

APEC in the Post-Cold War Era

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During the 1980s there have been many changes in the international political economy. Among them one of the most prominent developments is that the center of global economic dynamism shifted from the North Atlantic to the Pacific Basin.¹ The collective Pacific economic strength now exceeds that of the North Atlantic region.

The continued fast growth of newly industrializing economies (NIEs),² the emergence of new NIEs,³ and the success of the economic opening of mainland China have all contributed to this shift together with the continually stronger Japanese economy.

In these dynamic environments, there have been many proposals during the past decades about forming a regional entity that encompasses both developed and developing countries in the Asia-Pacific region.

To meet these demands the Asia-Pacific Economic Cooperation: Ministerial Meeting (APEC) was formed in 1989. APEC was

1 Yamazawa, Ippei, "On Pacific Economic Integration," *The Economic Journal*, 102 (November 1992), pp. 1519-1529.

2 Newly Industrializing Economies in the region are South Korea (Republic of Korea), Singapore, Hong Kong and Taiwan (Chinese Taipei).

3 Malaysia, Thailand, and Indonesia became followers of the NIEs owing to the success of export-oriented development strategies similar to the national developmental strategies adopted by the NIEs, and they have earned the title of new NIEs now.

designed to promote economic cooperation among member countries, but the demise of the Soviet Union and concurrent weakening of the Russian Federation and a new regional security environment posed by the end of the Cold War plea for additional roles.

This paper is an attempt to analyze factors to promote a new APEC in the post-Cold War era. The first section delineates the historical background of Asia-Pacific economic cooperation. In the following section an analysis shall be attempted of the factors affecting future development of APEC in the economic, political, and security dimensions. APEC's future shall be discussed as a conclusion.

Past Asia-Pacific Economic Cooperation

Asia-Pacific regionalism

There have been numerous proposals about the formation of regional entity to promote economic cooperation in the Asia-Pacific region. Within the academic sphere, Japanese economists Kiyoshi Kojima and Hiroshi Kurimoto published an article in 1966 proposing a free trade area for the developed countries in the Asia-Pacific region. It was largely criticized by other scholars who touted the success of the General Agreement on Tariffs and Trade (GATT) in reducing trade barriers throughout the area. However this study has frequently been cited as an initial activity of Asia-Pacific regionalism.

In 1967 officers of financing, trading, and manufacturing concerns from the developed countries of the area formed the Pacific Basin Economic Council (PBEC) to facilitate consultation on regional economic matters. Meeting regularly over the years, the group has become one of the major supporters of current Asia-Pacific Economic Cooperation.

Scholarly interest in Asia-Pacific regionalism soon led to the organization in 1968 of regular meetings on a yearly basis that

are now known as the Pacific Trade and Development (PAFTAD) conferences. The Pacific Economic Cooperation Conference (PECC) was established in 1980. The PECC became the cornerstone of APEC with its tripartite participation on a private level by government officials, business leaders, and scholars.

The Association of Southeast Asian Nations (ASEAN) was also formed in 1967. ASEAN, while often considered a slowly developing organization, is now playing a central role in deciding the future of Asia-Pacific economic cooperation. ASEAN agreed to the formation of ASEAN Free Trade Area (AFTA) in its summit meeting in 1992 and launched a fifteen-year plan in 1993 to reduce tariffs among its member countries.

On the other hand, the United States, Canada, and Mexico, agreed in 1992 to form a free trade area (NAFTA) and are now in the process of acquiring ratification to launch NAFTA formally in 1994.

With the above existing regional arrangements, there have been proposals about the formation of an economic entity to promote economic cooperation under a narrower regional framework in East Asia. One of the most noticeable was made by the Malaysian Prime Minister in 1990. He proposed the East Asian Economic Group (EAEG), excluding the US and Australia, but encountered strong criticism from the United States. This proposal was later revised and dubbed the East Asian Economic Caucus (EAEC) to emphasize a looser consultative role. At the ASEAN meeting held in Singapore in July 1993, member countries agreed that EAEC could be associated with APEC, which includes more diverse countries.

Also scholars have put forth numerous ideas about the economic groupings of Northeast Asian countries⁴ at sub-regional levels. These ideas have been formulated in multiple ways in terms of encompassing territories and levels of regional

4 The Northeast Asian region covers, in general, the countries of South and North Korea, China, Japan and the Far Eastern part of Russia.

cooperation proposed: Great Chinese Common Market which would include China, Taiwan, Hong Kong and Singapore; the Greater South China Economic Zone including Hong Kong, China's Gwandong and Fuzian provinces, and Taiwan; the Yellow Sea Economic Zone to include Northeast China, the Korean peninsula, and the West Coast of Japan; and the Sea of Japan Economic Zone which would cover Northeast China, South and North Korea, Far Eastern Russia and Japan.

APEC in historical perspective

The above Asia-Pacific regionalist movements contributed to the launch of APEC in 1989. The first ministerial meeting was held in Canberra, Australia. The founding members of the APEC were twelve nations: South Korea, Australia, the United States, Japan, Canada, New Zealand and six ASEAN countries (Indonesia, Malaysia, Thailand, Singapore, Philippines and Brunei). The first meeting presented general principles of Asia-Pacific Economic Cooperation as follows: the objective of enhanced Asia-Pacific Economic Cooperation is to sustain the growth and development of the region; cooperation should involve a commitment to open dialogue and consensus; cooperation should be based on non-formal consultative exchanges of views; cooperation should be directed at strengthening the open multilateral trading system and it should not involve the formation of a trading bloc; cooperation should complement and draw upon, rather than detract from, existing organizations in the region, including ASEAN and PECC.⁵

APEC held subsequent annual meetings in Singapore in 1990, South Korea in 1991, and Thailand in 1992. The fifth meeting is scheduled to be held in November of this year in the United States. APEC is now consists of fifteen countries; China, Hong

5 The First Asia-Pacific Economic Cooperation Ministerial Meeting, "Summary Statement by the Chairman," Canberra, November 1989.

Kong, and Chinese Taipei joined the APEC at the third meeting held in South Korea in 1991. At the Seoul meeting the ministers adopted the APEC declaration which delineates principles, objectives, scope of activity, mode of operation, participation and organization.⁶

At the fourth meeting held in Thailand in 1992, member countries agreed to establish a secretariat in Singapore. It is also expected that Mexico will join APEC at the fifth annual meeting. Thus with the establishment of a secretariat, APEC has just begun the process of institutionalization.

However, new regional environments provided by the post-Cold War era ask for more roles from the APEC. The following two sections shall be devoted to analyze factors behind regional cooperation among the nations in the Asia-Pacific.

Regional Cooperation: the Economic Dimension

Facilitating Forces

The Asia-Pacific region has shown remarkable economic growth rates during the past two decades. Increasing interdependence among the regional nations could not be handled appropriately solely by bilateral means and negotiations. A multilateral approach is called for to extend economic cooperation among regional nations. Overlaid upon the inherent necessity to promote such cooperation in the Asia-Pacific was the delayed resolution of the Uruguay Round, which further dismayed the

6 The participating member countries recognized that the dynamic growth of economies of the Asia-Pacific region has brought with it growing economic interdependence and strong common interests in maintaining the region's economic dynamism. They also acknowledged the important contribution made by the ASEAN and the pioneer role played by the PECC in fostering closer regional links and dialogue. They also pointed out that Asia-Pacific Economic Cooperation should serve as an exemplary model of open regional cooperation. "Seoul APEC Declaration," Seoul, November 1991.

governments of the region in their search for a multilateral regional framework.

Second, there is a need to reach a balance with other regional economic entities such as the European Community (EC). The EC launched its single European market this year, and it will become harder for the Asia-Pacific countries to infiltrate as time passes.⁷ On the other hand, if we accept the proposition that the trade-creating effect will be greater than the trade-diverting effect as the promoters of regional economic integration insist, the results of regional economic integration may contribute to promoting freer trade at the world level.

Third, the nations of the Asia-Pacific have ample opportunities to cooperate with each other. Since the region includes economies at every level of development, economic relations between regional countries can be maintained complementarily so long as the region sustains its economic dynamism. As the world economy becomes more interconnected and makes traditional territorial boundaries more and more meaningless, it is necessary to strengthen regional ties in the Asia-Pacific for achieving maximum use of complementary advantages.

Fourth, there is a need to search for a new framework that can accommodate transitional economies such as China. Even though China adopted a socialist market economy as its official economic system, its future is still uncertain. Another uncertainty comes from North Korea's policy of limited opening. To deal with uncertainties posed by the socialist countries of Asia, multilateral approaches may be more effective than bilateral ones.

Fifth, the existence of ASEAN and NAFTA encourages regional economic cooperation in the Asia-Pacific. On one hand, if ASEAN and NAFTA became successful in reducing trade

7 For arguments about the inevitable fortress Europe, see Lester Thurow, *Head to Head: The Coming Economic Battle Among Japan, Europe, and America* (New York: William Morrow, 1992).

barriers among the member countries it could provide spill-over effect to other nations of the region, which will lead to further regional economic cooperation. On the other hand, it is necessary for Northeast Asian and Oceanian countries, who are not members of ASEAN and NAFTA but who have strong economic relations with them, to develop multilateral ties with the two organizations.

Finally, environmental problems pose significant threats to economic development of the region as regional countries become increasingly industrialized. They cannot be solved by bilateral means because it is not easy to determine the origins of pollution and to eliminate environmental damages by the efforts of one or two nations. Thus it is absolutely necessary to build a strong multilateral arrangement to deal with snowballing environmental problems.

Restricting forces

There also exist factors that inhibit progress of regional economic cooperation in the Asia-Pacific. First is the dominant and globally critical economic roles of Japan and the United States. It would be difficult for the United States and Japan to harmonize their global roles with regional ones if they were to become too much tied into regional interests.

Second, it is not easy to provide efficient arrangements that satisfy both developed and developing economies. The Asia-Pacific region includes countries with GNPs per capita from less than one thousand dollars to more than thirty thousand dollars. Regional countries also show an extreme disparity in terms of industrialization. These differences have made it difficult to pursue stronger regional arrangements.

Third, it should also be noted here that many countries in the Asia-Pacific experienced Japanese invasion during World War II. Japan used the concept of "greater co-prosperity of East Asia"

as a rationale for its imperialist policies towards neighboring countries.

Regional Cooperation: Political and Security Dimension

As the world is confronted with new challenges of the post-Cold War era, it is also necessary for the Asia-Pacific regional countries to rethink their political and security futures. This section is an attempt to analyze new challenges that necessitate multilateral approaches to solve regional political and security problems of the region.

Political cooperation

The end of Cold War brought about the following political challenges to the countries of the Asia-Pacific. First, leaders of the Asia-Pacific countries are obliged now to think of former enemies as friends. Second, if we accept the proposition that the primary cause of the end of the Cold War was the success of capitalism and democratic ideals, then democratic nations are tempted to urge socialist countries to alter their political system. Third, as the world has changed from bipolar to uni-multipolar owing to the breakdown of the Soviet Union, political relations among the nations of the Asia-Pacific region need to be changed to become compatible with new regional environment.

Among these broad contexts of political challenge, some of them can be dealt with bilaterally, but others demand multilateral arrangements. The most important factor to encourage a multilateral approach in the political dimension may be that regional leaders feel the need for opportunities to discuss regional matters collectively. Second, the inadequacy itself has created another factor to encourage bilateral means. For example, China's human rights issues could be dealt with under multilateral forum more smoothly rather than for the United States to blame the Chinese government for improper treatment of Chinese people. Thirdly, multilateral arrangements could

provide an important learning experience for the socialist countries who have been accustomed to live in isolation. For example, two Kims of North Korea have holed up behind the iron curtain for half a century. It would be hard for them to meet with the leaders of democratic leaders one on one; they would feel more comfortable side by side with Chinese and Vietnamese leaders. Fourth, it should also be pointed out that Japan intends to expand its political role in the region. In order to induce Japan to contribute constructively to the Asia-Pacific community, it is necessary to form a regional entity that can accommodate regional nations' expectations from Japan and at the same time, a greater Japanese political role. Finally it is possible that rivalries among the United States, Japan, and China could become more pronounced in the post-Cold War era, and multilateral dialogues are expected to mitigate these rivalries.

Security cooperation

The post-Cold War era also brought about new security challenges: a power vacuum generated by the relative decline of the Russian Federation, scheduled reductions of American armed forces stationed in the region, and North Korean nuclear problems.

To meet them the leaders of the Asia-Pacific need more frequent meetings. There is a need to search for new regional arrangements different from those that existed during the Cold War. Security problems of the post-Cold War era, however, are not well defined because the same Cold War security relations remain in large part unchanged in the region. For example, the threat from Indochina seems even more imminent to the ASEAN countries in spite of having been mitigated by the end of the Cold War and subsequent economic opening of Vietnam. During the Cold War years the main nexus of Asia-Pacific security was provided by the United States. The US claims its security role in

the Asia-Pacific will remain strong,⁸ but does express a need for multilateral gatherings of the leaders of the Asia-Pacific.⁹

North Korea's refusal to accept special inspection by the International Atomic Energy Agency poses another threat to the security of the region. The need to control proliferation of weapons of mass destruction in the region has attracted close attention to the North Korean nuclear problems. South Korea, the United States, and China worked closely trying to get North Korea to stay under the Non-Proliferation Treaty (NPT) and the IAEA. However, the issue could have been dealt with more efficiently and faster had there been a multilateral institution in the region ready to deal with such an issue.

A need to identify security problems provides an important ground for multilateral security dialogues because most of the countries are wary about all the uncertainties. Most of them want more chances to discuss regional security issues even though they do express divergent concerns as to the scope and level of security cooperation. Thus the uncertainties of the post-Cold War era have become another factor to encourage multilateral security cooperation.

Conclusion

Necessities for regional cooperation in economic arena do seem to be quite apparent. Issues and goals of regional arrangement in political and security dimension, however, seem some-

8 President Bill Clinton reaffirmed the United States' bilateral security relations with regional countries of the Asia-Pacific in his address to the Korean National Assembly on 10 July 1993 as follows: "The bedrock of America's security role in the Asian Pacific must be a continued military presence. In a period of change, we need to preserve what has been reliable. Today, we, therefore, affirm our five bilateral security agreements with Korea, with Japan, with Australia, with the Philippines and with Thailand."

9 President Clinton proposed "new regional dialogues on the full range of common security challenges." He also proposed "an informal economic conference among APEC's leaders following the ministerial meeting in Seattle, Washington, this fall." Refer to his Address to the Korean National Assembly, 10 July 1993.

what unclear. This situation brought about the current regional arrangements in the Asia-Pacific: all existing institutions, ASEAN, NAFTA, and APEC, are primarily targeting economic cooperation.

It is suggested here that the following approaches are needed to meet the new challenges of the post-Cold War era. First, in order to effectively manage the problems of multiple layers in the Asia-Pacific region, it is necessary to deepen cooperative efforts of the existing institutions. It will also be important to separate economic cooperative issues from political and security ones because it will take time for the leaders of the region to figure out common issues and interests in organizing multilateral cooperation for the purpose of tackling future political and security problems. In addition, it is necessary to start from a sub-regional basis and then expand.

First, maximize the existing institutions. Promote freer trade within the framework of existing institutions to enhance the general level of economic interactions. The primary step would thus be to promote freer trade among the member countries of ASEAN and NAFTA. In this way, the success (or failure) of the existing institutions will provide a testimony for broader regional economic cooperation. The approach can also be adopted for such political and security areas as the recent agreement made at ASEAN Post Ministerial Conference.¹⁰

Second, intensify economic cooperation. As the current development of Asia-Pacific regionalism demonstrates, it is also desirable to expand the cooperative efforts in those areas that are relatively well defined. Since the possibilities for economic cooperation have been well sketched out by the various promoters of

10 At the ASEAN PMC meeting held in Singapore in 27 July 1993, participating countries agreed to establish the Asian Regional Forum (ARF) in 1994. It is suggested that ARF be consisted of six ASEAN countries, seven dialogue partners (Australia, the United States, Japan, South Korea, European Community, New Zealand and Canada), and five new members (China, Russia, Vietnam, Laos and Papua New Guinea).

Asia-Pacific economic regionalism,¹¹ let us now proceed with more practical measures to execute those programs. It would not be efficient to mix relatively well-defined economic issues with political and security issues that are rather poorly defined. For successful incorporation of the socialist countries into the Asia-Pacific multilateral cooperation, it is also necessary for the regional countries to proceed with practical economic cooperation first.

Third, solidify the sub-regional foundations. To look at the Asia-Pacific regional organizations geographically, it is evident that no multilateral institution covers Northeast Asia. It was impossible to form a multilateral economic organization in Northeast Asia during the Cold War years, but the recent success of China's economic opening and reform has eliminated certain barriers to establish a regional economic organization in Northeast Asia. One could now be formed. After the above suggested regional economic organization as well as ASEAN and NAFTA become successful, it will be easier to form a broader regional economic organization in the future. It would also be desirable to extrapolate this "sub-regional to regional" approach to other issue areas.

In conclusion, APEC needs to concentrate its efforts towards promoting economic cooperation among Asia-Pacific nations. In so doing through APEC, the following points are necessary to be kept in mind. First, it is important for APEC to maintain its principle of open-regionalism. Second, it should pay more attention to harmonization of yet-developing with developed economies, since its success will depend upon the economic dynamism of all the Asia-Pacific countries. Third, APEC needs to prepare to incorporate other economic entities of the Asia-Pacific.

11 PECC and APEC has produced numerous reports about regional economic cooperation. For example, Report of the Ad Hoc Group on Economic Trends and Issues, Uruguay Round and Trade Liberalization in the Region, and so on were presented to the Fourth APEC meeting held in Bangkok, Thailand in 1992.