

The 4th KOPEC Asia-Pacific Strategy Forum

1. Date: 7 September 2006, 07:15-09:00

2. Venue: Rose Room, Westin Chosun Hotel, Seoul

3. Subject: Is APEC Still Relevant?

4. Program

07:15 – 07:20	Opening Remarks by Kihwan Kim, Chair, KOPEC
07:20 – 07:40	Special Speech by Peter Drysdale, Professor, Australian National University
07:40 – 09:00	Discussion Moderator: Soogil Young, Vice-Chair, KOPEC

5. List of Participants

Kim, Kihwan	Chair, KOPEC
Young, Soogil	Vice-Chair, KOPEC
Nam, Sang-yirl	Executive Director, KOPEC
Peter Drysdale	Director, Australia-Japan Research Center, Australian National University
Chung, Inuk	Executive Director, APII Cooperation Center, Korea Information Strategy Development Institute (KISDI)
Ha, Byung-Ki	Director, Industrial Cooperation & Globalization Division, Korea Institute for Industrial Economics & Trade (KIET)
Jun, Il-su	Professor, Incheon University
Kim, Heungchong	Research Fellow, Center for Regional Economic Studies, Korea Institute for International Economic Policy (KIEP)
Kim, Hye-Sung	Researcher, National Center for APEC Studies, Korea Institute for International Economic Policy (KIEP)
Lee, Chang-Soo	Professor, Kyung Hee University

Lee, Jeong Hyop	Associate Research Fellow, Divisions of Innovation Infrastructure, Science & Technology Policy Institute (STEPI)
Lee, Joon Ho	Research Fellow, Global Economics, Korea Small Business Institute (KOSBI)
Park, Chul Han	Chief, International Cooperation Division, Federation of Korean Industries (FKI)
Park, Sung Hoon	Professor, Korea University
Yang, Junsuk	Professor, Catholic University of Korea

6. Summary of Prof. Peter Drysdale's Opinion

I would like to make a few points on some of the issues, the substance of your concerns and worries, about where Asia Pacific cooperation is going. There are things that have changed during this whole process, but there are fundamental things that have not changed since the beginning. We should keep both in mind as well as figuring out what needs to be responded to in a different way.

The regional economy and politics have not changed in the context of FTA despite the constantly changing world. The change has been driven by the addition of huge lumps of industrialization to the world economy centered here in East Asia -- relating that to the global system, that was what APEC was all about. Another thing that has not changed is that if you want to be successful in this world, you have to be open.

Secondly, I will talk about the subtle and unique structure that was set up to make this work. They are institutional structures that are appropriately targeted in this part of the world. You got to have a structure which gives ownership to all of the participants rather than putting the headquarters in just one country. It is rather like the APEC structure, for example, in which there is not a super-national authority. Members and participants have to make their decisions by themselves encouraged by the process of

cooperation and consultation with their peers in the Asia Pacific.

Now there comes the genuine question about the architecture. If we take APEC for example, there are two questions on this issue. One question is how APEC relates to other initiatives in the region -- the free trade area theme. The other question is whether the architecture was built properly. The answer to that question is clearly it is not quite right. We have got a wonderful roof, and down at the bottom, you have got the soft process, the officials working away at the agenda. So there is a sort of foundation, but there is nothing there in between holding it up.

From the outside, PECC, KOPEC, and so on makes an input to try to start the initiatives going up to the top, but the problem is, how does it get delivered? So I personally think as we go forward with APEC in particular, we have got to think about getting a bit more structure in between the top and the bottom in the structure of APEC.

We are thinking about how various parts of the APEC structures can be strengthened to make a better input in delivering the outcomes on the economic sides from the summit meetings that we have. We would have to work intensively on this, and relate it to strengthening the work of the economic committee on the structural issues.

At the same time, there still are the traditional issues, such as liberalization, problems of the Doha round, and etc. One question concerned with the Doha problems is, can APEC put some real efforts into pushing it along? And on top of that, there are the deep structure issues in the WTO system relating to FTAs. An FTA to be a good FTA and a stepping stone to multi-liberalization has to be an FTA with a sunset clause in it, but there are none. So the agenda within APEC for thinking about how to make the provisions of FTAs more consistent with multi-liberalization is a fairly important agenda to persist with.

If you look at the FTAs that have been so far negotiated in East Asia, you can see that most companies find it too costly to operate under the provisions because of the rules of origin. So the key thing is to work on how to make FTAs more supportive of multilateral liberalization and think about the sorts of provisions you would want to include in them to do that. These issues are still important to the APEC agenda and there is a lot of work being done on this. So the short story is that APEC is still valuable in a way to hold political process in Asia Pacific and in what it does for economic confidence between the countries.

So we have seen, we have already got here, something that is very big, and we do not want to disturb that. That relates to how East Asia and the other architecture question fits in. The East Asia dialogues are an essential part of building up political confidence in East Asia and doing a lot more things than we have to do essentially across the Pacific with the United States because their economies are very deeply linked with the East Asian economies, and the United States is a powerful part of the dynamism of East Asia.

We live in a dynamic world, one in which the equilibrium is evolving over time and this is what we have in the Asia Pacific. I think we should get used to that and make the best of it.