

Selected Papers of Beijing Forum 2009

Building Asia-Pacific Regional Institution: the Role of APEC

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Abstract

East Asia, influenced by the Asian Financial Crisis (AFC) of 1997-97 and the current financial tsunami starting from 2008, is undergoing fundamental changes in its regional governance and economic cooperation. The region's interstate cooperation and institutional building was long perceived as underdeveloped. But now a wide range of economic cooperation and community building initiatives have emerged, and they are profoundly transforming the dynamics of regional economic cooperation and institution-building in East Asia. These regional cooperation programs include, but not limited to: the ASEAN+3 process, the Chiang Mai Initiative, the East Asia Summit (EAS), the Asian Bond Market, and a series of bilateral and multilateral Free Trade Area (FTA) and Economic Partnership Agreements (EPA). Unlike prior attempts to construct a trans-Pacific regional architecture centered on APEC, these projects were driven by the shared sense of purpose among East Asian countries to construct a more Asian-oriented community and to serve the need of better East Asian regional governance. Also, unlike the regional production networks largely shaped by the Japanese economic power and corporate strategies from the 1970s to 1990s, the rapidly rise of the Chinese economic power has become a leading force to reshape regional governance and regional institutional building. To what extent does China influence other East Asian countries' economic development, and how others have benefited from China's growth? As the countries in East Asia have become increasingly interdependent, leaders in the region have become more determined to build a framework for greater regional cooperation and integration. What regional political-economic organizations would emerge in East Asia? How leaders in China think about future regional cooperation and regional governance in East Asia? This paper attempts to address these questions and shed light on the policy and academic debates about these issues.

APEC celebrates its twentieth birthday in 2009. Yet, to many people, APEC's "good old days" have passed and is facing an uncertain future in years to come. APEC has lost its momentum and even relevance to the on-going regionalism in the Asia-Pacific region. For the last two decades, the regional organization has been unsuccessful in attaining some of its ambitious goals such as regional trade liberalization and building a Pacific community. It is now facing a challenge of how to remain relevant in the future Asia-Pacific regional architecture. Its relevance could be jeopardized by its hollow dialogue agendas as well as a growing number of regional community building projects in the Asia-Pacific region.

There is no doubt that APEC is a useful platform for bilateral and multilateral meetings among regional leaders, and, as the only forum for trans-Pacific dialogues, it is important for stability and prosperity in the Asia Pacific. But besides that, how can APEC contribute to regional institutional building in future? How will it be related to the emerging regional architecture in the Asia Pacific? This article addresses this issue through analyzing its role and weakness in regional community building, the shaping forces for future regional architecture, challenges APEC is facing in the competitive environment of region building, and what possible roles APEC could play in the construction of the regional architecture in the Asia Pacific.

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Selection and/or peer-review under responsibility of Beijing Forum

I. APEC's Role in Regional Community Building

Established in 1989, the APEC was designed to promote sustainable economic growth and to strengthen the multilateral trade system through a commitment to open trade, investment and economic reforms among its member economies. APEC's membership has grown from original 12 in 1989 to 21 member economies at the present time. The 21 member economies, spanning four continents, account for almost 50% of the world's population, 60 % of global GDP and 50% of international trade. As the most economically dynamic area in the world, the Asia-Pacific region has increasingly become the center of gravity in world economy.

APEC's role in regional community building can be seen in institutional capacity building, regional confidence-building process, and open regionalism. First, the Asia-Pacific region, in contrast to the European Union and NAFTA, did not have any region-wide multilateral framework for cooperative dialogues before APEC. In such an economically dynamic region, all Asia-Pacific economies have strong interests in establishing a rules-based multilateral trading regime. The multilateral mechanism could be instrumental for regional trade as well as complementary to the GATT/WTO general trading system. Most East Asian countries are export-oriented economies, and have managed to achieve unprecedented prosperity through free trade and investment. Nondiscriminatory rules for international trade and investment is essential for their economic success. A global and regional trade system that sanctions selective trade discrimination would have made it impossible for them to benefit from regional trade and global economy. APEC, the first such a forum in the region, is able to promote trade liberalization through the commitment to free trade and investment.

Yet, cooperation over diversity is a daunting task. The Asia-Pacific region is such a vast and diverse area, with its economies differ substantially in terms of population, culture, political systems, economic development and income level, natural resource endowment, and trade policies. The diversity creates enormous problems in finding the common denominators for cooperation. APEC is an innovative and flexible form of regional cooperation designed to accommodate the diversity of the regional economies. The original goal of promoting dialogues and cooperation is a relatively conservative one—to preserve the conditions needed for sustaining the positive trends of rising prosperity and regional integration. So APEC, harnessing the energy of diverse economies, has been successful in facilitating trade liberalization on the basis of what Robert Scalapino calls “natural economic territories (NET).”ⁱ It serves the regional prosperity with state-sanctioned, more rules-based inter-state cooperation by focusing on a common goal and gateway to regional economic cooperation.ⁱⁱ Since its establishment, APEC leaders, ministerial, official, and business group meetings have become the premier forum for facilitating economic growth, cooperation, trade and investment in the Asia-Pacific region. It is a remarkable achievement to see such a trans-Pacific forum promoting economic cooperation within such a vast and diverse region.

Second, APEC provides a good platform for confidence building measures (CBM) in the Asia Pacific. Influenced by the process and modalities of ASEAN, CBMs were introduced into APEC in political and strategic cooperation. CBMs are promoted by regional fora like ASEAN and ASEAN Regional Forum (ARF). But APEC is first and foremost regional project in community building in the Asia Pacific. It has helped to bring major powers together in a common platform to dialogue on regional political and economic issues. It has played the role of sustaining Washington's continuous interest and attention to Asia, and has provided for a regional structure which could accommodate China's participation in regional cooperation. APEC not just serves as an effective means to counter any inward-looking

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