CHAPTER FOUR

AUSTRALIA AND ASIA PACIFIC ECONOMIC COOPERATION (APEC)

4.1 Introduction

The index of national strength came to be identified with economic power in the post Cold-War period, pushing it at the front yard of international affairs. Nations today fear of being left behind in the new global and regional economic race. The growth of new protectionism and economic nationalism on the one hand and the search for economic security like trade and investment opportunities on the other seem to have given way to the building of international institutions. A variety of geographically defined regions, a variety of forms (bilateral free trade agreements, regional integrated markets) and for a variety of reasons of both a positive outward looking (trade inducing) and a negative/defensive (trade restricting) kind\(^1\) appeared. Today, the trade, aid, investment, finances, services, and technology flows are in the driver’s seat of the foreign policy. Their inter-sectoral linkages have shaped economic dynamism. The crisscrossing of these linkages among nations in turn are acting as bridges to promote interdependence and development. The economic competitiveness and the kinds of trading and economic relationships among nations have become the determinants of the contents and conduct of foreign policy. APEC has been one of such initiatives in international economic cooperation. It has emerged as the cumulative collective learning of institutionalized cooperation in the international system\(^2\). Based on technical, intellectual and entrepreneurial skills, APEC has generated considerable interests around the world.

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\(^2\) Ibid, p.825.
Australia is linked to the Asia-Pacific region geographically. It is also the world’s strategically and economically significant region, with which Australia seeks to establish close ties. Extensive business networks through ties in trade, aid, investment and technology have been creating more and better jobs for Australians. Australians also increasingly realize that their future lies in the geographical area of the Asia Pacific region, with enormous opportunities for each other.

The proliferation of regional trade arrangements (RTAs) has acted as strong glue in highly diverse regions to accelerate the pace of trade liberalization. These groupings played an increasingly large role in stimulating economic growth and paved the way towards preferential tariff arrangements, free trade areas, customs unions, common markets and economic unions. These arrangements acted as preambles and drivers to the evolution of free trade agreements. They brought together countries, which were kept apart by politics. Prosperity and welfare came to be identified with open and free trade and investment.

Both bilateral and regional arrangements have been crucial in enhancing Australia’s economic relations with countries in the region. Australia’s economic interactions with Southeast Asia are facilitated through its aid, trade, investment and technology flows. The Asia Pacific Economic Cooperation (APEC) has been an important medium of creative economic diplomacy for Australia in its conduct of relations with countries in the region. Since its creation in 1989 with Australia’s pioneering role in response to the pessimism of the global trading system, and further the economic growth in the Asia Pacific region, the region has not looked back.

The rapid growth and internationalization of the Chinese economy and expedited reforms there, structural reforms in Japan, emergence of newly industrialized economies namely Singapore, Hong Kong, South Korea and Taiwan, conversion of European Community (EC) into European Union (EU) with the conclusion of the Maastricht Treaty were often cited to have initiated the ascending process of economic interchange. The
concept of market integration fuelled with economic growth and well being led to the structure of APEC as a potential regional trading grouping. Over the years, it has come to assume a life of its own as an important vehicle for increasing cooperation among the economies of the Asia Pacific region. It now acts as a primary vehicle for promoting open trade and economic cooperation comprising 21 member countries with a combined Gross Domestic Product of over $16 trillion in 1995 and 44% of the global trade. Pacific production grew between 1960 and early 1980s and its share of global product increased from 9 to 19% while that of the USA declined from 40 to 27%. With US included in Pacific, then the Asia-Pacific region has close to 60% of global gross national product. The Pacific area’s share of world trade has made comparable strides, growing from 30% to 37% between 1965 and 1987.4

In 1957, the exports to North and Southeast Asia from Australia were 21.2% and to European Community were 51.3%. By 1991 there was a dramatic turn-around with 15.3% to the European Community and 57.1% to North and Southeast Asia. The number of the middle class levels of affluence is expected to reach 45 million by the year 2010. Besides the region possesses a huge and rapidly growing services markets, providing opportunities for cooperation and partnership between Australia and the region.5

East Asia in 1991 had 60% of imports from Australia and 40% exports to Australia. In 1994, trade between Australia and ASEAN countries reached US $ 8.0 billion and has grown at 20% annually in recent years.6 Prior to 1973, only 24% of Australian companies exported to East Asia. By 1994, over 50% made that region their

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The Asia-Pacific Region as a whole now accounts for about half of global production and about 40% of global trade. More than 60% of Australian merchandise exports are sold to Asian economies, while North Asia and Southeast Asia account for over 60% of Australia's total growth in merchandise exports between 1983-93. Of Australia's top twelve markets, eleven are members of APEC.  

Asia is thus a major source of business migrants, trade, tourism and investment. Large numbers of Asian students are associated with Australian Universities. East and North Asia are providing huge market for Australian goods and services. The occurrence of changes in Asia has resulted in changes in Australia and vice versa. They have linked them together more than ever before. More links have meant more prosperity, national well being, more jobs and foundation for good society.

Against this background this chapter attempts to examine APEC's evolution, Australia's role in its formation, its journey through the APEC process, and present a transcript of APEC's meetings till 1993. Towards the end of the chapter, a survey of its significance, achievements, utility of the APEC process for Australia's engagement with the region, and its future will be discussed.

4.2 Evolutionary phase of cooperation in Asia Pacific Region

Asia Pacific is too vast-geographically, culturally, racially, potentially and in many other respects to constitute or make a single region. Its very notion is contested and has been subject to distortion, exaggeration and as in the pejorative connotations in the idea of 'Pacific rim' even abuse. Gerald Segal says, "Pacific is much more than an ocean, it is not a coherent region deserving of the hyperbole associated with the oft -heralded

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9 Richard A. Higgit, Andrew Fenton Cooper and Jenelle Bonner, n.1, p.827.
arrival of the Pacific Century.10 To L. Kruaise, there is no ‘Pacific Community’ in a linguistic religious, cultural, political or ideological sense, nor historically is there much evidence of religious consciousness.

Asia-Pacific countries, says Robert Scalapino, are “the pace setters of a new internationalism that is reshaping our lives and the world order of the twenty first century”.11 The process of Asianisation as Scalapino explains means a:

widening and deepening network of ties between and among Asian States of diverse political and cultural nature. Although this process has not eliminated the importance of peripheral powers, notably the United States and the USSR to the region, it has introduced a major new and partly independent dimension into the scene. Whether in conflict or in concert, the Asian States are creating or recreating relations between and among themselves both hierarchical and equal. Interdependence within Asia as well as with external parties is growing.12

In this regionalism, various patterns of economic associations, alliance systems, professionals and technical organizations, and international organizations emerged creating new linkages among nationalism, regionalism and internationalism. These new set of linkages encourage cooperation and unity, strengthen bargaining position and help expand trade and economic contacts and dealings inter-regionally and outside the regions.

In the midst of these concepts, the framework of bilateral cooperation alone was not considered adequate to address the problems bilaterally, “for the overlap of interests within the region is too great for an increasing number of issues to be treated bilaterally”.13 The building of transregional networks and linkages were proceeding apace in the Asia Pacific region. Growing feelings of resentment and frustration at their inability to have an impact on the policy behavior of the larger players in the global economy in either their

12 Ibid., p.178.
bilateral conflicts or in wider reform of the multilateral trading system, have been an important catalyst to smaller power initiative and leadership in Asia Pacific regional cooperation in the late 1980s.\textsuperscript{14} A grouping of the "fastest growing, most dynamic and major economies" appeared in the form of APEC in the Asia Pacific region in 1989.

\subsection*{4.2.1 Origins of APEC}

The economic and political transformation of the Pacific countries led to a unique outward looking regionalism, opening for a high level of economic interdependence among the countries of the Pacific Basin, an expansion of the political economic and other links among the countries within the region. Coordination of economic policies among countries was considered a 'necessary pre-requisite' for sustained development.\textsuperscript{15} Australia came to share the vision with the region and with an eye on the long-term future. Its commitment to the region led to set in place the foundations of a regional environment. APEC was to spur to regional cooperation and facilitate the wider goal of preventing any further defection from a rules based GATT directed global trading order. It was to provide cumulative collective learning of institutionalized cooperation in the international system.\textsuperscript{16}

The origins of Australian interests in Pacific economic cooperation reside very much in the academic-cum-bureaucratic community in Canberra that has been involved in the theory and practice of Australian trade policy from the time of Sir John Crawford – specially in the nurturing of the Pacific Trade and Development Conference (PAFTAD), the development of the Pacific Economic Cooperation Council (PECC) and its Australian component the Australian Pacific Economic Cooperation Committee (AUSPECC) through to the present day enthusiasm for APEC. The personnel, activities and interests of these

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\textsuperscript{14} Richard A. Higgot, Andrew Fenton Cooper and Jenelle Bonner, no.1, p.833. \\
\textsuperscript{15} Dean Forbes, The "Pacific Century": Progress towards the Integration of the Pacific Basin, \textit{The Far East and Australia} (London: Europe Publications Ltd. 1992), p. 24. \\
\textsuperscript{16} Richard A. Higgot, Andrew Fenton Cooper and Jenelle Bonner, no.1, p.825.
\end{flushleft}
bodies form the kernel of what we might see as an epistemic-like community in Australia focussing on Pacific economic cooperation.\textsuperscript{17} Added to this list were the growing strengths of regionalism, dynamism displayed by the East Asian economies, increasing prominence of economic issues in international affairs, the global trend towards trade liberalization and deregulation and more practical forms of cooperation for the emergence of APEC.

Early 1930s saw young Australian John Crawford and others writing about the trade opportunities for Australia emerging from economic growth in East Asia. A framework gradually evolved to push Australia into Asia Pacific world. Pacific Studies Center as one of the original Research Schools of the Australian National University (ANU) was established and so was the Colombo Plan to \textit{revolutionalise} the views about Asians of the postwar generation of Australians. ANU was informally given the task of hosting a series of seminars on the idea of a Pacific Community of nations. This was done, as the Japanese appeared "hesitant to take the initiative themselves for fear that it may be seen as another attempt at establishing the Greater East Asian Prosperity Sphere."\textsuperscript{18} Americans on the other hand were equally reluctant to assume the leadership role, fearing such role would arouse suspicion among smaller Asian countries.\textsuperscript{19} Arguing that Australian initiative made 'economic sense'; Japan interpreted the initiative as Australia's newfound awareness to its closeness to the Asia Pacific region. Australian interest in the concept as put forward by government official has been \textit{because of the "national interest" not because the Japan or US wants us to be interested.}\textsuperscript{20} About the acceptability of the concept and its promotion abroad, the Government sources were

\begin{footnotes}


\footnotetext[19]{\textit{Ibid.}}

\footnotetext[20]{\textit{Ibid.}}
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quoted as stating “we need to be cautious about trying to push something down people’s throats before they are ready for it”. 21

There appeared several professional, business, and scientific bodies like Eastern Regional Organization for Public Administration (EROPA), Asian Association of Management Organization (AAMO), and Asia and Pacific Council (ASPAC) among the countries of the region to facilitate the flows of information. Pacific Trade and Development Conference (PAFTAD) brought together the academicians, economists and policy advisers. Represented by a core of liberal, market oriented economists from Japan, Australia, New Zealand and the United States with the knowledge of political realities, it was considered the intellectual driving force of the cooperation movement. The Pacific Basin Economic Council (PBEC) provided the grounds at the bilateral and regional level to contribute to the growing understanding among the business cooperation groups, and Chambers of Commerce. These contacts created informal links and networks among businessmen and economic officials to expand the base for mutual cooperation. These informal groups highlighted the initial news of the region and provided the rationality for a government role. Formal inter-governmental contacts, in turn, paved the way for agreements and groupings intended to foster regional cooperation. This helped overcome lack of capital, expertise, and underdevelopment and adequate institutional efforts in the process.

4.2.2 Early Phases

The seeds of regional economic cooperation in the Asia Pacific region sown during the 1960s received nourishment in the 1970s and matured in the 1980s. This initiative seemed to have been floated in response to the behavior of USA acting unilaterally on trade and protectionism and also hardening attitude of the European Union.

This encouraged Australia to work in search of a primary vehicle of regional economic cooperation for trade liberalization in the region. The increasingly interdependent nature of the Pacific Rim economies provided fuel to the initiative of utilizing economic prospects and opportunities.

APEC roots go back to the foresights of Prof. Kiyoshi Kojima, Dr. Saburo Okita and Sir John Crawford, which were aimed at harnessing the growing complementarity and dynamism of the Pacific Rim economies. In 1960s, American technocratic optimist such as Herman Kahn foresaw a century of Pacific prosperity marked by ever tighter integration between the US and the Western Pacific region’s economies. The idea of Pacific Basin cooperation first appeared in Kiyoshi Kojima’s work on a Pacific Free Trade Area (PAFTA) in 1967, intended to become a Pacific Basin version of the European Economic Community (EEC).

In 1967, Japanese Foreign Minister Takeo Miki espoused the idea of formal Pacific Association. He spoke of an Asia Pacific policy based on an “awareness of common principles” cooperation and larger aid programs. These ideas provided agenda to conferences and consultative processes, continuing the search of a variety of initiatives. Realizing that the pacific free trade area would require far more political, economic, and cultural cohesion than was evident in the Pacific Basin, conferences produced a blueprint for an Organization for Pacific Trade and Development (OPTAD).

Prime Minister Masayashi Ohira picked up threads from Miki during the election campaigns where he had referred to the development of the idea of a “Pacific Rim Community” or a “Pan Pacific Association.” A Pacific Basin Cooperation Study Group headed by Suburo Okita studied on how to enhance regional cooperation and harmonious relations in the region. The rising prospects of cooperation in business and commercial matters paved the way for the formation of a private business oriented organization called Pacific Basin Economic Council (PBEC)- a private grouping of over 400 companies in Australia, Canada, Japan, New Zealand and the United States. PBEC, with its roots in
bilateral Australian-Japanese cooperation on commercial matters, was contributory in creating the personal and information networks that were so evidently lacking in the region. This sparked a debate moving through several stages culminating in Drysdale and Patrick's 1979 recommendation to the United States government of an Organization for the Pacific Trade and Development (OPTAD) consisting of five advanced countries in the region: the United States, Japan, Australia, Canada and New Zealand, the five ASEAN members and the Northeast Asian developing economies (South Korea, Taiwan, Hong Kong plus the group of Papua New Guinea and small Southwest Pacific States). This was given a more concrete expression in a 1979 study commissioned by the US Senate Foreign Relations Committee and prepared by Peter Drysdale of the Australian National University and Huge Patrick of Yale. It also examined many other economic policy ideas of importance to the Asia-Pacific region.

The third phase of Asia-Pacific cooperation coincides largely with the economic activities in 1980. The formation of the Pacific Economic Cooperation Conference (PECC) in 1980 came on the experiences of PAFTAD and PBEC. It consisted of a tripartite structure of government, business and the university research community. Unlike its previous incarnations, PECC brought the governments into economic cooperation process informally. The Council comprised representatives from the region's five leading industrialized nations (the United States, Japan, Canada, Australia and New Zealand), the six members of the Association of Southeast Asian nations (Indonesia, Brunei, Malaysia, Thailand, the Philippines, and Singapore), Republic of Korea and a group of South Pacific island nations. Later it was expanded to include China, Taiwan, Hong Kong, Chile, Mexico, Peru and most recently Russia. The aim was to provide reference information for

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policy makers in member countries. Task forces were constituted to examine key issues relating to regional cooperation, holding regular symposiums and presenting research reports and recommendations. Its meetings were open to government officials, experts, scholars and business and industry leaders from member countries. The Council was tasked to 'promote greater economic operation by encouraging regional consultation, coordinating information, trying to solve economic problems and reduce friction, promoting Pacific interests in global discussions and promoting public awareness of the increasing interdependence of the Pacific economies.'

Prime Minister Malcolm Fraser reporting to Parliament after his meeting with Japanese Prime Minister in Manila in May 1979, said that Japan's proposal "has considerable potential" though the concept was still "exploratory" requiring a great deal of thinking and consultation. Australian Government sponsored the Canberra Pacific Community Seminar in September 1980, which became a turning point in the development of the concept. By that time, the center of gravity of the global economy seemed to be showing signs of shifting from mid Atlantic to mid Pacific, marked by the remarkable economic growth of Japan, dynamism of the advanced developing nations of the region and the down turn in the economies of Western Europe. It created a new awareness of the necessities and responsibilities of interdependence inviting Washington's attention to the economic importance of the region.

The US conception of the Pacific had been through a political-security prism. US saw a critical role for itself in OPTAD arrangements- stressing the trade and development objectives, security interest, global and economic access, ambitions and cooperation with

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the non market economies. It was considered as a useful vehicle for the revitalization of the overall US economic role in the region, in the absence of which “further damage to its trade position could be considerable.” Japan interpreted American reaction as ‘acting out of desperation due perhaps to their policy failures in the Middle East that they are eager for a Pan Pacific organization for the wrong reasons - to expiate their guilt feelings for what is happening in Indo China today as a result of their past military adventures and to jump on the bandwagon of a growth area.”

4.2.3 Later Phase

The third phase of the Asia Pacific cooperation starts with the establishment of the Pacific Economic Cooperation Conference (PECC) in 1980. Prime Minister Malcolm Fraser advocated that, “In a world of trading blocks, small and medium sized nations in Asia and the Pacific can form a trade and economic association with Japan.” He emphasized that “if the European countries and the United States behave in an open and principled manner, an Asia-Pacific economic association would be just one more group contributing to free trade. But if Europe and America continue to behave as they have in recent years, and if Washington uses the new trade weapons in its armory (anti-dumping tariffs and compensation duties), then such an association may be the only means of defense for Asia and Pacific nations.”

PECC was seen as a tool of regional consensus on the benefits of open and outward looking multilateral trade regime in Asia Pacific region. This was to give impetus to a new tripartite structure consisting of government officials, businessmen and academics for regional cooperation. It had a wider membership ranging from China,

Taiwan to Soviet Union’s participation in several task forces. PECC developed pacific perspectives on trade and development issues and facilitated the establishment of communications and networking on regional economic issues. It published a Pacific Economic Outlook, kind of multilateral Surveillance central to the Organization for Economic Cooperation and Development’s (OECD) role. Australia even formed the National Pacific Cooperation Council of Australia (the Australian Chapter of PECC) to expedite the process of regional cooperation in the region. A senior official at the Australian Department of Foreign Affairs and Trade, Stuart Harris saw that business sectors not governed could supply much of the knowledge needed for analyzing economic issues. The tripartite character was considered to be an important institutional innovation meeting the special characteristics of the region- and perhaps of the times. Japanese Prime Minister Yashuhiro Nakasone and American Secretary of State George Schultz floated ideas for a forum to encourage cooperation in specific sectors. US Senator Bill Bradley proposed a Pacific Coalition on trade and economic development designed to reinforce the Uruguay Round and remove barriers to economic growth in the region. Alan Cranston moved a resolution in the US Congress in January 1989 calling for a permanent Pacific Basin Forum with an annual summit of leaders. These thoughts and insights provided impetus to the building of trans-regional networks and linkages in the Asia-Pacific region. They demonstrated preferences to developing formal institutional frameworks. AUSPECC was instrumental in the development of APEC. As is evident in its Chairman Sir Russell Madigan’s report to the Minister for Foreign Affairs and Trade, PECC’s work over the last ten years provided a critical basis of understanding upon which


29 Ibid.,p.18.


the Asia Pacific Economic Cooperation (APEC) initiative could be taken. PECC was credited to have provided essential input into many of APEC's work projects.

4.2.4 Other moves towards Regional Cooperation

The moves towards greater economic cooperation within the region included the formation of the Association of Southeast Asia (ASA) in 1961 by the governments of Malaysia, Thailand and the Philippines. In 1966 Asian Development Bank was established to function as a cooperative mechanism for funding economic development in the region. Economic and Social Commission for Asia and the Pacific (ESCAP) was formed at the inter-governmental level to contribute in the socio-economic development of the region. Association of Southeast Asian Nations (ASEAN) formed in 1967 embarked on the path of free trade through the ASEAN Free Trade Area (AFTA) in Southeast Asian region. AFTA was made the centerpiece of regional economic cooperation reflecting their trade policy priorities. This framework encouraged member states to explore further measures on border and non-border areas of cooperation to supplement and complement the liberalization of trade.

Within the ASEAN, growth triangles known as sub-regional economic zones (SREZ) emerged as a new type of economic cooperation. The SREZs include: the Greater South China Economic Zone, comprising the economies of Hongkong, Macau, Taiwan and two coastal provinces of Southern China, Guangdong and Fujian, the Singapore-Johore-Rian Growth Triangle (SIJORI), between Singapore, the State of Johore in the Malaysian Peninsula and Rian province in Indonesia, the Growth Triangle between western Sumatra (Indonesia), northwestern Malaysia and Southern Thailand (IMT), and the proposed Brunei, Indonesia, Malaysia, the Philippines East Asian Growth Area (BIMP-EAGA). Thailand also showed its interests in participating in separate growth triangles with Southern China and various countries along the Mekong River.

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SERZs appeared either market-driven or government set-up arrangements. They provided regional integration by removing barriers to cross border trade and investment, streamlining approval procedures for new projects and providing tax holidays for foreign investments. SERZs became increasingly popular because they brought together parts of countries that were natural partners. SERZs were oriented toward attracting foreign investment and exporting rather than creating a large internal market. These triangles established and linked together "areas that economics would naturally have brought together but that politics has kept apart." 33

The Australia-New Zealand Closer Economic Relations Agreement (CER) of January 1, 1983 provided a comprehensive framework for the achievement of free trade areas across the Tasmania sea. The original frame of the CER has been reviewed and considerably widened and deepened to boost the economic relations. This agreement advocated open regionalism and eschews inward-looking protectionism.

In South Asia, the South Asian Association for Regional Cooperation comprising seven nations namely Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan and Sri Lanka launched SAARC Preferential Trading Arrangements (SAPTA) to celebrate the completion of the first decade and planned to preferably convert it into South Asian Free Trade Area (SAFTA).

The proliferation of regional arrangements for economic cooperation and trade liberalization assumed to have facilitated the cause of global free trade. The successful completion of the Uruguay Round of trade negotiations under the General Agreement on Tariffs and Trade (GATT) in December 1993 brightened the future of global multilateral trading system. RTAs in the industrialized economics of Europe and America accounted for over 60 per cent of the world trade. The North American Free Trade Agreement (NAFTA) united the United Sates, Canada and Mexico in a free trade. In Europe, the

ratification of the Maastricht Treaty transformed the European Community into the European Union (EU).

4.3 APEC is launched in Canberra

Australia remained at the forefront of the efforts for promoting and institutionalizing economic cooperation in Asia-Pacific. Its stirring call blazed the trail for economic cooperation to enhance the flow of aid, trade, private capital, technology and tourism in the region. It acted as a prime mover, and therefore an instrumental in the formation of APEC as the non-discriminatory principle of open regionalism. Prime Minister Bob Hawke writing with the pride of parent stated that the idea was conceived in a speech he made in Seoul in January 1989 and was followed by an intense period of diplomatic activity and in a little over the normal human gestation period, the infant was delivered in Canberra in November, 1989. It was considered a normal - given the long history of rhetoric, the welter and the variety of proposals over the years for some greater forms of economic cooperation in the region. The establishment of APEC within the course of 1989 was actually a 'remarkable achievement.'

In the original proposal for APEC, reference by the Prime Minister was made to OECD as a possible model. Australia had floated its dollar, deregulated financial markets, liberalized foreign investment policy, cut the rate of company taxation, reduced by a third the level of tariff protection afforded to Australian manufacturing industry, and made the primary industries more responsive to changes in the international market place. The Prime Minister spoke of the time to increase 'Australia's efforts towards building regional cooperation.'

Australia was interested in knowing the attitudes towards the possibility of creating a more inter-governmental vehicle of regional cooperation capable of analysis and consultation on

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34 R.J.L. Hawke, APEC or Regional Agreements- the real implications, Australian Quarterly, (Summer 1992), p79.

35 Bob Hawke, Challenges for Korea and Australia: Speech by the Prime Minister Mr. Bob Hawke, at a Lunch of Korean Business Associations in Korea, on 31 January, Australian Foreign Affairs and Trade: The Monthly Record, 60:1, (January 1989), pp.5-7.
economic and social issues, not as an academic exercise but to help inform policy development by respective governments.\textsuperscript{36}

The original members were six ASEAN (Brunei, Indonesia, Malaysia, Philippines, Singapore and Thailand), Japan, Korea, Canada, New Zealand, United States and Australia. In 1991, membership was extended with the inclusion of three Chinas (Hong Kong, the People’s Republic of China and the Republic of China – Taiwan),\textsuperscript{37} Mexico and Papua New Guinea in 1993, and Chile in 1994. However, originally the name of USA was not there.\textsuperscript{38}

APEC constitutes the key component of Australia’s regional trade policy. It is seen as a part of efforts to improve its economic competitiveness and measures to promote trade and investment through fiscal consolidation, stable macroeconomic policy, and labour market reform. With the growing importance of economic policy the conduct of foreign policy, APEC is also seen as an important instrument of broader foreign policy with significant implications for Australia’s long-term security.

4.4 APEC objectives

Fundamental basis of the APEC was free international trade. It was a campaign for free trade throughout the world and improve the flow of trade.\textsuperscript{39} In addition, APEC was projected to have been born to thwart the increasing unilateralism in US trade policies.\textsuperscript{40} Australia was for non-discriminatory multilateral trading solutions in the GATT framework and wanted APEC to lead the outcome of Uruguay Round of trade negotiations

\textsuperscript{36} Bob Hawke, n.30, p.430.

\textsuperscript{37} The Economist, 11 November 1989, p. 31. ASEAN successfully blocked invitations to China, Hong Kong and Taiwan for 1989 meeting.

\textsuperscript{38} Bob Hawke, n.30, p.431. Prime Minister Bob Hawke denied in his memoirs that he ever inclined to leave the Americans out of the new regional group, that was seeking to maximize the chances of economic cooperation in the Asia Pacific, though Foreign Minister Evans later admitted at the exclusion of America in APEC original list.

\textsuperscript{39} The Economist, 11 November 1989, p.31.

\textsuperscript{40} Bob Hawke, n.35, pp.5-7.
to a successful conclusion. The APEC idea was to inject a sense of common purpose to build the Asia Pacific community and manage the growing interdependence by creating institutional arrangements. It was conceived as a primary vehicle for promoting open trade and practical economic cooperation, and promoting mutual understanding and habit of cooperation among Pacific countries. The forum envisioned a community of openness and partnership to address the growing interdependence among Asia Pacific economies. It was the recognition of an integrated approach to foreign affairs and economic matters. Though APEC agenda was predominantly economic- trade and investment, but as the evolution of the APEC structure suggested that 'it has important political implications, going to a range of issues at the heart of intra-regional relationships in the Asia-Pacific.'

APEC sought to create jobs and increasing living standards by raising the level of sustainable rate of economic growth. It also would bolster global free trade in the long run. Moreover it sought to secure market access for Australian goods, services and investment. Foreign Minister Gareth Evans set out the three objectives for APEC:

1. To develop strategies for regional economic cooperation in data collection and evaluation, common problem solving and sectoral projects of one kind or another
2. To give political support to the Uruguay round negotiations and ongoing global trade liberalization
3. To explore the options for regional trade facilitation and no-discriminatory regional trade liberalization.

The Seoul Declaration set the objectives of Asia-Pacific Economic Cooperation as follows:

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a. to sustain the growth and development of the region for the common good of its peoples and in this way to contribute to the growth and development of the world economy;
b. to enhance the positive gains both for the region and the world economy, resulting from increasing economic interdependence by encouraging the flow of goods, services, capital and technology
c. to develop and strengthen the open multilateral trading system in the interest of Asia Pacific and all other economies.
d. to reduce barriers to trade in goods and services and investment among participants in a manner consistent with GATT principles, where applicable, and without detriment to other economies.  

Foreign Minister compared APEC to being a three-layered wedding cake, comprising data compilation and sectoral dialogue; trade and investment facilitation, and commitment to trade liberalization.  

Business objectives for APEC have been listed as to:

- Promote sound economic policy
- Eliminate barriers to trade and improve competition policy
- Promote free flow of investment
- Develop efficient financial sectors
- Encourage more efficient infrastructure
- Deregulate transport and telecommunications

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43 Selected APEC Documents, November 1993, APEC Secretariat, p.58
44 Lecture by Gareth Evans at the Asia- Australia Institute, Australia in East Asia and the Asia Pacific: Beyond The Looking Glass, Fourteenth Asia Lecture, Sydney (20 March 1995).
• Liberalize movement of labor

• Encourage greater environmental sense

• Provide a base to respond to trading blocs.\textsuperscript{45}

4.5 Australian journey into APEC process

Australia’s Asia Pacific journey, according to Ross Garnaut is indistinguishable from Australia's international journey, towards the building of a modern, advanced economy, production oriented for global markets. It has political and cultural as well as economic dimensions. The journey was accelerated by the economic causes: the collapse of economic bases of old Australia, long standing policies of protection all around and inward looking orientation and the search for new economic structures. The structural transformation in Japan acted as a catalyst to shift the center of gravity of the world production and trade towards East Asia. The rapid economic growth in East Asia stood as the growing evidence as a desire for deep integration into the international markets. Australia’s association was to “reconcile powerful regional economic and geo-strategic interests with its European history, traditions and culture.\textsuperscript{46} The APEC voyage provided opportunities for a country like Australia to lay several milestones in its foreign policy.

Ross Garnaut - Professor in the Australian National University's Research School of Pacific Studies made a comprehensive review of the implications for Australia of economic growth and structural change in North East Asia. The Garnaut Report "Australia and the Northeast Asian Ascendancy" was released in November 1989. It was considered a \textit{landmark} report with a vision and a \textit{manifesto} for economic rationalists. It advised Australia to accelerate progress in domestic economic reforms if it is to "build a flexible, internationally oriented economy that is capable of grasping the opportunities that


\textsuperscript{46} Ross Garnaut, Australia’s Asia Pacific Journey, \textit{Australia Quarterly} (Summer 1992), p. 34.
will emerge on the decades ahead.” The report was a blueprint for extensive domestic economic reform, to enmesh Australia more closely with Northeast Asia, to confine Government to ensuring "a level playing field for industry and bring the monuments of Australia’s past protectionist mistakes' crashing to the ground.”

On Asian economies, Garnaut noted "Never before in human history have economies grown so fast for so long as in North East Asia over the past four decades. As a result there has been a historic shift in the centre of gravity of economic production and power towards North East Asia.” His report recommended immediate measures to be taken in five areas: tariff reform, microeconomic adjustment education, and management of relationship with the region and immigration. Other recommendations included improving Australia’s capacity to manage bilateral relations with the states of the region, the establishment of a specialist unit in the Department of Foreign Affairs and Trade and active role by Australia in diplomacy and coalition building for trade liberalization. The APEC proposal reflected a significant departure from its traditional policy of looking to ‘great and powerful friends’ for leadership and espoused for a full and independent role in the Asia Pacific region. Though the inclusion of US in APEC was a cause of concern for some ASEAN members, the non inclusion of it - a major driving force for reform in the international trading system and a major market for export driven thrust of the North East Asian economies dynamos -would have been a nonsense.

Australia saw the Asia-Pacific economic cooperation as being a major catalyst for stronger worldwide economic performance. It acted as a front runner in advocating the regional cooperation in the Asia-Pacific region with Japan extending help and suggestions from behind the scene. Growing 'economic interdependence' among the economies of the

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47 Ibid., p. 35.
48 Ibid.
49 Ibid., p. 36.
50 RPL Hawke, n.34, p.127.
region led to the move to discuss the measures to bring about the closer economic cooperation among their economies. It was seen as a demonstration of Asia-Pacific nation’s strong commitment to the multi-lateral trading system and to open regionalism. Tokyo remained the hub in the process as its money defined the “spokes of what may in future prove to be the world’s economically most powerful regional grouping”. 52

4.5.1 Canberra Meeting

The first ministerial conference was held in Canberra on 6-7 November 1989, twenty six Foreign or Trade and Industry Ministers from 12 pacific nations namely from Australia, New Zealand, Japan, the Republic of Korea, the United States, Canada and the ASEAN countries attended the conference. Australian Foreign Minster Gareth Evans sought to impart a sense of direction to earlier proposals for arranging closer economic cooperation to working closely with ASEAN and other participants. He underlined the need to develop Asia Pacific Economic Cooperation not only to benefit the region but to enhance world wide economic prospects. 53 The value of future consultations within a new Asia-Pacific Economic Cooperation framework was reiterated. A variety of topics included world and regional economic developments, global trade liberalization and the role of Asia Pacific region, opportunity for regional cooperation in specific areas and future steps for strengthening the APEC process. The meeting also emphasized the value of closer regional consultation and economic cooperation.

The meeting provided the stimulus for a strong and open multilateral trading system and expressed its strong support for the timely and successful completion of the Uruguay Round. The basic principles agreed upon were:

• to sustain growth and development in the region and contribute to improving living standards and more generally, growth of the world economy;

• to strengthen an open multi-lateral trading system and not be directed towards the formation of a regional trading bloc;

• to focus on economic rather than political or security issues,

• to advance common interests and foster constructive interdependence by encouraging the flow of goods, services, capital and technology; and

• to complement and draw upon existing regional organizations such as ASEAN and the PECC and establish economic linkages with the region.54

The meeting agreed to identify and implement specific projects of common interest. The four broad areas identified to enhance the process of regional cooperation were:

i. regional economic studies;

ii. trade liberalization, with an initial focus on consultations at ministerial and official level to pursue a timely and comprehensive outcome of the Uruguay Round of multilateral trade negotiations;

iii. investment, technology transfer and human resources development; and

iv. specific sectoral studies55 for instance cooperation in energy, telecommunications, transport, fisheries and marine resources conservation.

As APEC was recognized as a non-formal forum for consultations among high level representatives of the Asia Pacific region, the inclusion of the People’s Republic of

54 Australian Briefs: Asia-Pacific Economic Cooperation (Canberra: Department of Foreign Affairs and Trade, August 1991).

55 Ibid.
China and the economies of Hong Kong and Taiwan to future prosperity of the Asia Pacific region, and their involvement were considered desirable in the process of APEC.  

4.5.2 Singapore Meeting

Second ministerial level meeting was held in Singapore on July 29-31, 1990 which was attended by ministers from Australia, Brunei, Canada, Indonesia, Japan, Malaysia, New Zealand, the Philippines, Republic of Korea, Singapore, Thailand and the United States. The Pacific Economic Cooperation Conference (PECC) and South Pacific Forum attended as observers. The meeting stressed on the strong economic performance to build democratic institutions and promote social justice in the region. APEC was termed as “outward looking” organization. Reductions of protectionist pressures and transfer of technology were recognized as the means to help bring about a vibrant world economy to the benefit of all. Consultation among the policy makers in the region was considered to be valuable in their common efforts to sustain growth, promote adjustment and reduce economic disparities. The urgency to successfully conclude the Uruguay Round was underlined to preserve and enhance the open multilateral trading system. Accordingly, Singapore Declaration on Uruguay Round to promote a more open trading system by reducing trade barriers was issued. Seven concrete areas of cooperation were identified namely the review of trade and investment data, trade expansion of investment and technology transfer in the Asia Pacific region, Asia-Pacific Multilateral Human Resource Development Initiative, Regional energy cooperation, Marine conservation and telecommunications. Emphasis was laid on the use of existing cooperation mechanism to avoid the duplication of efforts. Similarly the APEC was recognized as a nonformal

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56 Selected APEC Documents, n.53, p 38.
57 Ibid., p.46.
58 Ibid., p.47.
forum for consultations among high level representatives of economies with strong or increasing economic linkages in the Asia Pacific region.

The meeting demonstrated the desire to maintain the momentum of APEC. Despite, ASEAN having the greatest reservations about the need for APEC or its exact role, an offer from an ASEAN country to host the second meeting. Australia made its views known on a number of issues including the importance of APEC meeting as an important international Conference of considerable media interest. The issue of Singapore’s banning the correspondents of the Far Eastern Economic Review (FEER) and Asian Wall Street Journal (AWSJ) from attending the Second Asia-Pacific Economic Cooperation Conference occupied the minds of APEC member countries particularly the USA, Australia and Japan. These governments applied quiet diplomatic efforts to persuade Singapore to alter its position but it refused to budge an inch that their action constituted engagement in domestic politics. Foreign Minister Evans made a formal statement and expressed disappointment at the action. He stated, “although we are irritated and infuriated; it would be very helpful indeed for the APEC process as well as Singapore’s own reputation in the region if the bans were lifted not necessarily only for APEC meeting”.

Projects in transport, tourism and fisheries were added to the work program. The complex political issues were sidestepped in favor of economic issues. The meeting defined the organization as a forum for informal consultations among the high level representatives of economic units. It also recognized the desirability of having the People’s Republic of China, Hong Kong and Taiwan in the APEC fold in view of their economies’ strong showing and likely impact on the region.

Singapore declaration reiterated the commitment of the participating countries to a timely and successful completion of the Uruguay Round. There was an APEC consensus to continue the consultations even after the completion of the Round demonstrated their strong support to promote a more open multilateral trading system. The meeting directed senior officials from APEC countries to explore possibilities for non-discrimination regional trade liberalization.

4.5.3 Seoul Meeting

Trade liberalization topped the APEC agenda in Seoul on 12-14 November 1991. An informal group with Australia as its chair was constituted to undertake further detailed work on the issues surrounding trade liberalization. Progress on the seven work projects was reviewed and assessment of the benefits to the regional economies was made. Singapore’s proposal for an electronic database for the exchange of trade and industrial information based on its Trade Development Board’s Global Link Information Network System was discussed as to how it could provide practical benefits to APEC economies. The meeting endorsed the Australian proposal to host a trade promotion seminar in Sydney in May 1991 on the theme “Strategic Issues for Government and Private Sector Cooperation in Trade Promotion in the Asia-Pacific Region.”

President Roh of South Korea emphasized that an institutional base should be established in order to represent the common economic interest of the region and to promote intra-regional trade and economic cooperation. APEC in his opinion, should play a central role in promoting a harmonious and balanced development of the trans-Pacific relations by embracing subregional economic groups within the Asia-Pacific region.

A range of topics including consolidation of APEC’s principles and objectives, regional economic trends and issues, Uruguay Round and trade liberalization in the region, APEC work program and future steps for APEC were discussed. APEC had acquired a clear international personality and exhorted on the importance of ongoing vigilance. Asia Pacific was identified as one of the most dynamic economic regions with interdependence.
in trade and investment flows. The underlying principle behind APEC had been to exert a strong, positive influence on the future evolution of the global trading system.\textsuperscript{61}

The outcome of the Uruguay Round loomed large in the APEC forum. The formation of the Group of Eminent Persons (EPGs) was tasked to consider shape of trade in the Asia Pacific with the purpose of strengthening APEC’s role and enhancing its efficiency in promoting regional economic cooperation. The establishment of a mechanism on a permanent basis to provide support and coordination for the APEC activities at various levels, ways to finance them, including a procedure for the apportionment of expenses and other organizational matters were also discussed.\textsuperscript{62}

The expansion of free trade and investment, healthy and balanced development of economic interdependence within the Asia Pacific region was based upon openness and a spirit of partnership for the prosperity, stability and progress of the entire region. The necessity of closer cooperation to utilize more effectively human and natural resources of the region and process of consultations and cooperation evolving among the Asia Pacific economies were considered as pillars of the APEC. ASEAN and the Pacific Economic Cooperation Conference (PECC) contributed a lot in fostering closer regional links and dialogues among the countries in the region.

The meeting decided that the followings would serve the common interest and mutual benefits of the member countries:

a. exchange of information and consultation on policies and development relevant to the common efforts of APEC economies to sustain growth, promote adjustment and reduce economic disparities;

b. development of strategies to reduce impediments to the flow of goods and services and investment worldwide and within the region;

\textsuperscript{61} Selected APEC Documents, n.53, p.53.

\textsuperscript{62} Ibid., p.56.
c. promotion of regional trade, investment, financial resource flows, human resources development, technology transfer, industrial cooperation and infrastructure development;

d. cooperation in specific sectors such as energy, environment, fisheries, tourism, transportation and telecommunications. 63

Seoul meeting was "critical event". The Chinese Foreign Minister agreed to get admitted together with Taiwan and Hong Kong. 64 With China's entrance, it became a serious thing. Because in the twenty-first century of the Asia-Pacific era, megamarkets like China will be predominant in the world economy. In terms of countries, the United States, Japan and China will definitely be among the top three.

4.5.4 Bangkok Meeting

The Fourth Asia Pacific Economic Cooperation (APEC) Ministerial meeting was held in Bangkok on 10-11 September 1992. In a keynote address, Anand Panyarachun, Prime Minister of Thailand termed APEC, as a uniquely diverse and consultative forum, holding vast untapped potential cooperation in a broad range of areas, economic. He saw APEC’s prospects as a possible bridge between the major sub-regional free trade areas as part of an interlocking network of complementary sub-regional economic organization in the Asia Pacific region and emphasized that they be carefully explored. Discussions were held on a range of topics from regional economic trends to the future steps of APEC. Japan presented a survey on economic linkages in the region entitled "Vision for the Economy of the Asia Pacific Region in the Year 2000 and Tasks Ahead" and Korea-a report on the economic outlook and trends in the region entitled, "APEC Economies: Recent Development and Outlook". These studies provided APEC with regional

63 Australian Briefs: Asia Pacific Economic Cooperation (Canberra: Department of Foreign Affairs and Trade, January 1993).

groundbreaking research for deepening trans-pacific interdependence evident in the areas of commodity, trade, services trade, direct investment and human exchange.

Australia proposed that arrangements be considered for the regular circulation among APEC members of key economic statistics. Trade policy dialogue considered means of building consensus and sharing information in relation to trade policy issues. Sub-regional trading arrangements in the region were to be outward looking, GATT consistent and support the process of broader trade liberalization. The ministers discussed the practical measures to "identify options and make recommendations for approaches to trade liberalization in the region." The meeting agreed to establish a small Eminent Persons Group (EPG) to enunciate a vision for trade in the Asia Pacific region, identify constraints and issues which should be considered by APEC. The meeting considered the implementation of four proposals to establish an electronic tariff data base for APEC members, to survey regional activity designed to harmonize and facilitate custom procedures and practices, identify and discuss the administrative aspects of market access and survey APEC members and prepare a detailed guidebook on investment regulatory procedures.

The meeting agreed to intensify their coordinated efforts to further develop the work projects related to trade and investment data, trade promotion, expansion of investment and technology transfer in the Asia Pacific region, Asia Pacific Multilateral Human Resources Development Initiative (HRD), regional energy cooperation, marine resources conservation, telecommunications, fisheries, transportation and tourism. Emphasis was placed on the institutionalization of APEC's role and enhance its efficiency in promoting regional economic cooperation. The need for APEC Secretariat as a support mechanism to facilitate and coordinate activities, provide logistical and technical services as well as administer APEC financial affairs was agreed. Singapore was selected as the seat of the APEC Secretariat. Members were to make contributions to the APEC Fund on a

65 Selected APEC Documents, n.53, pp.60-61.
proportional basis. The need to enlist contribution of private sector and benefit from its technical expertise and funding was reaffirmed. Bangkok meeting also reaffirmed that APEC is an open and evolving process and recalled the criteria for participation set forth in the Seoul Declaration.  

4.5.5 Seattle Meeting

The fifth APEC ministerial meeting of the member economies took place in Seattle on November 17-19, 1993. ASEAN Secretariat, Pacific Economic Cooperation Council and the South Pacific Forum attended as observers.

Eminent Person Group (EPG), which was tasked to enunciate a long-term vision for the organization, submitted its Report to the Ministers. EPG cautioned that the erosion of the multilateral global trading system, evolution of inward looking regionalism and risk of fragmentation within the Asia-Pacific region. In order to address these threats, EPG recommended a series of actions, including extensive services of APEC trade and investment facilitation program, adoption of Asia Pacific Investment Code, effective dispute settlement mechanism, macroeconomic policy cooperation, to reviewing, monitoring and guiding of all aspects of trade facilitation program, review the progress of each of the sub-regional arrangements within APEC-AFTA, Australia –New Zealand Closer Economic Relations (ANCER) Trade Agreement, Canada- United States Free Trade Area (CUSFTA) and potentially the NAFTA-to assure their consistency with the overall process.

Active program of regional trade liberalization on a GATT-consistent basis was also recommended to strengthen the multilateral trading system and help create an Asia-Pacific Economic Community to "ratchet up" the process of global liberalization. The technical cooperation among the members to develop infrastructures and develop in such

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66 See for details: n.53, pp.63-70.

areas as higher education, transportation and telecommunications, energy facilities in less advanced parts of the region, a modest institutionalization of APEC, setting of APEC fund were recommended to lay the foundation for the creation of a true Asia-Pacific Economic Community. APEC was entrusted with a catalytic role in channeling these resources within the region. EPG wanted the APEC to break the deadlock by offering an additional package of liberalization and other proposals and initiate international consultations and urge GATT to create a Wise persons Group to recommend strategy. Targets date and timetable for the achievement of free trade in the region was also recommended. It wanted APEC Ministers be made responsible for macroeconomic and monetary policy to help promote regional growth and growth equilibrium.68

US Secretary of State Warren Christopher, stated that trade and investment within Asia and the Pacific are weaving a new web of human and commercial relationships.69 He emphasized on APEC’s crucial role in developing, widening and deepening these Asia Pacific networks. APEC’s senior officials were instructed to implement EPG recommendations on trade liberalization and facilitation, technical cooperation and developing APEC’s structure and decision making process. It was decided to expand the EPG mandate which required them to present at the 1994 Indonesia ministerial meeting more specific proposals on how to realize the recommended long term vision for the APEC.70

The meeting endorsed Australian proposal to initiate regular exchange among APEC members of key economic statistics, which will facilitate policy formulation and enhance future Ministerial discussion of economic developments in the region. Trade and

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70 Ibid.,p.78.
investment liberalization was confirmed as the cornerstone of APEC identity and activity. It welcomed the report of the Informal Group on Regional Trade Liberalization (RTL) and endorsed its recommendations on the continuation of a dialogue within APEC on important multilateral and regional trade policy issues. The ad hoc group on RTL, which was studying ways to reduce tariff and barriers among members, was converted into a Permanent Trade and Investment Committee. The "Declaration on an APEC Trade and Investment Framework" and the accompanying initial work program for the newly established Committee on Trade and Investment were adopted.\(^{71}\)

APEC strength was found to be growing with intra-regional economic interdependence. In some of the critically important issues, Ministers issued separate declarations e.g. Uruguay Round, Trade and Investment Framework, Telecommunications, Tourism, Marine Resources, Economic Trends and Issues and Environment etc. APEC as an open and evolving process was of great use in promoting constructive interactions with other economies and organizations in the region.

APEC networks got further expanded with the admission of Mexico and Papua New Guinea to its fold. There was a continuation of dialogue on regional economic trends and issues to provide a broader context for the cooperation in APEC work groups and other areas of cooperation. The meeting expressed satisfaction that many APEC programs were producing substantial and tangible benefits for the region.\(^{72}\)

Activities within APEC mechanism were broadening and deepening cooperation with private and business sectors. APEC forum was used as a central coordinating point for disseminating information. US Secretary of State saw the utility of APEC forum in expediting the global trade talks. He said, "I think it will not be lost on the European leaders that the countries of the Asia-Pacific are working together towards trade liberalization". He warned if Europe fails to move negotiations forward, APEC may well, 


\(^{72}\) *Australian Briefs*, n.63.
“turn to other measures to achieve more open trading”. Participants in the meeting also blamed Europe for stalling on the global trade talks and wanting to get even. The Singapore delegate said, “The message of the meeting is to send shivers down the spines of Europeans”. 74

4.5.6 APEC Summit Meeting

A new phase began in the profile and pace of activity of the APEC process when President Clinton invited APEC members’ heads of Government for the first time in Blake Island near Seattle, on November 20, 1993. The participating leaders were Prime Minister Paul Keating of Australia, Sultan Bolkiah of Brunei, Prime Minister J. Chretien of Canada, President Jiang Zemin of China, Finance Secretary McLeod (Hong Kong), President Soehanto (Indonesia), Prime Minister Morihiro Hosokawa (Japan), President Kim Yong Sam (South Korea), Prime Minister Jim Bolger (New Zealand), President Fidel Ramos (Philippines), Prime Minister Goh (Singapore), Chairman of Economic Policy Development Council Siew (Chinese Taipei), and Prime Minister Chuan Leepai (Thailand). The timing of the Summit meeting was crucial in the context of ongoing Uruguay Round of World Trade Talks and forward the cause of free trade.

APEC leaders’ ‘vision Statement’ showed that APEC process had matured as a framework for regional economic cooperation, expressing support for the multilateral trading system, reduce trade and investment barriers in the Asia-Pacific region. They recognized that in the post Cold War era, there existed “an opportunity to build a new economic foundation for the Asia-Pacific that harnesses the energy of diverse economies, strengthens cooperation and promotes prosperity”. The summit meeting reflected the “emergence of a new voice for the Asia Pacific in world affairs.” 75 It noted, “the success has been the result of the ability of our societies to adapt to changing circumstances. Our

74 Ibid.
75 United States Department of State Dispatch, no.69, p. 45.
economies are moving towards interdependence and there is a growing sense of community among us. We are united in our commitment to create a stable and prosperous future for our people.\textsuperscript{76}

The vision Statement provided a blueprint for the future development of the region. They envisioned “a community of Asia-Pacific economies” that would be based on, “the spirit of openness and partnership; a vast Asia-Pacific market of two billion people with expanding world economy and moving towards an open international trading system; reduction of trade and investment barriers for expanding trade in goods, services, capital and investment; make the benefits of economic growth share among people; improving education and training; advance telecommunications and transportation infrastructures and improve environment to protect the quality of air, water and green spaces and manage energy sources and renewable resources to ensure sustainable growth and provide a more secure future for our people.\textsuperscript{77}

The vision statement among others included the following initiatives:

i. Bring GATT Uruguay Round to a successful conclusion and broaden and deepen its outcome

ii. Make APEC forum dedicated to producing tangible economic benefits and expand its economic dialogue and advance its specific work projects;

iii. Welcomed EPG Report to achieve free trade in the Asia Pacific, advance global trade liberalization and launch concrete programmes to move the region towards those long term goals;

iv. Make APEC finance ministers to consult on broad economic issues including macro economic developments and capital flows;

v. Ask business leaders to establish a Pacific Business Forum to help APEC identify issues of trade and investment;

\textsuperscript{76} Ibid.

\textsuperscript{77} Ibid.
vi. Strengthen policy dialogue on small and medium sized business enterprises;

vii. Establish an APEC Education Program to develop regional cooperation in higher education, and an APEC Business Volunteer Program to promote cooperation in the areas of human resource development and the exchange of management skills and techniques; and

viii. Deepen the spirit of community based on a shared vision of achieving stability, security and prosperity for the region’s peoples.  

APEC laid more emphasis for multilateral framework for bilateral relations. Prime Minister Hawke looked strongly wedded to the multilateral interpretation of APEC. Australia wanted tariff reduction and placed high stake on APEC. Paul Keating saw it in more strategic terms. He appeared unequivocal when he said, "Look, it is an old debate. There is one premier organization in the Asia Pacific now- it is APEC.... Because at the same time, the strategic guarantor of all this- the United States – is involved too. In any East Asia body, the United States is not there. ... you could have debate about this at the time of Seattle. You could even keep the remnants of it going at the time of Bogor. But now there is one and one body only, that is APEC.... The institutional structure is around APEC."  

The communique issued at the end of the Seattle meetings said, "Our meeting reflects the emergence of a new voice for the Asia Pacific in world affairs.... We believe our dynamic region representing 40% of the world’s population and 50% of its GNP, will play an important role in the global economy, leading the way on economic growth and trade expansion." APEC’s role was recognized and with the passage of time it grew and

78 Ibid, p.50.

found its acceptance on international community as an important new force for liberalized economic cooperation in the region and beyond.

Of the subsequent summits,\textsuperscript{80} held in Bogor (1994), Osaka (1995), Manila (1996), Vancouver (1997), Kuala Lumpur (1998) and Auckland (1999), and Brunei (2000), Bogor was a significant milestone in APEC journey of free trade and investment. In the Declaration of Common Resolve, the leaders opted for open trading and investment strategy for rapid integration. They set the deadlines and imposed fixed dates for the achievement of regional free and open trade and investment by 2010 for developed member economies and 2020 for the developing and less developed countries. It committed all members to accelerate the implementation of the Uruguay Round Agreement; actively support for the multilateral trade system; continued unilateral trade and investment liberalization; and endeavor to refrain from increasing protection.\textsuperscript{81} This summit charted out a very long and difficult negotiating road ahead. The leaders agreed to narrow the gap in the stages of development of member economies. The forum was to provide opportunities to developing economies to increase economic growth, sustainable development and economic stability.

Osaka Action Agenda 1995 was to translate Seattle vision and Bogor goals into reality. It established the three pillars of APEC activities: trade and investment liberalization, business facilitation, and economic technical cooperation. Leaders decided to form an APEC Business Advisory Council (ABAC) as a permanent business advisory body. Its main objectives, among others, were to strengthen links to the regional business community and provide advice on business views on specific issues. A Trade and Investment Liberalization and Facilitation (TILF) Special Account was set up to support implementation of the Osaka Action Agenda.


\textsuperscript{81} \textit{APEC Economic Leaders' Declaration of Common Resolve}: (Bogor: Indonesia, 15 November, 1994).
Manila summit in 1996 produced a Manila Action Plan for APEC (MAPA). They agreed on individual and collective action plans, and progress reports on joint activities of all APEC economies to achieve Bogor objectives. MAPA emphasized on greater market access in goods; enhanced market access in services; an open investment regime, reduced business costs; an open and efficient infrastructure sector and strengthened economic and technical cooperation. It identified six high priority areas for technical and economic cooperation that included: 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 sized enterprises.

The Vancouver Summit of 1997 linked the APEC’s ability to the successful deliberations of WTO. The leaders welcomed the progresses of APEC activities, and endorsed the Vancouver Framework for Infrastructure Development as infrastructure was considered to be inextricably linked to the questions of financial stability that APEC was addressing. They also endorsed the proposal of their Ministers for action with regard to early voluntary sectoral liberalization (EVSL).

The Kuala Lumpur Summit in 1998 agreed to pursue a cooperative growth strategy to end the financial crisis, and laid emphasis on strengthening the foundations for growth. The leaders pledged efforts to strengthen social safety nets, financial systems, trade and investment flows, the scientific and technological base, human resources development, economic infrastructure, and business and commercial links so as to provide the base and set the pace for sustained growth into the twenty first century. EVSL was extended to non-APEC members at the World Trade Organization. Action Program on Skills Development through public-business smart partnership was also adopted.

The 1999 Auckland Summit pledged to strengthen the markets and improve the international framework governing trade and investment flows. People and their prosperity came to the forefront of the Summit. In conformity with the goals of free trade and open trade and investment, the leaders endorsed new APEC Principles to Enhance Competition
and Regulatory Reform; further work on an APEC Food System; and agreed that priority would be given to trade facilitation.

The 2000 Brunei Summit was the pre- eminent forum for sustaining political commitment to trade and investment liberalization in the region, facilitating business transactions and strengthening technical cooperation. The leaders endorsed the report 'Open Economies Delivering to People- APEC Decade of Progress' presented by Australian Prime Minister John Howard. The report outlined the value of globalization and trade liberalization in the region.

4.6 EAEC: Rival to APEC?

Malaysia expressed itself against the dominant role of the United States in the organization. Prime Minister Mahathir Mohammed in 1990 came out with an East Asian Economic Caucus (EAEC) envisaging an informal consultative grouping of Asian nations, including most members of APEC but not Canada, the United States and Australia. The motive was explicitly defensive—a reaction to the (then) faltering Uruguay Round of negotiations and regionalist tendencies in Europe and North America. He categorically said, "We do not want APEC ever to become a structured community and we don’t want it to become a trade bloc. We do not want APEC to totally overshadow ASEAN nor do we want to see APEC being directed by more powerful members. Everyone should be equal." The United States saw a design in EAEC to divide the Pacific region in half. The United States tried to dissuade Japan from joining it. Indonesian Foreign Minister Ali Atalas feared strong misgivings from the Bush administration. Japan saw it as a


84 Patrick Walters, Concerned Mahathir unlikely to rain on Suharto’s parade, The Australian, 14 November 1994.


86 Asia Week, 1 December 1993, p.30.
consultative forum, not a regional bloc. To Japan, it was intended to counter balance emerging organizations in Europe and North America and to improve the bargaining position of Asian countries.\textsuperscript{87} Thailand supported EAEC. Its Deputy Premier Supachia Panitchpakdi expressed Bangkok’s worries about the direction APEC was taking. “When it was conceived, it was so much a different animal. We do not want to be coerced into any direction that is why we support EAEC”. \textsuperscript{88} When ASEAN decided to make EAEC a “loose consultative forum” within the APEC, the APEC members accepted the EAEC as a caucus within their organization.\textsuperscript{89}

Displaying its opposition to the attitudes of the United States, Malaysia boycotted the APEC Conference held in Seattle considering it a non-APEC event. Expressing his desire to see a “loose consultative forum” for the region, Dr. Mahathir stated “We are not advocating a preferential trading arrangement, or a free trade area or a customs union, or a common market or an economic union, for East Asia”. \textsuperscript{90} Later on Rafidah Aziz, Malaysia’s International Trade and Industry Minister explained that Malaysia through its proposal of EAEC aimed to “contribute more constructively to economic cooperation. You cannot build one big effective bridge across the pacific without linkages within the region”. EAEC and APEC were considered complementary and countries won’t have to choose between them. “EAEC dovetails very nicely into APEC process, which dovetails nicely into GATT process”.\textsuperscript{91} Malaysia’s absence in the Summit Meeting of APEC in Seattle in November 1993 led the Australian Prime Minister Mr. Paul Keating to comment “Please don’t ask me any more questions about Dr. Mahathir. I could not care less, frankly, whether he comes or not next year. APEC is bigger than all of us - Australia,

\textsuperscript{87} Far Eastern Economic Review, 28 November 1991, p.27.

\textsuperscript{88} Asian wall Street Journal, 16 November 1993.

\textsuperscript{89} Asia Week, n.86, p.30.

\textsuperscript{90} Asian wall Street Journal, 16 November, 1993.

\textsuperscript{91} Ibid.
the United States, Malaysia and Dr. Mahathir and any other recalcitrants". 92 This prompted Mahathir to progressively announce and clamor for all out trade sanctions. He said Australians "do not have Asian character and as such their claim that they are an Asian nation has no meaning whatsoever." 93 Majority of the APEC members turned suspicious of the US legendary role in the organization and felt that they were being used by the US to put more pressures on the Europeans to make concessions. 94 Asians were also distrustful about being used by the Clintonites as a "Pacific Card" meant to scare Europe mainly France into folding its hand on farm production. 95 US Secretary of State Warren Christopher said that Washington understood "APEC's sequential" way of developing. The U.S "will be sensitive to the way APEC was created, sensitive to the views of our Asian partners". US officials said that Asians had now moved from security clients to a mature partner with the United States in co-prosperity. The same officials assured the representatives of Asian countries in Seattle that APEC was a "building block, not a trading bloc". Seattle meeting marked a psychological turning point toward making "Pacific Century a day to day reality now, not our future". 96 Assurances were given to Chinese Foreign Minister Lian Richen that the United States would be sensitive to the needs of the countries and understood APEC was being portrayed as an organization that could take lead in the world trade liberalization if the Uruguay Round fails. 97 Australian Foreign Minister Gareth Evans described the Seattle APEC meeting as a push to forward the cause of expanded world trade. 98 South Korea's Assistant Foreign Minister for Policy Planning, Kwon Byong Hyon, saw a historical momentum because the US at long last has

95 James Walsh, Towards the Pacific Age, The Time, 22 November 1993, p.16.
96 Ibid., p.16
98 Michael Elliott and Bill Powell, Pacific Centuries, Newsweek, 29 November 1993, p.17.
started to look seriously at its trade interests in the Pacific. Chinese Premier Li Peng was quoted as saying during a meeting with Prime Minister Keating’s visit to China as APEC offering great opportunities to increase trade and discourage the United States from bilateralism. To see the leaders of APEC meet 'would change the balance in the world.'

President Clinton hailed APEC Summit as a success and significant event towards forging an economic partnership. On November 21, 1993. Clinton said, “We are helping the Asian-Pacific to become a genuine community, not a formal, legal structure but rather a community of shared interests, shared goals, shared commitments to mutually beneficial cooperation”. The Clinton administration felt proud for its focus on Asia Pacific and called administrative initiative “the first element of foreign policy (it) did not inherit” and intended to “reweigh the balance between security and commerce aspects of foreign policy and to stress commercial opportunities or the US firms in the region” Clinton recognized the commercial opportunities that were amazing and unprecedented. He praised Asian countries that had “gone from dominoes to dynamos”. He termed ‘APEC’ the centerpiece of American economic strategy for the Pacific Rim. The forum aimed at transforming the Asia-Pacific region’s vast potential for economic growth into concrete business opportunities and jobs for Americans. It was widely believed that “APEC or no, there is no substitute in sight for a strong American strategic and economic presence in Asia.”

Trade policy remained central to APEC vehicle. Its very formation was based on the fundamental assumption that ‘the economic dynamism of the Asia Pacific region is leading to a decisive shift of the center of gravity of world economic activity from the

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102 Newsweek, 29 November 1993, p.9.
Atlantic to the Pacific. 104 Australia viewed APEC as an informal collective arrangement, which could help liberalize trade in the region, facilitate tourism, direct foreign investment, and exchange of services; protect the regional interest in wider economic forums, and foster a more efficient use of regional resources such as energy markets and fisheries. 105

4.7 Significance of APEC, its achievements, and future

4.7.1 Significance

Towards the end of the nineteenth century, American Secretary of State John Hay, had dubbed the Pacific "the ocean of the future". A British commentator in London Sunday Times wrote," Europe may not like it, but Europe will have to lump it. The Clinton administration has decided to look westward across the Pacific where the future lies and forget the view across the Atlantic where it sees only decline, frustration and ignominy."

106 For the first time in 500 years ,said Gareth Evans, Australian Foreign Minister, the center of global economic gravity is set to return to East Asia." 107 Japanese Prime Minister called Asia " the world’s brightest spot for the next century.” In Asia’s evolving power game, Australia, Indonesia, Taiwan and Malaysia have emerged with significant economic and political promise. Australia and New Zealand emphasized that “geography, rather than history locates their interest”. 108 Lee Kuan Yew suggested that East Asia would need $400 billion worth of power generating equipment by 2000, 500 million telephone lines worth $ 750 billion in 20 years and airports worth $ 50 billion. 109 He also said that in fifteen years, China's economy as measured in purchasing power parities

106 Quoted in *Asiaweek*, 1 December, 1993.
would be bigger than America's. The growth in Asian economies not only shook the old assumptions of superiority in Australia but persuaded the Australian decision makers that "Asia is the key to the future".¹⁰

Asia, once the poorest and exploited, suffered at the hands of colonial powers. It was afflicted by long time of anarchy. Flooded by refugees, homeless and wretched people, it bore the brunt of the most destructive warfare. Once the theater of big power rivalries, Asia outstripped all other economies including the industrialized ones. They skillfully combined together the land, capital, human capital and productivity and succeeded in doubling their per capita incomes in just two decades. Asia's breathtaking success eclipsed Europe and made itself an economic weight, a formidable force in the world economy. Asia's success came through optimism, hard work, openness, a passion to learn, willingness to change and a conviction that there are no free rides. Asia became an economic opportunity. Western Europe's reign as the arbiter of global destinies was no longer dominant area, commented US Secretary of State Christopher Warren, and therefore America's future is increasingly linked to Asia.¹¹ Figures in 1992 suggested that United States trade with Asia totaled 40%, accounting for 25% of world trade, a market share that increased by half since 1980. America's $ 120 billion trade across the Pacific directly employed 2.3 million and American individuals invested $ 17.4 billion in overseas fund. American alliance with Europe was of military nature from the beginning to save it from communism, Stalin, Krushchev and Breznev. Whereas now its link up with Asia is for money and to foster an era of peaceful prosperity than one based on "belligerence and (in the beginning) imperialism and racism".¹²

It is against this backdrop that Australia’s policy of "comprehensive engagement" with Southeast Asia is examined, where the economy alone has become a driving force in

¹⁰ The Time, 22 February 1993, p.25.
¹² Asiaweek, 1 December 1993,p.23.
foreign policy of every nation.’ Indo-China known once as battlefield or war zone, has been converted into market place and trade zone. Vietnam’s *doi moi* (social-economic and political renovation) set itself on the path towards becoming an economic force. Australia’s trade with Vietnam in 1993 was over $366 million (in 1984 it was 16$ million), Laos $16 million. As for Australia, culture or racial identity has ‘no status in the markets of the world.’ Government Reports on business in Australia in December 1992 revealed that Australia had neglected its neighbors and ranked 11th of 14 Asia Pacific countries as attractive foreign ‘investment, ‘the top three being Malaysia, Singapore and Thailand’. Australia having realized the economic potential of the ‘Southeast Asia and changes around the globe’ entered into several undertakings with the region. If Canberra fails to build bridges to Asia, remarks Richard Woolcott, former head of Australian Department of Foreign Affairs, “we will wither and just become a small marginalised country.” For its own advantage, economic restructuring including tariff cuts and removal of unnecessary regulation were quickened. Similarly, outlook was broadened to look to the whole of Asia Pacific region beyond South Wales or Victoria. There was even a suggestion that member economies create a true Asia Pacific Economic Community and declare an ultimate goal of free trade in the region”. This was, however, considered too far, too fast, for everyone; even for Australians whose idea APEC was.

4.7.2 Accomplishments

APEC in its short journey has grown in stature and strengthened its role as regional organization. It is now seen as one of the jewels in the crown of Australian foreign policy.” APEC process has structured the processes of building of cooperation,

115 *Ibid*.
reduction of conflictive behavior, and harmonization of interests and policies. It has developed as a major economic and trade forum. The size and diversity of its membership make it the most important forum. Its agenda is quite wide ranging covering trade and investment liberalization, trade facilitation, policy consultation, and a broad range of activities involving economic and technical cooperation (Ecotech) in such areas as energy, fisheries and trade and investment data. A compilation of customs procedures in the form of a guidebook has made APEC’s complex regulations transparent to increase investment flows in the region.

APEC Fund has been set up with assessed contributions from all members. In 1992 APEC ministers decided to exchange information on non-tariff measures that have often inhibited trade in the region. These measures have exerted pressures on members to alleviate such measures. APEC has tried to set standards to facilitate trade and further cooperation. Gareth Evans said, "We are working towards the day when a mark of quality, testing certificate or professional qualification from an APEC member is recognized and accepted throughout the APEC region." 118

APEC Secretariat has been equipped with a research and analysis unit to coordinate and assist work programs, facilitate communications between members of APEC and provide a point of contact for the public, other organizations and business. The ten working groups have been able to focus on policy in the fields of trade and investment data, human resource development, energy, marine resources, fisheries, telecommunications and the transport and tourism. The trade promotion group has APEC electronic information network to exchange trade, industry and business information to achieve greater comparability of merchandise trade data. Under the human resource development, APEC has introduced many programs for cooperation in economic development management, business management and industrial technology. Several

118 Gareth Evans, APEC: Its Implications for Business, Speech at the DFAT Business Liaison Seminar (Melbourne: 10 November 1993).
programs for exchange of students and staff among the APEC countries have been started. In the energy sector, which has been assigned to Australia, it is developing a database on regional energy supply and demand. It has also devised programs to share information on natural gas vehicle technology and photo voltaic and other solar energy technology. The group on marine resource conservation is also at work. Similarly the fisheries group has the task of surveying species requiring international cooperation in management arrangements. The telecommunications group's task is to implement pilot projects on electronic data to increase regional awareness of the use of this technology. The most advanced demonstration project is being developed for the trans-Tasman Steel trade. The groups on transport and tourism are examining bottlenecks in the region that are impeding the flow of goods and people among the APEC member countries. The meetings have so far recognized the value of more active private sector involvement in APEC.\footnote{\textsuperscript{119} U.S. Department of State Dispatch, n.69, p. 50.}

APEC has a mechanism to consolidate its work programs, strengthen its organizational structure and develop a systematic approach to new membership. The declarations commit APEC countries to a trade policy role thereby serving as an important instrument to further define APEC's identity, expand economic activity, and facilitate the flow of goods, services, capital and technology within the region. A committee on Trade and Investment to pursue opportunities to liberalize and expand trade, to facilitate a more open environment for investment, and to develop concrete initiatives to realize these goals in a manner consistent with GATT principles was established to look into the issues like the 1994 work program. The issues included the evolving inter-relationships of the APEC and the global economies, impediments and distortions affecting trade and investment, reduction of transactions, costs of doing business in the region, trade and investment policy issues of APEC working groups and activities; and ways to mobilize the APEC business sector in the evolution of APEC trade policies. Efforts are on to simplify and harmonize customs procedures, undertaking a pilot study for a regional electronic database.
of member tariff defining APEC’s role in harmonizing standards and conformance/certification arrangements and enhancing the environment for small and medium sized enterprises in the region.\textsuperscript{120}

APEC Forums have helped the United States and other counties to avoid damaging showdowns with Tokyo, Beijing and Jakarta. Australia’s Foreign Minister credited APEC helping to restrain the US and in building a firm institutional bridge across the Pacific in a way that lessens the dangerous pressures for division between North America and East Asia, \textsuperscript{121} Fred Bergsten adds," The existence of the disputes may accelerate the process of cooperation in the region."

\textbf{4.7.3 APEC- A tool of integrating Australia into the Region}

APEC bounds Australia with Southeast Asian region and beyond it. Southeast Asian countries are its friends and partners. They now cooperate on a wide range of fundamental areas like defense, trade, communication, sports, arts, and education. Several networks in APEC bring all kinds of people together making them acquainted with each others’ business practices, customs and social etiquette. APEC has been a very important coalition to project Australia’s interests much more effectively. The forum has helped to understand intentions, aspirations and priorities of friends and partners, develop shared interests to be effective and quite powerful in international forums. APEC is being considered a blueprint for constructive engagement with Asian neighbors. In political circles, the floating of APEC is said to have demonstrated Australia’s credibility as an independent Asian centered state, no longer constrained by deference to the United States power or special bilateral associations with Washington.\textsuperscript{122}

\begin{thebibliography}{99}
\bibitem{120} ibid., p. 51.
\bibitem{121} Barry Wain, Maturing APEC Talks Things Over, \textit{Asian Wall Street Journal}, 22-23 April 1994.
\bibitem{122} Roger Bell, Reassessed: Australia’s relationship with the United States in James Cotton and John Ravenhill (eds.) n.5, p.214.
\end{thebibliography}
APEC’s constructive and cooperative framework provides a substantial integration of Australia into the Asia-Pacific region and the global economy. Australia has developed profound stakes in building an effective regional order with a very attractive, highly competitive, sophisticated base for international companies doing business in the region. APEC process has shown dividends in investment and competition policy. There are greater signs of accommodating spirit and greater readiness to look for mutual gains through cooperation. It has stimulated thinking on the future for development and growth in the region.

APEC brings together leaders of a very diverse group of countries in East Asia, Australasia, Americas annually. A complex webs of people to people relationships provides a new, valuable forum and unique opportunity for communication and dialogue for leaders of the Asia-Pacific countries to exchange views on matters of bilateral, regional and international matters. APEC opened new channels and provided a new basis for communication and among the region’s major economies. They exchange information, ideas on many issues that confront their countries. Grouping membership demonstrates growing strength of the community. Starting with just twelve in 1989, the number stands twenty-one with several other keen aspirants. It has helped bolster the remarkable pattern of economic change.

APEC has permanent, albeit small, substantial and numerous working groups. Ten intergovernmental working groups, and two ad hoc groups were set up to study means of promoting cooperation in areas that included human resource development, transportation, tourism, fisheries, telecommunications, as well as trade promotion and facilitation through harmonization of standards, and the compilation of trade and investment data. 123

APEC has been an important extension of the process of socializing bureaucracies and politicians in Asia to the virtues of liberalized trade, a process previously undertaken

through the Pacific Economic Cooperation Conference. Positive spirit is witnessed among officials. APEC is producing a much more cohesive region across a wide spectrum of issues. Various working parties and meetings place pressure on recalcitrant governments to conform to the liberalization agenda. The APEC process is deepening and widening.

Growth occurred in East Asia without a framework for economic cooperation across the region. Despite ASEAN’s success as a strategy to contain communism, it was without an organization or structure to deal with economic cooperation and growth. APEC could fill that gap. Since its founding, it has built a detailed cooperative work program covering a wide range of issues calculated to enhance effective economic cooperation between member countries. The return of the European to the bargaining table and negotiated compromise agreement (Blair House Accord) over the agricultural issue with the United States in 1992 can be attributed to the progress made by the APEC as a possible alternative trading block. Same issue had led to the collapse of the GATT Ministerial meeting in Brussels in December 1990 when the Cairns Group (which Australia had helped founded) had walked out of the talks.

Trends towards deregulation and internationally oriented policies adopted under the APEC umbrella have resulted in the reduction of barriers to Australian exports and ensured access and created new opportunities for exports and services. APEC has acted as a springboard to encourage liberalization at the global level. The success of Seattle Summit impacted a positive influence on the outcome of Uruguay Round. Peter Sutherland opined that there was no conflict between free trade regionally and globally. On the contrary it assures them off a healthy outward-looking growth, in line with the

126 Ibid., pp. 97-98.
APEC motto of open regionalism.\textsuperscript{127} The growing nexus of interdependence is recognition of involving governments and private sectors as partners, promoting closer integration.

APEC has pulled down several protection barriers in the region. A road towards free trade in the region generated potential benefits in the form of greater access to international markets. The potential gains from APEC sponsored liberalization in trade and investment arrangements have proved beneficial to Australia.

APEC members are also WTO members. This association has the potential to feed each other with necessary inputs. APEC has exerted a considerable influence over the development of WTO. WTO meetings have confirmed the viability of APEC principles and even injected strength into its three major arms- economic and technical cooperation, trade facilitation and trade and investments liberalization. Australia as a free trading nation has benefited from such deliberations.

APEC binds USA in regional economic cooperation. It has helped bring USA closer to Asia- a vital factor for the security and economic interests of both the parties. Australia thus associating USA with Japan and China and the region has provided a broader context by emphasizing the shared interest in economic growth and stability of all the countries of the region.\textsuperscript{128} Prime Minister Paul Keating saw an important contribution APEC was making to Australia’s economic future with Asia and also to the security of the region overall. Elaborating the theme, he said:

\begin{quote}
(APEC) helps to lock in US economic and commercial interest in the region, which in turn helps ensure US strategic engagement. It provides a framework to help contain or manage competition between China, Japan and the United States.
\end{quote}

\begin{footnotes}
\item[128] Ibid.
\end{footnotes}
And it gives the smaller countries of the region a greater say in the nature and shape of the trading arrangements in the region....

So long as APEC’s approach is GATT-consistent and –equally importantly – so long as it contributes to global liberalization, it seems to me that, as the weight of economic development in the world shifts towards Asia and the Pacific, we have a responsibility to show that countries in this part of the world can take a decisive step towards a free trade goal....

For our part, what we hope to come out of Bogor is a commitment to free trade in the APEC region by a realistic date, in GATT consistent manner....

Free trade in the APEC region would bring Australia benefits several times those of the Uruguay Round. And the benefits in terms of increased competitiveness and integration with the region would be far greater.129

Australia under Keating vigorously pursued an agenda of liberalizing trade. If Hawke floated the idea of the APEC, according to Richard Woolcott, Keating provided its substance. Keating and Evans were instrumental to get Suharto to side with APEC trade and investment agenda at Bogor. From Seattle meeting, relationship between Indonesia and Australia emerged as a pillar of regional cooperation. APEC gave Australia a seat at a table with major powers like USA, China and Japan, which are Australia’s most important economic partners, and America’s most important security partners. The security relationship came to be shaped by thriving economic relationship, which it could sustain and encourage.

Australia as free trade nation will require small changes in policy to meet the target of free trade. It is said that tariff will fall to 2.9% by 2000-01. This would help Australia in trade of goods, services and investment. In textiles, clothing, footwear (TCF),

if the present rate of reduction continues, tariffs would be eliminated by 2010. Politicians, business community, academics, union officials and professionals are participating more closely in regional associations and forums. In this process, Southeast Asia receives highest priority from Australia.

Through the APEC forum, Australia has the opportunity to increase exports of health services, education, tourism, consultancy and legal services. The forum has helped move beyond governmental and intergovernmental structures, fostering intra-industry specialization in production and trade. The meeting of leaders under the forum has helped sort out thorny issues like East Timor, which was of great concern to Australia.

APEC is acting as a forum in collecting, disseminating, and analyzing economic and trade related information to help business and policy makers get a more accurate picture of development. Its program of trade facilitation such as standards and conformance, customs procedures, and in developing a progressive investment framework, has made an important contribution to the initiation of serious discussions of a new multilateral trade round.

Minister for Trade Senator Bob McMullan considered APEC as a vehicle for the economic integration of the Asia-Pacific region, the means by which trade in the region would be made free. APEC is making a powerful and substantial contribution to generating and understanding in the United States on issues relating to Asia. It has shown the potential to deliver economic benefits to each of its members. APEC has become the cornerstone of Australia's trade policy as a vehicle to deliver fundamental trade liberalization across Asia Pacific. The vehicle is seen as proving to be catalyst for

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131 http://www.Par.info.ASP?wcir=sgmlView&Item=11 and Results ID

132 Press Release: Australia committed to APEC and Trade Liberalization, Minister for Trade (Canberra: September 8, 1994).

global trade liberalization. The commitment to the lowering of tariffs and liberalization of
economies through APEC has not only provided better access for Australian products, but
also broadened a whole range of areas. As multilateral trade forum, APEC can be credited
to have accelerated the process of trade liberalization in ASEAN countries.

4.7.4 Future

As APEC gives firmness and cohesion, it will be able to exert a stronger influence
on wider range of issues in trade and investment. Think tanks, policy research institutions,
involving cross section of experts in APEC process. With an equal voice for all members,
APEC should be a cooperative forum and take care of sensitivities of various economies
and consultations.

APEC as a forum can be a catalyst, exerting will and demonstrating tremendous
capacity to influence the future economic agenda. It can build a sense of trust and shared
perceptions. It can be a vehicle for mutual exchange of benefits and transfer of technology;
It can also prevent a "split of the global economy into three defensive trading blocs." 134
P. Drysdale argues that APEC provides a convenient regional framework within which
Japan can move towards a position of shared policy leadership with the United States in
buttressing and extending the GATT-based trade regime. 135 APEC forum furthers
consultations and therefore helps resolve friction between the major trading partners. With
the United States of America, China, and Japan in its fold, interactions through APEC
forum help mellow conflicts or tensions in their relationship. In a group or individually,
APEC will continue to forge strong links and act as a bridge between them.

The projection of collective positions by the APEC may be more impressive and
forceful. As a forum, it may develop negotiating yardstick for open trade. As Asia-Pacific
reflects the interests and concerns of both the developing countries and industrialized

134 Andrew Elek, The Challenge of Asia Pacific Economic Cooperation, The Pacific Review,

135 Quoted in n.134, p.328.
economies, APEC may complement existing regional organizations. Thus, there remains
‘concentric circles of cooperation’ as raised by Singapore.

Building of economic bridges through APEC process will contribute to the
building of the structure of security. North Korea may be tamed with the help of China
with which America is on constructive engagement bilaterally and through APEC.
American increased presence in the region through the APEC could be a stabilizing factor.
Southeast Asia has bitter experiences of the past of Japanese aggression. APEC could be
both a check and complement to Japan.

ASEAN wants the United States in APEC fold but also fear its 'Big Brotherism'.
Malaysia's Mahathir displayed his anti-colonial credentials by refusing to go to Seattle,
which he considered a non-APEC event. He put forward his EAEC and wanted to ensure
that the history of East Asia be made in East Asia, for East Asia and by East Asians.136
However Singapore has different approach. Its Prime Minster Goh Chok Tong warned," If
Asia does not give importance to the APEC, we will be forcing the United States to look
north to Canada, south to Mexico and further South to Latin America creating a North
American Free Trade Area."137 Indonesian economist Hadi Sosastro urged APEC
members particularly Asians to combine their forces to make sure that United States
doesn't push them around. Indonesia has the muscle and Australia has the mouth'.138

The largest and fastest growing economies, the United States, Japan, China,
Australia, in the Asia-Pacific region are in APEC. These economies can demonstrate the
willingness and determination to structure or shape the regional and world order for the
benefit of humanity. APEC can serve as a collective arrangement and facilitate the
promotion of tourism, direct foreign investment, exchange of services, protection of
regional interests in wider economic forums and foster a more efficient use of regional

137 The Independent (Bombay), 27 November 1993.
resources. These strengths can lay a new foundation of mutual cooperation and confidence building and involve them in constructive engagement in order to collectively face the political, economic, technological, ecological and strategic challenges of the next millennium.

Australia has done great investment by launching the APEC. APEC for Australia could be a multipurpose forum: to work internationally, regionally and bilaterally, market Australia, open doors for business, build an export culture, exploit complementary, play a constructive and respected role and enmesh and integrate itself with the Asia Pacific economies.

According to Woolcott, APEC might serve as an example of "new kind of regionalism" not only to the economies participating but also to the broader international community. APEC has developed and developing economies as well as Asian and western cultures. A continuing closer relationship with other regional associations, above all with ASEAN, to quote Mr. Woolcott, "will remain fundamental to APEC's development". He says, "APEC faces significant challenges but also offers new opportunities. Its initial success is, to my mind, one of the most hopeful developments in international relations in recent years".139

APEC was evolved as a structure for consultations to accommodate diversities, vast differences in population, differing levels of economic development, to show the leadership for liberalization of global trade and investment. It needs to hold a sense of community in such diversities. It has grown in stature as an important vehicle of economic integration, fostering and strengthening economic links throughout the region. APEC initiatives are bold and far-reaching. There is a commitment to free and open trade and investment. APEC, therefore, needs to look forward with a vision and determination to act together to establish a new partnership.

139 *Australian Briefs*, n.54.
However, there are no binding agreements in APEC. There exists no enforceable mechanism in the APEC. The Osaka Action Agenda committed ‘nobody to anything’ and that ‘shame seldom bothers politicians’. Asian members of the APEC appear favoring consensus-oriented approach where as the United States emphasizing the results oriented approach. This may cause division in the forum in future as they confront a number of issues. APEC meetings are sometimes taken, as a convenient location for governments to (re-) announce policy measures that would in any event have been implemented.

There have been far reaching decisions that pose substantial risks both to the credibility of the grouping and to its cohesion as a negotiating group. The flexibility according to Japan’s Foreign Minister Yohei Kono ‘will be available not only with regard to the pace but also the ways, modalities and so forth of liberalization and facilitation.’

No definition exists for free and open trade to which there is a commitment of leaders. This disappointed a great enthusiast Prime Minister Keating to acknowledge that at the Osaka summit, ‘there was no discussion on whether free (trade) means zero or five percent’

Australia has a strong stake on the future of APEC, its relevance and potential. Its association with APEC will help build political, economic and cultural ties with Asia as well as with the US, and also can produce commercial and strategic gains for all members. The short journey has demonstrated that member countries achieve more benefits by cooperative process towards agreed goals than by unilateral action to serve global interests. As the East Asian economies are on a recovery path, it may have to take into

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143 Quoted in Reuters News Service, Japan: Keating says APEC Didn’t Paper Over Differences. 19 November 1975.
account the sentiments surfaced in the form of EAEC. This seeks that economic cooperation in the region not be overshadowed or dominated by major powers.

APEC came to promote regional integration in the Asia-Pacific region. Though it has a long road to travel to reach the degree of integration achieved by EU, it shares a vision of an Asia Pacific Community, has committed itself to fostering greater public/private sector partnership, and placed greater value on promoting more people to people linkages through various forums.

Paul Keating predicted that, APEC’s impact will go beyond its economic potential and will have a “lasting strategic impact in the region”. Involvement on a range of economic agenda has helped stimulate the habits of cooperation and dialogue, and build up momentum for the regional engagement and consultation on both economic and security issues. The reports from the recent summits show that forum’s main concerns have gone beyond trade and investment liberalization and economic-technical cooperation. Leaders have addressed the issues underpinning politics and security. Suggestions have surfaced for integrating security and political issues in its deliberations of economic agenda, even moving from Asia Pacific Economic Cooperation to Asia-Pacific security, political and economic cooperation.

APEC has come a long way since 1989. It has made a solid progress in bringing the various faces of the member countries together and commit themselves to new rounds of multilateral trade negotiations. However, underlying its expanding agenda, APEC confronts major challenges. Its passiveness in addressing the financial crisis in Southeast Asia has been termed as undynamic. It is now time that it moves from agenda setting to more detailed implementation, and defining its relations with major regions.

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