

CHAPTER 3

STRUCTURE AND MEMBERSHIP OF APEC

Introduction

3.1 APEC is a fairly informal organisation with a small secretariat based in Singapore. It operates at several levels: Leaders, Ministers, Senior Officials, committees and working groups. The chairmanship of APEC rotates annually among members with an ASEAN member of APEC chairing APEC in alternate years. The member economy chairing the organisation hosts the Ministerial and Leaders' meetings. An organisational chart of APEC is shown in Figure 3.1.

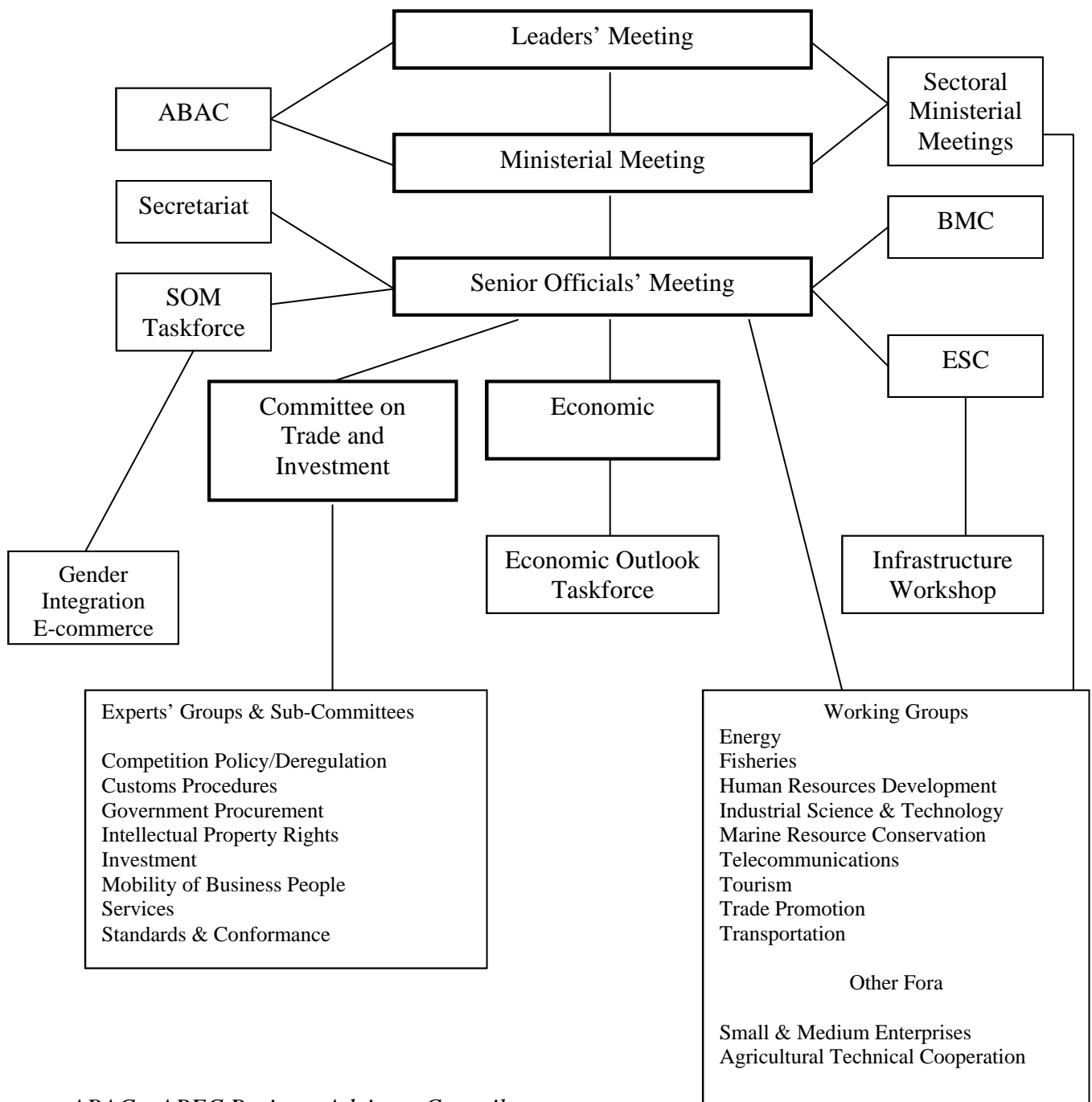
Leaders' meetings

3.2 At the apex of the organisation is the Leaders' meeting, which has been held annually since 1993, when President Clinton hosted the inaugural meeting at Blake Island, near Seattle, USA. At these meetings, the Leaders focus on APEC's goals, strategies for achieving them and other key economic issues affecting the Asia Pacific region.

3.3 With the annual rotation of Chairs, each Chair has striven to put his or her imprint on the direction taken by APEC at the Leaders' meeting. This has not only given considerable impetus to maintaining momentum for APEC's reform agenda but also has enabled the consideration of new ideas and approaches. It has, however, as detailed elsewhere in this report, resulted in some initiatives being downgraded or discarded once the Chair moves on to the next incumbent.

3.4 The importance of the Leaders' meetings cannot be overstated as without the Leaders' input in the development of the organisation, much less would have been achieved. Their personal approval of APEC's direction and program has given credibility to the ambitious goals embraced by APEC over a series of annual meetings. As APEC members have agreed voluntarily to APEC's long-term goals, implementation of measures to achieve them depends on the goodwill of member economies in fulfilling their responsibilities to APEC. The presentation annually of updated Individual Action Plans is keeping the focus on the progress being made by all members towards APEC's long-term goals. Although peer pressure among the Leaders may not always succeed in keeping all economies on the track of trade and investment reform, it should do much to assist the process. For these reasons, the personal involvement of the Leaders through attendance at the annual Leaders' meeting is an important element in keeping momentum for reform going within APEC.

APEC



ABAC = APEC Business Advisory Council
BMC = Budget and Management Committee
ESC = Ecotech Sub-committee
SOM = Senior Officials Meeting

3.5 The more informal nature of Leaders' meetings enables Leaders to discuss sensitive issues in a more relaxed atmosphere without the expectation of specific outcomes often associated with bilateral summits. This allows individual Leaders greater flexibility in their negotiating positions than would be possible in bilateral meetings or in multilateral negotiations towards legally-binding outcomes. APEC Leaders would be more likely to achieve consensus on issues on which organisations like the WTO would have great difficulty in reaching agreement.

3.6 The Leaders' meeting also gives Leaders of all APEC countries, irrespective of size or economic development, an opportunity to meet and discuss regional economic matters with key economic Leaders. This opportunity is not available in any other multilateral economic forum. Consequently, this facility is attractive to non-members within the region, and has been the inspiration for some membership aspirations on the part of non-members.

3.7 Apart from the 'formal' business of Leaders' meetings, the presence of so many Leaders in one place enables informal business to be conducted in the margins of the meeting. For example, negotiations towards the establishment of a United Nations force to restore peace in East Timor after the ravages of pro-Indonesian militias were facilitated by the presence of regional Leaders.

3.8 In recent years, however, APEC's importance as a regional institution has declined. Since the failure of the EVSL reforms in 1998, it is difficult to see any programs which APEC has embarked upon that warrant holding an annual Leaders' meeting. If APEC does not regain the significant role it played in the early to mid 1990s, it is conceivable that its annual leaders' meetings will cease.

Ministerial meetings

3.9 Ministerial meetings of APEC members, which are generally attended by foreign and trade Ministers, have been held annually since the first meeting in Canberra in 1989. This annual meeting 'approves APEC's work program and budget, makes decisions on policy questions such as APEC's institutional structure and membership, and sets out directions for the year ahead'.¹ The meeting is held shortly before the Leaders' meeting each year.

3.10 Meetings of other portfolio Ministers have also been held, including Ministers responsible for education, energy, environment and sustainable development, finance, human resources development, regional science and technology cooperation, small and medium-sized enterprises, telecommunications and information industry, trade, and transportation.

1 DFAT, *Asia Pacific Economic Cooperation Briefing Notes*, September 1975, p. 3.

Senior Officials' meetings

3.11 As APEC does not have permanent missions assigned to a headquarters site, meetings of Senior Officials of APEC members, generally at head or deputy-head of government department level, are held regularly 'to implement ministerial decisions and prepare recommendations for future meetings. The Senior Officials also provide guidance to subsidiary committees/groups'.² A Deputy Secretary in DFAT holds the appointment of Ambassador to APEC, who is the Australian Senior Official.

Committees

3.12 The work programs approved by Ministers at their annual meeting are carried out by three committees, sub-committees, an ad hoc policy-level group, ten working groups and other APEC fora.

Committee on Trade and Investment

3.13 The Committee is guided by a framework agreement, which was endorsed at the 1993 Ministerial Meeting. The Committee:

aims to create an APEC perspective on trade and investment issues and to pursue liberalization and facilitation initiatives. The committee is responsible to senior officials for coordinating and implementing the liberalization and facilitation components of the Osaka Action Agenda, including work on Tariffs, Non-tariff Measures, Services, Deregulation, Dispute Mediation, Uruguay Round implementation, Investment, Customs Procedures, Standards and Conformance, Mobility of Business People, Intellectual Property Rights, Competition Policy, Government Procurement and Rules of Origin.³

3.14 The Committee was also responsible for development of EVSL initiatives and for a 'strengthening markets' work program in 2000.

3.15 Responsible to the Committee are various sub-committees and expert groups, namely:

- a) Standards and Conformance Sub-Committee;
- b) Sub-Committee on Customs Procedures;
- c) Investment Experts Group;
- d) Government Procurement Experts Group;

2 DFAT, *Asia Pacific Economic Cooperation Briefing Notes*, September 1975, p. 3.

3 APEC Internet site: <http://www.apecsec.org.sg/97brochure/97organize.html> (28 February 2000).

- e) Intellectual Property Experts Group; and
- f) Group on Services.

Economic Committee

3.16 At the 1994 Ministerial Meeting, the Ad Hoc Group on Economic Trends and Issues was replaced by the Economic Committee. The Committee ‘serves as a forum for exchanging economic data and views about economic developments within the region. It also provides analysis of economic trends and issues for APEC Ministers, and supports other APEC projects’.⁴ The Committee’s work program in 1999 included:

the impact of the 1997 financial crisis on growth, trade and investment; assessment of trade liberalization and facilitation; economic outlook; and knowledge-based industries. The 1999 *Economic Outlook* reviewed economic developments and prospects in the APEC region in the wake of the Asian Financial crisis, and discussed some key issues arising from it.⁵

Budget and Administrative Committee

3.17 The Committee advises ‘Senior Officials on operational and administrative budget issues, financial management, and project management relating to the APEC Work Program’.⁶

Ecotech Sub-Committee (ESC)

3.18 This sub-committee was established in 1998 to:

assist the SOM in co-ordinating and managing APEC’s ECOTECH agenda and identifying value-added initiatives for co-operative action. The ESC advances effective implementation of that objective by consulting with, and integrating the efforts of, various APEC fora through a results-oriented approach that benefits all members.⁷

3.19 The sub-committee will ‘oversee the establishment of an ECOTECH Clearing House that will enhance information flows between the identification of ECOTECH needs and the capacity to provide appropriate expertise to meet these needs’. Among other things, it will ‘monitor the implementation of the *Guidance on Strengthening Management of APEC ECOTECH Activities* and the *ECOTECH Weightings Matrix*

4 DFAT, *Asia Pacific Economic Cooperation Briefing Notes*, September 1975, p. 4.

5 APEC Internet site: <http://www.apecsec.org.sg/97brochure/97organize.html> (28 February 2000).

6 DFAT, *Asia Pacific Economic Cooperation Briefing Notes*, September 1975, p. 4.

7 APEC Internet site: <http://www.apecsec.org.sg/97brochure/97organize.html> (28 February 2000).

by APEC fora to ensure that ECOTECH projects submitted for funding meet key objectives and have focussed outcomes.⁸

3.20 In 1999, Ministers decided to reconstitute the Infrastructure Workshop as an ad hoc forum under the ESC.

Policy Level Group on Small and Medium Enterprises

3.21 This Group was established in 1995 and oversees activities for SMEs across all APEC fora, as there is a consensus in APEC that free trade and economic globalisation have implications, challenges and opportunities for SMEs.

Working groups

3.22 Ten working groups have been established to carry out a ‘range of practical cooperation activities (preparation of guidebooks, information networks, training courses, technology transfer, implementation of electronic data interchange, information exchange and policy discussions)’.⁹ The working groups report to the Senior Officials’ Meetings and Ministerial Meetings.

Energy Working Group

3.23 This Group:

works to promote cooperation on energy issues in the APEC region ... [It] aims to maximise the energy sector's contribution to economic growth and energy security in the region. It is broadening its work program to encompass more fully regional energy and environmental policy issues, and to achieve greater involvement of the region's business sector in its activities. The group's work is organised under four “theme”: supply and demand; energy and the environment; energy efficiency and conservation; research, development, technology transfer.¹⁰

Fisheries Working Group

3.24 The aims of this Group are to ‘develop region-wide approaches towards fisheries conservation, development and marketing’. It is doing this by determining the optimum use of, and ‘trade, in fisheries resources based on sustainable fisheries management practices’. It is also promoting awareness of the significance of the Pacific Ocean's fisheries resources.¹¹

8 APEC Internet site: <http://www.apecsec.org.sg/97brochure/97organize.html> (28 February 2000).

9 DFAT, *Asia Pacific Economic Cooperation Briefing Notes*, September 1975, p. 4.

10 DFAT, *Asia Pacific Economic Cooperation Briefing Notes*, September 1975, p. 11.

11 DFAT, *Asia Pacific Economic Cooperation Briefing Notes*, September 1975, p. 11.

Human Resources Development Working Group

3.25 This Group ‘works on the development of a skilled, flexible workforce in an effort to enhance the economic growth of APEC members’. It manages HRD projects ‘under broad programs covering industrial technology, business management, economic development management, and education’.¹²

Industrial Science and Technology Working Group

3.26 This Group ‘works to increase understanding of factors affecting the development of industrial science and technology (IS&T) and technology transfer, and to develop appropriate recommendations for ministers’.¹³

Marine Resource Conservation Working Group

3.27 This Group:

deals with the marine environment and conservation of economically and ecologically important marine resources which affect industries including urban development, fisheries and tourism ... [It] is identifying problems and control strategies (coastal pollution, harmful algal blooms, hazardous substances, tainting of fish and other products, deterioration of beaches, reefs, mangroves, seagrass beds) and opportunities in the region for integrated coastal zone management and planning associated with settlement and population growth along the coastlines and adjacent watersheds.¹⁴

Tourism Working Group

3.28 This Group ‘works to foster economic development in the APEC region through sustainable tourism growth’. It identifies and seeks to ‘remove impediments to regional tourism trade’; explores ‘linkages between tourism and the economic development of the region’; explores ‘successful management strategies for the sustainable development of tourism in environmentally sensitive areas’; develops ‘ways of promoting human resource development’; and facilitates ‘information exchange among members’.¹⁵

Telecommunications Working Group

3.29 This Group ‘aims to expand telecommunications services and encourage the adoption of new and compatible telecommunications technologies in the region, including through further telecommunications trade liberalisation and facilitation’. Work is organised under five ‘themes’: ‘data compilation, electronic commerce,

12 DFAT, *Asia Pacific Economic Cooperation Briefing Notes*, September 1975, p. 11.

13 DFAT, *Asia Pacific Economic Cooperation Briefing Notes*, September 1975, p. 12.

14 DFAT, *Asia Pacific Economic Cooperation Briefing Notes*, September 1975, p. 12.

15 DFAT, *Asia Pacific Economic Cooperation Briefing Notes*, September 1975, p. 13.

human resource development and infrastructure’, as well as ‘standards’, which was a later addition. It is developing ‘a model mutual recognition agreement on certification of telecommunications terminal equipment, a regional framework for electromagnetic compatibility, and regional competency standards for telecommunications industry vocational training’. It is also assisting ‘small and medium enterprises in the implementation of electronic commerce’.¹⁶

Trade Promotion Working Group

3.30 This Group is aiming to expand regional trade through co-operation among trade promotion agencies and consultation with business. It is helping business to gain access to APEC information and encouraging business to participate in APEC policy making. The Group ‘has established the “Asia Pacific Business Network” ... an informal business grouping with a particular interest in networking among the region’s small and medium sized enterprises, and conveying their views to APEC’.¹⁷

Trade and Investment Data Working Group

3.31 This Group ‘aims to increase the utility and reliability of regional trade and investment data’. It is doing this by:

establishing a database of these statistics covering all APEC economies and is encouraging member economies to collect statistics using standard concepts and definitions developed by international organisations, to harmonise data collection methods and practices, and to ensure that construction of databases does not duplicate work in other international organisations.¹⁸

3.32 The Group is also preparing ‘inventories and data matrices by APEC partners on bilateral international trade in services and direct investment statistics. Data availability by partners is seen as the main limiting factor in developing comprehensive bilateral data matrices in these fields of statistics’.¹⁹

Transportation Working Group

3.33 This Group aims to promote an ‘efficient and integrated region-wide transportation system that will enhance regional growth and economic inter-relationships for the common good of APEC economies’.²⁰

16 DFAT, *Asia Pacific Economic Cooperation Briefing Notes*, September 1975, p. 13.

17 DFAT, *Asia Pacific Economic Cooperation Briefing Notes*, September 1975, p. 14.

18 DFAT, *Asia Pacific Economic Cooperation Briefing Notes*, September 1975, p. 14.

19 DFAT, *Asia Pacific Economic Cooperation Briefing Notes*, September 1975, p. 14.

20 DFAT, *Asia Pacific Economic Cooperation Briefing Notes*, September 1975, p. 14.

APEC Secretariat

3.34 The Secretariat, which is based in Singapore, is headed by an Executive Director from the country chairing APEC. He or she serves for one year. The Secretariat has 23 seconded professional staff from member economies and a similar number of locally recruited support staff.

3.35 The Secretariat's operational plan comprises six outputs and four services based on a Statement of Business, approved by member economies. The Statement of Business comprises the following:

- The Secretariat is the core support mechanism for the APEC process.
- The Secretariat provides advisory, operational and logistic/technical services to member economies and APEC fora to coordinate and facilitate conduct of the business of the organization.
- On behalf of member economies, it provides preparatory advice on formulation of APEC projects, manages project funding and evaluates projects funded from the APEC Operational and TILF accounts.
- The Secretariat produces a range of publications, liaises with the media and maintains a website to provide information and public affairs support on APEC's role and activities, including specific outreach efforts to business. It acts on behalf of APEC members as and when directed.
- The Secretariat maintains a capacity to support research and analysis in collaboration with APEC Study Centres and PECC as required by APEC fora.
- The Executive Director is responsible to APEC Senior Officials through the SOM Chair and manages the Secretariat in line with priorities set by SOM on behalf of Ministers.²¹

APEC Business Advisory Council

3.36 At the inaugural Leaders Meeting in November 1993, it was agreed to set up a Pacific Business Forum to strengthen links between APEC and the business community. The Forum provided the Leaders with advice and recommendations on trade and investment liberalisation and on business facilitation. In 1995, the Leaders replaced the Forum with the APEC Business Advisory Council (ABAC), a permanent business advisory body.

3.37 Each member economy may appoint three representatives to ABAC, one of whom must be from a small to medium-sized enterprise. Australia's current representatives on ABAC at the time of the Committee's hearings were Mr Michael Crouch AM, Chairman and Managing Director of Zip Industries Australia; Mrs

21 APEC Internet site: <http://www.apecsec.org.sg/97brochure/97organize.html> (28 February 2000).

Imelda Roche AO, Co-Chairman of Nutri-Metics International; and Mr Malcolm Kinnaird, Executive Chairman of Kinhill Engineers Pty Ltd. Since then, Mrs Roche was replaced by Mr David Murray, Managing Director of the Commonwealth Bank.

3.38 ABAC's main objectives are to:

- help APEC strengthen its links to the regional business community;
- allow the business community to advise APEC on its priorities in relation to the implementation of the Action Agenda;
- respond directly to requests from APEC for advice on business reviews on specific issues.²²

3.39 ABAC provides a report to the Ministerial and Leaders' meetings each year with advice on integrating and facilitating business within the region. In 1996, in its capacity as APEC Chair, the Philippines emphasised business activities:

President Ramos initiated the practice of ABAC representatives meeting with APEC Leaders prior to the Leaders meeting itself and also initiated a much larger APEC Business Forum in association with the Ministerial/Leaders' meetings, continuing the trend towards closer integration of private sector networking in the region.²³

Eminent Persons Group

3.40 At the September 1992 Ministerial meeting in Bangkok, it was agreed that an Eminent Persons Group be established 'to enunciate a vision for trade in the Asia-Pacific region to the year 2000, identify constraints and issues which should be considered by APEC, and report initially to the next Ministerial Meeting in the United States in 1993'.²⁴

3.41 The Group made reports to the Ministerial and Leaders' meetings until it was wound up at the November 1995 meetings when ABAC was established.

Membership of APEC

Membership history

3.42 Twelve member economies attended the first APEC Ministerial Meeting in Canberra in November 1989—Australia, Brunei Darussalam, Canada, Indonesia, Japan, Republic of Korea, Malaysia, New Zealand, the Philippines, Singapore,

22 DFAT, submission, p. 3.

23 DFAT, submission, p. 12.

24 APEC Ministerial Meeting, Bangkok, 10-11 September 1992, Joint Statement, para. 14.

Thailand and the United States. It was clear, however, even at this early stage in APEC's development, that its membership would be expanded.

3.43 In the Chairman's Summary Statement, which was issued at the end of the meeting:

Ministers have noted the importance of the People's Republic of China and the economies of Hong Kong and Taiwan to future prosperity of the Asia Pacific region. Taking into account the general principles of cooperation identified above, and recognising that APEC is a non-formal forum for consultations among high-level representatives of significant economies in the Asia Pacific region, it has been agreed that it would be desirable to consider the involvement of these three economies in the process of Asia Pacific Economic Cooperation.

3.44 At the 1991 Ministerial Meeting, APEC became the first international organisation to include the 'three Chinas'—Peoples' Republic of China, Taiwan and Hong Kong. According to DFAT:

The task of drawing them into the process was a difficult one, requiring agreement both on the nomenclature of Chinese Taipei and Hong Kong after its handover, and on arrangements for Chinese Taipei's representation at Ministerial meetings.²⁵

3.45 At the 1991 Ministerial Meeting, the Ministers also declared that:

Participation in APEC will be open, in principle, to those economies in the Asia-Pacific region which:

- (a) have strong economic linkages in the Asia-Pacific region; and
- (b) accept the objectives and principles of APEC as embodied in this Declaration.

Decisions regarding future participation in APEC will be made on the basis of a consensus of all existing participants.²⁶

3.46 At the September 1992 Ministerial Meeting in Bangkok, the APEC Ministers reiterated the membership declaration made at the previous meeting and 'expressed the view that APEC was entering a phase when consolidation and effectiveness should be the primary considerations, and that decisions on further participation required careful consideration in regard to the mutual benefits to both APEC and prospective participants'. The Ministers noted, however, 'the emerging reality of an integrated North American economy and the growing linkages between that North American economy and the rest of the Asia-Pacific region' and asked officials to examine the

25 DFAT, submission, p. 6.

26 Seoul APEC Declaration, Seoul, 14 November 1991.

case for Mexico's membership. Mexico and Papua New Guinea were both admitted in 1993, and Chile's participation was agreed at the 1993 Ministerial Meeting, to take effect at the 1994 Ministerial Meeting. At the same meeting, the Ministers decided to defer any further applications for membership for three years while officials considered membership issues.

Russia's participation in APEC

3.47 At the Ministerial Meeting in November 1997, it was decided that three further economies—Peru, Russia and Vietnam—would take their places in APEC in November 1998. It was also agreed to institute a ten-year moratorium on any further increase in membership.

3.48 The decision in November 1997 to extend membership to Russia to take effect in November 1998 was unexpected. Although Russia has a Pacific Ocean seaboard, that region is underdeveloped compared with many other parts of the nation. In most respects, Russia is firmly oriented towards Europe rather than Asia Pacific. Although its Pacific territory offers development prospects, it has languished, and there is no evidence to suggest early rejuvenation of this area. It is difficult, therefore, to understand the logic of the decision in the light of the APEC membership criterion that an economy 'have strong economic linkages in the Asia-Pacific region'. Although Russia may accept the objectives and principles of APEC', the ability of Russia to meet APEC objectives and obligations is highly questionable. At this stage, it is facing huge economic and political problems in transforming its old communist-structured economy into a modern market economy. The decision has all the hallmarks of one that was made for global strategic reasons rather than for Asia Pacific regional economic co-operation. The Federal Opposition disagreed with APEC's decision to include Russia in APEC.

3.49 Professor Drysdale told the Committee that there are both costs and benefits in Russia's admittance. Russia's close association with the major players in the region will have the potential benefit of providing the region with greater political security and stability in the longer term.²⁷ Inevitably, over time, the APEC economies will have to deal with Russia in a political sense. By being part of APEC, relations between Russia and the other APEC economies might be managed in a more beneficial way. The main question mark in the near future is the role Russia might play in pursuit of the APEC economic agenda and the management of economic crises, such as the current East Asian financial crisis.

3.50 It is unlikely that Russia's admittance will improve the cohesiveness of APEC. Dr Elek drew attention to the fact that Russia's trade with Europe is larger than that with APEC economies and the potential difficulties for APEC as Russia becomes more integrated into the European economy:

27 *Committee Hansard*, 6 March 1998, p. 752.

we are going to need to think through some kind of guiding principles so that Russia does not by default, or without really thinking it through, enter into more relationships with Europe which actually discriminate against the rest of its APEC partners, which is the way Europe usually enters into trading arrangements.²⁸

3.51 The decision has, of course, already been made. The important thing now is to ensure that potential problems associated with Russia's membership are managed in such a way as to enhance the APEC concept and its trade liberalisation goals. Ms Fayle told the Committee in March 1998 that:

There was a consensus in the leaders meeting to admit three new members. Australia has signed on to that consensus and we are enthusiastic about working with the new members, including Russia, to ensure that they make the transition into APEC in as effective and efficient way as possible. We are, for example, sending an expert on IAPs and sectoral liberalisation to Russia to assist them at the technical level with some of that work. We are making a conscious effort to ensure that the new membership does not involve too much greater time consuming effort on the part of APEC and that it does not hold up making progress in some of these areas that are important to us.²⁹

3.52 The Committee believes that APEC should encourage Russia not only to play a constructive role in APEC but also to develop economic links within the Asia Pacific region through the development of the economy of its Pacific territories.

Future membership policy

3.53 Membership has been a sensitive issue for APEC as a number of economies on both sides of the Pacific have sought to become members, including some, such as India, which are not Pacific-littoral economies.

3.54 Two questions in particular have exercised the minds of APEC economies in relation to membership: the size and the actual composition of APEC.

3.55 It is always difficult to decide on the optimum size of an organisation, particularly when there is pressure from potential members to allow their membership aspirations to be realised. In any organisation, it becomes more difficult to achieve consensus as membership increases, even when there is a general homogeneity among members. The great diversity of political systems, population sizes, stages in economic development and cultures among APEC economies makes decision-making more difficult. This has been offset by adopting a policy of lack of prescription, which has made it easier for members to agree on long-term goals and work programs. But,

28 *Committee Hansard*, 5 February 1998, p. 578.

29 *Committee Hansard*, 30 March 1998, p. 824.

as membership and therefore the diversity of interests increase, unanimity will be more difficult to achieve. This, in turn, may slow the pace of reform.

3.56 Fred Bergsten, the former Chairman of the APEC EPG drew attention to the tension between deepening and broadening any international institution:

It is clearly more difficult for any international institution to deepen its substantive links if it has more members and it must divert part of its time to the process of expansion. Europe has always resolved the dilemma by completing its next stage of integration (deepening) before accepting new members (broadening).³⁰

He went on to advocate APEC following a similar course on membership to the one taken by the European Union. He warned that the participation of any large country, which had not yet got far down the track of liberalisation, might complicate APEC's ability to achieve progress.

3.57 In October 1997 (before the most recent increase in membership), the Australian Ambassador to APEC, Mr Grey, told the Committee that there was an upper limit on membership from a practical point of view. He went on to say that 'we have not reached that now, and it may well be that a couple of new additions would not change that dramatically but it should, in our view, be kept as small as possible—in some respects, the smaller the better'.³¹

3.58 At DFAT's second public hearing on 30 March 1998, Ms Fayle, First Assistant Secretary, Market Development Division, said that:

Australia has always opposed excessive expansion of APEC membership. We had a well-known position that we did not think that APEC should expand too quickly simply because that did make things unwieldy and difficult. We felt there was already a large enough agenda and a large enough membership to bite off the sorts of things we had on our plate ... It was simply that we were keen to ensure that the pace of membership expansion was an appropriate one.³²

3.59 In view of the nature of its membership, APEC has made remarkable progress in agreeing to long-term goals and a framework for achieving them. These goals include sensitive areas that have so far defied all other attempts at resolution. There is still much to be done, not only in APEC but also in other related fora, such as the WTO, before these goals are reached within APEC's 2010 and 2020 deadlines. Keeping APEC to a manageable size will facilitate trade and investment liberalisation and facilitation objectives. The ten-year moratorium is evidence of APEC's realisation

30 C. Fred Bergsten, 'APEC in 1997: Prospects and Possible Strategies' in *Whither APEC? The Progress to Date and Agenda for the Future*, Institute for International Economics.

31 *Committee Hansard*, 20 October 1997, p. 81.

32 *Committee Hansard*, 30 March 1998, p. 823.

that a larger organisation might jeopardise achievement of these objectives. The Committee believes that a membership of more than 21 economies would not be helpful in attaining APEC's goals.

3.60 It is inevitable that other economies will seek to join APEC before the expiry of the moratorium. The Committee believes that pressure to break the moratorium should be resisted, unless significant changes in circumstances dictate a change in membership policy. For instance, before the end of the ten-year period, and however unlikely that might seem at the moment, APEC and WTO might achieve important breakthroughs in sensitive areas, bringing the Bogor goals well within APEC's grasp. A further small enlargement of APEC's membership at that time might not be considered to hinder completion of APEC's work program.

3.61 Unlike preferential free trade blocs, non-members are not discriminated against in their trade and investment links with APEC members. The adoption of open regionalism extends liberalisation and facilitation benefits on a most favoured nation basis to all non-members. APEC processes are also open to scrutiny outside the organisation; outcomes of meetings are published, as are details of Individual Action Plans.

3.62 There is no reason for an aspiring member not to undertake the objectives and obligations of APEC members. This would include the voluntary submission of an Individual Action Plan, updated annually, as is the requirement for members. In the view of the Committee, unless an Asia Pacific economy were to do this, it should not be considered for membership.

3.63 In view of the added difficulties involved in an enlarged membership, economies that have demonstrated over time their commitment to APEC goals should be in a much stronger position to have their applications for membership approved than those which only give lip service to those goals.

3.64 The interests of APEC economies will be served if non-APEC economies could be encouraged to embrace APEC's goals. Ultimate membership of APEC is one incentive to do this. However, other ways of accommodating the needs and aspirations of other Asia Pacific economies should also be found without compromising the membership moratorium. One option is an extension of observer status to non-member Asia Pacific economies that embrace the APEC mission and all its obligations. APEC would need to satisfy itself that a non-member is meeting its obligations and will continue to do so once observer status is granted. This measure would be regarded as a preliminary step towards membership.

3.65 A second option is greater representation of non-member economies, which embrace APEC obligations, in the APEC work program. There has been limited representation of non-APEC economies on APEC working groups and project teams. The inclusion of additional relevant people from these economies would help to give them a sense of inclusion in the APEC process and reinforce their commitment to APEC goals.

Membership for Indian Ocean littoral economies

3.66 The other membership question raised in the inquiry was whether membership should include Indian Ocean littoral economies, particularly India, which has sought membership of APEC. Professor Garnaut told the Committee:

I would have thought that India's claims were stronger than Russia's claims. I have thought that for some time. While holding that thought, I did not think that it was crucial for India to be a member, so long as APEC members, and APEC itself, were cognisant of the huge importance of the success of the reforms in India that got under way in the 1990s.

Because trade liberalisation within APEC is within the framework of open regionalism it does not cut India out. India could do with a lot of liberalisation within that framework itself. I think it might be helpful to the political economy of reform in India if particular APEC countries—and why not Australia—engaged in rather active discussion with India of the advantages of parallel liberalisation and, at the same time, deliberately built business links to take advantage of the new opportunities that would emerge from that process.

Open regionalism in South Asia alongside liberalisation within an open regional context in APEC would be a very productive basis for regional trade expansion in India, at the same time as opportunities were expanded for links with the Asia-Pacific region. I would like to see us active in discussions with India in those ways rather than talking of further dilution of APEC.³³

3.67 India is not being disadvantaged by not being a member of APEC. The adoption by APEC of open regionalism as the basis for trade liberalisation means that South Asian economies are not subject to discrimination in trade with and investment in APEC economies. The Committee believes that India and other South Asian economies, which have an interest in joining APEC, have an opportunity during the moratorium to demonstrate their credentials by fulfilling voluntarily the requirements of membership.

3.68 In the same way as Australia is helping Russia with its Individual Action Plan, similar assistance should be extended to India and other non-member Asia Pacific economies embarking on trade liberalisation, should they wish to avail themselves of it. As Professor Garnaut intimated, there may also be commercial spin-offs available to both sides from such cooperation.

Conclusion

3.69 The moratorium gives APEC a breathing space to concentrate on its three pillar agenda. With 21 disparate economies already participating in its ambitious program, it

33 *Committee Hansard*, 6 March 1998, p. 768.

will take all the ingenuity and cooperation of members to reach those distant Bogor goals along a path strewn with obstacles. The addition of new participants would only serve to make the task more difficult to complete. However, in the longer term, it may be both feasible and desirable that APEC membership be expanded to include the participation of other Asia Pacific economies that meet the membership criteria.

Recommendation

The Committee recommends that the Australian Government work to have APEC adopt a position of:

- a) accepting new members only after they have demonstrated their support for APEC policies and goals by voluntarily complying with APEC obligations (including submission and annual updating of Individual Action Plans) for two years;**
- b) granting observer status to potential new members which meet their APEC obligations;**
- c) allowing greater participation in APEC's work program by potential new members; and**
- d) providing assistance to potential new members to adopt APEC policies, goals and obligations.**

