



APEC Study Series 02-04

Implementing the Bogor Goals of APEC

Hongyul Han

**KOREA INSTITUTE FOR
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Choong Yong Ahn, *President*

**KOREA INSTITUTE FOR
INTERNATIONAL ECONOMIC POLICY**

300-4 Yomgok-Dong, Seocho-Gu, Seoul 137-747, Korea
Tel: 02)3460-1178 / FAX: 02)3460-1144, 1199
URL: <http://www.kiep.go.kr>

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**KOREA INSTITUTE FOR
INTERNATIONAL ECONOMIC POLICY (KIEP)**

300-4 Yongok-Dong, Seocho-Gu, Seoul 137-747, Korea

Tel: (822) 3460-1178 Fax: (822) 3460-1144

URL: <http://www.kiep.go.kr>

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Executive Summary

The Shanghai Accord, which was produced by the Leaders Meeting of APEC 2001 in China, can be interpreted as an effort to move forward the APEC to the Bogor Declaration. Major agenda of the Shanghai Accord are as follows; 1) broadening APECs vision for the future by identifying a conceptual and policy framework to guide APEC in the new century, 2) Clarifying APECs roadmap for achieving the Bogor Goals on schedule, 3) Strengthening APECs implementation mechanism by strengthening the Individual Action Plan Peer Review process reinforcing Ecotech and capacity building efforts. The Shanghai Accord is a substantial progress because it provides a clearer definition of the Bogor goals and the methods of implementation. However, more practical measures need to be developed if the Shanghai Accord is able to provide a meaningful momentum to achieve the Bogor Goals.

In spite of the staggering process of APEC for the past years, it could continue its activities under the assumption that those activities are connected to the efforts for achieving the Bogor goals one way or the other. Nevertheless, there has not been any serious attempt even to specify the Bogor Goals. The Shanghai Accord seems to fall far behind the necessary steps to achieve the Bogor goals. The most important reason for the lack is quite simple; no one actually knows 'what the Bogor goal' is. There are three basic principles to be considered in defining the Bogor Goals and establishing implementation procedures. First, the Bogor Goals should include meaningful liberalization measure, by focusing on the border measures. Second, tangible

economic and technical cooperation programmes should be addressed along with trade and investment liberalization efforts for the Bogor Goals. Third, specific goals and implementation procedures are desired to be based on 'Soft Laws' and avoid any WTO type negotiations based on reciprocity.

APEC needs tangible TILF initiatives on border measures because the Bogor Goal is principally about 'free and open trade and investment'. Any interpretation of the Bogor Goal neglecting this fact would be misleading the real cause of APEC's drifting away from the early vision over the past decade. However, this does not necessarily mean trade and investment liberalization initiatives beyond what APEC members can and want to do. It is necessary to set up a mechanism that can induce APEC members to take actions for further liberalization. The easiest way to implement this strategy would be to take advantage of the APEC's important asset of IAP. The structure of IAP is designed to provide information on recent improvements, current situation and future plan for improvements. The merits of this approach is that every APEC member is familiar with this type of approach thanks to IAP and CAP. Finally, a due consideration should be given to Ecotech initiatives as a part of the plan to achieve the Bogor Goal. Current Ecotech initiatives serve the purpose of information gathering, policy dialogue, researches and seminars. Also, individual Ecotech activities are proposed voluntarily by individual economies and no active cooperations among members are being made. Ecotech activities need to practically assist another member if APEC is to bring about meaningful outcomes in TILF activities.

Dr. Hongyul Han, associate professor of Department of Economics, Hanyang University, earned his Ph. D in Economics from the University of Pittsburgh. He specializes in international trade, commercial policy and trade negotiations. His E-mail address is hongyul@chollian.net



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Implementing the Bogor Goals of APEC

Hongyul Han

I. Introduction

In spite of varying interpretation of the Bogor Declaration made in the Leaders Meeting of APEC 1994, it certainly is the most important goal of the economic cooperation of APEC. Every member is well aware that it is necessary to take some actions to materialize whatever is meant by the Declaration. Nevertheless, it is not clear yet whether APEC could produce an implementation framework and proceed successfully toward the Bogor Goals of free trade and investment in the region. First of all, APEC members have different expectations of APEC's economic cooperation, owing mainly to the diversity of economic development stages. Also, no practical initiatives for TILF and Ecotech could be undertaken because APEC cooperation is based on voluntarism. The lack of any practical achievement in APEC is creating a serious loss of momentum for further cooperation in the region.

The Shanghai Accord, which was produced by the leaders meeting of APEC 2001 in China, can be interpreted as an effort to move forward the APEC to the Bogor Declaration. Major agenda of the Shanghai Accord are as follows; 1) broadening APECs vision for the future by identifying a conceptual and policy framework to guide

APEC in the new century, 2) Clarifying APECs roadmap for achieving the Bogor Goals on schedule, 3) Strengthening APECs implementation mechanism by strengthening the Individual Action Plan Peer Review process reinforcing Ecotech and capacity building efforts. However, more practical measures need to be developed if the Shanghai Accord is able to provide a meaningful momentum to achieve the Bogor Goals. In this context, this paper intends to provide both an analytical explanation of the current situation of APEC and an implementation framework to achieve the Bogor Goals.

In chapter II, an assessment of the Open Regionalism and the Shanghai Accord is made. In chapter III, we provide an analytical explanation of the staggering situation of APEC, focusing on the balance between TILF and Ecotech. In the final chapter, we make a specific proposal for the implementation of the Bogor Goals.

II. Open Regionalism and the Shanghai Accord

1. An Interpretation of the Open Regionalism

The “Open Regionalism” is one of the central working principle of APEC and its operation. While APEC has grown into a major international regional entity over the past decade, it is still difficult to place it into any category of traditional international organizations. Of course, international organizations go through various stages of evolution until they take a definitive structure. However, the problem with APEC is that it is still unclear which direction APEC is headed for, despite its history of longer than 10 years. Obviously, APEC is not moving toward regional agreements such as FTAs although its major goal is freer trade and investment in the region. Neither it can be regarded as a formal cooperative body for economic policy coordination like OECD. The ambiguity of the APEC’s nature originates mostly from the “Open Regionalism”. APEC adopted the “Open Regionalism” as a major working principle because it could effectively reflect the diverse interests of member economies while it did not demand any involuntary liberalization measures. Although this nature of the “Open Regionalism” has helped APEC to develop into a major international entity in the Pacific Rim region, it also caused the APEC process to be less effective in producing meaningful achievements, either in market opening or economic and technical cooperations in the region. A brief examination of the evolution of APEC for the past 13 years would support this argument fairly well.

APEC has undergone various phases of development. In the early years, APEC evolved from a simple body for dialogues to an institution for economic cooperation in the Asia Pacific region. It established principles on which member economies could launch policy measures for regional economic prosperity. Those include; maintenance of openness in the economic cooperation, acknowledgement of the diversity among members and consensus based initiatives for cooperation. Without being a formal or WTO legitimate regional agreement body, it pursued non-discriminatory initiatives such as, "Voluntarism" and "Open Regionalism". That is, it would be fair to say that APEC focuses more on regional economic cooperation, than trade and investment liberalization in the region. Of course, the non-binding approach made it possible for APEC to grow as an international entity allowing APEC members voluntarily participate in various fora and activities. However, this approach became one of the main impediments to a further institutional development at later stages.

In mid-1990s, APEC attempted to substantiate its cooperation initiatives by the inauguration of the Leaders Meeting and Ministerial conference as well as establishing internal structure such as Secretariat, Committees etc. However, the APEC cooperation was limited to organizational activities rather than drawing actual commitments to trade and investment liberalization of individual economies. The commitment to comprehensiveness of liberalization in the Osaka Action Agenda(OAA) was also a key achievement as was the 15-subject listing of action areas for trade and investment policy. Also, in the Bogor Declaration of 1994 Leaders' Meeting, leaders set up a controversial goal of 'free trade and investment in the region by

2010/2020'. Although a series of initiatives contributed to enhance transparency of regional trade and investment environment through increased peer pressures by IAP and CAP, the APEC cooperation lacked rigorous processes pursuant to relevant international norms.

Since around 1997, the limit of APEC became clear. APEC started to lose its competence rapidly. APEC failed to create an implementation mechanism for TILF and Ecotech. The principle of Voluntarism prevented members from making any meaningful commitment for liberalization.¹⁾ Most Ecotech initiatives have been proposed by individual economies on the voluntary basis. Also, they do not usually involve any significant transfer of capital and technology from developed economies to developing economies in the region. Most Ecotech activities are characterized by seminar, discussion, exhibition, etc.²⁾

The failure of EVSL clearly symbolizes the nature of APEC. EVSL was the first attempt to reduce trade barriers regionally via semi-negotiation process within APEC. By semi-negotiation process, we mean the followings. First, EVSL was an attempt to indirectly force member economies to make specific commitment for trade liberalization.

1) Although some economies improved their trade policy regime by reducing tariff rates, it is hard to say whether they have been the results of TILF. For example, the Philippines tariff reductions from 15.6% on average in 1996 to 12.1% in 1997 and further to 9.4% in 1998), some welcome hardening of past commitments (e.g., in 1998, New Zealand legislated its commitment to go to zero tariffs in the year 2006), and several other new specific tariff reduction commitments (including notably by Chile, China, Indonesia and Papua New Guinea).

2) For an assessment of IAP/CAP, see Yamazawa(1998).

The enforcement was clearly against the principle of the Voluntarism of APEC. Secondly, however, the semi-negotiation process was not fully enforceable in spite of the fact that the decision making process was developed on a consensus basis. The tariff part of these negotiations were transferred to the WTO Ministers who agreed on the EVSL initiative towards tariff reductions in 15 specific sectors; chemicals, energy equipment; environmental goods; fish and fishery products; gems and jewelry; medical equipment and scientific instruments; toys; and forest product.

The Open Regionalism lies behind the staggering process of APEC in the past decade. To understand the relationship between the Open Regionalism and the APEC process, it would be helpful to review a definition of the Open Regionalism. One of the most important and debatable definition of open regionalism was proposed by EPG³⁾.

-
- 3) The definitions of EPG report can be summarized as follows. The first proposed definition of 'open regionalism' is open membership in the regional arrangement. Any country that indicates a credible willingness to accept the rules of the institution would be invited to join. The trade-liberalizing effects of the group would thereby expand to an increasing number of countries. The second 'open regionalism' concept is unconditional most-favored-nation (MFN) treatment. APEC's trade liberalization would be extended unconditionally to all of the members' trading partners. No new preferences or discrimination would be created. The problems with unconditional MFN have led to a third proposal of conditional MFN extension of APEC liberalization. APEC as a group would *offer* to generalize its reductions of barriers to all nonmembers that agreed to take similar steps. The prospects are extremely good that outsiders would accept the offer in order to avoid being discriminated

There are several elements in EPG's definition; Open Membership, Unconditional MFN, conditional MFN. The first proposed definition is already invalid because APEC set a moratorium for new membership until 2020. However, as this element aims to invite "any country that indicates a credible willingness to accept the rules of the institution" the trade-liberalizing effects of the group would thereby expand to an increasing number of countries."⁴⁾ This idea reflects the famous theoretical work of Kemp and Wan(1976), which is also consistent with the idea of GATT Article 24.⁵⁾

Second, the most disputable part of the definition is non-conditional extension of regional liberalization to non-members. APEC trade liberalization would be extended unconditionally to all of the members' trading partners. No new preferences or discrimination would be created. This aspect of Open Regionalism was advocated or implied in some of the early academic and private-sector blueprints for APEC (PECC, 1992). However, it should be emphasized that APEC has no choice but to adopt this approach. APEC cannot discriminate non-member economies anyway because it is not an regional body pursuant to the GATT article XXIV. This approach simply calls for unilateral actions (rather than negotiations) which in turn would generate openness via peer pressure and demonstration effects to encourage them to follow. It also obviates the need to work out re-

against by countries that account for half the world economy. A fourth definition of 'open regionalism' is to simply continue reducing their barriers on a global basis while pursuing their regional goals.

4) For an elaborated interpretation of Open Regionalism by Bergsten, see Bergsten(1997).

5) Paragraph 4, GATT Article XXIV

quirements to be eligible for a regional trade agreements under Article XXIV of the WTO agreements. By avoiding preference or discrimination, the Open Regionalism does not pose new risks of creating trade conflicts. However, at the same time, this nature of the Open Regionalism has not provided incentives to members enough to take unilateral initiatives for market opening.

To conclude, 'the Open Regionalism' is another expression for 'cooperation for promoting unilateral liberalization'.⁶⁾ There is no mechanism to enforce members to liberalize their market. No reciprocity is applied. There is no leverage for APEC to demand non-members of reducing their barriers in exchange of APEC's offer. The Open Regionalism only encourages APEC members to liberalize their own market without expecting any return for their unilateralism, hence no strong engine for APEC's development vis-à-vis TILF and Ecotech. Particularly, the Open Regionalism does not provide dynamics strong enough to push APEC forward to the Bogor Goal. This is one of the reason why the Leaders Meeting of the APEC 2001 in China produced the Shanghai Accord. First, no matter how realistic is the ambition of the Bogor Goal is, APEC is in a critical phase to take a serious measure in order to maintain a momentum for cooperation in the region. The Accord is drafted by the urgency of this necessity. Second, APEC is fast approaching to the Bogor time plan, which is 2010 and 2020 for APEC developed and developing economies, respectively. Actions should be taken within one or two years considering the time constraint.

6) Later, APEC correctly described it "concerted unilateralism".

2. An Assessment of the Shanghai Accord

The Shanghai Accord reflects various discussions we have made so far; no practical cooperation and liberalization in APEC, upcoming deadline of Bogor Declaration, the urgent needs to establish the modality of APEC activities, etc. The following agenda of the Accord are set to meet such challenges; 1) broadening APECs vision for the future by identifying a conceptual and policy framework to guide APEC in the new century, 2) Clarifying APECs roadmap for achieving the Bogor Goals on schedule, 3) Strengthening APECs implementation mechanism by strengthening the Individual Action Plan Peer Review process reinforcing Ecotech and capacity building efforts. In following sub-sections, we will discuss the relevance and implication of those agenda in achieving the Bogor goals.

1) Broadening APEC's Vision

The first agenda of broadening APEC's vision appears to have the context of extending the APEC agenda and capacity building in response to globalization and the New Economy. It recognizes "globalization and the New Economy have transformed the global and regional economy significantly since the Bogor Goals, bringing forward extraordinary opportunities as well as challenges", and recommends APEC to reflect these changes. It is quite interesting that the Leaders interpret the Bogor Goals in an extended context. While the Bogor Goals have been understood as trade liberalization by 2010/2020, the accord addresses that TILF and Ecotech be integrated in order to maximize the benefits in the region. This recognition is important for the meaningful achievement of the Bogor goals.

Particularly, our analysis in the later chapter suggests that a simultaneous progress in TILF and Ecotech is a necessary approach for regional trade and investment liberalization. Therefore, this agenda proposes a fundamental solution necessary for further progress.

However, this agenda to achieve the Bogor Goal seems to be inappropriate in the following senses. First of all, Ecotech and TILF have been two pillars of APEC cooperation since its beginning. There is nothing really new in declaring the necessity, which has been done repeatedly. Second, the approach of broadening the APEC agenda is inadequate and only to aggravate problems. APEC already has too many work programmes. The accord notes the necessity to “intensify the collective and individual actions that economies take at domestic and international levels on reforms and capacity building across a range of areas”.⁷⁾ Rather than broadening APEC agenda, it needs to

7) The Bogor Declaration says “with respect to our objective of enhancing trade and investment in the Asia-Pacific, we agree to adopt the long-term goal of free and open trade and investment in the Asia-Pacific. This goal will be pursued promptly by further reducing barriers to trade and investment and by promoting the free flow of goods, services and capital among our economies. We will achieve this goal in a GATT-consistent manner and believe our actions will be a powerful impetus for further liberalization at the multilateral level to which we remain fully committed. We further agree to announce our commitment to complete the achievement of our goal of free and open trade and investment in the Asia-Pacific no later than the year 2020. The pace of implementation will take into account differing levels of economic development among APEC economies, with the industrialized economies achieving the goal of free and open trade and investment no later than the year 2010 and

balance Ecotech and TILF in a practical way. The first agenda appears to be only a reflection of what has been going on APEC's various fora. For example, the e-APEC initiative is only another ornament to the already overloaded APEC activities. The direction is right, but it should not aim to increase more work programmes. It is time to clarify the way to balance TILF and Ecotech. In other words, APEC has to list up the menu of options from the current TILF and Ecotech issues, and then decide whatever the members can do about them, disregarding the lest.

2) Clarifying APEC's Roadmap

It is practical to focus on the second agenda of clarifying APEC's roadmap for achieving the Bogor Goals. In order to achieve the Bogor goals on schedule, it requires that APEC members stocktake the overall progress in 2005 through following initiatives.

- (1) broadening and updating the Osaka Action Agenda to reflect fundamental changes in the global economy since Osaka, such as the development of new economy
- (2) adopting a pathfinder approach in advancing selected APEC initiatives towards achieving the Bogor Goals observing APEC principles of voluntarism, comprehensiveness, consensus-based decision-making, flexibility, transparency, open regionalism and differentiated timetables for developed and developing economies,
- (3) promoting the adoption of appropriate trade policies for the New Economy to reflect the new context and encourage the

developing economies no later than the year 2020."

development of the New Economy. Leaders instructed officials to undertake by mid-2002 an exchange of appropriate trade policy information.

- (4) identifying, by Ministerial Meeting in 2002, concrete actions and measures to implement the APEC Trade Facilitation Principles by 2006 in close partnership with the private sector, which include a significant reduction in the transaction costs by endeavoring to reduce them by 5% across the APEC region over the next 5 years and setting objective criteria on trade facilitation.
- (5) implementation of APECs agreed transparency principles, taking into account economies specific circumstances and report on the progress in their IAPs in 2002 and thereafter.

The above instructions appear to have progressed, comparing the previous ones. They intend to find practical ways toward the Bogor Goals. Unfortunately, again, they involve many problems. First, while the pathfinding approach is a new idea to promote initiatives for the Bogor Goals, it is totally based on the spirit of "Open Regionalism". As we have discussed, the Open Regionalism is equivalent to "unilateralism". Also, APEC has experienced the failure of EVSL which proceeded through "semi-negotiation" among members. So it is hard to imagine who would want to be a pathfinder voluntarily. Moreover, as the new round of multilateral trade negotiation has begun, it is difficult to imagine APEC members to initiate any voluntary measure of liberalization until the completion of the Doha Development Round.⁸⁾

Secondly, regarding the initiative to reduce 5% of the transaction

cost by 2006, two issues arise; measurement problem and coverage. What do we mean by the 'transaction cost'? There are two possible ways of defining the transaction cost; broad and narrow. A broad definition would include costs involved in all customs procedure, distribution, shipment, tax and charges and customs tariff. A narrow definition would mean the customs tariff itself. It is apparent that the relevant definition is the broad one because it has been used in the context of trade facilitation. Otherwise, it would have specified the term simply as 'tariff'. In this case of the broad definition, a serious measurement problem arises. How can we assess the level of transaction cost, per se? If we can not specify it, what 5% could mean? If the Leaders' instruction is to be implemented, it is necessary to set up a common measure for the "5%". Naturally, the easiest method appears to be reducing tariffs. It is not clear how high the tariff equivalents of transaction cost is. Suppose that the tariff equivalent of total transaction cost is 5 times of APEC average tariff level. For example, if the average tariff level is 10%, then the total transaction cost will be 50% of total trade value. Then, the reduction of tariff rate by 2.5% point would accomplish the target 5% decrease in total transaction cost. Obviously, reducing tariffs seems to be the most practical way to implement the Leaders' instruction. The danger involved in this instruction is that it would repeat the experience of EVSL.

3) Establishing an implementation mechanism

The third agenda is strengthening APEC's implementation mechanism by strengthening the Individual Action Plan Peer Review proc-

8) Members will keep their commitments until the final stage of negotiation.

ess, reinforcing Ecotech and capacity building efforts. The instructions include; 1) strengthening the IAP Peer Review Process and undertaking a mid-term stocktake of the overall progress towards the Bogor Goals should be undertaken in 2005, 2) strengthening Ecotech and capacity building efforts, 3) ensuring the effective implementation of various Ecotech initiatives, especially cross cutting issues such as human capacity building.

Leaders recognize the importance of enhancing the profile of Ecotech substantially and improving the coordination and management of Ecotech activities of all fora. In this context, Leaders welcome the review to be undertaken on the mandate and role of the SOM Subcommittee for Ecotech (ESC), and look forward to early progress. Leaders also recognize the need to encourage the incorporation of the priorities of micro, small and medium enterprises throughout the APEC agenda. Leaders agree to further develop Ecotech Action Plans (EAPs), as an instrument to gauge and encourage Ecotech activities, drawing from the experience and lessons learned in the pilot phase. Leaders also call on all members to take part in this exercise on a voluntary basis. Leaders agree that APEC should strengthen ties with bilateral, multilateral, and private funding entities with a view to minimizing duplication and maximizing the delivery of capacity building programs.

The Leaders instructions seem to be appropriate because they not only recognize the need to balance TILF and Ecotech but also agreed to develop EAP, which is relatively a more concrete method to promote Ecotech objectives. Nevertheless, these initiatives lacks objectives and implementation measures practical and sufficient enough to bring about any meaningful achievements, necessary for the promotion of TILF.

III. Understanding the current situation of APEC

1. Modelling APEC

TILF and Ecotech have been two driving pillars of APEC. However, TILF and Ecotech have been pursued in an unbalanced way during the APECs development. There are several reasons. First, industrialized economies of APEC focused more on TILF to open markets of developing member economies. Second, industrialized economies which are main suppliers of capital and technology have been reluctant to Ecotech activities. Third, even the developing economies have focused more on TILF because TILF has a great immediate impact on their economies than Ecotech. To strengthen Ecotech activities in APEC, APEC needs to secure enough financial capital.

As far as TILF is concerned, APEC had advanced to a new stage by agreeing to EVSL(Early Voluntary Sectoral Liberalization) program. It is intended to accelerate trade liberalization by inducing member economies' to take specific measures for liberalization. One might evaluate that the principle of 'Open Regionalism' has obtained a concrete shape finally. Unfortunately, however, if we carefully look into EVSL, we may end up with an impression that the EVSL program is prejudiced to APEC developed economies such as the U.S., Canada and Australia. The target sectors for liberalization are mostly major exports of those economies to APEC developing economies. One may argue that it is inevitable because of high tariff and non-tariff barriers of developing economies. Nevertheless, in order to maintain the mo-

mentum of APEC and accelerate regional efforts for further liberalization, it is important to balance Ecotech and TILF from the APEC developing economies' point of view.

Further liberalization due to TILF programs such as EVSL would bring about higher trade interdependence. If we want to balance TILF and Ecotech, it may be helpful to establish any underlying link between aid and trade dependence. As it is generally believed, international aid is provided from non-economic objective such as political and humanitarian purpose rather than economic objectives. Therefore, it may be difficult to relate donors' pattern of giving aid with any economic activities. As we have been arguing, it is important to balance Ecotech and TILF in order to maintain the momentum of APEC and accelerate regional efforts for further liberalization. Both theoretical and empirical investigation of the existence of link between any economic objective and aid are more than necessary for the plausibility of our arguments.

There are some explanations for the above observations. First, different groups of APEC members have different interests. Second, as APEC is based on the principle of Voluntarism, there is no formal decision making system, which has led to a series of failure to accommodate conflicting interests. Third, there has been less needs to hurry for trade reform after Uruguay Round which has pushed economies for liberalization. Anyway, the world trading system started another multilateral trade talks sooner or later. Lastly, but not the least, no business is seriously involved in APEC activities. They prefer other playgrounds such as FTA or MTN.

We look into the possibility of donor economies' motivation to link aid and trade. In this regard, Lahiri et al.(1997 a. b) provides us

a good starting point. They show that a country following a more restrictive trade policy would receive a smaller share of the aid if the donor country maximizes its own welfare in allocating aid. On the other hand the result is the opposite when the donor maximizes the sum of the welfare of two recipient economies. The result implies that foreign aid can be tied with trade policies of recipient economies. In this section, we consider the effects of changes in aid on trade policies of recipient economies in terms of tariff under the general equilibrium model.

Let's consider the following general equilibrium model of international trade. Suppose there are three economies; a group of APEC developed economies (D), a group of APEC recipient economies(A) and a group of Non-APEC recipient economies(N). The APEC developed economies gives foreign aid of the amount T to A and N with shares of λ and $1-\lambda$. Both recipients imports non-numeraire goods from D. We assume that only APEC recipient economy A imposes tariff(or tariff equivalents) t on imports in order to focus on the situation of APEC cooperation and it is assumed that λ is a function of t to see the effects of tying aid to tariff reform. For the purpose of describing model, we employ the trade expenditure function(E) following the models of Lahiri. et al.

First, budget constraints of three economies can be written as follows:

$$\begin{aligned}
 (1) \quad E^D(1, P, U^D) &= -T \\
 (2) \quad E^A(1, P, U^A) &= \lambda T + t^A \cdot M^A \\
 (3) \quad E^N(1, P, U^N) &= (1-\lambda)T + t^N \cdot M^N \quad \text{Where} \\
 \lambda &= \lambda(t^A, t^N)
 \end{aligned}$$

$$(4) \quad m^i = E_p^A, \quad i = D, N, A$$

$$(5) \quad m^D + m^A + m^N = 0 \quad \text{where} \quad m^D < 0$$

This setting reflects some important aspects of APEC structure. First, APEC developing economies have high trade barriers and net importers of goods, services and technologies combined. Second, APEC's Ecotech and TILF are two pillars of cooperation and advanced economies are highly expected to provide capital and technical assistance to less-developed APEC members in the region. Third, APEC developing economies(A) impose tariff to both APEC developed economies and Non-APEC economies, regardless of APEC membership. APEC's Open Regionalism raises the question of discrimination of non-members, which is prohibited by WTO because APEC is not a formal regional agreement.

2. An Analysis of APEC subgroups' attitude toward APEC and TILF

First, we will examine the theoretical background of APEC developed economies' policy attitude regarding TILF and Ecotech by looking into the welfare effect of such policies. Take total derivatives of (1) - (5), then we have,

$$(6) \quad E_p^D dp + E_u^D du = -dT$$

$$(7) \quad \frac{E_p^A dp + E_p^A dt^A + E_u^A du}{t^A dm^A + m^A dt^A} = \lambda dT + T \lambda_p d\lambda +$$

$$(8) \quad \frac{E_P^N dp + E_P^N dt^N + E_U^N du}{t^N dm^N + m^N dt^N} = (1 - \lambda)dT - T\lambda_d dt^N +$$

$$(9) \quad dm^A = E_{PP}^A dp + E_{PU}^A du + E_{PP}^A dt^A$$

$$(10) \quad dm^N = E_{PP}^N dp + E_{PU}^N du + E_{PP}^N dt^N$$

The equations (6) - (10) lead us to evaluate the welfare changes in terms of TILF (i.e, reduction of t , the tariff equivalents of import barriers) and Ecotech (increase of T , the ODA equivalents). For instance, equation (6) summarizes the welfare changes of developed economies in terms of T and price. We will express $E_{PU}^A du$ and $E_{PU}^N du$ in terms of T , p and t and rearrange using the world equilibrium condition of (5). Substituting (9) and (10) into (7) and (8), we have

$$E_P^A dp + E_P^A dt^A + E_U^A du = \lambda dT + T\lambda_d d\lambda + t^A(E_{PP}^A dp + E_{PU}^A du + E_{PP}^A dt^A) + m^A dt^A$$

Then, we obtain the expressions for $E_{PU}^A du$ and $E_{PU}^N du$ as follows;

$$(11) \quad (E_U^A - t^A E_{PU}^A) du^A = \lambda dT + T\lambda_d d\lambda + (t^A E_{PP}^A + m^A) dp + t^A E_{PP}^A$$

$$(12) \quad (E_U^N - t^N E_{PU}^N) du^N = (1 - \lambda)dT - T\lambda_d d\lambda + (t^N E_{PP}^N - m^N) dp + t^N E_{PP}^N$$

Now, rewrite the world equilibrium condition of (5) using the equations (6) - (8), then we obtain the equation (13).

$$(13) \quad E_{PP}^D dp + E_{PU}^D du + E_{PP}^A dp + E_{PP}^A dt^A + E_{PU}^A du^A + E_{PP}^N dp + E_{PP}^N dt^N + E_{PU}^N du^N = 0$$

Substitute (6), (11), (12) into (13), and obtain the expression for dp in terms of dT and dt .

$$\begin{aligned}
 (14) \quad & \left\{ m^D k^D + \frac{m^A k^A}{1 - t^A k^A} + \frac{m^N k^N}{1 - t^N k^N} - \left(\frac{k^A t^A E_{PP}^A}{1 - t^A k^A} + \frac{k^N t^N E_{PP}^N}{1 - t^N k^N} \right) \right\} dp \\
 &= \left\{ k^D - \frac{\lambda k^A}{1 - t^A k^A} - \frac{(1 - \lambda) k^N}{1 - t^N k^N} \right\} dT \\
 &+ \left(\frac{E_{PP}^A + k^A T \lambda_t}{1 - t^A k^A} \right) dt^A + \left(\frac{E_{PP}^N - k^N T \lambda_t}{1 - t^N k^N} \right) dt^N
 \end{aligned}$$

Rewriting (14),

$$(15) \quad Z dp = A dT + B dt^A + C dt^N$$

where Z , A , B , C are coefficients of dp , dT , dt^A and dt^N , respectively.

In order to evaluate the effect of Ecotect activities(T) on the welfare of developed economies we need to figure out the sign of Z , noting m^D is negative. In deciding the sign of Z , we can ignore the last two terms considering they are very small numbles unless the elasticity of import demand converges to infinitive, while m^D is a very large number. Of course, this omission requires some discussion. First, if the importing economies are small open economies, the elasticities may be infinitive. In which case, the sign of Z becomes negative regardless of the first three terms. In spite of the theoretical possibility, it is not plausible to regard the APEC developing economies as small considering their world market shares. second, if the difference between marginal propensity weighted exports and im-

ports are negligible, the last two term would be critical in deciding the sign of Z . For the time being, we will consider the welfare change ignoring the last two terms of Z .

$$\text{I.e., } \text{Sign}(Z) = \text{Sign}(Z^1), \text{ where } Z^1 = m^D k^D + \frac{m^A k^A}{1 - t^A k^A} + \frac{m^N k^N}{1 - t^N k^N}$$

Noting that $m^D + m^A + m^N = 0$,

$$\text{let } m^A = -\alpha m^D \text{ and } m^N = -(1 - \alpha)m^D, \quad 0 \leq \alpha \leq 1$$

$$\therefore Z^1 = m^D \left(k^D - \frac{\alpha k^A}{1 - t^A k^A} - \frac{(1 - \alpha)k^N}{1 - t^N k^N} \right)$$

First, let's simplify our discussion by assuming $k^i = k$ for all i ; marginal propensities of all economies are all the same across all economies. Also assume that tariff rates of APEC developing economies and Non-APEC economies are same; $t^A = t^N = t$. Then we have,

$$\frac{k - tk^2 - \alpha k - k + \alpha k}{1 - tk} = \frac{-tk^2}{1 - tk} < 0$$

Then we have $Z^1 > 0$. Therefore, assuming identical and homothetic demand and same level of import barriers, $Z > 0$

Second, while we maintain the assumption of identical marginal propensities, let's allow differences in tariff rates imposed between APEC developing and Non-APEC economies in the following way; $k^i = k$ and $t^A > t^N$. That is, import barriers of APEC developing economies are higher than those of Non-APEC economies. Then,

$$k - \frac{\alpha k}{1 - t^A k} - \frac{(1 - \alpha)k}{1 - t^N k} = \frac{-t^N k + t^A t^N k^3 + \alpha t^N k^2 - \alpha t^A k^2}{(1 - t^A k)(1 - t^N k)}$$

$$= k^2 \frac{\alpha(t^N - t^A) + t^N(k-1)}{(1-t^A k(1-t^N k))} < 0 \quad \therefore Z > 0$$

Third, let's consider the opposite case; $k^i = k$ and $t^A < t^N$. In this case, Z can take either sign. For instance, Z is negative when

$$\alpha t^N - \alpha t^A + t^N t^A k - t^N > 0$$

$$\therefore \alpha > \frac{(1-t^A k)}{\beta-1}, \quad \beta > 1^9)$$

That is, as long as APEC economies export share to APEC developing economies(α) is greater than a certain ratio, we have the trivial case of a negative effects of T on APEC developed economies' welfare.

1) *APEC developed economies' attitude toward Ecotech and TILF*

Now, consider the following expression for the welfare change of APEC developed economies,

$$E_U^D dU^D = -dT - E_p^D dp = -\frac{Z + m^D A}{Z} - m^D B dt^A - m^D C dt^N$$

Unless import barriers of APEC developing economies are lower than Non-APEC economies, we have $Z > 0$. In this case, we have a seemingly trivial result that $\frac{du^D}{dT} < 0$. In other words, a sufficient condition for a negative effect of Ecotech on the welfare of APEC developed countries is as follows.

9) We will assume that t is less than 100%.

$$\alpha < \frac{(1 - t^A k)}{\beta - 1}, \quad 1 < \beta$$

In other words, the sufficient condition for a trivial result of negative $\frac{du^A}{dT}$ is that APEC developed economies export share to APEC developing economies(α) is less than a certain ratio. Large APEC advanced economies have relatively low trade exposure ratio. For instance, those of the U.S. and Japan are around 20%. According to our results, they would have less incentive to engage in active Ecotech activities. The opposite case is only possible when APEC developing economies imports from APEC developed economies exceed certain ratio.

Now, setting $dU=0$, we can derive the developed economies' optimal level of T as follows and the optimal level of T is dependent on t^A

$$dT^* = - \frac{Zm^DB}{Z + m^DA} dt^A$$

Fact I: In our setting of the mode, we can identify the following;
the optimal level of Ecotech level is negatively related to
the level of trade barriers of recipient economies.

2) *APEC developing economies attitude toward TILF and Ecotech*

Now, let's consider the welfare change of A. From equation (11) and (15), we have the following expression;

$$(E_U^A - t^A E_{PU}^A) du^A =$$

$$\begin{aligned}
& -E_p^D dp - dT - \left(Z + \frac{m^D A}{Z} \right) dT - m^D B dt^A - m^D C dt^N \\
& = \left\{ \lambda + \frac{(t^A E_{PP}^A - m^A) A}{Z} \right\} dT + \frac{(t^A E_{PP}^A - m^A) B}{Z} dt^A + \\
& \quad \frac{(t^A E_{PP}^A - m^A) C}{Z} dt^N
\end{aligned}$$

From the above expression for the welfare change of A, we can draw following conclusions. First,

$$\textcircled{1} \quad Z > 0, \quad A < 0$$

$$\frac{du^A}{dT} > 0$$

$$\textcircled{2} \quad Z > 0, \quad B < 0$$

$$\frac{du^A}{dT^A} > 0 \quad \therefore (T \text{ is a big number})$$

$$\textcircled{3} \quad dt^A = -\frac{C}{B} dt^N \text{ for } \lambda_t \neq 0, \quad C > 0$$

$$\therefore \quad t^N \uparrow \quad t^A$$

$$\textcircled{4} \quad dt^N \uparrow \Rightarrow du \downarrow$$

With the approaching deadline of the Bogor Declaration, it is important to produce some meaningful achievement in the area of TILF. Thus we will look into this possibility by looking at the optimal tariff of APEC developing economies, by setting $dU = 0$. Then we have,

$$dt^{A*} = - \frac{\{ \lambda Z + (t^A E_{PP}^A - m^A) A \}}{(t^A E_{PP}^A - m^A) B} dT - \frac{C}{B} dt^N$$

Note that the coefficient of dT takes negative sign if A and B take negative signs. Therefore from the above expression for optimal level of t^A , we may conclude the followings. Also, also note the coefficient of dtN takes a positive sign because C is positive.¹⁰⁾

- 1) It is necessary to enhance Ecotech activities in order to achieve some meaningful progress in the area of TILF. In other words, technical and capital assistance from the developed economies to developing economies will accompany reduction of import barriers of APEC developing economies.
- 2) Reduction of import barriers of Non-APEC economies induce tariff reforms in APEC developing economies, also.

Fact 2: Both regional and multilateral initiatives are necessary for the progress in the area of TILF. Regionally, increased Ecotech would lead to lower import barriers of APEC developing economies. Initiatives of Non-APEC economies would help APEC developing economies to reform their trade policies, which leads to the conclusion that multi-lateral trade reform needs to be pursued simultaneously.

10) Even if the APEC developed economies do not tie Ecotech activities and TILF, the sign of C is not influenced because λt becomes 0 in such a case.

IV. Achieving Bogor Objectives

1. Basic Directions

The Shanghai Accord is a substantial progress because it provides a clearer definition of the Bogor goals and methods of implementation. In spite of the staggering process of APEC for the past years, it could continue its activities under the assumption that those activities are connected to the efforts for achieving the Bogor goals one way or the other. Nevertheless, there has not been any serious attempt even to specify the Bogor Goals.¹¹⁾ The Shanghai Accord seems to fall far behind the necessary steps to achieve the Bogor goals. The most important reason for the lack is quite simple; no one actually knows 'what the Bogor goal' is. It is not enough to say that APEC is on track toward Bogor just because members are committed to standstill principle or their tariff policies are on downward trajectory.¹²⁾

Bergsten(1997) notices the importance of the issue of clarifying the Goals. He asks what is free trade?, which countries must achieve it by 2010 and which by 2020? However, comparing the importance of agreeing to the definition of the Bogor goals, the question of the schedule 2010/2020 is less critical because there are only a few economies whose target year is controversial, such as Korea. Although Bergsten asks the question of how far to go "behind the

11) Precisely, members have been avoiding the discussion on the exact meaning of Bogor due to its potential political danger involved in the further liberalization.

12) Mari Pangestu, Assessing APEC Trade Liberalization

border" in pursuing free trade and investment, we have to answer the question of what to do "on the border". It is obvious that APEC can't go beyond what other international fora such as WTO and RTAs have addressed. Although APEC's CAP and IAP address ambitious set of issues, it would be almost impossible to produce any meaningful progress in the issues of competition policy, government procurement within the arena of APEC. What APEC has achieved by CAP and IAP is limited to marginally enhancing transparency of related policies area and far from making any progress in liberalization or rule making. Precisely speaking, APEC has focused on these broader issues just because they could not agree on what to do "on the borders". However, as the Bogor goals specifically address free trade and investment in the region, it is unavoidable for the APEC members to decide what to do about tariff and non-tariff barriers.

Although "constructive ambiguity(Bergsten)" has been not only accepted but also utilized to sustain APEC cooperation, it is no longer possible to allow the ambiguity in the APEC process because the target year of the Bogor Goal is fast approaching.

There are three basic principles to be considered in defining the Bogor Goals and establishing implementation procedures. First, the Goals should include meaningful liberalization by focusing on the border measures. Second, tangible economic and technical cooperation programmes should be addressed along with trade and investment liberalization efforts. Third, specific goals and implementation procedures are desired to be based on 'Soft Laws' and avoid any WTO type negotiations based on reciprocity.

2. Clarifying the Bogor Goals and Implementation Mechanism

There are two important lessons from the failure of EVSL. First, it is difficult to produce a list of sectors for trade liberalization which all members agree upon. Second, any attempt to force members to liberalize specific groups of products would be blocked by the principle of Voluntarism. Therefore, in order to produce tangible outcomes, it is necessary to avoid a sectoral approach for liberalization. Also, a mechanism to achieve the Bogor Goals should not be based on negotiation because the Voluntarism can negate any negotiation process as Japan had shown in EVSL. In other words, any procedure that resembles the WTO process cannot be accepted in the APEC process. In the similar context, APEC should not pursue reciprocity, the most important underlying principle of the WTO mechanism.

Obviously, the traditional regional agreement would be an extreme interpretation of the Bogor Goal of free and open trade and investment in the Asia-Pacific.¹³⁾ At the same time, another extreme to interpret the Bogor Goals just as a rhetoric or slogan is not acceptable because it will kill the momentum for further APEC cooperation, if any. Therefore the definition of Bogor Goal and the mechanism to

13) Those who advocate total reliance on the multilateral process express concerns on net trade diversion effect; any trade diversion, even if it is offset partly by the trade-creating effects of the regional arrangements, the impact of preferences may more than offset the trade-creating benefit of the regional liberalization so that the net result is *trade diversion*. Also, an individual member of a preferential arrangement could suffer from adverse income distribution effects that arise from the arrangement redistribution of tariff revenues.

achieve it should be something in the between.

International economic laws are generally less enforceable than national laws. There is no rules without exceptions and international rules are set up based on exceptions. We can find so many exceptions and articles for derogations in the WTO agreement because the agreements could not be settled without allowing sufficient exceptions, so that members can execute certain level of sovereignty. As APEC is based on the Open Regionalism and Voluntarism, the APEC members only agree to participate in activities on a voluntary basis. However, if APEC is serious about achieving the Bogor Goals, it can not avoid creating a certain type of enforcement mechanism beyond the simple peer pressures. Therefore, in defining the Bogor Goals, what we have to worry is not about what exception to be provided, but about the minimum level of rules that every members can agree to abide by. It is a dilemma because Voluntarism and rules appear to be mutually incompatible. The key point is how APEC can obtain certain enforcement power to achieve Bogor Goal keeping the spirit of Voluntarism.

In this context, APEC needs to consider the role of 'Soft Law' in developing a mechanism to proceed to the Bogor Goals in order to overcome dilemma between Voluntarism and the effectiveness of the mechanism. 'Soft Law' refers to a rule that is not yet law in the traditional sense, soft law does not create formally binding obligation. Instead, it records only agreed-upon principles and objectives, and a considerable degree of discretion of interpretation, and how and when to conform to the requirements is left to the participants".¹⁴⁾

14) Davidson(2001)

However, it is important to underline not a considerable degree of discretion' but 'conform to the requirements'. Because what is necessary for APEC is any mechanism under which members would like to conform to agreed objectives. APEC is based on a soft law except that it lacks common objectives. Therefore the question is whether APEC is able to create an effective enforcement mechanism and whether there is any set of mechanism which APEC members can agree upon.

In order to answer the question, a list of specific strategies for the Bogor Goal needs to be addressed; 1) set up targets on border measures such as tariff rates, impediments to investment and service trade, 2) avoid any negotiation procedures in drafting common targets, 3) include specific unilateral Ecotech initiatives.

1) Tariffs

The first strategy says that APEC needs some tangible TILF initiatives on board measures because the Bogor Goal is principally about 'free and open trade and investment'. Any interpretation of the Bogor Goals neglecting this fact would be misleading the real cause of APEC's drifting away from the early vision over the past decade. However, this does not necessarily mean trade and investment liberalization initiatives beyond what APEC members can and want to do. It is necessary to set up a mechanism that can induce APEC members to take actions for further liberalization on a voluntary basis.

The easiest way to implement this strategy would be to take advantage of the APEC's important asset of IAP. For instance, consider the IAP of economy A on tariffs as illustrated. It is intended to enhance the transparency of current tariff policy regime and to invite

Individual Action Plan of Economy AAA (Tariff)

Section	Current Situation	Policy Directions (mid-term)	Policy Direction (2010/2020)
Bound Tariffs	current average bound tariff is 7%	average bound tariff rate will be reduced to 5%	1) Further reduction will be considered and/or 2) will be reduced to 3%
Applied Tariffs	average applied tariff is 6%	will be reduced to 5%	1) will be reduced to 3%
Tariff Quotas	TQ applied to 30 products.	TQ will be reduced by 10%	
Tariff Preferences	GSP applied 30 to 7 APEC members	GSP tariff rates will be reduced by 30%	No. of Products covered by GSP will increase by 30%

actions for further improvements. The structure of IAP is designed to provide information on recent improvements, current situation and future plan for improvements. Now let's consider a revised format. In the example I, each economy is invited to specify its mid-term and long-term plan regarding tariff policy on a voluntary basis. The merit of this format is that every APEC member is familiar with this type of approach thanks to IAP and CAP. However, this example presents too a broad tariff policy directions; targets of average bound and applied tariff, tariff quota and preferential system. While the broad approach is easily acceptable to members, it clearly lacks specific plans for liberalization.

Example I: A Broad Approach

Section	Improvements Implemented Since Last IAP	Current Tariff Arrangement	Further Improvements Planned
Bound Tariffs	Tariff Reductions in accordance with the Uruguay Round agreements	average bound rates are 3.6 percent for all goods	AAA will consider progressively reducing tariffs.
Applied Tariffs	AAA implemented a voluntary tariff elimination on 3 industrial products.	In 2001, average applied rates are 2.5 percent for all goods	Tariffs on crude oil will be reduced from FY2002 and eliminated in FY2006.
Tariff Quotas		Tariff Quotas are applied to 30 groups for all goods	
Tariff Preferences	AAA extended the effective period of GSP over the next 10 years		
Transparency of Tariff Regime	AAA started to publish annually the outline of the Law to Amend the Customs Tariff Law on the Internet.	AAA immediately announces any changes in tariff rates and the tariff system in the "Journal"	

Example II shows a more specific approach, in which target tariff rates for a broad product groups are provided. As it specifically sets long term plans of tariff reduction for product groups, some might argue that it would provoke members resistance. Considering a large number of products(at HS 8 or 10 digit lines), however, governments have a great extent of discretion to adjust individual tariff rates and meet the target tariff reduction. Of course, members are free to main-

Example II. A Sectoral Approach: Average Applied Tariff Rates

Product Category	Current Rate	Mid-Term Plan	Plan for 2010/2020
All Products	10.0%	7%	5%
Agriculture excluding Fish	50%	-	-
Fish and Fish Products	40%	-	-
Petroleum Oils	5%	4%	3%
Wood, Pulp, Paper and Furniture	3%	3%	3%
Textiles and Clothing	12%		10%
Leather, Rubber, Footwear and Travel Goods	10%	10%	-
Metals	4%	2%	-
Chemical & Photographic Supplies	2%	0%	0%
Transport Equipment	3%	3%	3%
Non-Electric Machinery	3%	3%	3%
Electric Machinery	3%	3%	3%
Mineral Products, Precious Stones & Metals	5%	-	3%
Manufactured Articles, n.e.s	9%	7%	5%

tain current level of tariff rates for all products, in light of the Voluntarism.

Finally, the most comprehensive approach would be specifying plans of tariff reduction for every tariff headings. Unlike the country schedule of tariff reduction, the list is based on tariff headings(HS 4 digit). While this approach requires a more specific plans for tariff reductions, the outcome would appear to be very well structured to achieve the Bogor Goals. At the same time, a proposed plan based on

tariff heading provides some rooms for policy makers to adjust tariff rates of individual products.

The examples we have made so far are similar to IAPs. The IAP type approach has the merit of avoiding negotiation process; the only requirement to an APEC member is to submit the table; no negotiation is made regarding the contents of the table; APEC members only face peer pressures to provide plans for achieving the Bogor Goals, which already exist in APEC. APEC's Open Regionalism and Voluntarism make it impossible neither to establish a common goal of free trade and investment, nor to eliminate all cross border barriers. Nevertheless, by compiling individual economies' proposed plans, APEC can present its own plan, at the least, to achieve the Bogor Goal.

Example III: A Comprehensive Approach

HS Headings	Current Rate	Mid-Term Plan	Plan for 2010/2020
Chapter 51	10.0%	7%	5%
HS 5100	50%	-	-
HS 5102	40%	-	-
Chapter 61			
HS 6101	3%	3%	3%
HS 6104	12%		10%
Chapter 73			
HS 7302	4%	2%	-
HS 7402	2%	0%	0%
Chapter 84			
HS 8401	3%	3%	3%
HS 8402	3%	3%	3%
Chapter 97	5%	-	3%
HS 9701	9%	7%	5%

2) *Investment and Trade in Services***Example IV. Plans for Reducing Barriers to Service and Investment**

Service Category	Market Access		National Treatment	
	Mid Term	2010/2020	Mid-Term	2010/2020
<u>Legal Service</u> 1. Cross Border Supply 2. Cross Border of Consumer 3. Commercial Presence 4. Movement of Personnel	1. Partners in law firms is limited to persons licensed domestically 2. No. of employees is limited to 20. 3. Performace Requirement 4.-	1. Partners from economies with MRA for lawyers allowed. 2. 3. - 4. -	1. Residence Requirement 2. 3. Nationality for majority of members of the board and for managers 4.	1. 2. 3. 4.
<u>Communication Service</u> 1. 2. 3. 4.	1. Commercial presence is required. 2. 3. Performace Requirement 4.	1. 2. 3. 4.	1. Residence Requirement 2. 3. Nationality for majority of members of the board and for managers 4.	

Investment and Trade in Services can be integrated because the third mode of trade in service is equivalent to foreign direct investment.¹⁵⁾ First, member economies are encouraged to expand the list of

services of the first column. Second, members are invited to specify plans for reducing barriers existing in each modes of supply.

3) *Ecotech*

Finally, a due consideration should be given to Ecotech initiatives as a part of a plan to achieve the Bogor Goal. Current Ecotech initiatives serve the purpose of information gathering, policy dialogue, researches and seminars. Also, individual Ecotech activities are proposed voluntarily by individual economies and no active cooperations among members are being made. Furthermore, Ecotech activities are mostly regarded as pet projects of each governments. As we have observed in the previous chapter, Ecotech activities need to practically assist another member if APEC is to bring about meaningful outcomes in TILF activities. While Ecotech is directed to the goal of achieving sustained growth and equitable developments in the region by promoting economic and technical relationship among members, the underlying assumption is that it is Asia Pacific version of development assistance. It is why developed economies have become reluctant to actively involve in Ecotech activities because they had already been experiencing aid fatigue as donor countries and aid has not been successful enough to narrow the gap between developed and developing countries.

Nevertheless, the APEC developed economies consistently pursued TILF issues. EVSL is a failed example and ITA I is a successful example of their policy biased toward TILF. In the same context, devel-

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- 15) Of course, they are different economic activities per se, though closely related. However, measures affecting those two activities are almost the same.

Example V. Ecotech Plans for the Bogor Goal

Category	Mid-term Plan		2010/2020 Plan	
	Initiatives	Major Beneficiaries	Initiatives	Major Beneficiaries
Human Capital Development	Vocational training program	Vietnam	Vocational Training Program	APEC developed economies
Encouraging the growth of SMEs	Business Management Education	China Indonesia	Management Assistance Funds	APEC developed economies
Fostering safe efficient capital markets	-	-	-	-
Promoting environmentally sustainable development	-	-	-	-
Strengthening economic infrastructure	Technical Assistance on Prevention of Pollution	Philippines	-	-
Others				

oped economies of APEC would pursue to specifically define the Bogor Goals and bring about some concrete results.¹⁶⁾ This approach would not be successful without due Ecotech (or development and technical assistance) from the developed sides. Therefore, it is necessary for APEC to develop a mechanism to produce a meaningful ach-

16) It is no doubt the Shanghai Accord was imitated by the United States and intended to bridge the gap between the currently stagnant APEC and the goal of Bogor Declaration.

ievement in the area of Ecotech. It would be helpful again to consider to draft the IAP type of country schedule for Ecotech activities. A notable difference of the Ecotech schedule from others is that an economy is encouraged to indicate major beneficiary economies. It is intended to avoid Ecotech initiatives being decorative projects of governments and encourage to practically assist member economies.

4) Redirecting APEC's Capacity to the Bogor Goal

While APEC is based on Voluntarism, it has developed into an international entity which regulates conduct of members, to some extent, by peer pressure and non-adversarial dialogues. In many APEC fora such as Committee on Trade and Investment(CTI), Economic Committee(EC), Senior Officers Meeting(SOM), APEC has enhanced its capacity as a regional cooperation group over the past decade. Therefore, in spite of the soft low type of APEC mechanism, it is believed to have basic capabilities to enforce what they have volunteered to do at the minimum.

However, it is necessary APEC fora to redirect their capabilities more focused on achieving the Bogor Goal. For example, the current list of issues covered by CTI contains 17 areas including tariff and non-tariff measures, investment and service, etc.¹⁷⁾ Let's take look at

17) The complete list includes the following issues; Tariffs and Non-Tariff Measures, Services, Investment, Standard and Conformance, Customs Procedures, Intellectual Property Rights, Competition Policy, Government Procurement, Deregulation, Rules of Origin, Dispute Mediation, Mobility of Business People, WTO Capacity Building on Implementation of WTO outcomes, Early Voluntary Sectoral Liberalization, Automotive Dialogue, Chemical Dialogue

what CTI has accomplished on tariffs and non-tariff measures. Most of its' activities are centered on data creating works; keep the data in APEC's Tariff Database (TDB) up-to-date; pursue incorporation of information on NTMs into a future version of the TDB; compile a list of measures recognized as non-tariff impediments to trade; and compile a list of products affected by those impediments. In 1998, the Market Access Group (MAG) was established. However, its major work has been to establish a web page. While these efforts help to construct infrastructures for better trade and investment environment, those resources need to be redirected to support action plans directly to achieve the Bogor Goal; to define the Bogor Goal, to adopt appropriate measures, to provide guidelines for proposals(or IAP type work plans for achieving the Bogor Goal), etc. To make the redirection possible, CTI should focus on three major issues of tariffs, investment and services. Of course, APEC needs to harvest what it has produced on other issues. The secretariat could take the role of harvesting if members agree to strengthening of the capacity of the secretariat.

5) Cooperation with Private Sector

While APEC consults business sectors regularly, it is hard to say that their views have been properly incorporated in the process of APEC activities. APEC is equipped with ABAC, the private sector arm, which distinguishes APEC from other international organizations. ABAC was established by APEC Economic Leaders in 1995 as a permanent forum to advise Leaders and other APEC officials. Withstanding the emphasis of business participation in the APEC processes, ABAC's contribution has been limited.

The main area of ABAC's contribution in achieving the Bogor Goal would be providing demanders point of view on business environments of individual economies. Specifically, CTI may ask ABAC to conduct a survey on business environments. For instance, member economies' chambers of commerce may conduct a survey on foreign investors assessments regarding FDI environments in light of APEC Investment Guide. The survey results will be helpful for governments to draft their liberalization plan in the area of investment and trade in services as well as tariff rates. In this light, the CTI should take the role of bridging the gap between business and regulators.

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