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*Asia Pacific Economic Cooperation (APEC), and the 2007  
Meetings in Sydney, Australia*

Michael F. Martin, Foreign Affairs, Defense, and Trade Division

September 21, 2007

**Abstract.** The main topics of discussion during the September 2007 two-day Leaders' Meeting and the two-day Ministerial Meeting were climate change and regional economic integration. The Leaders issued a separate joint declaration on climate change, which included "aspirational" commitments to reduce energy intensity by at least 25% by 2030 and to increase regional forest cover by at least 20 million hectares by 2020. APEC's consensus position on the latter topic entitled "Strengthening Regional Economic Integration," was endorsed by the Leaders. The APEC meetings also discussed the recent global problem with food and product safety.

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# CRS Report for Congress

## Asia Pacific Economic Cooperation (APEC) and the 2007 Meetings in Sydney, Australia

Updated September 21, 2007

Michael F. Martin  
Analyst in Asian Political Economy  
Foreign Affairs, Defense, and Trade Division

<http://wikileaks.org/wiki/CRS-RL31038>



Prepared for Members and  
Committees of Congress

# Asia Pacific Economic Cooperation (APEC) and the 2007 Meetings in Sydney, Australia

## Summary

There is apparent agreement between Congress and the Bush Administration that the Asia Pacific Economic Cooperation (APEC) is a potential vehicle for advancing U.S. economic, trade, diplomatic, and security interests both globally and regionally. In particular, APEC offers the United States an organizational counterpoint to other proposed regional associations in Asia. However, the organization's approach and perspective on these issues may pose problems for the United States. By design, APEC operates on the basis of consensus, under which its members voluntarily liberalize their economic and trade policies. As a result, APEC lacks enforcement mechanisms commonly seen in other multilateral organizations.

The main topics of discussion during the September 2007 two-day Leaders' Meeting and the two-day Ministerial Meeting were climate change and regional economic integration. The Leaders issued a separate joint declaration on climate change, which included "aspirational" commitments to reduce energy intensity by at least 25% by 2030 and to increase regional forest cover by at least 20 million hectares by 2020. APEC's consensus position on the latter topic entitled "Strengthening Regional Economic Integration," was endorsed by the Leaders. The APEC meetings also discussed the recent global problem with food and product safety.

For the Bush Administration, the APEC meetings provided an opportunity to reiterate its interest in forming a Free Trade Area of the Asia-Pacific (FTAAP) and to hold bilateral talks with a number of important Asia leaders. During the APEC meetings, Australian Prime Minister John Howard and President George Bush signed the U.S.-Australia Defense Trade Cooperation Treaty. Also, during his speech to the APEC Business Summit, President Bush proposed the creation of an "Asia Pacific Democracy Partnership." Some APEC members were critical of the departure of President Bush and Secretary Rice prior to the end of the Leaders' Meeting.

Proponents of greater U.S. involvement in APEC argue that the association provide the United States with a vehicle to re-energize its involvement in Asian trade discussions and to take a more active diplomatic role in the region. They suggest the United States should increase its financial assistance to APEC, through the annual contribution and specific assistance programs, and alterations in U.S. laws and policies on key issues. Others maintain that APEC may not be an effective mechanism for advancing U.S. interests in the region.

The President's initiatives at Sydney present the 110<sup>th</sup> Congress with opportunities to weigh in on the issue. Congress may take up the issue of the current level of direct and indirect financial support for APEC. Also, Congress may consider APEC's goals of trade and investment liberalization when legislating on various other programs. In addition, the Senate faces consideration of the new defense treaty with Australia.

This report will be updated as circumstances warrant.

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# Asia Pacific Economic Cooperation (APEC) and the 2007 Meetings in Sydney, Australia

## Introduction

The Asia Pacific Economic Cooperation (APEC) has been identified by both Congress and the Bush Administration as an organization that may help promote the U.S. goal of liberalizing international trade and investment in Asia, and possibly the rest of the world. In addition, because of the unique nature of APEC's membership and organization, the association provides a forum at which the United States can hold bilateral discussions on non-economic matters such as international security and human rights.

As one indicator of congressional interest in APEC, in the National Defense Authorization Act for Fiscal Year 2006 (P.L. 109-163), Congress called for the President to develop a comprehensive strategy to address the "emergence of China economically, diplomatically, and militarily; promote mutually beneficial trade relations with China; and encourage China's adherence to international norms in the areas of trade, international security, and human rights."<sup>1</sup> It continues by specifying that this comprehensive strategy should "identify and pursue initiatives to revitalize United States engagement in East Asia." The act then states, "The initiatives should have a regional focus and complement bilateral efforts. *The Asia Pacific Economic Cooperation forum (APEC) offers a ready mechanism for pursuit of such initiatives.*"<sup>2</sup> [emphasis added]

The notion that APEC may be an effective forum for advancing U.S. interests in Asia is apparently shared by the Bush Administration. During a White House pre-trip press briefing on August 30, 2007, National Security Council Senior Director Dennis Wilder stated, "The importance that the President attaches to APEC is demonstrated by the fact that he has not missed an APEC leaders meeting since taking office."<sup>3</sup>

In addition, senior administration officials indicate that the White House sees APEC as a model for regional economic integration in the Asia Pacific which allows the United States to play a significant role in the region's political and economic development. Some members of the Association of Southeast Asian Nations

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<sup>1</sup> P.L. 109-163, section 1234(b).

<sup>2</sup> P.L. 109-163, section 1234(c)(4).

<sup>3</sup> "Press Briefing on the President's Trip to Australia and the APEC Summit by Senior Administration Officials," U.S. Department of State, August 30, 2007.

(ASEAN)<sup>4</sup> have been actively pursuing alternative “Asian only” models for regional economic development, including “ASEAN + 1” (ASEAN and China), “ASEAN + 3” (ASEAN, China, Japan, and South Korea), and the East Asia Summit (EAS), also known as “ASEAN + 6” (ASEAN, Australia, China, India, Japan, New Zealand, and South Korea).

The Bush Administration’s interest in APEC may bring up the regional forum before the 110<sup>th</sup> Congress in several ways. First, Congress may choose to consider the level of direct and indirect financial support provided to APEC. Second, Congress may take into account U.S. commitments to APEC when considering legislation on various trade and non-trade issues. Third, Congress may increase oversight of APEC-related activities and programs of the U.S. Trade Representative, the Department of State and other federal departments and agencies.

Although both Congress and the Bush Administration view APEC as important to U.S. trade and economic and human security interests in the Asia, it is uncertain that APEC is a reliable mechanism for advancing those interests and if Congress and the Bush Administration share a common view of what the U.S. interests in Asia are. In particular, the organizational and operational structure of APEC is unusual among multilateral associations, reflecting an atypical approach to trade liberalization. As a result, APEC’s approach, organization, and operations may make it difficult for the United States to promote its positions on various issues through its activities in APEC.

## **APEC’s Approach to Trade Liberalization**

APEC is an association of 21 “member economies”<sup>5</sup> bordering the Pacific Ocean that are working cooperatively to promote economic growth and prosperity in the Asia-Pacific region. During the 1994 meetings in Bogor, Indonesia, APEC established the “Bogor Goals” of “free and open trade and investment in the Asia-Pacific by 2010 for industrialized economies and 2020 for developing economies.”<sup>6</sup> These goals have been reaffirmed at the Leaders’ Meeting each subsequent year.

APEC began in 1989 as an Australian initiative — backed by Japan and New Zealand — in recognition of the growing interdependence among Asia-Pacific

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<sup>4</sup> ASEAN members include Brunei Darussalam, Burma (Myanmar), Cambodia, Indonesia, Laos, Malaysia, the Philippines, Singapore, Thailand, and Vietnam.

<sup>5</sup> It currently consists of 21 “member economies” — Australia, Brunei Darussalam, Canada, Chile, Chinese Taipei (Taiwan), Hong Kong (China), Indonesia, Japan, Malaysia, Mexico, New Zealand, Papua New Guinea, the People’s Republic of China, Peru, the Republic of Korea, the Republic of the Philippines, the Russian Federation, Singapore, Thailand, the United States, and Vietnam. The members of APEC are referred to as economies or members — not nations or countries — due to the concurrent membership of Hong Kong, the People’s Republic of China, and Taiwan.

<sup>6</sup> The complete text of the Bogor Goals is available on APEC’s web page at [[http://www.apec.org/apec/leaders\\_\\_declarations/1994.html](http://www.apec.org/apec/leaders__declarations/1994.html)].

economies and in response to the free-trade areas that had developed in Europe and North America. It is the only international trade organization in which Hong Kong, mainland China, and Taiwan are all members.

In contrast to most other multilateral organizations, APEC is a cooperative forum in which members arrive at decisions via consensus. All commitments made by members are voluntary; APEC has no formal enforcement mechanisms to compel members to comply with any trade liberalization policies previously declared at APEC meetings — an approach often referred to as “open regionalism.”<sup>7</sup> Point 9 of the 1994 “APEC Economic Leaders’ Declaration of Common Resolve” states, “APEC economies that are ready to initiate and implement a cooperative arrangement may proceed to do so while those that are not yet ready to participate may join at a later date.”<sup>8</sup>

The underlying notion of the APEC approach to trade liberalization is that voluntary commitments are easier to achieve and more likely to be implemented than obligatory commitments derived from agreements negotiated by more traditional — and potentially, confrontational — methods. By establishing a common vision or goal for the organization, the belief is that future APEC discussions can make more rapid progress towards the organization’s goals by seeking consensus views with which members are willing to comply.

By contrast, trade agreements negotiated according to more traditional approaches tend to foster confrontation and expectations of reciprocal concessions. Lacking a shared goal or objectives, it may be difficult to resolve differences among the parties and complete an agreement. Later on, if any party to the agreement feels that it was inequitable, they may fail to comply with the terms of the agreement, or withdraw from the agreement in its entirety, even if there are formal sanction or grievance provisions within the agreement.

APEC strives to meet the Bogor Goals in three “broad areas” of cooperation. First, members consult with each other to formulate individual and collective actions to liberalize merchandise and service trade, as well as international investment. Second, members discuss their domestic regulations and procedures to find ways of facilitating international business. Third, the members engage in “Economic and Technical Cooperation,” or ECOTECH, to provide training and foster greater cooperation among APEC members.

In 1995, APEC created a template to achieve the Bogor Goals in its “Osaka Action Agenda.”<sup>9</sup> The Osaka Action Agenda emphasizes APEC’s “resolute opposition to an inward-looking trading bloc that would divert from the pursuit of

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<sup>7</sup> For a more detailed discussion of APEC and the concept of “open regionalism,” see Christopher M. Dent, *New Free Trade Agreements in the Asia-Pacific*, Palgrave MacMillan, 2006.

<sup>8</sup> See [[http://www.apec.org/apec/leaders\\_\\_declarations/1994.html](http://www.apec.org/apec/leaders__declarations/1994.html)].

<sup>9</sup> The complete text of the 1995 Leaders’ declaration and a link to the Osaka Action Agenda is available on APEC’s web page at [[http://www.apec.org/apec/leaders\\_\\_declarations/1995.html](http://www.apec.org/apec/leaders__declarations/1995.html)].

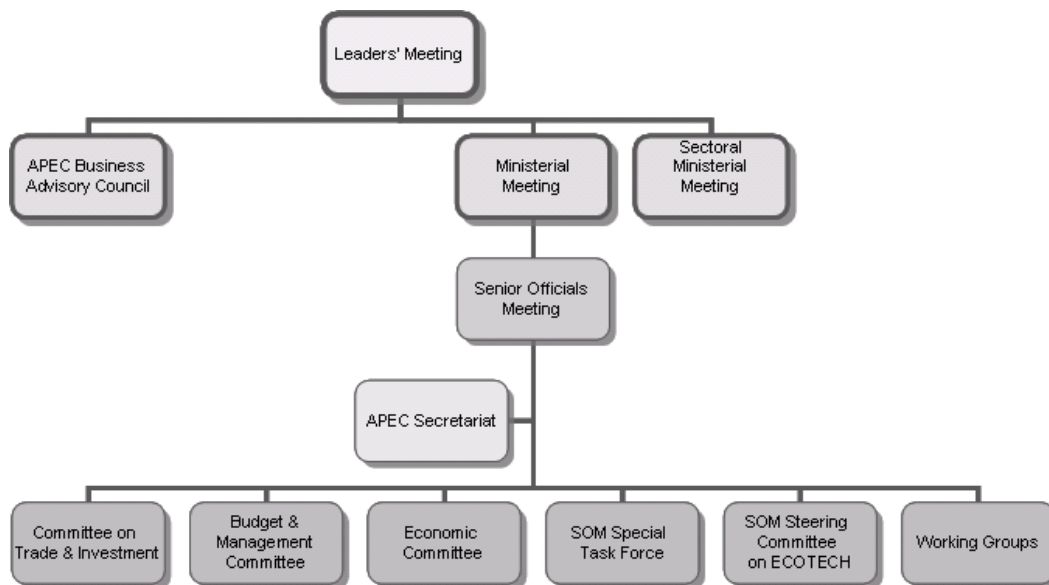


global free trade” by accepting a set of fundamental principles for APEC’s trade and investment liberalization and facilitation. These principles include comprehensiveness; WTO consistency; comparability; non-discrimination; transparency; flexibility; and cooperation.

## APEC Organization and Operation

APEC’s unusual approach to trade liberalization is reflected in its organization and operation. APEC’s organization consists of a small Secretariat in Singapore, which reports to the constituents of five separate groups: the preeminent Leaders’ Meeting, the APEC Business Advisory Council, the Ministerial Meeting, the Sectoral Minister Meetings, and the Senior Officials Meetings. The Secretariat, in turn, supervises the work of six different groups: the Committee on Trade and Investment, the Economic Committee, the Steering Committee on ECOTECH, the Budget and Management Committee, Special Task Groups, and Working Groups. Each member of APEC sends representatives to work on the Secretariat’s staff to serve as program directors.<sup>10</sup>

**Figure 1. APEC Organization**



The focal point of APEC activities is the annual Leaders’ Meeting in which the APEC leaders set goals, publicize them, and provide momentum for the process.<sup>11</sup> This is usually held in October or November of each year, and is attended by heads of state except for those from Taiwan and Hong Kong who, because of China’s

<sup>10</sup> In 2006, the United States seconded Scott Smith to work with the APEC Secretariat.

<sup>11</sup> The Leaders’ Meetings are technically not summits because of the presence of Hong Kong and Taiwan, whose leaders are not officially heads of state.

objections, send other representatives. The first Leaders' Meeting was held in 1993 on Blake Island, near Seattle, Washington.

Major decisions are generally affirmed and/or announced at the Leaders' Meeting. The meeting also provides a platform for and gives momentum to major APEC initiatives. Although APEC confines its agenda primarily to economic issues, the leaders often hold bilateral meetings during the Leaders' Meeting to discuss international security, human rights, and other issues.

Most of the decisions announced at the Leaders' Meeting are first considered in a series of Ministerial Meetings held throughout the year. These include the respective ministers dealing with trade, finance, transportation, telecommunications, human resources development (education), energy, environment, science and technology, and small and medium-sized enterprises. The largest ministerial is the annual Joint Ministerial Meeting which precedes the Leaders' Meeting. It usually is attended by foreign trade or commerce ministers from member states. The various Ministerial Meetings make recommendations to the Leaders' Meeting; they do not have the authority to act independently on behalf of APEC.

Working under the direction of the various APEC ministers, the Senior Officials coordinate the activities of the various committees, working groups and task forces within APEC. Senior Officials Meetings are held three or four times a year. The current U.S. Senior Official for APEC is Ambassador Patricia M. Haslach.

The APEC Business Advisory Council (ABAC) consists of up to three individuals appointed by each APEC member. It provides advice on implementing the APEC agenda and other specific business-related issues.<sup>12</sup> ABAC also can make comments on the recommendations of the various Ministerial Meetings.

Most of the specific tasks before APEC are addressed in committees, working groups, or expert groups that deal with economic issues of importance to the region. For implementing the Bogor goals, the Committee on Trade and Investment plays the key role. APEC has ten working groups that work on specific areas of cooperation and facilitation: (1) Trade and Investment Data, (2) Trade Promotion, (3) Industrial Science and Technology, (4) Human Resources Development, (5) Energy Cooperation, (6) Marine Resource Conservation, (7) Telecommunications, (8) Transportation, (9) Tourism, and (10) Fisheries. Each working group has one or more shepherds (members) who take responsibility for coordinating the work of the group.

The APEC chair rotates annually and since 1989 has been held by (in order): Australia, Singapore, South Korea, Thailand, the United States, Indonesia, Japan, the Philippines, Canada, Malaysia, New Zealand, Brunei, People's Republic of China, Mexico, Thailand, Chile, South Korea, and Vietnam. In 2007, Australia was once again the APEC chair, with the Leaders' Meeting held on September 8-9 in Sydney.

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<sup>12</sup> U.S. representatives to ABAC are: Spencer Kim, Chairman of CBOL Corporation; and Michael Phillips, Chairman of Russell Investment Group.

Decisions within APEC's various organizational bodies are based on the consensus approach of APEC. Most committees, working groups, and special task groups have representatives from all 21 members, and select their leadership from amongst themselves. Members may delay or refrain from any action recommended or approved by a meeting, committee, working group or special task force without facing sanctions or recriminations from other members. However, all decisions and agreements of the various meetings, committees, and working groups must be implemented in accordance with the Osaka Action Agenda.

APEC actions take place at three levels: actions by individual members; actions with the confines of APEC; and collective APEC actions with respect to other multinational organizations. The primary form of individual member actions are the "Individual Action Plans," or IAPs. Each year, APEC members submit at the Ministerial Meeting an IAP that spells out what steps the member has taken and/or will take to advance their trade regime towards the achievement of the Bogor Goals. IAPs typically are organized along both sectoral (e.g., architectural services) and topical (e.g., customs procedures) lines. Although members cannot impose changes on each other's IAPs, the Osaka Action Agenda calls on each member to consult, submit, and review the IAPs to foster comparability, transparency, and cooperation amongst the IAPs.

The internal actions of APEC generally involve research on topics related to trade liberalization, the exchange of best practices, and the standardization of policies and procedures related to international trade and investment. In some cases, APEC will create a working group on a particular topic, with the goals of generating a "collective action plan," or CAP. In some cases, the CAPs are little more than a topical summary of the member IAPs; in other cases, the working group plays a more active role in promoting trade liberalization and facilitation via the CAPs.

Another example of an APEC's internal action is the "APEC Business Travel Card," an idea advanced by the ABAC. Business travelers possessing an APEC Business Travel Card are allowed fast-track entry and exit through special APEC lanes at major airports, and multiple, visa-free entry amongst members that recognize the card.

Collective actions of APEC usually involve joint or coordinated efforts to advance trade and investment liberalization in other multilateral organizations. Most recently, APEC's collective actions have focused on helping complete the Doha Round of the WTO. For example, following the 2006 Leaders' Meeting in Hanoi, APEC released a statement on the "Doha Development Agenda of the WTO" that affirmed the members' "collective and individual commitments to concluding an ambitious and balanced WTO Doha agreement" by each member "moving beyond our current positions in key areas of the Round." The key areas mentioned were "trade-distorting farm support," "market access in agriculture," "real cuts in industrial tariffs," and "new openings in services trade."

## Results of the 2007 Meetings in Sydney

In January 2007, Australia assumed the chair of APEC, and was the host for the various APEC meetings held throughout the year. Following the meetings in 2006, various goals were suggested for 2007, including “further studies on ways and means to promote regional economic integration.”<sup>13</sup> The official theme for the APEC 2007 meetings was “Strengthening Our Community, Building a Sustainable Future.”

In the runup to the events in Sydney, the host country indicated that the main foci for the meetings would be climate change and regional economic integration. These themes were echoed in pre-event statements by several other APEC members, including China. Successful conclusion of the Doha Round negotiations, energy security, and counter-terrorism efforts were other major topics raised by members prior to the meetings in early September.

### Outcomes of the Major Meetings

The major APEC meetings for 2007 were held in Sydney in September. The 15<sup>th</sup> APEC Economic Leaders’ Meeting was held on September 8 and 9; the U.S. delegation was headed by President George W. Bush. The 19<sup>th</sup> APEC Ministerial Meeting was held on September 5 and 6; the U.S. delegation was headed by Secretary Rice.

Consistent with past practices, a Leaders’ joint declaration and a ministerial joint statement were released after their respective meetings. Both documents focused on a limited number of topics, which generally reflected the goals established for 2007 at the end of the 2006 APEC meetings. What follows is a topical summary of APEC’s achievements for 2007 as presented in the two documents.

**Climate Change, Energy Security, and Clean Development.** The issue of climate change became the top topic for the 2007 Economic Leaders’ Meeting. In a separate joint declaration on the subject, the economic leaders agreed that “economic growth, energy security and climate change are fundamental and interlinked challenges for the APEC region.”<sup>14</sup> The leaders reaffirmed their commitment to the United Nations Framework Convention on Climate Change and stated their support for a post-2012 international climate change arrangement to replace the expiring Kyoto Protocol. With the exception of Australia, Brunei Darussalam, and the United States, all APEC members are parties to the Kyoto Protocol.

The APEC members pledged to take four specific actions on climate change. First, they set “an APEC-wide regional aspirational goal of a reduction in energy intensity of at least 25 percent by 2030 (with 2005 as the base year). Second, APEC

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<sup>13</sup> “2006 Leaders’ Declaration,” 14th APEC Economic Leaders’ Meeting, 18-19 November 2006; available at: [[http://www.apecsec.org.sg/apec/leaders\\_\\_declarations/2006.html](http://www.apecsec.org.sg/apec/leaders__declarations/2006.html)].

<sup>14</sup> The full text of the Leaders’ declaration on the climate change is available at: [<http://www.apec2007.org/documents/Declaration%20Climate%20Change.pdf>].

members will attempt to increase forest coverage by at least 20 million hectares of all types of forests by 2020. Third, they agreed to create an Asia-Pacific Network for Energy Technology (APNet) to strengthen collaboration on energy research. Fourth, APEC will also establish an Asia-Pacific Network for Sustainable Forest Management and Rehabilitation.

**WTO Negotiations.** For the third year in a row, the APEC Leaders issued a separate statement on the ongoing WTO negotiations.<sup>15</sup> Their joint statement maintains that the negotiations “offer unparalleled potential to create a better trading environment.” In addition, the APEC leaders “insist that consensus will only be possible on the basis of an ambitious, balanced result that delivers real and substantial market access improvements for agricultural and industrial goods and for services and real and substantial reductions in trade-distorting agricultural subsidies.”

The joint statement on WTO negotiations ends with a call for all APEC members to participate in the continuing talks in Geneva, and to resume negotiations based on the draft texts tabled by the chairs of the negotiating groups on agriculture and non-agricultural market access.

**Regional Economic Integration and Free Trade Agreements.** In contrast to the 2006 meetings in Hanoi, the topic of regional economic integration was not the leading issue for the 2007 APEC meetings. The economic leaders “welcomed and endorsed” a report submitted by the APEC ministers entitled, “Strengthening Regional Economic Integration.”<sup>16</sup> In their report, the ministers reaffirmed APEC’s commitment to the Bogor Goals and their support for a “multilateral trading system.” To that end, they stated that APEC’s priority was the successful conclusion of the Doha Round, but that APEC also supported regional economic integration through “high-quality and comprehensive” regional trade agreements (RTAs) and free trade agreements (FTAs), including the possible long-term prospects for forming a “Free Trade Area for the Asia-Pacific (FTAAP).”

**Trade and Investment Liberalization and Facilitation.** The annual Leaders’ and Ministerial Meetings are generally the occasions at which APEC members submit an update on their individual IAPs, and committees and working groups submit their CAPs. The meetings also provide an opportunity for APEC to provide guidance on which areas of trade liberalization and facilitation are of the greatest interest among the member economies.

In their joint declaration, the Leaders endorsed three specific areas where APEC members have agreed to “accelerate efforts” to promote trade and investment liberalization and facilitation: (1) Reducing barriers to trade and investment through FTAs and RTAs; (2) Improving the regional business environment; (3) Facilitating

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<sup>15</sup> The full text of the Leaders’ statement on the WTO negotiations is available at: [<http://www.apec2007.org/documents/Statement%20on%20the%20WTO%20Negotiations.pdf>].

<sup>16</sup> A copy of the ministers’ report on regional economic integration is available online at: [<http://www.apec2007.org/documents/Strengthening%20Regional%20Economic%20Integration.pdf>].

integration of the such sectors as transportation, telecommunications, mining, and energy.<sup>17</sup>

In 2007, the Ministers “welcomed” the completion of seven “IAP Peer Reviews” by Australia, China, Hong Kong, Japan, New Zealand, South Korea and Taiwan. They also “endorsed the revised CAPs being implemented by all APEC members in pursuit of APEC’s free trade and investment goals.”<sup>18</sup> They also “welcomed” APEC’s 2<sup>nd</sup> Trade Facilitation Action Plan that was endorsed at a Ministers Responsible for Trade (MRT) meeting in July 2007. The action plan set out a framework for reducing trade transaction costs by 5% by 2010.

The Ministers expressed their pleasure at Mexico and the United States joining the APEC Business Travel Card Scheme, increasing the number of APEC members participating in the program to 19.<sup>19</sup> However, the United States is considered a transitional member. Business travelers from APEC member economies to the United States are still required to present a valid passport and visa (if required by U.S. law). APEC Business Travel Card holders are provided expedited visa interviews and entitled to use “fast-track” immigration lanes (typically the lanes designated for flight crews) at U.S. international airports.

The United States cited a few new advances in trade and investment liberalization and facilitation in its 2007 IAP.<sup>20</sup> First, the United States designated East Timor and Liberia as “beneficiary developing country” under the Generalized System of Preferences (GSP), in order to foster trade with both nations.<sup>21</sup> Second, the United States concluded a number of bilateral free trade agreements and bilateral investment treaties (BITs) lowering trade and investment barriers.<sup>22</sup> In addition, the bilateral trade agreements with Bahrain and Morocco and a bilateral investment treaty with Uruguay went into force in 2006, as well as the multilateral U.S.-Central American-Dominican Republic (CAFTA-DR) Free Trade Agreement. In general, the United States maintains that it has very few trade and investment barriers that prevent its achievement of the Bogor Goals.

Prior to the meetings in Sydney, during an APEC Budget and Management Committee meeting in Singapore, the United States announced it was going

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<sup>17</sup> Joint Declaration of the 15<sup>th</sup> APEC Economic Leaders’ Meeting, September 9, 2007.

<sup>18</sup> Joint Statement of the 19<sup>th</sup> APEC Ministerial Meeting, September 5-6, 2007.

<sup>19</sup> Canada and Russia are not currently members of the APEC Business Travel Card Scheme.

<sup>20</sup> The separate chapters of the U.S. IAPs — as well as the IAPs for all the other member economies — are available at [<http://www.apec-iap.org/>].

<sup>21</sup> For an overview of GSP, see CRS Report RL33663, *Generalized System of Preferences: Background and Renewal Debate* by Vivian C. Jones.

<sup>22</sup> For an list of existing U.S. bilateral trade and investment agreements, see “2007 Trade Policy Agenda and 2006 Annual Report,” on the USTR’s web page: [[http://www.ustr.gov/Document\\_Library/Reports\\_Publications/2007/2007\\_Trade\\_Policy\\_Agenda/Section\\_Index.html](http://www.ustr.gov/Document_Library/Reports_Publications/2007/2007_Trade_Policy_Agenda/Section_Index.html)].

contribute \$1.5 million to APEC's Trade and Investment Liberalization and Facilitation Special Account and a total of \$800,000 to the APEC Support Fund.<sup>23</sup>

**Human Security.** Over the last few years, APEC has expanded its agenda to consider issues of "human security," principally on issues related to terrorism, disease and natural disasters. Besides the obvious direct suffering of the victims, APEC sees threats to human security as undermining international trade, economic development, and prosperity.

A new item added to the list of threats to human security in 2007 was product safety. In their joint declaration, the Leaders "agreed to the need to develop a more robust approach to strengthening food and consumer product safety standards and practices in the region, using scientific risk-based approaches and without creating unnecessary impediments to trade." The Leaders directed the Ministers to work on this priority issue.

On the subject of terrorism, the Leaders "reaffirmed our commitment to dismantle terrorist groups, eliminate the danger posed by the proliferation of weapons of mass destruction, and to protect our economic and financial systems from abuse from terrorist groups."

Concerning threats posed by disease, the Leaders focused their efforts on the potential risk of pandemics and combating the spread of HIV/AIDS. The Leaders reiterated APEC's commitment to build regional preparedness to respond to potential pandemics. Also, they endorsed guidelines for the creation of a supportive workplace environment for workers living with HIV/AIDS.

Natural disasters were also a priority during the Sydney meetings. Since the 2004 tsunami, the possible consequences of another major natural disaster has continued to be a concern in the region. In December 2005, Congress passed the "Tsunami Warning and Education Act" (P.L. 109-424), which authorizes increased U.S. funding for the tsunami warning system in the Pacific over the next five years.

Finally, the Leaders identified "high and volatile energy prices" as an ongoing economic risk to the region, and that the risk can "best be met by expanded trade and investment to boost supply and greater efficiency in use."

**Strengthening APEC.** Besides the preceding economic and trade issues, the Leaders raised one administrative issue in their joint declaration — the need to make APEC more efficient and responsive. To that end, the Leaders established the APEC Support Unit and transferred the appointment of the Executive Director to a fixed term.

Also, in order to "maintain APEC's momentum," the Leaders decided to continue its current moratorium on new members until at least 2010. The new member moratorium was seen as a blow to India, who is considered a leading

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<sup>23</sup> "United States Contributes \$2.3 Million to Support APEC Projects," Office of the Spokesman, U.S. Department of State, August 2, 2007.

candidate for the next round of new APEC members. According to a source on the Philippine delegation, “western members” opposed India joining APEC because of its political and economic strength, but were open to the admission of “smaller countries” such as Colombia and Panama.<sup>24</sup> Other economies that have expressed an interest in joining APEC are Burma, Cambodia, Ecuador, Laos, Macau, Mongolia, Pakistan, and Sri Lanka.

**Other Important Developments.** In his speech to the APEC’s business summit, President Bush spoke at some length about the development of democracy in Asia.<sup>25</sup> According to President Bush, “The expansion of freedom and democracy in the Asia Pacific region is one of the great stories of our time.” After noting that at the end of World War II, Australia and New Zealand were the only democracies on the western side of the Pacific, he pointed out that 60 years later, East Timor, Indonesia, Japan, the Philippines, South Korea, and Taiwan are now democracies. Later on in his speech, President Bush called for efforts to bring democracy to Burma and North Korea; and said that the United States looked forward to “free and fair elections” in Thailand. He also spoke of “encouraging Russia’s leaders to respect the checks and balances that are essential to democracy” and working with China’s leaders to use the opportunity of the 2008 Olympics to demonstrate “a commitment to greater openness and tolerance.”

Following his summary of democracy in Asia, President Bush proposed “the creation of a new Asia Pacific Democracy Partnership.” As he described it, “Through this partnership, free nations will work together to support democratic values, strengthen democratic institutions, and assist those who are working to build and sustain free societies across the Asia Pacific region.” No details were provided in the speech or following the speech on the membership or financing of the Asia Pacific Democracy Partnership.

The annual Leaders’ and Ministerial Meetings are also an occasion for APEC to release new reports and make important announcements. The 2007 meetings continued this tradition. During the Ministerial Meeting, APEC announced the publication of its “Code of Conduct for Business” as part of its ongoing anti-corruption campaign.<sup>26</sup> It was also announced that APEC had accepted the offers of the United States and Russia to host the 2011 and 2012 meetings respectively. The 2008 meetings are to be held in Lima, Peru, on November 22 and 23.

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<sup>24</sup> “India to Remain Outside APEC until at least 2010,” IST, September, 9, 2007. The article is not specific on the meaning of the ambiguous term, “western members.”

<sup>25</sup> The full text of President Bush’s speech to the APEC Business Summit is available at: [<http://www.whitehouse.gov/news/releases/2007/09/print/20070907.html>].

<sup>26</sup> The press release of the announcement and a copy of the “APEC Code of Conduct for Business” is available online at: [[http://www.apecsec.org.sg/apec/news\\_\\_\\_media/media\\_releases/060907\\_aus\\_bizcodeconduct.html#](http://www.apecsec.org.sg/apec/news___media/media_releases/060907_aus_bizcodeconduct.html#)].



## Noteworthy Bilateral Meetings

The annual APEC Leaders' Meeting also provides a rare opportunity for the U.S. President to hold bilateral meetings with a number of important government leaders at one location. In particular, the annual APEC gathering is the one time when top officials from China, Hong Kong, and Taiwan are attending the same event. As a result, it has not been unusual for the U.S. President to schedule a series of bilateral meetings during the week of the APEC Leaders' Meeting.

In 2007, President Bush continued the tradition of bilateral meetings. During his time in Sydney, he met with Australia's Prime Minister John Howard, China's President Hu Jintao, Indonesia's President Susilo Bambang Yudhoyono, Japan's Prime Minister Shinzo Abe, Russia's President Vladimir Putin, and South Korea's President Roh Moo-Hyun. In addition, President Bush hosted a working lunch with the leaders from seven members of the Association of Southeast Asian Nations (ASEAN) that are also members of APEC — Brunei Darusaalam, Indonesia, Malaysia, the Philippines, Singapore, Thailand, and Vietnam. What follows is a summary of President Bush's bilateral meetings.

**Australia and Prime Minister Howard.**<sup>27</sup> The bilateral meeting between President Bush and Prime Minister Howard was originally scheduled to occur after the Leaders' Meeting. However, President Bush's controversial decision to leave early meant the bilateral meeting was moved forward to September 4, 2007. The rescheduling of the bilateral meeting, and President Bush's early departure, apparently caused some friction between Australia and the United States prior to the start of the APEC events.

The main announcement made following the September 4, 2007 meeting between President Bush and Prime Minister Howard was the signing of U.S.-Australia Defense Trade Cooperation Treaty. A White House summary of the terms of the treaty indicates that most U.S. and Australian military articles would be able to be exported within a "circle" consisting of the U.S. government, the Australian government, and specific defense companies in both nations without prior government approval.<sup>28</sup> President Bush indicated that he intended to submit the treaty to the U.S. Senate for approval after his return to the United States.

In addition to the new treaty, the two leaders held what Prime Minister Howard called "a very broad-ranging discussion."<sup>29</sup> Prime Minister Howard commented in particular on the topics of climate change and conditions in the Middle East (including Iraq, Iran and the Israeli-Palestinian situation). President Bush's

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<sup>27</sup> For more information on U.S.-Australia relations, see CRS Report RL33010, *Australia: Background and U.S. Relations*, by Bruce Vaughn.

<sup>28</sup> "U.S.-Australia Defense Trade Cooperation Treaty," White House fact sheet, September 6, 2007.

<sup>29</sup> "President Bush and Australian Prime Minister Howard Discuss U.S.-Australia Defense Trade Cooperation Treaty in Joint Press Availability," White House Office of the Press Secretary, September 4, 2007.

comments on their meeting focused on the new treaty and the situations in Iraq and Afghanistan. He also raised concerns about the recent demonstrations in Burma and what he characterized as “tyrannical behavior” by the nation’s military government.

President Bush held a separate meeting with Australia’s opposition Labour Party leader, Kevin Rudd, on September 6, 2007. When asked about the intent of the meeting prior to President Bush’s departure for Sydney, State Department officials pointed out similar meetings with opposition party leaders in the past, and that the President Bush’s primary objective would be to explain the importance of Australia keeping its troops in Iraq. Many political observers in Australia expect the Labour Party to win the next parliamentary elections, and believe Mr. Rudd may be Australia’s next Prime Minister.

**China and President Hu.**<sup>30</sup> The meeting between President Bush and China’s President Hu Jintao occurred on September 6, 2007. In his summary of the meeting, President Bush highlighted their talks on North Korea, Sudan, climate change, and economic and trade relations. He also mentioned that the subjects of product safety, exchange rates, and religious freedom were raised during the meeting. Summarizing their conversation as “candid and friendly,” President Hu focused his comments on climate change, Taiwan, the Korean Peninsula, the Iranian nuclear issue, and Sudan.

**Indonesia and President Yudhoyono.**<sup>31</sup> The main topic of the meeting was what President Bush called Indonesia’s “struggle against extremism” — an indirect reference to the Jemaah Islamiah (JI) and other terrorist organizations or separatist movements operating in Indonesia.<sup>32</sup> The two presidents also spoke about the importance of military-to-military cooperation between Indonesia and the United States, pointing out the value of a recent U.S. visit by Indonesian military officers. President Bush also complemented Indonesia’s efforts on climate change, highlighting their efforts in forest and coral reef preservation.

**Japan and Prime Minister Abe.**<sup>33</sup> In what proved to be his last official meeting with President Bush, Prime Minister Abe summarized the main topics of their discussion of September 8, 2007, as being climate change, the fight against terrorism, and the importance of the Japanese-American military refueling operation

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<sup>30</sup> For more information about U.S.-China relations, see CRS Report RL33877, *China-U.S. Relations: Current Issues and Implications for U.S. Policy*, by Kerry Dumbaugh.

<sup>31</sup> For more information about U.S.-Indonesia relations, See CRS Report RL32394, *Indonesia: Domestic Politics, Strategic Dynamics, and American Interests*, by Bruce Vaughn.

<sup>32</sup> For more information about terrorist organizations operating in Indonesia, see CRS Report RL32394, *Indonesia: Domestic Politics, Strategic Dynamics, and American Interests*, by Bruce Vaughn.

<sup>33</sup> For more information about U.S.-Japan relations, see CRS Report RL 33436, *Japan-U.S. Relations: Issues for Congress*, by Emma Chanlett-Avery, Mark E. Manyin, and William H. Cooper.

in the Indian Ocean. In his summary, President Bush echoed the topics mentioned by Prime Minister Abe, and added energy security to the list.

**Russia and President Putin.**<sup>34</sup> Following their meeting on September 7, 2007, President Putin indicated that their conversation had covered a range of topics, including missile defense, Russia's WTO accession plans, Iran's nuclear program, and environmental issues.

**South Korea and President Roh.**<sup>35</sup> President Bush and South Korean President Roh Moo-Hyun met on the afternoon of Friday, September 7, 2007. The two discussed a wide range of topics, including the six-party talks with North Korea and the situation in Iraq. The pending U.S.-Korea Free Trade Agreement was not mentioned in a White House summary of the content of the meeting.

The official post-meeting statements by both presidents focused on the talks with North Korea and the prospects for the end of the Korean War. At a post-meeting press conference, President Roh asked President Bush to "be a little bit clearer in your message" on a supposed U.S. declaration to end the Korean War. President Bush responded, "I can't make it any more clear, Mr. President. We look forward to the day when we can end the Korean War. That will end — will happen when [North Korean President] Kim Jong-Il verifiably gets rid of his weapons programs and his weapons."<sup>36</sup>

The brief exchange was the subject of discussion in the international media and among Korea analysts. Some speculate that President Bush had omitted an agreed upon statement in his summary of the meeting and President Roh was reminding him of the missing statement. Others have speculated that President Roh attempted to press the issue in hopes of obtaining a stronger statement on the subject from the U.S. President. There have also been claims that the exchange was the result of a translation error during the Presidents' meeting. Whatever the cause, President Roh's break with the usual post-meeting protocol, and the apparent irritation it caused President Bush, was viewed by many as another example of lingering tensions between the two presidents.

**ASEAN Leaders.** During the working lunch on September 7, 2007, President Bush announced his decision to create the position of Ambassador to ASEAN.<sup>37</sup> He

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<sup>34</sup> For more information about U.S.-Russia relations, see CRS Report RL33407, *Russian Political, Economic, and Security Issues and U.S. Interests*, by Stuart D. Goldman.

<sup>35</sup> For more information about U.S.-South Korea relations, see CRS Report RL33567, *Korea-U.S. Relations: Issues for Congress*, by Larry A. Niksch.

<sup>36</sup> "President Bush Meets with South Korean President Roh," White House Office of the Press Secretary, September 7, 2007.

<sup>37</sup> "United States Cooperation with Southeast Asia," fact sheet, White House Office of the Press Secretary, September 7, 2007.

also stated his intention to host a meeting in the United States to celebrate 30 years of U.S.-ASEAN relations.<sup>38</sup>

President Bush's invitation to ASEAN members to a meeting to be held in Texas raised questions about the possible attendance by Burma. During a press conference held on September 7, 2007, U.S. Deputy National Security Advisor Jim Jeffrey stated, "we'll work out the level of attendance of the various countries, including, hypothetically, the attendance of Burma, at another time."<sup>39</sup> The United States currently has a ban on economic and trade relations with Burma.<sup>40</sup>

## Assessment by the Bush Administration<sup>41</sup>

To the Bush Administration, the key outcomes of the APEC meetings in Sydney were: (1) Progress on the development of a FTAAP; (2) The endorsement of the APEC report on regional economic integration; (3) Agreement on a joint declaration on climate control; and (4) The Leaders' joint statement on the WTO negotiations. Looking ahead to the 2008 meetings in Lima, Peru, the White House is primarily concerned about some hesitance on the part of some of Asian APEC members to fully participate in the meetings.

**Progress on a FTAAP.** The U.S. proposal to explore the possible creation of a FTAAP was accepted at last year's APEC Leaders' Meeting in Hanoi, but in relatively general terms. In the view of the White House, various elements of this year's APEC meetings indicate progress was being made in obtaining more interest and support for the concept of an FTAAP. In particular, the inclusion of the exploration of a FTAAP as one of the "agreed actions" in the report on regional economic integration was perceived as a qualitative change in APEC's overall attitude from a year before. In addition, by endorsing the report, the Leaders have given a green light to specific research projects described in the report that may become a precursor to a larger feasibility study for a FTAAP. However, the Bush Administration is aware that China, Japan, and some ASEAN members remain skeptical about the feasibility and desirability of creating a FTAAP.

**Regional Economic Integration.** To the Bush Administration, the report on regional economic integration creates an "umbrella" over much of APEC's work on trade and investment liberalization, as well as advances the discussion on forming a FTAAP (see above). In addition to its "agreed actions" on the exploration of a FTAAP, the report on regional economic integration includes "agreed actions" on: the promotion of "high-quality, comprehensive RTAs/FTAs"; the reduction of "behind-the-border barriers" to trade and investment; support for structural reform of member economies; the strengthening of financial markets; the improvement of

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<sup>38</sup> Ibid.

<sup>39</sup> "Press Briefing by Deputy Press Secretary Dana Perino and Senior Administration Officials," White House Office of the Press Secretary, September, 7, 2007.

<sup>40</sup> For details, see CRS Report RL33479, *Burma-U.S. Relations*, by Larry A. Niksch.

<sup>41</sup> Analysis in this section is based on publicly available materials from various Executive Branch agencies and conversations with senior trade officials in the Bush Administration.

key sectors in APEC (including transportation, mining, and the environment); and capacity building for APEC's developing economies. As described by one administration official, the "agreed actions" provide APEC with a clearer agenda for its trade and investment liberalization efforts.

**Climate Change.** The significance of APEC's joint declaration on climate control is largely in the inclusion of both the United States and China as endorsers of the document. While the environmental objectives in the joint declaration are non-binding, the document does find common ground between China and the United States on pollution reduction efforts.

**WTO Negotiations.** Although this year's joint statement on the WTO negotiations is considered softer in tone and less specific in content than last year's statement, the Bush Administration considers it useful to have all 21 APEC members endorsing the concept of completing the Doha Round negotiations. In addition, the Bush Administration points to the statement's agreement that the resumption of negotiations "on the basis of the draft texts tabled by the chairs of the negotiating groups" as a significant outcome.

**Concerns about Meetings in Lima.** From its inception, there has been mixed attitude within APEC about the inclusion of members from the eastern rim of the Pacific Ocean. For some of the Asian members of APEC, their economic interest and connections to the eastern rim of the Pacific are focused almost exclusively in the United States. As a result, according to administration officials, it may be difficult for some Asian members to drum up sufficient domestic support to finance a delegation to the meetings in Lima comparable in size and stature as those sent to APEC meetings held in Asia. The concern is that reduced representation from Asia may undermine the ability to make much progress during the 2008 meetings.

## Comments from the Media

The early departure of both Secretary Rice and President Bush from their respective meetings was heavily discussed by the media. The decision by President Bush to depart after the first day of the two-day Leaders' Meeting<sup>42</sup> came only a few days before the start of the APEC meetings, and was considered by some commentators a blow to relations with Australia and counterproductive to U.S. ambitions to forward its agenda during the event. To some analysts, Bush's early arrival did little to counteract the negative impact of the early departure.

In the weeks prior to the APEC meetings, the media ran stories indicating that many of President Bush's top advisors were recommending that he not attend the APEC meetings at all. The perceived slight to APEC was compounded by President Bush's misstatement in which he referred to APEC as OPEC, and his comments about visiting "Austrian troops" in Iraq when he meant "Australian troops." In addition, Secretary Rice's decision to depart with President Bush, as well as her decision not to attend the recent ASEAN meetings, exacerbated existing regional

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<sup>42</sup> U.S. Trade Representative Susan Schwab represented the United States at the second day of the Leaders' Meeting.

concerns that the Bush Administration is not giving adequate attention to the Asia Pacific Region.

During the pre-trip press briefing, President Bush's early departure was the focus of two questions. The first question asked if the White House was "worried that [it] sends the wrong signal to the region that he is not interested in their concerns, or that he's giving short shrift to their concerns."<sup>43</sup> The second question raised concerns that by not giving "Asia the attention it deserves," the Bush Administration has "created an opening for China to increase its clout."<sup>44</sup> Senior Director Wilder replied that he did not find such criticisms "very credible." In addition, Deputy National Security Advisor Dan Price, during a press briefing on September 7, 2007, made the following unsolicited statement:

Now, there's been a fair amount of chatter in some circles questioning the U.S. commitment to this region. As the President made clear today, as well as in the meetings and as he will make clear, U.S. engagement in APEC is permanent, unshakeable, and growing.<sup>45</sup>

Besides the perceived inattention to the region as a whole, the late changes in President Bush's schedule supposedly created some tension with Australia and Prime Minister Howard. According to media accounts, Prime Minister Howard had pressed President Bush to remain for both days, or at least designate Secretary Rice as his replacement for the second day of meetings. Both requests were unmet by the United States. In addition, the changes in security arrangements made necessary by Bush's early arrival and early departure added to the already high \$140 million security bill for the event. Prime Minister Howard was already facing sharp domestic criticism for the high cost and tight security arrangements implemented for the APEC meetings.

The APEC Leaders' joint declaration on climate control received a mixed response by the international media. To some, the fact that the 21 APEC members — including China, Japan and the United States — had agreed to common targets for improvements in energy efficiency and reforestation was a promising development for the creation of a post-Kyoto Protocol agreement on pollution control. However, others pointed to the voluntary nature of the "aspirational global emission reduction goals" as proof that the statement has little real value or significance. Other commentators felt that domestic political forces (for example, Prime Minister Howard's concerns about the upcoming elections) had driven APEC's willingness to agree to the joint declaration on climate control.

The second major document coming out of the 2007 APEC meetings, the report on regional economic integration, also was met with a mixed response. Some observers criticized the report for being too general and too encompassing in content, and as a result, provided little sense of overall direction or guidance for APEC. For

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<sup>43</sup> "Press Briefing on the President's Trip to Australia and the APEC Summit by Senior Administration Officials," U.S. Department of State, August 30, 2007.

<sup>44</sup> *Ibid.*

<sup>45</sup> "Press Briefing by Deputy Press Secretary Dana Perino and Senior Administration Officials," White House Office of Press Secretary, September 7, 2007.

example, they say the report presents the growing number of FTAs and RTAs, the long-term possibility of forming a “Free Trade Area of the Asia-Pacific,” and the continued development of the WTO as forces promoting regional economic integration, but does not explore the possible tensions between those three trends. Upon closer reading, the report endorses all three approaches to greater trade and investment liberalization without discussing potential contradictions that might ensue.

President Bush’s proposal of an “Asia-Pacific Democracy Partnership” (ADP) garnered modest attention in the media and from other APEC members. According to one report, “while China does not welcome the ‘Democracy Partnership,’ ... it is not overly alarmed either.”<sup>46</sup> The press in Taiwan noted, with some apparent pleasure, that President Bush included Taiwan among the examples of democracy in Asia.<sup>47</sup> Commentators expressed misgivings about President Bush’s vagueness about the membership and financing of the ADP, and were concerned that some APEC members might be apprehensive about how their participation in the ADP would impact their relations with China.

## APEC and International Trade

The primary goal of APEC is to foster international trade by means of trade and investment liberalization and facilitation. Since its inception in 1993 and the adoption of the Bogor Goals in 1994, APEC members have lowered their trade restrictions to varying degrees. With over a decade of history, one question is whether or not there has been a corresponding rise in APEC members’ foreign trade accompanying their liberalization and facilitation efforts.

### Assessing APEC’s Impact on Exports and Imports

**Figure 2** compares the growth of intra-APEC and total APEC exports to the growth of global exports. Starting in 1981, total APEC exports begin growing faster than global exports, and intra-APEC exports are outstripping total APEC exports. However, the pace of export growth slows for all three categories in 1995, with noticeable downturns in APEC exports occurring in 1998 and 2001, corresponding to the Asia financial crisis and the attacks on the World Trade Center and the

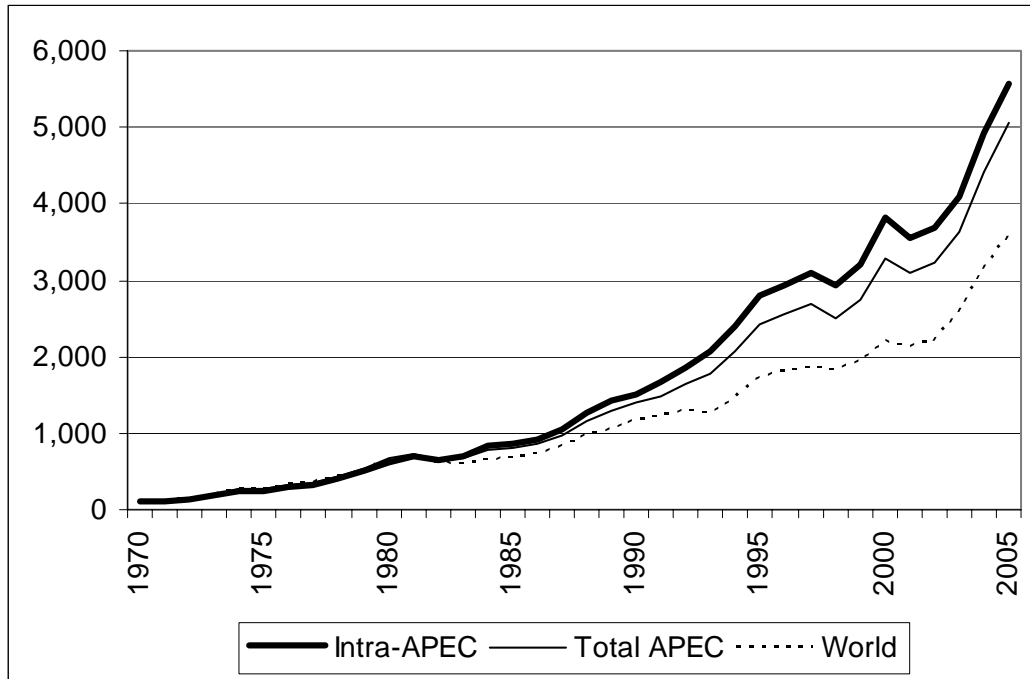
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<sup>46</sup> “China Unfazed by Democracy Partnership,” by Stephen de Tarczynki, Inter Press Services News Agency, September 12, 2007.

<sup>47</sup> “Bush Lauds Taiwan’s Democratic Society,” by Charles Snyder and Jessie Ho, Taipei Times, September 8, 2007.

Pentagon.<sup>48</sup> Since the downturn in 2001, the pace of world export growth has increased, and the pace of APEC export growth has increased even more.

**Figure 2. APEC and World Export Growth (1970=100)**

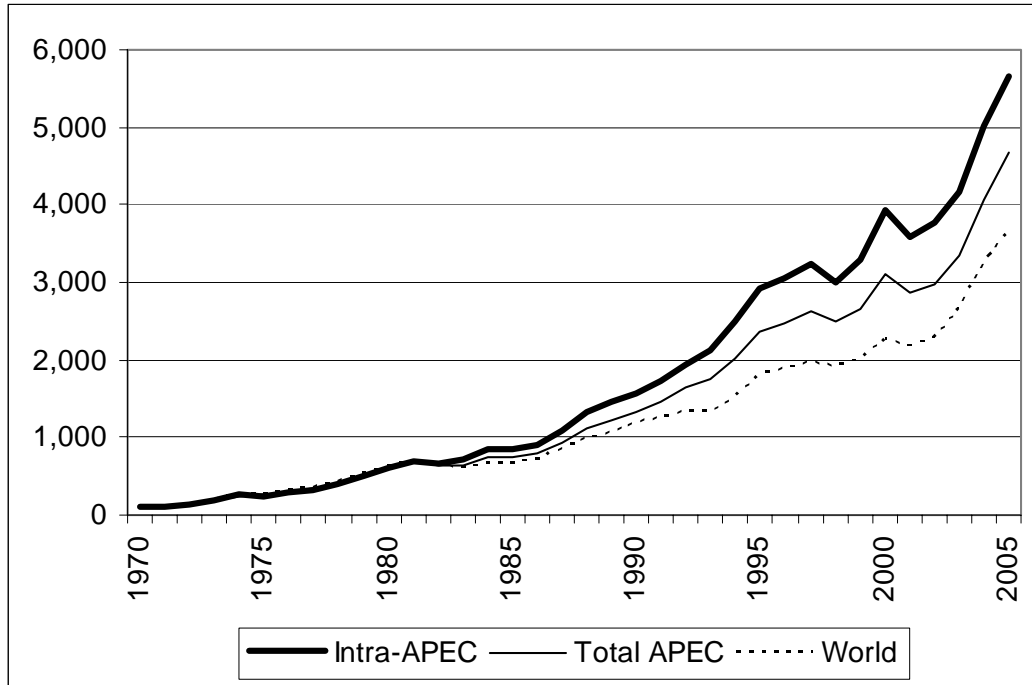


**Source:** Data from UNCTAD

Import statistics reveal a similar pattern to exports (see **Figure 3**). From 1970 to 1980, there is little difference in the import growth rate for intra-APEC, total APEC, and the world. Starting in 1981, APEC's imports — both from amongst its members and from the world — begin to increase faster than world imports. The divergence between APEC import growth and world imports continues until 1997, when the Asian financial crisis precipitates a sharp decline in APEC's imports and global imports in 1998. For the next two years — 1999 and 2000 — global imports and APEC's imports recover, only to drop once again following the attacks on September 11, 2001. Import levels grew modestly in 2002 for both APEC and the world, and then accelerated starting in 2003, with APEC's import growth rate outstripping that of the world.

<sup>48</sup> For more information on the impact of the Asian financial crisis on world trade, see CRS Report RL30517, *Asian Financial Crisis and Recovery: Status and Implications for U.S. Interests*, by Richard P. Cronin and CRS Report 98-434, *The Asian (Global?) Financial Crisis, the IMF, and Japan: Economic Issues*, by Dick Nanto; for more information about the impact of the attacks on the World Trade Center and the Pentagon on world trade, see CRS Report RL31617, *The Economic Effects of 9/11: A Retrospective Assessment*, coordinated by Gail Makinen.



**Figure 3. APEC and World Import Growth (1970=100)**

**Source:** Data from UNCTAD

While the trade data appear to support the notion that APEC has promoted trade growth for its members, the results are not conclusive. Although APEC's exports and imports have grown at a faster rate than world trade figures since the creation of APEC, it is uncertain if its trade growth is the result of trade liberalization and facilitation, or caused by other economic factors. APEC's members include several of the fastest growing economies in the world — for example, China and Vietnam — so the average economic growth rate for APEC members is higher than the global average. APEC's greater economic growth rate could be sufficient to explain most of its better trade performance compared to global figures.

However, the fact that intra-APEC exports and imports are growing at a faster rate than total APEC trade raises concerns about possible trade diversion. On the one hand, the greater growth of intra-APEC trade could be the result of lower intra-APEC trade barriers stemming from the members' actions via their IAPs and CAPs, and the spread of RTAs and FTAs amongst APEC members. On the other hand, the higher intra-APEC trade expansion could represent the diversion of trade from other nations as APEC members form preferential bilateral trade agreements that siphon off trade from non-APEC members.

### **APEC as a Vehicle for Liberalizing Trade**

Even with its "open regionalism" approach to trade and investment liberalization, APEC has been seen since its inception as a possible vehicle for liberalizing both regional and global trade. In general, observers focus on two methods by which APEC may help foster greater trade and investment liberalization.

The first method is by forming a coalition during WTO negotiations. The efforts of the APEC Geneva Caucus during the recent Doha discussions are often cited as an example of how APEC can help promote trade and investment liberalization. There is little disagreement among experts that APEC has been a positive force for trade and investment liberalization within the WTO.

The second method is more controversial. Over the last decade, the number of Asia-Pacific bilateral trade agreements (BTAs) has grown dramatically.<sup>49</sup> However, according to one observer, “The result is a competitive form of liberalization. As occurred within APEC itself, there are competing models of FTAs that cannot be integrated.”<sup>50</sup> A reporter described the phenomena as follows:

The trade diplomacy of east Asia has become so blindingly complex that even the metaphors are getting muddled. The subtitle of one academic paper on free trade agreements (FTAs) suggests using “spaghetti bowls as building blocks.” Another describes a “patchwork of bilateral hub-and-spoke FTAs in a noodle bowl.”

According to some experts, the growth of bilateral trade agreements (BTAs) amongst APEC members represents an unsystematic process that could lead to the formation of an APEC-wide regional trade agreement (RTA) much like the proposed FTAAP. According to this view, the actions of APEC — via the IAPs, CAPs, and the various committee reports — forms a commonality of perspective on issues, thereby permitting some members to conclude limited BTAs. The idea is that over time, the network BTAs will form the basis for the creation of a RTA.

However, other experts view the proliferation of BTAs as forming a barrier to trade and investment liberalization. As described by one scholar, “The resulting web of agreements and negotiations is fragmented, uncoordinated, and uneven in content and coverage.”<sup>51</sup> Because many BTAs are politically (not economically) motivated, the emerging BTAs in Asia generally suffer from several problems — WTO-incompatibility; narrow sector focus; discriminatory rules of origin (ROOs) — that make future amalgamation of the BTAs nearly impossible. As one expert describes it:

The predictable results of foreign policy-driven FTA negotiations light on economic strategy are bitty, quick-fix sectoral deals. Politically sensitive sectors in goods and services are carved out.... Little progress is usually made in tackling domestic regulatory barriers.... Finally, the sway of power politics can result in

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<sup>49</sup> For a description of the recent growth of BTAs in Asia, see CRS Report RL33653, *East Asian Regional Architecture: New Economic and Security Arrangements and U.S. Policy*, by Dick K. Nanto.

<sup>50</sup> “APEC and Free Trade Agreements in the Asia Pacific,” by Prof. Jane Kelsey. Paper presented at Asia-Pacific Research Network Policy Conference on Trade, July 11-13, 2005, Hong Kong. Paper available online at [[http://www.bilaterals.org/article-print.php3?id\\_article=2346](http://www.bilaterals.org/article-print.php3?id_article=2346)].

<sup>51</sup> Kelsey, op. cit.

highly asymmetrical deals, especially when one of the negotiating parties is a major player.<sup>52</sup>

Even if the merger of the various BTAs into an Asia-Pacific RTA were accomplished, there are concerns that the resulting agreement would institutionalize a number of tariff and non-tariff trade barriers in the region. A U.S. trade official was quoted as saying, “Bilateral FTAs being pursued by China, and Japan, and Korea to some extent, risk falling to the lowest common denominator. As someone once quipped, ‘they are neither F, nor T, nor A.’”<sup>53</sup>

Some observers go on to argue that the rising number of BTAs in the region is generating dynamics that are preventing the formation of a FTAAP and progress in the Doha Round, despite the best efforts of APEC. One scholar writes:

I note how the current discussions with the Asia-Pacific Economic Cooperation (APEC) forum to establish a Free Trade Area of the Asia-Pacific (FTAAP),” writes one scholar, “was also proposed at APEC’s Santiago summit just two years ago. It failed then as it will probably fail now because of the immense political and technical challenge of harmonizing a large number of heterogeneous bilateral FTAs into a unified regional agreement.”<sup>54</sup>

Another scholar is even more dismissive of APEC’s potential, writing, “It cannot be expected to contribute anything serious to regional economic integration.”<sup>55</sup>

Others see a slightly different effect of the BTAs on prospects for the creation of a FTAAP.<sup>56</sup> In this view, the stalled Doha Round is fostering the further disintegration of the global trading system, generating a rising number of BTAs, and increasing the risk of the creation of a discriminatory and undesirable East Asia Free Trade Area (EAFTA). The fear is that the EAFTA would become another barrier to the completion of the Doha Round, and possibly generate protectionist reactions from the European Union and the United States.

To counteract these trends, some experts say APEC should push for the creation of a FTAAP. In this view, advancing the idea of a FTAAP, APEC might improve the prospects for the Doha Round, as non-APEC members may prefer to see progress at the WTO over the creation of a FTAAP. However, even if Doha talks remain stalled, discussion of the creation of a FTAAP could limit the growth of BTAs in Asia, and/or help insure that any new BTAs are less discriminatory and WTO-compatible.

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<sup>52</sup> “FTAs and the Prospects for Regional Integration in Asia,” by Razeen Sally. ECIPE Working Paper, No. 1, 2006.

<sup>53</sup> “A Complex Curse: East Asia Exposes the Limits of the Regional,” by Alan Beattie, *Financial Times*, Nov. 13, 2006.

<sup>54</sup> “Put Effort into Doha Ahead of Proliferating Bilateral Deals,” by Dr. Christopher M. Dent. *Financial Times*, Nov. 21, 2006, p. 12.

<sup>55</sup> Sally, op. cit.

<sup>56</sup> An example of this view is C. Fred Bergsten’s speech, “The Free Trade Area of the Asia-Pacific Is the Next Step Forward for APEC (and for the World Trading System),” presented to APEC’s CEO Summit on Nov. 18, 2006 in Hanoi, Vietnam.

In summary, supporters of this view see APEC “playing four roles in this new regional dynamic.”<sup>57</sup> Those roles are:

1. Organizing regular meetings of regional trade and finance ministers and political leaders to advance the process at the multilateral and bilateral levels;
2. Reinforcing the ‘Bogor Goal’ of free and open trade and investment by 2010/2020 and authenticating neoliberal trade policies;
3. Developing “model measures” for FTAs and RTAs to achieve “high quality” liberalization and consistency; and
4. Promoting WTO-plus FTAs that are consistent with the policy agenda of the international and regional financial institutions.

## APEC and “Human Security”

Initially, APEC was viewed as a purely economic forum. APEC carefully kept its distance from political matters for fear that such issues would cause divisions within the group — particularly among China, Japan, Russia, Taiwan, and the United States. Such divisions could thwart cooperation in achieving economic goals. Consideration of non-economic issues was confined to bilateral meetings held before and after the Leaders’ Meeting.

In 1995, the issue was raised of whether APEC should be expanded to include consideration of regional security issues. The consensus in 1995 among APEC members seemed to be that regional security issues should be discussed in the ASEAN Regional Forum and other fora rather than in APEC.<sup>58</sup>

Starting in 2001, however, security was added to the official agenda of the Leaders’ Meeting. At the October 2001 Meetings in Shanghai, the attacks on the World Trade Center and the Pentagon overshadowed the economic agenda. The Leaders issued a joint statement condemning the attacks — APEC’s first joint statement on non-economic issues. Since 2001, the agenda for the Leaders’ Meeting has included issues related to “human security,” with a focus on three topics: terrorism, disease, and disasters.

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<sup>57</sup> Kelsey, op. cit.

<sup>58</sup> The ASEAN Regional Forum usually meets after the ASEAN Ministerial Conference and, in addition to the 10 members of ASEAN, includes the Australia, Canada, China, the European Union, Japan, New Zealand, Russia, South Korea, and United States. For more information about the 1995 discussions, see Moosa, Eugene. *Regional Security Remains a Taboo at APEC*. Reuters Newswire Service. Nov. 19, 1995.

## Counterterrorism and Secure Trade

Among APEC members, there are four principal areas of concern about terrorism. First, some member economies face domestic extremists who episodically conduct acts of violence targeted at the civilian population. Second, there is some evidence suggesting that international terrorist networks, including Al Qaeda, are utilizing financial institutions in the Asia-Pacific region to funnel money across international borders. Third, APEC member economies wish to restrict the movement of suspected terrorists through the region. Fourth, APEC has made the security of trade one of its key priorities. Over the last five years, APEC has developed programs to respond to each of these concerns.

To oversee its efforts on terrorism, APEC established the Counter-Terrorism Task Force (CTTF) in October 2002. The CTTF reports directly to the APEC's Senior Officials. Its mission "is to identify and assess counter-terrorism needs, coordinate capacity building and technical assistance programs, cooperate with international and regional organizations and facilitate cooperation between APEC fora on counter-terrorism issues."<sup>59</sup> The CTTF generally meets quarterly, in coordination with the Senior Officials Meetings. At a meeting held in Cairns, Australia, in July 2007, the CTTF set up a study group to develop a plan to facilitate trade recovery in the aftermath of a major terrorist event. In addition to the work of the CTTF, each APEC member has created a Counter-Terrorism Action Plan (CTAP).<sup>60</sup>

Much of APEC's counterterrorism efforts have focused on the issue of secure trade. In 2002, APEC created the "Secure Trade in the APEC Region (STAR) Initiative." The STAR Initiative is "focused on policies and procedures to enhance security and efficiency in the APEC region's seaports, airports and other access points, including port and airport security; shipping container security; coastal patrol; capacity building; financial assistance, and private sector initiatives."<sup>61</sup> The most recent STAR Conference, held in Sydney on June 27 and 28, 2007, focused on enhancing security and safety while containing costs.

## Diseases

In 2003, APEC established its ad hoc Health Task Force (HTF) to deal with the threats posed by emerging infectious diseases. In part, the HTF was created in response to the February 2003 outbreak of Severe Acute Respiratory Syndrome (SARS) in several APEC member economies. Not only did the people of several APEC members suffer serious health problems due to SARS, the economies of both

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<sup>59</sup> For more details about the CTTF, see [[http://www.apec.org/apec/apec\\_groups/som\\_special\\_task\\_groups/counter\\_terrorism.html](http://www.apec.org/apec/apec_groups/som_special_task_groups/counter_terrorism.html)].

<sup>60</sup> Copies of each member's CTAP are available online at [[http://www.apec.org/apec/apec\\_groups/som\\_special\\_task\\_groups/counter\\_terrorism/counter\\_terrorism\\_action\\_plans.html](http://www.apec.org/apec/apec_groups/som_special_task_groups/counter_terrorism/counter_terrorism_action_plans.html)].

<sup>61</sup> For more information about the STAR Initiative, see [[http://www.apec.org/apec/apec\\_groups/som\\_special\\_task\\_groups/counter\\_terrorism/secure\\_trade\\_in\\_the.html](http://www.apec.org/apec/apec_groups/som_special_task_groups/counter_terrorism/secure_trade_in_the.html)].

SARS-infected and non-infected members were harmed by the loss of tourism.<sup>62</sup> The value of having the HTF was confirmed in 2004, with the outbreak of avian influenza H5N1 in 2004. Besides its responses to SARS and avian influenza, APEC is also concerned about the threat posed by HIV/AIDS. During the second Senior Officials Meeting in 2007, APEC endorsed the transformation of the Health Task Force to the Health Working Group (HWG) in 2008.

Most of APEC's efforts on disease have focused on the exchange of medical information and research, building a rapid-response and containment program, and the exchange of "best practices." For SARS and avian influenza, APEC has held a series of meetings to discuss means of more rapidly identifying and responding to possible outbreaks, and sharing "best practices" in areas such as passenger screening techniques and safeguarding measures for poultry. Regarding HIV/AIDS, APEC's HTF is fostering the exchange of information on members' programs to prevent the spread of the disease, and improving workplace management of HIV/AIDS.

The second APEC Health Ministers Meeting was held on June 7 and 8, 2007, in Sydney, Australia. During the meeting, the health ministers released APEC's guidelines for employers to create a workplace environment supportive for workers with HIV/AIDS.<sup>63</sup>

## Natural Disasters

The third form of threat to human security of great concern to APEC are natural disasters. In December 2004, a 9.3 earthquake off the coast of Indonesia propagated a devastating tsunami that killed thousands of people in several nations bordering the Indian Ocean. Although there was a tsunami warning system in place, many people were not warned of the impending natural disaster and fell victim to the tsunami.

In response to the Indian Ocean tsunami, APEC Senior Officials adopted in March 2005 an "APEC Strategy on Response to and Preparedness for Natural Disasters and Emergencies." They also established APEC's "Task Force for Emergency Preparedness (TFEP)." Working with APEC's Industrial Science and Technology Working Group (ISTWG), the TFEP has held a number of seminars and training sessions to help APEC members improve their seismic monitoring systems, disaster response infrastructure, building and infrastructure construction codes, and public education systems to reduce their exposure to natural disasters.

APEC members are also providing additional funding to natural disaster warning systems. In December, Congress passed P.L. 109-424, the "Tsunami

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<sup>62</sup> For a study on the economic effects of SARS, see "Globalization and Disease: The Case of SARS," by Jong-Wha Lee and Warwick J. McKibbin, Brookings Discussion Papers in International Economics, February 2004. Available online at [<http://www.brookings.org/views/papers/mckibbin/20040203.pdf>].

<sup>63</sup> A copy of the document, "Guidelines for APEC Member Economies for Creating an Enabling Environment for Employers to Implement Effective Workplace Practices for People Living with HIV/AIDS and Prevention in Workplace Settings," is available online at: [http://aimp.apec.org/Documents/2007/SOM/SOM3/07\\_som3\\_013.doc](http://aimp.apec.org/Documents/2007/SOM/SOM3/07_som3_013.doc)

Warning and Education Act.” The act, signed by the President on December 20, 2006, authorizes additional funding to “enhance and modernize the existing Pacific Tsunami Warning System to increase coverage, reduce false alarms, and increase the accuracy of forecasts and warnings....”<sup>64</sup> It authorizes \$25 million in FY2008, and then authorizes an increase in funding by \$1 million each year until FY2012.

## Implications for Congress

Congress — and the Bush Administration — have identified APEC as the primary regional institution in the Asia-Pacific for promoting open trade and practical economic cooperation. APEC is also seen as a useful forum for advancing U.S. concerns on issues related to human security.

Since APEC’s inception in 1989, congressional interest and involvement with APEC has focused on two areas: (1) direct and indirect financial support for APEC; and (2) oversight of U.S. participation in APEC.

## Previous Congressional Actions on APEC

Section 424 of the Foreign Relations Authorization Act, Fiscal Years 1994 and 1995, authorized the President to maintain United States membership in the Asia-Pacific Economic Cooperation and provided for U.S. contributions of APEC out of appropriations for “Contributions to International Organizations.” The Science, State, Justice, Commerce, and Related Agencies Appropriations Act of 2006 appropriated a total of \$1.17 billion “to meet annual obligations of membership in international multilateral organizations,” including APEC. The current level of direct U.S. financial support for APEC is \$601,000 per year.<sup>65</sup>

Section 2540 of the National Defense Authorization Act for Fiscal Year 1996 made “a non-communist country that was a member nation of the Asia Pacific Economic Cooperation (APEC) as of October 31, 1993” eligible to participate in a loan guarantee program “arising out of the financing of the sale or long-term lease of defense articles, defense services, or design and construction services.”<sup>66</sup>

The Federal Agriculture Improvement and Reform Act of 1996 (P.L. 104-127) included a finding by Congress that:

... during the period 1996 through 2002, there will be several opportunities for the United States to negotiate fairer trade in agricultural products, including further negotiations under the World Trade Organization, and steps toward possible free trade agreements of the Americas and Asian-Pacific Economic

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<sup>64</sup> H.R. 1674, Section 3(2).

<sup>65</sup> The United States provides indirect support for APEC programs and activities on a case-by-case basis through discretionary funds from various federal departments and agencies. The exact level of indirect support is unknown.

<sup>66</sup> Language now codified into U.S. Law under Title 10, Subtitle A, Part IV, Chapter 148, Subchapter VI, section 2540.

Cooperation (APEC); and the United States should aggressively use these opportunities to achieve more open and fair opportunities for trade in agricultural products.<sup>67</sup>

In the Intelligence Reform and Terrorism Prevention Act of 2004 (P.L. 108-458), Congress finds:

... other economic and regional fora, such as the Asia-Pacific Economic Cooperation (APEC) Forum, and the Western Hemisphere Financial Ministers, have been used to marshal political will and actions in support of combating the financing of terrorism (CFT) standards.<sup>68</sup>

Finally, the National Defense Authorization Act for Fiscal Year 2006 (P.L. 109-163) included as the sense of Congress:

that the President should present to Congress quickly a comprehensive strategy to —

- (1) address the emergence of China economically, diplomatically, and militarily;
- (2) promote mutually beneficial trade relations with China; and
- (3) encourage China's adherence to international norms in the areas of trade, international security, and human rights.

To be included in that strategy are “[a]ctions to encourage United States diplomatic efforts to identify and pursue initiatives to revitalize United States engagement in East Asia. The initiatives should have a regional focus and complement bilateral efforts. The Asia-Pacific Economic Cooperation forum (APEC) offers a ready mechanism for pursuit of such initiatives.”

## Issues for the 110<sup>th</sup> Congress

For the 110<sup>th</sup> Congress, issues related to APEC could arise in a variety of direct and indirect ways. In addition to the issue of U.S. financial support for APEC, Congress may choose to express its sense on different policy issues. Also, there are oversight issues raised by U.S. participation in various APEC activities.

**Proposed Legislation.** In the 110<sup>th</sup> Congress, one proposed bill specifically mentions APEC — the United States-China Diplomatic Expansion Act of 2007 (H.R. 3272).<sup>69</sup> Introduced by Representative Mark Kirk, and cosponsored by Representatives Rick Larsen, Steve Israel, Susan Davis, and Charles Boustany, H.R. 3272 would authorize the appropriation in FY2008 of \$65 million for the construction of a new consulate in China, \$10 million for additional personnel for the

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<sup>67</sup> Language now codified into U.S. Law under Title 7, Chapter 41, Subchapter IV, section 1736r.

<sup>68</sup> Language now codified into U.S. Law under Title 31, Chapter, Subtitle IV, Chapter 53, Subchapter II, section 770.

<sup>69</sup> The House and Senate passed separate resolutions — H.Res. 422 and S.Res. 203 — that mention APEC in passing, “... its seat as a permanent member of the United Nations Security Council and on the Asia-Pacific Economic Cooperation, China is an emerging power....”



U.S. diplomatic mission in China, \$6 million for other State Department personnel, \$10 million for various Chinese language programs, and \$2 million for rule of law initiatives in China. The bill also would authorize the appropriation of \$3 million for a U.S. contribution to APEC.

**Potential Senate Action.** As previously mentioned, the U.S.-Australia Defense Trade Cooperation Treaty signed during the APEC meetings would be subject to the approval of the Senate, once submitted to the Senate by the President. In addition, if and when the President nominates someone to be “Ambassador to ASEAN,” the appointment would be subject to Senate advice and consent.

**Financial Support.** The most direct issue would be the level of U.S. financial support for APEC. Although the President does have the authority under current federal law to determine the level of APEC’s funding without action by Congress, Congress may choose to take up this issue (see above). For example, Congress could consider setting funding levels, directly or indirectly, for APEC’s trade facilitation programs independently from the amounts announced in August 2007.

**APEC as Vehicle for Promoting a FTAAP.** Congress has recognized the potential of APEC as a vehicle for promoting free trade. In addition, to the issue of a possible Free Trade Area of the Asia-Pacific, negotiations over regional trade integration under APEC would likely raise issues related to labor rights and environment protection, and whether the United States would be able to respond to foreign country violations of labor or environmental standards with economic sanctions or monetary fines (as stipulated in the U.S.-Singapore/Chile FTAs).

**Progress on the Doha Round.** Successful completion of the Doha Round is a major trade priority for the Bush Administration. However, negotiations are complicated, in part by the U.S. merchandise trade deficit, especially bilateral trade deficits with some APEC member economies. While many economists attribute the U.S. trade deficit to U.S. macroeconomic conditions, when combined with specific trade disputes with some APEC members, prospects for adjustments in the U.S. offer on Doha are uncertain.

The 2006 Leaders’ joint declaration called on all APEC members — including the United States — “to spare no efforts to break through the current deadlocks.” This year’s “Statement on the WTO Negotiations” takes a slightly softer tone, stating that “consensus will only be possible on the basis of an ambitious, balanced result that delivers real and substantial market access improvements for agricultural and industrial goods and services, and real and substantial reductions in trade-distorting agricultural subsidies.”<sup>70</sup> This would likely require congressional action on specific legislation.<sup>71</sup> In particular, the farm income and price support programs, which are

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<sup>70</sup> “Statement on the WTO Negotiations,” 15<sup>th</sup> APEC Economic Leaders’ Meeting, September 9, 2007.

<sup>71</sup> See CRS Report RL33934, *Farm Bill Proposals and Legislative Action in the 110th Congress*, by Renee Johnson, Geoffrey S. Becker, Ralph M. Chite, Tadlock Cowan, Ross W. Gorte, Charles E. Hanrahan, Remy Jurenas, Jim Monke, Jean M. Rawson, Randy (continued...)

dictated primarily by Title I of the 2002 farm bill (P.L. 107-171) and expire in 2007, might be affected by efforts to complete the Doha Round.

This touches on the broader domestic debate over whether the United States should continue to pursue the liberalization of international trade and investment with other nations, the effect of trade and globalization on import-sensitive industries, and whether increased trade threatens or enhances U.S. prosperity, employment opportunities, and economic security.

**Focus on Human Security Issues.** In addition to the various economic and trade issues, Congress may also consider issues pertaining to human security as a result of the U.S. involvement with APEC. For example, U.S. recognition of the APEC Business Travel Card could raise domestic security concerns to the expedited visa and entry privileges extended to card bearers. Similarly, concerns about a potential influenza pandemic may engender interest in providing more support to APEC's Health Task Force.

**Competition for Regional Influence.** From a geopolitical perspective, APEC is a leading forum through which the United States can broadly engage the Asia-Pacific region. The United States is not included in the other regional multilateral associations, such as ASEAN and the newly-created East Asian Summit (EAS), and no other forum includes such a wide range of Asian economies. From a strategic perspective, many experts believe APEC could plan a useful role in advancing U.S. interests in Asia.

Over the last few years, the United States' position as the leader in the region has been challenged by China. China's accession to the WTO, its recent efforts to negotiate BTAs across Asia (including the Comprehensive Economic Partnership Agreements with Hong Kong and Macau), and its unilateral liberalization of its trade regime, has arguably placed China as a competitor to the United States.

Many argue that the United States should re-energize its involvement in Asian trade discussion and elevate the importance of APEC to reassert U.S. leadership. They advocate both increased financial assistance to APEC, though the annual contribution and specific assistance programs, and alteration in U.S. laws and policies on key issues. Others say that APEC should reformulate its mission by focusing more narrowly on trade facilitation and economic integration, abandoning many of the working groups that are not central to the core goals, and strengthening the Secretariat. The annual Leaders' Meeting continues to provide prestige and offer an opportunity for heads of state, particularly those of smaller countries, to interact with top U.S. officials. APEC offers the additional benefit of including Taiwan and Hong Kong as member economies, unlike the EAS.

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<sup>71</sup> (...continued)

Schnepf, Jasper Womach, Jeffrey A. Zinn, and Joe Richardson.

## Appendix A: Annotated Chronology of Past APEC Meetings

The following table provides a brief summary of the past APEC Meetings. For more details about each meeting, see the official APEC web page, [<http://www.apec.org/>].

Year and Location	Key Outcomes
1989 - Canberra, Australia	Concept of forming APEC is discussed at an informal Ministerial-level dialogue group with 12 members.
1993 - Blake Island, U.S.A.	First formal APEC Leaders' Meeting includes representatives from 14 members: Australia, Brunei Darussalam, Canada, China, Hong Kong, Indonesia, Japan, New Zealand, Philippines, Singapore, South Korea, Thailand, and United States.
1994 - Bogor, Indonesia	APEC sets the Bogor Goals of "free and open trade and investment in the Asia-Pacific by 2010 for developed economies and 2020 for developing economies." <sup>a</sup>
1995 - Osaka, Japan	APEC adopts the Osaka Action Agenda (OAA) which provides a framework for meeting the Bogor Goals. <sup>b</sup>
1996 - Manila, the Philippines	The Manila Action Plan is adopted, which outlines the trade and investment liberalization and facilitation measures to be taken by APEC members to reach the Bogor Goals. <sup>c</sup> The APEC economies submit their first "Individual Action Plans," or IAPs, indicating how they intended to move toward fulfillment of the Bogor goals. Moreover, APEC Leaders called for conclusion of the Information Technology Agreement in the WTO, which acted as a decisive catalyst toward successful completion of this agreement in 1997.
1997 - Vancouver, Canada	Several APEC members are coping with a severe recession caused by the Asian Financial Crisis. <sup>d</sup> APEC ministers reject a Japanese-backed proposal to establish a separate Asian fund to provide financial support for countries coping with financial difficulties. However, APEC does endorse a proposal for Early Voluntary Sectoral Liberalization (EVSL) in 15 sectors, and decides that Individual Action Plans should be updated annually.
1998 - Kuala Lumpur, Malaysia	President Clinton does not attend because of the imminent bombing of Iraq. Economic recession continues for several APEC members, with varying levels of hardship. Malaysian Prime Minister Mahathir Mohamad, host of the APEC meetings, continues criticism of trade and investment liberalization, which he blames for causing the Asian Financial Crisis and his country's deep recession. APEC agrees on the first nine sectors for EVSL and seeks an EVSL agreement with non-APEC members at the World Trade Organization.

Year and Location	Key Outcomes
1999 - Auckland, New Zealand	APEC meetings occur earlier than usual because the World Trade Organization's Ministerial Conference is to be held in Seattle on November 30-December 3, 1999. The APEC leaders endorsed the launching of a new WTO round of multilateral trade negotiations and agreed that the new round of trade negotiations to be concluded within three years. The APEC Meetings occurs at a time of increasing violence in East Timor; APEC leaders put pressure on Indonesia to allow international peacekeepers into East Timor. APEC commits to paperless trading by 2005 in developed economies and 2010 in developing economies. APEC Business Travel Card scheme is approved.
2000 - Bandar Seri Begawan, Brunei Darussalam	APEC establishes an electronic Individual Action Plan (e-IAP) system, providing IAPs online. APEC also states that China should be accepted into the WTO soon, followed by Taiwan and sometime later by Russia and Vietnam. Following a bilateral meeting, the United States and Singapore announce that they would begin negotiations on a bilateral free trade agreement. <sup>e</sup>
2001 - Shanghai, China	Meeting is held five weeks after the attacks on the World Trade Center and Pentagon. APEC adopts the Shanghai Accord, which focuses on Broadening the APEC Vision, Clarifying the Roadmap to Bogor and Strengthening the Implementation Mechanism. The e-APEC Strategy is adopted, which sets out an agenda to strengthen market structures and institutions, facilitate infrastructure investment and technology for on-line transactions and promote entrepreneurship and human capacity building. A leaders' statement on counterterrorism is the first issued by APEC dealing explicitly with a non-economic topic. In the statement, the leaders condemned the attacks on the United States, committed themselves to preventing and suppressing all forms of terrorists acts in the future, to enhance counterterrorism cooperation, and take appropriate financial measures to prevent the flow of funds to terrorists.
2002 - Los Cabos, Mexico	APEC adopts a Trade Facilitation Action Plan, agreeing to reduce transaction costs in international trade by 5% by 2006. Policies on Trade and the Digital Economy and Transparency Standards are adopted. The leaders also declare support for the Doha negotiations (including the abolition of agricultural export subsidies) and call for their conclusion by January 1, 2005. In conjunction with the Mexico APEC Meetings, the United States announced the Enterprise for ASEAN Initiative, a new trade initiative with the Association of Southeast Asian Nations. APEC's second Counter-Terrorism Statement is delivered, along with the adoption of the Secure Trade in the APEC Region (STAR) Initiative.

Year and Location	Key Outcomes
2003 - Bangkok, Thailand	APEC issues first separate statement on Doha negotiations. The APEC ministers in attendance call for the reopening of the negotiation process based on the text of the unsuccessful proposal made during the WTO talks in Cancun, Mexico. APEC pledges to take specific actions to dismantle terrorist groups, eliminate the danger of weapons of mass destruction and confront other security threats. Members sign up to the APEC Action Plan on SARS and the Health Security Initiative to further protect personal security. The Leaders' statement calls for more six-party talks and for North Korea to demonstrate "verifiable" progress in dismantling its nuclear weapons program.
2004 - Santiago, Chile	APEC issues second statement on Doha Round, setting December 2005 as target date for completion of negotiations. APEC adopts "Best Practices" guidelines to ensure that FTAs and RTAs fully comply with or exceed WTO guidelines. APEC establishes an Anticorruption and Transparency (ACT) program to aid members in fighting corruption and increasing transparency; the United States is among the seven member economies funding the program.
2005 - Busan, South Korea	APEC adopts the "Busan Roadmap," which include deadlines for reducing transaction costs and developing a plan for structural reform to make member economies more business-friendly. The 21 leaders issue a special statement regarding the Doha negotiations encouraging member economies to exercise "the necessary flexibility" to resolve "the current impasse in agricultural negotiations, in particular in market access." The United States, Canada, and Australia push for the statement to single out the European Union for their protectionist measures, but other APEC members demur. Special attention is given to the threat of a pandemic influenza stemming from the incidences of avian flu in both birds and humans.
2006 - Hanoi, Vietnam	APEC initiates a study of regional economic integration to include consideration of U.S.-proposed Free Trade Area of the Asia-Pacific. The APEC Leaders issue a separate declaration on the Doha Round talks, calling for deeper reductions in trade-distorting farm subsidies and increasing market access for goods and services. The United States announces it will start recognizing the APEC Business Travel Card in 2007.

- a. The complete text of the Bogor Goals is available on APEC's web page at [[http://www.apec.org/apec/leaders\\_\\_declarations/1994.html](http://www.apec.org/apec/leaders__declarations/1994.html)].
- b. The complete text of the 1995 Leaders' declaration and a link to the Osaka Action Agenda is available on APEC's web page at [[http://www.apec.org/apec/leaders\\_\\_declarations/1995.html](http://www.apec.org/apec/leaders__declarations/1995.html)].
- c. The complete text of the 1996 Leaders' declaration, including the Manila Action Plan is available on APEC's web page at [[http://www.apec.org/apec/leaders\\_\\_declarations/1996.html#Manila](http://www.apec.org/apec/leaders__declarations/1996.html#Manila)].
- d. See CRS Report RL30272, *Global Financial Turmoil, the IMF, and the New Financial Architecture*, by Dick K. Nanto.
- e. See CRS Report RL31789, *Singapore-U.S. Free Trade Agreement*, by Dick K. Nanto.