



# UNISCI Discussion Papers

## ASIA PACIFIC ECONOMIC COOPERATION (APEC): OUTCOMES - 2005 , OUTLOOK - 2006

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### Introduction

Since its inception in 1989, the APEC region has consistently been the most economically dynamic part of the world. In its first decade, APEC member economies<sup>2</sup> generated nearly 70% of global economic growth and consistently outperformed the rest of the global economy, even during the Asian financial crisis.

APEC's member economies work together to sustain this growth through a commitment to trade and investment liberalization and economic reform. By progressively reducing tariffs and other barriers to trade, APEC member economies have become more efficient and exports have expanded dramatically.

In APEC's first 10 years:

- Exports increased by 113% to over US\$2.5 trillion annually
- Foreign direct investment grew by 210% overall, and by 475% in lower income APEC economies
- Real gross national product grew by about a third overall, and by 74 % in lower income APEC economies
- Gross domestic product per person in lower income APEC economies grew by 61%.

APEC works in three broad areas to meet what are called the Bogor Goals. Set in Bogor, Indonesia, in 1994 the Bogor Goals set the target of free and open trade and investment in the Asia-Pacific by 2010 for developed economies and 2020 for developing economies.

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<sup>1</sup> *Las opiniones expresadas en estos artículos son propias de sus autores. Estos artículos no reflejan necesariamente la opinión de UNISCI.* The views expressed in these articles are those of the authors. These articles do not necessarily reflect the views of UNISCI.

<sup>2</sup> Australia; Brunei; Canada; Chile; China, Hong Kong, China; Indonesia.; Japan, Korea, Mexico, Malaysia, New Zealand, Papua New Guinea, Peru, Philippines, Russia, Singapore, Chinese Taipei, Thailand, USA, Viet Nam.



Known as APEC's 'Three Pillars', these areas are: trade and investment liberalisation, business facilitation, and economic and technical cooperation.

The outcomes of these three areas enable APEC members to strengthen their economies by pooling resources within the region and enhance efficiencies. Tangible benefits are also delivered for citizens of the APEC region through increased training and employment opportunities, greater choices in the marketplace, cheaper goods and services and improved access to international markets.

## **1. APEC 2005 – Korea**

Each year a different member economy hosts around 100 APEC meetings, which culminate with the APEC Economic Leader's Meeting. The policy agenda that develops through each of these years is guided both by changes in the global economic and regional environment and ongoing progress by the region towards attaining the Bogor Goals.

In 2005 Korea, as host, took into consideration a number of external factors as it put together its program for the year. Firstly, APEC has been and continues to be a strong advocate of the multilateral trading system. Thus it was important for APEC to provide substantive input into the success of the WTO DDA. Secondly, while it was not initially heavily involved in negotiating Free Trade Agreements (FTAs)/ Regional Trading Agreements (RTAs), APEC has been involved with debate on the FTA/RTA process over the past few years. As FTAs/RTAs are inherently discriminatory they have the potential to undermine the multilateral trading system. So APEC has focused on guiding its members towards developing high quality FTAs by facilitating discussion and information sharing, and producing a *Best Practice Guidelines of FTAs/RTAs*. Finally, the rapidly changing trading environment and issues such as terrorism, pandemics, and increasing oil prices have necessitated responses from APEC.

From an internal perspective, Korea as host, took into consideration APEC's desire to reform, and its domestic interest to promote anti-corruption and to share with APEC members the advancement of Korea in the area of Information and Communications Technology.

### **1.1. Highlights of 2005**

With APEC reaching the mid-point between its founding in 1989 and its ultimate Bogor Goals in 2020, 2005 was a year of review for the APEC process and included the preparation of a Midterm stock-take report on APEC's progress. This report, and the subsequent Busan Roadmap, set at the Leaders Meeting in Busan, Korea to reach the Bogor Goals, indicated that APEC's member economies had achieved significant gains in the liberalization and facilitation of trade and investment since 1994. As an outcome of the review process and in recognition of the changing global economic environment, members agreed to continue to critically examine what is meant by free and open trade and investment as defined in the Bogor Goals. To guide future work in this area members adopted an agenda – the Busan Roadmap towards Bogor - which outlines clear milestones to steer APEC members towards the 2010/2020 goals.



Earlier in the year APEC Ministers Responsible for Trade had achieved a breakthrough that had implications well beyond the APEC region. With WTO negotiations on the Doha Development Agenda stalled, Trade Ministers rose above complicated divides and differing opinions to endorse the Swiss formula for tariff reductions on industrial goods. This breakthrough has provided firmer ground for the broad range of WTO Members to proceed with negotiations to hopefully conclude the current round of negotiations. APEC Leaders announced a stand-alone statement in which they called for breaking the impasse in agricultural negotiations in market access. APEC has a particularly important collective role to play in WTO negotiations as APEC's members not only represent around half of all global trade, but APEC is comprised of a diverse range of industrialized and developing economies.

With respect to the promotion of liberalization and facilitation, in 2005 APEC also agreed to a series of actions:

- The Trade Facilitation Action Plan Roadmap which looks to accomplish a 5 % reduction in transaction costs by 2006 with a further 5 % reduction by 2010;
- To take steps to implement, where appropriate, the UN Convention against Corruption (UNCAC); and
- Endorsed the *APEC Anti-Counterfeiting and Piracy Initiative* and *APEC Model Guidelines to Reduce Trade in Counterfeit and Pirated Goods, Protect Against Unauthorised Copies and Prevent the Sale of Counterfeit Goods over the Internet*'.

In efforts to strengthen its work in the area of economic and technical cooperation, in 2005 APEC held a second dialogue with International Financial Institutions and the OECD, and made improvements to its project process.

APEC's new capacity-building project fund, the APEC Support Fund (ASF) which was established in 2004, received additional contributions from Australia, Korea and Chinese Taipei. As a result more attention can be given to building the capacity of member economies and provide the skills needed to implement APEC initiatives.

## **2. APEC 2006 – Viet Nam**

In January 2006 Viet Nam took the reins from Korea to host APEC's meetings and continues the tradition of building on the achievements of previous years. Based on prior accomplishments, Viet Nam incorporated a number of new elements into APEC's work for 2006. These include:

- The recognition of the need to help member economies improve their capacity to catch up with and benefit from the trade and investment liberalization and facilitation process as identified in the Midterm stock-take;
- The necessity for APEC members to show strong political will and commitment to the success of the WTO DDA negotiations;
- The need to bring the benefits of globalisation to all and to narrow the development gap among member economies so as to facilitate shared development of the region;



- Greater efforts to deal with a host of obstacles hindering the improvement of the business environment – that is behind-the-border issues, corruption, lack of transparency, discrimination and hidden barriers.
- The pressing need to create a secure environment for the people of the APEC region.

Viet Nam chose its overarching theme for 2006 as “Towards a Dynamic Community for Sustainable Development and Prosperity”. The goal is to ensure sustainable development as a means of achieving common prosperity that is both lasting and widely shared by developed and developing economies. That is – to make certain that the APEC process is “human-oriented and responsive to the UN Millennium Development Goal”.

The APEC 2006 year that is being hosted by Viet Nam will culminate with the 14<sup>th</sup> Annual APEC Leaders’ Meeting in Hanoi, on November 18-19.

### **3. Some of the Challenges Facing APEC**

While APEC’s focus continues to be on trade and investment liberalization and facilitation it has also incorporated work in non-traditional areas. Issues such as terrorism, Avian Flu, SARS, HIV/Aids and emergency preparedness are dealt with in ad hoc task forces. The question is; how can the forum institutionalize non-trade issues, which have the potential to severely impact the economic growth of the region, into APEC’s agenda and process.

Although a number of APEC members belong to the newly formed East Asia Summit (EAS), which emerged in 2005, the North and South American APEC member economies do not. These economies, which include the United States, remain outside the EAS. So one of the challenges is how to avoid duplication of efforts and ensure that the two Leader’s meetings are mutually supportive.

Original membership within APEC has expanded from 12 in 1989 to the current 21. In 1997 a 10-year moratorium on membership was put in place. Member economies will have to review the membership issue before the moratorium expires in 2007. The possible benefits of expansion versus maintaining the status quo will have to be determined, and important decisions will have to be made.<sup>3</sup>

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<sup>3</sup> For further information visit <http://www.apec.org>.