



Public Seminar - 16 March 2009

APEC: Relevant or Passé?
by *Ambassador Michael Tay,*
Executive Director, APEC Secretariat

Ambassador Michael Tay, Executive Director, APEC Secretariat shared his thoughts on the achievements of APEC over the past two decades, and shed some light on its future areas of growth in a thought provoking **Seminar at ISEAS on 16 March 2009**, entitled “APEC: Relevant or Passé.” This event also marked **the start of a series of activities planned for the year by the Singapore APEC Study Centre at ISEAS in the lead up to the APEC Leaders’ meeting in November 2009.**

Having been involved in the birth pangs of APEC in the eighties, Ambassador Tay reflected that there were **several uncertainties**, and it was not at all obvious at that time **what the future of APEC was to be**. He recollected fierce arguments that had raged then over a number of aspects such as the **role, substance, and membership of APEC**, including its geographical footprint. **Free trade** was hardly the byword that we know today, and was not always deemed to be a good thing either. There were also questions about **what model APEC should follow** given the instances then of the European model, of ASEAN, or akin to South Asia.

It was difficult to foresee how APEC could evolve from such an extremely loose, diverse, an almost chaotic group of economies, where consensus appeared to be a euphemism for inaction, into a much more focused and tighter group than it is today. He emphasized that from then to now **APEC has evolved into a much more coherent, cohesive, and cogent organization**, much beyond anybody’s anticipation. In discussing the developments that APEC has undergone, he argued that APEC has today become greater than the sum of its parts. APEC has become an organic process. There is a certain sense today of APEC having arrived, and perhaps more so because of the current economic crisis, it has a voice, and that it can make a difference to the way the world moves forward. Key points relating to APEC’s achievements were highlighted. There were three overarching ideas that reflect the value that APEC represents to the larger world:

(1) **Latent Strategic Dimension:** even though it was not intended to be a strategically oriented process, it was inevitable that **APEC acquired a strategic dimension** given its composition. It contains the world’s most powerful nations and economies, and as the numbers indicate, it contains 40% of the world’s population, 44% of global trade, and 54% of world GDP. **In particular, whatever the geo-political climate, it is the only platform that unites the world’s major economies – USA, Japan, Russia, China, etc.** Further, it is also the only platform that brings together China, Hong Kong, and Chinese Taipei.

(2) **Free Trade as the Dominant Regime:** At the time of the inception of APEC, it was not obvious that free trade was going to be the dominant regime in the world. However, within APEC, the dominant discussion has always been about free trade. In 1993, when President Clinton decided to initiate the First APEC Summit in Seattle, it helped to conclude the Uruguay

Round. Another trade related success was that APEC has spawned **more than 30 Free Trade Agreements** (FTAs) among its members, the most recent being the **P4 (between Singapore, Brunei, New Zealand, and Chile)**. In Lima, it was announced that the membership would be expanded to include the USA, Australia, and Peru.

(3) **Leadership in a Wider Sense**: APEC has pioneered many initiatives, and one of these which has assumed global dimensions is the Information Technology Agreement (ITA), which is now absorbed into the WTO.

APEC is unique in the way it works. For several years now, APEC has been criticized for being a talk shop, an organization with no teeth, as a process that was so non-binding that any outcomes might be meaningless. This is far from the truth. Its success lies in the fact that it has developed a methodology that works in this complex world. **APEC works through a consensus and member-driven platform, and despite the absence of a negotiating platform or agreements and treaties, it has still managed to remain effective**, relevant, and move forward in innovative ways. To illustrate this point, he referred to ideas such as the *“pathfinders”* that have been launched by APEC. Pathfinders provide ways for subgroups of like-minded and similar or even different economies to get together and work on pilot projects that are used to test ideas and programs in a smaller / regional context. The results from these pilot projects are then brought back to the larger group for discussion in the larger APEC forum, which then decides whether to accept or reject them.

APEC is very oriented towards the needs of businesses. A key area of focus in recent years has been on structural reforms that aids businesses. For a long time APEC has stressed reducing tariffs i.e. what happens at the border. Today, in the era of low tariffs (close to 5% relative to 17% when APEC was established), the payoffs of further reductions are diminishing. **APEC is now reviewing issues and impediments to trade behind the border.** In this area, APEC is at the cutting edge. One study has argued that multilateral reform for East-Asian economies (including 9 APEC members) can result in gains three times as great as a conclusion of Doha. Another study has estimated that structural reform can significantly speed up the time taken to reduce the gap in income levels between the high and low income APEC economies.

In the last 20 years, APEC has grown slowly but surely. In these years, diverse countries have learnt to live and work together. Since there is no formalized attempt to reach a legally binding agreement, there is far more sincerity in the dialogue. Looking ahead in the immediate, medium, and long term, **what will become of APEC?** It will continue to do what it does well, and **leverage on its strengths and diversity.** In this complex world, **APEC has become a learning organization par excellence.**

The role of APEC is not to harmonize all laws and create one big Asia-Pacific Community. **APEC goes beyond borders to reach each individual economy to uplift the conditions of those economies.** It will continue to improve incrementally as it always has. APEC is not going solve the problems of the world. However, at the same time, there is **considerable political will within APEC to do more, engage more with each other, and to find solutions to improve the fortunes of the business community, and of the citizens and people.**

Some points will indicate what APEC will do in next 3-4 years: Leadership of APEC in the next few years is going to be with Singapore, Japan, USA, and Russia. With the exception of

Singapore, these are huge economies. Thus, in the next 3-4 years, there is an opportunity for APEC to grow even further given the nature of this leadership. A positive development is that in the U.S., there is a Congressional Caucus to prepare for APEC during the U.S. year. With regard to the Singapore year, Amb Tay said the focus will be on delivering practical results for business.

In terms of internal reform within APEC, Singapore has already created a dialogue process for finance and trade officials, since trade finance is an important issue this year. It has made a move to cut down the number of meetings, learning from the lessons of other regional organizations. There are fewer plenary type meetings and more retreat type meetings, and there is more focus on what APEC should do in these tough times.

Until now, the host economy of APEC gets to appoint the Executive Director of the Secretariat. This restricts long-term thinking at APEC. Amb. Tay discussed plans to recruit a fixed-term Executive Director appointed on a professional basis, for a term of 3 years, from 2010.

Within the Secretariat, a Policy Support Unit has been established, to provide an in-house research capability that will feed into policy development and implementation.

Amb Tay also mentioned that the Secretariat has a new Project Management Unit to improve the quality and effectiveness of APEC projects, and that this goes to the heart of APEC's capacity building work.

About the Speaker

Ambassador Michael Tay is the 17th Executive Director of the APEC Secretariat. He concurrently holds the position of Executive Director of the Russia-Singapore Business Forum Organizing Council.

Ambassador Tay has considerable experience in Southeast Asia and of regional multilateral fora, thanks to his involvement with ASEAN. From 1999 to 2002, he was the Director-General of ASEAN-Singapore, which placed him at the centre of the ASEAN policy-implementation and budgetary processes. During Singapore's Chairmanship of ASEAN in 1998-1999, he was the chief coordinator for the ASEAN Ministerial Meetings and the Summit.

Prior to joining the Secretariat, Ambassador Tay served as Singapore's Ambassador to Russia from 2003-2008. Other regional postings include his time at the Singapore Embassies in Tokyo, Japan (1995-1998) and in Seoul, Korea (1989-1992). His various stints in the Singapore HQ of the Ministry of Foreign Affairs have given him exposure to the entire gamut of issues and concerns relating to the region and to the wider global community, including the US, East Asia, Latin America, Europe.

In 2006, Ambassador Tay was awarded the Singapore Public Administration Medal (Silver) and bestowed with the honour of "Patron of Art of the Century" by a foremost Russian foundation.

Ambassador Tay holds Bachelor of Arts (Philosophy) (Hons) and Master of Arts (Philosophy) degrees from the National University of Singapore.