SUMMARY REPORT ON "BRAINSTORMING ABOUT APEC'S FUTURE"
Held at RSIS, Nanyang Technological University, March 18, 2009

Organized by
Profs. Vinod K. Aggarwal, UC Berkeley
and Shujiro Urata, Waseda University

This report summarizes the discussion held on March 18, 2009 to examine APEC's accomplishments and shortcomings, with an eye to developing ideas on how APEC might move forward. The context for the discussion was the fact that APEC will be holding a meeting in Singapore this year, Japan in 2010, and the U.S. in 2011, and thus the opportunity of developing a longer range plan with participants from all three countries involved appeared to be promising approach. Discussion was based on an agenda prepared in advance (see Appendix 1) but not restricted to topics on the agenda.

Participants spoke in their individual capacities and following Chatham House rules and their remarks are not identified by name. For a list of participants, see Appendix 2. Pamela Pan prepared a draft of the notes and Prof. Vinod Aggarwal has written this report based on this draft in consultation with Prof. Shujiro Urata. Prof. Vinod Aggarwal can be contacted at vinod@berkeley.edu.

Note: None of the discussion should be seen as reflecting any kind of consensus among the participants, or an endorsement of particular approaches.

	Topics
I	***REVIEW OF APEC'S ACTIVITIES***
A	*APEC'S Achievements* o *Trade and investment liberalization* o *Facilitation* o *Eco-tech* o *Political and strategic* **Trade** The discussion focused on the fact that tariff rates have come down since 1980s from around 40% to 50% to less than 10 percent today, but that it was difficult to ascertain whether APEC or the WTO was responsible for trade liberalization? One person suggested that looking at Russia, which is a member of APEC but not that of WTO, might suggest that APEC has not been effective. Another argued that some trade liberalization could be attributed to the individual action plan approach of APEC

	Topics
	but did not furnish proof that these plans were indeed effective. From the perspective of another participant, it was good to have a big agenda because it leads to a high watermark and provides consistent positive reinforcement for trade liberalization and helps to counter protection and suggested this approach was useful in the U.S. In addition, one argued that the Bogor goals provide a stimulus because trade officials are aware of the Bogor goals and help become trade champions based on these targets. **Investment** On investment, one argued that in addition to the industry dialogue, the Investment Facilitation Action Plan (IFAP) is designed to reduce trade barriers to international investors and encourage investment in the Asia-Pacific region. **Facilitation** With respect to business facilitation, an example was given on the Chemical Dialogue. Three aspects were argued to be particularly useful. 1. Business can talk to regulators directly. Example: Industry expressed to regulators a desire for easy and centralized access to translations useful in chemical labeling, a project is being launched to create a website to address this need. 2. Commonly held views are articulated. Example: Creation of best practices for chemical regulation. These are not binding but useful. 3. Collective advocacy gives the groups more heft. Example: Collective complaints against the EU. The example of the Chemical Dialogue was seen to be an excellent example and participants thought that this approach should be taken up at a broader level rather than confined to the chemical industry. Industry Dialogues were seen are an effective method of pursuing liberalization initiatives as part of APEC. These dialogues (Automotive Dialogue; Chemical Dialogue; Life Sciences Innovation Forum) improve mutual understanding of key imperatives for future policies and enhance the competitiveness of the industries. The Chemical Dialogue was seen as having active industry participation. Other example of successful facilitation include: 1. APEC business travel card (ABTC) facilitates interaction and contributes to APEC's goal of free and open trade and investment. 2. Key performance indicators (KPIs) are comprehensive, measurable goals established to gauge whether the corporate targets had been established. The main objective is to manage, direct and measure performance to implement and realize corporate strategies. 3. APEC makes an effort to promote the idea that the economies keep open, cut costs, and facilitate business. It reflects the strongest voices from the business concern of the economies. It actually did many things WTO is now working and has worked on.

	Topics
	Eco-tech APEC developed an Ecotech agenda to help developing countries build up their capacity, to attain sustainable growth and equitable development in the Asia-Pacific region, and reduce economic disparities among APEC economies and improving economic and social well-being. One shortcoming was that there appeared to be duplication and often-unfocused activities. More continuity was seen to be important and there was also a need to make transparent use of funds and focus on multi-year capacity building. **Political and Strategic** One participant argued that although APEC was successful as an advocacy group, its non-binding nature made it difficult to have follow-through. In this person's view, APEC should shift focus from being a regional economic group to a more political objective. In discussing APEC's role, this person argued that the whole idea was to encourage the US to retain its military presence in the region. APEC was also seen to be the only regional grouping that includes "Chinese Taipei," which was seen to be crucial role. Hong Kong was seen to be less of a problem because it has officially become part of the Chinese mainland.
B	*APEC'S STRENGTHS AND WEAKNESSES* o *Weakness: difficulty in achieving goals* o *Coverage: too broad?* o *Weaknesses: voluntary and non-binding nature of commitment* o *Relationship to other organizations and agreements, rise of FTAs, G-20, WTO)* **Strengths** Several APEC strengths were identified. These included: 1. Helping the Doha development agenda (DDA) by sending a message to help the process. At this point, preserving existing offers is a challenge. 2. Strategic value provides a context for bilateral discussions. 3. Sets the floor on protection. Other accomplishments included: 1. APEC took leadership in trade facilitation on the Singapore issues as part of the DDA. 2. Ministers Responsible for Trade (MRT) are stronger and help APEC. 3. Helps to flesh out economies stand on trade and helps to find out their views.

	Topics
	4. Helped to promote Information Technology Agreement. 5. APEC has suggested the use of Swiss formula in tariff cutting in the WTO. 6. Unlike the WTO, APEC has a peer review mechanism. **Weakness: difficulty in achieving goals** • ABAC problems Discussion focused on APEC's capacity building programs. One problem identified was that in ABAC, the representatives attend the dialogues with business interests at heart but their views sometime came through government filters. It would be useful to have more direct input from business members and also make the voices of business stronger. • Coverage: too broad? Regarding APEC's coverage, discussion focused on how: 1. APEC coverage has been extended to social issues, for example, the human security agenda. There was concern that APEC's consensus approach could end up short because it was good at doing surveys but did not come up with solutions. There was also concern about how to ensure that APEC can focus on its core agenda. APEC was working on various projects and workshops, but some of them become working groups and should not have as this was costly in view of the limited funds. 2. APEC needs to improve Intellectual Property Rights (IPR) and other trade facilitation related issues. 3. What APEC need to focus on are economic issues **Relationship to other organizations and agreements, rise of FTAs, G-20, WTO)** Some concern was expressed that the proliferation of FTAs undermines APEC's arguments about its positive role in promoting trade liberalization. The other question is how to position APEC versus other regional groups in the area. With respect to other fora, one noted that the G-20 is a finance forum but that the link between trade and finance is the key. Export restrictions have been going up in the past few months and this will continue to display how APEC can monitor and review the actions by countries and respond properly.
C	*ASSESSMENT OF SINGAPORE 2009 GOALS:*

	Topics
	Discussion focused on the theme for the Singapore Agenda, which was “Sustaining Growth, Connecting the Region". It is comprised of four pillars. 1. Addressing the Economic Crisis 2. Supporting the Doha round 3. Accelerating Regional Economic Integration (REI): - At the border: Includes making the rules of origin of existing free trade agreements more business-friendly, identifying possible vehicles for a future Free Trade Area of the Asia-Pacific (FTAAP) and deepening analysis on the impact of an FTAAP. This is an effort to address the problem of what has been termed a spaghetti or noodle bowl of multiple FTAs. - Behind the border: APEC will look into improving the ease of doing business by simplifying business regulations “behind the border”, to make it easier, faster and cheaper to start a business, get licenses, trade across borders and also to carry out other business functions. - Across the border: APEC will look into improving, transport, logistics, transparency and e-commerce to enhance physical connectivity and to further reduce the time, cost and uncertainty in moving goods along the entire supply chain. - 4. Strengthening APEC. APEC will seek to forge closer partnerships with the business community by, for instance, creating more synergies between the APEC Business Advisory Council (ABAC) and the Senior Officials Meeting (SOM) process. APEC will be creating a fixed term executive director to improve continuity in the management of the APEC Secretariat.
II	***APEC’S CHALLENGES*** *Promoting Liberalization* o *Goods* o *Financial services* o *Services* o *Capital market* *Financial Crisis* o *Potential as an effective forum to address global economic turmoil* o *Potential to take advantage of turmoil to restructure APEC’s institutional design/relationship and impact on member countries* *Battling protectionism* o *National technical standards and competition policies*

	Topics
	Institution building o *Investment regimes* o *Telecommunication infrastructure* *Protecting Intellectual Property Rights* *Corporate governance transparency and corruption* In discussing APEC's role on various issues, some participants thought that some issues were too broad for APEC to deal. An example of this was the global financial crisis that seemed to be better handled in the G-20. There was a view that APEC could advance the WTO agenda by fostering more business voice. APEC statement in 2005 by the Ministers Responsible for Trade was seen to be helpful as APEC economies account for 50% of trade in the world. There was considerable discussion about how APEC needed to think about how to prevent protectionism in the current financial crisis environment. The top priority was seen to be on how to facilitate and encourage trade. Another key role for APEC was seen to be services facilitation and reduce roadblocks to facilitate trade? In addition, helping small and medium enterprises (SMEs) and help them to come out stronger after the crisis was seen to be an important role for APEC.
III **A** **B** **C**	***APEC: THE WAY FORWARD*** *Assessment of Bogor goals and Osaka Action Agenda* Discussion turned to the Bogor goal of 2010, which call for free trade among developed economies. It was noted that the Bogor Six are to meet to discuss how to do a 2010 assessment. One approach was to develop an Index of economic integration and the data were needed to do this. There are two approaches: convergence and conventional measures. *New Goals* In thinking about new goals for APEC, some remarked how the crisis affects trade and has an impact on APEC economies. A key question was to explore how trade was dropping in the context problems with trade financing. Another role for APEC was to work on the issue of supply chains and investment facilitation to make the system more efficient and promote regulatory reform. *Nesting APEC: The WTO and trans-regional and inter-regional arrangements*

	Topics
	o *Pushing for WTO-APEC cooperation* o *P4, TPP and beyond* o *Asian Pacific Community* With respect to FTAs, discussion focused on the P4-P7 approach to link the many bilateral FTAs in the region. Approaches in the P4 included: 1. Docking – A country docks its FTAs on to the bigger group. 2. Merging – create a new entity. 3. Enlargement- adding new members In terms of how the P4 might proceed, there was discussion of these three options, Among the members, there was a question of what entity would be the "mothership". Could the mothership be enlarged? The Trans-Pacific Strategic Economic Partnership Agreement (TPP) also known as the P4 agreement is not an APEC initiative and does not fall within the APEC agenda. At this point, there was not consensus on how to proceed. One noted that the TPP is actually a flexible template. One suggestion was to see how the EU and ASEAN had worked toward increasing their membership and learn from their experiences. It was noted that the non-binding nature of APEC makes it difficult to achieve a Pacific-wide FTA.
IV	***TOWARD A LONGER TERM AGENDA: APEC 2009, 2010, 2011 AND BEYOND*** • *Common Goals?* • *Important issues: environment and economic growth* • *Global economic crisis and recovery* • *Expanding APEC's membership* Discussion on what APEC should do proceeded in terms of a wish list of activities for APEC. Suggestions included: 1. More cohesive secretariat. Improve information gathering, and provide support for the economic agenda. 2. Reduce the number of fora and create more focused agenda. 3. APEC can spend more time on IT issues, convergence and divergence studies, but the expanded non-economic agenda boils down to the question what APEC should do. APEC needs a focused agenda and discipline. 4. For further international integration, we need to build up the database system of the trade components. 5. New issues: we should work closely with Japan.

	Topics
	6. Need for data so that we can understand trade patterns in APEC. APEC should take the lead in developing data collection. 7. Help in funding APEC centers 8. Find a way for outsiders to participate in some way along the lines of the WTO public forum. 9. APEC secretariat should streamline its processes and procedures in order to achieve greater efficiencies. 10. More research effort and more creative projects. 11. On the one hand, APEC should focus on its own core interest; on the other, it should have more experimental view and try new things. 12. Aside from FTAAP as a long-term goal, it is time to discuss more concrete, specific goals after Bogor. 13. APEC as an institution will benefit from more user-friendly IT system so that everyone can share information and be confident on the database on what's happening. It's critically important to access from its website. People go to the website to check what's APEC all about. It is important for APEC to deliver real information to private sector. 14. Improve secretariat for ABAC. 15. Increase project management efficiency and provide information to business 16. APEC should be a much wider organization aside from economic issues. 17. Eco-tech should not be the only solution to developing economies. There should be more tangible results. 18. Leverage synergy of institutions in the region (AREA). 19. Address institutional overlap problem and FTAs. 20. More binding rules in some area and more institutionalization 21. Need for APEC to develop an improved research capability. Use ASC. 22. APEC should address issues of income distribution and growth. 23. APEC should encourage input from other actors besides business, e.g. from civil society. 24. APEC should work on economic adjustment programs to alleviate protectionist pressures

APPENDIX 1: AGENDA ITEMS FOR "BRAINSTORMING ABOUT APEC'S FUTURE"

I. Review of APEC Activities

- APEC's achievements
  - Trade and investment liberalization
  - Facilitation
  - Eco-tech
  - Strategic and political issues

- APEC's strengths and weaknesses
  - Weakness: difficulty in achieving goals
  - Coverage: too broad?
  - Weaknesses: voluntary and non-binding nature of commitment
  - Relationship to other organizations and agreements, rise of FTAs, G-20, WTO)

- Assessment of Singapore 2009 Goals:
  - Reducing trade and investment barriers
  - Improving regional business environment
  - Boost connectivity through improved transport and logistical networks

II. APEC Challenges

- Promoting Liberalization
  - Goods
  - Financial services
  - Services
  - Capital markets

- Financial Crisis
  - Potential as an effective forum to address global economic turmoil
  - Potential to take advantage of turmoil to restructure APEC's institutional design/relationship and impact on member countries

- Battling protectionism
  - National technical standards and competition policies

- Institution building
    - Investment regimes
    - Telecommunication infrastructure

- Protecting Intellectual Property Rights

- Corporate governance transparency and corruption

III. APEC: The way forward

- Assessment of Bogor goals and Osaka Action Agenda

- New goals
    - Mechanism to achieve existing goals
    - Expanding APEC's scope: Room for increasing political ties?

- Possible solutions:
    - New institutional design?
        - Binding commitments for all
        - Binding commitments for some (more developed countries) with delay for others
        - Voluntary communal funding to execute APEC recommendations?

- Nesting APEC: The WTO and transregional and inter-regional arrangements
    - Pushing for WTO-APEC cooperation
    - P4, TPP and beyond
    - Asian Pacific Community

IV. TOWARD A LONGER TERM AGENDA: APEC 2009, 2010. 2011 AND BEYOND

- Common Goals?
- Important issues: environment and economic growth
- Global economic crisis and recovery
- Expanding APEC's membership

APPENDIX 2: LIST OF PARTICIPANTS

1. Vinod AGGARWAL, Professor and Director, Berkeley APEC Study Center, UC Berkeley, and NTUC Professor of International Economic Relations

2. Shujiro URATA, Professor of Economics, Graduate School of Asia-Pacific Studies, Waseda University

3. Tetsuro FUKUNAGA, Director for APEC, METI

4. Tomoko ISOGAI, Assistant to Director Fukunaga, METI

5. Satoshi YAMADA, Manager, Ernst & Young ShinNihon LLC, and METI advisor

6. Osamu KAMIKAWA, Deputy General Manager, Planning & Coordination Department, Corporate Planning & Strategy Division, Mitsui & Co., Ltd. Works with Mr. Aihara, ABAC member and next year's chair Senior ABAC staff member, Japan

7. Takeshi KOMOTO, Japanese METI official, APEC Secretariat

8. Akima UMEZAWA, Head of Chancery & Counselor, Embassy of Japan

9. David KATZ, Nathan Associates Chief of Party for APEC TATF, Singapore

10. Lane BAHL, APEC 2009 Coordinator, US Embassy

11. Peter Thorin, Senior Economic Officer, US Embassy, Singapore

12. Natalie NII, Program Director (USG), APEC Secretariat

13. Kun-Chin LIN, Assistant Professor, Department of Political Science, NUS, Singapore (afternoon only)

14. Denis HEW, ISEAS

15. Melanie MILO, ISEAS

16. Mary Elizabeth CHELLIAH, Deputy Director, APEC, Ministry of Trade & Industry, Singapore

17. Deborah ELMS, Head, Temasek Center for Trade and Negotiations, NTU

18. Chak Mun SEE, Senior Adviser, MFA, Singapore (morning only)

19. Jaya RATANAM, Director, International Economics Directorate, Ministry of Foreign Affairs, Singapore

20. Poh Onn LEE, Fellow, ISEAS

21. Eduardo PEDROSA, PECC Secretariat

22. Notetaker: Pan Rongfang (Pamela), RSIS M.A. student