

A Vision for APEC

*Towards an
Asia Pacific Economic
Community*



ASIA-PACIFIC ECONOMIC COOPERATION

**Report of the Eminent Persons Group to
APEC Ministers**

OCTOBER 1993

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**Letter of Transmittal to
the Ministers of the
APEC Members**

We, the Eminent Persons Group which you created at APEC's Fourth Ministerial Meeting in Bangkok in September 1992, hereby transmit to you our initial Report. We are delighted that we have been able to reach unanimous agreement on the Report and are completely unified in our support of its conclusions and recommendations. All of us are of course participating in the Group wholly in our individual capacities rather than as representatives of our respective governments.

Per the mandate included in your Joint Statement at Bangkok, we seek to enunciate a vision for trade in the Asia Pacific region to the year 2000 (and) identify constraints and issues which should be considered by APEC (in that context)." We have in fact addressed a somewhat longer time frame as well, in the belief that the vision that APEC should now adopt encompasses a horizon that extends beyond the end of this decade.

We hope that our Report will make a helpful contribution to the deliberations at APEC's upcoming Fifth Ministerial Meeting in Seattle. We are pleased that your agenda for Seattle envisages a thorough discussion of the Report, and we look forward to exchanging views with you on it. We hope that the Report will also prove useful to the Informal Leadership Conference that is to be held immediately after the Ministerial.

In submitting this Report to you, we would express the hope that you will authorize its publication. We believe that active public discussion of the outlook and prospects for the Asia Pacific, and of the ideas included in our Report, would help expand awareness of the importance of strengthening economic cooperation in the region and thus support the APEC process. We of course stand ready to do whatever we can to contribute to such public understanding and discourse.

Finally, each of us has found this first effort of our Eminent Persons Group to be immensely rewarding. We jelled quickly as a collegial body and, as noted above, were able to achieve full unanimity on our conclusions and recommendations. Each of us is grateful for the opportunity and privilege to contribute to the APEC process to which we are deeply committed and would like to thank you for having given us the honor of doing so. We hope you find the Report useful in your consideration of the future of APEC, and we stand ready to undertake additional assignments that you might choose to give us if you conclude that we could be of further assistance.

Sincerely,
C Fred Bergsten, Chairman (United States of America)
Narongchai Akrasanee (Thailand)
Victor Fung (Hong Kong)
Huang Wenjun (People's Republic of China)
Mahn Je Kim (Republic of Korea)
Hank Lim (Singapore)

John S MacDonald (Canada)
Suhadi Mangkusuwondo (Indonesia)
Neville Wran (Australia)
Rong-I Wu (Chinese Taipei)
Ippei Yamazawa (Japan)

Dedication

Our Eminent Persons Group dedicates this Report to the memory of **Saburo Okita**, one of the early architects of the concept of cooperation in the Asia Pacific region. The Government of Japan appointed Dr. Okita as its original member of this Group but his untimely death in February 1993 prevented his participation in our work, a loss which all of us deeply regret. It is characteristic of Dr. Okita's lifelong dedication to regional cooperation that his very last conversation, coincidentally conducted with the future Chairman of the Group, addressed our project and the cause of regional cooperation to which he was so devoted.

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Executive Summary

1. At their Fourth Ministerial Meeting, in Bangkok in September 1992, APEC Ministers created an Eminent Persons Group to "enunciate a vision for trade in the Asia Pacific Region." This Report presents such a vision and recommends a series of actions to begin its realization. The Report is submitted unanimously by the eleven members of the Group. We convey it to APEC members with the hope that it will provide the foundation for the **creation of a true Asia Pacific Economic Community**, beginning at their Ministerial Meeting and Informal Leadership Conference in November 1993.

2. **We recommend that APEC set a goal of free trade in the Asia Pacific** to help realize the full economic potential of the region. To begin the process of achieving that goal, the members should promptly launch an ambitious but pragmatic and evolutionary **trade facilitation program**. In addition, technical cooperation among the members can help develop needed infrastructure and promote development in the less advanced parts of the region. Finally, **a modest institutionalization of APEC** is essential to facilitate and provide continuity for the process. This four part strategy can, over time, create a genuine Asia Pacific Economic Community

3. Every member of the Asia Pacific region has a vital interest in the health and openness of the global economy and its institutions, notably the General Agreement on Tariffs and Trade [GATT]. Our goal of **"free trade in the Asia Pacific" should be pursued to the greatest extent possible through multilateral liberalization.**

4. APEC should thus make every effort to achieve the **successful conclusion of an ambitious Uruguay Round [UR] by the end of 1993. If the outcome is still uncertain at the time of the Seattle meetings, APEC should seek to break the deadlock** by offering an additional package of liberalization and other proposals.

5. Many vital trade issues will remain unresolved even with a successful UR, however. Moreover, protectionism flourishes in the absence of continuing progress toward liberalization. Hence APEC **should seek agreement in the GATT to launch another major global negotiation by the end of 1995.** It should immediately initiate international consultations to begin planning that effort and urge GATT to create a Wise Persons Group to recommend a detailed strategy.

6. To the extent necessary to achieve the ultimate goal of free trade in the region, APEC **should also pursue an active program of regional trade liberalization.** All such efforts should proceed **on a GATT-consistent basis** and maximize their contribution to global openness. For example, APEC should seek regional agreement on proposals which had been considered in the GATT (e.g., during the UR) but could not yet be adopted there. It should offer to multilateralize, in future global negotiations, all steps taken at the regional level. **The Asia Pacific Economic Community should seek to "ratchet up" the process of global trade liberalization.**

7. We recommend that APEC members **agree now to reach agreement in 1996 on a target date and timetable for the achievement of free trade in the region.** It would be premature to

set such schedules at this time: we do not yet know if the UR and subsequent GATT negotiations will revitalize the global trading system, it will take time to work out the agenda and modalities for the regional liberalization effort, APEC itself is still at an early stage of development, and the preparation of each member for participation in the process must be carefully assessed. But we believe that it is vital to set a date certain to make these fundamental decisions, to install an action-forcing timetable for implementing the vision that we recommend.

8. We recommend **immediate commencement of an extensive series of APEC trade and investment facilitation programs**. These programs would further enhance the prospects for trade and investment expansion, and hence rapid economic growth, in the region. In addition, their adoption would accelerate the process of active cooperation and institution-building among the members of APEC--and hence help lay the foundation for achieving the ultimate goals of free trade in the region and creation of an Asia Pacific Economic Community.

9. One such measure should be the adoption of an **Asia Pacific Investment Code**, to reduce the uncertainties and transaction costs of investment (and related trade) in the region.

10. APEC should adopt an **effective dispute settlement mechanism**. Such a mechanism could be based on either the Draft Final Act of the UR (the "Dunkel text"), if it is not adopted there, or the relevant provisions of the Canada-United States Free Trade Agreement [CUSFTA] (which would be largely incorporated as well in the proposed North American Free Trade Agreement [NAFTA]).

11. APEC Ministers and officials responsible for **macroeconomic and monetary policy** should begin to meet regularly. Cooperation on these issues is essential to support trade liberalization and facilitation, and could help promote regional growth and external equilibrium.

12. Similar cooperative efforts should be pursued in such areas as **competition policy**, especially as it relates to antidumping issues, mutual recognition of **product standards**, mutually accepted **testing and monitoring procedures** for standards in key sectors such as telecommunications and aviation safety, **environmental protection and rules of origin**.

13. **APEC's annual meetings should review, monitor and guide all aspects of this trade facilitation program** and integrate it with pursuit of the ultimate goal of free trade in the region. The annual meetings should also **review the progress of each of the subregional arrangements within APEC** presently the Asean Free Trade Agreement [AFTA], The Australia-New Zealand Closer Economic Relations Trade Agreement [ANZCERTA], the CUSFTA and potentially the NAFTA--to assure their consistency with the overall process.

14. APEC should help generate region-wide support for the **improvement of public infrastructure in such areas as higher education, transportation and telecommunications, and energy**. Improved infrastructure will further improve the economic environment and speed the progress of the less advanced APEC members. The private/ business sector should be encouraged to participate in developing most of this infrastructure and there is no need to create an "APEC fund" or other new financial institutions at this time.

15. **APEC must develop its own institutional infrastructure** to help implement the vision that we offer. Leaders should meet at least once every three years to review and guide the process. Ministers responsible for economic policy must meet frequently to do so in the interim. The Secretariat should be staffed with permanent officials and be headed by an effective official of ministerial rank, but remain small and achieve maximum efficiency--in part by drawing on existing public and private organizations as extensively as possible. An effective decisionmaking process will have to be adopted.

16. Our Eminent Persons Group believes that the **APEC members face an historic opportunity**. The Asia Pacific is the most dynamic region of the world economy. It is likely to remain so over the coming decades. The end of the Cold War has opened new and unprecedented possibilities for international economic cooperation. The time has thus come to create an institutional framework that will help sustain rapid growth and development in the region, promoting its stability and security as well as its prosperity. We recommend that APEC members endorse our vision and launch the program proposed here to begin the process.

The Asia Pacific and the World Economy

The Asia Pacific region is the most dynamic component of the world economy. It has achieved faster growth than any other region for the past thirty years. Its share of world output and trade has risen steadily throughout this period. It seems likely to continue at the forefront of world economic progress in the decades ahead.

At the same time, the Asia Pacific has been the only major region of the world that has not developed region-wide (or even Asiawide) intergovernmental institutions--in either the economic or security dimensions--to foster and facilitate its progress. Europe created the European Community [EC] and the Western European Union. The Atlantic has had North Atlantic Treaty Organization [NATO] and the Organization for Economic Cooperation and Development [OECD] (in its initial Organization for European Economic Cooperation [OEEC] format). The Western Hemisphere has had the Organization of American States and the Rio Treaty, and now plans to add a North American Free Trade Agreement [NAFTA] that could extend throughout the Hemisphere.

There are three explanations for this apparent paradox. One is the central role of market forces in driving the region's dynamic growth performance. Economic interdependence in the Asia Pacific has flowed largely from the activities of the private sector, with the full blessing of most governments in the region, in rapidly expanding trade in goods and services, direct and portfolio investment, and movement of people. The experience of the region contrasts markedly with that of the EC, where the process of integration was initiated primarily through a series of intergovernmental treaties in the 1950s.

The second explanation for the lack of intergovernmental institutions in the Asia Pacific is the enormous diversity of the countries in the region. Per capita incomes (at market exchange rates) range from over US\$30,000 in Japan to under US\$1,000 in the People's Republic of China and Indonesia. The region encompasses the world's two largest national economies (the United States and Japan) and some of the smallest. Economic, cultural and political systems differ markedly, with the former ranging not only from capitalism to socialism but including a wide variety of "competing models of capitalism." The region has experienced intense trade conflict, notably between the United States and Japan, as well as cooperation and expansion.

The third explanation is the effectiveness of the global economic institutions. By the time the Asian countries were ready for takeoff, the General Agreement on Tariffs and Trade [GATT] had created a relatively open trade regime that permitted successful realization of the market-driven strategies of outward orientation that characterized their "economic miracles." The International Monetary Fund [IMF] and the World Bank, while devoted primarily to other tasks, reinforced the global framework of trade and investment liberalization. The Asia Pacific has not needed regional institutions. The resulting pattern of its economic activity is quintessentially global, rather than regional, in scope and composition.

Our Group believes that this pattern of global economic engagement remains in the fundamental interest of every country in the region.

One overriding theme of this Report is therefore the need for the Asia Pacific economies to take all possible steps to strengthen the global system. We believe that they can play an important, perhaps even decisive, role in that effort.

The Threats to the Region

But at least three major developments now threaten the environment that has permitted, indeed facilitated, the economic boom of the past three decades in the Asia Pacific without the benefit of regional institutional arrangements. Any one of these three, if it proceeded far enough, could significantly undermine prospects for the region. Continuation of all three could derail the region's entire momentum.

First, the global trading system is at risk. The OECD has found that 20 of its 24 members increased their trade protection during the 1980s. The number of trade disputes, as measured by cases taken to the GATT, is rising rapidly. More and more countries are adopting the tools of process protectionism, such as antidumping and countervailing duties. Widespread perceptions of restricted market access in Japan, the world's second largest economy and leading creditor country, have produced intense bilateral trade disputes and charges that the GATT is irrelevant in dealing with one of the trading system's major players. Though trade protection by the United States has declined since the mid-1980s, some trade actions by that country in recent years have been viewed as "aggressive unilateralism" and as attempts to "manage trade" that could undermine the open multilateral system.

We know from history that the trading system either moves steadily forward toward greater liberalization or that it tends to topple in the face of protectionist pressures (the "bicycle theory"). The contemporary chosen instrument for restarting the liberalization process is the Uruguay Round [UR] launched in 1986 and targeted for conclusion--once again--at the end of 1993. Our Group believes that an ambitious conclusion of the Round is of vital importance to all APEC members and will make several recommendations toward achieving that outcome.

Despite the agreements reached at the G-7 summit in Tokyo in July, however, there remains a substantial risk that the Round will fail to achieve the needed progress, or might even fail altogether. Though the existing GATT rules and institutions would remain in place, such a failure would sharply reduce the credibility and effectiveness of the global trading system. Protectionists everywhere would be encouraged. Pressures for new trade barriers, that have been bottled up by the prolonged negotiations, would emerge. Issues that had been included on the GATT agenda would be reassigned for bilateral (or even unilateral) resolution. The entire international framework that has been so crucial to economic progress in the Asia Pacific would be threatened.

The second threat is the escalation of inward-looking regionalism throughout the world. There is at present only one real economic bloc: the EC. It is now the single largest economic entity in the world. It will be further expanding its membership and geographical scope. It is deepening the extent of its integration. Its discrimination against nonmembers, and recent signs that it is turning inward and shirking its global responsibilities, have raised growing worries about its compatibility with the global system.

Neither the Canada-United States Free Trade Agreement [CUSFTA] nor the proposed NAFTA constitute a similar situation. Canada and Mexico are much smaller economies than the United States and already depend on it for almost three quarters of their trade. These arrangements are free trade areas rather than customs unions, let alone integrated market a la "EC 2."

However, NAFTA would be a preferential trading arrangement and has been perceived in some quarters as a signal that the United States--the traditional leader of the global trading system--may also be "going regional" or at least hedging its bets. President Bush's proposal to extend NAFTA throughout the Western Hemisphere as part of his "Enterprise for the Americas Initiative," which has been implicitly endorsed by President Clinton, has substantially intensified such concerns. One immediate result, in addition to unambiguously desirable unilateral trade liberalization initiatives by a number of Latin American countries to help them qualify for a Western Hemisphere Free Trade Area, has in fact been an intensification of subregional and bilateral preferential agreements throughout the Hemisphere. Proposals for an East Asian Economic Caucus [EAEC] stem at least in part from fears that a second large preferential economic zone might now be forming.

There is a close relationship between the erosion of the global system and the growth of regionalism. The recent regional initiatives represent, to an important degree, a hedge against further weakening of the GATT and a reaction to the apparent turning inward of the EC. Conversely, the increasing focus on regional bodies--both within governments and by the public--can further weaken the GATT if the regional steps are viewed as substitutes for, rather than supplements to, the global arrangements.

Moreover, a strong global system is essential to make the world safe for regionalism. Regional arrangements can be eminently desirable. The EC, for example, has brought peace to Western Europe after centuries of internecine warfare and, on balance, has almost certainly generated more trade creation than trade diversion--thereby increasing world growth. A successful NAFTA can lock in Mexico's dramatic economic reforms and sharply reduce the risk of potential future instability in the country that triggered the Third World debt crisis of the 1980s.

The GATT, however, has been critically important in assuring the compatibility of the EC and other regional arrangements with the global trading system. Its rules, while inadequate and needing much more rigorous implementation, require that such arrangements not raise new barriers against outsiders. Its periodic global liberalization "rounds" have produced substantial reduction in the discriminatory effect of their preferences for members. Indeed, each of the "modern" trade "rounds" was keyed to the evolution of the EC: the Kennedy Round of the 1960s produced a substantial cut in its initial Common External Tariff, the Tokyo Round of the 1970s countered some of the impact of its extension to include the United Kingdom and other new members, and the UR deals with a number of the issues that make up "EC 92."

A significant weakening of the GATT could thus reduce the constraints on regional trade groupings. As a result, outsiders would be far more likely to suffer trade diversion and other adverse effects. The increasing resort to regionalism, which could be benign or even positive in a world where such devices are subject to effective global surveillance, could thus represent a

substantial threat to economies in the Asia Pacific region if coupled with a serious decline of the GATT.

The third development that calls for a new vision in APEC is the risk of disengagement within the Asia Pacific region. As already noted, intense trade disputes have broken out among key APEC members--the United States and Japan, the United States and the People's Republic of China, and other pairs--with increasing frequency. Trade and investment have continued to expand despite these conflicts. But their further escalation, if unresolved over a period of time, could have a chilling effect on future economic exchanges whether or not they produced actual retaliation and a cutback from current levels.

Even more ominous in many minds is the risk of a political and security fissure between the western and eastern edges of the Pacific. There are widespread perceptions in East Asia that the United States might substantially withdraw from that continent, in economic or military terms or both. Such an event could be extremely disturbing throughout the region (and could have global consequences). These fears help explain why the "attention diversion" implied by NAFTA has produced such concern in East Asia. New economic ties that bind the two rims of the Pacific together could thus help secure their peace, as the EC did in Europe, even if they remain largely market-driven and even if they did not address the security issues directly.

As a result of these three risks, our Group believes that the time has come for the Asia Pacific to develop an institutional framework to preserve the progress that has been recorded to date and to promote the further economic prosperity of the region. We believe that the risks are sufficiently serious, and that their eventuation would be sufficiently costly, to warrant a major new program of APEC initiatives to try to head them off.

The Gains from Economic Community

In addition, we believe there are a number of positive reasons why APEC should seek to create a true Asia Pacific Economic Community. Such a Community could provide substantial benefits for all peoples in the region. Active cooperation among its members could consolidate and protect the impressive gains of the past, and help assure continuing progress in the future. The case for an Asia Pacific Economic Community rests on the prospects for significant additional gains as well as on countering the severe risks that the region now faces.

First, there are large additional gains from trade that can be achieved through further liberalization in the region. Many of these gains exist in areas that are not now covered by the GATT and may not be covered effectively even with a successful UR.

Second, the crucial area of investment has never been subject to an international regime to facilitate its expansion and constrain governmental intrusion that could blunt its contribution. As noted throughout this Report, economic progress in the Asia Pacific region has been driven primarily by the private sector rather than by official initiatives. Investment has played a central role in that process. New agreements that assure continuing, or even greater, freedom for investment flows could encourage an even larger flow of capital and technology within the region, and add still further to its growth potential.

Third, liberalization initiatives by APEC--in these areas and others--could encourage the full GATT membership to subsequently take similar steps. Regional groupings can be building blocks for global accords: the CUSFTA and the ANZCERTA have both played that role in some areas (e.g., services) vis-a-vis the UR.

Fourth, APEC-wide liberalization and trade facilitation can enhance the prospects for similar steps at the subregional level and national levels. Just as emulation can occur "upward" from the regional level to the global, it can occur "downward" from the regional to subregional and national. As noted, President Bush's Enterprise for the Americas Initiative spurred a wave of new subregional and unilateral liberalization efforts throughout the Western Hemisphere. APEC could likewise encourage subregional groupings within the Asia Pacific, and individual countries in the region, to accelerate and intensify their liberalization programs.

Fifth, APEC (and related subregional) liberalization could pave the way for the development of additional subregional economic zones (SREZs) within the Asia Pacific region. These dynamic growth areas, such as the Singapore-Johor (Malaysia)-Riau (Indonesia) Growth Triangle and the Greater South China Economic Zone (comprising Hong Kong, Macao, Chinese Taipei and the Guangdong and Fujian provinces of southern China), transcend political and administrative boundaries but do not always involve entire national economies. Most such developments will continue to be affected on an ad hoc basis by the current situations of involved economies. However, region-wide liberalization would remove some of the obstacles to their formation so could broaden and expedite their role in accelerating growth and development in the region.

Sixth, movement toward an Asia Pacific Economic Community would facilitate consultation and cooperation outside the trade sphere on critical matters such as environmental protection and public infrastructure. Such collaboration will become increasingly important in light of the growing number of transboundary or global issues with regional implications.

A Vision for APEC

There are thus a large number of persuasive reasons for creating an Asia Pacific Economic Community. The creation of APEC represented a critical first step in the process of filling the intergovernmental institutional vacuum in the region. We congratulate the members for that historic initiative, for their stress on 'open regionalism,' and for their consistently strong support for improving the GATT and bringing the UR to a successful conclusion.

APEC has already begun the process of achieving the gains described above and protecting the region against the threats to its prosperity. We believe that the time has now come to utilize the organization much more extensively to promote the economic interests of its members. It could thereby promote their security and political interests as well.

Indeed, our Group believes that APEC should adopt a bold new vision for the future of the Asia Pacific. That vision would center on the creation of a true economic community in the region--an Asia Pacific Economic Community.

Such a vision would build on three decades of unprecedented economic growth. It would build on the creation of APEC itself to foster further cooperation throughout the region. It would provide a clear--and even dramatic--substantive mandate for the institution. If crafted properly, it can both obviate the several major threats to continued regional prosperity and generate a positive new thrust to future growth.

Our proposed Asia Pacific Economic Community would not seek to replicate the evolution of the European (Economic) Community. We see neither a need, nor a practical possibility, of creating a "single internal market" as the EC has now virtually achieved. We do not envisage a common currency (nor a common foreign policy). We do not even advocate a customs union.

We do note, however, that few Europeans--and even fewer observers elsewhere--believed in the 1950s that Europe could overcome its vast cultural differences and tragic history to unite economically. Today, we take Europe's common market and "EC 1992" as established parts of the landscape. Our Eminent Persons Group believes that it is quite feasible, if difficult and ambitious, for the Asia Pacific to achieve the more modest course proposed in this Report in the decades ahead. We turn now to the recommendations by which we believe the vision should be pursued and a suggested strategy for its realization.

Trade Liberalization

Recommendation 1:

That the APEC members reiterate that global trade liberalization and a strong GATT system are their highest trade policy priorities and thus:

- A. Endorse successful completion of an ambitious UR agreement by the end of 1993;
- B. If the outcome is still uncertain at the time of the APEC Ministerial, announce new liberalization offers in an effort to achieve a successful result;
- C. Seek an agreement by the GATT contracting parties, to be included in the final act of the UR, to launch the next major global negotiation by the end of 1995;
- D. Initiate, immediately after the completion of the UR, international consultations to begin planning that the next phase of global liberalization including creation by the GATT of a Wise Persons Group to recommend a specific course of action; and
- E. Propose that the new negotiation inter alia substantially tighten the rules that govern regional arrangements and institute an annual review process for all such arrangements, volunteering to submit APEC itself and its several subregional pacts (AFTA, ANZCERTA, the prospective NAFTA) to such review.

Global Trade Liberalization

As noted above, all APEC members share an overwhelming interest in maintaining and strengthening the global trading system based on the GATT. The only issues are tactical: how can this goal be pursued most effectively?

The most urgent priority is successful conclusion of the UR. This requires not only that agreement be reached but that the agreement effectively resolve the major issues on the negotiating agenda-hence the call for an "ambitious" outcome. A failure of the Round to meet reasonable expectations would severely undermine the credibility of the GATT. As noted above, it could thus spawn a new outbreak of protectionism and give further impetus to inward-looking regionalism around the world, including in the Western Hemisphere and perhaps in Asia.

Congress has extended the United States "fast track" negotiating authority for ten months. This requires that the Round be concluded by the end of 1993. It is highly doubtful that another extension would either be sought by the Administration or approved by Congress. Hence the end of this year is effectively the final deadline for the Round.

It is quite possible that the outcome of the Round will still be uncertain when APEC Ministers meet in Seattle. The timing of that meeting presents the group with a unique opportunity to agree on, and announce, new initiatives to achieve a successful and ambitious result. The proposals most likely to succeed would center on enhanced market access. The most important offers, in terms of market size, would presumably come from Japan and the United States. But significant contributions would need to be made by other Asian countries as well.

This initiative would have two major advantages. First, it could produce a successful Round. Second, it would clearly position APEC as a staunch defender of the global system--so the group could not be accused of favoring regionalism' if it subsequently had to pursue an Asia Pacific arrangement as a fallback if the Round were to fail.

Even with a successful UR, however, it will be necessary to take early new initiatives to maintain the forward momentum of liberalization. We know from past experience that significant backsliding toward protectionism occurs during the lengthy periods between major negotiating rounds. Such retrogression is especially dangerous at the present time in view of the widespread acknowledgment that even a fully successful UR will leave numerous key trade problems, such as trade-environment linkages and competition policy issues (including antidumping), unresolved by any effective international arrangement. There is widespread agreement that these issues must be addressed urgently via a new global negotiation.

The recommended policy package includes two elements to expedite that new negotiation. One draws on the experience of launching the UR itself: the creation by the GATT of an international group of "wise persons," like the Leutweiler Commission of 1985 that helped prepare the UR, to begin immediately to prepare an agenda for the next effort. The other sets a date certain to begin the next negotiation.

The new negotiation should inter alia review and substantially tighten Article 24 of the GATT--the provision that covers regional trade agreements. The current language, while useful in barring the erection of new barriers against nonmembers, contains no requirement that such agreements expand world trade by generating more trade creation than trade diversion. The present article is so vague that very few regional arrangements (including the EC itself and the CUSFTA) have been either approved or rejected by the GATT. The growing resort to regional arrangements, and the risk they pose to the global system, call for urgent reform in this area. APEC should push hard for such reform.

APEC could further support the effort to provide effective global surveillance over regional economic arrangements by proposing that GATT review each of them annually, and by volunteering to be reviewed itself. This would in essence extend the current Trade Policy Review Mechanism [TPRM] from countries to groupings, with the addition of criteria that pertain to such groupings. The APEC pledge should include all of its own subregional pacts (AFTA, ANZCERTA, the proposed NAFTA) to assure their consistency with the global rules. (APEC might also conduct such a review itself, to learn from the experience of the subregional arrangements as it plans and implements trade liberalization for APEC as a whole.)

These specific proposals for the next GATT negotiation, like the proposal for a new APEC initiative to achieve a successful UR if necessary, would place APEC squarely in the lead for global liberalization. They would make clear the group's determination that all regional arrangements comport with that global priority.

Regional Trade Liberalization

Recommendation 2:

That the APEC members, wishing to strengthen the multilateral trading system through their efforts in the Asia Pacific region as well as in the GATT itself, agree to pursue an active program of regional trade liberalization, on a GATT-consistent basis, to help create an Asia Pacific Economic Community. To that end, the members should now agree :

- A. On an ultimate goal of free trade within the region, through regional efforts as may be necessary to supplement future multilateral negotiations;
- B. To determine the target date for reaching that goal, and the timetable for achieving it, in 1996;
- C. To seek additional liberalization beyond what has proved possible at the global level, focusing on issues which (1) could not be agreed globally in the UR (or previous GATT efforts) and (2) could be addressed in future multilateral talks, especially the next GATT negotiation proposed to begin by the end of 1995; and
- D. To include such specific issues as competition policy, dispute settlement, environmental issues, export credits, financial services, foreign investment, government procurement, intellectual property rights, state trading, tariff reductions and tariff matching in particular sectors.

This proposal would seek to achieve three major purposes simultaneously: full support for the multilateral trading system, indication to non-APEC countries that the region plans to proceed without them if necessary, and provision of a fallback approach in case the multilateral system were to falter.

The centerpiece is proposal 2A: the members would set a goal of achieving free trade in the region and indicate that they prefer to do so through further global liberalization but would pursue a regional path, on a GATT-consistent basis, if the favored strategy were not achievable. This would operationalize APEC's concept of "open regionalism" or "open economic association" in a new and effective manner. The members' strong support for the multilateral system, as embodied in the proposed first recommendation, and its decision to pursue any additional regional liberalization on a fully GATT-consistent basis, would obviate any charges that it was "going regional."

A key issue is the meaning of "achievement of free trade." The elimination of all border barriers would obviously be required. But it might also be necessary to address at least some "domestic" policies as has been done in the EC, NAFTA and most other regional arrangements. Several are listed in proposal 2D. There is a widespread view in the United States, for example, that truly reciprocal access cannot be achieved, at least with some countries in the region, without including such issues in the liberalization (or harmonization) process.

An important question is whether to set a target date for the "achievement of free trade" within the region. Setting a date would dramatize the goal publicly and, particularly if it were earlier ("APEC 2000") rather than later (2005 or 2010), intensify the pressure on governments to start moving toward it. Either a ten or fifteen year transition period could be justified by reference to previous trade agreements such as the EC, NAFTA and AFTA.

On the other hand, a date without a specified work program and negotiating timetable might lack credibility and undermine rather than strengthen the process. A target date for completion of the project should thus be linked to timetables for achieving the different stages of liberalization. If one of the later dates were chosen as the ultimate target, it would be particularly important to set interim benchmark goals to be reached sooner.

The Group concluded that it would be premature at this time to set a target date for achieving free trade in the Asia Pacific region, for five reasons. First, we do not yet know the outlook for the multilateral trading system. If the UR succeeds in a way that imparts new strength and credibility to that system, and if a new global negotiation can be launched by the end of 1995, our regional effort would clearly be a supplement rather than a substitute. It would then be less urgent as well. On the other hand, a failure or very modest conclusion of the Round, and/or an inability to restart the process of global talks within the next couple of years, would greatly increase the case for accelerating the pace of regional efforts.

Second, the course of other regional arrangements remains unclear at this time. The EC will shortly be making a number of fundamental decisions concerning its broadening (to the European Free Trade Agreement [EFTA] countries and into Eastern Europe), its deepening (as with Economic and Monetary Union) and its participation in global trade liberalization (notably the UR). The NAFTA awaits final approval in its three member countries, and its possible extension to other countries in the Western Hemisphere--even if ratified--is uncertain as well.

Third a careful assessment will be needed of whether the trade and investment (and domestic economic) policies of each APEC member have advanced sufficiently to permit its full participation. In the case of NAFTA, Mexico undertook extensive unilateral liberalization of its trade and economic policies **before** the negotiations were able to get underway. Chile has asked to become the first member of a broader Western Hemisphere FTA on the grounds that it has already liberalized considerably on its own. Different groups of countries might have to apply different phase in periods, taking account of their different levels of domestic reform (and perhaps their pre-existing trade policy commitments in subregional arrangements such as AFTA and NAFTA).

Fourth, the APEC process itself is at an extremely early stage. One key purpose of the Trade Facilitation Programs proposed below is to begin a process of pragmatic cooperation among the members that will build habits and procedures for working together, to provide a foundation for more ambitious efforts such as the achievement of free trade in the region. We believe that these programs should be undertaken within the context of the long-term goal of achieving free trade because setting such a goal will help assure success for the more modest initial steps. We also believe, however, that the initial results of Trade Facilitation need to be assessed before a prudent decision can be made on the timetable for achieving our ultimate goals.

Fifth, it will obviously take time to work out the agenda, modalities and timetable for achieving the ultimate goal of free trade in the region. Part of the question is the extent to which the multilateral system will move toward that goal, as just discussed. But the APEC governments will also have to determine their priorities and possibilities through extensive consultations with each other and domestically, a process that will take some time to complete.

Hence the Group recommends that APEC members agree now to (1) adopt an ultimate goal of free trade in the region and (2) determine in 1996 the timetable and strategy for reaching that goal. We believe that the judgements on the key variables just described can be made within three years. Moreover, we believe that it is important to set a date certain for determining the timetable; this will provide a focus for both the governments and the private/business sectors in their discussions of the basic strategy, and act as an action-forcing event that is sufficiently distant to permit thoughtful reflection yet close enough to have significant operational impact. In the case of the private sector, the EC and other precedents suggest that setting a credible goal for regional liberalization encourages investment and other behavior based on expectations that the goal will be realized--and thus can expedite realization of the goal itself. We regard the setting of this date as an important element of the total package.

The substantive heart of the proposed program is the launching of post-UR supplementary liberalization initiatives. Such a commitment, to seek additional liberalization beyond what has proved possible at the global level, is very important because it would get the bicycle of trade liberalization moving forward again after the hypothesized successful conclusion of the Round. Doing so would be doubly important if it proved difficult to achieve multilateral agreement to start a new global negotiation by the end of 1995, as recommended above (as in fact occurred after the Tokyo Round when the GATT Ministerial of December 1982 failed to take a parallel decision). An APEC decision to proceed, particularly in those circumstances but in any event, would help counter the protectionist pressures that could otherwise fill the trade policy vacuum.

APEC would in essence seek to "ratchet up" the process of global trade liberalization: push for a maximum multilateral accord, then work out new regional agreements that incorporate both the items that failed to win global approval and new issues that were not yet attempted in the GATT, and complete the cycle by putting its own agreements on the global agenda for multilateral adoption. There is a strong case, in terms of supporting the multilateral process as well as for purely regional reasons, for pursuing a regional liberalization process whether or not the UR succeeds.

Our recommendations do not explicitly address the case of UR failure. They seek to leave no doubt, however, that regional liberalization should be pursued with particular vigor in that highly regrettable circumstance, which would catalyze regional thinking and initiatives around the world and would underline the need to proceed with alternatives to the preferred global approach on the broadest possible geographical basis.

The proposed strategy clearly locates the Asia Pacific negotiations in the APEC. It rejects the alternative of constructing a free trade arrangement in the area through offering NAFTA membership to individual APEC members (or groups such as ASEAN:) as proposed by some in the region. The Group discussed this alternative at length and concluded that the "NAFTA extension" option, despite its several practical advantages, was undesirable because it would create new discrimination within the region, at least for a longish transition period; generate divisive strains as countries jockeyed for position in the queue (or decided not to do so); and "impose a North American model on Asia." We concluded that a new and separate negotiation in the Asia Pacific context, in which all APEC members could participate from the outset, would be superior.

Our proposals leave open the possibility that subregional groups, such as NAFTA and AFTA, could participate as units in the new Asia Pacific Economic Community. We believe that they can fit into this broader framework and that, over time, they should be harmonized with the arrangements of APEC itself. Indeed, we believe strongly that all subregional arrangements in the area must themselves be outward-looking and that their full participation in the broader APEC process would help promote such an outcome. APEC should actively monitor its subregional components with that objective in mind.

We believe that "Asia Pacific Economic Community" would be a suitable name for the regional grouping that we would hope to see evolve over time. Prime Minister Keating has used this term. President Clinton has spoken of 'a new Pacific Community.' The term would permit retention of the acronym "APEC." And we believe it would be superior to "Pacific Free Trade Area" [PAFTA], which seems excessively ambitious and even grandiose to some, while also carrying the converse liability of such extensive usage over the years that it may be discredited in characterizing a new and practical initiative of the type that we envisage.

The trade liberalization portion of our Report thus has two major substantive **recommendations: firm support for multilateral liberalization, both in the short and longer runs, and the**

launching of strong supplementary and reinforcing regional efforts. The policy challenge is to pursue the two tracks simultaneously in a mutually supportive manner. The suggested strategy attempts to do so.

Recommendation 2D provides a list of illustrative issues that could be pursued in regional liberalization negotiations. It includes items that will appeal to all APEC members by promoting their most important national interests. Each exercise might include different sets of countries, at least at the outset, and each could proceed on different schedules and deadlines. There is considerable overlap with the elements of the Trade Facilitation Programs proposed as an initial action agenda for APEC, to which we now turn.

Trade Facilitation Programs

As noted at the outset of this Report, APEC embraces a remarkably diverse region. The region's differences in culture, legal and political structures, and stages of development suggest that the habit of substantive cooperation among its countries will need to be nurtured carefully. APEC should therefore combine the ambitious vision of the future proposed above with a pragmatic and evolutionary approach to cooperation in the short to medium run.

The very diversity of the physical and human resource endowments of APEC participants, however, creates enormous opportunities for further increases in mutually beneficial trade and investment within the region. Trade among APEC participants is the fastest growing component of global commerce. APEC's share of internal trade to total trade, at nearly 70 percent, is comparable to that of the EC and EFTA combined. There is thus a natural base for progressively deeper economic interdependence in the region.

Two positive trends in the Asia Pacific region are particularly relevant:

- most APEC members have taken substantial unilateral steps to deregulate and open their economies, and to liberalize their trade and investment regimes; and
- there is considerable evidence that market-driven economic integration across political boundaries is already occurring to a significant degree.

Regional economic cooperation in the EC has been based on formal intergovernmental agreements, starting with preferential trade arrangements. By contrast, growing interdependence in Asia has been driven primarily by the private sector. Governments have focused primarily on enhancing confidence and reducing physical impediments to trade.

The increasingly close links between the People's Republic of China, Hong Kong and Chinese Taipei during the past 10-15 years and, more recently, the evolution of the Johor-Singapore-Riau Islands "growth triangle," as well as strengthening economic links between the Republic of Korea and the People's Republic of China, are examples of market-driven integration that have occurred, at times, quite independent of governments. These developments have not involved preferential or discriminatory trade arrangements. Investment is welcomed from any source. Firms in these regions are free to import goods and services from any source. These initiatives promote employment and growth by improving efficiency. Most investments in these new production zones serve global rather than solely local markets.

Since no trade discrimination is involved, these emerging subregional economic zones can interact smoothly with each other. For example, both the "growth triangle" and the links between the People's Republic of China, Hong Kong and Chinese Taipei are quite compatible with a simultaneous trend towards closer, market-driven integration of much of the East Asia region with Japan and other Northeast Asian economies.

The degree of government involvement in these developments varies considerably. The "growth triangle" around Singapore is being promoted by the three governments involved but, beyond some investment in infrastructure, the implementation depends on market-driven investment

decisions. There is no formal intergovernment agreement to promote the integration of Hong Kong with neighboring South China and other SREZs.

APEC can build on these trends. It can reinforce the process of deregulation. It can protect the forces of market-driven interdependence against governmental intrusion that could otherwise retard its natural evolution. It can thus sustain, and even accelerate, the momentum of trade growth in the Asia Pacific region.

The changing nature and scope of international economic transactions is also significant. When the GATT was established, global commerce was dominated by trade in commodities and finished goods. This is no longer the case. Direct foreign investment, intra-industry trade, intra-firm trade, trade in intermediate products, and services have all grown in relative importance. Flows of finance, information, components and people are increasingly essential complements to trade. It is becoming difficult to identify the national origin of products or to distinguish clearly the interests of firms and nation states.

Through the UR, the GATT has sought to create multilateral rules for trade in services as well as goods. It is seeking to bring agriculture, textiles and other previously uncovered sectors under its auspices. But it has yet to grapple seriously with the complex relationships among trade, investment, competition policy and international environmental issues. There is an opportunity, as well as a need, to begin to address all these issues in the Asia Pacific region.

APEC initiatives can widen the scope of market-driven integration. They can help involve all members in the process. They can intensify and accelerate the pace of integration.

APEC's region-wide challenge can be compared to the role of national governments in providing domestic "public goods" such as infrastructure, education and a legal framework to facilitate development through private sector initiatives. In the regional context, "public goods" which can facilitate market-driven integration could include APEC decisions to promote:

- a **foreign investment code**;
- effective means of resolving disputes;
- greater coordination of **macroeconomic policies**;
- harmonization of competition policies, perhaps including antidumping policies;
- harmonization or mutual recognition of **standards**; --**environmental cooperation**; and
- the **Trade and Investment Framework** currently being discussed by APEC senior officials.

An Asia Pacific Investment Code

Direct foreign investment is one of the leading elements in the productive, market-driven economic interdependence that is evolving rapidly in the Asia Pacific region. Most APEC participants encourage both inward and outward foreign investment to help boost productivity and marketing links. Various assurances on the rights of investors have been included in bilateral investment protection/promotion agreements. It would not be efficient to rely on such agreements, however, since over 100 would be needed between pairs of current APEC participants and inconsistencies would inherently creep into them.

However, there is a clear need to reduce uncertainties about the rights and responsibilities of governments and investors. Adoption of firm obligations in this area could both consolidate the benefits of the interdependence that has developed to date and accelerate its pace in the future. There has already been extensive discussion, both among governments and in the private sector, about the potential benefits of a region-wide investment code. As already noted, there are no effective global arrangements in this area.

Recommendation 3: APEC should adopt an Asia Pacific Investment Code [APIC] to reduce the uncertainties and transaction costs of trade and investment in the region.

The Code should be based on the fundamental principles of transparency, nondiscrimination, right of establishment and national treatment. It should provide assurances about the free transfer of funds by investors, about compensation in the event of nationalization for public purposes, and about access to commercial arbitration to resolve disputes. APEC governments should undertake not to impose new departures from national or most-favored-nation treatment of foreign investors.

Consistent with the principle of transparency, participating governments should set out explicitly any sector where the right of establishment or any of the code's other fundamental principles is restricted. They should make available information on any performance requirements relating to foreign investment (e.g., minimum export quotas, local content or equity) and on any tax and subsidy incentives to foreign investment. They should agree to impose no new performance requirements or investment incentives, and seek to roll back existing distortions of both types. They should try to work out cooperative arrangements on transfer pricing and other tax issues. The APIC should probably begin as a voluntary instrument but its conversion into a binding treaty should be considered over time.

The APIC should be consistent with relevant provisions of the GATT. The Trade Policy Forum of the Pacific Economic Cooperation Council [PECC] has prepared a draft, which our Group considered in broad outline and whose terms are consistent with the criteria suggested above, which could be used as one basis for developing the Code.

An Asia Pacific Dispute Settlement Process

As Asia Pacific economies interact more intensively, APEC could provide a valuable forum for consultations to improve the dispute settlement process. While discussions and consultations in APEC about actual and potential trade frictions will help, disputes will inevitably arise. Antidumping problems are a particular case in point. It is essential to ensure that disputes are settled quickly, fairly and without introducing needless uncertainties into regional trade.

The weaknesses of existing GATT-based procedures for dispute settlement are both a source of frustration in attempting to resolve trade conflicts and one of the reasons behind a recent tendency toward bilateral and unilateral alternatives. These GATT procedures are subject to excessive delays and are not effectively binding.

Many of the GATT's problems in this area are addressed in the new dispute settlement mechanism proposed in the draft final act of the UR (the ' Dunkel text" of late 1991). If the UR fails to adopt these proposals, however, APEC could do so at the regional level. This would represent an extremely positive example of the "ratcheting up" effect suggested above: APEC endorsement of a proposal which failed to win multilateral assent, providing a model for the rest of the world in its future deliberations as well as reducing trade uncertainties in the region in the meanwhile. Another possibility for APEC would be to build on the dispute settlement procedures already incorporated in the CUSFTA, which would be largely incorporated in the proposed NAFTA, especially with respect to antidumping and countervailing duties.

Recommendation 4: Whether or not such changes are fully agreed in the Uruguay Round, APEC should adopt an effective dispute settlement mechanism, based on either the "Dunkel text" or the CanadianUnited States/NAFTA model, as soon as possible.

Access to effective dispute settlement procedures would be of particular value to the People's Republic of China and Chinese Taipei, who are not yet part of the GATT and are therefore especially vulnerable to discriminatory trade restrictions. Such APEC procedures would also help ensure that bilateral trade issues are dealt with in ways which do not disadvantage third parties. Finally, the mediation part of the dispute settlement mechanism should also be strengthened since many disputes in the Asia Pacific region are caused by differences in economic systems between members.

Macroeconomic Policy Cooperation

The ultimate goal of free trade in the region implies increased interdependence among the member economies. Hence it will become increasingly necessary for the members to discuss the entire range of their economic policies, including macroeconomic and monetary policy. Even the more modest initial steps envisaged in this Trade Facilitation Program would benefit greatly from such consultation.

Current efforts to strengthen international macroeconomic policy cooperation are based in the G-7, the IMF and the OECD. The rapidly increasing importance of APEC economies, most of which are not represented in either the G-7 or the OECD, also suggests that there is scope for complementary efforts within APEC.

First, the region is a major engine of global growth. Asia outside Japan is sometimes called the "fourth locomotive" of the world economy--along with the United States, the EC and Japan itself. The sheer presence of so much economic weight in the region suggests the need for constant discussion of, and cooperation on, macroeconomic policy. Furthermore, the macroeconomic performance of the non-G-7 APEC members, as well as of the three members that are in the G-7, is affected significantly by the increased interdependence in the region and would thus benefit substantially from closer policy cooperation.

Second, the APEC region--as a group of mostly open, tradeoriented economies--depends heavily on economic expansion in the rest of the world. Hence it needs to be consistently assessing the interaction between its own performance and that of other major regions, and how it can both benefit from and contribute to a more buoyant global performance. Creation of an APEC forum

for macroeconomic cooperation would enable the members that participate in the G-7, and in the other institutions that pursue such cooperation on a global scale, to effectively represent the views of the other members and to better integrate Asia Pacific considerations into the global discussion.

Third, any region of such size and diversity will experience significant macroeconomic imbalances from time to time. Severe imbalances exist now and others have existed in recent periods. Objective discussions in a regional context could help to promote effective adjustment. They could help reduce the uncertainty caused by futile attempts to address the symptoms of these imbalances by trade policy measures. As with trade policy itself, they could reduce the risk of bilateral and unilateral responses to problems with broader implications. Regular meetings of APEC Ministers responsible for macroeconomic management, from all of the members or some subset that would be more manageable, could address the underlying causes of trade imbalances and gradually improve the coordination of macroeconomic policies in the region.

Recommendation 5:

Ministers and officials responsible for macroeconomic and monetary policy in APEC members should meet regularly to develop and promote cooperation on these issues, to (1) support the liberalization and facilitation of trade in the region and (2) to promote growth and effective adjustment of regional imbalances.

Competition Policy

Competition policy is increasingly important in the interplay of national economies. An important element of the United States-Japan trade dispute, for example, is the role of Japanese keiretsu (corporate alliances) and the possible need for more extensive use of antitrust policy to respond to some aspects of their behavior. Another is barriers to entry, such as explicit and implicit bans on corporate takeovers. Australia and New Zealand felt that these issues were so important that they harmonized their competition policies as part of their ANZCERTA.

One particularly relevant issue is the relationship between competition policies and antidumping policies. The latter are an important element of trade policy in many APEC members, and their implementation is a source of serious and growing concern throughout the region. Some analysts of the issue believe that an effective solution to the antidumping issue will require its integration with competition policy, and hence espouse new international efforts to cooperate in this area, while others believe the antidumping issue is of such importance and urgency that it should also be pursued separately on a parallel track.

There are two extant models. One, as noted, is the ANZCERTA in which Australia and New Zealand harmonized their competition policies and, in the process, eliminated all antidumping measures. The other is the EC, which invests its supranational authorities (the Commission and the European Court of Justice) with power to enforce community-wide competition policy--without harmonization of national competition policies but with an elimination of antidumping devices (and all other border measures).

Recommendation 6: As a first step, APEC should consider adopting a policy based on one of the existing models of international cooperation on competition policy.

The goal should be to assess the practical possibilities for moving ahead in this very important area, including as a possible response to concerns about the growing use of antidumping measures.

If the APEC governments decide not to undertake such a study, or conclude upon doing so that no progress in this area is possible in the foreseeable future, a separate effort on antidumping issues should be launched. This would be another case of attempting to build on, and go beyond, the remedies agreed at the global level. The GATT has an Antidumping Code and it may be modified as a result of the UR. Even such an outcome would leave a number of relevant issues unresolved, however, and here--as with a number of other issues--it might prove desirable and possible to go further at the regional level.

A similar approach should be considered in the area of Subsidies and Countervailing Duties. The GATT also has a Code on these issues, and it may be amended in the UR. Whether or not that occurs, however, the issue is extremely important--and extremely sensitive--and should be added to the agenda of APEC's new Trade Facilitation Programs.

Standards, Regulations and Procedures

Approaches to product quality, to safety and environmental standards, and to administrative and commercial regulations and procedures, differ considerably among APEC participants. These differences raise the costs of international transactions. Inadequate information about standards and procedures also creates uncertainty and impedes cooperation. For example:

- The capacity of telecommunication networks can be increased by promoting greater compatibility of equipment standards and region-wide agreements to encourage effective links between cellular, optical fiber and other technologies.
- The capacity of cargo-handling facilities could be boosted by standardizing customs documentation and clearance procedures, including a transition to electronic data interchange [EDI] of all customs-related information.
- Tourism and air freight costs could be reduced by introducing fully compatible air traffic control procedures.

A concerted effort to reduce divergences in these fields is essential to any serious effort to create a regional economic community. Some of these issues are being addressed in subregional economic arrangements such as AFTA, NAFTA and the ANZCERTA. The APEC should take initiatives in a number of these areas.

There are several international bodies concerned with developing technical, safety and quality standards. While APEC should not seek to create competing regional standards, there is scope to accelerate the adoption of sensible international standards where they exist and to take a leading role in shaping them where they do not.

Differences in resource endowments and stages of development within APEC suggest that full harmonization would not be optimal, and might frequently be infeasible. A more productive approach in most cases would be to encourage mutual recognition of a potentially wide range of

standards above a prescribed minimum threshold--an approach which has proved useful in Europe.

Recommendation 7:

APEC should adopt a medium-term objective of mutual recognition of product standards and mutually acceptable domestic testing and monitoring procedures for standards in selected priority industries, such as telecommunications or aviation safety.

In other areas, APEC members should begin to create the preconditions for mutual recognition. Product standards need to be clearly defined in each APEC economy. Information on them needs to be shared throughout the region. These steps are quite important because mutual recognition requires confidence in the eventual capacity of each APEC member to ensure the conformity of products and services to mutually recognized standards.

The Environment

Concern for the environment is of growing importance and considerable sensitivity. The need to integrate environmental considerations into broader economic policies was a central theme of last year's Rio Earth Summit and is now widely accepted. Thus the APEC members should ensure that they are embarked on a course of sustainable development. At the same time, the environment must not become a guise for new forms of protectionism or an inappropriate obstacle to trade, investment or development.

Recognizing the high aspirations of the public in all countries in the region for both better environmental protection and economic growth, it would be highly desirable for the Asia Pacific to avoid frictions and new hindrances to trade arising from inadequate consultations or understanding of each others' environmental policies, or from the inadequacy of the policies themselves. As proposed above, linkages between trade and the environment should be addressed by the GATT in the new global negotiation proposed to commence by the end of 1995.

At the regional level, details about domestic environmental standards and regulations, data on environmental concerns, scientific analyses, testing protocols and methodologies, risk assessments, and information on new approaches to environmental problems should be shared. The scope for some convergence of environmental policies should also be explored, perhaps drawing on the experience of the OECD. Efforts to exchange information and to consult on policy approaches would be especially useful in addressing issues with transboundary, regional or global effects.

Cooperative programs to develop and put into use new pollution control technologies would benefit all APEC members. The APEC Working Group on Energy is already promoting the dissemination of "clean coal" technology. Consideration should be given to opportunities to expand this work.

Recommendation 8:

APEC members should make sure that their trade and environmental policies are mutually reinforcing, and should endorse a commitment to GATT negotiations toward this end. In

addition, members should broaden their environmental consultations and coordination to focus efforts on standards, data, technologies, and regional approaches to these issues.

Rules of Origin

It is becoming technically impossible to determine the "nationality" of a product either in terms of geographic location or in terms of the ownership of firms involved in various stages of production. In this environment, rules of origin are becoming increasingly difficult to measure or to apply in any objective way. However, their importance is looming larger as more economies are considering preferential trading arrangements. There is a corresponding risk that the competitiveness of products in different markets could become determined increasingly by attempts to assess their origin rather than by objective criteria of price, quality and timeliness.

The potential for arbitrary application of rules of origin to restrict competition and to divert investment is considerable. The remarkably lengthy rules of origin provisions in the draft NAFTA agreement are already a cause of concern in APEC, as they could divert the sourcing of inputs and investment from economically optimal locations.

Recommendation 9:

APEC should address the issue of rules of origin in its annual reviews of subregional arrangements within the area. In addition, APEC members should consult promptly to find ways to prevent rules of origin from becoming a new and serious source of uncertainty hampering trade and cooperation either in the Asia Pacific or globally.

The Overall Program

The policy proposals listed here do not exhaust the range of possibilities. But they indicate that there is a very substantial policy agenda for facilitating trade and investment in the Asia Pacific. There are several important common features of these proposals:

- In each case, a significant medium-term objective can be approached by a sequence of practical, manageable steps which can be graded and tackled in order of increasing complexity and sensitivity; this represents an evolutionary approach to building an Asia Pacific Economic Community.
- Progress can be made on individual issues without any conflict with the members' global interests or GATT principles. Implementing these proposals would not have any adverse effects on nonparticipants, since the measures proposed are neither preferential nor discriminatory.
- In some cases, it will be possible to build on GATT codes. In others, such as the gradual harmonization of commercial legislation or the mutual recognition of standards and professional qualifications, the issues are not addressed directly by the GATT.

Progress on these issues would need to fit into a coherent conceptual framework that can capture the essence of an innovative broad vision of economic cooperation in the region. We attempt to provide such a framework in this Report. Accords, codes and understandings on specific issues could fit into such a framework. The proposed Trade and Investment Framework, which has been discussed among APEC officials, could be helpful as well. The recommendations in this Report could serve as the initial "action agenda" within the Trade and Investment Framework.

We have laid out an extremely ambitious set of proposals to facilitate trade in the region. As noted at the outset of this section, we believe that such a program both embodies substantive merit and can foster a process of cooperation within the region that will pay huge dividends over the years and decades to come. We believe that it dovetails with, and complements perfectly, the longterm and ambitious goals for trade liberalization set out in the previous sections of our Report.

To obtain the full benefits of both trade facilitation and trade liberalization, the two need to be considered together--both in the initial creation of the Asia Pacific Economic Community and in its evolution in the future. The annual APEC meetings will thus need to monitor the process regularly and provide strategic direction for its continuing progress.

Recommendation 10 : In implementing this trade facilitation program, the annual APEC Ministerial Meetings should review the progress of each of its components.

Ministers need both to assure that the results of each initiative are satisfactory, and to guide the entire process to maximize the interaction among its several elements. One underlying objective of the exercise is to develop a habit and process for regional cooperation; annual high-level reviews are essential to help achieve that result.

Technical Cooperation

The Group considered the impact of both trade liberalization and its proposed trade facilitation measures on development, in accordance with its mandate to take into account the various levels of development of APEC economies. It recognized that a process of "economic equalization" between the developing and more developed economies of the region had been going on over the past decade and was likely to accelerate in the future, diminishing over time some of the perceived economic differences among APEC members.

The Group also recognized that, as this process matures over the next few years, developing members will be able to participate with greater confidence in the ambitious APEC program that we propose. It considered whether there was a need for active governmental initiatives at the regional level to hasten development and accelerate the equalization process through resource pooling or resource mobilization. The basic goal would be to improve the commercial infrastructure of the region and thus to further improve the environment for trade, investment and economic growth.

As stressed throughout this Report, the development of the Asia Pacific region to date has been primarily market driven. The Group seeks to maintain and further promote this focus. We would not want the Asia Pacific Economic Community to develop a large bureaucracy or to be transformed into a government-led arrangement.

However, governments play an important (if varying) role in most economies in the region. Some operate primarily through setting the policy and institutional framework for their economies, and through macroeconomic policies. Others intervene more directly and extensively in the production process. Governmental initiatives at the regional level would be a natural extension of the first of such roles, and direct engagement in some types of projects might be appropriate as well. All such efforts would seek to accelerate economic interaction and thus growth in the region. Such activities have been an important part of ASEAN's program in recent years.

In this regard, the Group noted the role that private sector investment was now playing in some APEC members in infrastructural sectors which had traditionally been seen as dependent on state investment or development cooperation funding from bilateral and multilateral aid agencies. It noted the importance to the private sector of access to markets for the associated services, to encourage technology transfer and resource sharing, and the importance of a predictable and transparent regulatory environment to encourage the flow of private investment funds into these non-traditional infrastructural sectors.

Projects of common interest throughout the region could occur in three different areas: human resources, telecommunications and transportation, and energy development. To succeed, any efforts in these areas would have to meet certain criteria, including a clear commercial need and the availability of resources to fund them.

One possible project in the human resources area is regional cooperation in higher education. A key to continued development of the Asia Pacific is the improvement of higher education in the

region's developing countries. The exchange of students and staff between universities in the region not only stimulates this improvement but also enhances their understanding of the region and its great diversity. It will be a prerequisite for the mutual recognition of professional qualifications and will facilitate a greater mobility of skilled personnel in the region.

The EC started, in 1987, an ambitious European (EC) Action Scheme for Mobility of University Students [ERASMUS] Program, enabling as many as 10 percent of member countries' university students to study elsewhere within the region, which has been developing rapidly and is regarded as a great success. Modelling on it, several countries in the Asia Pacific have already been pursuing a University Mobility in Asia Pacific [UMAP] program to facilitate student and staff exchange within the region. Other countries have been constrained by their financial situations so that region-wide financing could be decisive. This will be a most promising investment in the future generation of the Asia Pacific Economic Community and can be a symbolic project of APEC.

Region-wide financial support might also be decisive in launching certain investments in physical infrastructure. Insufficient installation of highways, sea- and airport facilities, telecommunication systems and energy infrastructure have often caused bottlenecks to further industrial development in developing countries in the region. They constitute public goods, both to local and multinational enterprises, and their improvement is conducive to the facilitation of trade and investment in the region. Public support is justified in those areas and international resources have been provided to them by more developed countries and international organizations. APEC can play a catalytic role in encouraging and channeling these resources throughout the region.

In all such areas, the international financial institutions--with their extensive experience in the planning and implementation of transborder projects--could be of great help. The World Bank, and particularly its International Finance Corporation, could play an important role. So could the Asian Development Bank. The Group recommends that APEC seek to involve these institutions actively as its plans proceed. In light of the existence of these and many other relevant institutions, the Group sees no need for the creation of an "APEC Fund" or any other new financial initiative to support the integration process at this time.

Recommendation 11:

Region-wide support is needed to supply, in a balanced manner, such public infrastructure as higher education, transportation and telecommunication networks, and energy facilities. APEC should play a catalytic role in channelling such resources within the region.

Fundamentally, however, we return to our focus on private investment and private initiative. We believe that an APEC agreement to pursue the program proposed in this Report will provide a strong boost for the mobilization of additional resources for investment throughout the region. The history of both the EC and the NAFTA negotiations clearly reveals that adoption of an intergovernmental commitment to reduce impediments to economic interchange will induce a substantial acceleration of private interest in a region. Assurances of market access are

particularly important, and reinforce our recommendation that APEC set a goal of eventual free trade in the region.

"Announcement effects" are significant in this regard. Private firms will compete for position to take early advantage of the liberalization process in order to "get in on the ground floor." The dynamics of this process can then ensure the success (and, in the case of the EC, acceleration) of the integration effort itself. A virtuous cycle is created that benefits all parties concerned. The Group believes that APEC adoption of the program proposed in this Report could launch such a cycle.

Institutionalizing APEC

APEC has already evolved from a process of consultations among its members into an emerging institution dedicated to providing tangible and substantive economic benefits to the region. This transformation has been based on the Seoul Declaration of the principles of openness, equality and evolution, and has been made possible through a keen desire by all APEC members to take full advantage of changing regional and global economic and political relationships. With the adoption of the Bangkok Declaration in September 1992 and the subsequent establishment of the APEC Secretariat in Singapore, the status accorded to APEC by major world governments and organizations--and the level of expectation of APEC members themselves--have immeasurably increased.

At this stage, APEC has reached an important milestone in its institutional development. Although the APEC process and shared experience with respect to institution-building are relatively recent, our Eminent Persons Group strongly believes that it is vitally important for APEC to modify and reassess its operational structure and functional mechanisms. This is necessary both to upgrade APEC's operational efficiency and to reduce possible institutional impediments to the APEC process. Such improvements are needed now, and will become increasingly important as APEC moves toward realization of the vision proposed in this Report. We therefore submit several recommendations.

Ministerial and Informal High-level Meetings

APEC has passed through its formative and initial institutionbuilding process and is now entering into its substantive development, aimed to provide tangible benefits to its members. It is therefore timely and appropriate for Economic, Finance, Trade and Industry Ministers of APEC members to assume an increasingly important role in the APEC process, including its Ministerial Meetings. Without an active involvement of these Ministers, it would be much more difficult to make and implement the substantive and difficult decisions that will be needed to enhance economic benefits to the Asia Pacific region.

Recommendation 12:

Economic, Finance, Trade And Industry Ministers of APEC members should gradually assume the central role in the APEC process, including its annual Ministerial Meeting.

When the opportunity and needs arise, these Ministers should meet to exchange views and, as far as possible, to coordinate on policy matters. APEC Foreign Ministers will of course continue to play an active role and should provide important foreign policy support to the Economic, Finance, Trade and Industry Ministers. With a view to providing more support to APEC Ministers, and a policy and administrative focus within APEC governments, APEC directorates should be gradually established in the respective Ministries of Foreign Affairs, Economics, Finance, Trade and Industry of APEC members.

Guidance to the entire APEC **process, however, must come from the highest** political leadership of each member. The issues involved are central to the future prosperity, stability and even security of all parties involved. Moreover, these issues cut across the domains of individual

Ministers and hence must be addressed at the political level. Such top-level leadership will be particularly critical in the early stages of the evolution of APEC, when fundamental decisions must be made concerning its long-term vision and its strategy for achieving those goals. Our Group thus applauds the decision to hold an Informal Leadership Conference in Seattle in November 1993 and suggests that this element of the APEC process be repeated at regular intervals in the future.

Recommendation 13:

Informal Leadership should be convened at least every three years. Such high level informal gatherings are essential to assure that the region adopts, sustains, and faithfully implements a vision of the type suggested in this report.

APEC Secretariat

The function of the APEC Secretariat is to coordinate work projects, to serve as an information clearinghouse and to publish APEC publications and materials. The Secretariat must emphasize efficiency and should not aspire to become an embracing bureaucracy as in the OECD or EC. It is imperative that the institutional structure of the Secretariat be conducive to achieving its objectives.

Recommendation 14: After the initial three years of operation of the Secretariat, APEC members should take a collective responsibility in recruiting and paying for its substantive staff.

Such a system would help to ensure the **level of the staff's professionalism, based on an open** recruiting system, as well as the matching of costs and benefits. Consistent with the increasingly important status of APEC, the chief administrator of the Secretariat, after the initial three years, should be given the responsibility and status befitting a director general with ministerial rank instead of an executive secretary.

APEC Work Programs

The APEC II Ministerial Meeting in Singapore in July 1990 endorsed a substantive work program for APEC. At the time of APEC III in Seoul, the total work projects were increased to ten. Many of the Working Groups are making substantial progress but, if further progress is to be achieved, there is a need to manage and coordinate activities more effectively across the ten current efforts.

Another issue is duplication within the APEC Work Program, and its overlap with other nongovernmental regional organizations such as PECC, Pacific Basin Economic Council [PBEC], Pacific Trade and Development Conference [PAFTAD] and other regional organizations. In view of the scarcity of resources and talents in the region, it would be logical to have a division of labor in the area of research undertakings. Experience has demonstrated that certain research activity is more appropriately, and more effectively, carried out by private organizations. APEC should prioritize its Work Programs and let private organizations concentrate on emerging and more generalized issues.

Recommendation 15:

APEC should limit its research priorities to a few vitally important regional economic issues, rather than involving itself and spreading its limited resources across ten work projects as at present.

This prioritization and work focus should take into account the interests of developed newly industrializing and developing APEC members. The shepherds should regularly engage experts from the private sector and research organizations in their work projects with a view to soliciting their opinions and obtaining nongovernmental perspectives.

We would offer two final observations on institutional issues. One is that it will be increasingly difficult to realize the ambitious expansion of APEC's functions proposed in this Report if the membership of the organization were to be increased substantially in the near future. We believe that articulation and realization of the vision set out in this Report, and the four-part strategy for pursuing it, should be the priority task of the institution for the foreseeable future. We therefore counsel caution in augmenting the membership until that process is well underway.

We also believe that APEC will have to start developing an effective decision-making process in the fairly near future. The organization has heretofore been able to function by consensus. This has only been possible, however, because of its modest substantive competence. New procedures will be needed as new functions are adopted. We have not yet studied this very complex issue but wish to call it to the attention of members as an item that will soon require priority consideration.

Conclusion

Our Eminent Persons Group believes that the time has come for APEC to adopt a bold and ambitious vision for the twenty-first century: the creation of a true Asia Pacific Economic Community. That Community should seek to achieve free trade in the region. It should do so in ways that strengthen the global trading and economic system, in whose effectiveness all APEC members have a paramount interest.

APEC should agree upon these goals, and publicly declare them, in the near future. It should soon set a date certain, perhaps 1996, for deciding the target date and timetable for achieving the goal of free trade in the Asia Pacific. It should promptly launch wideranging programs of trade facilitation and technical cooperation, to further strengthen the economic prospects for the region and to accelerate the process of cooperation among its members. It should, almost immediately, take concrete steps to achieve a successful UR and launch a successor multilateral negotiation in the GATT.

At the end of the Second World War, the leading powers of the day created a series of international economic institutions. Some of these institutions were global: the GATT, the IMF and the World Bank. Some were centred on the Atlantic: the OEEC (later to become the OECD), the Marshall Plan and--outside the economic sphere--NATO.

The leaders of that postwar period sought to protect the world against the trade wars, competitive devaluations, and other beggarthy-neighbour policies of the 1930s that deepened the Great Depression and contributed mightily to the onset of the Second World War. They sought to avoid the tragic errors of their predecessors, who failed to create such institutions after the First World War and thus paved the way for the disasters that followed.

The third world war of the twentieth century--the Cold War--has just ended. Economic issues are rising toward the top of the international agenda and a new framework for global economic relationships--bereft of some of their moorings from the previous half century--is emerging. This time much of the focus must rest on the Pacific, the locus of the world's most dynamic economic activity and the only region that has not created extensive intergovernmental organizations to promote and protect its prosperity and stability. We urge APEC to now begin the process of filling that vacuum, and to do so in ways that draw on both the positive and negative lessons of the past.

Our Eminent Persons Group believes that the time has come for APEC to adopt an ambitious and even dramatic agenda. The member governments asked us to offer a vision for the future activities of the institution. We have tried to shoot sufficiently high, while keeping our feet on the ground, to fulfil that expectation. The whole process of Asia Pacific cooperation could falter if it fails to generate new momentum. We therefore commend these proposals to your consideration.

Summary of Recommendations

Trade Liberalization

× Global Trade Liberalization

Recommendation 1:

That the APEC members reiterate that global trade liberalization and a strong GATT system are their highest trade policy priorities and thus:

- A. Endorse successful completion of an ambitious Uruguay Round Agreement by the end of 1993;
- B. If the outcome is still uncertain at the time of the APEC Ministerial, announce new liberalization offers in an effort to achieve a successful result;
- C. Seeks an agreement by the GATT contracting parties, to be included in the final act of the Uruguay Round, to launch the next major global negotiation by the end of 1995;
- D. Initiate, immediately after completion of the Uruguay Round, international consultations to begin planning that next phase of global liberalization including creation by the GATT of a Wise Persons Group to recommend a specific course of action; and
- E. Propose that the new negotiation inter alia substantially tighten the rules that govern regional arrangements and institute an annual review process for all such arrangements, volunteering to submit APEC itself and its several subregional pacts (AFTA, ANZCERTA, the prospective NAFTA) to such review.

. Regional Trade Liberalization

Recommendation 2:

That the APEC members, wishing to strengthen the multilateral trading system through their efforts in the Asia Pacific Region as well as in the GATT itself agree to pursue an active program of regional trade liberalization on a GATT-consistent basis to help create an Asia Pacific Economic Community. To that end, the members should now agree:

- A. On an ultimate goal of free trade within the region, through regional efforts as may be necessary to supplement future multilateral negotiations;
- B. To determine the target date for reaching that goal, and the timetable for achieving it, in 1996;
- C. To seek additional liberalization beyond what has proved possible at the global level, focusing on issues which (1) could not be agreed globally in the Uruguay Round (or previous GATT

efforts) and (2) could be addressed in future multilateral talks, especially the next GATT negotiation proposed to begin by the end of 1995; and

D. To include such specific issues as competition policy, dispute settlement, environment issues, export credit, financial services, foreign investment, government procurement, intellectual property rights, state trading, tariff reductions and tariff matching in particular sectors.

Trade Facilitation Programs .
An Asia Pacific Investment Code

Recommendation 3:

APEC should adopt an Asia Pacific Investment Code [APIC] to reduce the uncertainties and transactions costs of trade and investment in the region. .

An Asia Pacific Dispute Settlement Process

Recommendation 4:

Whether or not such changes are fully agreed in the Uruguay Round, APEC should adopt an effective dispute settlement mechanism, based on either the "Dunkel Text" or the Canada/United States/NAFTA model, as soon as possible. .

Macroeconomic Policy Cooperation

Recommendation 5: Ministers and Officials responsible for macroeconomic and monetary policy in APEC members should meet regularly to develop and promote cooperation on these issues, to (1) support the liberalization and facilitation of trade in the region and (2) to promote growth and effective adjustment of regional imbalances.

× Competition Policy

Recommendation 6:

As a first step, APEC should consider adopting a policy based on one of the existing models of international cooperation on competition policy.

. Standards, Regulations and Procedures

Recommendation 7:

APEC should adopt a medium-term objective of mutual recognition of product standards and mutually acceptable domestic testing and monitoring procedures for standards in selected priority industries, such as telecommunications or aviation safety.

. The Environment

Recommendation 8:

APEC members should make sure that their trade and environmental policies are mutually reinforcing, and should endorse a commitment to GATT negotiations toward this end. In addition, the members should broaden their environmental consultations and coordination to focus efforts on standards, data, technologies, and regional approaches to these issues.

. Rules of Origin

Recommendation 9:

APEC should address the issue of rules of origin in its annual reviews of subregional arrangements within the area. In addition, APEC members should consult promptly to find ways to prevent rules of origin from becoming a new and serious source of uncertainty hampering trade and cooperation either in the Asia Pacific or globally.

× The Overall Program

Recommendation 10:

In implementing this trade facilitation program, the annual APEC Ministerial Meetings should review the progress of each of its components.

. Technical Cooperation

Recommendation 11:

Region-wide support is needed to supply, in a balanced manner, such public infrastructure as higher education, transportation and telecommunication networks, and energy facilities. APEC should play a catalytic role in channeling such resources within the region.

Institutionalizing APEC

. Ministerial and Informal High-level Meetings

Recommendation 12:

Economic, Finance, Trade and Industry Ministers of APEC members should gradually assume the central role in the APEC process, including its annual Ministerial Meeting.

Recommendation 13:

Informal Leadership Meetings should be convened at least every three years.

. APEC Secretariat

Recommendation 14:

After the initial three years of operation of the Secretariat, APEC members should take a collective financial responsibility in recruiting and paying for its substantive staff.

. APEC Work Programs

Recommendation 15:

APEC should limit its research priorities to a few vitally important regional economic issues, rather than involving itself and spreading its limited resources across ten work projects as at present.

Appendix I

Abbreviations and Acronyms

AFTA Asean Free Trade Agreement

ANZCERTA Australia-New Zealand Closer Economic Relations Trade Agreement (Also known as CER)

APIC Asia Pacific Investment Code

ASEAN Association of Southeast Asian Nations

CUSFTA Canada-United States Free Trade Agreement

EAEC East Asian Economic Caucus

EC European Community

EDI Electronic Data Interchange

EFTA European Free Trade Agreement

ERASMUS European (EC) Action Scheme for Mobility of University Students

FTA Free Trade Arrangement/Agreement

GATT General Agreement on Tariffs and Trade

IMF International Monetary Fund

NAFTA North American Free Trade Agreement

NATO North Atlantic Treaty Organization

OECD Organization for Economic Cooperation and Development

OEEC Organization for European Economic Cooperation
(later developed into the OECD)

PAFTA Pacific Free Trade Area

PAFTAD Pacific Trade and Development Conference

PBEC Pacific Basin Economic Council

PECC Pacific Economic Cooperation Council

SREZs Subregional Economic Zones
(Also Subregional Economic Development Zones [SREDZ])

TPRM Trade Policy Review Mechanism

UMAP University Mobility in Asia Pacific

UR Uruguay Round

Appendix II

Terms of Reference of the APEC Eminent Persons Group

To develop a vision of trade in the Asia Pacific region in the medium term (to the year 2000), including:

- general trends in economic growth, structural change, trade and investment flows, and the regional and global trade policy environment; and
- the policy scope for advancing the APEC region's development through strengthened economic and trade linkages.

To identify constraints and issues which should be addressed by Governments in order to advance the dynamism of trade in the region. Specific areas that might be considered include:

the main barriers to expanding trade in the region and the scope for reducing these barriers to trade (in goods and services) and to investment in a way which is consistent with GATT principles and not to the detriment of other economies;

- the scope, within the APEC framework, for contributing to the resolution of trade frictions.

To identify priorities for the region in future multilateral trade negotiations and in the future evolution of the GATT.

In developing their recommendations, the Eminent Persons Group should take into account the various levels of economic development of APEC economies.

Appendix III

Biographies of Members of the APEC Eminent Persons Group

Dr Narongchai **Akrasanee** (Thailand). Narongchai Akrasanee is Chairman and Chief Executive Officer of General Finance and Securities Co. Ltd., Bangkok and a Director of a number of other Thai and regional companies. He is an advisor to and member of a large number of international and regional academic and research institutions including PECC and PAFTAD. In the public sector, he serves as a member of the Board of Directors of the Thai Securities and Exchange Commission and as Industrial Policy Advisor to the National Economic and Social Development Board. He has been an advisor to several Prime Ministers in Thailand. He has held research and teaching positions in universities in Thailand, Japan and the United States and consultancies with the United Nations and other international agencies.

Dr C **Fred Bergsten** (United States of America). C Fred Bergsten is Director of the Institute for International Economics in Washington, D.C and Chairman of the Competitiveness Policy Council **chartered** by the US Congress to advise the President and Congress on American competitiveness. He was Assistant Secretary of the Treasury for International Affairs during 1977-81 and functioned as Undersecretary for Monetary Affairs in 1980-81. He was previously Assistant for International Economic Affairs to the National Security Council (1969-71). Dr Bergsten has held positions with the Brookings Institution the Carnegie Endowment for International Peace and the Council on Foreign Relations. He has authored 22 books on a wide range of international economic issues, including most recently Reconcilable Differences? United States- Japan Economic Conflict and Pacific Dynamism and the International Economic System.

Dr Victor K **Fung** CBE (Hong Kong). Victor Fung is Chairman and Chief Executive Officer of Prudential Asia Investments Ltd., the Asian investment and merchant banking arm of the Prudential Insurance Company of America, and Chairman of the Li and Fung group, a leading regional trading company. He is also a Director of a number of Hong Kong companies. His public appointments include Chairman of the Hong Kong Trade Development Council, the Hong Kong Government Public Service Commission and Public Sector Reform Policy Group.

Mr **Huang** Wenjun (People s Republic of China). Huang Wenjun is the First Vice President of The International Trade Association of China, and a member of the Board of Governors of the China Council for the Promotion of International Trade (CCPIT) and the International Trade Association of China. His career in the service of the Chinese government includes postings, dealing with trade and international economic matters, in Sweden, Britain, the United Nations (New York), and the United States. From 1980 to 1985, he was Director-General of the Policy Research Department of the Ministry of Foreign Economic Relations and Trade, and from 1990 to 1992, he was President of the International Business newspaper in Beijing.

Dr Mahn Je Kim (Republic of Korea). Mahn Je Kim was Professor of Economics at Sogang University from 1966 to 1971 and President of the Korea Development Institute from 1971 to 1981. From 1983 to 1987, he was first, Minister of Finance and later Deputy Prime Minister and

Minister for the Economic Planning Board. More recently, he has served as Chairman and President of the Koram Bank, Chairman of the Koryo Research Institute and Chairman of Samsung Life Insurance Co Ltd.

Dr Hank **Lim** Giok Hay (Singapore). Hank Lim specialises in Economic Development of ASEAN and the Asia Pacific economies at the Department of Economics & Statistics, National University of Singapore. He was previously Director of the Institute of Economics and Business Studies at the Nanyang University and was the first Director General of the PECC Secretariat. As a founding member and Coordinator, he directed the establishment of the Singapore National Committee For Pacific Economic Cooperation (SINCPPEC). He has served as a professional consultant, advisor and participant on many government research committees and research projects in Singapore, the United States, Japan, Thailand and Australia. He has written extensively on ASEAN economies, APEC, Economic Development and Government Organisation.

Dr John S **MacDonald** OC (Canada). John MacDonald is Chairman of MacDonald Dettwiler and Associates, a systems engineering company focusing on earth observation, resource management, space, defence and aviation markets. As well as a career in academic science both in Canada and in the **United States, he has worked** in government advisory councils for the Canadian Federal Government and the Government of British Columbia. He served on the Science Council of Canada, the National Research Council and the Task Force on Federal Policies and Programs for Technology Development.

Dr Suhadi **Mangkusuwondo** (Indonesia). Suhadi Mangkusuwondo is Professor of Economics at the University of Indonesia, Jakarta and Vice Chairman of the Trade and Management Development Institute, Jakarta. He is chief editor of the professional journal Economic and Finance in Indonesia, a member of the Indonesian National Research Council and serves on the advisory committees of a number of Indonesian and regional research organisations. From 1975 to 1983, he was Director-General of Foreign Trade in the Ministry of Trade and from 1983 to 1988, he was Head of the Research and Development Agency in the Ministry of Trade.

The Hon Neville **Wran** AC QC FRSA (Australia). Neville Wran is currently Chairman of Turnbull and Partners Ltd, Investment Bankers, Sydney. He was Premier of New South Wales from 1976 to 1986 and Treasurer, Attorney-General and Minister for Mineral Resources. He was Chairman of the Commonwealth Scientific and Industrial Research Organisation (CSIRO) from 1986 until 1991 and is now a director of a number of companies and charitable organisations.

Dr Rong-I **Wu** (Chinese Taipei). Rong-I Wu is the President of the Taiwan Institute of Economic Research [TIER] and Professor of Economics at Chung Hsing University, Taipei. He is also Director General of the Chinese Taipei PECC. Since 1977, he has been a member of the Advisory Committee of the Council for Economic Planning and Development at the Executive Yuan and more recently, a member of the Commission on National Income Statistics of the Directorate General of Budget, Accounting and Statistics at the Executive Yuan and Secretary-General of the Industrial Development Advisory Council at the Ministry of Economic Affairs. Before he became the President of TIER, he was a Commissioner of the Fair Trade Commission, Executive Yuan.

Dr **Ippei Yamazawa** (Japan). **Ippei Yamazawa is Professor** of International Economics at Hitotsubashi University. He has also taught at universities in Thailand, Western Australia and Britain. He has been associated with the Foreign Student Programme of the UMAP and the Institute of Developing Economies, Tokyo, and is a member of both PAFTAD and PECC. As advisor to the Japanese Ministries of Foreign Affairs and of International Trade and Industry, he drafted the report on Vision for the Economy of the Asia Pacific Region in the Year 2000 and the Tasks Ahead for the APEC Ad Hoc Economic Trend and Issues Group (1992) and a report on Economic Integration in the Asia Pacific Region and the Option for Japan (1993).

Mr Graeme **Pirie** of the New Zealand Ministry of Foreign Affairs and Trade acted as Executive Secretary/Coordinator for the Eminent Persons Group.