



APEC at 20: The End of Innocence?

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*The views presented here are those of the author and not necessarily those of the
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APEC at 20

- **Three distinct phases in APEC's history – wonder, disillusionment, and seeking**
- **APEC faces external and internal threats, but the internal threats are more serious**
- **2010 is a critical year for APEC because it is the first of two much-celebrated Bogor target dates**
- **Even though the Bogor target will not be met, the Asia Pacific region is more integrated today than it was in 1989**
- **What does APEC want to be when it grows up?**



1989-1996: The Wonder Years

- **APEC was created on the premise of enlightened, self-interested trade and investment liberalization leading to greater economic welfare for the region as a whole**
- **This apolitical framework allowed for the entry of the three Chinas as members in 1991 – a remarkable achievement**
- **The Bogor targets are emblematic of the abundant optimism (and naiveté) during this period**
- **APEC's role in the conclusion of the Uruguay round is a central myth of its success during this period**
- **The underlying philosophy of “concerted unilateral liberalization” deeply influenced APEC's operating model, which included consensus decision making, a weak secretariat, and the central role of Individual Action Plans**



1997-2000: Disillusionment

- **APEC not only failed to adequately respond to the Asian financial crisis, but there was also a sense that developed member economies of APEC were taking the side of the IMF in prescribing draconian measures for affected economies**
- **The collapse of the “Early Voluntary Sectoral Liberalization” initiative exposed the failings of APEC’s founding premises**
- **East Asian economies responded by investing massively in self-insurance and preferential trade agreements**



2001-2008: Seeking A New Mission

- **China's hosting of APEC in the year that it was accepted into the WTO signaled a shift in the terms of trans-Pacific economic cooperation**
- **APEC began to diversify its agenda, partly by design (The Trade Facilitation Action Plan, Regulatory Reform); partly in response to circumstances (Post 9/11 focus on trade and security)**
- **"Open regionalism" and "Concerted unilateral liberalization" abandoned in all but rhetoric**
 - **IAP review process (including use of independent experts)**
 - **Preferential trade agreements became part of the APEC agenda ("model measures")**
 - **APEC has endorsed FTAAP and leaders use Summit meetings to announce bilateral deals**
- **Since 2007, institutional strengthening has become more important**
 - **Professionalization of APEC Secretariat**
- **The membership moratorium still in place – even though the question of membership has changed**



State of the Asia Pacific Region

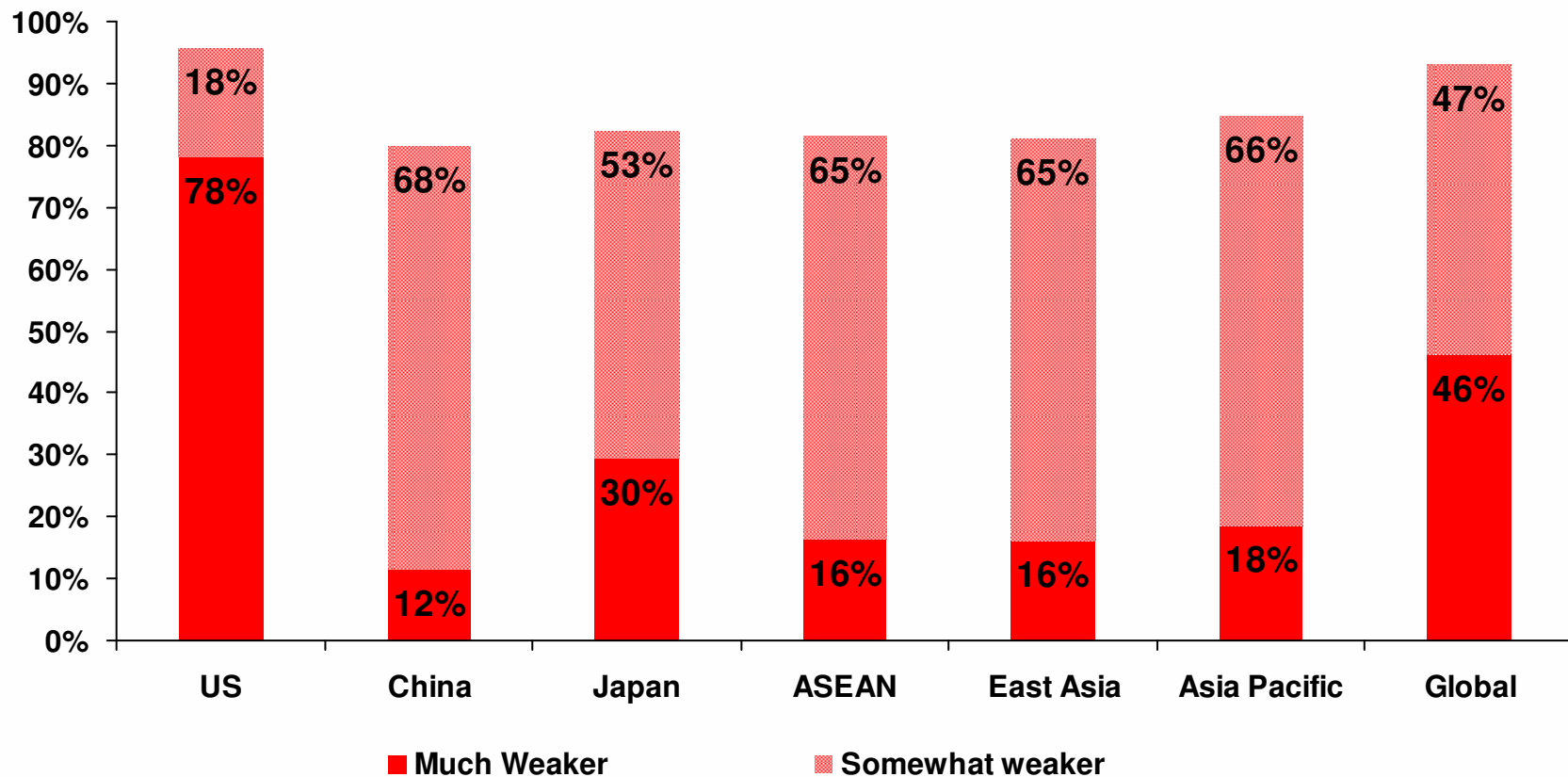
- **Insights from the PECC State of the Region Survey of Opinion Leaders, 2008**
 - **What is the outlook for the Asia Pacific region**
 - **What are the priorities for regional cooperation? Institutional strengthening?**
 - **EAS, ASEAN+3, and APEC**
 - **FTAs and the FTAAP**
 - **Is APEC still relevant?**

** The results of the survey can be downloaded from www.pecc.org/sotr*



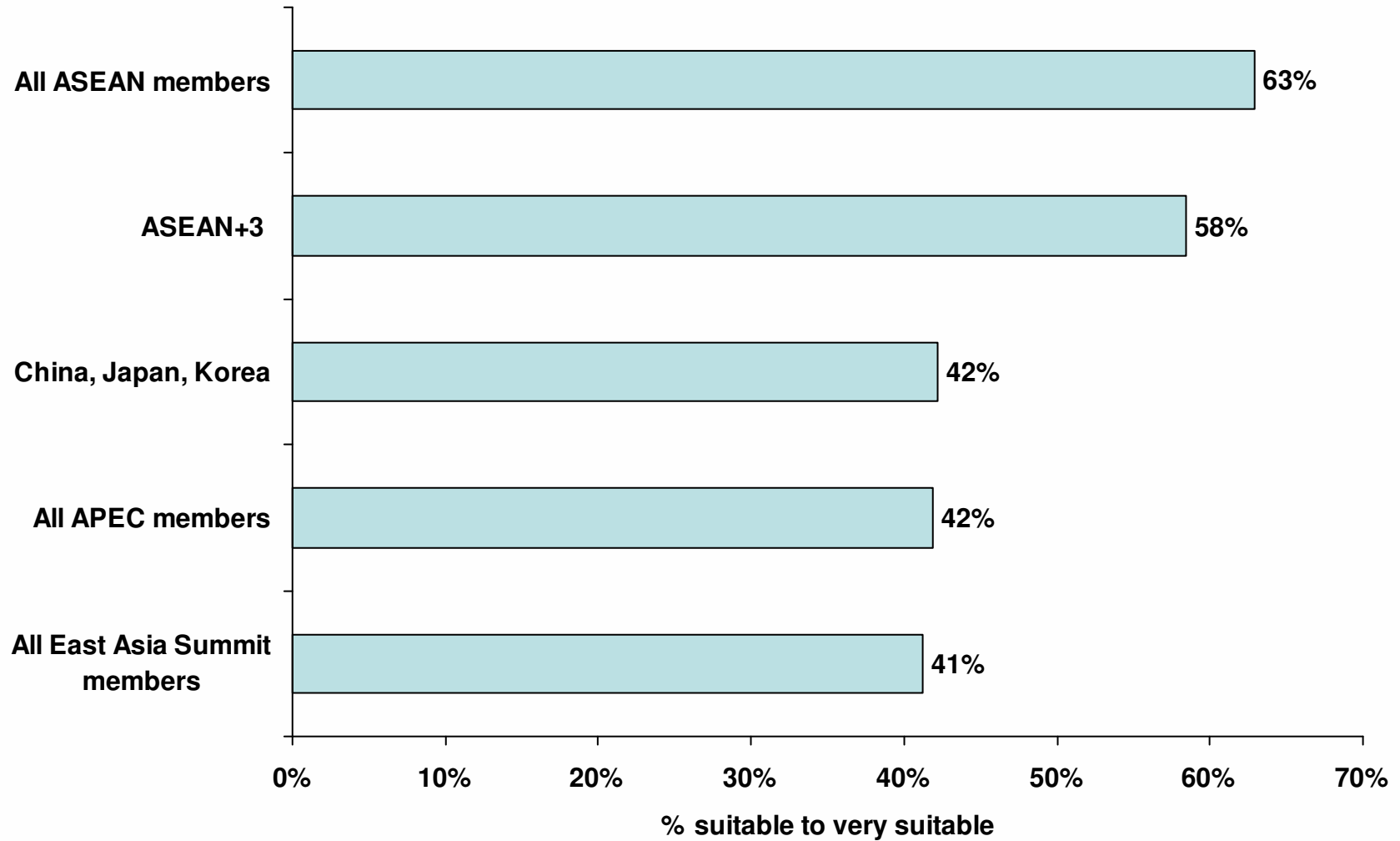
Please indicate your view on the economic outlook for the following regions

Percentage of respondents who thought the economic outlook for the following regions over the next 12 months was somewhat-much weaker





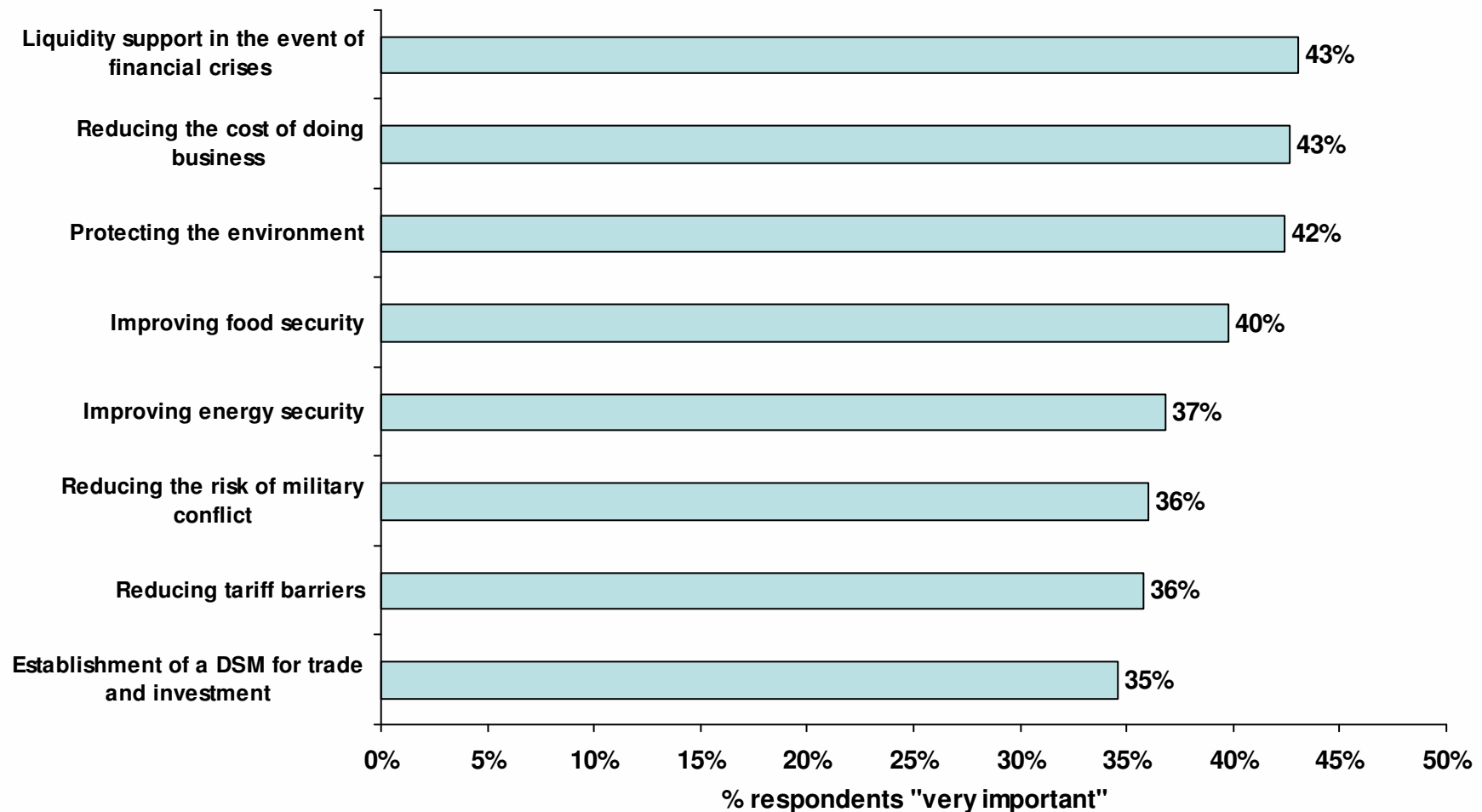
How would you rate the suitability of the following groups for the creation of a free trade and investment area?





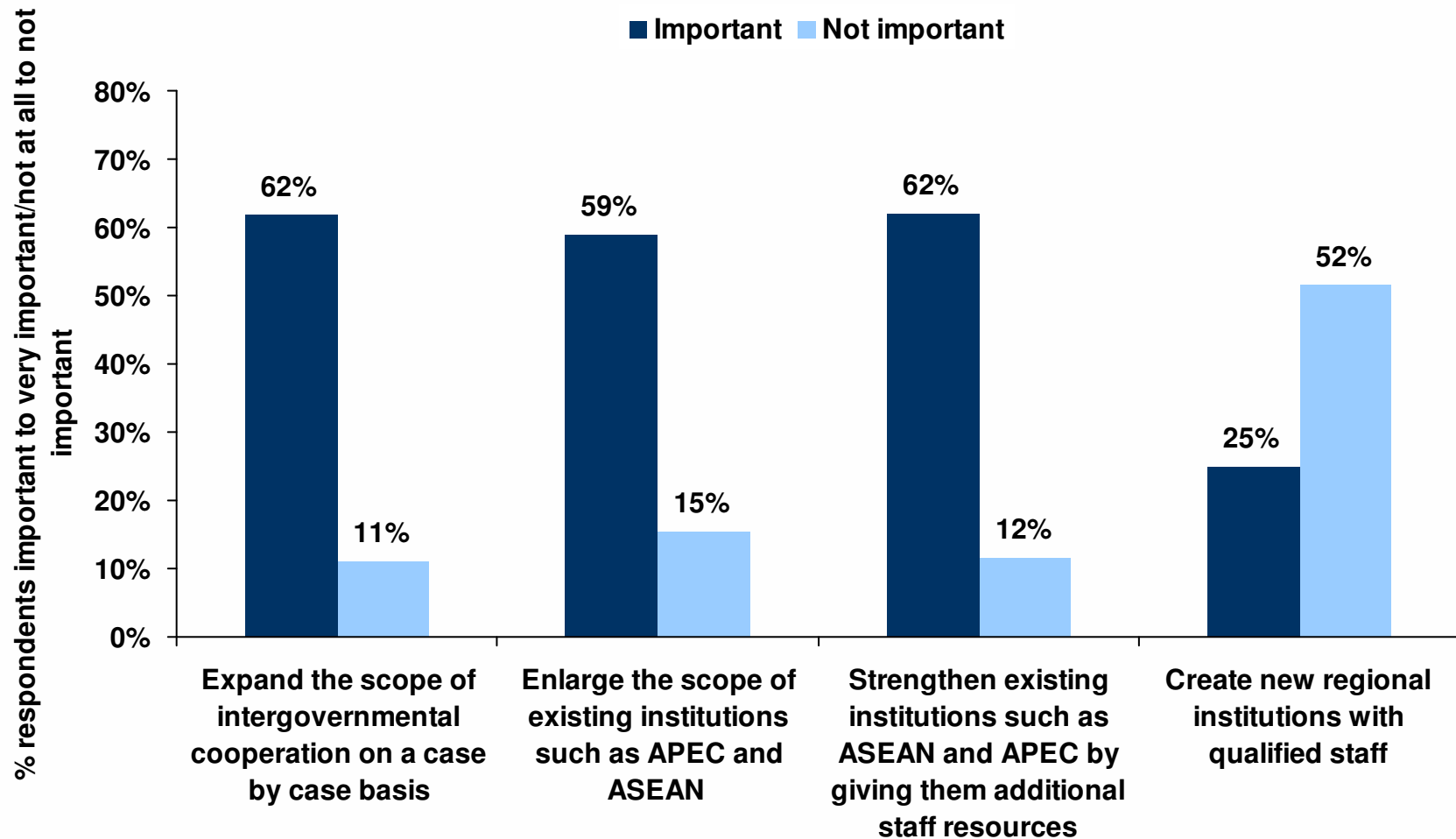
Please rate the importance of strengthening regional cooperation in the Asia-Pacific on the following issues

Top 8 Areas for Strengthening Regional Cooperation



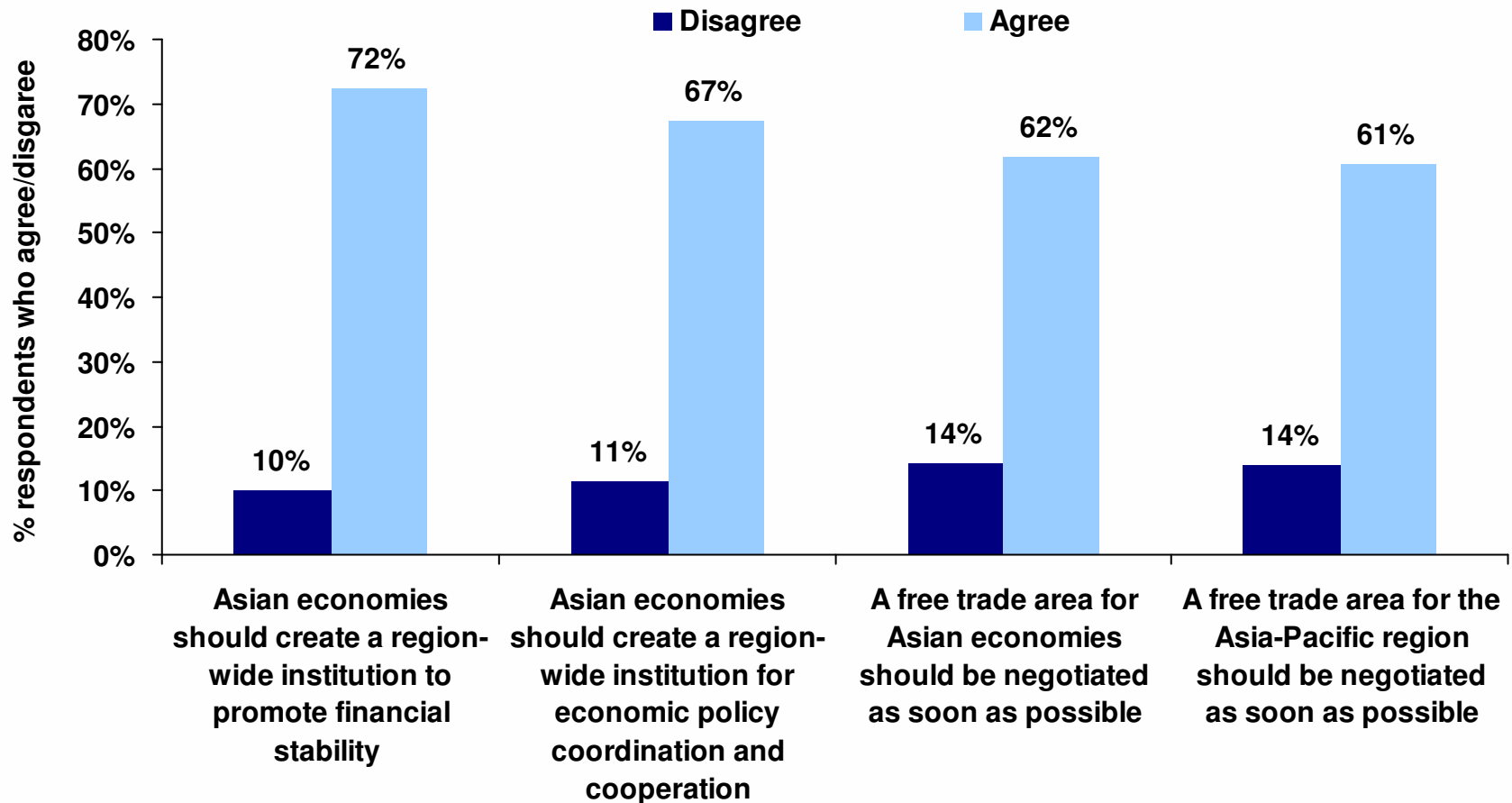


How would you rate the importance of the following measures for enhancing regional cooperation?



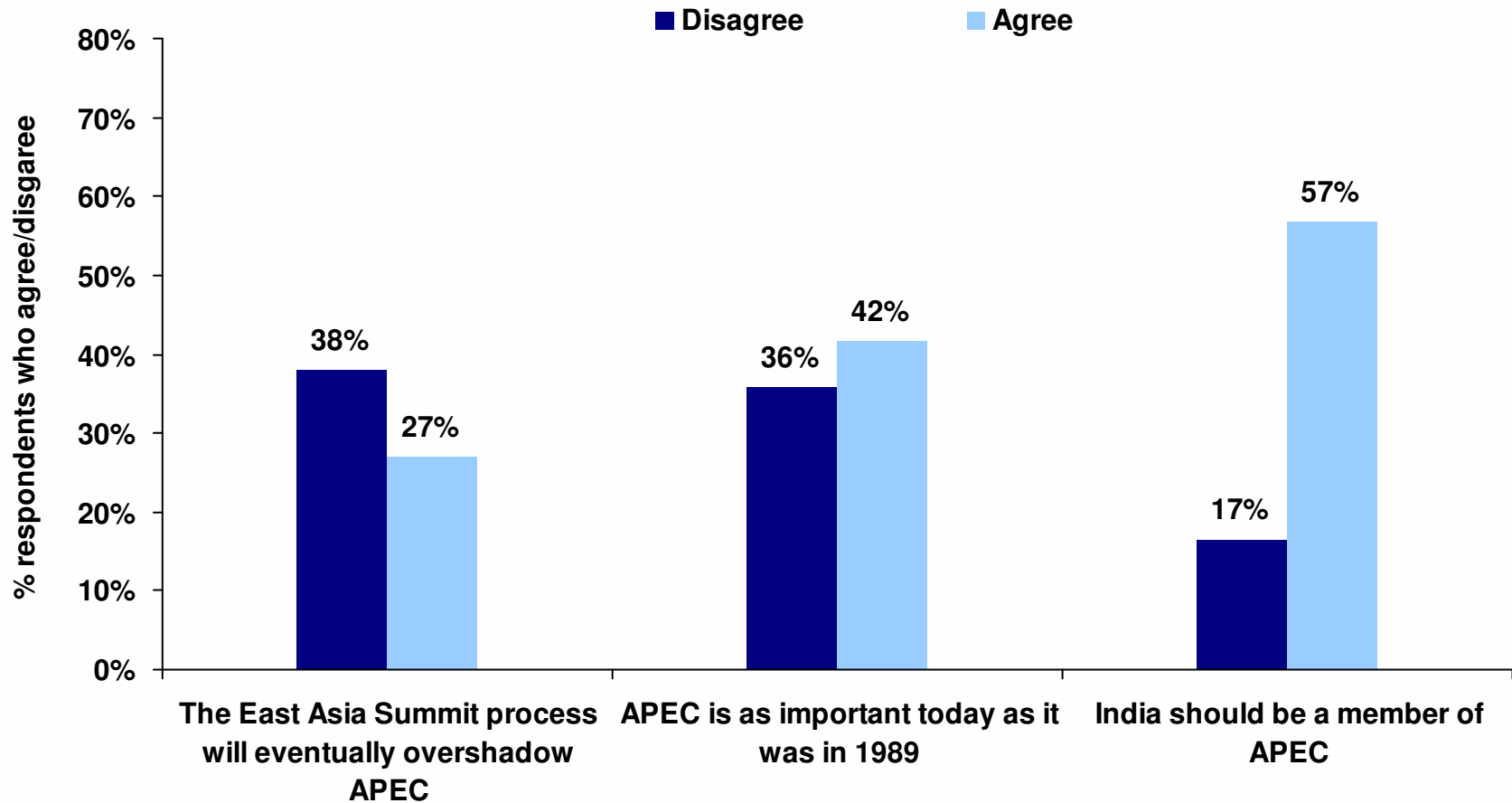


Please indicate your agreement or disagreement with the following statements





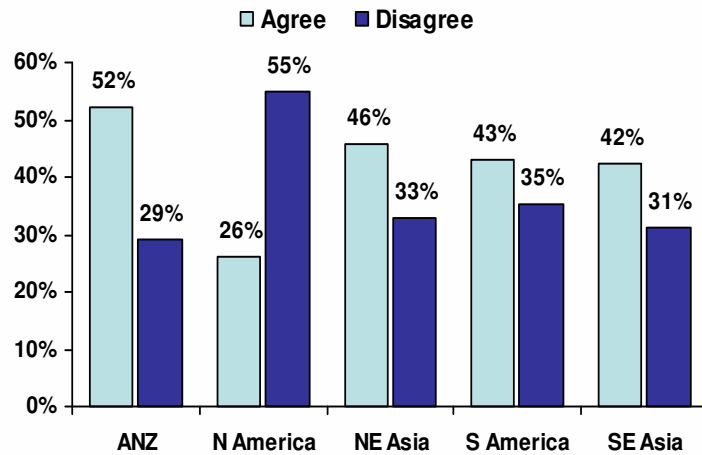
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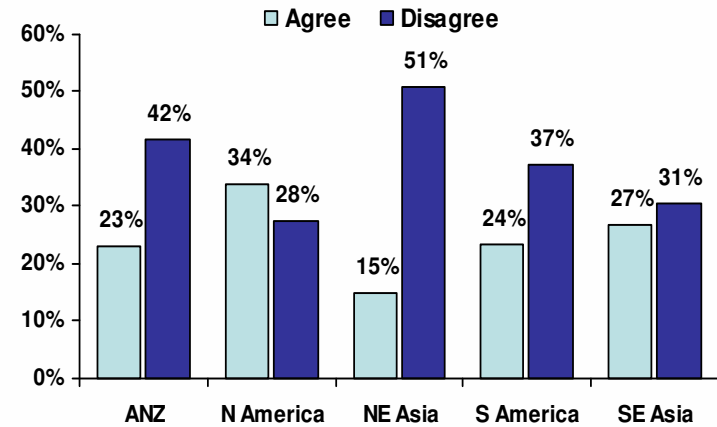


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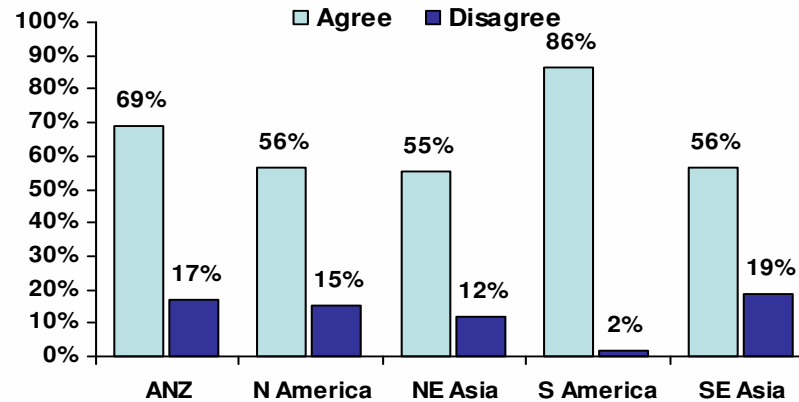
APEC is as important today as it was in 1989



The East Asia Summit process will eventually overshadow APEC

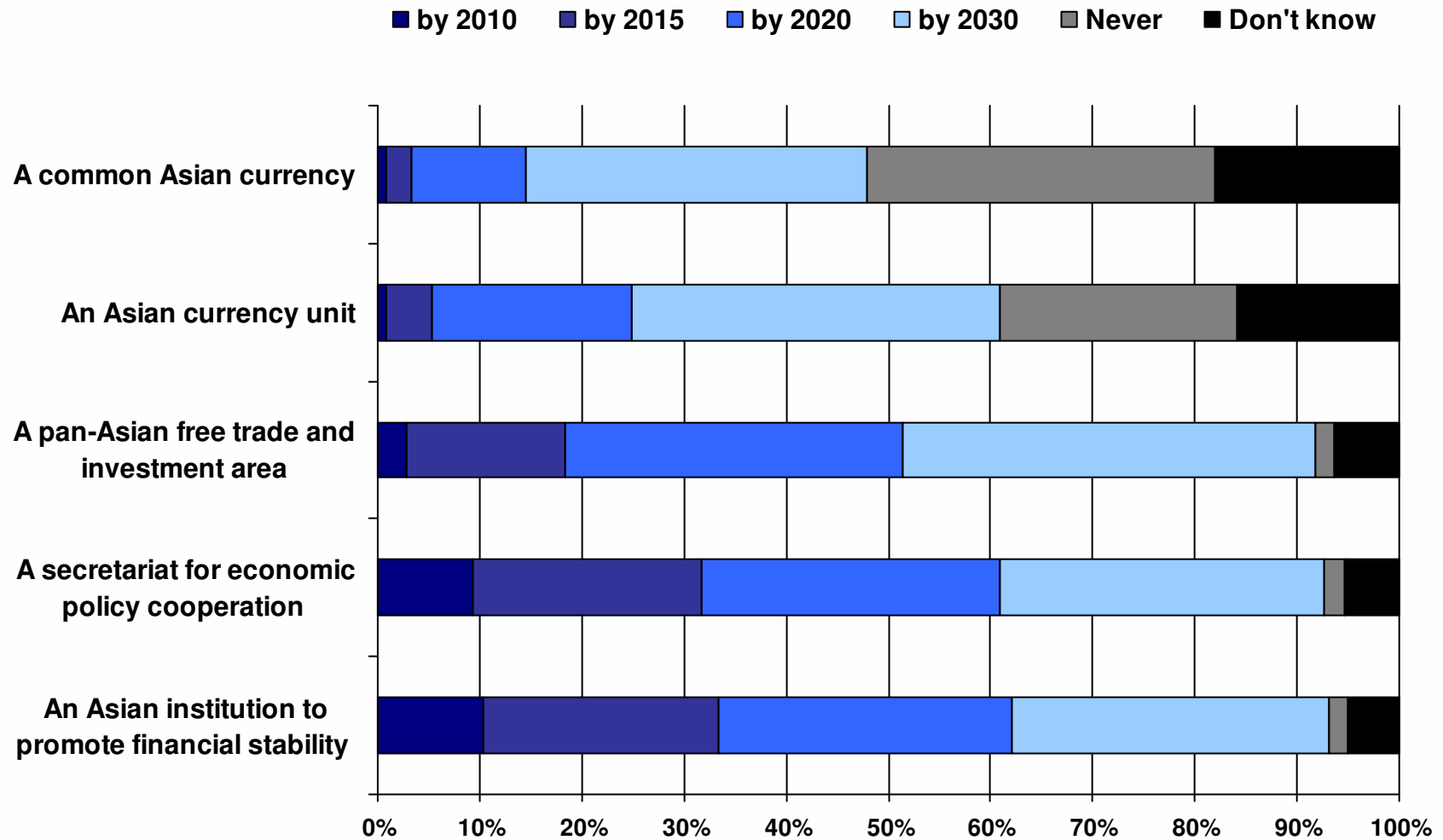


A free trade area for the Asia-Pacific region should be negotiated as soon as possible



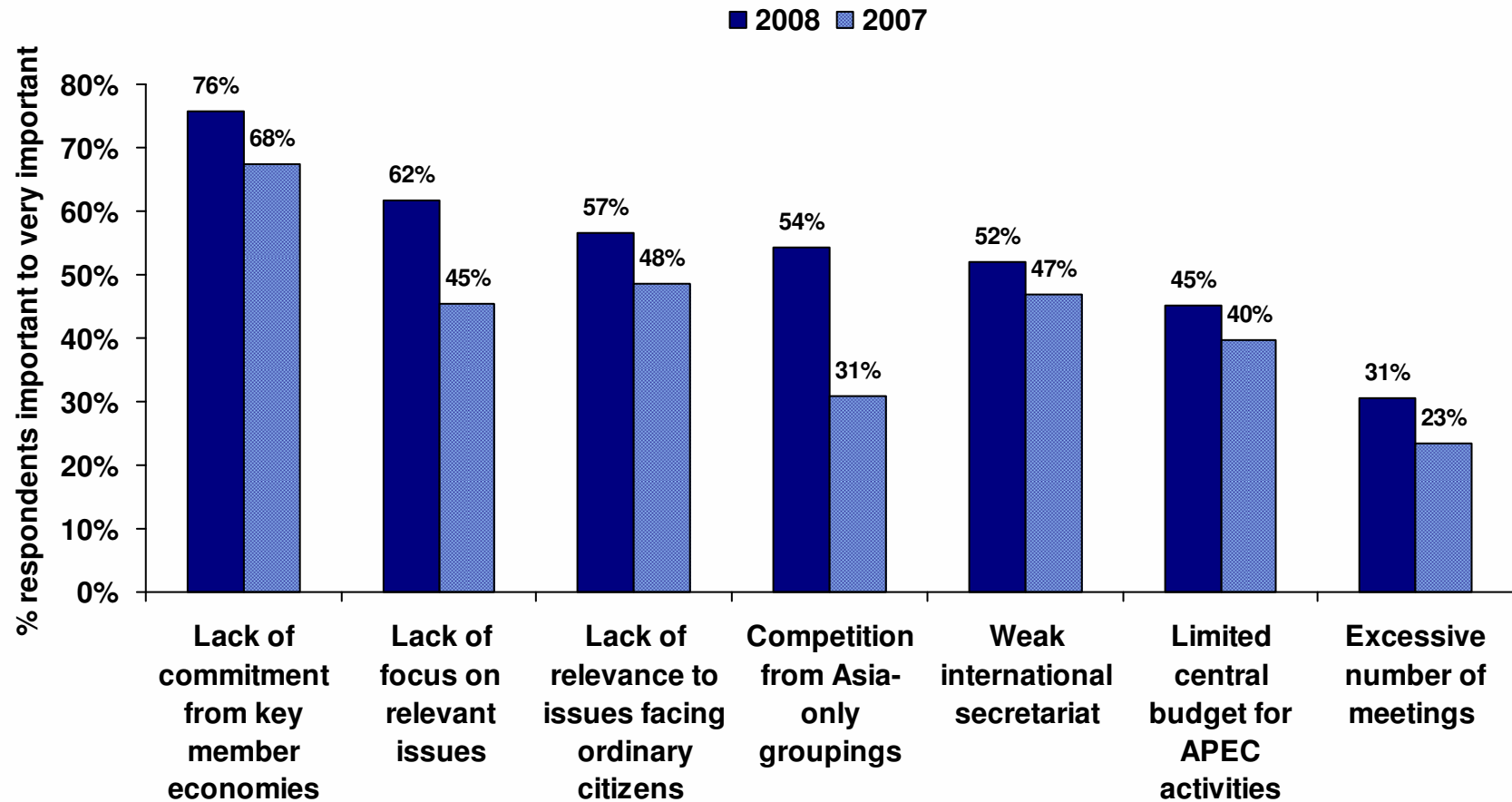


When do you think the following regional institutions will be created



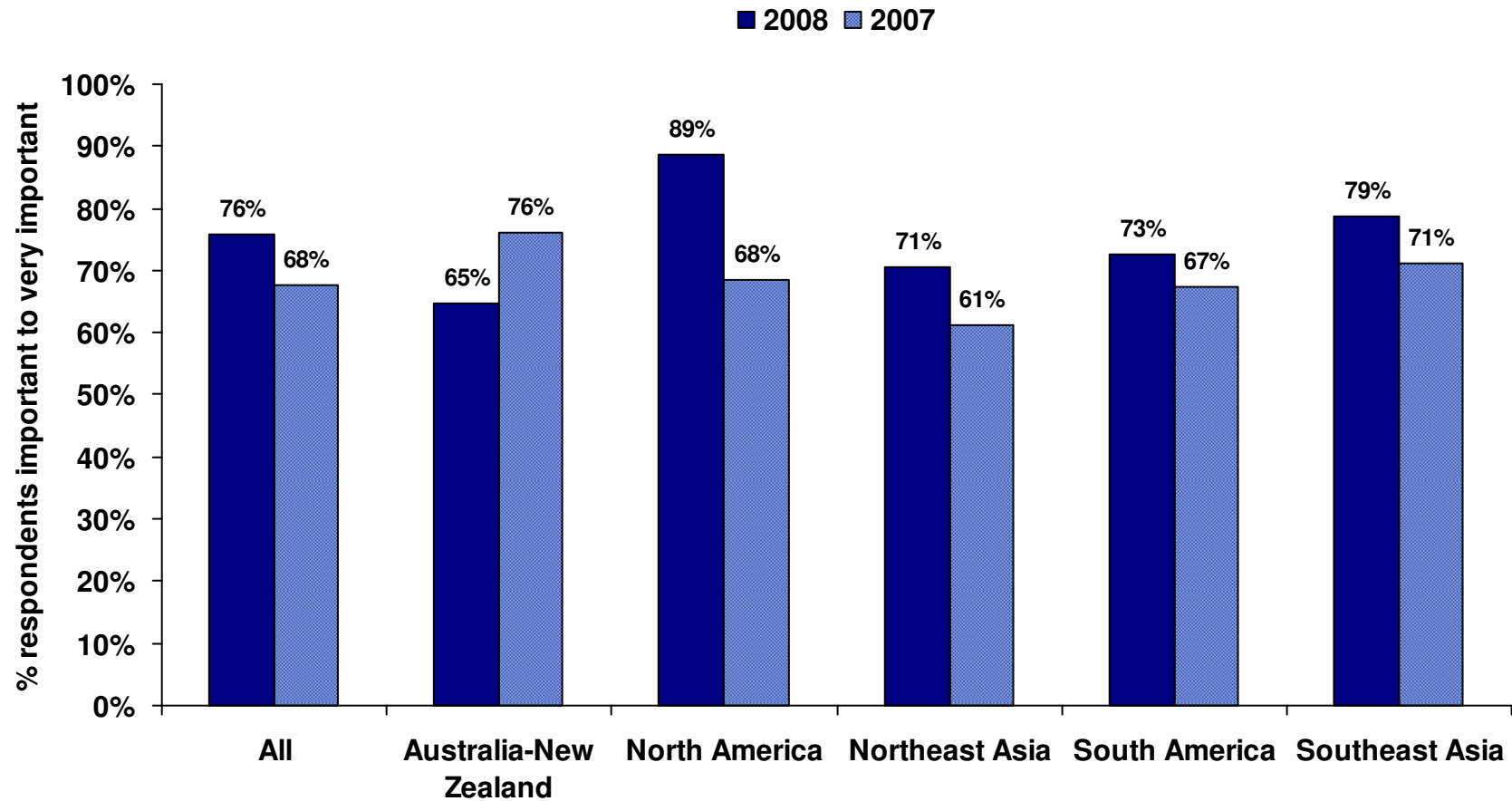


What are the most important challenges facing APEC?





Lack of Commitment from key member economies





What does APEC want to be when it grows up?

- **Global economic crisis has changed the context for thinking about the future of APEC**
 - **Embedding G2 in a trans-Pacific context?**
- **Bogor target cannot be met, but the Asia Pacific region is more integrated today than it was in 1989, according to PECC's composite index of economic integration. APEC can declare victory on this basis.**
- **Further institutional strengthening is required, including a greater degree of autonomy for the APEC Secretariat and professionalization of staff**
- **Abandon or significantly reform IAP process (the last vestige of a failed intellectual construct)**
- **Articulate a new raison d'être which is based on policy development for regional economic cooperation broadly rather than on trade and investment liberalization as such.**
- **There is an opportunity for major reform in the next three years, under the leadership of Singapore, Japan, and the United States respectively.**