

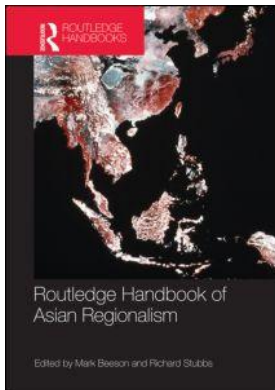
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Asia-Pacific Economic Cooperation

Nick Bisley

APEC is an intriguing organization. It is difficult to think of another regional institution that has gone from the enthusiasm of creation to the disillusionment of stagnation quite so rapidly. Within years of its first meeting, in November 1989, APEC was being described by journalists as little more than a ‘photo opportunity’ or a ‘talk shop’ (The *Economist* and *Far Eastern Economic Review* have been particularly critical), and after barely a decade, serious and generally sympathetic scholars thought it had gone badly adrift (Ravenhill 2000) and was suffering from a midlife crisis (Wesley 2001). Of course, other regional entities have their share of frustrations, but rarely has this come about so quickly. Even its name is a source of some consternation. Famously described as ‘four adjectives in search of a noun’ by Australian Foreign Minister Gareth Evans, the witticism that APEC really stands for a perfect excuse to chat makes clear it lacks a focus point. Many scholars and analysts add ‘forum’ to the acronym to try to convey the grouping’s basic essence.

Yet despite these criticisms, APEC remains an important part of the regional landscape of modern Asia. At the very least, the high-profile annual leaders’ summits are events that all agree are useful. Moreover, it represents a particularly liberal view of the region’s international economic relations, which many feel needs institutional articulation in the wake of the recent global financial crisis. In short, APEC is an enigmatic organization whose creation and evolution has much to tell us about not only its own peculiarities but about the dynamics of regionalism in Asia more broadly.

The purpose of this chapter is thus twofold. First, it seeks to provide an overview of APEC, its creation and evolution to date, and from this draw some broader conclusions about its strengths and weaknesses. Second, it uses this as a basis for reflection on the dynamics of regionalism in Asia and particularly the uneasy role that intergovernmental institutions play in this complex process. The chapter will be organized as follows. The first section will examine APEC’s construction and development. This will be divided into three subsections that consider APEC’s genesis, its consolidation and expansion and then its period of stagnation. There are few regional organizations as criticized for ineptitude and do-nothingness as APEC. The second section will set out a balance sheet of APEC’s strengths and weaknesses, which will help explain why many persist with the entity in spite of its problems. The final section briefly considers what the APEC experience tells us about regionalism in Asia. These processes reflect not only the economic, political and cultural diversity of Asian states and societies but also the often-unclear role that states and state-focused institutions can play in frequently market-dominated networks. In essence, this chapter argues that APEC’s

experiences to date are heavily shaped by the tensions between state-led processes of regionalism and the market-driven process of regionalization. More broadly, APEC represents the diversity of norms and expectations about regional institutions in Asia's states, and the quite different perceptions of the region. As such, APEC is likely to continue on its enigmatic way, yet very probably will never quite fulfil the expectations of the most optimistic of its supporters.

APEC's development

Genesis

Regional institutions undoubtedly have long histories. Indeed, textbook treatments of the European Union often begin in the ninth century CE with Charlemagne and the Holy Roman Empire. While attempts to provide a lineage to APEC's history have rather more modest timelines, they nonetheless demonstrate that the formation of APEC was the result of not only good ideas and propitious circumstances. Rather the creation of the first regional institution dedicated to promoting economic cooperation in the Asia-Pacific came about in large part due to several decades' worth of work by an assorted array of academics, diplomats and business people who were assiduously trying to promote the goal of increased regional economic collaboration (see Ravenhill 2001: 41–89). During the Cold War period, the US was largely resistant to multilateral forms of economic cooperation in the region (or strategic cooperation for that matter). But this did not dissuade others from promoting the cause. Japanese elites were particularly influential during this time, laying the platform for cooperation through the creation of entities such as the Pacific Trade and Development Conference (PAFTAD) (see Drysdale 1984), first held in 1968, and the Pacific Basin Economic Council (PBEC), established in 1968. The Pacific Economic Cooperation Council (PECC), formed in 1980 as the Pacific Economic Cooperation Conference, continues to bring together scholars, business people and government representatives meeting in a private capacity to try to shape regional cooperation.

Those involved in these processes put forward ideas, including a Pacific Free Trade Area, and an Organization for Pacific Trade and Investment, which sought to create an OECD-style (Organization for Economic Cooperation and Development) organization for the region. This latter proposal, which bore some striking similarities to the initial plans for APEC discussed in 1989, was initially floated in 1968 and further developed in the late 1970s (spelled out in Drysdale and Patrick 1981). Yet as Ravenhill points out, despite significant business interest, scholarship and some public advocacy, these ideas did not find favour with regional powers, due in the main to the lack of interest of the key states Japan and the US (Ravenhill 2001: 54–58). The idea of improving economic cooperation so as to foster prosperity, to bind state interests together and as a result indirectly lower the prospects of conflict was strong and intellectually compelling, but the political context was not.

On 31 January 1989, Australian Prime Minister Bob Hawke gave a speech in Seoul arguing for the need for a body to advance Pacific economic cooperation that would help increase regional prosperity and act as a spur to the struggling Uruguay Round negotiations. After much diplomatic haggling, APEC held its first ministerial meetings in Canberra on 6–7 November of that year. While there continues to be dispute as to who should receive credit for launching the initiative, it was spear-headed by Japanese and Australian elites, and finance ministers from 12 Asia-Pacific states participated. The 12 were Australia, Brunei, Canada, Indonesia, Japan, South Korea, Malaysia, New Zealand, the Philippines, Singapore, Thailand and the United States. So why did these states agree to establish an intergovernmental mechanism at this time? And what kind of entity were they in the process of creating?

That the idea of regional economic cooperation among states was able to capture the imagination of policymakers and politicians at this point, and not before, is testimony to the importance of context in shaping policy decision-making. The economic and functional benefits from collaboration had always been there, the theory underpinning increased liberalization being well established and widely accepted. Context, and most particularly geopolitical circumstances, was crucial in turning these ideas into political reality. Perhaps the most important factor was the ending of the Cold War. While the Soviet Union had not yet collapsed – indeed at the time of Hawke's speech, East Germany showed no signs of crumbling – the geopolitical and ideological contestation of the Cold War had come to an end, signified most clearly by Gorbachev's speech to the UN in which he made plain the Soviet Union's ideological surrender (see Bisley 2004: 76–94). Its effect was immediate in Asia, helping to bring about the end of the long-simmering conflicts in and around Cambodia. This ushered in the prospect of long-term geopolitical stability. Equally, it caused the US to reconfigure its attitude to regional international politics and to begin to consider how it might manage its regional interests in the wake of bipolar conflict.

Important though the end of the Cold War was, it was not the sole contextual factor shaping the creation of APEC. The second was hinted at in Hawke's speech: the fear that Uruguay Round might fail. All of the states who initially participated in APEC were keen to ensure that the multilateral trade system did not collapse, and recognized that the political support mechanisms for liberalization needed reinforcement. It was thought that the creation of an entity in the Pacific that was directly linked to liberal principles could act in such a fashion. The third factor was the spectre of 'blocism'. Many in the region were concerned that there was a real risk of the creation of two large trade blocs – one being focused on the US and the other on Europe – that would make economic life for those left outside very difficult. Thus the formation of a mechanism not only to advance global liberalization but also to enhance region-specific cooperation was an attempt to defend existing market access arrangements, particularly those enjoyed by Asian economies in the United States. Equally, after the Cold War many within the US were arguing for a significant reduction in its strategic and diplomatic commitments abroad. This flirtation with a kind of neo-isolationism worried many in the region. For Asian states, a dramatically reduced US presence, both military and diplomatic, threatened a radical transformation of the region's existing international order. America was, and indeed for many still remains, the maintainer of the strategic balance and the region's most important economic power. Having to reorganize the basis of the region's international relations, and most particularly its strategic balance, was thought to be so disconcerting that none wanted to countenance the prospect. As such, much effort was put into locking the US into the region and the creation of APEC was a crucial part of that process.

Thus, when the parties met in Canberra to work towards the creation of an institutionalized economic cooperation, they did so motivated by a mixture of economic and political aims. While the Joint Statement of the first ministerial meeting was deliberately coy as to the precise organizational structure that APEC might take (APEC 1989a), the Chairman's summary made clear both the broader type of organization that was to be created and the principles that it should embody (APEC 1989b). From the outset it was clear that APEC was to be premised on traditional liberal ideas, particularly the belief that economic cooperation leads to mutual prosperity, that this would bind state interests and hence promote a sense of regional common cause. More particularly, members agreed that cooperation should be driven by consensus and not top-down determinations, that it should be open and not generate benefits exclusive only to participants. In this sense, APEC was an attempt to pioneer the idea of 'open regionalism' (Garnaut 1996). Finally, it was agreed that economic cooperation under APEC auspices should complement existing institutional mechanisms. So while ASEAN had not got its way in having APEC appended to the ASEAN post-ministerial meetings, it nonetheless succeeded in ensuring

APEC did not squeeze it out of the cooperative marketplace. It was also clear that trade was going to be a key part of APEC's collaborative programme, with a particular focus on support for the multilateral system.

While formal determinations at Canberra were deliberately general, the outlines of the organization that APEC was to become were evident. It was to be an entity committed to liberal economic thinking, and particularly to the ideas of non-discrimination and transparency that had been key to the General Agreement on Tariffs and Trade (GATT) system. It was to be *open* and decision-making was to be consensual. The concerns that many Asian states had about their sovereignty being undermined were assuaged by the ASEAN insistence that the organization adopt its procedural norms. Much of the thinking around the region at this point was still informed by the view that APEC should be some kind of regional OECD, that is, a body not intended to drive economic integration directly, but to promote cooperation through better communication, improved policy coordination, better information and transparency, and through the establishment of common standards.

Consolidation and expansion

APEC's development from a broad statement of intent to an institutionalized body, meeting at the highest level with a membership that includes three of the five permanent members of the UN Security Council and all the key economies from across the Pacific Rim, is nothing short of remarkable. In less than ten years, the organization had developed a mode of operation, agreed on principles and norms governing the body, developed an ambitious work programme centred around trade liberalization, and had expanded membership from the initial 12 to 21 economies. The next section of this chapter will consider this process in two stages. It will first examine the organization's consolidation, and then its expansion.

Singapore hosted the follow-up ministerial meeting in 1990 that essentially sought to maintain diplomatic momentum behind the move to institutionalize regional economic cooperation, to underscore the basic principles established in Canberra and to reaffirm the commitment to institutional informality (APEC 1990). As such it was not until the third ministerial meeting, held in Seoul in 1991, that a clearer sense of the organization can be determined. The Seoul Declaration marks an important moment in APEC's development and is as close to being a constitutional document as the institution is likely to have. The Declaration sets out clearly the principles that will guide cooperation; it establishes criteria for membership and sets out a basic structure for the organization (APEC 1991). The declaration notes that cooperation will be based on:

- (a) the principle of mutual benefit, taking into account the differences in the stages of economic development and in the sociopolitical systems, and giving due consideration to the needs of developing economies;
- (b) a commitment to open dialogue and consensus-building, with equal respect for the views of all participants (APEC 1991).

Consensus was thus enshrined as the key decision-making norm. In keeping with ASEAN principles, no member was to be forced to make a decision with which they are uncomfortable. The Declaration also makes membership open to those economies that have 'strong' economic linkages with the region and who accept APEC's principles and aims. Naturally, membership decisions require a consensus of all existing members. This, of course, means that membership considerations are a function of how the members choose to define 'strong' and of what they think the region is comprised. Equally, the commitment to intergovernmentalism is slightly fudged by

noting that membership is open to economies, and not only states. This was to enable the admission of the 'Three Chinas' (PRC, Hong Kong and Taiwan, which travels under the diplomatic fig leaf of 'Chinese Taipei'), which was also agreed to at this meeting. Finally, the Declaration spells out that APEC was not to be led by a strong and autonomous bureaucracy, rather it was to be a heavily intergovernmental organization in which ministerial decision-making determines the ongoing work programme. At the meeting, however, difficulties emerged with regard to the specific goals that APEC should be trying to achieve, and as such the Seoul Declaration is more opaque on questions of purpose beyond broader ambitions to promote prosperity and foster interdependence. Seoul is thus vital to understanding APEC's evolution, both for the basic ideas about process and procedure that it enshrined – particularly voluntarism, consensus and openness (Seoul is the first time 'open regionalism' is officially mentioned) – as well for the already evident, even if only subtly so, differences in perspectives as to the kind of cooperation the entity was to be undertaking.

The second crucial part of the consolidation phase was the determination of the basic structure of APEC's work programme. This essentially was the result of efforts to reconcile the divergent views evident at Seoul as to just what it was that APEC should be cooperating over, so as to achieve the much sought-after prosperity and mutual benefit. In 1992, APEC established an 'Eminent Persons Group' that was tasked with making recommendations in this regard. C. Fred Bergsten, an American former senior Treasury official and prominent international economist, chaired the group that issued a report indicating four main areas in which APEC should focus its efforts (APEC 1993). After much wrangling, due to many members being uneasy with the report's content, this led to the adoption of three main 'pillars' of APEC's work: trade and investment liberalization; business facilitation (an APEC term for what usually passes as trade facilitation); and economic and technical cooperation (known as ECOTECH). The first seeks to reduce barriers to trade and investment; the second aims to reduce various 'behind the border' costs that trade and investment face – in APEC terms, to reduce the cost of business transactions; and the third is, in essence, about enhancing the capacity of APEC member economies to undertake collaboration and to maximize their opportunities to capitalize on the first two pillars. These three areas remain, ostensibly, the main focus for collaboration.

The third important element of the consolidation phase was the supplementing of the annual ministerial meeting with the annual leaders' summit. These became the focal point for APEC's work, being the key decision-making forum determining the APEC agenda. The creation of the annual summits also dramatically increased the profile of the grouping and gave it an unambiguous political colouring. The idea was floated by Australian Prime Minister Paul Keating in 1992 and the first summit was held in Seattle in 1993, hosted by the newly inaugurated President Clinton. Holding leader-level meetings was intended to increase the prestige of the grouping, to provide leaders with an (at that time) unrivalled opportunity to meet with their peers and to help drive the evolution of the grouping further. Commitments made by leaders have a level of political credibility that no other level of government can match, and hence help maximize the possibilities of negotiation and can break bureaucratic deadlock when it occurs. This, of course, assumes that the leaders would be active policy-entrepreneurs who would be interested in making the most of such opportunities and in advancing APEC's goals. Turning APEC into a leaders-led grouping was a decisive step and, as will be discussed later in the chapter, is the source of both strength and weakness for the organization.

It was at the second summit that these two parts of the consolidation came together in a way that profoundly shaped APEC's development. Held in Bogor, Indonesia, the 1994 leaders' summit produced an ambitious and concrete goal for the hitherto deliberately vague programme of economic cooperation. In the Bogor Declaration, APEC members publicly committed

themselves to creating free and open trade within the region – by 2010 for developed economies and by 2020 for the rest (APEC 1994). Rather abruptly, APEC had become not just a support mechanism for trade liberalization and a semi-formal forum for economic collaboration of a technical and rather unglamorous variety, but a mechanism to drive trade and investment liberalization. APEC now had clear targets to which work was to be oriented. It now had expectations. The decision – a product of some difficult negotiation – was the product of consensus. But in spite of this, it was clear from the outset that many within APEC were uneasy about both the practicalities of achieving these aims and, more broadly, with what APEC had become. For many, the Declaration represented the high-watermark of APEC's existence. In a short time, a new economic grouping bringing together a diverse range of important states had undertaken commitments to liberalize trade and investment. Yet the difference of views among the membership about the goals – some saw them as aspirations while others felt they should be treated as hard targets – and indeed the basic kind of cooperation that these goals represented meant that the tide would soon retreat from this point. Nonetheless, the consolidation phase had seen APEC develop a broad purpose, establish clear goals and devise a *modus operandi*.

If rates of participation are a sign of success, then APEC's early years must surely be seen as a triumph. With demand for entry coming from across the region, surely APEC must have been doing something right? More importantly, for a body concerned with economic collaboration, expansion is almost necessarily a good thing as the payoffs that accrue from opening up markets, setting standards and policy coordination must be inevitably greater. Yet, as anyone who has participated in any negotiating process is aware, there is a trade off between size and efficiency in all such processes. While scale has some obvious economic appeal, and indeed some broader purpose given the group's implicit political undertones, growth is not always an optimal strategy for international organizations. APEC's rapid expansion from 12 to 21 member economies can be seen as an achievement of sorts, yet this superficial enthusiasm for the organization and optimism about its prospects belied unease within the group with regard to the pace and identity of those being admitted.

After the foundation grouping, there were four 'waves' of entry through the 1990s. As mentioned above, the PRC, Hong Kong and Taiwan were admitted in 1991. They had originally been intended to be foundation participants, yet the international opprobrium that followed the Tiananmen Square massacre delayed this by two years. In 1993, Papua New Guinea and Mexico were admitted, thus strongly underlining the Pacific qualities of APEC. In 1994 Chile was admitted, followed in 1998 by Vietnam, Russia and Peru. All admissions occurred at the leaders' summit and, following the admission of the final three, the group agreed to a moratorium on new members. This moratorium has been temporarily extended, but the issue is likely to be revisited in the coming years. India and Mongolia are but two of the region's states who have indicated a strong desire to join. So by the end of the twenty-first century APEC could be said to begin in the Baltic Sea and end at Patagonia. Its members' populations amount to more than two-and-a-half billion people, and they account for nearly two-thirds of global GDP. At first glance this is no mean achievement. Yet as the moratorium on new members indicates, there was and remains considerable unease about who was in and out of the group.

The large number of members has produced a set of particular difficulties. The first is the basic problem whereby the increasing numbers has made reaching agreement much more complex. Given the consensus approach of APEC decision-making, bigger has proven to be almost certainly not better. A second, more significant problem was the gap that was opening up between different members' perceptions of just what the region ought to be. On the one hand, there were those who felt that APEC should be a Pacific Rim organization, and on the other those who felt it should be primarily an East Asian grouping. One might have expected this may have prevented

expansion, but instead those keen on an East Asian focus for regional collaboration, led largely by Malaysian Prime Minister Mahathir, felt that by encouraging a broader membership, APEC would become ineffective and thus lead East Asian members to turn to a narrower grouping. This politicization of the membership reached its zenith with the admission of Russia, a state which, at the time had a political and economic focus that was much more European than it was Asian-Pacific. Russia's inclusion, described as 'an act of economic vandalism' by former Australian Prime Minister Paul Keating (cited in Beeson 2009: 49), made little economic sense and further undermined institutional effectiveness. Russia's membership had been pushed by the United States for political reasons; it sought to use APEC as a means to placate Russia for the eastward expansion of NATO (Ravenhill 2001: 207). Expansion not only made the development of APEC's work much more difficult, and showed the political tensions among the membership, it also diluted the organization's focus (Cook and Gyngell 2005: 6). Indeed, while some members publicly voiced their support for APEC's diversity, they were using the expansion as a means of complicating aspects of APEC policy they did not like. This was particularly notable with regard to Japan's unease with trade liberalization (Ravenhill 2001: 101).

Stagnation and unexpected outcomes

After having grown rapidly, garnered considerable public attention through the addition of the leaders' summits, and having established high-profile targets for economic cooperation, APEC's concrete achievements have been extremely meagre. Yet while APEC's core business shrivelled on the vine, rather inadvertently the participants discovered some unexpected political and security benefits from the grouping.

APEC's biggest failure to date has been its trade liberalization programme. This involves both the specific failure to achieve the Bogor goals and the broader problems that the process to achieve those goals has created. From the outset, efforts to use APEC to drive regionwide reductions in trade barriers, rather than simply acting as a support mechanism for domestic liberalization, caused disagreement among the members. Indeed, even at the leaders' summit immediately following Bogor, held in Osaka, agreement could not be reached as to how to achieve the previous year's targets. At this point, the different views between the 'Western' and 'Asian' members became evident. The 'Western' members were interested in a more concrete result-oriented institution in general and a more active role for APEC in trade liberalization in particular; the 'Asian' members preferred process and low-level technical forms of economic cooperation. An attempt to reconcile these two trends led to the creation of the 'Early Voluntary Sectoral Liberalization' (EVSL) proposal, which was endorsed at the 1996 leaders' summit hosted by the Philippines (APEC 1996). EVSL essentially entailed the members identifying sectors that they would voluntarily liberalize and which would, across the grouping as a whole, try to balance respective interests and needs, and more broadly prompt collective action (see Ravenhill 2000). After much haggling, senior officials developed 15 sectors in which liberalization could occur. However, due to the voluntary and non-reciprocal character of the process there was little incentive for reluctant liberalizers to reduce barriers to trade. Thus countries that faced strong domestic interest groups, such as Japan, had no reason to take up the fight (see generally: Wesley 2001; Krauss 2004). While many pro-liberalizers realized the political problems of voluntarism, there was strong resistance to making the process binding. EVSL failed not only to encourage liberalization, it served to badly limit the prospects of any trade liberalization occurring under APEC's auspices.

EVSL was a blow not only to the trade side of the cooperative agenda, it damaged APEC's credibility in the eyes of many key powers. The 'Western' states felt that APEC was unable to

deliver the kind of results that they had anticipated and the 'Asian' states, particularly Japan, did not warm to the idea that the institution could be used to force them to change their domestic economic policies. This led many key powers to disengage from the process and, most particularly, drained the organization of leadership. Where in the past Australia and Japan had been champions of the grouping, after EVSL both turned away. APEC's credibility also suffered a setback as a result of external forces. APEC's inability to respond in a meaningful way to the greatest economic challenge faced by the region since decolonization – the Asian Financial Crisis of 1997–8 – further alienated key states, particularly 'Western' members. While some point out that APEC was never intended to be a crisis-response body (Nesadurai 2006), nonetheless the paucity of the response by the organization even to take up a common position as to the nature of the crisis fuelled the sense that APEC was a hollow entity and reinforced the broader political disengagement of the membership.

As a result of these problems, states began to look for alternative ways to achieve their international economic policy goals, thus creating a vicious cycle of low expectations and political and bureaucratic underinvestment. As a result of the EVSL debacle, and the difficulties of the WTO Doha Development Round, many APEC member economies began to turn to preferential trade agreements to advance their interests. In stark contrast to the ideas of 'open regionalism' that had been central to APEC's formation, members were devising exclusive deals among themselves, creating a messy array of trading networks with complex rules of origin (see: Aggarwal and Urata 2005; Ravenhill 2008). Not only has it made the regional trading environment less open, it has also come at a direct cost to the institution. Members are spending their diplomatic capital outside the institution, reinforcing the sense that it has little to offer in this regard and further draining it of policy utility. The other way in which this downward spiral can be seen is in the turn to new multilateral processes. As APEC has failed to maintain the interest of its members, competitors have sprung up and threaten to further erode APEC's standing (on this process more generally see Frost 2008: 131–74). The two most obvious examples of this broader regional trend, ASEAN Plus Three (the three being China, Japan and South Korea) and the East Asia Summit, have economic cooperation as core business. Indeed, ASEAN Plus Three has already made some modest achievements in the complex area of financial cooperation, most notably the Chiang Mai Initiative currency-swap arrangement (see Stubbs 2002). Equally, the East Asia Summit, while still embryonic in terms of concrete economic collaboration, has a more clearly directed Asian focus (it includes India) as well as annual leaders' meetings, which together present competition in a regional institutional marketplace, a space in which APEC was once a monopoly supplier (on the EAS and its prospects see: Cook 2008; Camroux, Chapter 30).

Finally, the sense that APEC was failing to maintain the sustained attention of its members, alongside the regular leaders' summit, at which public presentation of ideas is necessary, has prompted the creation of an extremely ambitious work agenda. From the APEC Gender Focal Point network to competition policy, energy security to tourism, APEC's publicly declared work covers a huge array of areas with around 50 sectors of work slated as distinct areas covered within at least one of the three pillars. Yet the extent to which APEC has a meaningful impact on member economies in these areas is hugely uneven, with many little more than declarations of intent. Moreover, moving into new areas has come at the expense of the group's original aims, as Gyngell and Cook point out, 'the expansion of the organization's functions seems inversely related to progress on its core goals' (Cook and Gyngell 2005: 6).

All of this non-achievement may lead one to wonder quite why it is that APEC persists, beyond the very considerable inertia with which international institutions tend to be endowed. As APEC was finding economic collaboration, in spite of the many common interests shared by its members, rather more fraught than might have been expected, its members have discovered that

the organization has a surprising political utility. As the grouping was trying to come to terms with the collapse of the liberalization agenda and the broader credibility blow of the Asian Financial Crisis, the political and diplomatic possibilities of the leaders' summits gave the entity some much-needed capital (see Bisley 2005). The 6th Leaders' Summit was held in Auckland and was crucial to brokering the diplomatic agreement leading to the intervention in East Timor; the 2001 summit in Shanghai was the first major international meeting following the 9/11 attacks and also helped China and the US defrost their bilateral relationship following the EP-3 spy-plane incident. More broadly, the members see particular value in the annual meetings as they present an unprecedented opportunity for political dialogue and that underappreciated side benefit of multilateralism, corridor diplomacy. Thus the APEC summit, an entity that brings together so many key states, including Russia, China and the US, alongside all of the key economies of the Pacific Rim, presents a particularly enticing diplomatic opportunity for which APEC maintains the interest of its members.

Evaluating APEC

Strengths

Despite APEC's longevity – some argue that its survival in the face of the economic, political and cultural diversity of the membership, and the not insignificant discontent many of its members feel, is a singular achievement – it can sometimes feel as if no one has a good word to say about it. There is a temptation to conclude that APEC's experience is a singular lesson in how *not* to have regional interstate economic cooperation. However, this would be to overlook a number of important contributions that APEC has made to the region's broader international relations, and underplays the potential it has to help play a role in underwriting a crucial and potentially fractious part of the world.

Perhaps the most important contribution that its supporters argue the organization has made has been to improve communication across the membership and, through this, to help make states realize the character of their common interests as well as to regularize communication lines so as to reduce the asymmetries of information that can lead to poor policy choices. More broadly, regular communication provides opportunities to manage crises when they emerge and, while they may not resolve them, can help contain their more damaging effects. The process of building and maintaining the institution, even in spite of its instrumental shortcomings, are thought to justify APEC's existence. It is almost unarguable that having more multilateral dialogue in such a region is a good thing, and it is easy to forget that APEC was the first of the now proliferating multilateral bodies – and that which brought together not only the US and its allies, but the emerging powerhouse, China. Indeed some go so far as to argue that APEC has played an important part in helping to manage the regional consequences of China's rise, through helping to shape its preferences and understanding of its international environment (e.g. Elek 2009; on China's socialization more generally see: Johnston 2008).

In a related but more specific sense, the annual leaders' summits are APEC's greatest asset (but one that does not come without its costs, as discussed below). They provide a key reason for maintaining significant interest among all the members, and also present a unique opportunity to undertake statecraft in a highly efficient way. They have thus far provided concrete examples of the broader idea that multilateral institutions provide avenues for new forms of diplomacy, such as in 2001, and have tremendous potential given the rapidly changing nature of the region's economic and strategic landscape. An organization that has an annual meeting that brings together the heads of China, the US, Russia, Japan and Indonesia, to say nothing of the others, has a very

considerable asset. Moreover, China's president only travels to one regional summit each year and that is APEC, the premier travels to the others, such as the EAS. That said, one must recognize, as Ravenhill points out, that the realization of potential is of course a function dependent on the nature of the individual leaders – and experience to date has borne that out as the summits' contributions have been decidedly uneven (Ravenhill 2001: 206).

A third advantage that APEC brings is the way in which it alone among the competitor organizations is able to act as a bridge between state efforts to promote economic globalization and market-led forms of integration. The distinction that many draw between regionalism (that which states do to promote their interests) and regionalization (that which markets do to integrate economies), is well discussed in Asia. Some go so far as to argue that markets are so far in front of states in this particular region as to make efforts to bridge the gap almost pointless (Katzenstein 1997). But APEC, through its formal links to the business sector (however thin it might presently be), is mindful of the need to link state and market processes. The one area in which most commentators feel that APEC has made a positive contribution is in the area of trade facilitation (e.g. Cook and Gyngell 2005: 9), that is, in the reduction of the transaction costs associated with international trade. This is in no small part due to pressure from business through the ASEAN Business Advisory Council. It is here, in the unglamorous world of customs procedures, regulatory harmonization and technical standardization, where APEC's market niche can be found.

When APEC was first established there was a concerted effort to ensure that political security questions were kept firmly off the agenda. Any political benefits that were to accrue from the organization's activities were to be entirely indirect. With the formation of the ASEAN Regional Forum (ARF) in 1994, the region had a relatively clear division of labour: APEC would deal with economic collaboration and the ARF would handle security questions. Yet not only is it, in policy terms, unhelpful to try to force the division of political, security and economic questions in an era of globalization, failing to recognize this connection can be fatal. APEC does seem to have learned this lesson and has begun to put security questions into its activities, most notably in the Secure Trade (STAR) initiative, which aims to help combat terrorism by protecting one of the more vulnerable elements of globalized societies (see Ravenhill 2006a). Asian states have recognized the intertwined character of their security and economic interests and are seeking collaborative means to try to deal with these issues (see generally Bisley 2009). APEC has found political and policy utility in beginning to capitalize on its position as an entity that is, in spite of protestations to the contrary, inherently political and economic. While it may not be able to make good on this potential, it is an extant body with established structures and processes and, in spite of some long-term political disengagement, a good degree of political capital with which it can help states and societies cope with the challenges of globalization.

Weaknesses

As touched upon in the section on stagnation, there are a host of basic structural problems that have badly hindered APEC's development in general and its ability to foster economic collaboration in particular. One of the most commonly observed shortcomings, at least from 'Western' analysts and policymakers, relates to APEC's operating principles. As the price for its acquiescence at the time of formation, ASEAN ensured that APEC would operate according to ASEAN's consensus principles, thus ensuring that the grouping would operate at the speed of its slowest member. As seen with the trade liberalization programme, voluntarism was crucial to policy failure, which in turn prompted political disengagement and broader questions about institutional credibility. The mode of operation seems ill suited to much of the cooperation that APEC has pursued. The political economy of trade liberalization requires mutual payoffs – and voluntarism

shuts this off. It also makes the organization hostage to the interests of one economy, which given the scale of the organization, is a substantial problem. A second commonly noted weakness relates to an important aspect of organizational design. The deliberate neutering of the secretariat was intended to ensure that APEC could never become an autonomous organization that compelled its members to act in certain spheres, as does the European Commission. The main policy-professional staff are not employed directly by APEC but are seconded there from their home governments (usually the foreign ministry), thus ensuring no divided loyalties. APEC has not only constrained the political potential of the secretariat, it has starved it of funds. Its total staff is around 50 and, as Cook and Gyngell point out, the Pacific Islands Forum has a larger budget than the APEC secretariat (Cook and Gyngell 2005: 7). In so badly underresourcing the secretariat, APEC has further hamstrung the kind of economic cooperation it can achieve. Voluntarism not only prevents APEC fostering trade and investment liberalization, the secretariat is utterly ill-equipped to act as a standard setter, information hub and general cheerleader for economic cooperation in the way the OECD does. By way of comparison, the OECD employs more than 2,000 staff.

A further problem that APEC continues to suffer from is an absence of leadership. This is a function of several factors. The decision to ensure that the organization remained firmly inter-governmental was intended to protect members from an activist EU-style bureaucracy, but this also meant that there was no chance that the institution itself could provide leadership when members' interest flagged or diplomatic momentum gave out. APEC is dependent entirely on members driving the organization forward. Once the interest of the initial enthusiasts, Australia and Japan, waned – due both to domestic political factors as well as disillusionment about the organization – APEC has had to wait for a new champion. That champion still has not arrived (see Morrison 2009). One of the ideas behind initiating the leaders' summits was to try to harness some aspects of leadership into the organization. But while the summits do provide APEC with a distinct asset they have also come at some organizational cost. As the institution's credibility has been undermined, the summits have become beholden to the idea that there must be a new programme announced so as to ensure interest in the institution is maintained. These are often related to the domestic interests of the host and not the interests of the membership as a whole or the needs of the organization. This then prompts a deleterious cycle as the announcements further exacerbate the sense that APEC lacks organization credibility (Ravenhill 2006b).

The rhetorical appeal of a grouping that goes from Newfoundland to St Petersburg, from Beijing to Santiago is considerable. The scale, reach and diversity of APEC can, from a certain perspective, be seen to be a good thing: economic cooperation can help dirt-poor Papua New Guinea, and agreements that include Russia, China and America surely must carry weight. But, as many critics point out, this diversity has proven to be a considerable burden. The grouping includes some of the world's wealthiest societies, such as Singapore, as well as some of the poorest, such as Vietnam. Its experiences to date show that this huge gap in economic standing has meant a paucity of common interests, and finding common ground on which to collaborate is extremely difficult. The economic range is matched in the diversity of the members' political systems. APEC includes liberal democracies, communist dictatorships, military dictatorships, sham democracies and even an absolutist monarchy in the Sultanate of Brunei. In an organization so heavily tilted towards the members rather than the institution itself, and which has emphasized voluntarism so strongly, political diversity is a significant problem as political contact among the members is often very low, information exchange very difficult and the basic administrative capacity of the members variable.

The other problem related to membership remains the broader question of just what region APEC is actually supposed to be serving. As other chapters in this volume attest (see Rozman Chapter 2, Hobson Chapter 4), recent debates about Asian regionalism, and particularly the

constitution of regional institutions, have tended to turn on the extent to which they should be organized around an East Asian or a trans-Pacific vision of 'region'. This is primarily a result of determining how to deal with the US given its strategic and economic importance to East Asia. All regional organizations must make a decision as to who is in and who is not and on what basis. The manner in which APEC members determined this did not reflect a clear economic or even political logic related to the institution or any consensus as to the idea of the region. It was often *ad hoc* and shaped by an array of political calculations, some intended to undermine the institution and others bearing little relationship to the institution itself. The organization has had its operations badly undermined by a membership that has very disparate interests and which does not at all coalesce around a common sense of region. Put bluntly, there are not sufficient economic, political or cultural points of commonality on which some kind of consensus about the region can be developed. This absence of a sense of 'regionness' is a very significant impediment to APEC's work and future prospects.

This gets to the heart of the matter. APEC's biggest weakness is the absence of any meaningful consensus among the members as to what it is that the organization should be doing. While there are endless action plans, declarations and statements setting out APEC's purpose, these often amount to little more than a public-relations exercise. A substantive sense of common purpose, which the institution should be advancing, is palpably absent. ASEAN stands in stark contrast to APEC in this regard. While critics have accused both of not achieving a great deal, for ASEAN this is not such a problem. The members value ASEAN as a process and share a common view as to the underlying reason for the institution's existence. The lack of a common normative understanding of APEC's purpose is its most fundamental challenge. The various arguments over, for example, trade liberalization or expanding membership, reflect the competition for ideas that an absence of consensus creates. Those policy-entrepreneurs who had championed the cause of Asia-Pacific economic cooperation prior to APEC's formation had largely sought to promote a liberal economic model informed by neoclassical economics. Yet upon APEC's creation, these ideas did not take hold in the minds of the members (see Beeson 2009: 51–55), but nor did anything else. Instead the institution has become a forum for talk about different kinds of cooperation, but none of it is informed by a clear underlying purpose on which all agree. Even the simple idea of ASEAN's, that process is a purpose, is not supported by all. Process is an important part of what APEC does, and it is valued, of that there can be no doubt, but there is no agreement among the membership that that is what it, alone, should be for. There are many, particularly the advanced economies, that expect the organization to do more, while others actively do not want it to be more than a forum. Until such time as this basic existential problem is resolved, it is very difficult to see the organization doing any more than it currently does to try to improve the region's, and its own, prospects.

APEC and Asian regionalism

APEC in many ways reflects a distinctly dated conception of Asian regionalism. Viewed from contemporary circumstances, the idea that APEC would act as the handmaiden for network of economic interdependencies among the Pacific rim states and societies that would usher in a 'Pacific Century' seems positively quaint. With the benefit of hindsight, the idea that the economic interests of Japan, China, the US, Australia and many of the ASEAN economies would be well served by including Mexico, Peru and Chile, instead of India, in the organization is palpably absurd. It is equally a reflection of a particular kind of international optimism that gripped the policy imagination in the early post-Cold War period. As the horizon of political possibilities opened up with the end of bipolar conflict, the kind of ambitious cooperative

endeavour that APEC represented had a certain plausibility. The idea that a broad variant of liberal capitalism had triumphed not only over Soviet communism but over history itself, which was widely consumed at the time, implied that managing international economic relations was essentially a technical proposition and for which international institutions were ideally suited. APEC's many problems and policy failings may lead one to question why anyone thought such an endeavour was a good idea in the first place. Crucial to understanding that process was the peculiar air of possibility created by the Soviet collapse.

As Baogang He points out, regionalism in Asia has largely been an exercise in creating international circumstances that help advance nation- and state-building projects (He 2004) and often strongly statist conceptions of capitalism. Where in other parts of the world regionalism is about breaking down nationalism and promoting distinctly liberal notions of capitalism, regionalism in Asia is about helping states achieve their statist domestic aims. APEC's experiences to date show that this predilection among Asian states is still very strong. The tensions within the grouping over trade liberalization were only the most obvious manifestation of this trend. In an important contribution to debates about Asian regionalism, Frost argues that the current dynamics of regionalism in Asia maintain this trend. As Frost puts it, Asian leaders 'look to the integration movement for opportunities to cope more successfully with shared domestic challenges – and thus to strengthen their national sovereignty, not to share it' (Frost 2008: 11). Thus APEC's fate is a lesson in misunderstanding this process and the price to be paid for assuming that liberal economic logic will change political preferences in this part of the world. An APEC that is to thrive and make a difference to Asian states and societies is one that helps the region's states navigate their domestic programmes in a world of dynamic and increasingly integrated markets. That desire to reconcile domestic statism and transnational markets lies at the heart of the high demand for regionalism in Asia (discussed in Munakata 2006; Calder and Fukuyama 2008; Green and Gill 2009). APEC as currently constituted is not especially able to meet this demand, but then neither are many other entities, and as such there is an opportunity on which a reformed organization could capitalize.

More broadly, APEC's experience shows the continued paucity of the fit between the market-led processes of regionalization that are so dynamic in Asia, and state-led processes of regionalism that try to use intergovernmental cooperation to try to drive policy outcomes. APEC's approach to intergovernmentalism failed, and it has yet to work out ways in which to improve this fit. The organization clearly needs to do this or it will fall over what Cook and Gyngell rightly call 'the brink of terminal irrelevance' on which it is presently poised. How can it do this? From the observations made in this chapter, a number of points can be made. First, the organization needs to settle on a normative purpose that is shared by all members, and it would seem, given the political preferences of key members, that a return to the OECD type of organization that some originally intended would be the most promising (see Park and Lee 2009). If such a body were to be created – one focused on communication, information and standard setting – then its bureaucracy will need to be appropriately resourced. Second, it needs to get right the question of 'regionness'. That is, it needs to ensure that the members not only agree as to purpose but also to the core set of common interests that they share. In short, the question of not only what the institution is for, but for whom and why needs to be answered. Third, APEC is in what management consultants might call a competitive landscape. The demand for multilateral cooperation has produced more players and APEC cannot assume its first-mover advantage will be enough to see off the competition. It needs to work hard on the question of product differentiation with other regional groupings and, more particularly, determine a clear division of labour among the other entities.

Finally, APEC needs to devise a narrow and workable set of sectors in which economic cooperation can actually occur and thus ensure a virtuous cycle of political engagement. EVSL showed how bad getting this wrong can be. So what should APEC work on? One much-discussed

prospect is for APEC to press ahead with an APEC-wide preferential trade agreement, such as the Bergsten proposal for a Free Trade Agreement for the Asia-Pacific (FTAAP). This would be the equivalent of doubling down on a losing hand and would more than likely lead to a reiteration of the vicious cycle as expectations are raised and then dashed as, politically, an FTAAP seems an extremely unlikely prospect. Instead, one thing APEC can do, and indeed has begun to take some action on, is work as a regional body to manage the consequences of the proliferation of preferential trade agreements (PTAs), with their complex and expensive rules of origin. APEC should also focus its trade efforts on trade facilitation. Not only is this sector an area in which, relatively speaking, the group has had some success, it is one area in which intergovernmental activity can foster market integration without high political cost.

APEC's experiences are in many ways symptomatic of the broader economic and political forces extant in contemporary Asia. States are keen to cooperate in the economic realm, but politically still extremely sensitive about their rights and prerogatives. Flushed with post-Cold War enthusiasm, APEC sought to improve regional prosperity through the institutionalization of liberalism. Asian states, however, were unhappy with this and APEC suffered as a result. The political payoffs of APEC are clear, and appreciated by all, but economic payoffs need to occur, otherwise these benefits will become subject to the law of diminishing return. It is well placed to capitalize on the renewed interest in multilateralism, but only if its members recognize the source of the organization's difficulties and take steps to re-orient the institution so as to be better able to meet this demand. If it does, it has considerable potential to advance the well-being of states and societies across the region. If it does not, then APEC members may well find that they will need a new excuse to chat.