

APIAN

APEC International Assessment Network

APIAN UPDATE SHANGHAI, LOS CABOS AND BEYOND

The Second APIAN Policy Report

October 2001



**APIAN UPDATE: SHANGHAI, LOS
CABOS AND BEYOND**

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APEC International Assessment Network

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EXECUTIVE SUMMARY

This second Policy Report of the APEC International Assessment Network (APIAN) updates and expands upon the first APIAN Policy Report, Learning From Experience (November 2000). In this progress report, APIAN – a collaborative, independent project among participating APEC Study Centers - intends its recommendations to be timely during 2001-2002 when APEC leaders meet first in Shanghai, China and then in Los Cabos, Mexico.

We note with some satisfaction that APEC has made progress on a number of issues raised in the first APIAN Policy Report, but many of the shortcomings that we noted have yet to be adequately addressed. For this reason, and because we believe strongly that APEC is a world-class forum advancing a laudable vision, we issue this set of updated recommendations for consideration by APEC officials as well as the general public – in the central areas of TILF, Ecotech and institutional structures.

Trade and Investment Liberalization and Facilitation (TILF)

An expanding number of regional trading arrangements (RTAs) are under negotiation or study among APEC members in Asia and the Western Hemisphere. We believe that APEC has a role to play in defining the principles that govern the formation of members' RTAs such that they serve as building blocks, not stumbling blocks, toward the consolidation of a healthy and more efficient global economy.

In our recommendations for TILF, we highlight RTAs, and comment on the need to continually update the TILF agenda, improve the individual action plans, and maintain momentum on trade facilitation.

1. APEC should review and assess member economies' regional trading arrangements.

To enhance transparency, to promote best practices and to discourage through peer pressure RTAs that might compromise WTO and APEC principles and objectives,

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APEC should undertake an on-going stocktaking of RTAs. To make such reviews effective and balanced, APEC should invite the assistance of independent experts and summaries of the reviews should be made public.

2. APEC should continually update its TILF agenda. We welcome the exercise to update the Osaka Action Agenda and urge ministers to keep it under review. In addition, APEC's agenda regarding non-tariff barriers should be made more specific and complete, and APEC should move more aggressively to target some of the more offensive NTBs for reduction and removal. In their permanent brief to keep APEC's TILF under review, ministers should consider prioritizing select sub-sectors of actionable items, such as national treatment, tariff peaks and export subsidies. Ministers should review the several non-binding Menus of Options and Statements of Principles, and strive to convert general principles into operational provisions. APEC should selectively tackle "sensitive issues" such as labor standards, agricultural subsidies and the misuse of anti-dumping practices.

3. Individual Action Plans (IAPs) should be modified to highlight WTO-plus commitments. To underscore the value-added of APEC, the IAPs should draw special attention to commitments that go beyond the WTO in liberalization and in disciplines.

4. We welcome recent initiatives to improve the IAP review process. We support the concept of increasing the effectiveness of IAP reviews by providing a role for independent experts while at the same time maintaining a constructive policy dialogue with the member economy under review.

5. APEC should give higher profile to trade facilitation initiatives. The new APEC Principles on Trade Facilitation, while non-binding and voluntary, includes many good illustrative examples that can be readily transformed into an action agenda.

Economic and Technical Cooperation (Ecotech)

There is a growing consensus around the central role of Ecotech in the APEC process. Capacity-building is needed not only for progress towards the Bogor goals but also to advance other development objectives, such as promoting productive engagement in the information-intensive new economy. Yet, much remains to be done to translate this consensus into effective action. To strengthen Ecotech, we offer these recommendations.

1. We applaud APEC's landmark decision to experiment with Ecotech Action Plans (EAPs). At the outset, EAPs should concentrate on a few key issue areas, specify both implementation results and commitments, and include timetables and quantifiable targets to the extent possible. The new EAP exercise should be organically linked with IAPs, and include a column that permits member economies to indicate how a particular Ecotech initiative is helping to build capacity for TILF implementation.

2. We urge greater inclusion of the Asian Development Bank (ADB) and the private sector in Ecotech deliberations and funding. Many promising Ecotech projects are starved for funding. To make a real contribution to capacity-building in the Asia-Pacific, APEC needs to do a better job at catalyzing finance behind APEC-sanctioned projects.

3. Ecotech activities require thorough reorganization. As we urged in our first Policy Report, the vast lists of ideas, goals and projects loosely grouped under the Ecotech umbrella need to be reduced to a more manageable set of coherent programs. Approved projects should be strategic, measurable, achievable, realistic and time bound. The Ecotech Subcommittee should be empowered to commission independent assessments of the organization of Ecotech and the activities of the various working groups.

Institutional Structures: Laying the Building Blocks

The first APIAN Report made recommendations for bolstering APEC's institutional structures that remain timely. We want to underscore two of these recommendations and draw attention to two new opportunities.

1. The APEC Secretariat should be strengthened. We have proposed the creation of long-term professional positions, as well as the multi-year secondment of substantive expertise from member governments. It is shortsighted of APEC members to deny the small budgetary resources that could make a big difference to APEC's effectiveness.

2. APEC must seek partnerships with outside groups. While other international organizations are stepping up their efforts at outreach, APEC is now lagging behind. Leaders and ministers should send clear signals to all APEC forums to systematically seek the participation of relevant representatives and experts from the private sector, professional associations, other non-governmental groups and civil society in general.

3. The time has come to foster greater collaboration among Western Hemisphere and Asian institutions. The upcoming Leaders Meetings in Mexico (2002) and Chile (2004) highlight the opportunities for collaboration between institutions in both regions, to allow for a mutually profitable sharing of experiences and best practices.

4. APEC should energetically implement its "Framework for the Integration of Women in APEC". The *Framework* should be mainstreamed throughout APEC forums. Women's participation in many APEC forums falls short, indicating that APEC is not yet reaping the full benefits that gender equality can bring to an international organization.

APIAN UPDATE: SHANGHAI, LOS CABOS AND BEYOND THE SECOND APIAN POLICY REPORT

PREFACE

This is the second Policy Report of the APEC International Assessment Network (APIAN). The first APIAN Policy Report, Learning From Experience, was published in November 2000, just prior to the Asia Pacific Economic Cooperation (APEC) Leaders Meeting in Brunei, Darussalam. APIAN participants are deeply gratified that officials in many APEC member economies have given serious consideration to the Report's analysis and recommendations. Indeed, during the APEC Senior Official Meetings in Shenzhen, China in May-June, 2001, APEC's Ecotech Subcommittee formally invited representatives of APIAN to present their findings and welcomed future collaboration. APIAN participants are pleased that since the circulation of Learning From Experience, APEC has made progress in some areas, even as much remains to be done if APEC is to achieve its full promise.

The purpose of this second APIAN Report is to update and in some areas expand upon Learning From Experience by taking into account subsequent APEC activities, the changing global environment, and the new work undertaken by APIAN participants and other experts which we cite throughout the text. In this progress report, we intend our recommendations to be timely during 2001-2002 when APEC leaders meet first in Shanghai, China and then in Los Cabos, Mexico. For our baseline analysis of APEC's vision, norms and structure, we refer readers to our inaugural Policy Report.

Since its formation in January 1999, APIAN has been guided by this mission statement: APIAN is a collaborative, independent project among participating APEC Study Centers to track and assess the design and execution of select APEC initiatives. APIAN's mission is to enhance knowledge among government officials and the general public with regard to

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APEC activities, to encourage the fulfillment of APEC objectives and commitments, and to identify ways for APEC to improve its performance.

To prepare this second Policy Report, APIAN held a workshop on June 8-9, 2001 in coordination with the Fourth APEC Roundtable, at the Institute for Southeast Asian Studies (ISEAS) in Singapore. This Report draws on the papers and discussions from those meetings. We were also stimulated by the papers and discussions of the Pacific Economic Cooperation Council (PECC)'s Trade Policy Forum held in Bangkok, Thailand on June 12-13, 2001. In addition, in recent months numerous APIAN participants have undertaken their own research on APEC-related issues that inform this Report. The Issue Reports on specific APEC initiatives that served as background papers for the first APIAN Report have now been published by ISEAS.¹

We would like to express our gratitude to Dr. Chia Siow Yue and ISEAS for hosting the June 2001 APIAN workshop. We also wish to acknowledge the encouragement and support of the Center for Global Partnership (CGP) of The Japan Foundation and of the Institute on Global Conflict and Cooperation (IGCC) of the University of California.

Like the first APIAN Policy Report, this report is a collaborative effort by a large number of APEC Study Centers from many APEC member economies. The participating experts wholeheartedly endorse this report's overall content and tone and support its principal findings and recommendations, even as each participant may not agree fully with every phrase. The participating experts subscribe as individuals; institutional affiliations are for purposes of identification only. The list of signatories can be found in Appendix A. APIAN does not purport to speak for all APEC Study Centers, nor for the international consortium of APEC Study Centers.

¹ Richard E. Feinberg and Ye Zhao (eds.), Assessing APEC's Progress: Trade, Ecotech and Institutions (Singapore: A Project of the APEC International Assessment Network [APIAN] and published by the Institute for Southeast Asian Studies [ISEAS], June, 2001).

I

**INTRODUCTION: PROGRESS AND STANDSTILL SINCE
BRUNEI**

We note with some satisfaction that in recent months APEC has made progress on a number of issues raised in the first APIAN Policy Report, Learning From Experience. In some cases progress has been significant, in others more tentative, and some issues are just in the discussion stage. On the other hand, in some areas, APEC has so far failed to correct evident problems or to undertake new initiatives that we recommended as important, feasible and timely.

We are particularly pleased that APEC has decided to experiment with action plans for Ecotech – an initiative we again address in our recommendations that follow. The decision by APEC to task the Human Capacity-Building Coordinating Group to prepare for the Ecotech Subcommittee (ESC) a single report on APEC’s human resource development is a useful step in the direction of giving greater coherence to Ecotech initiatives, and strengthening the ESC. Yet, APEC has yet to get a tight organizational handle on the excessive and uncoordinated diffusion of the scope of Ecotech initiatives. Consequently, many Ecotech projects remain badly under-funded. It is encouraging, however, that there is growing interest among APEC members to leverage the existing resources of the international financial institutions to support APEC initiatives.

With regard to TILF, we note that APEC continues to improve the formatting and accessibility of its Individual Action Plans (IAPs) through the e-IAP initiative. We welcome the proposal (as discussed below) to strengthen the IAP peer review process by broadening participation to include additional experts from diverse sources. APEC trade ministers have repeatedly endorsed the launching of a new round of comprehensive and balanced negotiations in the World Trade Organization (WTO); however, APEC economies have yet to frankly address their discordant behavior at the 1999 Seattle ministerial. APEC has taken some hopeful steps to sift through its many TILF issues and non-binding menus and guidelines to establish priority areas for immediate progress in trade and investment liberalization, and more could be done. The exchange of information and best practices in

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the TILF working groups is a valuable function of APEC as an informal forum, but APEC remains in danger of fading relevance in the realm of international trade bodies. The upsurge in proposed regional trading arrangements (RTAs) – many of which include APEC members - presents a major challenge to APEC.

APEC officials have reported that Learning From Experience has helped to stimulate a growing debate on the role and capacities of the APEC Secretariat. Efforts are under way to strengthen the Secretariat's outreach and communications functions. APEC has taken some steps to augment its ties with other international bodies, and the proliferation of RTAs gives added urgency to consultations with other trade-related organizations. We are hopeful that as APEC host in 2002, Mexican authorities will build on these initial steps and make institutional reform of APEC a priority.

Despite the heartening progress in various areas, we cannot declare that APEC has yet regained the momentum of its early years. Many of the shortcomings that we noted in our first Policy Report have yet to be adequately addressed. For this reason, and because we believe strongly that APEC is a world-class forum advancing a laudable vision, we issue this set of updated recommendations for consideration by APEC officials as well as the general public – in the central areas of TILF, Ecotech, and institutional structures.

II

TRADE AND INVESTMENT LIBERALIZATION AND FACILITATION (TILF): UPDATING THE AGENDA

In the last year, the APEC region has witnessed an acceleration of the interest in bilateral or pluri-lateral trade accords. A rapidly expanding number of regional trading arrangements (RTAs) are under negotiation or study among APEC members in Asia and in the Western Hemisphere, and most innovatively, across these two regions.

There are numerous factors behind this rash of interest in RTAs: the successes of various existing RTAs, notably the impressive deepening and widening of the European Union; the gradual but steady march forward in the negotiations of the Free Trade Area of the Americas (FTAA); difficulties within the WTO, including its struggle to keep pace with technological innovation; and the devastating 1997-98 Asian financial crisis, which illuminated flaws in the global economic architecture and prompted renewed interest in Asian solutions to Asian problems. Some countries are launching RTA negotiations to expand market access or to become a more attractive location for investment. RTAs may be a means of solidifying trading relations with nearby states or, alternatively, of diversifying the directions of trade with more distant nations. Some countries see “new age” RTAs that cover issues related to information and computer technologies as part of the continual process of keeping pace with global norms and standards (for example in regulatory regimes) and thereby enhancing competitiveness.² Still others see RTAs as a means to spur forward negotiations in larger trade forums. RTAs can realize breakthroughs on tough issues, set useful (or harmful) precedents, and set high standards replicable throughout the global trading system.

² Linda Low, “Singapore’s RTA Strategy,” paper presented at the PECC Trade Policy Forum, Bangkok, June 12-13, 2001; and Joint Study Group, “Japan-Singapore Economic Agreement for a New Age Partnership,” Joint Study Group Report, Ministry of Foreign Affairs, Japan, September, 2000, available at: <http://mft.govt.nz/foreign/relations/singapep.html>.

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More broadly, in an era of relative peace and when nations increasingly define their security in economic and social terms, RTAs may serve the diplomatic purpose of underscoring and intensifying the close relations between states. RTAs are the 21st century equivalent to the strategic alliances of traditional diplomacy.

Finally, countries may use RTAs to accelerate internal reforms that will prepare them for liberalization under wider coverage (as in APEC and the WTO) and enable them to better compete in the global economy.³ The prolonged stagnation in the Japanese economy and the uneven recovery in Southeast Asia have stimulated the search for such international levers for reform.

However, RTAs entail risks not only to the international economy but also to their members. During prolonged negotiations, governments may actually put off unilateral liberalizations in order to use such steps as bargaining chips. Attention and resources may be drained away from wider forums. Inconsistencies and complexities in RTAs (especially with regard to rules of origin) can become burdens to business, distort patterns of trade and investment, and detract from the achievement of the region's full economic potential. Furthermore, outsiders may suffer trade diversion.⁴ In the worst case, antagonistic trading blocs could clash in dangerous economic and political rivalry.

The ultimate balance between benefits and costs will be determined by the specific content of the RTAs. We believe that APEC has a role to play in defining the principles that govern the formation of members' RTAs such that they serve as building blocks, not stumbling blocks, that they not fragment markets but rather that they accumulate toward the consolidation of a healthy and more efficient global economy.⁵

In the recommendations that follow for TILF, we highlight RTAs as well as the importance of APEC continually updating its trade and investment agenda in response to changing

³ Ippei Yamazawa, "APEC's Achievements and Tasks for Shanghai 2001," paper presented at the Fourth APEC Roundtable, Institute for East Asian Studies, Singapore, June, 2001.

⁴ In this regard, according to a recent simulation study, the Free Trade Area of the Americas (FTAA) does not appear to pose a serious threat to the economic interests of East Asia. See Robert Scollay and John P. Gilbert, New Regional Trading Arrangements in the Asia Pacific (Washington, DC: International Institute of Economics, 2001).

⁵ For a similar recommendation, see Kyung Tae Lee and Inkyo Cheong, Is APEC Moving Toward the Bogor Goal? (Seoul: Korea Institute for International Economic Policy, Working Paper 01-03, 2001).

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global realities and opportunities, and of improving the individual action plans (IAPs) and maintaining momentum on trade facilitation.

1. APEC should review and assess member economies' regional trading arrangements (RTAs). Many APEC economies have been entertaining bilateral and plurilateral preferential trading arrangements. Depending upon their intentions, principles and content, RTAs may or may not be positive forces in the global trading system. Certainly, RTAs ought to be consistent with WTO principles, but we recognize the persistent weakness in the WTO's implementation of its Article XXIV review process.

To enhance transparency, to promote best practices, to discourage through peer pressure RTAs that might compromise the letter and the spirit of the WTO and of APEC principles and objectives, APEC should undertake an on-going stocktaking and studious review of RTAs. Such reviews could consider the nature and extent of liberalization and the areas and scope of disciplines. Without violating the legitimate interests of the concerned parties, such reviews should cover RTAs currently being negotiated. Through careful reviews, APEC should work to guide members' RTAs to reinforce their constructive features and minimize such potential costs to non-members as might arise from trade and investment diversion.

To make such reviews effective and balanced, APEC should invite the assistance of independent experts, including PECC and interested APEC Study Centers. APEC should coordinate such reviews with the highly competent staff of the Trade Unit of the Tripartite Committee (which consists of the Organization of American States, the Inter-American Development Bank and the UN Economic Commission for Latin America and the Caribbean) that maintains a comprehensive databank and issues periodic reports on Western Hemisphere RTAs, as well as with the on-going work on RTAs at the Organization for Economic Cooperation and Development (OECD), the WTO and the World Bank. To enhance transparency and augment their political weight, summaries of APEC's reviews of RTAs should routinely be made public and posted on the APEC Secretariat website.

2. APEC should continually update its TILF agenda. As the recent upsurge in RTAs illustrate, we live in a rapidly changing world, where global trade and investment patterns,

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market conditions and the trade policy agenda are in constant flux. To be cogent and relevant, APEC's TILF agenda must constantly be reviewed and revised. Specifically:

- We welcome the exercise to update and review the Osaka Action Agenda. This is an important opportunity to correct weaknesses in the APEC agenda and ensure that the agenda directly addresses the central trade policy issues facing the region at the beginning of the 21st century. Ministers should keep the OAA under review, and aim for achievable goals, while maintaining constant the Bogor Vision of free and open trade and investment by 2010/2020. Without compromising the APEC spirit of consensus, we suggest that APEC clarify and make more concrete the founding vision of Bogor.
- APEC's agenda regarding non-tariff barriers (NTBs) should be made more specific and complete. As traditional forms of protection, especially tariffs, have declined worldwide, governments and vested interests have become adept at seeking protection through a variety of non-tariff measures. APEC has recognized these challenges to a more open and efficient global economy and to the full attainment of the Bogor goals. APEC has undertaken useful exercises to catalogue them and make them more transparent, and should now move more aggressively to target some of the more offensive NTBs for reduction and removal.
- In their permanent brief to keep APEC's TILF under review, ministers should consider prioritizing select sub-sectors of actionable items. We repeat our recommendation from the first APIAN Report that APEC establish priority areas for immediate progress in trade and investment liberalization, such as national treatment, non-tariff barriers and tariff peaks and export subsidies. In addition, ministers should keep under constant review the several non-binding Menus of Options and Statements of Principles, and strive to convert general principles into operational provisions. One option is for voluntary groups of APEC member economies (open clubs of the willing) to agree to initiate implementation of chosen areas of a menu, with the expectation that other economies will follow suit as their individual conditions permit. Another option is to submit non-binding principles, such as those on investment, to other international forums where they may be adopted and transformed into binding obligations. APEC should continually test both of these options. Specifically, the menu of options for

services is ripe for partial implementation accompanied by Ecotech projects in human capacity building, infrastructure and the use of advanced technologies.

APEC should selectively tackle “sensitive issues” in trade policy. As a non-negotiating forum, APEC is well constituted to open dialogues on some of the so-called sensitive issues that are blocking progress in international trade liberalization efforts. The essence of APEC is community-building through the open exchange of views, and such dialogues should not be shied away from. Consensual understandings reached in APEC might then be forwarded to other appropriate international forums for their consideration and action. The decision by senior officials at Dalian in August 2001 to explore a trade policy dialogue on biotechnology is very much in this spirit. Three other such sensitive issues may be international labor standards, agricultural subsidies and the misuse of anti-dumping/counter-veiling duty practices.

3. Individual Action Plans should be modified to highlight WTO-plus commitments. IAPs should continue to list commitments incurred in the Uruguay Round and elsewhere, as IAPs serve the useful purpose of stimulating their implementation. But to underscore the value-added of APEC, and to allow for more ready comparability of member economy commitments, the IAPs should select a technique for drawing special attention to commitments that go beyond the WTO in liberalization and in disciplines. Furthermore, we continue to urge that IAP commitments be specific, concrete and measurable to the extent possible.

We congratulate APEC on the initiation of the electronic IAPs, which foster transparency and comparability and urge their continual review and improvement, especially with regard to making them more user-friendly.

4. We welcome recent initiatives to improve the IAP review process. We note that Japan has proposed that the IAP peer review process, which so far has lacked vigor, be strengthened by the nomination of a small study group to review IAPs by willing member economies. We support the concept of increasing the effectiveness of IAP reviews by providing a role for independent experts while at the same time maintaining constructive policy dialogue with the member economy under review. The improved process must be designed to produce maximum value-added relative to the resources expended. We note

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that for such peer evaluations to be truly effective, IAP commitments would have to be more specific, measurable and accompanied with a time line. Clarification of benchmarks and end-points would also facilitate evaluation of individual member performance.

5. APEC should give higher profile to trade facilitation initiatives. APEC has made significant progress in trade facilitation under the Osaka Action Agenda, and according to one estimate two-thirds of the welfare gains to date from TILF have been due to facilitation measures.⁶ It is now time for APEC to renew its facilitation agenda and give enhanced visibility to such commitments. In addition, APEC should look for synergies across trade facilitation areas such as customs, standards and e-commerce, and develop activities that exploit these synergies. The new APEC Principles on Trade Facilitation, while non-binding and voluntary, includes many good illustrative examples that can be readily transformed into an action agenda.

⁶ This estimate is attributed to APEC's Economic Committee, in Andrew Elek, "Triangles and Stepping Stones: Opportunities Created by Closer Economic Partnerships Among Australia, Japan and Singapore," Australia National University, February, 2001.

III

ECONOMIC AND TECHNICAL COOPERATION (ECOTECH): STEPS FORWARD

Following the East Asian financial crisis and the difficulties experienced in liberalising trade in sensitive sectors in either APEC or the WTO, there is a growing consensus about the central role of Ecotech in the APEC process.⁷ The discussion has moved beyond questioning whether Ecotech or trade and investment liberalisation and facilitation (TILF) is more important. Rather, capacity-building is needed, not only for progress towards free and open trade and investment, but also to advance other development objectives, such as promoting productive engagement in the information-intensive new economy; yet, we concur with the Foundation for Development Cooperation - which has been systematically studying Ecotech – that much remains to be done to translate this consensus into action.

In the recommendations that follow, we offer specific ideas for assuring a successful launch of the Ecotech Action Plans – including close and sustained collaboration with outside experts. We are heartened that in the communiqué issued by APEC Senior Officials (SOMs) following their preparatory sessions in Shenzhen in June, 2001, the offer by APIAN to serve as a sounding board in this and other areas was duly taken note of. In addition, as we underscored in our first APIAN Policy Report, we urge APEC to seek systematically to catalyze funds in support of its many good Ecotech initiatives. Consistent with our earlier call for a more organized approach to Ecotech programs, we also endorse “SMART” guidelines and repeat our call for a strengthened Ecotech Subcommittee.

1. We applaud APEC’s landmark decision to experiment with Ecotech Action Plans (EAPs). The purposes of EAPs are to enhance cooperation among member economies in

⁷ The Foundation for Development Cooperation, Human Capacity-Building for the New Economy: Review of the 2001 APEC High Level Meeting on Human Capacity-Building and Potential Next Steps (Brisbane, Australia, 2001). Available at www.fdc.org.au.

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the pursuit of Ecotech objectives, to add transparency and clarity to Ecotech activities, to advertise best practices, and to improve public awareness of Ecotech. By initiating a process similar in inspiration to the IAPs, APEC would be creating greater parity between Ecotech and TILF.

It is crucial that EAPs be launched in a way that maximizes their effectiveness in providing focus to APEC's Ecotech agenda while minimizing the risk that they will impose unnecessary or unacceptable burdens on the officials of member economies. It would be advisable to avoid the trap of attempting to be overly comprehensive at the cost of clarity and depth.

We recommend that at the outset EAPs should concentrate on a few key issue areas focused on high-profile initiatives that have been endorsed by APEC leaders, such as Human Capacity Building for the New Economy. These key issues or initiatives should provide the basis for collective actions by APEC working groups and other forums and for individual actions by APEC economies. These collective and individual actions should form the basis of the EAPs.

As recommended in the first APIAN Report, EAPs should specify both implementation results and commitments, and include timetables and quantifiable targets to the extent possible. To ensure transparency, the EAPs should follow a standardized, straightforward format. The electronic Ecotech Clearinghouse can serve as a useful database for EAPs, even as it should be made more complete and user-friendly. We welcome the determination to update on an annual basis the projects listed on the Clearinghouse site.

But voluntarism without monitoring lacks credibility. From the outset, APEC should seek the collaboration of outside experts to help improve the design of the EAPs and to review EAPs in subsequent years for transparency, clarity, and purposefulness, and for the quality of implementation.

The new EAP exercise should be organically linked with IAPs. The new EAP format should include a column that permits member economies to indicate how a particular Ecotech initiative is helping to build capacity for TILF implementation. In this respect, we applaud the initiative to provide trade-related technical assistance to developing member

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economies and encourage all APEC members to participate vigorously in it. The links between EAPs and IAPs could be further enhanced if IAPs were to have sections devoted to TILF actions related to the high-profile initiatives endorsed by APEC leaders.

2. We urge greater inclusion of the Asian Development Bank (ADB) and the private sector in Ecotech deliberations and funding. Many promising Ecotech projects are starved for funding. To make a real contribution to capacity-building in the Asia Pacific, APEC needs to do a better job at catalyzing a variety of sources of finance behind APEC-sanctioned projects.⁸ We note that representatives of the ADB are being invited to select Ecotech forums and urge that such collaboration be deepened and made more extensive. Early presence by funders in the design phase of projects can generate comfort, buy-in and ultimately institutional participation. We also note that while the private sector frequently makes recommendations to APEC, private sector support for Ecotech projects could be significantly expanded. More organic ties should also be pursued with bilateral donors.

To the extent that member economies champion good Ecotech projects, the EAPs hold great promise for attracting badly needed resources to Ecotech activities.

3. Ecotech activities require thorough reorganization. As we urged in our first Policy Report, the vast lists of ideas, goals and projects loosely grouped under the Ecotech umbrella need to be reviewed and reduced to a more manageable set of coherent programs. A select number of capacity-building activities that have been found to be successful on a small scale should be scaled up and replicated. We endorse the recommendations of Zhang Yunling and Peter Drysdale that such an Ecotech review process follow SMART guidelines: that approved projects be strategic, measurable, achievable, realistic and time bound.⁹

During the last year, the Ecotech Subcommittee (ESC) made valuable strides in revamping and updating relevant portions of the Osaka Action Agenda and in enhancing its coordination with other APEC forums responsible for Ecotech initiatives. The new EAPs should help to collate information and facilitate the Subcommittee's oversight function. Yet, the ESC still lacks sufficient authority, resources and tenure to realize fully its mission to critically examine and improve Ecotech coherency and efficiency. The ESC should be

⁸ This point is underscored in the report by the Foundation for Development Cooperation, op.cit.

⁹ In China's APEC Agenda: Shanghai 2001.

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empowered and financed to commission independent, objective assessments of the overall organization of APEC's economic and technical cooperation, the activities of the various working groups, and the outcomes of individual projects.

IV INSTITUTIONAL STRUCTURES: LAYING THE BUILDING BLOCKS

The first APIAN Report highlighted a number of recommendations for bolstering APEC's institutional structures that remain timely. APIAN is planning a separate, in-depth review of APEC as an institution. At this time, we want to underscore two of our previous recommendations and to draw attention to two new opportunities:

1. The APEC Secretariat should be strengthened. Currently, the very small Secretariat in Singapore is composed of officials temporarily on loan from member governments and whose primary responsibilities are to help organize logistics and manage paper flow. A stronger Secretariat that has more in-house capacity to monitor implementation of APEC initiatives can help APEC to better evaluate, rationalize and coordinate both TILF and Ecotech. To strengthen the Secretariat, we have proposed the creation of longer-term professional positions, as well as the multi-year secondment of substantive expertise from member governments. As positive first steps, we welcome the recent addition of an official dedicated to evaluation, as well as the recognition of the importance of enhanced outreach and the commissioning of a professional review to help improve APEC's outreach activities.

We have received many positive responses from governments to this recommendation to strengthen the Secretariat as it appeared in the first APIAN Report. There is wide recognition that APEC has outgrown its original institutional skin. We do not believe that a modest increment to the Secretariat staff risks the creation of an expensive or overbearing bureaucracy. It is shortsighted of APEC members to deny the small budgetary resources that could make a big difference to APEC's effectiveness.

2. APEC must seek partnerships with outside groups. In the age of globalization, international organizations must build partnerships with the private sector, professional associations, other non-governmental groups and civil society in general, to take advantage of their expertise and resources and to build a broader base of popular support for official

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activities. We note that the “Beijing Initiative on APEC Human Capacity Building” (May 15-16, 2001, Beijing) advocated that policies to build human capacity “encourage engagement with all stakeholders.” Many APEC initiatives involve reforms of domestic economies that cannot succeed without popular support and collaboration. Track II dialogues are valuable means to address issues raised by globalization, and for APEC to demonstrate that it is engaging some of the very issues, including the costs inherent in globalization, that have agitated protestors at trade-related meetings. To its credit, APEC has pioneered close relations with the private sector, notably through the APEC Business Advisory Council (ABAC), and the Women Leaders’ Network has enhanced APEC’s work on gender equality. But while other international organizations are stepping up their efforts at outreach, APEC is now lagging behind. Leaders and ministers should send clear signals to all APEC forums to systematically seek the participation of relevant representatives and experts from outside groups. APIAN is pleased that the Ecotech Subcommittee has asked for its assistance and looks forward to deepening that promising collaboration.

In this second APIAN Report, we wish to draw attention to two additional institutional issues that are now ripe for progress: enhancing trans-Pacific collaboration, and mainstreaming gender equality in APEC activities.

3. The time has come to foster greater collaboration among Western Hemisphere and Asian institutions. The upcoming Leaders Meetings in Mexico (2002) and Chile (2004) highlight the opportunities for collaboration between institutions based in the Western Hemisphere and those in Asia. Both regions will gain from a sharing of experiences and best practices. For example, with its many decades of experimentation in regionalism and in regional institution-building, the Western Hemisphere is rich with experiences of relevance to APEC and Asia. For its part, Latin American nations will continue to want to study the factors behind the successes of Asian economies. In recent decades both regions have suffered severe financial crises and can gain from examining the various approaches taken to resolve financial crises and to avoid future financial shocks.

We welcome the Japan Program at the Inter-American Development Bank in its initiative to support inter-regional cooperation, to promote projects that share experience, expertise and best practices between the Western Hemisphere and Asia and to build networks and partnerships among institutions, including research centers, universities and NGOs in the

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two regions. The Japan Program is one positive step in building cooperative relations between the IDB and the Asian Development Bank. We note in particular two joint initiatives launched by these two institutions early this year through the Japan Program, namely the Latin America-Caribbean and Asia Pacific Business Association and the Transpacific Business Network.

We also note that the IDB has been lending financial and technical assistance to help implement the mandates issued at the Summits of the Americas, and we urge the Asian Development Bank to become similarly engaged in supporting APEC mandates.

4. APEC should energetically implement its “Framework for the Integration of Women in APEC”. Through the three-pronged approach of careful gender analysis of the differences in the lives of women and men, the collection and creative use of sex-disaggregated data, and the increased participation of women in APEC forums, APEC’s *Framework* could have far-reaching positive impacts on the social and economic well-being of the region. To achieve this potential, the *Framework* should be mainstreamed throughout APEC forums. We strongly support the efforts of the Ad Hoc Advisory Group on Gender Integration (AGGI) in its pursuit of this cross-cutting objective. We note that stocktaking of human resource development (HRD) projects for their inclusion of women in 1998 resulted in a decision by the HRD Working Group to include gender considerations in their Project Management Guide. The Policy Level Group on Small and Medium Enterprises undertook a useful study on women entrepreneurs in SMEs as an input to policies being developed by economic ministries.

Studies on women’s participation in APEC forums reveal levels of participation which, while significant in some forums fall short in many others, indicating that APEC is not yet reaping the full benefits that gender equality can bring to an international organization. The Women Leaders’ Network (WLN), an informal network of women in business, academe/civil society and government formed in 1996, is a promising initiative worthy of greater attention and expanding membership; its June 2000 meeting on “SMEs as Global Traders” creatively integrated several cross-cutting APEC concerns from both Ecotech and TIFL.

Mexico will host the second ministerial meeting on women in August 2002. While the first ministerial meeting (Manila, 1998) focused on Ecotech concerns, we are pleased that the

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Mexican ministerial is planning to look at identifying and addressing gender issues in TILF. In gender as in other issues, APEC forums should seek to coordinate and where possible integrate its two fundamental pillars - Ecotech and TILF.

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