

Introduction

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Introduction

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Institute of Developing Economies, Tokyo, held an International Symposium on "APEC: Cooperation from Diversity" on 20–21 September 1995 at the Institute, shortly before the APEC Osaka Meeting in November. The symposium is organized so as to approach the APEC question from two complementary angles. The first is the strategy of individual members, expectations and perhaps anxieties included, towards APEC. They lay the ground on which APEC process will proceed. APEC members are a mixed group, consisting of both developing and developed countries with different economic situations. Their hopes and aspirations, and anxieties, toward APEC are also different, and the diversity will be one of the important features in the economic integration of the region. The first three sessions address this aspect.

The second aspect is the common goals of APEC. In spite of the regional diversity, enhanced economic interactions call for the setting up of common goals for all the members. Liberalization is an already jointly agreed upon goal (Bogor Declaration), but the diversity requires a flexible approach to this goal. Economic Cooperation, another common goal, may well prove to be an indispensable instrument to achieve the liberalization goal. This structure of discussion was geared to the Symposium title, "APEC: Cooperation from Diversity." The first part mainly dealt with Diversity, and the second Cooperation, although the two topics of course were closely interrelated.

Each of the two papers in Session 1, one on the United States and the other on Japan, finds both promises and flaws in the APEC setup. They also roughly share the larger picture on the present conditions of the post-Cold War world, and the need to build up the rule making capability appropriate to the new reality. Indeed, the US paper talks about the "Interregnum" and the necessity to fill the political

gap, to which APEC may or may not contribute. The Japan paper also talks about the coordination and consultation role of APEC in the GATT/WTO *plus* fashion.

The similarity ends there. The two papers provide quite different ideas on the role APEC has to play. The US paper says "One flaw is its narrow focus. By dealing solely with economic matters, APEC not only ignores political-security issues...." In contrast, the Japan paper appears to take the narrow economic focus as more of an asset to make the APEC process more practical and effective. Perhaps the difference is rooted in the international organizations they have as models in mind: the enlarged NATO or the North Atlantic Alliance, if not the United Nations, in the case of US paper, and a much smaller version of the OECD in Japan paper. Perhaps it also reflects their different self-images on their international roles. Here is an aspect of Diversity among APEC member regions.

The two papers on China and Korea in Session 2 have an advantage of dealing with more immediate necessity to coordinate international commitments and domestic economic reforms. China and Korea are of course in very different stages of economic development. China still has to build up a basic framework and viable industrial base to carry out its reforms toward market economy. Korea in contrast is about to join the OECD, or the "rich man's club" to follow a popular usage. Yet they appear to share surprisingly similar types of domestic coordination needs and strategy to support them. In both countries, reform has to take place in their in basic economic system.

China paper mentions the recent reforms, in which "innovation in setting up a basic framework for a market economy has replaced the past practice of delegating decision-making power to the lower levels and making concessions in profits to enterprises." The brief remark may indicate that the final goal is the transformation of the old "privileges" granted to a limited few into general rules, so as to make institutionalize the market economy and growth based on it.

Korea's problem is the transition from a developing, or intermediate, to a full-fledged developed economy with the new system to base on. Even at its much higher level of development, the change in economic system involves the dismantling of vested interests. The old system was successful, and beating a success is always not easy.

In both cases, liberalization goal of APEC and their commitment to it are used as "a carrot and a rod" at the same time. The notion that liberalization is eventually beneficial to the whole economy is understood and supported by increasing number of nationals. In order to carry it out, however, some sort of compensation is necessary to cover the loss of vested interest. The APEC-wide liberalization can promiss better market opportunities and access to foreign productive resources, and is very welcome, but a commitment to liberalize their trade and investment system, and indeed their regime, has to be made to realize the welcomed benefit. In such a setting, a "slow but steady" mode of liberalization is naturally preferred.

Session 3 is for ASEAN countries' APEC strategy. Both of the two papers and speakers from their fellow ASEAN member countries express their support to APEC and its mode of liberalization. Indeed, it may not be wrong to say that ASEAN countries share with China and Korea similar types of salient issues in coordinating domestic needs and international commitments. The coordination process is seen to be slow and gradual though steady. This recognition may have led to the notion of "Asian way." Still ASEAN countries appear more confident in liberalization, based on their recent experience of unilaterally liberalizing their trade regimes.

There are a few twists unique to ASEAN members. One is the existence of ASEAN itself, and the AFTA agreement, leading to the issues of sub-regional economic integration inside APEC on the one hand, and the eventual expansion of ASEAN itself and its impact on APEC on the other. At present, we do not see inconsistencies between APEC and AFTA liberalizations. They are more likely to reinforce each other. In the event of Vietnam's fuller participation to AFTA and its further expansion to include other Southeast Asian countries, however, the rule of the game may have to change again.

EAEC initiative is another twist. We do not know yet what shape EAEC will take if and when it becomes a fully functioning institution. At this juncture, we may say its initiative is backed by the confidence among ASEAN countries in their success in economic management, and in their ability to proceed with liberalization *up to a point*. It has to be up to a point for they still see the possibility of serious disruption in their development process from too hasty market opening on the one hand, and sudden burst of protectionism in their major export markets. Against such events, EAEC was proposed as a safeguard or an insurance. If this picture is right, we can perhaps expect that the progress in MFN based liberalization under APEC as well as WTO will diminish the anxieties behind the proposal, and we will be able to shelve EAEC, if not discard it, for the foreseeable future.

Three papers in Session 4 discuss aspects of liberalization goal, including one paper on deregulation. The discussion here in a way is a carryover from the previous three sessions, it is probably very natural, for liberalization and facilitation were repeatedly pointed out as a major aspect of APEC strategy. The focus of discussion is the mode of liberalization. The Open Economic Association concept, which is consistent with GATT/WTO, and Voluntary, Unilateral implementation attract much support, while the importance of rule-setting is acknowledged. Adherence to the GATT rules as the minimum ground rule is suggested.

"Facilitation" in the APEC agenda is pointed out more important than it at first appears. Facilitation may be mainly on technical matters, but the bulk of trade and investment impediments nowadays are technical, and dismantling them can work as a powerful stimulant and companion to the liberalization process. In

this context, if facilitation efforts go far enough, it may turn into a WTO *plus* feature of trade and investment liberalization.

The Session has a benefit of listening to New Zealand experience, which demonstrates that deregulation is also a necessary companion to liberalization, and vice versa. The divergence between domestic vested interests and international commitments is pointed out repeatedly throughout the symposium. The New Zealand experience, however, show us all that the benefits from liberalization and deregulation are first and at most domestic.

Development cooperation is the other major objective of APEC from the beginning, and is the topic for Session 5. At present, it is perhaps a "forgotten" objective under APEC. We all heard the confusion concerning the word that should be employed for this important part of APEC Agenda; at some point it was development cooperation, technical cooperation, or development technical cooperation. The confusion reflects the reality that the scope and nature of "development cooperation" in the framework of APEC has not been settled and specified, and distinguished from the mainstream of development cooperation.

The two papers in the session try to give answers to this question. Singapore's "regionalization drive" is portrayed as an example of a "new" type of cooperation. Singapore economy is expanding into surrounding areas, with obviously a lot of stimulation effects and assimilation efforts. We may be able to call it an integration or fusion approach.

A more specific, problem-focused technical cooperation is also suggested. "Energy and environment" is an important regional as well as world issue. It is regionally important because of the closeness of APEC member countries, especially in Northeast and Southeast Asia, and the rapid growth process and the accompanied expansion of energy consumption. It is an area where perceived social cost differs much among member regions. Technology and perhaps resources transfer will be needed, but first of all making such efforts effective will call for a consensus and commitment to strike a balance between growth and environmental preservation. Thus there is perhaps a good case to promote regional APEC cooperation program in energy and environment and other similar areas.

The symposium looked into the interaction between the individual strategy and common goals. Smoothing the APEC process through more understanding of the interaction is hoped for.