

CRS Report for Congress

Asia Pacific Economic Cooperation (APEC) and the 2006 Meetings in Hanoi, Vietnam

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Summary

There is apparent agreement between Congress and the Bush Administration that APEC is a potential vehicle for advancing United States economic, trade and security interests both globally and regionally. 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.

During APEC's 14th Leaders' Meeting, held in Hanoi, Vietnam, on November 18-19, the Bush Administration seemingly changed in its approach to APEC, returning to a focus on economic and trade issues, and decreasing its past emphasis on security issues. This new focus was signaled by the announcement that the United States would recognize the APEC's Business Travel Card and increase its financial support to APEC.

In addition, the United States proposed at the Hanoi Meetings that APEC should consider its eventual transformation into a Free Trade Area of the Asia-Pacific, or FTAAP. The proposal received a mixed response from APEC. While there was general support from some members, representatives from Australia, China, Indonesia, Japan, and Thailand expressed doubts about the desirability or practicality of negotiating such a trade agreement. In the end, the Leaders agreed to consider the FTAAP proposal as part of a larger study of regional trade agreements.

Proponents argue that the United States should re-energize its involvement in Asian trade discussions by elevating the importance of APEC. They suggest increased 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. trade interests in the region.

The President's reemphasis on APEC presents the 110th 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.

The APEC meetings were also affected by North Korea's detonation of a nuclear device in the previous month. Although the issue of North Korea's nuclear weapons program was discussed at some length during an informal APEC Leaders' breakfast, no formal APEC statement was released on the issue.

This report will be updated as circumstances warrant.

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Asia Pacific Economic Cooperation (APEC) and the 2006 Meetings in Hanoi, Vietnam

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.

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.”¹ 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.*”² [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 briefing on November 9, National Security Advisor Steve Hadley reported that President George W. Bush would be attending APEC's 14th Leaders' Meeting in Hanoi, Vietnam, “to advance the core APEC goals of economic growth, trade liberalization and trade-related security.”

In her remarks at the 2006 APEC CEO Summit, Secretary of State Condoleezza Rice described the Bush Administration's view of APEC in more detail. “The United States views APEC as the premier multilateral organization in the Asia-Pacific region,” she declared.³ Secretary Rice continued her remarks by sharing “America's vision for APEC,” which contemplates its transformation into a “true

¹ P.L. 109-163, section 1234(b).

² P.L. 109-163, section 1234(c)(4).

³ “Remarks at the APEC CEO Summit,” speech given by Secretary Condoleezza Rice, November 18, 2006. See website [<http://www.state.gov/secretary/rm/2006/76277.htm>].

Asia-Pacific Economic Community, spanning the public sphere and the private sector.”⁴

Secretary Rice’s speech also revealed an apparent change in the Administration’s approach to APEC. As a demonstration of the Bush Administration’s commitment to APEC, Secretary Rice announced that “President Bush plans to increase America’s funding of APEC — to empower this organization to meet the challenges of the 21st century.”⁵ She also announced that the United States would recognize the APEC Business Travel Card starting in 2007.⁶

The Bush Administration’s disclosed interest in APEC may bring up the regional forum before the 110th 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 far from certain 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”⁷ 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

⁴ Ibid.

⁵ Ibid.

⁶ The APEC Business Travel Card provides the bearer pre-cleared, facilitated short-term entry to APEC member economies participating in the program. The card also allows for multiple entries and access to faster immigration processing.

⁷ 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.

Asia-Pacific by 2010 for industrialized economies and 2020 for developing economies.”⁸ 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 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.”⁹ 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.”¹⁰

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

⁸ The complete text of the Bogor Goals is available on APEC’s web page at [http://www.apec.org/apec/leaders__declarations/1994.html].

⁹ 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.

¹⁰ See [http://www.apec.org/apec/leaders__declarations/1994.html].

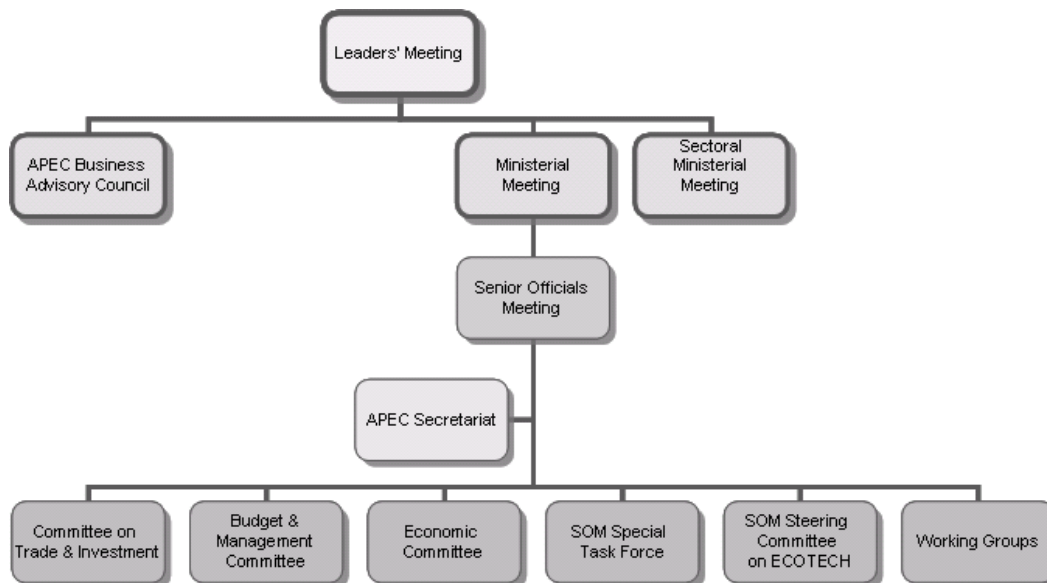
Technical Cooperation,” or ECOTECH, to provide training and foster greater cooperation among APEC members.

In 1995, APEC created a template to achieve the Bogor Goals in its “Osaka Action Agenda.”¹¹ The Osaka Action Agenda emphasizes APEC’s “resolute opposition to an inward-looking trading bloc that would divert from the pursuit of 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 seconded representatives to work on the Secretariat’s staff to serve as program directors.¹²

Figure 1. APEC Organization



¹¹ 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].

¹² In 2006, the United States seconded Scott Smith to work with the APEC Secretariat.

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.¹³ 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 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' Meetings 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 and 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 Michael Michalak.

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.¹⁴ 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.

¹³ The Leaders' Meetings are technically not summits because of the presence of Hong Kong and Taiwan, whose leaders are not officially heads of state.

¹⁴ U.S. representatives to ABAC are: Spencer Kim, Chairman of CBOL Corporation; Michael Ducker, Executive Vice President, International, of FedEx, and Michael Phillips, Chairman of Russell Investment 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 will once again be the APEC chair, with the Leaders' Meeting scheduled for September 8-9 in Sydney.

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. Currently, 17 of the 21 APEC members¹⁵ recognize the APEC business card.

Collective actions of APEC usually involve joint or coordinated efforts to advance trade and investment liberalization in other multilateral organizations. Most

¹⁵ Australia, Brunei Darussalam, Chile, China, Hong Kong, Indonesia, Japan, Malaysia, New Zealand, Papua New Guinea, Peru, the Philippines, Singapore, South Korea, Taiwan, Thailand, and Vietnam.

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 2006 Meetings in Hanoi

In January 2006, Vietnam assumed the chair of APEC, and was the host for the various APEC meetings held throughout the year. Following the Busan, South Korea, meetings in 2005, various goals were suggested for 2006, including creating a "clear roadmap" for completing the Doha Round by the end of 2006; promoting "high-quality" RTAs and FTAs, and developing a "best practices" document that members can consult during negotiations; advancing achievement of the Bogor Goals; continuing efforts to enhance human security; and fostering "sustainable development and prosperity." This last goal was incorporated into the official theme for 2006 — "Towards a Dynamic Community for Sustainable Development and Prosperity."

Outcomes of the Major Meetings

The major APEC meetings for 2006 were held in Hanoi in November. The 14th APEC Economic Leaders' Meeting was held on November 18-19; the U.S. delegation was headed by President George W. Bush. The 18th APEC Ministerial Meeting was held on November 15-16; the U.S. delegation was headed by Secretary Rice. Consistent with past practices, official joint statements were issued following the completion of both meetings. The joint statements included summaries of the accomplishments of the meetings, and initiatives to be undertaken in 2007.

Both the Leaders' joint statement and the ministerial joint statement focused on a limited number of topics, which generally reflected the goals established for 2006 at the end of the 2005 APEC meetings. What follows is a topical summary of APEC's achievements for 2006 as presented in the two joint statements.

Major U.S. Announcements. Besides the collective and individual actions listed below, there were two unilateral actions taken by the United States during the Hanoi Meetings. First, Secretary Rice announced in her remarks to the APEC CEO Summit that "the United States has decided this year to recognize the APEC Business Travel Card."¹⁶ According to Secretary Rice, "This will enable entrepreneurs like you to gain visas, move through our immigration lines, and to visit America in a faster, safer and easier manner." Second, at the same event, Secretary Rice reported,

¹⁶ A complete transcript of Secretary Rice's "Remarks at the APEC CEO Summit" is available at [<http://www.state.gov/secretary/rm/2006/76277.htm>].

“Over the next two years, President Bush plans to increase America’s funding for APEC — to empower this organization to meet the challenges of the 21st century.”

Concluding the Doha Round. For the second year in a row, the APEC Leaders issued a separate statement on the Doha Round.¹⁷ After congratulating Vietnam for its accession to the World Trade Organization (WTO), the Leaders “reaffirmed our collective and individual commitments to concluding an ambitious and balanced Doha agreement.” In order to “break the current deadlock,” the Leaders “committed to moving beyond our current positions in key areas of the Round.” More specifically, the leaders called for “making deeper reductions in trade-distorting farm subsidies by major players, creating new market access for agriculture, making real cuts in industrial tariffs, and establishing new openings in services trade, while dealing seriously with Members’ concerns and sensitivities.” In their joint statement, the Ministers commended the work of the APEC Geneva Caucus¹⁸ in 2006, and called upon the Senior Officials to work with the caucus again in 2007 to expedite the concluding of the Doha Round.

Regional Trade Agreements and Free Trade Area of the Asia-Pacific. It was clear well in advance that the consideration of regional trade agreements (RTAs) was going to be a priority topic at the Hanoi Meetings. The rising number of RTAs among APEC members and across Asia over the last decade was raising concern about the ability of APEC to promote general trade liberalization in the region.¹⁹ Also, there were indications that the United States would raise the issue of the eventual transformation of APEC into a Free Trade Area of the Asia-Pacific (FTAAP) during both the Leaders’ and Ministerial Meetings in Hanoi. In addition, the Leaders and Ministers expected to receive several studies of alternative FTA models from various APEC committees and working groups during the Hanoi Meetings.

In their joint declaration following their meeting, the Leaders “acknowledged the role of high-quality, consistent, transparent and comprehensive Regional Trade Agreements/Free Trade Agreements (RTAs/FTAs) in advancing trade liberalization and the need to ensure that RTAs/FTAs lead to greater trade liberalization and genuine reduction in trade transaction costs.” They also “commended the completion

¹⁷ The full text of the Leaders’ statement on the Doha Round is available on APEC’s website for the 2006 meetings — [<http://www.apec2006.vn/article/79>].

¹⁸ The APEC Geneva Caucus consists of the trade representatives of the APEC member economies in Geneva. Their first meeting was held on January 20, 2005.

¹⁹ For an overview of the growth Asia RTAs and FTAs, see CRS Report RL33653, *East Asian Regional Architecture: New Economic and Security Arrangements and U.S. Policy*, by Dick K. Nanto.

of model measures for six RTAs/FTAs chapters.”²⁰ However, the joint declaration also “reiterated the non-binding and voluntary nature of the model measures.”

On the subject of an FTAAP, the joint declaration stated the Leaders’ concurrence with the ABAC assessment that “while there are practical difficulties in negotiating a Free Trade Area of the Asia-Pacific at this time, it would nonetheless be timely for APEC to seriously consider more effective avenues towards trade and investment liberalization in the Asia-Pacific region.” The Leaders then proceeded to instruct the Senior Officials to “undertake further studies of ways and means to promote regional economic integration, including a Free Trade Area of the Asia-Pacific as a long-term prospect, and report to the 2007 APEC Economic Leaders’ Meeting in Australia.”

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 2006, the Ministers “welcomed the new progress by member economies in their 2006 IAPs,” and made mention of an ongoing “IAP Peer Review,” indicating that the participants will include ABAC, the Committee on Trade and Investment, and “relevant sub-fora” in 2007. They also “recognized the importance of CAPs as a useful channel to implement APEC commitments on Trade and Investment Liberalization and Facilitation.”

In general, the United States maintains that it has very few trade and investment barriers that prevent its achievement of the Bogor Goals. The United States is backing a WTO proposal that would lower the global average tariff on agricultural goods to 15% and also reduce tariffs on non-agricultural goods.²¹ As for non-tariff measures, those that exist are “required to protect health, safety, security or the environment, or to discharge U.S. obligations under international agreements.” The United States cited a few key advances in trade and investment liberalization and facilitation in its 2006 IAP.²² First, the United States designated Afghanistan as a “least-developed beneficiary developing country” and Iraq as a “beneficiary

²⁰ In 2005, APEC commissioned the drafting of model measures “for as many commonly accepted RTA/FTA chapters as possible” by 2008 to be used as “references for APEC member economies negotiating high-quality FTAs.” The first “model measure” — on trade facilitation — was approved in 2005. The six sets of model measures agreed for adoption by APEC Ministers in November 2006 were trade in goods; technical barriers to trade; transparency; government procurement; dispute settlement; and cooperation.

²¹ For more details about WTO discussions about tariff and non-tariff barrier reduction, see CRS Report RL32060, *World Trade Organization Negotiations: The Doha Development Agenda*; and CRS Report RL33634, *The World Trade Organization: The Non-Agricultural Market Access (NAMA) Negotiations*, both by Ian F. Fergusson.

²² 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/>].

developing country” under the Generalized System of Preferences (GSP), in order to foster trade with both nations.²³ Second, the United States concluded a number of bilateral free trade agreements and bilateral investment treaties (BITs) lowering trade and investment barriers.²⁴

The Leaders’ joint declaration noted several advances made in the area of trade facilitation. According to the Leaders, APEC achieved the Shanghai target of reducing trade transaction costs by 5% by 2006, and accepted a goal of a further 5% reduction by 2010. APEC also endorsed model guidelines for intellectual property rights protection during the Hanoi Meetings. Finally, the Leaders cited APEC’s “Private Sector Development Workplan designed to cut red tape and lift the quality of business regulations....”

The Ministers’ joint statement highlighted additional trade facilitation efforts of APEC. First, APEC members have made significant progress in simplifying and standardizing customs procedures, including moving towards a “paperless” customs environment. Second, they noted the growing acceptance of the APEC Business Travel Card among APEC members. During the 2006 Ministerial Meeting in Hanoi, Secretary Rice stated that the United States is now going to recognize the APEC business card “as the first step toward joining the program.”²⁵

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.

On the subject of terrorism, the Leaders “condemned terrorist acts,” and “welcomed the expansion of the Regional Movement Alert System.”²⁶ They also decided that total supply chain security would be a priority in 2007.

Concerning threats posed by disease, the Leaders focused their efforts on the potential risk of an influenza pandemic and combating the spread of HIV/AIDS. In May 2006, APEC adopted an Action Plan on Prevention and Response to Avian and Influenza Pandemics. In hopes of preventing a human influenza pandemic, APEC called on members to “build capacity to control avian influenza at source.” Also,

²³ For an overview of GSP, see CRS Report RL33663, *Generalized System of Preferences: Background and Renewal Debate* by Vivian C. Jones.

²⁴ For an list of existing U.S. bilateral trade and investment agreements, see “2006 Trade Policy Agenda and 2005 Annual Report,” on the USTR’s web page: [http://www.ustr.gov/Document_Library/Reports_Publications/2006/2006_Trade_Policy_Agenda/Section_Index.html].

²⁵ “Remarks at the APEC CEO Summit,” Secretary Condoleezza Rice, U.S. Department of State [<http://www.state.gov/secretary/rm/2006/76277.htm>].

²⁶ The Regional Movement Alert System was initiated by Australia and the United States to strengthen the ability of participating APEC economies to detect lost, stolen and otherwise invalid travel documents and to prevent them from being used illegally. New Zealand is also participating in the system.

APEC and its members will continue to coordinate with the World Health Organization, the United Nations Food and Agricultural Organization, and the World Organization for Animal Health “to achieve mutual objectives for global preparedness and emergency response capabilities.”

On HIV/AIDS, APEC agreed to “enhance cooperation,” and supports the United Nations’ goal of universal access to prevention and treatment by 2010. To that end, the Ministers noted progress in developing guidelines for employers to implement programs for workers living with HIV/AIDS, with emphasis on migrant workers, women, and children.

Natural disasters were also a priority during the Hanoi Meetings. Since the 2004 tsunami, the possible consequences of another major natural disaster has been a growing concern. In their joint declaration, the Leaders urged more intense cooperation on emergency preparedness and disaster response. To that end, the Ministers welcomed the work of APEC’s Task Force on Emergency Preparedness. In December, 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.

Fostering Sustainable Development. There was a notable dearth of references to “sustainable development” in the Leaders’ declaration following the Hanoi Meetings. Outside of the reference to the official theme for 2006, the issue was only mentioned in terms of possible threats to “sustainable development,” and only two threats were enumerated: terrorism and “energy security.”

The Ministers’ Joint Declaration makes more mention of the term “sustainable development.” It retains the approach of considering the issue in terms of potential threats to “sustainable development” by adding corruption to the list. It also refers to the importance of economic and technical cooperation, human resources development in providing conditions for “sustainable development.” In addition, the Ministers emphasized the importance of “sustainable development” for certain industries — agriculture, fisheries, industrial science and technology, non-ferrous metals, tourism and investment — but did not express any views of ways of achieving “sustainable development” for these industries. Finally, the declaration pointed to the importance of “sustainable development” for different demographic groups, such as youth and women.

Beyond the scant references to the concept, the 2006 APEC Meeting’s attention to the theme of “sustainable development” was primarily demonstrated by recounting events held earlier in the year. In particular, the Ministers “welcomed the outcomes and endorsed the recommendations of the APEC High Level Meeting on Sustainable Development held on 20-21 July in Santiago, Chile.”

Assessment by the Bush Administration

In a press briefing just prior to the start of the Leaders’ Meeting in Hanoi, Deputy National Security Advisor for International Economic Affairs David McCormick provided a quick summary of the Bush Administration’s expectations

for the two days of the meeting.²⁷ According to Mr. McCormick, they expected a “very robust discussion of Doha” on the first day, as well as consideration of “the concept of a free trade agreement for Asia Pacific.” The second day, he explained, would “focus on other dimensions of prosperity.” He then listed security, avian influenza, AIDS, and secure trade as topics that “certainly will be discussed on day two.” Finally, Mr. McCormick stated that APEC reform would also be the focus of “a very, very good conversation.”

The White House web page on the 2006 APEC Meetings presents President Bush’s vision of APEC as “an organization that can: create opportunities for sustainable growth through trade liberalization; prevent threats to sustainable growth by securing travel, transport, and trade, by fighting against terrorism, and by preventing pandemic disease; and build societies for sustainable growth by stemming corruption and promoting good governance.” It continues by stating that the 21 APEC Leaders “embraced the President’s vision and took important steps to realize it,” including issuing a challenge to WTO members to secure a breakthrough in the Doha Round; exploring the long-term goal of the creation of a FTAAP; improving the quality of FTAs currently being negotiated in the region; confirming a determination to defeat terrorism and halt the proliferation of weapons of mass destruction; promoting energy security; fostering good governance; and expressing “strong concern for North Korea’s October 9 nuclear test.”²⁸

In several interviews, Bush Administration officials have discussed APEC’s decision to “explore” the long-term goal of forming a FTAAP in more detail. In a post-Ministerial Meeting interview with the *Sydney Morning Herald*, Secretary Rice was asked about the feasibility of creating the FTAAP, to which she responded, “I think it is something we ought to be pursuing. It needs a lot of examination because it’s obviously — this set of countries, a number of relationships among them — it’s complicated.” In a follow-up question asking her to speculate about a possible time frame for the formation of the FTAAP, she responded, “I’m not competent, really, to judge.”²⁹

In an interview with the *Financial Times*, U.S. Trade Representative Susan Schwab was also questioned about the prospects of forming an FTAAP, especially the presence of China among the possible members of an FTAAP. USTR Schwab responded, “I think that there is clear recognition that the U.S. government needs to use the entire range of tools and opportunities that are available to make sure that when it comes to U.S.-China trade relations, we are dealing with a level playing field.” Later in the interview, when further asked about feasibility of forming an FTAAP, given likely resistance from Congress and the U.S. Chamber of Commerce, USTR Schwab stated, “It is a logical progression for APEC. Where that will ultimately come out remains to be seen, but let’s face it — the United States, China,

²⁷ A complete transcript of the press briefing is available at [<http://www.whitehouse.gov/news/releases/2006/11/20061117-5.html>].

²⁸ [<http://www.whitehouse.gov/apec/2006/>]

²⁹ “Interview with Peter Hartcher of the Sydney Morning Herald,” Secretary Condoleezza Rice, U.S. Department of State [<http://www.state.gov/secretary/rm/2006/76296.htm>].

any individual economy in APEC — will only embrace a regional integrated trade initiative if they believe it's in their economic interest to do so.”

Comments from Other APEC Members

While the U.S. delegation chose to emphasize APEC's discussions on forming a FTAAP, representatives from other member economies highlighted other aspects of the Hanoi Meetings. China's President Hu Jintao focused his comments on the issues of energy, security, environmental protection, and health. Japan's Prime Minister Shinzo Abe summarized the results of the Leaders' Meeting as follows:

At the APEC Economic Leaders Meeting this time, we discussed economic partnership in the region very broadly and confirmed that we shall work on counterterrorism, infectious disease response, etc., for the security and prosperity of the region. We also sent out a strong political message demonstrating our firm determination to achieve early resumption and conclusion of the World Trade Organization (WTO) Doha Round.³⁰

Korea's pre-APEC meetings press release lists as the key issues strengthening the multilateral trading system; implementing the Busan Roadmap; RTAs/FTAs; creating a good environment for smooth trading; intellectual property rights; counterterrorism; health security; disaster measures; energy security; human security; the future of APEC; and promotion of anti-corruption and transparency.³¹

On the specific subject of an FTAAP, the response of other APEC members to the proposal was mixed. Taiwan was very supportive of the idea, in part because it would augment its status in the region. However, China's Vice Minister of Commerce Yi Xiaozhun said there was no need for an FTAAP and that an agreement of this sort could only include “sovereign countries,” implying that an FTAAP would have to exclude both Hong Kong and Taiwan.³² Taiwan immediately protested China's assertion, indicating that as a WTO member, Taiwan has the right to negotiate and sign FTAs.

Prior to the meetings in Hanoi, the Director General of Thailand's Trade Negotiations Department, Chutima Bunyaprasara, called an FTAAP “impractical” because the APEC member economies differed so much.³³ Indonesia's Foreign Minister Hassan Wirayuda reported some “resistance among some APEC members” to the FTAAP because it “did not fit into APEC's non-binding nature.”³⁴ Australia's

³⁰ “Press Conference by Prime Minister Shinzo Abe Following the Asia-Pacific Economic Cooperation Economic Leaders' Meeting,” November 20, 2006. [http://www.kantei.go.jp/foreign/abespeech/2006/11/20press_e.html]

³¹ [http://www.mofat.go.kr/me/me_a002/me_b005/1214216_973.html]

³² “Taiwan, China Clash at APEC,” *Taipei Times*, November 16, 2006.

³³ “Thais Against APEC FTA,” *Bangkok Post*, November 10, 2006. Available at web page [http://www.bilaterals.org/article-print.php?id_article=6433].

³⁴ “APEC Puts Off Consideration of Region-Wide Free Trade Deal,” Associated Press, (continued...)

Foreign Minister Alexander Downer called the FTAAP a “Plan B.” Japan’s reaction to the FTAAP proposal was also fairly negative. Japanese Foreign Ministry spokesman Mitsuo Sakaba said it would mark a departure from APEC’s normal *modus operandi* as a consensus-based forum, not a negotiating body.³⁵

Response to U.S. efforts to obtain an official APEC statement on North Korea’s nuclear test was also mixed. The post-meeting Leaders’ statement makes no mention of North Korea’s test, nor was a separate statement on the issue released. However, Vietnam’s President Nguyen Minh Triet did read a verbal statement after the meetings that referred to North Korea’s nuclear tests as “a clear threat to our shared interest of peace and security, and our shared goals of achieving a nuclear weapons-free Korean Peninsula.”

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, the logical 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

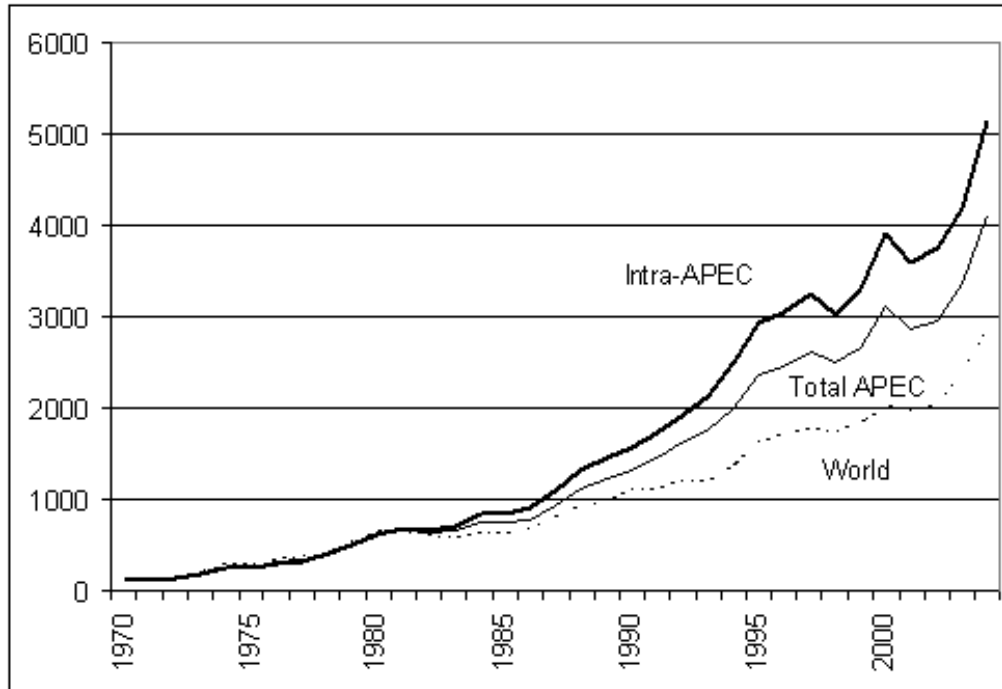
Figure 2 compares the growth of intra-APEC and total APEC exports to the growth of global exports. Starting in 1981, total APEC exports begin growing faster than global exports, and intra-APEC exports are outstripping total APEC exports. However, the pace of export growth slows for all three categories 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 Pentagon.³⁶ Since the downturn in 2001, the pace of world export growth has increased, and the pace of APEC export growth has increased even more.

³⁴ (...continued)

November 15, 2006. Available at [http://www.bilaterals.org/article-print.php?id_article=6475].

³⁵ “Doha First, Asia-PAC Later,” Bloomberg, November 20, 2006.

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

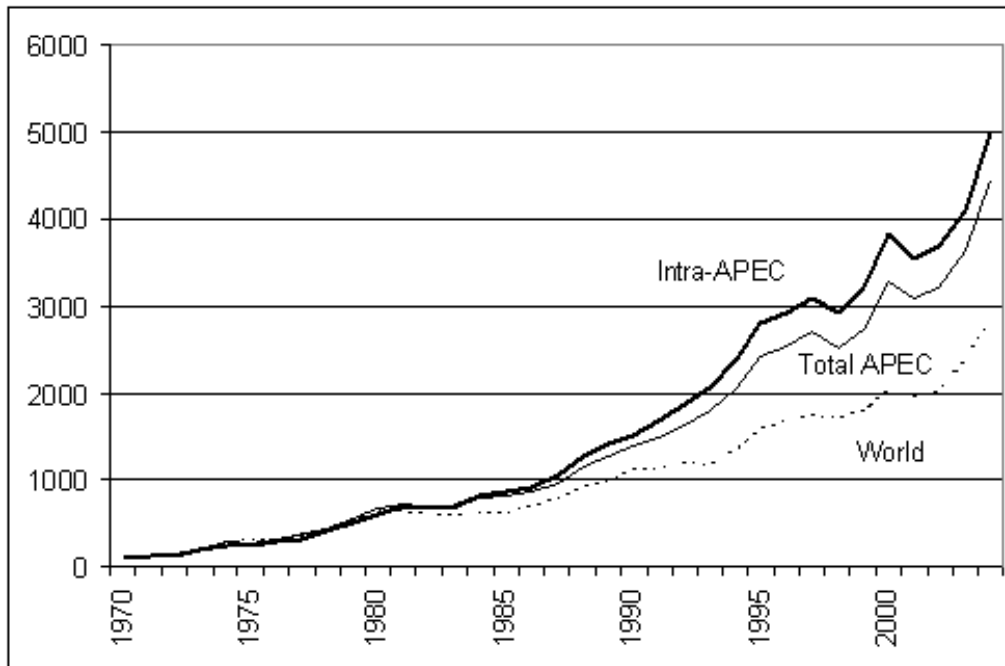
Import statistics reveal a similar pattern to exports (see **Figure 3**, below). From 1970 to 1980, there is little difference in the import growth rate for intra-APEC, total APEC, and the world. Starting in 1981, APEC's imports — both from amongst its members and from the world — begin to increase faster 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 in 2003 and 2004, with APEC's import growth rate outstripping that of the world.

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.

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



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.³⁷ 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.”³⁸ A reporter described the phenomena as follows:

³⁷ 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.

³⁸ “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, (continued...)

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.”³⁹ 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 highly asymmetrical deals, especially when one of the negotiating parties is a major player.⁴⁰

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.’”⁴¹

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

³⁸ (...continued)

Hong Kong. Paper available online at [http://www.bilaterals.org/article-print.php3?id_article=2346].

³⁹ Kelsey, *op. cit.*

⁴⁰ “FTAs and the Prospects for Regional Integration in Asia,” by Razeen Sally. ECIPE Working Paper, No. 1, 2006.

⁴¹ “A Complex Curse: East Asia Exposes the Limits of the Regional,” by Alan Beattie, *Financial Times*, November 13, 2006.

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.”⁴²

Another scholar is even more dismissive of APEC’s potential, writing, “It cannot be expected to contribute anything serious to regional economic integration.”⁴³

Others see a slightly different effect of the BTAs on prospects for the creation of an FTAAP.⁴⁴ 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 the FTAAP. In this view, advancing the idea of an 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 an FTAAP. However, even if Doha talks remain stalled, discussion of the creation of an FTAAP could limit the growth of BTAs in Asia, and/or help insure that any new BTAs are less discriminatory and WTO-compatible. In summary, supporters of this view see APEC “playing four roles in this new regional dynamic.”⁴⁵ 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.

⁴² “Put Effort into Doha Ahead of Proliferating Bilateral Deals,” by Dr. Christopher M. Dent. *Financial Times*, November 21, 2006, p. 12.

⁴³ Sally, op. cit.

⁴⁴ 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 November 18, 2006 in Hanoi, Vietnam.

⁴⁵ Kelsey, op. cit.

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’ Meetings.

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.⁴⁶

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.

Counterterrorism and Secure Trade

There are four principal areas of concern about terrorism within APEC. 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

⁴⁶ The ASEAN Regional Forum usually meets after the ASEAN Ministerial Conference and, in addition to the seven 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. November 19, 1995.

fora on counter-terrorism issues.”⁴⁷ The CTF generally meets quarterly, in coordination with the Senior Officials Meetings.

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.”⁴⁸ The most recent STAR Conference, held in Hanoi on February 23-24, 2006, focused on enhancing public-private partnerships as an effective means of securing trade. During the meeting, Australia and the United States presented the preliminary results of their cooperative effort to establish a “Regional Movement Alert List (RMAL)” within APEC. New Zealand became the third APEC member to join the program in March 2006; other members have been invited to join the program. In addition to the work of the CTF, each APEC member has created a Counter-Terrorism Action Plan (CTAP).⁴⁹

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 SARS-infected and non-infected members were harmed by the loss of tourism.⁵⁰ 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.

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

⁴⁷ For more details about the CTF, see [http://www.apec.org/apec/apec_groups/som_special_task_groups/counter_terrorism.html].

⁴⁸ 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].

⁴⁹ 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].

⁵⁰ 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>].

HTF is fostering the exchange of information on members' programs to prevent the spread of the disease, and improving workplace management of HIV/AIDS.

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 Warning and Education Act." The bill, which was presented to the President on December 11, 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 ..." ⁵¹ The bill 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

⁵¹ H.R. 1674, Section 3(2).

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.⁵²

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.”⁵³

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 Cooperation (APEC); and the United States should aggressively use these opportunities to achieve more open and fair opportunities for trade in agricultural products.⁵⁴

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.⁵⁵

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.

⁵² 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.

⁵³ Language now codified into U.S. Law under Title 10, Subtitle A, Part IV, Chapter 148, Subchapter VI, section 2540.

⁵⁴ Language now codified into U.S. Law under Title 7, Chapter 41, Subchapter IV, section 1736r.

⁵⁵ Language now codified into U.S. Law under Title 31, Chapter, Subtitle IV, Chapter 53, Subchapter II, section 770.

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 110th Congress

For the 110th 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 clear oversight issues raised by U.S. participation in various APEC actions.

Financial Support. The most direct issue will 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. For example, Congress could consider funding levels, directly or indirectly, for APEC’s trade facilitation programs.

APEC as Vehicle for Promoting an FTAAP. Congress has recognized the potential of APEC as a vehicle for promoting free trade. In addition, the issue of a possible Free Trade Area of the Asia-Pacific may arise during debate on extending the President’s Trade Promotion Authority. In addition, 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 calls on all APEC members — including the United States — “to spare no efforts to break through the current deadlocks.” Their separate statement on the Doha Development Agenda identifies agriculture as “the key to resolving the current impasse,” but it also highlights issues related to market access for industrial goods and services. More specifically, it calls for “making deeper reductions in trade-distorting farm support by major players” — which could be interpreted as a reference, in part, to the U.S. agricultural support program — opening up agricultural markets, cutting tariffs on industrial goods and reducing barriers to the service sector. Such “market opening” actions would likely require congressional action on specific legislation.⁵⁶ In particular, the farm income

⁵⁶ See CRS Report RL33037, *Previewing a 2007 Farm Bill*, by Jasper Womach, Geoffrey (continued...)

and price support programs, which are 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, President Bush's announcement that the United States will recognize 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 play 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, through the annual contribution and specific assistance programs, and alteration in U.S. laws and policies on key issues. Some analysts 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.

⁵⁶ (...continued)

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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 & 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 representative 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." ^a
1995 - Osaka, Japan	APEC adopts the Osaka Action Agenda (OAA) which provides a framework for meeting the Bogor Goals. ^b
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. ^c 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. ^d 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 & Location	Key Outcomes
1999 - Auckland, New Zealand	APEC meetings occur earlier than usual because the World Trade Organization's Ministerial Conference 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. ^e
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 & 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.

- 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].
- 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].
- 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].
- 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.