

# **Alternative American Perspectives on Asia-Pacific Regional Cooperation and the Future of APEC**

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With the advent of a new administration in Washington, the United States is again reviewing its Asia-Pacific policies. In the course of this, the place of the multilateral APEC process should be reassessed in the content of U.S. Asia-Pacific and global policies. At the present time, APEC does not have high visibility, except as an obligatory annual meeting. Asia, however, does have, but Asia is usually thought of in terms of particular countries and issues that are most pressing for American policy makers. This was illustrated at beginning of the year 2009 when the new Secretary of State, Hillary Clinton, gave an Asian policy speech prior to an extended trip to the region, her first overseas as secretary. Although her speech was billed as a comprehensive statement of Asia policy and although the new administration had promised to give more attention to multilateralism, there was not a single mention of APEC, but rather it was mostly a country-by-country tour d'horizon with special attention to the places she was going. While the APEC omission can be interpreted as simply a speech drafter's oversight, this clearly suggests APEC plays a less than essential place in US Asia policy. Despite this, there was never any doubt that the new president, Barack Obama, would attend the APEC Leaders Meeting in Singapore in November 2009, and make a first and extended trip to the region. The United States also, thanks to the preceding Bush Administration, is committed to hosting APEC in the year 2011. APEC will obviously continue to feature in U.S. policies toward the Asia-Pacific, but the question is how prominent a place APEC will have, and what uses, if any, the new U.S. administration may seek to make of it. Will it be overshadowed by bilateral interests and new global processes, such as the G-20, which is dealing with the most pressing issue on the American agenda – the economic crisis? Or will the new administration in some more fundamental way seek to restructure U.S. multilateral engagement in the region?

Looking over the past two decades, the United States government officials have both highly valued APEC and wished that it could be more. Its value comes from its position as the only multilateral vehicle through which the United States connects to virtually all of the Asia-Pacific region at the leader level. The annual APEC Leaders Meetings have been a remarkably efficient means for the American president to meet most of the leaders of key Asia-Pacific countries in one concentrated period of time and single setting. The underlying source of doubt and frustration is that APEC, reflecting an Asian form of multilateralism pioneered by the earlier Association of Southeast Asian Nations (ASEAN), is a highly process oriented, as opposed to outcome oriented institution. As such, it is less appealing to American political culture, where public discourse, at least, favors concrete outcomes and performance metrics. Thus the U.S. government has been perplexed about how it can achieve something more concrete out of APEC than the current process is capable of giving. This continues to raise questions about APEC's value, but so far there is nothing to replace it.

## **I. Contending American Perspectives: Community-builders, Strategists, and Free Traders**

Different interests groups in the United States have looked at the APEC process differently. In other writings, I have noted that internationally there was no single APEC vision, either when APEC was created or later.<sup>1</sup> Similarly, there has never been a single American vision of what APEC should be. In the 1970s and 1980s, the American interest in a broad-gauged intergovernmental cooperation mechanism prior to APEC's creation was largely led by private American academics and businessmen as well as parliamentarians rather than the U.S. government officials. For those business people involved in the Pacific Basin Economic Council (PBEC), economists involved the Pacific Free Trade and Development (PAFTAD) meetings, or academics, business people, media, and government officials involved in the Pacific Economic Cooperation Council (PECC), a multilateral governmental organization was seen as a needed step in bringing the governments into a formal process through which Asia-Pacific cooperation could be furthered. But cooperation for what purpose?

The priority given to this ultimate purpose distinguishes what I refer to as the three major schools of thought on APEC in the United States: "community-builders," "strategists," and "free traders." But two notes of caution should be attached to this categorization. First, these are not exclusive perspectives; in fact, the same individual might agree with all three. The distinction is what he or she might believe to be the most important goal of APEC. Second, all three perspectives represent very small groups within U.S. society. APEC has never enjoyed much public visibility in the United States, and thus there are very few Americans with informed or strongly held views of the APEC process.

The "community-builders" regard a multilateral cooperation institution in which the United States is an equal partner as an appropriate way for the United States to relate to Asia, succeeding or at least complementing the "hub and spokes" focus of most of U.S. relationships with the region. The end point of the process is good relationships among countries, thus facilitating cooperation in specific arenas. This view was influenced both by the largely successful experience of U.S. relations with the countries of Western Europe and by a success of the Association of Southeast Asian Nations (ASEAN) in promoting relationships and some sense of community among its members. The community-building perspective has probably appealed most of "Asianists," that is, Americans in academic, business, and government with a strong interest in relationships with the region. It particularly appealed to the fairly influential group within the Asianists who had a strong orientation toward Japan, and who regarded with alarm the almost constant economic tension between Japan and the United States during the 1970s and 1980s. The American ambassador to Japan for much of the 1980s, Mike Mansfield, proposed a free trade agreement as a means to deal with this. Others, who felt the free trade concept was unrealistic, believed that a multilateral cooperation organization would help to soften the sharper edges of the bilateral competition and provide a politically more acceptable source of diverse external pressures for Japanese reforms.

This community-building approach was somewhat idealistic, given the very broad size of the proposed Asia-Pacific community and the lack of historical antecedents, deep cultural connections, or strong sense of common interests to give coherence to a community. Community-building, as least as practiced in Asia, was also idealistic in terms of U.S. political culture, which does not favor the ASEAN style, which for many years appeared to result in little more than shoulder-rubbing among governmental elites with few concrete measures of cooperation. But, community-builders were prepared to be the most patient with the slow pace of cooperation and the lack of early concrete outcomes. They believed that community-building had to start somewhere and would be a long-term project. If pushed too hard or rushed, it could actually lead to conflict rather than increased cooperation. Community-builders were probably most influential in years leading up to APEC and in its early years. But they became somewhat disillusioned as the U.S. government, and others, increased the membership of APEC, making community-building that much more difficult, and adopted sharper policy initiatives in the trade and later security arenas that threatened to make the APEC a forum for contention.

The “strategists” primarily look at APEC through security and foreign policy lenses. They were initially skeptical and even fearful of APEC as potentially undermining the dominant U.S. position in Asia, built upon the hub and spokes relationships that privileged the U.S. geostrategic position in the region. However, the strategic view was also fearful of the United States being left out of Asia-oriented multilateralism, and saw APEC from its beginning as an important vehicle for retaining U.S. influence in Asia. When the Cold War abruptly ended with the fall of Berlin Wall in the same months as APEC was founded in late 1989, strategists believed the new organization might serve as an important, strategic link between the United States and Asia in the post-Cold War period. Furthermore, APEC’s importance as a strategic institution was further highlighted in their minds the next year when then Malaysian Prime Minister Mahathir launched a proposal for an East Asian only regional grouping (East Asia Economic Caucus - EAEC). The strategists feared that by excluding the United States, the EAEC would establish Japan as the leading influence in Asia to the detriment of U.S. interests. They argued that the EAEC was not needed because of APEC, and with the leadership of then Secretary of State James Baker, the strategists went all out to ensure that U.S. allies in Northeast Asia did not support the proposal.

The “free-traders” primarily regard APEC as an institution to promote economic cooperation and trade facilitation and liberalization. Long before APEC was created, there was an influential group of trade economists who primarily saw regional intergovernmental cooperation as a means to promote liberalized trade. This group was encouraged by early APEC statements, which placed primary emphasis on economic cooperation, and became even more euphoric when, in 1994, the APEC Leaders, heavily influenced by the recommendations of APEC’s Eminent Persons Group, adopted the Bogor Vision calling “free trade and investment in the region” by 2020.

Most of the American free traders would prefer a global free trade approach, but the many complications and slow progress of the World Trade Organization (WTO)

negotiations made them look for alternatives. They generally saw the Asian economies as more compatible than European and most developing economies with American concepts of capitalism and liberalized trade, and hoped that a smaller grouping of like-minded leading global economies in APEC could help either kick-start WTO liberalization or be a fall-back “Plan B” liberalization scheme if the WTO round failed. Despite the highly visible trade frictions involving the United States with a number of other APEC economies, the most ardent free traders thought that APEC had found an alternative way to promote trade liberalization through “concerted voluntary liberalization,” although virtually all of the American free-traders felt that the most intractable trade barriers would ultimately require traditional negotiations based on reciprocity.

The free-traders became disillusioned by, or at least more realistic about, the utility of the APEC process following the 1998 debacle with APEC’s proposed Early Voluntary Sectoral Liberalization scheme (EVSL, to be discussed below), but U.S. government officials in the U.S. Trade Representative’s office as well as influential private business people and academics continue to see APEC as mainly for trade liberalization and facilitation. This does not mean, however, they necessarily believe at APEC itself should serve as a vehicle for negotiations over a free trade area. While that idea appeals to some outside government, most government officials recognize how difficult this objective is in both political and technical terms, and prefer incremental steps. What unites free traders in and outside of government, however, is the view that the foremost purpose of APEC lies in liberalized trade and other economic objectives.

The 1994 Bogor vision pictured an APEC with three pillars: trade and investment liberalization, trade and investment facilitation, and development cooperation or “Ecotech”. Aside from the three major schools of thought toward APEC, there is a minor U.S. group that would privilege development as the major goal of APEC and favor and even be exclusively interested in the Ecotech agenda. This group has been enthusiastic about schemes, such as Japan’s “Partners for Progress” effort that financially supported Ecotech projects. However, the U.S. government, has downplayed Ecotech because there were other organizations for this purpose and because of “aid fatigue” in the United States Congress. In the 1990s, few Americans could envision their country contributing strongly to an Ecotech agenda, while at the same time, Japan’s official development assistance (ODA) programs were expanding rapidly. Japanese journalist Yoichi Funabashi quotes one U.S. official as saying that “I am very worried about Tokyo just buying up APEC through ODA.”<sup>2</sup> Because of the strong U.S. government view of APEC in mainly strategic, trade, and other economic interdependence terms, and because the development assistance activities in APEC are so miniscule compared to bilateral programs and those of the international financial institutions, Americans who might have otherwise been attracted to APEC as a development mechanism have generally paid little attention to it, and have never provided an influential perspective on APEC.

## **II. Changing Priorities in American Perceptions**

Each of three major schools of thought within the United States about the APEC process has experienced periods of ascendancy and despondency. The best days for the community-builders were in the early years of APEC, the free-traders dominated in the mid-1990s, and the strategists have been largely dominant during the presidency of George W. Bush. Each group, however, has in turn become frustrated with the complexities of the APEC process in privileging any single goal and moving forcefully toward it. Such frustration, of course, has not been confined to Americans. In general, APEC has been largely seen in almost all its member-economies as having had less promise in its second decade than its first. At the same time, it currently has no competitors as an Asia-Pacific regional institution, and thus is not in immediate danger of being replaced. In this section, we review how each of the schools identified above has historically looked at APEC's successes or failures in the area of its dominant interest.

**APEC as a Community-Building Institution.** By APEC's 20<sup>th</sup> year, the rhetoric of "community-building" appears dated and overly grandiose. But community-building efforts seemed quite relevant to the early APEC. In the early 1990s, U.S. Secretary of State James Baker, for example, put significant stress on education as an area of APEC cooperation, and this was continued in the early Clinton administration. Indeed, education and exchanges were given almost as much attention at the first APEC Leaders Meeting in 1993 as the economy, with the initiatives in this year including the establishment of the APEC Study Centers to foster mutual awareness and a sense of community.

But community-building as a deep process of forging some sense of common identity or at least shared vulnerabilities generally occurs within a compact group of countries with relative strong geographical, historical, cultural, or other connections that create either a sense of identity or at least some complementary interests. This was always a stretch for APEC, which from its early days spanned the world's greatest ocean, and became even more of a stretch when Latin American countries and Russia were added. Both of these additions came as a result of strong support from the United States and were argued on the basis of U.S. relationships with the countries concerned, not on the basis of APEC's integrity and purpose. As such, the additions showed the importance that other, more narrow and concrete foreign policy, or strategic, goals had over broad notions of either community-building or economic organization building.

For most of the other APEC economies, community-building seemed more appropriate to a more geographically confined context – Southeast Asia, East Asia, or South America. Particularly, as the East Asian options became more feasible, these also became of greater interest to the Asian members of APEC, whose community-building endeavors shifted toward the smaller groupings where common interests could be more easily and convincingly identified. For the United States, as a global power, North America has been too small for community-building (NAFTA is simply a trade agreement with no pretensions beyond that), and there was a desire to avoid being seen as exclusively an Atlantic, Pacific, or inter-American nation. Simultaneous community-building in all these geographical spheres rather than commitment to one, made

community-building in any one of them seem incomplete, less important, and not quite genuine.

Community-builders also faced the problem that community-building appears to be a fuzzy, minimalist, process-oriented goal. Critics in the business community, the media, or Congress seek concrete outcomes with benefit to U.S. national interests that they can associate with the APEC process, and the American APEC bureaucrats have usually preferred to concede this or to try to list achievements or outcomes that have made a difference. Thus Sandra Kristoff, an American APEC Senior Official of the 1990s, frequently acknowledged that APEC had “a credibility problem,” for having not then provided concrete deliverables to the business community. This was not, however, what many American community-builders or Asians thought APEC was about, or at least not yet.

**APEC as a Strategic Institution.** While the strategists value APEC as an American political connection across the Pacific and as a counterweight to Asia-only institutions, they would prefer that APEC develop a true political-security dialogue. Moreover, they regard political-security issues as a much more natural topic for foreign ministers and especially leaders than the economic and trade related topics that were the stuff of most APEC ministerial and leader statements, and which had become even more technical as time went by. Security, however, was precluded at the very beginning by the bargain made by the Australian drivers of the first APEC meeting with ASEAN that the new process would confine itself to economic cooperation. This 1989 compromise with ASEAN was powerfully reinforced by the 1991 addition of China, Taiwan, and Hong Kong as three separate member-economies, as China became the staunchest advocate of formally confining APEC cooperation to economic matters, as befits an organization composed of “economies,” not all of which are sovereign states.

Nevertheless, from time to time, the United States has sought to push APEC in the direction of greater security content. In 1995, in Osaka, then Secretary of Defense William Perry called for consideration of this direction, a proposal that completely fell on deaf ears elsewhere. In 1999, the APEC ministers meeting occurred at the same time as turmoil in East Timor. At the time, some ministers met separately outside the formal APEC process about the Timor situation, but this had no follow-up or lasting impact on APEC as an organization.

More concerted U.S. efforts to expand the agenda in this direction were made after 2001, when the APEC meeting was to take place in Shanghai in November, two months following the New York 9-11 terrorist attacks. The timing provided an opportunity. As China was anxious for full attendance, it agreed that counter-terrorism should be a theme of the Shanghai summit, ensuring that politically President George W. Bush could come, despite the meeting coming relatively soon after the attacks (it was his first post 9-11 foreign trip). Over the subsequent two years, the United States introduced into APEC mostly terrorism-related and anti-nuclear proliferation measures, notably the “Secure Trade in the APEC Region” (STAR) initiative on cargo security, approved in

2002, and the 2003 “Bangkok commitments” designed to address a broader set of security concerns.

Because of reluctance on the part of most Asian economies and China’s strong resistance, further expansion into a security agenda could have compromised the positive spirit that virtually all leaders, including then President Bush, sought to project at the meetings. Thus, the U.S. push petered out, and political and security issues have largely crept into the APEC agenda not through formal multilateralism, but through the many bilateral and some mini-lateral informal meetings that occur on the side of the APEC ministerial and leaders meetings. While the strategists would continue to desire a more direct and robust security agenda, at least at the Leaders Meetings, they also appreciate the benefit of having so many leaders available to the President over a concentrated period of time. Like community-builders, strategists may be somewhat frustrated with APEC, but they continue to value and support the process.

**APEC as a Trade Institution.** While American interest in APEC for economic liberalization has waxed and waned, the trade and associated economic interests remain very important in the American thinking about APEC, with continuous pressure to show results to the business communities. Aside from its NAFTA partners, the U.S.’s major foreign trade partners are in Asia, and APEC has always been seen as a means of improving understanding about trade rules, disciplines, and the norms and expectations of the global regimes. American trade specialists regard APEC positively as an institution where once non-WTO members learn more about the WTO processes (China, Vietnam) and where some WTO members build capacity to enforce WTO disciplines to which they had already agreed. The USTR continues to play a very prominent role in the APEC process from meeting of working committees, to the Senior Official Meetings, and all the way through the annual APEC Ministerial Meeting, where the U.S. Trade Representative usually spends far more time than the Secretary of State, most of whose time is spent on bilateral side-meetings.

APEC was not intended as a trade negotiating forum, and its ethos of “open regionalism” makes it difficult to conceive of as a basis for a trade “bloc.” Despite these institutional constraints, there has been a strong strain of continued U.S. interest in moving it toward this direction, largely coming from outside the government. Two of the major APEC trade initiatives associated with the United States, the Bogor goals (1994) and the Free Trade Agreement of Asia and the Pacific (FTAAP, 2006), were pushed by outside advisory groups with official access to leaders, the first, the American-led Eminent Persons Group and the second by the APEC Business Advisory Council (ABAC). In both cases, a prominent American free-trader economist, C. Fred Bergsten, was a pivotal intellectual force. The officials within the Office of the USTR are generally wary of such proposals because they know how complicated the multilateral negotiations are, and how much resistance there is within the APEC Asian member-economies to turning APEC into a negotiating forum. They were also over-stretched with other negotiations, or politically and legally constrained. In fact, in both cases, at the very time the proposals were being advanced by the outside groups, the special negotiating

authority the Administration needs and periodically gets from Congress to be a credible negotiating partner had either lapsed or was about to.<sup>3</sup>

Despite the lack of negotiating authority, the adoption of the Bogor vision and goals did encourage a push by American policy-makers in the trade area. The goals were promulgated with two target dates (2010 for achievement by developed countries, 2020 for the entire group), but with no real APEC mechanism for achievement of these goals other than the uncertain and untested concerted, voluntary liberalization process. However, the adoption of the goals themselves were seen as a surprising achievement, as well as the adoption a year earlier of the Declaration on Trade and Investment Framework, which established the Committee on Trade and Investment and expanded APEC's trade focus to liberalization. Moreover, some U.S. officials believed that the process could be used as a substitute for traditional negotiations. As one USTR official put it, APEC "walks and talks like a negotiation, but we just don't use the term."<sup>4</sup> The hope was that the APEC process could be used to accelerate unilateral liberalization that was already spontaneously occurring in many APEC developing economies. In fact, concerted, voluntary liberalization was like most diplomatic compromises; it papered over rather than resolved differences. The Americans focused on the "concerted" part, which some were willing to see as the near equivalent of reciprocity-based negotiations, while the Asians focused on the "voluntary" aspect.<sup>5</sup>

In the mid-1990s, like the region's economy itself, APEC was riding the crest of a bubble of expectations, in four successive years establishing a summit meeting (1993), the Bogor vision (1994), an Osaka Agenda or framework of principles (1995), and the Manila Plan of Action (1996). In reality, this was only the planning at the beginning of regional cooperation. Once the planning was done and it was time for the promised "action," everything became much more difficult. Still U.S. optimism was buoyed by APEC's endorsement of the Information Technology Agreement (ITA) in 1996, considered by some as a key step in the ITA's adoption globally in Singapore a month later, and by others as quite marginal as agreement had already been reached among the major actors before APEC was involved. The "success" in the information technology sector led to an American push for a sectoral approach to trade liberalization to show that APEC had teeth. What amounted to a negotiating process began on a series of sectors under an initiative called Early Voluntary Sectoral Liberalization (EVSL). But EVSL proved to be a bridge too far. The American push for comprehensiveness (even though the sectors chosen were quite narrowly defined and often of little real trade significance) came up abruptly against a staunch Japanese resistance to any concessions on forestry products and fisheries. The Southeast Asian economies were disturbed by what they saw as a Western hijacking of APEC to make it a negotiating forum for their own economic and political interests. With progress stalled, in 1998, APEC referred EVSL to the World Trade Organization for certain death, thus ending its strongest push toward trade negotiations. The collapse of EVSL had brought into the open tensions that had been simmering since the adoption of the Bogor goals over the very purpose and nature of the APEC process. At the end of its first decade, APEC could be said to be in crisis, its Asian members disillusioned by the failure of APEC to take meaningful action on the



Asian economic crisis, and the United States also disillusioned by its failure of what it regarded as a meaningful trade agenda.

Following the EVSL collapse, little more substantively was heard about the Bogor goals, and trade attention turned to other areas, notably business facilitation. But facilitation is a largely compartmentalized, slow, step-by-step process, where progress in one sector is almost unheard of or unappreciated in another. The larger business community, which had direct access to APEC and the APEC leaders through the APEC Business Advisory Council (ABAC) that had been created in 1996, wanted something far more comprehensive and dramatic. By 2004, they brought back the issue of trade negotiations onto the table with the proposal for a region-wide free trade area. This time the proposal was handled with considerable more skill than the post-Bogor EVSL. The FTAAP proposal again reflected a Western, results-oriented approach (its earliest proponents were Canadian and Chileans and other prominent proponents were found in the United States, Australia, and New Zealand). Although the notion was initially resisted by the USTR bureaucracy, it was quite suddenly adopted as a proposal by the Bush administration just months before the Hanoi Leaders Meeting in 2006.

While strongly pushed by the indefatigable Bergsten,<sup>6</sup> this change of U.S. position appears to have reflected the more cynical approach of strategists in the White House than the free traders in the business and academic communities. A major reason for its embrace by the United States was to set up an alternative to an East Asian free trade agreement, and not because the United States authorities themselves ever believed an FTAAP could be easily negotiated and adopted anytime soon. To have actually moved forward with the proposal, which as a free trade agreement among very prominent economies was far more ambitious than the Doha Round, would have required the setting up of a separate negotiating process outside the APEC structure, and no one was prepared for this. Opponents of the proposal argued that, if pushed, it would be highly divisive and help create the very prospect that its proponents argued that it was designed to eliminate – “a line down the middle of the Pacific,” the outmoded phrase originally associated with Secretary Baker. In the end, the proposal was rather graciously accepted by the APEC economies as a “long-term vision,” a move which also sidelined it as an immediate or operational objective of the organization. This also saved the United States a considerable degree of embarrassment since the administration soon lacked the Congressional grant of authority that is widely regarded as essential to any credible U.S. trade liberalization negotiation process.

Even if APEC may not be an effective trade negotiating mechanism and of relatively marginal significance for liberalization, there remain significant hopes that APEC might help push positive outcomes to WTO trade negotiations. There is a widespread belief in the United States that APEC played such a role for the Uruguay Round by causing the Europeans to be fearful that APEC would move ahead independently if there were no conclusion to the Round. But APEC has both significantly widened since then and also proved itself incapable of beginning a negotiating process. Once the new Doha round had begun, APEC habitually endorsed its progress (a Doha box needed to be checked in each year’s Ministerial and Leaders

communiqués), and served as a venue for trade ministers to hold side meetings that were usually more focused on the Doha Round than anything in APEC itself. However, the diverse economic interests within APEC and the strong belief in some APEC economies from the very beginning that APEC should not be a “bloc” and not a venue for negotiations, are strong, practical constraints on any concrete endeavors by APEC to become a forward-looking caucus within the global trading system.

It can be argued that APEC has indeed substantially served American interests in strengthening dialogue on trade and investment issues across the Pacific, initiating regular sharing of information and serious reviews of individual economy trade policies, and supporting facilitation measures in many sectors. Unfortunately, most of the progress falls below the proverbial “radar screen,” for the U.S. business community and the Congress.

### **III. APEC in the Bush Administration – the New Bilateralism**

The George W. Bush administration was widely criticized for failing to appreciate the multilateralism, and for the ad hoc-ism of “coalitions of the willing.” However, President Bush, unlike his predecessor, managed to attend every APEC Leaders Meeting during his presidency, and the White House was said to be highly enthusiastic about APEC.

In fact, by the advent of the Bush Administration, there was much more realism within the on-going bureaucracy about the limitations of multilateralism, particularly the multilateralism institutions that were not solidly based on a clear, common set of interests. This, combined with Bush’s projection of a business-like, no-nonsense approach to the presidency, gave pride of place to institutions that could achieve cooperative activities – “coalitions of the willing” and even more to bilateralism. The emphasis on bilateralism was especially prominent in the trade area. Robert D. Zoellick, the Administration’s first trade representative, strongly pushed forward bilateral negotiations in the hope that “competitive” bilateral liberalizations would move the global liberalization process forward. As he told a group of American newspaper editors early in his tenure: “follow the FTAs [free trade agreements]. We will launch them, negotiate them, pass them, and then launch more. Our aim is to use these FTAs – in conjunction with our global and regional negotiations – to create a new, ongoing momentum for trade policy.”<sup>7</sup> But in the eagerness to achieve results and to contribute to the Administration’s emphasis on outreach to friendly Islamic nations, Zoellick’s bilaterals mainly focused on smaller, already quite liberal trade partners where negotiations would be relatively easy -- Chile, Singapore, and Australia in the APEC region, and smaller pro-American Islamic countries (Jordan, Morocco). This approach provided the appearance of great movement, but was of little strategic value in the context of the theory of competitive liberalization and it was difficult to sustain the momentum once the highly competent and energetic Zoellick left the position and the negotiations moved toward more technically and politically complex trading relationships (Malaysia, Thailand, and Korea). The Korean agreement was by far the most significant and the negotiations were completed, but parliamentary approval remains in limbo in both countries.

At the same time, Zoellick and his successor, Susan Schwab, found APEC important for continued contacts with counterparts among the member-economies, but primarily for the opportunities it provided for informal meetings about the global processes.<sup>8</sup> Similarly, increasingly the strategists in the White House saw APEC as more significant in the bilateral and mini-lateral context than in the large regional, multilateral context. Over time, the APEC Leaders Meetings as well as those of the foreign ministers increasingly entailed an intense and very efficient series of bilateral meetings, with major partners and allies getting most of the face time, which overshadowed the stylized multilateral aspects. In fact, in some ways, it reinforced rather than undermined hub and spoke approaches to Asia-Pacific partners. The leaders, of course, still had to meet altogether and have their picture taken in a garb that reflected traditional wear of the host.<sup>9</sup> But the real action has been on the side, not simply in bilateral meetings with other leaders, but in individual speeches to the CEO Summit, an annual business meeting that grew up around the APEC Leaders Meeting, or small meetings with business leaders. As wags have it, APEC is a remarkably efficient dating service for leaders, but not necessarily just with each other.<sup>10</sup>

#### **IV. The Obama Administration and Regional Architecture**

It is difficult at this juncture to know how the Obama Administration will assess APEC within the broader context of U.S. foreign policy and Asia-Pacific priorities. The Administration has vowed to place renewed emphasis on multilateralism and presence, as underscored by Hillary Clinton's stop by the ASEAN Secretariat in Jakarta during her first trip to Asia in February 2009 and her July appearance at the ASEAN Regional Forum meeting in Phuket and signing there of the ASEAN Treaty of Amity and Cooperation.<sup>11</sup> But the long-standing pressures for "credibility" in the American political culture will also operate with this administration, which will want to demonstrate that APEC is a meaningful use of the time of the President and his Cabinet officers. It is also true that the policy will be determined largely by the powerful global economic and political forces and events that buffet American policymakers, notably the global economic crisis and the rise of China. These shift the locus of immediate attention to the institutions through which the United States principally responds to such issues: the G-20 for the economic crisis and the U.S.-China Strategic and Economic Dialogue for China. In contrast, APEC does not have a clear and sharp mandate for addressing any special critical issue.

This said, there are two long-standing issues that face the new administration when considering Asia-Pacific regional cooperation. One is the question of how to insert political and security more directly into the agenda of Asia-Pacific leaders summits, and the other is the tension between two geographical architectures – a trans-Pacific one including the United States with the APEC multilateral structure, and the other, an Asian-only one with two current large structures – the ASEAN Plus Three (APT) and the East Asian Summit (EAS – sometimes called "ASEAN plus six" and sometimes "ASEAN plus three plus three"). It is possible that the new administration, like its predecessor, will never develop a broad East Asian strategy including multilateral regional

cooperation and simply continue to develop initiatives or positions depending on the issues at hand for each meeting. But it also seems quite possible that these broader architectural issues will be addressed.

The interest in bringing political-security issues more frontally onto the APEC (or at least Asia Pacific) agenda will certainly continue since the virtual exclusion of these issues is artificial considering the primary roles of heads of state/government and foreign ministers in the APEC meetings. It might be argued that introducing such issues into APEC is not necessary because there is the ASEAN Regional Forum (ARF) meeting, where this agenda is appropriate. However, the ARF does not have a summit and is an ASEAN-led rather than a trans-Pacific process.

The exclusion of the United States from East Asian regional organizations is another enduring conundrum and source of anxiety for some in the American foreign policy elite, and there are many in Asia, remembering the U.S. opposition to the EAEC, who take it as axiomatic that the United States will oppose or at least be unhappy about Asian regional cooperation that does not include the United States. The American argument to Asians is that the United States may not be an East Asian country geographically, but it is a central player in the region in every way that matters – in the region's security order, its economic prosperity, and its cultural and social life. The argument within U.S. domestic foreign policy circles by those who are anxious about the implications of East Asian regional cooperation is that it may form under the leadership of another country, incorporate values and promote norms at odds with global ones, undermine Asia-Pacific cooperation, and result in discrimination against American goods and services, especially if an East Asian trading bloc is formed.

These latter arguments have strong sway with strategists, but frequently Asians have been looking for visible signs of U.S. opposition that have not been there. In recent years, the United States has taken a watchful, but not opposing attitude toward Asian regionalism. This is in part because of an American assessment that it would do more harm than good to American interests to try to oppose a movement that has great appeal in Asia. After all, Baker's opposition to the EAEC did have enormous costs in goodwill and the use of diplomatic clout for the United States. It is also the case that the American policymakers have had other priorities and have felt less concerned about evolving East Asian regionalism. For all the rhetoric, Asian regionalism has not had a great deal of momentum, riven by competition within the region and lacking in strong leadership. China and Japan encouraged the emergence of the rival APT and EAS architectures, and neither appears to want to assume an obvious leadership role, preferring to allow ASEAN to ostensibly occupy "the driver's seat." Moreover, the East Asian meetings have not taken any notable anti-American or anti-global architecture turn, nor are there actors that seem to be determined to use them in this manner.

But the concern in American foreign policy circles remains latent, and emerges from time to time, as with the FTAAP proposal, designed to create a large, more attractive alternative to an East Asian free trade area. If the global economic crisis

stimulates considerably more Asia-only regionalism, increased U.S. concern may reemerge.

**East Asia Summit.** If the United States were to join the East Asia Summit, as suggested by some Asian countries, this would seem to resolve neatly both the issue of political-security leadership dialogue and the question of the U.S. relationship to the East Asian regionalism. By signing the Treaty of Amity and Cooperation, the United States meets a perquisite that ASEAN had placed to joining the grouping. The EAS does not include Taiwan or Hong Kong, and does not have the constraints against bringing up political and security issues. The somewhat different membership has both pluses and minuses. On the plus side, it is somewhat smaller, not including the Latin American nations, who have little interest in Asian security issues in any case, and it does include India, a nation that many in the foreign policy elite in the United States and elsewhere in the region regard as an essential political and economic player. On the negative side, the EAS does include Burma (Myanmar) as an ASEAN member, creating a host of political problems that have bedeviled Europe's relationship with East Asia in the ASEM (Asia-Europe Meeting).

Two other important issues arise with the EAS membership proposal, however. The most fundamental is that EAS, at least as currently designed, is an East Asia process, led by the ASEAN group. This is quite a different construction than APEC, which is an organization of equal parties and without real caucuses or a core group within it. The EAS construction puts those outside the core group in danger of being second-class citizens, without appropriate input into the agendas and work programs. This is not a likely position that the United States would wish to be in.

The second issue with the EAS accession is what happens to US participation in APEC? If the U.S. president prefers to attend EAS summits with their political-security orientation, is there any reason that he should continue to be involved with APEC since he will be seeing so many of that same leaders anyway? It is possible that APEC could revert to ministerial level organization, but this would come at the cost of annoying the non-EAS members of APEC.

**A New Asia-Pacific Leaders Summit.** An alternative notion is suggested by a PECC task force that recently examined regional architecture.<sup>12</sup> Addressing both the political-security lacunae in APEC and the trans-Pacific architecture, the PECC task force, following an earlier suggestion by Allen Gyngell and Malcolm Cook of Australia,<sup>13</sup> recommends that the Asia-Pacific region's summit meeting be clearly separated from the APEC structure and ministerial meeting. The APEC Leaders Meetings would end. As a separate institution, the "new" Asia-Pacific Leaders Summit would be confined to participation by sovereign countries, as befitting dialogue involving political-security issues. While the invited leaders could in theory be different from those attending the current APEC Leaders Meeting, the least politically costly course is simply to continue with the same 19 sovereign country leaders and decide later whether it makes sense to invite any others. The danger of keeping the old members and possibly expanding is that the already large and diverse group further loses cohesiveness.

The leaders in a new Asia-Pacific summit could still consider recommendations of the APEC, as an economic body, and ARF, as a security-oriented body, as well as fashion their own agenda. APEC would continue, but culminate in the ministerial meeting, as in its early years, perhaps reinvigorating ministerial interest in APEC, which is currently overshadowed by the leaders summit, which directly follows the APEC Ministerial Meeting. The trade, investment and ecotech agendas in APEC would continue to be the pillars of the APEC process, a proper forum for regional, norm and capacity building activities in these areas. APEC has generated small groups within numerous U.S. governmental entities with their own special interests in the APEC process; this includes the departments that deal with finance, energy, environmental issues, labor, and education, and these will remain as continuing support groups for the APEC process, even if it culminates in a ministerial meeting.

Would a new Asia-Pacific Leaders Meeting, without the specific trade, investment and other recommendations of the APEC process, have political credibility in the United States? Despite the past arguments that political credibility depends upon concrete, business-oriented outcomes, the public seems quite well aware of the value of the leaders of large countries in important regions getting together, especially when combined with the bilateral meetings that are inevitably a key feature of multilateral summits.

Aside from joining the East Asia Summit or establishing a New Asia-Pacific Leaders Meeting, there are other multilateral architectures that are imaginable. It has been suggested, for example, that the Six Party Talks could evolve into a permanent North Pacific entity. It has also been suggested that small groups of important countries have regular meetings without the others; the “group” proposals have ranged from the bilateral U.S. and China G-2 to the Asia-Pacific member nations of the G-20 (PECC). At this point, however, it is difficult to guess how the new administration will position itself vis-à-vis APEC and other regional entities in the Pacific. What can be said with great certainty is that systemically Asia-Pacific remains far more important to the American future than any other world region, and the United States will continue to value its participation and leadership in multilateral regional cooperation processes within this region.

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<sup>1</sup> Charles E. Morrison, “APEC: The Evolution of an Institution,” in Vinod K. Aggarwal and Charles E. Morrison, eds., *Asia-Pacific Crossroad: Regime Creation and the Future of APEC*, (New York: St. Martin’s Press), pp. 7-8.

<sup>2</sup> Yoichi Funabashi, *Asia Pacific Fusion: Japan’s Role in APEC* (Washington: Institute for International Economics, 1995), p. 99.

<sup>3</sup> The so-called “fast track” or Trade Promotion Authority was in effect continuously from 1975 to 1994. It was restored in 2002 and expired in mid-2007.

<sup>4</sup> Remarks of Robert Cassidy, Assistant U.S. Trade Representative for Asia and the Pacific, at “APEC: What’s in it for Business,” U.S. Chamber of Commerce, July 24, 1994, quoted in Diane Manifold, *APEC: Organization Goals and Approach*, Office of Economics Working Paper, U.S. International Trade Commission, March 1997.

<sup>5</sup> In the words of then Malaysian Trade and Industry Minister, Rafidah Aziz, “We do want APEC to be a negotiating process. No way will we allow the APEC process . . . to start negotiating trade-offs to liberalization or even to have negotiations on tariff cuts and demand reciprocity for example. APEC should

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be an agenda everyone can subscribe to, not an agenda that belongs to a select group.” Quoted in Frank Frost, “APEC and the Osaka Summit,” Current Issues Brief, No. 7 1995-96, Parliamentary Research Services (Australia), December 1995, p. 9.

<sup>6</sup> See his “A Free Trade Area of the Asia-Pacific in the Wake of the Faltering Doha Round: Trade Policy Alternatives for APEC,” in Charles E. Morrison and Eduardo Pedrosa, An APEC Trade Agenda? The Political Economic of a Free Trade Area of the Asia-Pacific (Singapore: Institute of Southeast Asian Studies, 2007), pp. 15-38.

<sup>7</sup> Robert D. Zoellick, “So What Is There to Cover? Globalization and the U.S. Trade Strategy,” speech to the Society of American Business Editors and Writers, Phoenix AZ, 30 April 2002.

<sup>8</sup> For example, a typical press release announcing Zoellick’s attendance at the APEC Ministerial Meeting mentions Zoellick as looking forward “to discussing with my colleagues plans for continuing to advance the Doha global talks” ahead of any regional issues. “USTR Zoellick Will Attend APEC Ministerial Meeting, Calls Asia-Pacific Region “Instrumental” in Push for Trade Liberalization,” Office of the United States Trade Representative, Press Release 2004-81, November 16, 2004.

<sup>9</sup> This custom, which many Americans felt detracted from the serious nature of the APEC meetings, ironically had begun with the first U.S.-initiated summit on Blake Island in Puget Sound and in response to the real need for leaders to have warm jackets in the cold climate.

<sup>10</sup> For example, Annabel Crabb, The Sydney Morning Herald, September 3, 2007, p. 2.

<sup>11</sup> Her predecessor, Condoleezza Rice, was widely criticized when she skipped the ASEAN Regional Forum meetings in 2005 and 2007, the first absences by a Secretary of State since ARF was established in 1994.

<sup>12</sup> PECC, Report of the Task Force on Regional Institutional Architecture, to be published in late 2009.

<sup>13</sup> Allen Gyngell and Malcolm Cook, “How to Save APEC”, Policy Brief (Sydney: Lowy Institute for International Policy, October 2005).