

Seminar Paper Series 97-08

CHALLENGES FOR APEC IN 1997 : A CANADIAN VIEWPOINT

Leading Expert Seminar

Leonard J. Edwards

*Ministry of Trade and Economic Policy
Canada*

**KOREA INSTITUTE FOR
INTERNATIONAL ECONOMIC POLICY**

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April 2, 1997

**KOREA INSTITUTE FOR
INTERNATIONAL ECONOMIC POLICY**

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Seminar paper series 97-08
Seminar held April 2, 1997 at KIEP
Published Dec. 10, 1997 in Korea by KIEP

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Thank you for giving me the opportunity to speak to you today. I would like to take the opportunity to set the broader context for APEC's agenda for 1997 and beyond, then to describe how Canada, as 1997 Chair, intends to move the agenda forward towards the Bogor goals of 2010 and 2020.

While these milestone dates may seem distant, it is important to recall that, as the developed economies currently represent approximately 85% of the trade within the APEC region, our effective date for free and open trade in the region is only 13 years away.

APEC and the Trading System

APEC operates on the principle of open regionalism, reinforced by the fact that liberalization will proceed on a most-favoured nation basis. As APEC clearly doesn't exist in a vacuum, it is important to begin by setting the context. I know you are aware of APEC's work programme, so I will start by

talking about APEC's value-added to the world trading system.

From the outset, let's remind ourselves that APEC is a very different creature than other regional arrangements or the WTO. It operates on the basis of concerted, but voluntary unilateral liberalization, unlike the negotiated approach with which we are familiar in the WTO.

Instead, around the APEC table, one talks of confidence-building and mutual benefits. The APEC approach proceeds directly from the principle that the main benefits of trade liberalization flow to the liberalizing economy, not to its trading partners, and that it is one's interest to liberalize even unilaterally, without waiting for others. This argument applies especially well in a high-growth, optimistic environment. Still, human nature and practice both intercede along the way. This ideal world, while suitable for APEC's purposes and goals, must be complemented by the external pressures created by a true negotiation. That's why APEC fits in so well with the complex of harder edged subregional and bilateral agreements. That's why the WTO process remains the linchpin in international trade policy, and global liberalization the ultimate goal.

Certainly, given Canada's heavy reliance on trade for economic prosperity, it is no secret that our objective is to strengthen the rules-based, multilateral system, rather than risk being thrown about in a world where the biggest players hold the best cards. Clearly, expanding the membership in the global, rules-based trading system is in Canada's interest and, we believe, in the interest of others.

What role can APEC play in achieving such concrete

objectives? Let me give you some examples that demonstrate the possibilities:

First, the “downpayments” that every economy brought to Osaka—that is, the initial indications of liberalization measures—were an important demonstration of political will from the world’s fastest growing region. For example, significant press attention was paid to the commitment of the People’s Republic of China to reduce more than 3,000 tariff lines by as much as 40%. Chinese Taipei, another non-WTO player, brought measures of its own. These stand as commitments in APEC, regardless of the timing of WTO accessions for these economies. Yet they were also part of, and some would say driven by, the WTO process.

Second, the Manila Action Plan for APEC, composed of 18 Individual Action Plans and the Collective Action Plans following the Osaka blueprint, moved us significantly forward. While the IAP’s as they are called, did not contain significant new actions in the APEC context, they were important documents as evidence of good will and transparency. They were reasonably well received by outside observers. The Pacific Economic Cooperation Council (PECC) has given APEC economies a B+ so far, and will be watching closely to see what we can do to move beyond this score in 1997. Canada certainly feels we have no choice in this respect—we MUST keep the momentum going.

Third, APEC has never wavered in its support of the multilateral system. The APEC push in November 1996 for the Information Technology Agreement provided momentum and a

critical mass of support for the ITA into the WTO Ministerial in Singapore. And, one of the key outcomes of the Subic meeting was a clear instruction from Leaders to identify further sectors for early voluntary liberalization. This will not be easy, but we are working on this as a priority in 1997.

In my view, these developments support the argument that APEC does work within the construct of global trade, and that it has helped, and will continue to help move the global agenda forward. To keep this instrument effective in its supportive role, however, the state of its work has to be at least WTO-equivalent if not WTO + in all respects. And it has to continue to be seen to deliver valid market-opening measures. This is key to APEC's credibility in the private-sector in particular.

APEC's Trade Agenda for 1997 and Beyond

Our starting point this year, to borrow a phrase from the WTO, is the "built-in" agenda of APEC, that is, the work we have already begun, and the specific directions and tasks given to us by Leaders and Ministers coming out of the meetings in the Philippines.

Overlaying this agenda are the priorities and themes that Canada intends to deliver, in collaboration with its APEC partners, through the year. Let me tackle each of those issues separately.

First, it is important to recognize that APEC has evolved

to a new stage. The Bogor Declaration in 1994 set the vision of free and open trade and investment in the region by 2010/2020; Osaka established a detailed Action Agenda to serve as a blueprint for liberalization; and Manila took that Action Agenda further with the first Individual Action Plans from every member.

Vision and planning have been essential to APEC's development, as would be the case with any young multilateral organization, and particularly one such as APEC that brings together 18 economies with such wide ranging interests, cultures and levels of development. Now the time has come to move to more detailed and concrete implementation of APEC activities, and to measurable results.

It is clear that a first priority for our political leaders is to maintain the focus on, and momentum of, the trade and investment agenda. This can take a number of forms.

First, we must work first to implement, and then to improve, the individual Action Plans tabled in Manila. It will not be sufficient to go into the Ministers' and Leaders' meetings in Vancouver with the same texts and commitments that we had coming out of Manila. This does not mean a substantial re-write of the plans, which is no small undertaking. But it is clear that we must have some elements of "additionality" if the process is to remain credible, and if we are to meet the targets of 2010 and 2020. These Plans are "living documents", and it is only with constant attention and improvement – constantly "raising the bar", as it were – that we will reach the Bogor goals our Leaders have set.

Some have criticized the Individual Action Plans for lacking APEC-specific liberalization commitments, and characterized them as being largely a restatement of WTO or unilateral actions that would have been taken in any case. To these critics, I would reply that we must walk before we can run. What we now have is a clear picture of the access regimes of APEC's 18 member economies, which will be a necessary benchmark against which to measure progress. And I am confident that there will be progress.

This is no mean feat. Certainly, many witnesses to the Bogor commitment in 1994 would not have believed that just two years later, every APEC economy—representing such a wide spectrum of economic development, cultures and political systems—would complete an Individual Action Plan with specific measures for liberalization in the 15 areas identified as part of the Osaka Action Agenda of 1995.

Earlier, I mentioned the notion of mutual benefits. The concept is reflected in the Osaka Action Agenda, which calls for an assessment of the “comparability” of the Individual Action Plans. This is the process by which peer pressure can be applied to ensure that all APEC economies are moving at a pace that will have everyone meeting the Bogor commitments by the given dates. This does not mean everyone must move at the same pace. But all of us must move forward, addressing all 15 areas agreed to in the Osaka Action Agenda, by the time we reach the Bogor target dates.

Comparability will be ensured through a process of consultation on IAPs—in the past, this has taken the form of

bilateral discussions. But there is some interest in exploring plurilateral consultations as well, a suggestion we will take up again at the second Senior Official's Meeting in May. But I would emphasize that the comparability exercise is a means to an end. We should not get bogged down in this effort, and lose sight of the "big picture" – improvement of the plans. We will welcome outside input from the APEC Business Advisory Council or further views from the Pacific Economic Cooperation Council, or any other interested body. These are all useful inputs.

As I said earlier, we have been instructed by Leaders to identify priority sectors for early, voluntary liberalization of trade. This was already featured in the Osaka Action Agenda, but we have taken the Manila statement to mean that we must accelerate the process. I do not underestimate this challenge. But we are committed to the task, and we will work throughout 1997 to try to identify sectors that might be ready for action in 1998-1999.

Governments cannot do this alone. We need the views of the private sector, domestically and collectively, to identify sectors of convergence. As we saw with the example of the Information Technology Agreement, broad-based industry support will be required across the region for progress in particular sectors. So the views of business will guide us in this process. In our discussions with the Canadian private sector, we have urged them to help us in this exercise, to determine where there may be support for liberalization in specific sectors, and specific product lines in those sectors. This effort also takes

political will—I believe that the instructions we have from Leaders in Subic are a demonstration of that political will.

At our first meeting of Senior Officials in January in Victoria, there was considerable discussion as to the definition of “sectoral liberalization”. There appears to be agreement that the definition of “sector” needs to be broader than simply “zero-for-zero” tariff reductions, to encompass other market-opening measures, for example, substantive work to streamline customs procedures, or to align international and domestic standards in agreed sectors. These measures increase market access across the board for business in the region, and break down barriers that can constrain or bog down business activity.

Trade Facilitation: Reducing the Cost of Doing Business

This leads into another key element in the trade agenda: trade facilitation. It is here that APEC can perhaps make its most significant, and most immediate, contribution to reducing the cost of doing business. Our objectives are, for instance, to reduce the cycle-time through ports by harmonizing and modernizing procedures, to improve comfort levels for business through better protection of intellectual property rights, to improve access to accurate information on investment rules and regulations in the region by making it available on the Internet, and to improve the transparency of government procurement regimes to provide better access.

Work is underway to identify specific results on trade

facilitation for this year, such as customs and standards, as well as those that might be achieved with some greater political attention and impetus. Trade facilitation will be a principal theme of the meeting of APEC Trade Ministers that Minister Eggleton will host in Montreal in May. In fact, there will be a business symposium on customs procedures just prior to the Trade Ministers' meeting, where customs administrations from across APEC intend to come up with milestones for streamlined procedures.

Trade facilitation measures are particularly important for small and medium-sized companies, which are a priority for assistance and work in APEC. While larger companies have more flexibility to absorb those bothersome additional costs that are part of the trading game, these can be prohibitive for small companies. And they can be major factors in a small business owner's decision to make the effort to expand into international markets, particularly in far-off regions of the world.

Eye on Vancouver: Trade and Investment Results

So what then, is the outlook for Vancouver? These are still relatively early days, and there is a great deal of work to do. As Chair, we will want to see full delivery on directions received from Leaders last year:

- On liberalization: a set of 18 improved IAP's, an initial review of IAP implementation, the identification of some

new candidate sectors for voluntary liberalization, and additional ideas on how APEC can help advance the WTO.

- On facilitation: tangible progress on customs harmonization and standards alignment, and a recognition of APEC's value-added and leading-edge work in helping reduce the cost of doing business, especially for small businesses getting into the export business.

Canada's Trade Minister, Art Eggleton, will chair a meeting of APEC Trade Ministers in May in Montreal to review these objectives and to see if we can be even more ambitious. He will lead Ministers in an informal discussion of the situation in the WTO post-Singapore Ministerial Review Conference, and how APEC economics can collectively contribute to the process of global liberalization in support of the WTO work programs. This is an essential role for APEC, re-enforced most recently at the Leaders' Meeting in Subic Bay.

Other Priorities for 1997: The Role of Business

In addition to making significant strides on the trade and investment agenda, Canada believes there is great scope for increasing the involvement of the private sector to make sure APEC remains in tune with the people who are out there trying to conduct business. This can take a variety of forms.

At one level, we would like to see more engagement of

the private sector in APEC Working Groups. The Telecommunications Working Group, now chaired by Canada, is the best example of strong participation by private sector representatives in this sector. The feedback we have had from Canadian companies involved has been very positive. They see real value in helping the group identify what needs to be done, for instance, on standards for new products. They participate at their own costs, and they are directly involved in setting the agenda for the work of the group.

We want to replicate this elsewhere in APEC, where possible, and to bring it to a higher level on the political spectrum. We have built in substantial business elements in each of the five sectoral ministerial meetings that we will host in Canada this year: trade, transportation, environment, energy, and small—and medium—sized enterprises. (We have further information on these events if anyone wishes to know more.) Each meeting will have a business forum where senior private-sector representatives from around the region can meet to discuss their concerns and their priorities for trade liberalization and facilitation, and then tell ministers their views in a joint session. We continually say that “APEC Means Business”, and we want to make sure that business priorities are clear to ministers and officials charged with advancing the APEC process.

This is not a fabricated agenda. Business interest in influencing APEC has become increasingly evident. Canadian participants at the November 1996 APEC Business Forum (ABF) in Manila, for example, came away impressed by the

opportunities it offered for discussion and networking, and felt a real sense of contribution to the APEC policy-making process through their session with Ministers.

Led by the Business Council on National Issues (BCNI) and the Canadian committee of PBEC, the Canadian business community is organizing a CEO Business Summit to be held in Vancouver at the end of November, coinciding with the Leaders' Meeting. The style will be different from that of the ABF in Manila: CEOs only, but with representation of large and small firms; a smaller group, with a maximum of 250-300 participants including ABAC members; focused on discussion of macro and micro trade priorities for the private sector; and with considerable opportunities for networking.

Canada also chairs the APEC Business Advisory Council (ABAC) this year. ABAC produced a report with ten "flagship" and a number of other recommendations last year. It is critical that these be reviewed thoroughly through APEC bodies responsible for the various items (such as investment, infrastructure, SMEs, etc.). These recommendations must be assessed as part of the agenda for the various ministerial meetings as well.

It is imperative that APEC respond actively to these recommendations. Governments may not be able to move as fast as the private sector may want in every case, and there may be recommendations that governments cannot accept for various reasons. But we are determined to provide a comprehensive report on actions to implement, or explanations for why some things are not possible, for each recommendation. This is essential if we are to maintain the interest and involvement of

the senior business people in ABAC, and to maintain APEC's credibility with the private sector in general.

ABAC itself is still defining its role, this being only the second year of its existence. But there is a sense in APEC that we should engage ABAC members more consistently in the APEC process—to provide advice, they have to know what we're doing and why. At their first 1997 meeting, in Port Moresby, Papua New Guinea, the ABAC decided to focus on how APEC is implementing its 15 flagship recommendations—all the more reason for governments to take very seriously our response.

Economic and Technical Cooperation

I have chosen to concentrate on APEC's trade and liberalization agenda and the role of the business sector. But as Chair, Canada is giving equal weight and attention to the broad array of APEC activities and programs that fall under the heading of Economic and Technical Cooperation. Let me touch briefly on the emphasis for 1997 in this area, which forms an integral part of our plans.

First, Leaders instructed us at Subic Bay to bring more coordination and more focus across the board on APEC's economic and technical cooperation activities. There is a clear view that as APEC has evolved, the many activities under the economic and technical cooperation agenda must be better harnessed, and directed at bottom-line deliverables of value to the private sector, complete with milestone dates, and measur-

able results against which to measure progress.

Ministers and Leaders in Manila gave us the lead by identifying six priority areas to guide economic and technical cooperation activities, endorsed in a milestone declaration on a Framework for Economic Cooperation and Development:

- developing human capital
- fostering safe and efficient capital markets
- strengthening economic infrastructure
- harnessing technologies of the future
- promoting environmentally sustainable growth
- encouraging the growth of small and medium enterprises.

These are very broad concepts, and our immediate challenge is identify the specific actions or projects that turn these into reality.

One initiative that we feel has potential as a “focused outcome”, that we are now developing as a subject for Leaders in Vancouver, is that of infrastructure. The demand in the Asia-Pacific region is enormous—World Bank estimates are in the range of about US \$1.5 trillion over the next decade, in East Asian developing economies alone. There is already considerable work underway in APEC—on telecommunications, transportation systems and power projects—and we know there is private sector interest.

Infrastructure also figured prominently in the ABAC recommendations as an area in which APEC could make a real difference. Canada believes that the concept of infrastructure development and modernization—widely viewed as one of the

most pervasive “barriers” to trade and investment in the region – provides an excellent organizing principle under which we can harness current activities, and identify new challenges whether they be education, training, investment, easing the flow of goods and services, or enhancing market access. Our objective for Vancouver is a framework for cooperation that encompasses these elements, and we will take the next steps in its development in May, at the Second Senior Officials Meeting in Quebec.

Making the Links: TILF and ECOTECH

To many people, the trade and investment agenda, and the “ecotech” agenda, seem like two separate tracks - this is sometimes reinforced by the fact that they have been called “the two pillars”. In fact, we see them as two equally important, mutually and equally reinforcing tasks that make up APEC’s single mission: “sustainable growth and equitable development”, to quote the Osaka Action Agenda.

Simply put, APEC’s activities under economic and technical cooperation are designed to “grow” the markets, to ensure that the benefits of sustained and equitable economic growth are shared among and within economies. Growth is simply not possible without a solid commitment to developing human resource capacity to its full potential, and to engaging in open exchanges of information and expertise that will help create the right conditions for open trade and investment to

succeed. The trade and investment agenda is intended to ensure that we can all benefit from that growth, and contribute further to it through better access to markets and secure investment climates.

Amongst the developing economies within APEC in particular, there is a strong sense that a dynamic “ecotech” program is necessary to balance the trade and investment agenda, to help the developing economies “catch up” in terms of living standards and per capita incomes. That being said, APEC is not a donor-recipient organization - it works through sharing of best practices and information exchange, not through transfers of funds. It emphasizes market forces and techniques and private/public sector partnerships. In Canada’s views, this is the way of the future. Public resources are increasingly limited, and it only makes sense that the beneficiaries of better trade - the private sector - need to do their part.

Many ask, what are the benefits of economic and technical cooperation? Frankly, the benefits cannot be tabulated according to any simple format. To a large extent, the extent of benefits depends on the willingness of members to act on the information that it shared, and the “best practices” that are developed.

Potentially, the impact of this kind of activity is very significant. To get an appreciation of this, one has only to consider the economic benefits that have flowed from market-oriented deregulation and re-regulation that has been undertaken in many APEC economies in the past decade and a half. By sharing knowledge about how this can be done most

effectively and building consensus on the advantages of such system re-engineering, growth is strengthened.

Coming back to the example of infrastructure for a moment, consider the benefits that would flow from speeding up the process for agreement between governments and private sector developers on infrastructure projects—even a relatively small savings in time could result in very large benefits in terms of flow of services from infrastructure put in place more quickly.

While a calculation of the benefits of APEC's activities will always be difficult—this poses a real challenge to communications experts—there is a strong and compelling correlation among economic and technical cooperation, trade and investment liberalization and good economic performance.

Conclusion

APEC cannot function on its own. As I have stressed today, we need constant input and feedback from the private sector. We want to know what are the barriers to business activity in the region, so that we can find ways to address them in APEC. Your views are not only welcome, they are key to the further development of the forum and to our ability to deal with the challenges and take advantage of the opportunities that lie ahead.

Thank you.

국문 요약

97년도 APEC 고위실무회의(SOM) 의장인 캐나다의 Leonard J. Edwards 차 관보는 지난 4월 2일 개최된 대외경제정책연구원(KIEP) 주최 전문가초청세미나(Leading Experts Seminar)에서 APEC의 무역·투자자유화 및 원활화와 경제·기술협력과 관련된 캐나다 정부의 견해를 밝혔는바, 주요내용은 다음과 같다.

개방적 지역주의를 채택하고 있는 APEC은 최혜국대우 원칙에 입각하여 자유화를 추진하고 있다. 오사카회의에서 APEC국가들이 제시한 조기자유화조치(downpayments)와 작년에 채택한 마닐라실행계획은 범세계적 자유화의 달성을 앞당기는 계기가 되리라 본다. 또한 정보기술협정(ITA)에 대한 지지와 부문별 조기자유화도 WTO체제강화에 일조를 할 것이다.

APEC의 개별실행계획은 회원국간의 협의를 통해 향후 지속적으로 개선·이행되어야 하며 부문별 조기자유화의 대상부문도 조속히 결정되어야 한다. 이는 민간부문의 對APEC 신뢰도를 높이는 방편이 되리라 판단된다. 한편 투자제도에 관한 정확한 설명, 지적재산권 보장, 정부조달절차의 투명성 확보 등을 통해 기업운영의 비용을 절감시켜주는 제반조치를 취해야 한다. 통관절차와 표준 및 적합 부문에서의 회원국간 협력도 중소기업에 대한 지원과 더불어 민간부문의 참여 확대를 위한 좋은 유인책이 될 것이다.

APEC의 경제·기술협력은 자유화와 균형있게 추진되어야 한다. 특히 통신, 교통, 발전설비 등과 관련된 인프라개발을 위한 협력은 매우 시급한 과제이다. 환경친화적 경제성장도 APEC이 추진해야 할 주요한 협력분야이다.

APEC의 성과를 계량화하는 것은 쉽지 않은 작업이다. 하지만 민간부문과의 대화를 통해 APEC의 실질적 이익을 점검하며 자유화와 경제·기술협력을 동시에 추구해 나감으로써 APEC의 잠재력을 극대화해야 할 것이다.

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1997년 11월 30일 인쇄

1997년 12월 12일 발행

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對外經濟政策研究院

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등록 1990년 11월 7일 제16-375호

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