

Drafting a better future

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APEC 2007

"We said it was going to be a watershed conference, but this is ridiculous," complained Gareth Evans, Australia's foreign minister in November 1989, as violent thunderstorms drowned out his news conference and flooded part of the Canberra hotel where the first meeting of the Asia-Pacific Economic Co-operation forum was being held.

Eighteen years later, in Sydney, John Howard and Alexander Downer are hosting an altogether grander affair. From the 12 countries represented at that waterlogged Canberra meeting, the forum has grown to include 21 economies from the Pacific rim, ranging from the demographic and economic giants, China and the United States, to developing countries such as Peru and Papua New Guinea. Five thousand people will attend the Sydney meetings and the cost to the Australian taxpayer will be about \$330 million.

But beneath the surface gloss will it all be worth it? Is bigger any better? What has APEC achieved in nearly two decades of meetings? And is it being squeezed out by rivals in the increasingly crowded field of Asia-Pacific regional institutions?

A couple of years ago I wrote that APEC was "teetering on the brink of terminal irrelevance". Happily, the forum has since recovered its balance and taken a couple of steps back from the precipice.

The finance ministers' meeting and the Economic Committee, described by one participant as a "useless backwater" a couple of years ago, have both developed a real economic policy focus. Valuable work has been done on transnational issues such as avian influenza and energy security. Some boring but important reforms have strengthened the role of the secretariat by appointing a chief operations officer and establishing a small research unit. Progress might yet be made in Sydney towards the appointment of a proper full-time chief executive.

APEC has been surprisingly good, too, at transferring knowledge and experience between developed and developing country members. Its leaders' meeting has filled a critical gap in the region's political relationships. The heads of government who will embrace one another on the steps of the Sydney Opera House had until APEC no opportunity to meet and engage in the sort of informal diplomacy that has become so important in the management of regional crises, including East Timor's independence.

More vaguely, but perhaps most importantly, APEC deserves real credit for keeping the economic conversation around the Asia-Pacific focused on free trade. The repetition of the arguments for economic openness each year, the reminders of what it has contributed to Asia's growth and to the elimination of poverty, the swapping of experiences, have had their effect on the views of individual leaders and ministers. If, as seems likely, we are about to see a backlash against globalisation and openness in developed economies, this collective consciousness-raising is going to matter more than ever.

APEC's formation in 1989 represented a regional response to one of the great international shocks of the past 50 years: the sudden end of the Cold War. That utterly unexpected event broke down the rigid structures that divided the world into two camps and made it possible to knit together for the first time a region-wide institution. The following years, which also saw the expansion of ASEAN to include all the nations of South-East Asia, represented the first great

phase of Asian institution building.

But more recently we have seen a new spate of activity. This has been driven, first, by the Asian financial crisis of 1997-98, which convinced many Asian countries that they should never again mortgage their future to global institutions such as the IMF and the World Bank. So a new group of Asia-focused forums, notably the ASEAN Plus Three grouping and the East-Asia Summit, was created.

A second incubator of new organisations has been the growth of ad hoc multilateralism or "coalitions of the willing" in response to the difficulties of getting practical agreement through larger bodies ranging from the United Nations and the World Trade Organisation (see the experience of the Doha Round) to APEC and ASEAN. In the Asia-Pacific region this has spawned new groups such as the Asia-Pacific Partnership on Clean Energy and Development (AP6), the six-party talks on North Korea and the Indian Ocean Tsunami Relief Co-ordination Group, as well as a raft of bilateral trade agreements.

As a result, APEC finds itself in an increasingly congested field. Even so, the region's organisations still can't do all the things we need them to do. Their objectives and scope are confused. They trip over each other; they demand unsustainable commitments of human resources from their smaller members; and they are unlikely to last in their present form.

Does that matter? After all you could argue that the region has been getting on perfectly well in its present disorderly state. Peace prevails, growth is good, markets are powering ahead with economic integration and business seems indifferent to the whole debate about regional architecture.

There's some truth in this, but my answer is that it does matter. In part this is because the rising power of China and India is unlike anything we have ever seen. It represents the largest growth in the quantum of economic power in all human history. Change on such a scale always brings disturbances and adjustments and these have political and strategic as well as economic consequences.

The process of adjustment will be easier and smoother if China's and India's neighbours feel they have a voice in shaping the emerging landscape. Effective regional forums aren't the only answer to this challenge, but they can play an important part.

What happens, though, if instead of looking at what the Asia-Pacific has, we look at what it needs? Four important things clearly need doing.

First, we need to facilitate trade and investment in the region, to engage business in a practical way and help formulate responses to the transnational issues (trade facilitation, pandemics, climate change, energy security), which will be so important to the international agenda over the next 20 years. To do this effectively we need the engagement of as many of the regional economies of the Asia-Pacific region as possible.

Secondly, North-East and South-East Asians need to be able to interact with each other in a collective forum about their regional concerns and to temper the sometimes fractious relationships between them.

Thirdly, we need to find a way to help make the region safer by enabling action in support of common Asian regional security interests. And finally, key heads of government need to be brought together to discuss the full range of regional issues.

The dictum of modernist architects that "form follows function" applies just as usefully to the design of regional political architecture, so with those four functions in mind here is what I would do.

APEC clearly fulfils the first requirement. So we should maintain APEC but spin off its leaders' meeting, leaving the annual meetings of foreign and trade ministers (and possibly finance ministers) as the formal structure of APEC. The leaders' meeting was designed from the start as an informal addition, so APEC would survive without it. Second, ASEAN Plus Three should continue with its present membership to serve the task of building an East-Asian community. This would involve no changes. It works well and has the right membership.

None of the existing forums meets the third requirement on regional security, however. The security challenges facing Asia and the Pacific are complex and pressing. They range from the most traditional state-versus-state relationships (how will the balance of power in Asia be changed by China's growing military power? What role will India play in the region? What will be the impact of Japan's changing defence posture?), through to the link between economic growth and security (the security of energy supplies and supply chains), the management of weak and rogue states (what will the endgame be on the Korean Peninsula?), to almost all the so-called "new" security issues such as terrorism, piracy, pandemic disease and the co-ordination of disaster relief. That is a large and complicated agenda. Not all of it will best be handled in a multilateral forum, but some important elements of it will be more easily or more effectively dealt with in such a body.

But APEC cannot undertake this work. It is too broad (the Latin American members have very different security interests) and it is constrained from addressing traditional defence questions by China's concerns about Taiwan's membership. The ASEAN Regional Forum has delivered less than many participants hoped for and has too many members. And the six-party talks on North Korea are too narrow in both scope and membership. So we need to begin the task of developing a new regional security body. The outline of such a forum can be imagined in something like the institutionalisation of the current informal Shangri-la Dialogue of the International **Institute** of Strategic Studies, based in Singapore, which brings together many of the region's defence ministers and military leaders. An alternative would be to expand outward from the six-party talks on North Korea to build a broader Asian security grouping.

Finally, the region needs the opportunities that an annual heads of government meeting provides, not just to discuss multilateral issues but to facilitate bilateral contact. If such a body is too big, it loses the capacity to facilitate real dialogue, but it must be broad enough to be representative.

APEC has been a useful host for such meetings but is not ideal. Because it is formally a meeting of economies it is constrained from dealing openly with traditional defence issues and its membership is too diverse. It is also being challenged as a forum for heads of government by the East-Asia Summit, but the region cannot sustain two annual heads of government meetings. Leaders have too many other calls on their time.

Regional leaders need to establish a new stand-alone heads of government meeting. The most useful membership would be the ASEAN members of APEC plus the other members of the East-Asia Summit (China, Japan, Korea, India, Australia and New Zealand) and the region's vital security and economic partners, the United States and Canada. Like the G8, it would not be tied to any existing organisation and would not need its own secretariat. Its only function would be to discuss the central issues of security and prosperity affecting its members, including those that might arise in the other forums.

So here's cheers to APEC: may its communiqués be short and its meetings productive. It has a full agenda of useful work to do, but it cannot do everything. A region - or more accurately a collection of different regions - as diverse as the Asia-Pacific will need different instruments to achieve different ends. We haven't yet got the blueprint right. What better time and place could there be to renew the drafting effort than as APEC returns to its Australian birthplace?

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THE PLAYERS - VIEWS FROM THE REGION

- APEC An Asia-Pacific organisation designed to facilitate economic integration around the Pacific rim. As well as the Asian countries, it brings in the US and the Latin American countries of the Pacific littoral. Objectives are trade and investment liberalisation, trade facilitation and economic and technical co-operation, although its agenda has broadened in recent years to include issues such as pandemic disease and supply chain security. Members are "economies" not states. Works by consensus and voluntarism.

- ASEAN PLUS THREE Embraces a narrower definition of the region: East Asia. Brings together the 10 members of the Association of South-East Asian Nations, China, Japan and South Korea. It was not set up formally until 1999, but its intellectual origins lie in earlier ideas such as former Malaysian PM Mahathir Mohamad's proposals for an East Asian Economic Group. It has set up a dense network of meetings across 16 broad areas of co-operation and notched up some important practical results, especially in financial co-operation.

- THE EAST-ASIAN SUMMIT

ASEAN Plus Three Plus Three represents a third definition of the region - the Western Pacific. This grouping balances out China's weight by adding India, Australia and New Zealand. Its meetings, the first of which was held in 2005, are held back to back with the summit meetings of the ASEAN group. Its agenda is still very general, focusing on issues such as energy co-operation.

- ASEAN REGIONAL FORUM

In the security area, the principal organisation is the ASEAN Regional Forum). The ARF met first in 1994 and its membership comprises the 10 ASEAN countries and 16 others ranging from the European Union to Mongolia. It meets at (foreign) minis-ters level once a year under ASEAN chairmanship. It is based on consensus decision-making and minimal institutionalisation. Unfortunately, it has achieved minimal results.