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I. Introduction

Established in 1989 as “the first broad regional institution for intergovernmental dialogue on economic policy issues”¹ in the Asia-Pacific region, APEC has emerged as one of the most powerful regional groups in the world economy, assuming more than 50% of world GDP and trade volume, respectively. Over the last 11 years of its existence, APEC activities achieved a remarkable progress. First, the number of member countries nearly doubled **from the initial 12 to 21** through a series of membership enlargement. Second, the level of intergovernmental cooperation within the framework of APEC, which was originally **launched** as a Ministerial Meeting, has been substantially upgraded, especially **by inaugurating the Summit Meeting in 1993**. Third, it is often claimed that APEC, after **a period** of official institutionalization and of preparation of vision and action plans, has entered the stage of implementation.² Fourth, cooperation areas of APEC have been **widening** continuously,³ and **its** degree of cooperation deepened successively.⁴

Even though APEC has been operating **for over** 10 years, and **attained** a relatively influential position in the world economy, its importance within the world trading system **remains** controversial. On the one hand, APEC is still far away from achieving its goal of establishing an “Asia-Pacific Economic Community”, as defined in the First Report of the Eminent Persons’ Group (EPG).⁵ On the other hand, APEC’s envisaged contribution to the strengthening of the multilateral trading system, especially through open regionalism, has so far been **minimal in** substance, as opposed to the notions found in several Summit and Ministerial declarations.

The 1997 Asian financial crisis added another skepticism on the relevance of the APEC process for its Asian developing member economies. APEC was **not only** unable to detect the emergence of financial crisis in some of its Asian members, **but** even incapable of providing **timely** help for those member economies hit by the crisis, **thus** leading to an

¹ Morrison (1998).

² Nam (1998) subdivides the period of APEC’s existence in three stages: (1) official inauguration and institutionalization (1989-1992); (2) preparation of visions and action plans (1993-1996); (3) implementation (1997-now).

³ A widening of cooperation can best be manifested in the rapid increase in the number of cooperation projects, which exceeds currently 250.

⁴ A deepening of cooperation can be found in the continuous evolution of APEC’s approach towards intra-regional trade and investment liberalization. For a detailed discussion see Park (1998a).

⁵ For the APEC vision, see APEC Secretariat (1993).

increasing frustration on the utility of APEC, especially among Asian member economies. The failure of **the** APEC initiative to liberalize intra-APEC trade in selected industrial sectors under the heading of EVSL (Early Voluntary Sectoral Liberalization) seems to have been influenced by this increasing skepticism. A subsequent attempt to mobilize other WTO members to accept the ATL (Accelerated Trade Liberalization) initiative, **which is** a modified version of EVSL, **was of no avail.**⁶ **In addition,** APEC **was unable to** support the launch of a new round at the Seattle Ministerial Conference of the WTO. As a consequence of these series of unfavorable developments, APEC at the moment stands at a crossroad. At one extreme, APEC runs the risk of being marginalized **not only** in the world trading system, **but also** in the Asia-Pacific region.

Not to be **labeled** as a “mere talk shop”, APEC has to tackle both internal and external challenges. Internally, the solidarity among all member economies **needs to be strengthened,** **which means** APEC has to redesign and **solidify** its long-term vision, and systemize the cooperation agenda. **Moreover,** in its outreach to non-members, and especially in its relationship to the multilateral trading system, APEC has to find out how it can contribute to the strengthening of the multilateral trading system. In this context, it is **imperative that** APEC elaborates how it can **assist the** launch and successful operation of a WTO new round.

The purpose of this paper is to **examine** possible ways for APEC to contribute to a new round of the WTO. The structure of the paper is as follows. **Following the** introduction, Section II discusses implications of WTO’s new round for APEC and vice versa, and highlights the interdependence between the two institutions, **to provide the basic rationale for writing this paper.** **Following** Sections III – V elaborate on possible contributions of APEC to a WTO new round in its launching (Section III), liberalization issues (Section IV) and rules making areas (Section V), respectively. **Lastly** section VI draws main conclusions of the paper.

⁶ According to APEC (1999a), by the end of June 1999, only three countries including Norway, Iceland and Switzerland indicated their support for APEC’s ATL initiative. The EU was opposed to the idea to complete the negotiations by the end of 1999, and MERCOSUR recommended to find out appropriate modalities to tie the ATL results into the final outcome of the new round. Especially upon the reluctance from the EU, APEC gave up to bring the ATL package to the negotiation table for the launch of a new round.

II. Interdependence between APEC and the WTO

1. Relevance of the WTO for APEC

Both the WTO and APEC have the potential to mutually benefit each other, particularly for a WTO new round. What APEC can gain from a new round of WTO are as follows. First, considering the fact that most of the APEC member economies have benefited from the freer flow of global trade and investment in the past, for which the GATT and WTO system played an important role, and continue to maintain relatively open economic system, they will benefit from a further liberalization of world trade following the new round.

Second, if the WTO new round brings significant cut in industrial tariffs and expanded liberalization in other sectors, such as agriculture and services, APEC will be closer to achieving its goal of “free trade in the region” as stipulated in the Bogor Declaration. Therefore, a successful liberalization at the multilateral level will prove helpful for the APEC process in realizing its vision with less economic and political costs.

Third, by participating in the negotiation process of the new round, member economies of APEC will have wrestled with the art of “give-and-take”, which will then in turn enhance the efficacy of future negotiations at the APEC level. This is expected to play a more crucial role for the developing member economies of APEC, since they have far less experience in multilateral negotiation than the developed members.⁷

Fourth, a WTO new round is expected to deal with several trade issues that are of concerns for major APEC economies. They include industrial tariff reduction, and liberalization in agriculture and services. As will be elaborated in the later section in greater detail, a further liberalization of agricultural trade is of immense importance in the APEC context. In particular, APEC encompasses the most active agricultural exporters (the half of Cairns Group members are APEC members) and importers (Japan and Korea are the two most important agricultural importers, aside from the EU). So, a possible multilateral agreement would alleviate the tension existing among APEC member economies. Therefore, if the WTO

⁷ For the most part of the post-war negotiations on trade liberalization developed countries have been the most active participants. The developing countries have long been passive, free riding the results of negotiations among the developed countries. This was up until the Tokyo Round, when some developing countries participated in the negotiation, and issues of developing community's concern were included in the agenda. See Schott (2000).

can devise an appropriate liberalization formula, APEC will be able to save much time and energy for its own liberalization process.

Fifth, in the area of rules making, a successful new round of the WTO will help the APEC process. For example, take the WTO anti-dumping rules. There is higher concentration of conflict of interest over this issue in the Asia-Pacific region than anywhere else. Recent WTO statistics identify China, the US, Japan, Korea and Taiwan as the largest targets of anti-dumping investigations. Except for the EU, APEC encompasses the US, Canada and Australia as the most active users of anti-dumping procedures. Consequently, there is potential risk for energies and resources of the APEC process to be used up for the resolution of these intra-APEC interest conflicts. Therefore, rules making at the multilateral level in areas that concern the APEC will help APEC save its time and energy, as well as other resources.⁸

2. Relevance of APEC for WTO New Round

On the other hand, APEC has positive implications for the new WTO round as well. First, considering APEC's share in the world GDP and trade volume, which is bigger than those of the EU, it can play a very crucial role in the shaping of the multilateral trading system. Second, if China, which has emerged as one of ten largest trading countries in the world, joins the WTO by the end of 2001 as currently expected, APEC will become more influential than ever. Third, APEC played a crucial role in successfully making the ITA into a WTO agreement. Undoubtedly, this illustrates well how a well-designed open regionalism in the spirit of APEC can be supportive to the strengthening of multilateralism. Therefore, APEC's liberalization initiatives with a careful design in the coverage, time schedule and speed will be able to positively affect both the process and outcome of WTO negotiations. Fourth, as will be elaborated later in greater detail, APEC's new initiative for trade liberalization of e-commerce is expected to exercise a strong influence on the related negotiations in the new round. Fifth, if its goal to achieve "free trade in the region" is carried out successfully by 2010 for developed members and 2020 for developing members, APEC has the potential to facilitate the multilateral liberalization process under the auspices of the WTO. In this regard, a recent initiative of several APEC member economies to bring APEC and the WTO to mutually reinforce trade liberalization could be instrumental in achieving this

⁸ For a similar conclusion, see Arai (2000).

goal.⁹

This rather complex, but mutually beneficial relationship between the APEC process and the WTO's liberalization agenda leads to a preliminary assessment that APEC's potential to influence the new round positively is **considerable**. As the largest economic grouping, with the largest number of members and the largest share in world trade and GDP, **there are many ways and means for** APEC to contribute to a new round of the WTO. Most interesting and **noteworthy contribution APEC can make to the WTO is** in the launching, liberalization and rules making of the new round.

III. The Launch of a New Round and APEC's Role

1. The Timing of the Launch

A successful launch of a new round at **the** earliest possible date is of immense importance,¹⁰ **particularly** at this stage **since** the Seattle fiasco. There have been several favorable developments **indicating** that the trading community in the WTO is now ready to launch a new round by the end of this year. First **of which is the inauguration of the Bush administration in the US, signaling that** a political leadership **is now in place to take on the job which the Clinton administration had left in stalemate**. Secondly, the WTO **has decided to hold its Fourth** Ministerial Conference in Doha, Qatar in November 2001, which will discuss primarily the launch of **the** new round. Third, although the agenda setting constitutes traditionally the most difficult part of any multilateral negotiations, there have been a series of recommendations to ease and make flexible the stringent positions in selected core agenda items of major trading nations.¹¹

At the APEC level, the importance of a successful launch of the new round was

⁹ It was reported that Chile and Philippines had recommended APEC to look at how the WTO might be used to reinforce APEC's goal. On the contrary, New Zealand and Indonesia seemed to be confident to recommend the WTO to work towards the APEC goal, introducing the Bogor timeframe 2010/2020 into its official agenda. See APEC (1999b, 1999c).

¹⁰ This is best illustrated by the following citation from a speech given by Mike Moore, the secretary general of the WTO: "anyone who wants to see the agriculture negotiations produce the best possible result in a reasonable timeframe has a strong interest in seeing a new WTO Round launched soon."

¹¹ See, for instance, Bergsten (2000) for his 6 recommendations to the US administration, and Arai (2000) for perspectives of the Japanese position after Seattle.

recognized relatively early. For example, all the official conclusions and joint statements of the Ministerial and Summit Meetings produced in the period 1999-2000 include paragraphs declaring their support for a successful launch of a WTO new round. In most of these official APEC meetings, the member economies gave to the agenda item ‘APEC’s commitment to the strengthening of the multilateral trading system’ a higher priority than to the agenda item ECOTECH, which is one of the two pillars of APEC cooperation programs.¹² The 2000 Ministerial Meeting of APEC reaffirmed a “strong commitment to the launch of a new round of multilateral trade negotiations at the earliest opportunity”.¹³ Along this line, APEC member economies have to find out ways to encourage and mobilize other WTO member countries to successfully launch the new round at the upcoming Doha Ministerial Conference.

2. The Coverage and Duration of Negotiations

The coverage of multilateral negotiations is crucial to create the necessary momentum for a further liberalization of the global economy. Multilateral negotiations under the auspices of GATT traditionally dealt with comprehensive trade issues, rather than sectorally, to reach an agreement.¹⁴ Despite its shortcomings,¹⁵ the comprehensive approach has been regarded as an instrument that can effectively strike a balance of benefits and interests of many participating members.¹⁶ This applies in particular to the composition of current multilateral trading community, in which developing countries have become active participants in the trade negotiations.¹⁷

As far as the coverage is concerned, an agreement has yet to be reached among major WTO members on whether to adopt a comprehensive or a sectoral approach. Until recently,

¹² ECOTECH (Economic and Technical Cooperation) constitutes the second cooperation pillar of APEC, which in reality has three pillars. The remaining two are TILF (Trade and Investment Liberalization and Facilitation) and Financial Cooperation. The latter was adopted as the third cooperation pillar after the emergence of 1997 Asian financial crisis. In most of the recent ministerial and summit statements, the agenda item ‘WTO’ appears just after the TILF agenda.

¹³ Cited from APEC (2000a).

¹⁴ See Arai (2000) and Schott (2000).

¹⁵ The possibility of prolonging the negotiations is one of the most frequently quoted shortcomings of the comprehensive approach. In contrast, one of the advantages of the sectoral approach is that it is possible to produce the so-called ‘deliverables’ within a relatively short period of time.

¹⁶ This advantage of the comprehensive approach stems from the fact that, as Paemen (2000) notes, it prevents both the neglect of important specific interests and the frustration of participants that have not had the occasion to introduce their cases.

¹⁷ See, for example, Arai (2000).

the US preference for a quasi-sectoral approach¹⁸ had been confronted by a majority of WTO members including the EU and Japan, which clearly favored a comprehensive approach.¹⁹ There were also a series of recommendations by its prominent policy advisors that US adopt a comprehensive approach.²⁰

This standoff had implications for APEC as well. Until recently APEC's most powerful and influential member, the US, favored a quasi-sectoral approach, whereas the rest of the APEC membership preferred a comprehensive approach. To urge on the negotiation process, New Zealand, APEC's 1999 presidency country, suggested reaching an internal agreement on "a firm statement of support for the inclusion of a comprehensive industrial tariffs negotiation as part of the round".²¹ Contrary to this posture, APEC's ATL initiative can be regarded as a clear example of a sectoral approach that had been designed under the covert leadership of the US. Judging from this come-and-go, APEC appeared long not to have established a basic strategy towards the coverage issue.

However, it is rather promising that APEC was successful to take a more progressive approach towards the coverage issue. APEC's most recent strategy can be found in the 2000 Ministers' Declaration, which states that the ministers regard it very important to find "...an agenda that is balanced and sufficiently broad-based to respond to interests and concerns of all WTO members".²² If APEC is successful in sticking to this position, and in persuading the US to adopt a comprehensive approach, APEC has the potential to play a key role in finding a breakthrough for the negotiating agenda. In fact, the corresponding potential change in US policy will essentially support the launch of a new round at the 2001 WTO Ministerial Conference, which will take place in November in Doha, Qatar.²³

The issue of duration of negotiations is, in principle, closely related with the issue of coverage. It is a generally accepted rule that the wider the negotiating agenda, the longer the duration of negotiation. The debate on this issue before the Seattle Ministerial Conference was focused on whether or not all the negotiations should (and/or can) be completed within

¹⁸ EU's interpretation of a comprehensiveness approach is best summarized by Paemen (2000), who notes the EU prefers to launch "a global negotiation without limits". In contrast, even after the failure of the Seattle Ministerial Conference the US seemed to prefer negotiating on a limited number of selected issues in addition to BIAs. See Barshefsky (2000).

¹⁹ For this contrasting positions of major trading nations, see Arai (2000).

²⁰ See, for example, Schott (2000) and Bergsten (2000).

²¹ APEC (1999b).

²² APEC (2000a). APEC (2000b) already formulates a similar APEC strategy towards the coverage issue.

²³ See APEC (2000a)

three years **time**, which was strongly favored by the US and EU. However, considering the prospect that a comprehensive WTO new round will be launched, a three-year approach **seems** rather unrealistic.²⁴ Once APEC adopts the “balanced and broad-based” agenda, **it** has to develop its own proposal on the duration of negotiation, which should exceed 3 years. In the case of UR negotiations, the **initial agreement on the** duration of negotiation was 4 years, which was **later** extended to 7 years. This **illustrates well the** difficulties multilateral negotiations **face when dealing** with comprehensive agenda. It may be advisable for APEC to be more realistic on this issue, and propose **a longer period, like** 5 years, as the target for completion of the new round.²⁵

3. The Modality of Delivering Negotiation Results

As far as the modality of adopting the results of negotiation is concerned, **there are** two approaches: a deliverables-first-approach and a single-undertaking-approach. The deliverables-first-approach **begins** negotiation in less conflicting trade issues first, and then **tackles the** more conflicting issues, delivering the results of the former earlier than those of the latter. In contrast, the single-undertaking-approach **takes up the negotiation of** all trade issues simultaneously and come to conclusions fairly at the same time. The latter has the advantage **of exchanging** costs and benefits of participating countries **related with** different trade issues. Especially in trade negotiations, in which developing and developed countries are participating at the same time, the single-undertaking-approach will prove a better approach, **since** divergent interests and concerns depending on the stage of economic development **will exist**.

As APEC is composed of countries in different economic development stages and systems, it is imperative to launch a new WTO round which takes this diversity into account. So, an internal agreement on the single-undertaking-approach **followed by an** official announcement will help **those negotiators preparing** the WTO new **round** adopt the principal modality of delivering its results.

²⁴ Bergsten (2000) argues that the three-year target of the US administration is unrealistic, and even inconsistent with its basic liberalization strategy, so that it be abandoned.

²⁵ The European Commission (2000) also prefers to set 3 years as target period for the WTO new round. Nevertheless, if there is no strong commitment of all WTO members, a successful conclusion of all the negotiations within three years seems nearly impossible, considering the ample agenda and diverging interests of member countries.

4. Striking APEC-wide Balance of Interests in Conflicting Issues

A diversity of its member economies in terms of economic development stages and economic systems as one of most important characteristics of APEC has to be taken into consideration in developing APEC's position towards the new round. In this context, to strike a reasonable balance between issues of interest for developed members on the one hand, and those for developing members on the other, will be of immense importance.²⁶ Considering that the consensus principle is one of the cornerstones of APEC, its endeavors to accommodate interests and concerns of both developing and developed member economies will be crucial in enhancing its own internal solidarity as well as its reputation and credibility among non-members.²⁷

The interests of APEC's developed member economies are reflected in such trade issues as trade and environment, trade and investment, deregulation and competition policies,²⁸ whereas developing member economies appear to be more interested in such issues as implementation, flexibility in the form of special and differential treatment, as well as competition implication of anti-dumping practices.²⁹ These differences between the two country groups within APEC may well document the different interests of developing and developed member countries in the WTO. A successful settlement of opposing interests at the APEC level, therefore, will extend to a new round of multilateral trade negotiations under the auspices of the WTO. It is in this context a noteworthy initiative that APEC decided to introduce in the 2000 Summit Meeting an APEC-wide moratorium on the imposition of customs duties on electronic transmissions until the next WTO Ministerial Conference.³⁰ This initiative is expected to pave the way for the WTO to agree upon a reasonable resolution of issues related to global electronic commerce.

²⁶ Japan, for instance, considers enhancement of the role of developing countries in the multilateral trade system as one of five common goals of the new WTO negotiations. See APEC (1999d).

²⁷ APEC (1999b) also points out the desirability of reaching a common position, wherever possible, for APEC.

²⁸ The author assumes that developing and developed member economies are indifferent to such issues as liberalization in services and agricultural sector, because they are the so-called built-in-agenda (BIA), the negotiation of which started already.

²⁹ See, for example, APEC (1999c, 1999d).

³⁰ APEC also called for an establishment of an *ad hoc* analysis task force to examine the relevance of WTO rules to the evolution of electronic commerce. See APEC (2000a), paragraph 24.

IV. Liberalization Issues and APEC's Role

Regarding issues of further liberalization, APEC's contributions to a WTO new round can arise from such areas as the implementation of its core principle of voluntary unilateralism and the liberalization in agriculture and services.

1. Liberalization through Open Regionalism in the form of Voluntary Unilateralism

A voluntary unilateral liberalization of APEC member economies constitutes a core principle of the APEC process³¹ as well as a way to implement its core concept of open regionalism.³² However, APEC has so far failed to be consistent with this principle. A slow adaptation of the APEC agenda, the absence of priorities, shortfalls in member economies' commitments and weak evaluation procedures are often cited to explain APEC's poor achievements in TILF agenda.³³ Despite the problem of "free-riding" in its external relations and internal deficiencies as mentioned above, if APEC becomes successful in mobilizing enough member economies to provide unilateral liberalization to non-APEC members, its impact will be substantial.

If it had been adopted by the WTO members, the ATL initiative would have had the potential to become a fundament for global liberalization. However, its eventual failure put APEC in an impasse. On the one hand, APEC has to implement the ATL package in the form of unilateral liberalization, if APEC wants to avoid being blamed for its lack of confidence in liberalization. On the other hand, APEC is not assured whether non-APEC member countries are ready to reciprocate should APEC implement the ATL package unilaterally.

Notwithstanding the internal and external difficulties, a unilateral implementation of the ATL package will prove to be the greatest opportunity for APEC to contribute to the

³¹ For a better implementation of this principle, APIAN (2000) recommends APEC to establish effective and transparent monitoring systems.

³² Bergsten (1997) and APEC's EPG quote unilateral liberalization as one of five possible operational interpretations of open regionalism. For EPG's elaboration, see APEC Secretariat (1994).

³³ See, for instance, APIAN (2000).

upcoming WTO new round. First, APEC can restore its damaged credibility in the world trading community. Second, APEC can provide a new impetus to the multilateral trading system towards further liberalization. Third, APEC is nearer to achieving its long-term goal of “free trade in the region”, as stipulated in the Bogor Declaration. In this respect, the recent initiative made by a number of APEC member economies to move APEC and the WTO to mutually reinforce the liberalization process could prove instrumental for such end.³⁴

2. Liberalization in Agricultural Trade

Together with the liberalization of trade in services, the liberalization of agricultural trade is the so-called ‘built-in-agenda (BIA)’, the negotiation on which has already started. In this issue area, APEC finds itself to be in a very unique situation: aside from the EU, APEC encompasses the majority of major traders in the agricultural sector. Member economies such as Canada, Australia, New Zealand, Chile, Thailand, Philippines, Malaysia and Indonesia are members of Cairns Group, which is a group of 18 agricultural exporting countries³⁵ with considerable influence in the sector. At the same time, member economies who are major agricultural importers, such as Korea and Japan, are those countries that have secured the so-called “developing country status” in the UR negotiations. In addition, the US also has been playing a crucial role in the shaping of the agricultural trading disciplines.

With this contrasting interests and concerns, in fact, it was and will in the future be difficult to formulate a single position within APEC on the WTO new round. Also, the agricultural trade liberalization had been one of the main obstacles facing APEC when pursuing the EVSL initiative throughout 1998. However, this composition of divergent interests and concerns within APEC can provide a unique opportunity for APEC to play a key role in bringing the agricultural negotiation to a successful completion.

The first step would be to establish an APEC-internal coordination mechanism, composed of representative members of agricultural exporters and importers, especially for agricultural trade. An alternative is to call upon the EVSL working group that already took stock of member economies’ positions in selected sectors. The ‘coordination group’ will then

³⁴ See footnote 9.

³⁵ The remaining ten members of the Cairns Group are Argentina, Bolivia, Brazil, Colombia, Costa Rica, Guatemala, Paraguay, Uruguay, Fiji, and South Africa.

function as an **exclusive** forum **where** interests and concerns of APEC member economies can be exchanged. With the expectation that the WTO new round will take up a comprehensive coverage, other trade issue areas can also be discussed in the group **to balance** the divergent interests and concerns of APEC member economies.³⁶ **Coming up with** several alternative options for APEC agricultural package, which includes proposals of agricultural liberalization combined with proposals in other trade issues, could be **an** outcome of the group's activities. A second step would then be to submit these proposals for discussions to the agricultural negotiation group within the WTO, in which the EU as a non-APEC member plays a key role. Gaining **the** so-called 'critical mass' both within APEC and the WTO will be the crucial factor **for** success in **taking** this approach. Even though the **prospect** of this approach is uncertain, the opportunity will have to be better addressed in **similar** way.

3. Liberalization in Services Trade

Together with trade in agriculture, the liberalization of services trade constitutes a BIA, the negotiation of which started already in the beginning of 2000. The diverse positions of WTO member countries have been solicited through several negotiation meetings so far.³⁷ Although the General Agreement on Trade in Services (GATS), which is the existing WTO rules governing the trade in services, was established relatively recently, it has become one of the core multilateral trading rules, covering four fundamental areas of services trade – the so-called Mode 1-4: (1) Cross-border supply, (2) Consumption abroad, (3) Commercial presence, (4) Presence of natural persons. Positions of developing and developed WTO members appear to differ, in particular, in the following fundamental questions: (1) Whether the negotiation should include new measures that are currently not subject to GATS discipline, (2) Which of the four modes has to be given priority, (3) Whether and how to consider the autonomous liberalization, (4) Which modality (request and offer vs. clusters or model approach) has to be adopted.

As regards the coverage of the negotiation, developing countries prefer to conduct the

³⁶ Considering that Korea and Japan will represent the agricultural importers' group, a special attention to rules making issues such as anti-dumping can be a good candidate for this additional sectoral consideration.

³⁷ During 2000 two "Services Weeks" took place to solicit the possible agenda items and positions of the member countries. At the end of March 2001, a high-level stock-taking session has been held.

negotiation “within the existing architecture of the GATS”,³⁸ whereas developed countries want to widen the negotiation to “measures currently not subject to GATS disciplines, and covering all ways of delivering services”.³⁹ As for the priority area of liberalization, developing countries seem to have a keen interest in further liberalization in Mode 4,⁴⁰ whereas priority areas of developed countries are concentrated on Modes 1-3.⁴¹ Autonomous liberalization has to be more progressively accounted and credited in the eyes of developing countries than of the developed countries.⁴² Contrary to some developed countries’ proposal to build clusters and models in negotiating,⁴³ developing countries prefer to conduct the negotiation based on the request-and-offer approach.⁴⁴

A study conducted by Argentina reveals that nearly 98 % of service trade in the world is concentrated in Mode 1-3, and developing countries’ share in world total services trade is very low with 18%.⁴⁵ The high concentration of developing countries’ exports in services in such labor-intensive areas as travel and transportation services also faces with relatively high protection by developed countries, mainly in the form of exemptions to MFN treatment. Reflecting these basic facts, Langhammer (2000) concludes that an over-proportionate growth of service exports from developing countries will remain limited to small number of success stories rather than having the same, wide country coverage as growth of manufactured exports.⁴⁶

The issue at stake for APEC is to encourage as many of its developing economies as possible to adopt a progressive posture towards services liberalization. In this respect, the role of APEC to contribute to the WTO new round can be best discussed concerning the questions 2 and 3. Concerning the autonomous liberalization measures, for which many developing economies of APEC want to have credits, an appropriate mechanism for their recognition can already be established within APEC: The US and Japan signaled their readiness already,⁴⁷ and this is vital in proceeding the APEC-intern consultation on this issue, possibly through its

³⁸ WTO (2000b), paragraph 3.

³⁹ WTO (2000c), paragraph 2.

⁴⁰ See, for example, WTO (2000d).

⁴¹ See, *inter alia*, WTO (2000e).

⁴² See diverging texts of proposals to be found in WTO (2000b, 2000c).

⁴³ Developed countries’ position is well summarized in WTO (2000c, 2000e, 2000f.).

⁴⁴ See WTO (2000b). Japan suggests adopting the request-and-offer approach as the central method, and thus appears to support developing countries’ position. For this, see WTO (2000g).

⁴⁵ See WTO (2001).

⁴⁶ See Langhammer (2000).

⁴⁷ See, for example, WTO (2000c, 2000g).

Senior Officials' Meeting. As regards the coverage issue, both developing and developed economies of APEC seem to prefer precluding no sectors in the negotiation, if the negotiation takes place within the GATS disciplines and no additional measures are included into it. Considering the contrasting interest areas of these groups – with developing members having more pronounced preference for Mode 4, it is advisable for APEC to develop a balanced approach rather than relying too strongly on developed countries' areas.

4. Other Liberalization Issues

(1) UR Implementation

The implementation of the results of UR negotiations not only constitutes one of the main concerns of developing WTO member countries, but is also a priority area in approaching the WTO new round. In general, developing countries are unsatisfied with the implementation of the existing UR agreements. Their biggest concerns are in such issues as textiles and clothing and anti-dumping.⁴⁸ These problem areas are also those areas where interests of developing and developed APEC member economies have clashed. Therefore, APEC is called for to take a more proactive role.

As for the textiles and clothing sector, which had long been one of the “gray areas” of the GATT system, the phasing out of the country-specific quotas is the main instrument to implement the UR agreements. The progress on the implementation is not satisfactory in the eyes of the developing countries.⁴⁹ Also, the time schedule of quota elimination is regarded as unfavorable for them, because the upcoming new round is expected to be completed after all the quotas have been phased out. The concern of the developing countries is that their textile and clothing exports are likely to face other non-tariff measures, such as anti-dumping and safeguards. As in agriculture, textiles and clothing sector offers an “excellent” contrast of interests and concerns within the APEC territory, which may be utilized in developing a multilateral package within the APEC process: APEC has many major exporters and importers of textiles and apparel products, and APEC economies were, together with the EU,

⁴⁸ Watal (2000) identifies TRIPs as the third most important issue of concern for developing countries.

⁴⁹ According to Ricupero (2000), only 6% of the value of restricted items in the Multifibre Arrangement has been liberalized until the mid-2000.

the most frequent users of anti-dumping and safeguard procedures. Developing a common position in this sector would be **generally** less controversial than in the agricultural sector, both within APEC and the WTO. Therefore, if successful, APEC's initiative can exercise a substantial impact on the multilateral negotiation process.

As **for** anti-dumping procedures, the majority of recent anti-dumping cases has been initiated by the "Big Four" – the US, the EU, Canada and Australia⁵⁰ – and mainly directed at imports from competitive developing countries.⁵¹ The complainants normally claim their anti-dumping measures to be pursued against "unfair" trade practices by their counterparts, whereas the defendants suspect **the other** to use anti-dumping measures as a covert protectionist instrument. **Since** the major players, **aside from the EU, are** members of APEC, the Asia-Pacific region has long been the **source** of the international conflicts surrounding dumping and anti-dumping. APEC, however, did not yet develop any initiatives to resolve these conflicts **of interests** among its members. It is even fairer to say that APEC avoided bringing this "sensitive" issue onto the table. **However,** if APEC wants to play an important role in shaping the multilateral trading system, thereby restoring its damaged credibility, **resolving the** anti-dumping issues **can** provide APEC with another excellent opportunity.

(2) E-Commerce

In the area of e-commerce, APEC has been making a good figure: The 2000 APEC Ministers Meeting agreed upon setting a moratorium on the imposition of customs duties on electronic transmissions until the next WTO Ministerial Conference.⁵² The APEC moratorium is to be interpreted as a reaffirmation and extension of the WTO initiative made at its Second Ministerial Conference held in Geneva in 1998. Therefore, the initiative, in fact, is a clear signal from the side of APEC to the trade ministers of major trading nations, who will gather at Qatar WTO Ministerial later this year, to move towards a more progressive rule making in this newly emerging area of concern for the trading community. This APEC initiative, therefore, has a good chance to spill over to other regions and institutions such as the OECD,

⁵⁰ A recent WTO statistics shows that more than 60% of worldwide anti-dumping cases were initiated by these four countries. See WTO (2000).

⁵¹ KIEP (2000) identified 8 among the 10 most frequent defendant countries in the period 1987-1998 as developing countries.

⁵² See APEC (2000a), Paragraph 24.

in addition to the potential to serve as a steppingstone for multilateral negotiations.

If APEC's e-commerce initiative mobilizes enough number of WTO members (the so-called "critical mass"), as was the case with APEC's worldwide Information Technology Agreement (ITA) initiative, APEC can be credited to have contributed to the strengthening of the multilateral trading system.

V. Rules making Issues and APEC's Role

In the area of rules making, APEC also has a lot to offer for a new round of the WTO, the most significant of which lies in the area of anti-dumping and regionalism.

1. Anti-dumping Procedure

As stated previously in the paper, if APEC can establish an internal policy coordination scheme, the composition of its membership provides an excellent opportunity to strengthen the implementation activities of the WTO members. This holds the same for rules making activities of the WTO, in which APEC's initiative will play an influential role. Here in particular, a strong US leadership is needed more than ever, because the anti-dumping issue was one of the most controversial issues that led to a stalemate at the Seattle WTO Ministerial. Recently, there emerged a rather favorable development in this regard.⁵³ First, the confrontation on the issue of anti-dumping rules making between the US on the one side and the EU, Japan and Korea on the other seems to have been softened, considering that there are increasing voices among US analysts to include this issue into the negotiating agenda. Second, the US is recently listed as No. 2 among defendants in anti-dumping statistics. This may lead the US to reconsider its trade policy agenda for the WTO new round, in general, and attempt to rationalize the anti-dumping rules of the WTO, in particular. Third, the US appears to have become more and more isolated in this trade policy issue, thus weakening its bargaining power in setting the agenda for the new round. Some analysts even suggest combining this issue with the competition policy issue,⁵⁴ which most of the defendant countries, such as

⁵³ See, for example, Schott (2000) and Bergsten (2000).

⁵⁴ See Schott (2000).

Japan and Korea, would welcome. In sum, a change in the US policy, which seems more likely to come about than before, will pave the way to reduce APEC-internal conflict potentials, thereby contributing to the resolution of this controversial issue at the multilateral level.

2. Regionalism and Rules of Origin

Over the last 11 years of APEC's existence, regionalism and its relationship to multilateralism has been the center of discussions on the long-term vision for APEC.⁵⁵ Emerged as a counterweight to the deepening and expanding European integration, APEC's mandate was to pursue both "Asia-Pacific Economic Community" internally and open regionalism in its external relations, with the view to overcoming regionalism and in this way strengthening multilateralism.⁵⁶ APEC's achievements so far are rather disappointing since APEC still is far away from this goal. On the one hand, APEC was unable to even start the formation of regional economic community. On the other hand, APEC's open regionalism in most cases ended as a lip service,⁵⁷ not to mention the proliferation of APEC-internal sub-regionalism, which poses another challenge for the APEC process. Consequently, APEC has been caught in dilemma, leaving the regionalism issue as one of the most important tasks it has to tackle.

As regards WTO rules governing regionalism, the Understanding adopted during the UR negotiations clarified some ambiguities existing in the Article XXIV of GATT/WTO. Nevertheless, there still exist obstacles to have regionalism complement multilateralism. A wide range of practical applications in the rules of origin is a good example. All the attempts by the WTO, in cooperation with the World Customs Organization (WCO), to establish worldwide unified rules of origin failed. Even within the APEC area, the rules of origin are different from sub-regionalism to sub-regionalism. The harmonization of diverse intra-APEC rules of origin, and extending it to the WTO as a basis for negotiation as a way to implant the new rules into the Article XXIV of GATT/WTO, has the potential for APEC to contribute to

⁵⁵ For a detailed discussion, see Bergsten (1997) and Park (1998b).

⁵⁶ For an elaboration on this APEC vision, see APEC Secretariat (1993, 1994).

⁵⁷ Even though all the Summit Declarations point the importance of open regionalism, APEC succeeded only once in implementing this concept, with the WTO's ITA. All other attempts to pursue open regionalism, especially with the 1998 EVSL package, failed.

the new round. The European Union, which constitute the most powerful counterpart of APEC in the new round will also be ready to clarify the issue of rules of origin in the context of Article XXIV.⁵⁸

VI. Conclusions

This paper elaborated on possible contributions of APEC to a WTO new round, concentrating on three issue areas – launching, liberalization and rules making. Main conclusions of the paper are as follows.

First, the paper argues that APEC, with its economic size and membership composition, can exercise substantial influence on the shaping of a new multilateral trading system.

Second, as regards the launching of a WTO new round, the paper recommends APEC to vigorously pursue the earliest possible launch of a new round, in order to be consistent with the past Summit declarations. The paper also suggests APEC establish a position that favors a comprehensive approach as the coverage of negotiating agenda and a single-undertaking-approach as the modality to deliver the results of the negotiation, while paying special attention to ensure a balance of interests and concerns of its members.

Third, concerning the liberalization issue, the paper identifies a unilateral implementation of the ATL package by APEC member economies as the best policy option to deliver substantial contributions to the new round. The paper, however, admits limitations and obstacles underlying this approach, both within APEC and in its relationship to non-members.

Fourth, the paper argues that the composition of APEC, which has diversity in economic development stages with heterogeneous industrial structures, offers a chance for APEC-internal agreements to spill over to the multilateral trading system. Since, once an agreement is reached within APEC, any trade issues have a good chance to be seriously considered at the WTO fora. It points out that agricultural liberalization and reform of WTO anti-dumping rules are good candidates for this approach.

Fifth, the paper also regards the recent APEC initiative to set moratorium on the imposition of customs tariffs for e-commerce related product categories as a model case for

⁵⁸ For the position of the EU, see European Commission (1998).

the APEC process to **have positive impact on** the multilateral WTO process. The paper strongly recommends APEC to find more of such cases.

Sixth, one of the findings in this paper **regarding the issue of** regionalism is that APEC's many sub-regionalism have burdened the world trading community **by having pursued** too many different rules of origin. The paper recommends APEC to develop **a** unified rule of origin or at least harmonize them, and deliver those rules to the WTO, thereby **to partly compensate for** the negative impacts stemming from the proliferation of sub-regionalism within APEC.

Lastly but most importantly, the paper argues that **a strong** US leadership both within APEC and in the WTO is needed to capture the opportunities for APEC and the WTO to **mutually support** each other.

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Executive Summary

Established in 1989 as “the first broad regional institution for intergovernmental dialogue on economic policy issues” in the Asia-Pacific region, APEC has emerged as one of the most powerful regional groups in the world economy, assuming more than 50% of world GDP and trade volume, respectively. Over the last 11 years of its existence, APEC activities achieved a remarkable progress: the number of its members nearly doubled, the level of intergovernmental cooperation has been substantially upgraded, and since 1997 APEC has entered the stage of implementation. Also, cooperation areas of APEC have been **widened** continuously and the degree of cooperation deepened successively.

Even though APEC **attained** a relatively influential position in the world economy, its importance within the world trading system **remains** controversial, both internally and in its external relations. APEC at the moment stands at a crossroad, and runs the risk of being marginalized **not only** in the world trading system, **but also** in the Asia-Pacific region.

Not to be **labeled** as a “mere talk shop”, APEC has to tackle both internal and external challenges. Internally, the solidarity among all member economies **needs to be strengthened, which means** APEC has to redesign and **solidify** its long-term vision, and systemize the cooperation agenda. **Moreover, in** its outreach to non-members, and especially in its relationship to the multilateral trading system, APEC has to find out how it can contribute to the strengthening of the multilateral trading system. In this context, it is **imperative that** APEC elaborates how it can **assist the** launch and successful operation of a WTO new round.

This paper elaborated on possible contributions of APEC to a WTO new round, concentrating on three issue areas – launching, liberalization and rules making. Main conclusions of the paper are as follows.

First, the paper argues that APEC can exercise a strong influence **on** the shaping of a new multilateral trading system. Second, as regards the launching of a WTO new round, the paper recommends APEC to **vigorously** pursue **the** earliest possible launch of a new round, and suggests APEC establish a position that favors a comprehensive approach and a single-undertaking-approach, **while paying** special attention to **ensure a balance** of interests and concerns of its members. Third, the paper identifies a unilateral implementation of the ATL package by APEC member economies as the best policy option to deliver substantial

contributions to the new round. Fourth, the paper argues that the composition of APEC, **which has diversity in economic** development stages with heterogeneous industrial structures, **offers** a chance **for** APEC-internal agreements to spill over to the multilateral trading system. It **points out** that agricultural liberalization and reform of WTO anti-dumping rules are good candidates for this approach. Fifth, the paper also regards the recent APEC initiative to set moratorium on the imposition of customs tariffs for e-commerce related product categories as a model case for the APEC process to **have positive impact on** the multilateral WTO process. Sixth, the paper recommends APEC to unify different APEC-internal rules of origin or at least harmonize them, and deliver those rules to the WTO, thereby **to partly compensate for** the negative impacts stemming from the proliferation of sub-regionalism within APEC. Lastly but most importantly, the paper argues that **a strong** US leadership both within APEC and in the WTO is needed to capture the opportunities for APEC and the WTO to **mutually support** each other.

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