



FROM POSTER CHILD TO ORPHAN: THE RISE AND DEMISE OF APEC

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Abstract:

This article offers an overview of the rise and demise of APEC. It takes the “high” of the Bogor Declaration in 1994, when leaders committed themselves to an ambitious (and subsequently unfulfilled) program of trade liberalisation, and the “low” of the 1998 summit in Kuala Lumpur where leaders could not even agree on sectoral trade liberalisation (or on what to do about the Asian financial crisis) as key moments in APEC’s recent past. As well as pointing to tensions over APEC’s principles and purposes, it identifies two other important factors: the “two-level game” challenge, by which domestic pressures and expectations increasingly came to influence multilateral outcomes; and the growing problems of a lack of organisational and political leadership.

Keywords: APEC, Asia-Pacific.

Resumen:

Este artículo ofrece una visión sobre el auge y el declive de APEC. Toma como punto álgido la Declaración de Bogor en 1994, cuando los líderes se comprometieron a un ambicioso (y después incumplido) programa de liberalización comercial, y como punto más bajo la cumbre de 1998 en Kuala Lumpur, donde los líderes no pudieron ponerse de acuerdo ni siquiera en la liberalización de una parte del mercado (o en qué hacer ante la crisis financiera asiática) como momentos clave del pasado reciente de APEC. Además de señalar tensiones entre los principios y finalidades de APEC, el artículo identifica otros dos factores importantes: el desafío del “juego a dos niveles”, por el que presiones y las expectativas internas influyeron crecientemente en la obtención de resultados multilaterales; y los crecientes problemas de la falta de liderazgo organizacional y político.

Palabras clave: APEC, Asia-Pacífico.

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Introduction

Seldom has an international institution experienced as dramatic a rise and as equally dramatic a decline as the Asia–Pacific Economic Cooperation (APEC) did in the 1990s. APEC’s zenith was reached with the signature by its economic leaders of the Bogor Declaration in 1994, in which they committed themselves to an unprecedented timetable for trade liberalisation in the Asia–Pacific region. Its nadir came only four years later at its Kuala Lumpur leaders’ meeting when member economies failed to agree on a program of accelerated sectoral trade liberalisation, and the institution appeared to be completely lacking in ideas on how to respond to the financial crises that were afflicting several of its East Asian members at the time.² APEC may not be balancing “on the brink of terminal irrelevance”.³ Undoubtedly, however, the institution is not attracting the attention and enthusiasm it generated during its first decade. What went wrong? And what are the implications for APEC’s future?

1. APEC’S evolution

To understand APEC’s problems, one has to appreciate the intricacies of the process through which APEC evolved. APEC’s foundation in 1989 was the culmination of more than two decades of patient efforts by academics, businesspeople and government officials who sought to facilitate economic collaboration in the Asia–Pacific region through the creation of an intergovernmental institution.⁴

In doing so, they faced several significant obstacles. The first was the security situation, which at the time was dominated by Cold War rivalries (and actual inter-state conflicts in Southeast Asia). It was only with the waning of the Cold War, the cessation of hostilities in Vietnam and subsequently between Vietnam and its neighbours, and China’s opening to the global economy that the construction of an institution that embraced most of East Asia as well as Oceania and North America became possible (and even then, China’s participation was delayed by the Tiananmen Square incident of June 1989).

The second was the extreme reluctance of Southeast Asian states to commit to any intergovernmental institution that they perceived as either a potential rival to the Association of Southeast Asian Nations (ASEAN) or as an instrument for undermining their sovereignty, or both. As all the participants in the negotiations leading to APEC’s creation acknowledged, meeting the concerns of ASEAN would be the key to the successful establishment of a regional institution. After a protracted process, ASEAN members were finally persuaded of the merits of a new institution—but the price extracted was that APEC should operate according to ASEAN norms of consensus and voluntary compliance, and that an ASEAN state would host its annual meetings every other year.

For APEC’s proponents, one of its principal roles would be to socialise elites from non-Western economies. Participation in previous non-governmental regional institutions, most notably PAFTAD (Pacific Trade and Development Forum) and PECC (Pacific Economic Cooperation Council), was perceived as having had a profound influence on the way political elites in Southeast Asia (and later China, which joined PECC in 1986) conceived of the world

² Because both Hong Kong and Taiwan participate in APEC, the grouping uses the terminology “member economies” rather than “member states”. Similarly, APEC “summits” are termed “leaders” meetings’ involving economic leaders rather than heads of state/government.

³ Gyngell, Allan and Cook, Malcolm: “How to save APEC”, *Lowy Institute for International Policy*, (October 2005), p. 4, at <http://www.lowyinstitute.org>.

⁴ For material on the evolution of APEC, I draw on Ravenhill, John (2002): *APEC and the construction of Pacific rim regionalism*. Cambridge, Cambridge University Press.



economy, prompting them to move from metaphors of unequal exchange and exploitation to those associated with interdependence.⁵ A practical consequence was the program of unilateral trade liberalisation undertaken by many Southeast Asian countries in the 1980s.

Why, though, the need for an intergovernmental institution? What could it achieve that was beyond the reach of the existing informal arrangements within PECC? Here recognition existed that the growth in interdependence among Asia–Pacific countries was generating new frictions, manifested in particular at the time in increasing US pressure on Japan, Korea and Taiwan because of bilateral trade imbalances, and that a more institutionalised forum might help resolve such problems. Moreover, as tariffs declined in significance, the growth in intraregional trade had exposed other sources of transaction costs for international traders, imposed, for instance, by non-uniform customs procedures, product standards, and the like. Ultimately, too, security concerns entered the picture. An immediate issue was the fear that, as the Cold War wound down, the United States might disengage from the Western Pacific rim. And, the broader expectation of those involved over the years in the trans-Pacific dialogue was that the growth of economic interdependence would enhance the prospects for peace in the region, an analysis that was the product of classical liberal and functionalist logics.

The Organisation for Economic Cooperation and Development (OECD) was the original model for APEC. The OECD's work focuses on promoting the adoption of common (or at least compatible) policies among its members to deal with the challenges of a rapidly changing international economy. Another of its significant functions is to collect and disseminate information about its member economies, enhancing the transparency of their operations. The OECD's own statement of its operating procedures provides an excellent summary of the principles that APEC's founders had in mind for the fledgling institution: "Dialogue, consensus, peer review and pressure are at the very heart of OECD".⁶

But if the OECD was to be the model, APEC would function without the Paris-based institution's large bureaucracy.⁷ Instead, the expectation was that APEC, like PECC, would be serviced primarily by the bureaucracies of individual members, supplemented by research and other inputs from the academic world. Besides these policy coordination and information collection and dissemination tasks, the other principal role envisaged for APEC was that it would serve as a cheerleader for global trade talks (the Uruguay Round of the General Agreement on Tariffs and Trade (GATT) negotiations had begun three years earlier and was struggling by the time APEC's initial meeting occurred).

APEC began life as a relatively low-key institution, a ministerial level meeting in Canberra in 1989. Participants did little more than agree to meet again: the minutes of the Canberra meeting record that

"Ministers agreed that it was premature at this stage to decide upon any particular structure either for a Ministerial-level forum or its necessary support mechanism, but that while ideas were evolving it was appropriate for further consultative meetings to take place".⁸ The first meeting, however, did adopt a "Work Program", which made reference to the collection of economic data, support for the Uruguay Round negotiations, the investigation of investment and technology transfer opportunities, human resource development, and the

⁵ Harris, Stuart: "Policy networks and economic cooperation: Policy coordination in the Asia–Pacific region", *Pacific Review*, Vol. 7, No. 4, (1994), pp. 381–96.

⁶ *About OECD*, at <http://www.oecd.org>.

⁷ The OECD has approximately 1,500 employees.

⁸ *Joint Statement, First APEC Ministerial Meeting, Canberra, Australia, 6–7 November 1989*, at <http://www.apec.org>.



establishment of expert groups to promote the development of infrastructure, regional transportation links, fisheries and energy.⁹ The 1990 ministerial meeting, held in Singapore, brought the first reference to trade liberalisation: ministers agreed “that it was desirable to reduce barriers to trade in goods and services among participants, so long as any such liberalisation was consistent with GATT principles and was not to the detriment of other parties”,¹⁰ and instructed senior officials to report on the issue at the next meeting in Seoul.

The 1991 meeting was a significant milestone for several reasons. The “three Chinas”—the People’s Republic of China, Hong Kong and Taiwan (“Chinese Taipei” in APEC-speak)—simultaneously joined the institution; the joint statement of the ministers made reference for the first time to the principle of “open regionalism” (quoting from the welcoming speech made by Korean President Roh Tae Woo),¹¹ and they adopted the Seoul APEC Declaration, which laid out the proposed scope of APEC’s activities and its mode of operation. The Declaration asserted that:

Cooperation will be based on:

- (a) the principle of mutual benefit, taking into account the differences in the stages of economic development and in the sociopolitical systems, and giving due consideration to the needs of developing economies; and
- (b) a commitment to open dialogue and consensus-building, with equal respect for the views of all participants.¹²

The Seoul Declaration thus reaffirmed the original commitment of APEC to voluntarism and to joint action on the basis of consensus. With the reference at the 1990 ministerial meeting to trade liberalisation, however, divergence was becoming evident among the member economies on what APEC’s principal goals should be. This division became more prominent with the decision of the 1992 ministerial meeting to appoint an Eminent Persons Group (EPG) “to enunciate a vision for trade in the Asia Pacific region to the year 2000”¹³ with the intention of advancing trade liberalisation. The choice of Fred Bergsten, a former Assistant Secretary of the US Treasury, and Director of the Institute of International Economics, as Chair of the Group, ensured, given Bergsten’s energetic and sometimes abrasive personality, that the EPG’s report would be a robust document.

The submission of the first EPG report coincided with APEC’s next significant milestone: the acceptance by US President Bill Clinton of Australian Prime Minister Paul Keating’s proposal that APEC should stage an annual meeting of the leaders of its member economies, the first being held in Seattle in 1993. For many commentators, the annual staging of this meeting has been APEC’s single most important achievement. It remains the only venue that brings together heads of government from both sides of the Pacific. It has sometimes provided a forum for leaders to meet when bilateral relations between countries have been tense, most notably those between the US and China.

Elevating APEC from a ministerial to heads of government-level meeting considerably intensified the urgency for APEC to develop a credible work program. The report of the EPG provided the blueprint. It recommended that APEC should take initiatives in four areas:

⁹ “Specific elements of a work program”, *First APEC Ministerial Meeting...*, *op. cit.*, at <http://www.apec.org>.

¹⁰ *Joint Statement, Second APEC Ministerial Meeting, Singapore, 29–31 July 1990*, at <http://www.apec.org>.

¹¹ Although a precise definition of “open regionalism” remains controversial within APEC circles (for instance, whether it implies that membership should be open to all), most participants would accept that the original idea was that liberalisation undertaken within APEC should be done on a non-discriminatory basis.

¹² *Seoul APEC Declaration, Seoul, Korea, 12–14 November 1991*, at <http://www.aseansec.org>.

¹³ *Joint Statement, Fourth APEC Ministerial Meeting, Bangkok, Thailand, 10–11 September 1992*, at <http://www.apec.org>.



regional and global trade liberalisation; trade facilitation programs; technical cooperation; and the institutionalisation of cooperation in the grouping.

Institutionalisation primarily came through the establishment of an APEC Secretariat, which had been agreed at the Bangkok ministerial meeting in 1992. The other three areas, later referred to as its “three pillars”, became the defining elements of APEC’s work program: trade liberalisation, trade facilitation, and economic and technical cooperation.¹⁴

It soon became apparent that significant differences existed among member economies over the priority to be given to the three pillars (officially recognised as “complementary and equally significant”).¹⁵

This division largely corresponded to a “Western” versus Asian divide, with Australia, Canada, New Zealand and the US giving priority to trade liberalisation, while East Asian members (with the exception of Hong Kong and Singapore) prioritised the OECD-like agenda of trade facilitation, and economic and technical cooperation.¹⁶

It was perhaps surprising, given ASEAN resistance, that the host of the next APEC leaders’ meeting, Indonesia’s President Suharto, was persuaded— primarily by the US and Australia—to lobby energetically for what became known as the Bogor Declaration, APEC’s commitment that its industrialised economies would implement “free trade” by 2010 and its developing economies achieve that milestone by 2020.

For East Asian economies, it had never been the intention that APEC should be a forum for negotiating trade liberalisation. A support group for unilateral action, a cheerleader for global negotiations, yes. But not an institution through which they could be pressured to go beyond the liberalisation commitments they had made at the global level. Asian resistance to the turn in APEC’s agenda was manifest at the very next annual meeting, held in Osaka. The Japanese government, host of the meeting, failed to agree to measures that would have sustained the momentum on trade liberalisation. Although member economies duly signed up for an “Osaka Action Agenda”, intended to provide a roadmap for implementation of the Bogor goals, its lack of substance led to its dismissal by critics as “No Agenda, No Action”.

Japanese government priorities were revealed by its proposal at the Osaka meeting for a “Partners for Progress” program, intended to promote economic and technical cooperation. The program met with little enthusiasm from APEC’s “Western” members for several reasons.

Among the most important of these were their reluctance to commit to any increase in their development assistance budgets, and their desire that economic liberalisation be seen as bringing benefits in its own right rather than something that should be compensated through the provision of development assistance. Given that multilateral agencies—the World Bank, the International Monetary Fund (IMF) and the World Trade Organization (WTO)— increasingly recognised that building domestic capacity would have to be an essential component of liberalisation if it was to succeed, such attitudes were surely short-sighted. The lack of support for “Partners for Progress” illustrated the increasing disagreements among members over what APEC’s priorities should be.¹⁷

¹⁴ The first two of the pillars were subsequently renamed, respectively, “trade and investment liberalisation”, and “business facilitation”.

¹⁵ *Joint Statement, Seventh Ministerial Meeting, Osaka, Japan, 16–17 November 1995*, at <http://www.apec.org>.

¹⁶ APEC’s membership was expanded beyond East Asia, North America and Oceania with the admission of Mexico in 1993 and Chile (another strong supporter of trade liberalisation) in the following year.

¹⁷ Over the years, the Japanese government alone among APEC members has contributed to its Trade and Investment Liberalisation and Facilitation Special Account, a fund intended to support economic and technical cooperation.



The divisions within the grouping over trade liberalisation came to a head over a proposal for “Early Voluntary Sectoral Liberalisation” (EVSL). Through this initiative, APEC’s “Western” members sought to accelerate the pace of trade liberalisation within the grouping beyond the vague provisional commitments and lengthy timetable agreed in the Bogor Declaration. The model was the WTO’s Information Technology Agreement (ITA), whose negotiation in 1996 freed global trade in IT products. The ITA had been proposed by the WTO’s Quad grouping (Canada, the European Union, Japan and the US), and had been supported by most APEC members. At their meeting in Vancouver in 1997, APEC leaders endorsed the EVSL proposal, with accelerated liberalisation to be negotiated in 15 sectors spanning agriculture, forestry and industry.

It soon became apparent that many of APEC’s Asian members had problems with the EVSL program. In part, these derived from domestic political constraints arising from the proposed liberalisation of heavily protected sectors. But another issue was at stake: whether APEC should develop as a forum for negotiating trade liberalisation rather than as a vehicle for coordinating unilateral liberalisation (as had originally been intended). The Japanese government assumed the role of champion of opposition within APEC to EVSL, with other East Asian governments, notably China and Korea, happy to free ride on its hardline stance. The outcome of frequently acrimonious talks was a decision by APEC leaders at their next meeting in Kuala Lumpur in 1998 to refer the proposal to the WTO, essentially abandoning the EVSL process in APEC.

The negotiations had been badly handled by the major players.¹⁸

But even with less inept diplomacy it is unlikely that they would have been brought to a successful conclusion. The issues at stake went to the heart of what APEC was all about, the principles through which it should operate. With the Clinton administration under pressure from Congress to fix the “Japan problem”, and business groups in other Western members of APEC pushing for tangible benefits from the institution, it seemed inevitable that Western governments would attempt to push for more rapid liberalisation through APEC. Equally, having just made what they regarded as significant concessions in electorally-sensitive trade sectors in the WTO’s Uruguay Round, East Asian governments were in no mood to have APEC turned into a vehicle for pushing them into more rapid liberalisation. The failure of the EVSL program had two significant impacts on APEC. First, beyond the souring of relations among its principal players, the breakdown of EVSL largely deprived APEC of leadership.

The Japanese and Australian governments, effectively the “parents” of APEC, had been its most enthusiastic supporters for most of its first decade. The EVSL debacle alienated the Japanese government, which greatly resented what it perceived as a move to use its “baby” against Japanese interests. Although Tokyo continued to pursue particular agendas through APEC, especially investment security, the EVSL program marked a watershed in its enthusiasm for the institution. No other government has stepped forward to fill the leadership vacuum.

Australian enthusiasm for APEC waned considerably after the election of John Howard’s government in March 1996. APEC had been closely associated in the eyes of the public with the Labor governments of Bob Hawke and Keating. Part of the Howard government’s efforts to distinguish its foreign policies from those of its predecessors was to downplay APEC.

¹⁸ For insightful commentary see Krauss, Ellis S.: “The United States and Japan in APEC’s EVSL negotiations: Regional multilateralism and trade”, in Krauss, Ellis S. and Pempel, T. J. (eds) (2004): *Beyond bilateralism: US–Japan relations in the new Asia–Pacific*, Stanford, Stanford University Press, pp. 272–95; Wesley, Michael: “APEC’s mid-life crisis? The rise and fall of early voluntary sectoral liberalization”, *Pacific Affairs*, Vol. 74, No. 2, (2001), pp. 185–204.



Moreover, the government's narrow definition of the national interest, its repudiation of Labor's "good international citizen" role, and its consequent quest for reciprocity in trade relations all made it an APEC sceptic rather than enthusiast. And Washington has only become interested in APEC when it has seen it as a vehicle for pursuing its own interests—most notably in EVSL, and more recently for promoting the war on terror during George W. Bush's administration. Clinton missed two of the leaders' meetings when he was President.

Second, the EVSL debacle effectively removed trade liberalisation from the APEC agenda. APEC would still make appropriate noises supportive of the WTO and of a successful conclusion to its Doha Round of trade negotiations. But APEC itself would not be the venue for trade negotiations, save as a meeting place for countries engaged in negotiating bilateral agreements, which proliferated in the region following the EVSL breakdown and the subsequent failure of WTO talks.¹⁹ In almost every respect, the new bilateral agreements were the antithesis of APEC's original approach to trade liberalisation: they were discriminatory not only against non-APEC members but also other APEC members who were not party to the agreement; they contained no provisions to permit other countries to join; they frequently failed to comply with the Bogor deadlines for trade liberalisation; and their rules of origin had the potential to raise obstacles rather than facilitate trade within the region.²⁰

2. APEC in search of an agenda

The removal of trade liberalisation from its agenda was a particularly telling blow for APEC because this had been the institution's highest profile activity during its first decade. The vestiges of activity in this field—the Bogor goals—lost all credibility when members began to sign bilateral trade agreements and/or announced sectoral plans (in the Australian case, for instance, for the auto industry) that indicated that at least for sensitive sectors governments had no intention of meeting the Bogor deadlines for "free" trade. Absent trade liberalisation, APEC's agenda was reduced to its other two pillars: trade facilitation (subsequently renamed business facilitation), and economic and technical cooperation (ECOTECH).

APEC's activities in pursuit of ECOTECH have been handicapped by two factors: a lack of focus, and a lack of finance. These are related. Because APEC has (with the exception of the money provided by the Japanese government to the Trade and Investment Liberalisation and Facilitation Special Account) no significant funding for ECOTECH activities, projects are typically undertaken when a member economy has sufficient enthusiasm to put up money for them. Such funding is usually very limited, with the consequence that the projects are often seminars or workshops on the pet theme of a department from a member economy's government. They frequently lack any substantial output.

The weakness of the APEC Secretariat—an issue that has been bemoaned by outside reports that have sought to revitalise APEC²¹—coupled with the lack of a substantial central pool of funding prevents APEC from setting priorities within its ECOTECH agenda, and from ensuring that events run under APEC's auspices contribute to meeting these priorities. Moreover, APEC has developed little capacity for evaluating the outputs from ECOTECH projects.

¹⁹ Aggarwal, Vinod K. and Urata, Shujiro (eds.) (2005): *Bilateral trade arrangements in the Asia-Pacific: Origins, evolution, and implications*, London, Routledge; Dent, Christopher M. (2006): *New free trade agreements in the Asia-Pacific*, Basingstoke, Palgrave Macmillan.

²⁰ Rules of origin specify conditions that products must meet if they are to be regarded as having been produced within a party to an agreement, and thus qualify for preferential treatment.

²¹ See, for instance, APEC International Assessment Network (2000): *Learning from experience: The first APIAN policy report*, Singapore, Singapore APEC Study Center for APIAN.



Business facilitation is the area of activity where APEC arguably has the most to offer. In a world in which border barriers to trade have become considerably less important (across APEC as a whole, the average tariff on non-agricultural products in 2004 was less than 7 per cent), most trade policy professionals believe that the most significant impediments to international trade lie within economies—the regulations that governments impose on business activity. These range from competition policy (or the lack thereof) to various standards (such as health or safety regulations) with which products must comply, to opaque customs procedures.

APEC has attempted to tackle the issue of lack of compatibility and lack of transparency in product standards through the negotiation of mutual recognition agreements (including recognition of laboratory testing done in other member economies). Some progress has been made in voluntary compliance but APEC's Business Advisory Council has repeatedly complained of unduly slow progress in achieving mutual recognition of product testing. Much more can be done on this and other business facilitation issues.

A recent development in this domain is the attention that APEC has given to the securitisation of trade in the aftermath of the September 2001 attack on the World Trade Center. Countering the potential terrorist threat to economic activities within the Asia–Pacific region has added a significant new dimension to APEC activities, centred around the grouping's Secure Trade in the APEC Region (STAR) initiative. The most significant organisational development within APEC in response to its changing agenda has been the creation of a Counter-Terrorism Task Force. This was established in response to the recognition that measures to combat terrorism cut across various areas of APEC activities, and that the grouping lacked a body to coordinate this work.

The remit of some working groups has also been expanded. Whether it is an example of institutional learning or simply that member states have regarded the counter-terrorist agenda as more urgent and therefore given it greater priority than they accorded previous areas of trade facilitation, the initial impression (and it is really too early to make any definitive judgements on this issue) is that member economies are pursuing APEC's new agenda in a more coherent manner than they did previous collaborative activities.²²

Very substantial economic gains could be achieved by APEC's emulating Europe's move towards a single internal market. The great advantage of this subject area in terms of a work agenda for APEC is that it is relatively non-controversial, not least because of its low profile and technical nature. It is true to APEC's original design as an Asia–Pacific equivalent to the OECD. On the other hand, the very characteristics that might facilitate collaboration in this area are those that make it of little interest to politicians. The risk, as has been frequently pointed out, of APEC's concentrating its activities on this low-profile, technical area is that it will create a disjunction between the low-key substance of APEC's everyday operations and the high-profile leaders' meetings.

But is this really a problem? APEC leaders come to its meetings for the benefits that they gain from talking directly with their counterparts.

The leaders' meetings are unscripted: they do not necessarily concentrate on (or even touch on) the activities that constitute APEC's routine working agenda. As Keating had argued in putting forward the suggestion for holding meetings of APEC leaders, once you sit

²² For further discussion see Ravenhill, John: "Mission creep or mission impossible? APEC and security", in Acharya, Amitav and Goh, Evelyn (eds.) (2006): *Reassessing security cooperation in the Asia–Pacific: Competition, congruence and transformation*, Cambridge, MA, MIT Press, pp. 135–54.



leaders down together, especially in the informal context that was deliberately constructed within APEC, there would be no constraints on what they choose to discuss.²³

Since the decision to stage leaders' meetings in 1993, APEC has been burdened with unrealistic expectations. Each leaders' meeting is expected to come up with what in APEC-speak are termed "deliverables"—although it would be more accurate to refer to them as "announceables"—some new program, goal or deadline that is perceived to be necessary to justify the grouping's continued existence.

In recent years, in preparation for the annual meetings, host governments have scrambled to find some new idea that would provide publicity both for them and for APEC—similar to their quest for yet another (often ridiculous) local outfit for APEC leaders to parade in.

The usual suspects have been called upon to proffer advice—various eminent persons, the consortium of APEC studies centres, and so on.

For better or worse, and I would argue the former, they have failed to come up with a new catchy slogan that embodies a new APEC target.

For better, I suggest, because APEC has not just been burdened with unrealistic expectations but with goals to which governments have failed to make credible commitments, which in turn has undermined confidence in the institution. Even APEC's keynote document, the Bogor Declaration, arguably has rebounded to the grouping's disadvantage as it became increasingly apparent that its goals will not be realised. A new announceable, such as the proposal for APEC to commit itself to the establishment of an Asia–Pacific Free Trade Area, is likely simply further to undermine APEC's credibility, especially with the business community.²⁴

It is perhaps understandable why host governments want to have their name associated with an "announceable"—a "Sydney declaration" next year, for instance. But this is an unusual way for any international institution to behave—at least, that is, for one that has institutionalised annual meetings rather than simply being a one-shot summit. Here APEC stands in contrast with the G7/8, with which its leaders' meetings might reasonably be compared. Although responsibility for hosting the G7/8 meetings rotates among members, and participants issue declarations on a wide range of topics (those from the July 2006 St Petersburg summit, for instance, ranged from trade to infectious diseases to counter-terrorism issues), host governments do not scramble to find some new target to which the Group is expected to commit itself.

Expectations for what will come from the summits are relatively modest. Consequently, when the Group does come up with an initiative, such as the New Partnership for African Development, most observers are pleasantly surprised.

In contrast, the psychology of APEC meetings is topsy-turvy. APEC has been burdened with unrealistic expectations. Each new announceable tends to exacerbate APEC's credibility problems. The Australian government will do APEC no favours if, as the next host of the

²³ Cf. Gary Smith's comment: "leaders will discuss what they want". Smith, Gary J. "Multilateralism and regional security in Asia: The ASEAN Regional Forum (ARF) and APEC's geopolitical value", *Weatherhead Center for International Affairs, Harvard University*, Working Paper, 97-2 (February 1997). See also McDougall, Derek: "Asia–Pacific security regionalism: The impact of post-1997 developments", *Contemporary Security Policy*, Vol. 23, No. 2 (2002), pp. 113–34.

²⁴ Whereas previous host governments, notably Chile, Mexico and Korea, had invested heavily in trying to identify a new announceable for APEC, the 2006 host, Vietnam, has been more modest in its efforts. Instead, this year, the running has been taken up by the APEC Business Advisory Council, where Bergsten has led a push for APEC to announce its commitment to a free trade agreement.



annual meetings, it searches for a new announceable, a new slogan that embodies an objective that APEC has little prospect of achieving.

Far better to return APEC to its roots and allow it to pursue a modest OECD-like agenda of trade facilitation.²⁵ Leaders, meanwhile, like those who participate in the G7/8 summits, will continue to feel free at the annual meeting to pronounce on whatever their pre-occupations are at the time.

²⁵ Of course, much might be done to enhance APEC's capacity to pursue this agenda. But what is needed for this is well-known, having been spelled out in various reform suggestions over the years, for instance, in the APIAN reports. It is a matter of members being willing to commit relatively modest resources to enhance APEC's capacity.