

From APEC Formation to Consolidation: *Policy Suggestions for ASEAN*

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Background

In 1999, the Asia-Pacific Economic Cooperation (APEC) observed its first decade of existence as a unique regional interstate economic regime. At the same time, a number of intraregional, interregional and global economic regimes aimed at organizing and facilitating trading relations among economies in the Asia-Pacific region have also been formed in recent years.

In this regard, questions have been asked on how to define and consolidate the APEC's role in this phalanx of economic regimes and what its "value-added" is to the regional and global political economy in general and to its member-states in particular, especially in view of the still-

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birth of the Millennium Round of trade liberalization under the auspices of the World Trade Organization (WTO).

Focusing on one of the Asia-Pacific subregions—South-east Asia and its premier interstate economic and security regime, the Association of Southeast Asian Nations (ASEAN)—ASEAN itself has become more active in the past few years in the trade liberalization and facilitation fronts and is considered as one of the membership pillars of the APEC regime. Thus, the definition of a clearer role and the consolidation path of APEC is of great interest to ASEAN and its members.

From the starting points of the ASEAN states' common interests and limitations within the APEC forum as well as the tripartite nature of APEC's articulated vision, this *Policy Notes* will present three general policy prescriptions for ASEAN joint member advocacy within future APEC meetings. These prescriptions are laid out in the belief that individually and collectively, these proposed ASEAN actions within APEC would further strengthen APEC's consolidation path, and ASEAN's.

At the same time, the prescribed courses of action will be in the interests of all ASEAN members who are also

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APEC members¹ as they will bring about a more united ASEAN front in negotiations and discussions with other groups within APEC and beyond.

Before presenting the policy prescriptions, though, it is best to understand the rationale for coming up with them.

For instance, how does ASEAN view APEC? What benefits will it gain by pursuing an active membership in APEC? How do the APEC and ASEAN set-ups and interests jibe with one another?

The following three sections will expound on these.

ASEAN's wariness towards APEC

ASEAN's long-standing position as the premier interstate regime within East Asia have led many within its community to treat APEC, which encompasses ASEAN geographically, with trepidation. This trepidation is rooted in the different membership make-up of the two regimes and in their similar functional objectives.

With regard to the membership make-up, the impressive list of Asia-Pacific powers (e.g., Japan, the United States, China and Taiwan, among others) that are members of APEC, in addition to the ASEAN member-countries, made many in ASEAN fear that the individually and collectively less powerful ASEAN members would lack influence within APEC deliberations and consequently within the Asia-Pacific region as a whole. In the end, it was feared that this possible lack of influence may eventually lead to a loss of influence within the Southeast Asian subregion itself thereby challenging the very rationale for the ASEAN formation.

Feeding this fear of a circumscribed Southeast voice within APEC is the deep and continuing differences in the approaches of the two regimes in addressing similar economic platforms. These differences are profound and in-

¹With the expansion of ASEAN membership starting to include the states of the Indochina region, it means that at present, not all ASEAN members are within APEC. Those that are in both regimes are Brunei Darussalam, Indonesia, Malaysia, Philippines, Singapore, Thailand and Vietnam. ASEAN members yet not part of APEC are Cambodia, Laos and Myanmar.

tractable enough to threaten the ASEAN-based attempts to enhance intra-ASEAN economic integration and thus the utility of the ASEAN regime itself to its own member-states.

Since the adoption of the ASEAN Preferential Trade Agreement in 1976 and other ASEAN initiatives like the ASEAN Free Trade Area (AFTA), the ASEAN regime has attempted to increase intra-ASEAN economic integration via mutual agreement among its members to offer all other members' exporters preferential access to their own domestic markets. However, with the pronouncement of APEC's goal of Asia-Pacific trade liberalization and its choice of an open approach to trade liberalization or "open regionalism," ASEAN's efforts in fostering closer Southeast Asian economic integration via preferential liberalization have been seriously threatened. This stems from the fact that within an open regionalism approach, all members of the liberalizing regime agree to open their markets to all exporters, regardless of whether these exporters are from member-economies or not. Thus, due to the much larger market size of the APEC member-economies compared to that of ASEAN combined, the potential benefits to be gained by ASEAN members from AFTA would be undermined.

ASEAN's interests in active membership

The twin fears of ASEAN officials and observers regarding the reduction of the ASEAN and its member-states' voice in Southeast Asia and the Asia Pacific, and the fear of APEC "swamping" ASEAN's preferential trading efforts provided two strong "negative" reasons for ASEAN member-states to join APEC not just as individual members but as a group. Along with these worries, the ASEAN states also shared with other APEC founders concerns over moves within North America and Europe to form regional trading blocs and the apparent intractability of the GATT Uruguay Round negotiations. The concern that the post-WWII momentum towards global free trade was being threatened was quite pronounced among the Northeast and Southeast Asian states since the United States is a major export market for all of them and they were being excluded from the movement towards potentially conflicting trading blocs.

ASEAN states also had three specific "positive" reasons for supporting and contributing to the formation of

APEC which are tied directly to their "Southern" nature (excluding Singapore) and their interest in promoting ASEAN as a global actor. On the "Southern" point, with the export-oriented, foreign investment-based development strategies common to all (although at differing stages of implementation and levels of intensity), their membership in APEC provided ASEAN members the chance to establish more regularized and structured relations with the states of the largest sources of foreign investment in their economies, in particular, Japan, the United States, and the four NIEs. This "Southern"-specific advantage of membership in the "North-South" APEC regime ties in very closely with another ASEAN interest in joining APEC—that APEC would not simply be a trade liberalization regime à la GATT/WTO model, but one that would have as a founding tenet transfers to "Southern" states and economies to help them adjust to the pressures of trade liberalization. The third "positive" reason for the ASEAN members' membership in APEC as a group was that APEC provided the ASEAN regime and its members a new and very apt platform from which to enhance ASEAN's extramural presence and increase its global voice and influence.

APEC's nature and its relation to ASEAN interests

The success in ensuring these ASEAN interests may be gleaned from the institutional and programmatic nature of the APEC regime. On the institutional level, APEC has, from its inception, presented itself as a collegial grouping pursuing shared interests in freer trade via voluntarism and informality among members. This "loose" structure of APEC is in sharp contrast to the rule-based and adversarial nature of the GATT/WTO and is very similar to the institutional nature of ASEAN.

Moreover, aside from the congruent institutional nature of both the ASEAN and APEC, APEC's tripartite goals, i.e., trade liberalization, trade facilitation, and economic and technical cooperation (ECOTECH), are viewed as general steps to ensure freer flows of goods and services regionally and globally while providing support for the less developed members to enable them to reap the full benefits of liberalization and facilitation.

In terms of APEC's trade liberalization program, the differentiated timetable agreed upon for the eventual goal of full free trade among the members (2010 for developed members and 2020 for developing members) can also be seen as in line with ASEAN's desire to have easier terms made available to APEC's less developed members. This staggered liberalization schedule can be considered as another form of APEC-based transfer to developing members since their exporters will have 10 years of open access to the developed markets of APEC before the reverse takes place.

Policy prescriptions for ASEAN's role in APEC's consolidation

Based on the rationale presented in the previous sections, what are the three general policy prescriptions that may be offered? How can they help in consolidating APEC and how can they be ultimately translated into benefits for the ASEAN states?

Briefly, these prescriptions are:

- * *ASEAN states and the APEC regime should endeavor to enhance diplomatic ties with China and Japan given that they all have shared interests in letting APEC remain a "loose" grouping that has a more active economic and technical agenda.*

This "coalition enhancement" strategy would be especially wise since both Japan and China are significantly larger players within APEC than the ASEAN states taken individually or even collectively. As such, this coalition would carry a much "louder" voice within APEC than ASEAN alone and would thus be able to push their interests more.

- * *ASEAN hosts of APEC Leaders Summits should use their "agenda-setting" prerogative to push for more ECOTECH items (intra-APEC transfer of technical and economic expertise and assistance) in the Summits' agenda than trade liberalization or facilitation ones.*

With the uncodified custom of having every other APEC Leaders Summit held in an ASEAN capital, the ASEAN states have a unique opportunity to push for the refocusing of the APEC agenda. Moreover, the extensive media coverage that


accompanies such summits provide Summit hosts the chance to publicly push for more attention to ECOTECH concerns which, on the whole, benefit less developed countries more than their more advanced counterparts, and are less advanced so far within APEC.

* *With the increase of subregional or issue-specific economic arrangements having membership overlaps with APEC (examples are G-22, Cairns Group and others), it would be in the interests of ASEAN members of APEC to push for closer and more official links between APEC and these groups, especially those with a large percentage of "southern" members as well as between APEC and global arrangements such as the WTO, the International Monetary Fund, World Bank and others.*

While this "nesting" of APEC has already begun, its acceleration would provide support for the continued consolidation of APEC, minimize conflicting or overlapping sets of agenda, and provide APEC a larger pool of resources, i.e., cognitive, financial and physical, that could help in enhancing the ECOTECH platform.

And while such a diverse set of linkages seems to be logistically complex to organize given the diverse nature of the APEC membership, these linkages may nonetheless act to further assuage fears of the APEC "swamping" ASEAN.

Conclusion

If the abovementioned three prescriptions are to be pursued, criticisms about (a) ASEAN not being solid or relevant; (b) APEC being a simple market access tool with only rhetorical support for a developmental agenda; and (c) the questionable "value-added" of APEC may be partially countered. At the same time, they would also provide the basis for a concrete plan for APEC consolidation and continued member interest in its development. 

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