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Desaix Anderson

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APEC FOCUS: ACCOMPLISHMENT AND CHALLENGE

Desaix Anderson†

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- I. INTRODUCTION

The economic opportunities and the challenges the United States faces in the Asia Pacific region are both daunting and exhilarating. Prospects are describable only in megaterms: the doubling of energy needs within the decade; one trillion dollars of new infrastructure projects envisaged over ten years; the integration not only of China into the regional economy, but also the emergence of India, with a population which is expected to exceed China's in the next century; the massive environmental rehabilitation requirements, for example, in China; staggering food supply requirements; exploding telecommunications networks and educational exchange opportunities. Developments in Asia and the Pacific are dramatically transforming the global geo-economic structure. The Asia Pacific Economic Cooperation ("APEC") forum has suddenly emerged as the principal vehicle for facilitating this transformation. Our common goal should be to make sure that this is done in a way which not only preserves the equities of all but also ensures the birth of a beneficent and cooperative Pacific community which sustains the dynamic development which has

† A.B. (Princeton); Senior Advisor, Policy Planning Staff, United States Department of State. The views of the author do not necessarily reflect those of the United States Department of State.

characterized the region in recent years.

The challenge was captured in the "Vision Statement" issued at the conclusion of the historic Seattle APEC Leaders meeting on November 20, 1993. In their "vision," APEC Leaders committed to "deepening our spirit of community based on our shared vision of achieving stability, security and prosperity for our peoples." That commitment encapsulated the political commitment of the leaders to building a Pacific community, as called for in Seattle by President Clinton.

II. THE "BOGOR DECLARATION"

At their second meeting, in Bogor, Indonesia, a year later in November 1994, the Leaders summarized the meaning of the Seattle vision as a pledge:

- to find cooperative solutions to the challenges of our rapidly changing regional and global economy;
- to support an expanding world economy and an open multilateral trading system;
- to continue to reduce barriers to trade and investment to enable goods, services, and capital to flow freely among our economies;
- to ensure that our people share the benefits of economic growth, improve education and training, link our economies through advances in telecommunications and transportation, and use our resources sustainably.

Whereas Seattle declared the political will in support of APEC as an institution, Bogor defined a specific goal for APEC to achieve—free and open trade and investment in the region by the year 2020, with industrialized members reaching that goal by 2010. Indonesia's President Soeharto provided superb leadership in Bogor, but he had the strong support of President Clinton and other leaders in developing this bold agenda.

At the conclusion of their meeting in Bogor, the Leaders stressed that free trade in APEC would be fully GATT consistent. They opposed inward-looking trading blocs and they were strongly committed to accelerating implementation of the Uruguay Round. They supported successful launching of the World Trade Organization ("WTO") and they would refrain from

measures that would have the effect of increasing levels of protection.

To support the free trade goal, Leaders agreed to expand and accelerate APEC's trade and investment facilitation programs on standards, customs, investment principles, and administrative barriers to market access. The Leaders also made a political commitment to intensify APEC's development cooperation in such crucial areas as human resources development. But most significantly, Leaders called on the ministers to develop a concrete action agenda, or "blueprint," to implement their free trade and investment goals.

While the Leaders' commitment attracted the most media attention, the Ministers had laid solid groundwork for the Leaders' success. The Ministers approved an ambitious trade facilitation work plan to harmonize product standards and streamline customs procedures and endorsed an initial set of investment procedures and practices, the building blocks of more integrated and efficient Asia Pacific economies.

To deepen the networks of community which the Leaders identified at Bogor, the Ministers endorsed three ideas proposed by Secretary Christopher:

- creation of a permanent Asia Pacific Business Advisory Committee to APEC to draw the private sector into a strong partnership with government in APEC;
- hosting an APEC transportation ministerial to examine the massive infrastructure demands existing and emerging in the APEC region; and
- establishment of a non-profit, privately funded APEC Education Foundation to foster APEC's Education and Human Resource Development Activities.

III. ON TO OSAKA

The "Bogor Declaration" is an important political commitment by all members of APEC to an ambitious trade and investment liberalization agenda. Working out the details of this commitment, including the "action agenda" or blueprint is the challenge of 1995. This is an historic opportunity for APEC, under Japan's leadership, to work out just such a bold blueprint. It will build on existing APEC trade and investment facilitation, GATT commitments and APEC economic development cooperation. The

U.S. approach will be developed in close coordination with the business community and Congress.

Three components of the agenda—trade facilitation, trade liberalization, and economic development cooperation—form the core of the blueprint.

A. Facilitation

Facilitation should accelerate work in the Committee on Trade and Investment on the APEC Tariff Database, competition policy and the new Standards and Conformance and Customs Subcommittees, as well as exploration of the concept of a voluntary consultative disputes settlement mechanism. Key working groups—such as Transportation, Tourism, Energy, and Telecommunications—should strive for greater transparency and user-friendly practices throughout APEC.

B. Liberalization

As we work to draft a “blueprint,” ways to implement and accelerate Uruguay Round commitments through work of the Committee on Trade and Investments can bolster overall progress. The continued guidance of both the Eminent Persons Group and the Pacific Business Forum was welcomed by the Leaders.

C. Economic Development Cooperation

Through enhanced development cooperation, we will improve the environment for trade and investment throughout the region, expand the regional market, and allow all APEC members to realize better the economic benefits of liberalization.

IV. THE BROADER IMPACT: ON THE UNITED STATES AND THE ASIA PACIFIC

There are compelling facts and arguments for building an APEC-centered “free and open trade and investment” in the vast Asia Pacific region. The APEC region accounts for fifty percent of global production and forty percent of global trade. Trans-Pacific trade for the United States has now exceeded trans-Atlantic trade by fifty percent, in 1994, US\$436

billion across the Pacific and US\$249 across the Atlantic, and the expansion in Asia is growing. American economic relations and trade with the Asia Pacific are vital to the United States national economic security, as indeed the Asia Pacific's economic health has been a function of its economic relationship with the United States.

The APEC region represents a critical mass of productive economies not only in the Asia Pacific but also in the global trading system. APEC links more closely several of the ascendant economies of the globe, including four of the world's largest—those of the United States, Japan, China, and ASEAN. Commitment to freer trade by APEC represents a significant influence for expanding liberalization of trade and investment around the globe.

For the United States, as well as for the other economies of the Asia Pacific, APEC builds on already solid and mutually beneficial patterns of trade and investment. Whereas, cutting-edge U.S. companies, such as Genentech, Microsoft, Hewlett-Packard, Sun Instruments, and Boeing, are extremely competitive in the Asia Pacific, the great Japanese producers and powerful trading houses are being joined by Korean, Chinese, Thai, and Indonesian companies as global competitors. Profits are not one way. Leading American companies are finding twenty five percent or more of their profits are made in the Asia Pacific, many operating from bases in Japan. Likewise, Asian giants—Toyota, Samsung, Siam Cement, are making good profits through their operations in North America.

An economically integrated Asia Pacific region will accelerate the interchange of technology and innovation which will be crucial facets of advancing economies in the twenty-first century. The evolving APEC economies will witness rapid expansion of education exchange, telecommunications networks, interdependent financial centers, and flows of capital and technology. The building blocks of APEC will remove barriers and increase the efficiency of trade and investment to the benefit of all in the region. APEC may also over time serve to alleviate tensions in bilateral relationships as we collectively remove traditional and non-tariff societal barriers to trade and investment.

The evolution of APEC will facilitate the integration of economies which have until recently been more isolated from the mainstream, such as China's, into the economic fabric of the region.

V. STRATEGIC IMPLICATIONS

While APEC is devoted to economic issues, there are significant strategic implications in the emergence of a viable APEC.

Since APEC is committed to "free and open trade and investment in the region" on a WTO-consistent basis and because half the world's production capability is in APEC, the thrust of APEC's liberalization efforts will affect beneficially the entire global trading system. APEC liberalization will serve as a spur and a challenge to the rest of the globe to also move forward to freer trade and investment.

Since APEC is committed to "open regionalism" and opposes blocs, the danger of the world's splitting into "three trading blocs" as some scenarios predict, has been lessened. Development of such blocs would inherently threaten the global trading system and potentially threaten world peace and security.

Working together to build free and open trade in the region also significantly reduces the chances for destructive rivalry to emerge among some of the major economies of the region. For example, bringing China, Japan, and the United States together to build a mutually beneficial trading system within a Pacific community can do much to strengthen cooperative relations among the three.

The United States clear commitment to maintaining a robust presence in Asia has been made manifest by President Clinton's strong support for APEC and for the building of a Pacific community. This was further borne out in the conclusions of the recent U.S. review of its security strategy in Asia and the decision to maintain roughly 100,000 military personnel in the region. Plans developed in 1989 called for ongoing reductions. This reversal in plans in 1995 demonstrates U.S. determination to maintain our security presence in Asia. Expanded U.S. economic interaction in the Asia Pacific as called for in the "Bogor Declaration" will help guarantee continued U.S. security interests and presence in the region.

VI. THE UNITED STATES VIEW

The United States regards APEC as a long term commitment based on national goals of promoting economic cooperation, sustained prosperity, and trade and investment liberalization in the region and globally. Inasmuch as economic expansion in the Asia Pacific has been private sector

driven, we anticipate that the partnership of governments, business, and academia will find it advantageous to accelerate movement toward liberalization—before the somewhat distant date of 2020. All members of APEC realize that market-oriented policies offer the best opportunity for attracting foreign capital, generating domestic savings, and stimulating innovation, common components of sustained economic growth.

VI. CONCLUSION

APEC's attraction is not limited to the economic. More prosperous societies are likely to stimulate more open institutions. The building blocks of APEC ultimately are the building blocks of a Pacific community.

The Comparative Commercial Law Institute and the *Pacific Rim Law & Policy Journal*, of the University of Washington's APEC Comparative Commercial Law Project, are superb examples of the APEC process—bringing together academics and other professionals to discuss in a multidisciplinary context the policy implications of one of the fundamental building blocks of a Pacific community—its legal systems. My compliments to the Institute and the *Journal* for this outstanding initiative.

