

# Global Economics Monthly

VOLUME I | ISSUE 7 | SEPTEMBER 2012

## APEC: Getting Stuff Done

MATTHEW P. GOODMAN

Speaking to a hall full of CEOs at last year's Asia-Pacific Economic Cooperation (APEC) summit in Honolulu, President Barack Obama got his biggest applause line when he announced that he had just signed a law approving the APEC Business Travel Card, enabling Americans to speed through airport immigration lanes in 21 economies from China to Chile. APEC policy initiatives rarely arouse such passion, but its ability to facilitate regional trade and investment through small but concrete actions like this makes the forum still an important part of the emerging regional architecture.

As APEC leaders converge this week in Vladivostok, Russia has a tough act to follow. Most observers credit the United States with having fulfilled its promise at the outset of its 2011 host year to "get stuff done." With U.S. prodding, leaders agreed last November in Honolulu to cap tariffs on environmental goods at no more than 5 percent by 2015; to pursue nondiscriminatory, market-based innovation policies; and to adopt good regulatory practices that facilitate business behind the border.

The Russians made it harder on themselves by choosing Vladivostok as host city for this year's summit. Lack of infrastructure for a major international gathering led Moscow to spend billions of dollars refurbishing an island off the port city that had previously served as a military facility—even building a bridge for APEC delegates to get there. Meanwhile, the prospect of brutal weather in the traditional APEC summit month of November prompted the Russians to move up the date to early September. This had two unfortunate consequences: it trimmed the APEC year by roughly a quarter, making it more difficult to advance an ambitious policy agenda; and it prevented President Obama from attending the summit, just two months before the U.S. presidential election. (Moscow was alerted to this scheduling conflict more than a year ago and understood that the president's nonattendance was not intended as a snub.)

Despite these handicaps, the Russians have by most accounts done a respectable job as APEC host. They have kept the focus on substantive policy issues and avoided the trap other hosts have fallen into of just seeking to put on a good show. Moscow set four themes for their host year, all of which are consistent with the APEC mission and U.S. policy interests: liberalizing trade and investment; strengthening food security; establishing reliable supply chains; and fostering innovative growth. They have targeted a number of specific initiatives for endorsement by leaders in Vladivostok, including launch of an APEC dialogue on pre-commercial technology cooperation.

The Russians have also been able stewards of U.S. priorities from last year—most important, the commitments to liberalize trade in environmental goods and services. APEC leaders agreed in Honolulu to come up with a list of "green goods" in 2012 that would be subject to the 5 percent cap. Defining exactly what constitutes an environmental product—wind turbines, fuel-efficient cars, bicycles?—is a goal that has eluded the World Trade Organization (WTO) despite many years of negotiation. The Chinese have put up the fiercest resistance in APEC, despite the benefits that would accrue to China—now a major exporter of green goods—from liberalization in this area. But the combination of strong support from most other APEC economies and the impending arrival of leaders in Vladivostok make the chances of a breakthrough reasonably high. Agreement on a credible list could be the signature achievement of the Russian year and have a trailblazing impact on global trade disciplines in this important sector.

## Upcoming Events

- September 7–8: APEC CEO Summit
- September 8–9: APEC Economic Leaders' Meeting
- September 20: TPP Speaker Series with John Manley (CSIS)
- September 25: The Myanmar Conference @ CSIS
- September 26: The Philippines Conference @ CSIS
- October 12–14: Annual Meetings of the IMF and World Bank Group (Tokyo)

## APEC: Getting Stuff Done *(continued)*

So despite early anxieties across the region, the Russian year seems unlikely to set back APEC's progress and may even give it some needed bounce going into Indonesia's host year. The outlook for 2013 is mixed: on one hand, Jakarta is an experienced APEC host, having overseen the second leaders' meeting in 1994 at which the landmark Bogor Goals on free trade were agreed, and it has already set an appealing theme for its host year—"blue economy" (think oceans); on the other hand, Indonesia is already distracted by its 2014 presidential elections and has recently shown a penchant for protectionism that runs afoul of the APEC mission of liberalizing trade.

Meanwhile, APEC faces deeper existential questions. President Obama's decision to attend the East Asia Summit in Bali last November deprived APEC of one of its original rationales, as the only forum where the U.S. president met regularly with his peers in the region. The strategic tilt toward institutions like the East Asia Summit (EAS) that revolve around the Association of Southeast Asian Nations (ASEAN) also highlights the awkwardness of APEC's membership, which includes Canada and three Latin American countries but not three smaller ASEAN members or India. Moreover, APEC has in one sense become a victim of its own success, as the Trans-Pacific Partnership (TPP) trade negotiations that it spawned—and that the United States now champions—promise to deliver high-standard economic rules for the region that APEC's nonbinding, consensus-based approach cannot.

To be sure, APEC is messy and cumbersome, and amid a proliferation of regional institutions, its original mission, membership, and mode of operation need to be reviewed and updated. Two questions for consideration are whether the group should expand to include key missing Asian and Latin

countries; and whether the leaders' summit should be held every other year, with foreign and trade ministers taking the reins in off years.

But reformers should be careful not to throw the baby out with the bathwater. APEC still has at least two unique and valuable roles to play in the evolving architecture of the Asia-Pacific region. First, as exemplified by the work on environmental goods and services, its nonbinding, consensus-based approach allows APEC to serve as an "incubator" for trade liberalization measures that can then be codified in the TPP, WTO, and other legally binding agreements. Since APEC represents nearly half of world trade and over half of world GDP, its outcomes can have a significant impact on the global trade debate.

Second, APEC brings together a wide array of working-level officials and nongovernmental stakeholders from around the region to work together on smoothing out ground-level frictions in trade and investment and addressing other common challenges such as health threats and natural disasters. In addition to the substantive outcomes, this pick-and-shovel work builds capacity across the region and encourages habits of cooperation that will undergird long-term peace and prosperity in the region.

In sum, at a time when the foundations of Asia-Pacific regional architecture are still being laid, there remains a place for an APEC that "gets stuff done." ■

*Global Economics Monthly* is published by the Center for Strategic and International Studies (CSIS), a private, tax-exempt institution focusing on international public policy issues. Its research is nonpartisan and nonproprietary. CSIS does not take specific policy positions. Accordingly, all views, positions, and conclusions expressed in this publication should be understood to be solely those of the author. ©2012 by the Center for Strategic and International Studies. All rights reserved.

## Simon Says...

Rumors of half-built bridges and no flushing toilets may have scared off some prospective travelers to Vladivostok but have proved unfounded. The infrastructure on Russky Island appears to be sound, with the bridge intact and APEC delegates housed in fancy new university dorms with WiFi access. But life on the island is reportedly as much as fun as...well, a former military facility. One delegate who arrived early bemoans the lack of coffee shops, bookstores, or any visible sign of community, all of which "evokes memories of a minimum security jail." Hopefully there is plenty of vodka in the minibar....

The Russians will wisely follow the two previous hosts in dispensing with the erstwhile APEC tradition of dressing leaders in silly shirts for the annual family photo. Japan scrapped the shirts in favor of business suits at its 2010 summit, and President Obama resisted the obvious temptation to go with Aloha shirts last year in Honolulu. Although, with a winter chill descending on Russky Island, perhaps parkas would have been in order....