group, with a maximum of 250-300 participants including the APEC Business Advisory Council (ABAC) members; a focus on discussion of macro and micro trade priorities for the private sector; and considerable opportunities for networking.

Canada also chairs ABAC this year. ABAC produced a report with ten "flagship" and a number of other recommendations last year. It is critical that these be reviewed thoroughly through APEC bodies responsible for the various items, such as investment, infrastructure, and small and medium-sized enterprises. These recommendations must be assessed as part of the agenda for the various ministerial meetings as well.

It is imperative that APEC be active in responding to these recommendations. Governments may not be able to move as fast as the private sector may want in every case, and there may be recommendations that governments cannot accept for various reasons. But we are determined to provide a comprehensive report on actions to implement, or explanations for why some things are not possible, for each recommendation. This is essential if we are to maintain the interest and involvement of the senior business people in ABAC, and to maintain APEC's credibility with the private sector in general.

ABAC itself is still defining its role, this being only the second year of its existence, but there is a sense in APEC that we should engage ABAC members more consistently in the APEC process: To provide advice, they have to know what we are doing and why. At their first 1997 meeting, held in Port Moresby, Papua New Guinea, the ABAC has decided to focus on how

APEC is implementing its 15 flagship recommendations—all the more reason for governments to take very seriously our response.

## **ECONOMIC AND TECHNICAL COOPERATION**

I have chosen to concentrate this presentation on APEC's trade and liberalization agenda and the role of the business sector. But as Chair, Canada must also give equal weight and attention to the broad array of APEC activities and programs that fall under the heading of Economic and Technical Cooperation. Let me touch briefly on the emphasis for 1997 in this area.

First, Leaders instructed us at Subic Bay to move toward more coordination and more focus across the board in these APEC activities. There is a clear view that as APEC has evolved, the many activities under the economic and technical cooperation agenda must be better harnessed and directed at bottom-line deliverables of value to the private sector, complete with milestone dates and measurable results against which to measure progress.

Ministers in Manila gave us the lead by identifying six priority areas to guide economic and technical cooperation activities:

- Developing human capital;
- Fostering safe and efficient capital markets;
- Strengthening economic infrastructure;
- Harnessing technologies of the future;
- Promoting environmentally sustainable growth; and
- Encouraging the growth of small and medium enterprises.

These are very broad concepts, and our immediate challenge is to identify the specific actions or projects that turn these objectives into reality.

One initiative that we feel has potential as a "focused outcome," and that we are now developing as a subject for Leaders in Vancouver, is that of infrastructure. The demand in the Asia-Pacific region is enormous; World Bank estimates are in the range of about US\$1.5 trillion over the next decade in East Asian developing economies alone. There is already considerable work underway in APEC—on telecommunications, transportation systems, and power projects—and we know there is private-sector interest. Infrastructure also figured prominently in the ABAC recommendations as an area in which APEC could make a real difference. Canada believes that the concept of infrastructure development and modernization—widely viewed as one of the most pervasive "barriers" to trade and investment in the region—provides an excellent organizing principle under which we can harness current activities and identify new challenges, whether they be education, training, investment, easing the flow of goods and services, or enhancing market access.

## **MAKING THE LINKS: "ECOTECH"**

One of APEC's unique aspects is that it mixes both liberalization and economic cooperation themes. This is no accident. It adds to APEC's value as a 21st century institution.



Simply put, APEC's activities under economic and technical cooperation are designed to grow the markets, to ensure sustained and equitable economic growth. Growth is simply not possible without a solid commitment to developing human resource capacity to its full potential, and to engaging in open exchanges of information and expertise that will help create the right conditions for open trade and investment to succeed. The trade and investment agenda is intended to ensure that everyone benefits from growth through better access to markets and secure investment climates. In this way, the two streams of APEC activity not only complement one another, but are mutually and equally reinforcing.

Among the developing economies within APEC in particular, there is a strong sense that a dynamic "ecotech" program is necessary to balance the trade and investment agenda, to help the developing economies "catch up" in terms of living standards and per capita incomes. That being said, APEC is not a donor-recipient organization; it works through sharing of best practices and information exchange, not through transfers of funds. It emphasizes market forces and techniques and private/public-sector partnerships.

What are the benefits of economic and technical cooperation? Frankly, the benefits cannot be tabulated according to any simple format. To a large extent, the extent of benefits depends on the willingness of members to act on the information that is shared and the "best practices" that are developed.

Potentially, the impact of this kind of activity is very significant. To get an appreciation of this, one has only to consider the economic benefits that have flowed from market-oriented deregulation and re-regulation that has been undertaken in many APEC economies in the past decade and a half. By sharing knowledge about how this can be done most effectively and building consensus on the advantages of such system re-engineering, growth is strengthened.

Coming back to the example of infrastructure for a moment, consider the benefits that would flow from speeding up the process for agreement between governments and private-sector developers on infrastructure projects: Even a relatively small savings in time could result in very large benefits in terms of flow of services from infrastructure put in place more quickly.

While a calculation of the benefits of APEC's activities will always be difficult—this poses a real challenge to communications experts—there is a strong and compelling correlation among economic and technical cooperation, trade and investment liberalization, and good economic performance.

## **CONCLUSION**

APEC cannot function on its own. As I have stressed today, we need constant input and feedback from the private sector. We want to know what the barriers are to business activity in the region so that we can find ways to address them in APEC. Your views are not only welcome; they are key to the further development of the forum and to our ability to deal with the challenges and take advantage of the opportunities that lie ahead.