

OSAKA AND THE APEC ACHIEVEMENT

Address by Senator Gareth Evans, Minister for Foreign Affairs of Australia, to PECC/PBEC Symposium Commemorating the 7th APEC Ministerial Meeting, Osaka, 18 November 1995

When I chaired the inaugural meeting of APEC Ministers in Canberra in 1989, we made arrangements, I seem to recall, for around 30 security personnel to guard the 24 ministers present, although no doubt there were a few more police officers on standby. In Osaka, I understand that the ministers and leaders have been protected from terrorists, irate citizenry and the press by no less than 30,000 security personnel!

That's one measure of our achievement in the last six years. But I think even the most cynical and sceptical would acknowledge that there have been plenty of others - and they have now been compellingly mapped in the documents on which the Ministers have reached agreement over the last two days, and which will be presented to the Leaders tomorrow: the 33 page Osaka Action Agenda, and its 78 page Annex of Action Programs in 12 specific areas of economic and technical cooperation.

What we have done at Osaka is consolidate all the different agendas and streams of activity that we have been developing over the last six years into a coherent integrated whole, with a very clear map drawn as to how the whole process will move forward, in particular in the crucial areas of trade liberalisation and facilitation. Osaka has brought together:

- The Canberra Economic and Technical Cooperation Agenda: the foundation layer, or pillar, of APEC activity, constructed at the outset in 1989 and refined and added to at every subsequent ministerial meeting, as well as through our working groups and committees. This agenda has been designed, more than anything else, to expand our knowledge of sectoral constraints, and to provide policy dialogue forums to work out ways of addressing them.

- The Seattle Trade and Investment Facilitation Agenda: the second layer, or pillar, of APEC activity, agreed at the first Leader's Summit in 1993, with a particular focus on investment principles, customs harmonisation and standards and conformance. This agenda has been designed to seriously tackle transactional costs and impediments: as Warren Christopher put it recently, these issues are not so good for headlines, but great for bottom lines.
- The Bogor Trade and Investment Liberalisation Agenda: the dramatic new commitment (and I don't use that word lightly!) agreed upon at last year's Leader's Summit, to achieve free and open trade and investment in the Asia Pacific no later than 2010/2020: the most far-reaching agenda of them all.

Part I of the Osaka Action Agenda brings together the Seattle and Bogor Agendas; Part II takes the Canberra Agenda yet another major stage further.

The real point about Osaka is that it unequivocally marks the transformation of APEC from a consultative body to an action body: we have spent a lot of time exchanging information, analysing issues, formulating objectives and crafting frameworks for action. None of that time has been wasted; none of that effort was unnecessary. But it is now time to really start getting the runs on the board - delivering the benefits which APEC is eminently capable of generating.

And let there be no doubt about the scale of the benefits involved. Australia has been doing some modelling of the income gains that will be realised when all of the effects have flowed through from the liberalisation and facilitation agendas we have been talking about this week.

- We estimate the total increase in the region's aggregate income to be 3.8 per cent or \$US745 billion (more than the combined current size of Australia's and Korea's economies; more than 10 times Malaysia's; and more than one and a half times China's).

: with the increase from facilitation alone (i.e. cutting transaction costs through common technical standards, paperless trading and so on)

amounting to the greater part of that, increasing aggregate income in the region by 2.2 per cent or \$US442 billion.

There will always be some who are sceptical about any figuring of this kind. Of course such estimates are preliminary and indicative, and of course we can argue about the assumptions on which they are based. But nobody should be any doubt that there will be benefits, they will be very large indeed and they will be shared by all of us.

- I am glad to note that the US government, for one, certainly seems to share that view. I was told yesterday by a US diplomat - although he conceded this might have more to do with getting him and his colleagues home than any econometric modelling - that APEC has been declared by Washington to be an "essential service".

Most of the discussions this week - and this last year - have focused on the liberalisation agenda, and in particular one the "two Cs": comprehensiveness and comparability. Excellent outcomes have been achieved on both these fronts, and we have every reason to believe that they will be endorsed by the leaders tomorrow.

On comprehensiveness, the Bogor guidance was clear - the goal of free and open trade and investment would apply within the target dates and across all sectors and all impediments. To settle for less than comprehensive coverage now would have been to undermine the credibility of APEC, and run the risk of unravelling the whole liberalisation process.

- None of this is to deny that APEC members will require flexibility in how they go about liberalising across and within the different areas of their economies: the view that has prevailed is that there is sufficient flexibility available within the framework set out for the individual action plan process.

Comparability is a closely related principle, in the sense that only comprehensive coverage will allow for mutually beneficial broad balance to be achieved within the APEC-wide liberalisation process. The bottom line here - and again it has been achieved - was the need for arrangements to

ensure that there is a broad and perceived equivalence between individual APEC contributions, which can reassure all members that they can liberalise with confidence, secure in the knowledge that others will be doing the same.

A third "C" embodies the proposal on which agreement was reached well before we came to Osaka, that the liberalisation targets would be achieved through a concerted liberalisation process. This has been a unique APEC conceptual contribution - recognising that while traditional GATT-style offer-and-acceptance negotiations are inappropriate for us, at least at this juncture, merely letting members go their own way in a completely independent fashion would not add the impetus or shared commitment to the trade liberalisation process which APEC has the potential to provide.

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Looking back as we now can at this watershed point in APEC's history, it seems clear enough that right from the outset there was a compelling logic for the creation of APEC. If it hadn't been inaugurated by Australia in Canberra in 1989, it was only a matter of time before some other country took the initiative. I say that because:

(1) There was an established bank of intellectual and political capital on which to draw: statesmen, business leaders and academics around the region had been speaking and writing for years about the virtues of Pacific Rim or Pacific Basin economic cooperation. PECC and PBEC have both made a magnificent contribution in this respect, and I take this opportunity to thank you for it.

(2) East Asian economic dynamism was, by the end of the 1980s, an intensely visible reality. Everybody in the region was either enjoying the action, or working out ways to be part of it - and at the same time asking how it could be sustained. Was there a way of harnessing cooperation to the competition, so that everyone would be better off in the short to medium term, and more confident about the long term?

(3) The idea of regionalism was beginning to capture the imagination of countries right around the world. Europe has led the way with the EU,

but similar moves were afoot in Latin America, in North America, in South Asia, and elsewhere.

In 1995 - six years later - that mood is much further developed, and better understood. Regional and sub-regional groupings - especially economically based - are being developed almost everywhere. They are seen especially as a way of adding value. In trade and investment liberalisation terms, that means adding value over and above that which is achievable through either GATT/WTO-driven global liberalisation, or through bilaterally negotiated or unilateral action.

(4) The idea of an Asia Pacific region - embracing both sides of the Pacific, was one whose time had come by the late 1980s. Even if it hadn't come, it needed to be assiduously pursued, for several reasons:

- In 1989, the Uruguay Round was stumbling, and there were real fears of the world collapsing into three warring trade blocs built around the dollar, yen and deutschmark respectively. APEC was conceived, as much as anything else, as a way of avoiding that nightmare scenario: it was to be a bridge across the Pacific, operating as a counterweight to the divisive tendencies pulling the other way.

- In 1995, that is still a crucial, perhaps the crucial, rationale for APEC. Bilateral trade tensions between Japan and the United States and China and the United States, while beginning to ease, are going to be part of the landscape for a long time yet to come. APEC in the economic sphere will continue to be the most important tension and division reducing mechanism.

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Looking into the future, I don't think any of us really believe it likely that even in the long term APEC will ever really be as totally or strictly integrated a group as the EC - now EU - has been, with a very high measure of harmonisation and integration of trade policy, industry policy and even macro-economic policy.

But I do think it inevitable that APEC will become more and more a structured organisation, certainly as compared with the very loose consultative process it was at the outset. The name "APEC" - which is still, as I once described it, "four adjectives in search of a noun" - will I think eventually change to reflect that reality: the sense of community in this region is already growing remarkably rapidly, not only in an economic sense, and it seems it is only a matter of time before we decide to call ourselves the "Asia Pacific Economic Community".

Whether we ever change our name or not, there is no doubt that APEC is here to stay, and will be a major element in the economic dynamism of this region for the indefinitely foreseeable future.

And there is no doubt that so long as we exist, we will continue to depend, for input and support, on the two great regional economic organisations that preceded us - PBEC and PECC. Thank you for hosting this symposium, and giving me the opportunity to talk to you.