



BASC NEWS

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BASC News

APEC Getting past the teenage years

by Vinod K. Aggarwal



After APEC's 18th birthday in Sydney, what will adulthood bring?

Like many confused teenagers, the Asia-Pacific Economic Cooperation (APEC) has wrestled with its *raison d'être*. Should it continue to set aspirational goals that make it feel good but that have little chance of success? What kind of relationship should it have to older and younger institutions? And can it develop a healthy routine that allows it to succeed, but which isn't very glamorous?

Setting high aspirations is an essential part of growing up. In 1994, APEC decided on the Bogor goals of complete free trade and open investment in the Asia-Pacific by the year 2020 for all members and by 2010 for developed economies. But when it set these goals, APEC failed to provide a clear timetable or mechanism to achieve them.

As corporate leaders know, setting a clear goal is important for developing a distinctive corporate culture. Yet such leaders also know that competitive success cannot come from having lofty aspirations or from short-term tactical thinking. Rather, corporate strategy entails develop-

ing a clear understanding of market positioning, an understanding of one's competitive advantage, and a plan to organize oneself to execute strategy.

In APEC's case, every year has brought new issues to the forum. The latest are global warming and a Free Trade Area of the Asia Pacific (FTAAP). With respect to emissions, although leaders of APEC economies acknowledge that no real targets will be set, most have heartily endorsed some type of statement. Yet when the leading greenhouse gas emitters enthusiastically talk of a declaration on global warming—but are either exempt from the 1997 Kyoto Protocol or have refused to sign it—one might be forgiven for being slightly skeptical of their motives.

The idea of a statement on an FTAAP again fits the aspirational approach. As the leaders of all major economies realize, and as a joint

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APEC : Getting past the teenage years

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2007 Pacific Economic Cooperation Council-APEC Business Advisory Council study notes, the idea of securing an FTAAP in any short to medium time frame is unrealistic.

But isn't it good to set ambitious goals? Unfortunately, this approach has been matched by purely tactical efforts to pick low hanging fruit. The current rush to bilateral preferential trade agreements (PTAs) in the Asia-Pacific region and elsewhere is acknowledged by most to be creating an unhealthy environment for global trade liberalization efforts.

But when negotiators are asked why they continue to pursue such accords, the lament—"but everyone else is doing it"—rings hollow.

APEC's role in the society of extant institutions also needs attention. Some have argued that an FTAAP would prevent the turn to some form of East Asian regionalism. First, this perspective ignores the fact that East Asian states find this concern insulting, given that North America has NAFTA, the U.S. has pursued a Free Trade Area of the Americas, and the EU has continued to expand eastward. Given rapidly growing levels of intra-Asian trade, by what logic would an effort to reduce barriers in East Asia or the Western Pacific be different from what other APEC members and others have pursued in their "own" regions?

Second, and more practically, the increasing focus of ASEAN states, Oceania, Japan, and

South Korea on the China market (which has become these states' most important export partner) does not obviate the need for the reduction of trade barriers between the western and eastern Pacific. All Asian states, particularly the Chinese, recognize that the American consumer has been their closest friend. Third, as Prof. Min Gyo Koo and I have argued, enhanced cooperation in the Western Pacific, such as an East Asian Community, might actually facilitate economic liberalization on an inter-regional and transregional basis through Asia Europe Meetings (ASEM) and APEC.

When negotiators are asked why they continue to pursue such accords, the lament—"but everyone else is doing it"—rings hollow.

Fourth, a little bit of deference to elders might be in order. Many claim that the difficulties in concluding the Doha Round of the WTO necessitate a turn to bilateral and minilateral accords. Yet this puts the cart before the horse.

Might it not be more likely that the turn toward PTAs and open sectoral agreements such as the ones in information technology and telecom have undermined the coalition for free trade by delivering piecemeal liberalization to the most vocal lobbies, at the cost of broader trade liberalization?

The issue of developing a successful organization routine is a particularly unsexy topic. Every APEC summit has seen a new issue, as leaders try to make their mark for personal political purposes. Here, one can only say "focus, focus, focus," if we are to help APEC advance its broader mission.

It may well be time to change APEC's name to APC (Asia-Pacific Community), and create distinct mandates in economics, the environment, terrorism and the like along the lines of current Working Groups. Each distinct group within APC could then set more realistic strategic targets and possibly develop more binding commitments. This would also increase the likelihood of APEC developing a more coordinated position on the WTO and help us move beyond its yearly exhortation to complete the Doha Round.

APC could then still fulfill the clearly important purpose of having leaders from both sides of the Pacific meet regularly without having to sign agreements. And a well-funded and more independent secretariat—something repeatedly advocated by experts—could help to keep APEC on track. ❖

Vinod K. Aggarwal
BASC Director

An earlier version of this editorial appeared in the September 6th, 2007 issue of the Australian Financial Review.

APEC Update Ambitious goals inhibit concrete progress at Sydney

Over its eighteen years of existence, we have learned to set progressively lower expectations for APEC. APEC Australia 2007 was right on target in achieving almost nothing. Climate change? We have a watered-down non-binding declaration with goals decades into the future. Doha? Nothing. FTAAP? Nothing. And the Bogor Goals? There is not even an agreed upon definition for "free and open trade and investment."

All in not lost, however. The forum allowed for the leaders of the Asia-Pacific to all gather in one place, making it easy for leaders to meet one-on-one. For example, President Bush was able to meet with Shinzo Abe, Roh Moo-hyun, Hu Jintao, John Howard, and Vladimir Putin all in one go. If anything can be said about the usefulness of APEC at all, it is that APEC has successfully institutionalized the annual meeting of high levels officials. This allows for the leaders to know each other's positions and for them to find common ground. APEC itself remains woefully uninstitutionalized, with a weak secretariat.

APEC is, in every sense, a talk-shop. Instead of setting wildly ambitious goals that will result in disappointment, APEC ought to focus on consensus building at all levels of government and between government and business. APEC's relevance will not be in the concrete changes that it can bring about in the international trading regime. Instead, its relevance will be derived from its ability to act as a forum to bring together leaders. APEC should be the G8 of the Asia-Pacific. ❖



World leaders sporting Drizabone ("Dry as a bone") jackets at the Sydney summit

Robert Chen
BASC Research Assistant

Director's Notes

Dear Readers,

We appreciate your interest in the Berkeley APEC Study Center and its work on political, economic, and business trends in the Asia-Pacific. In this issue you will find three articles examining the institutional limitations of and prospects for APEC and other regional organizations, a review of our latest book, and information on some of our ongoing projects.

In our first article, *APEC, Getting Past the Teenage Years*, I liken APEC's tendency to set ambitious goals while simultaneously neglecting strategies and mechanisms for achieving those goals to that of a coming-of-age teenager. APEC envisions a glamorous and fulfilling place for itself among its peer institutions, but has thus far not been willing to master the basics of institutional organization and agenda setting. The question is, will APEC be able to overcome these immature impulses, or will it continue to neglect its real responsibilities? The answer to this depends on whether or not APEC members will be able to curb their preference for immediate rewards that do little to advance APEC's broader mission. In short, APEC needs to divert its attention away from visions of grandeur by undertaking the less glamorous task of developing a more effective organizational routine, enforcement mechanisms, and setting strict mandates for each Working Group's issue area.

In this issue's **BASC Spotlight**, Project Director Kristi Govella examines the growing interest in non-traditional security (NTS) issues across various Asian regional institutions. Though non-traditional security represents a valuable and uncontroversial arena of cooperation, she suggests that its tangential relationship to the original goals of many of these organizations may pose a legitimacy problem in the long run, in addition to creating confusion about the appropriate domain of responsibility for each forum.

Robert Chen's **APEC Update** voices a critical perspective of APEC's development as a regional organization. Yet, he argues that the forum remains important in its ability to bring world leaders together once a year in Asia, allowing them to meet both as a group and in bilaterally to discuss key issues of regional concern.

In the **BASC Book Review** section, Michelle Haq reviews *Asia's New Institutional Architecture*, the latest edited volume from the Berkeley APEC Study Center. Based on an innovative approach to analyzing institutional design, this book provides a rich theoretical and empirical analysis of trends in Northeast, Southeast, and South Asia. In particular, it shows how three major shocks—the end of the Cold War, the 1997 Asian financial crisis, and the 9/11 attacks—have challenged Asia's long-standing trade and security order and generated a new set of institutional structures for coping with regional dynamics.

Finally, in our **BASC Projects** update, Ross Cheriton outlines some of the Center's latest endeavors, including our upcoming December 15 conference on *The Evolution of East Asian Regionalism* and the Spring 2008 debut of another edited volume entitled *Northeast Asia: Ripe for Integration?* In addition, BASC will soon be initiating a new research project examining EU and U.S. trade policy towards Asia within the context of current global trends towards bilateral FTAs.

The Berkeley APEC Study Center would like to thank all of the generous contributors who have made its projects possible, including the Ron and Stacey Gutfleish Foundation, the Center for Global Partnership (part of the Japan Foundation), the East-West Center in Honolulu, the East Asia Foundation, the Kim Dae-jung Presidential Library Foundation, and the Institute of European Studies at Berkeley.

Vinod K. Aggarwal, Director, BASC

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ANIA sheds fluff, tackles tough issues

Can the noodle-bowl become a coherent policy-making system?

Creatively describing the convoluted array of Asian economic and security arrangements has become a favorite pastime in both academic and policy circles. In recent years, the myriad bilateral and minilateral accords across the globe has been dubbed a spiderweb, a spaghetti bowl, a bowl of noodles, a tangle, and a knot—among other flowery metaphors—which are often imaginative but hardly analytical categories.

Asia's New Institutional Architecture (ANIA) is a refreshing analysis of the proliferation of Asian institutions in both the economic and security issue areas. It goes beyond simply labeling the new institutional trend to systematically analyze security and economic institutions in Northeast, Southeast, and South Asia. As well, it considers links among each of these sub-regions with an eye to characterizing the current institutional environment and predicting the likelihood of future security and economic integration in Asia. In particular, the inclusion of South Asia in a book on Asian regional integration is a useful corrective to most analysts of "Asia" who focus on East Asia in their discussions of the movement toward new security and economic arrangements, ignoring the increasingly growing links between South Asia and the other sub-regions in Asia.

Vinod Aggarwal and Min Gyo Koo develop an innovative theoretical approach that emphasizes three important shocks as stimuli to institutional changes, within the context of longer-term secular strategic and economic trends such as the rise of China and India, the erosion of the U.S. commitment, the normalization of Japan, and increasing globalization.

These shocks include the end of the Cold War, the 1997-98 Asian financial crisis, and the September 11, 2001 attacks. The editors then develop an institutional bargaining game model to analyze the interaction of shocks with international, domestic, and elite perception variables that have produced a rethinking and restructuring of security, trade, and financial institutions both within and across different sub-regions in Asia.

Based on this approach, John Ravenhill and Keiichi Tsunekawa analyze the current lay of the land with respect to economic and security institutions, respectively. In paired analyses, each of

the book's other contributors then focus on either economic or security institutions. Mie Oba and Min Ye look at trade and security relations, respectively, in Northeast Asia; Helen Nesadurai looks at economic cooperation in Southeast Asia and Ralph Emmers examines security insti-

tutions both within and across regions in Asia in their concluding chapter.

The book convincingly shows how the end of the Cold War was an important driving force for the first steps toward a move away from the bilaterally focused San Francisco system that characterized the post-war period. The 1997-98 financial crisis then led to an acceleration in the institutionalization of relations in Asia, particularly in economic affairs as

existing institutions such as APEC and ASEAN failed to step up to the task and the IMF created tremendous animosity by often pursuing misguided policies drawn from its experience in dealing with Latin American countries.

Finally, the book shows how after 9/11, the U.S. began to reduce its military presence in Asian nations and encouraged regional integration of Asian countries with the intent that each institution would be proactive in its counterterrorism measures. But by neglecting APEC's original mission to promote economic liberalization and obsessively pursuing a security agenda, the U.S. also encouraged Asian countries to accelerate their focus on regional economic institutions. Ironically, then, former Malaysian Prime Minister Mahathir Mohamad's efforts in the early 1990s to promote an exclusive East Asian club that excluded the U.S. began to bear fruit in the mid-2000s.

ANIA's analysis builds upon, but goes well beyond, existing works. By combining a cutting edge theoretical approach with work by leading scholars with area expertise, it avoids the vogue of international relations scholars who simply transport their ideas to Asia without thorough empirical understanding or area specialists who describe events in Asia without an overarching analytical conception and theoretical guidance.

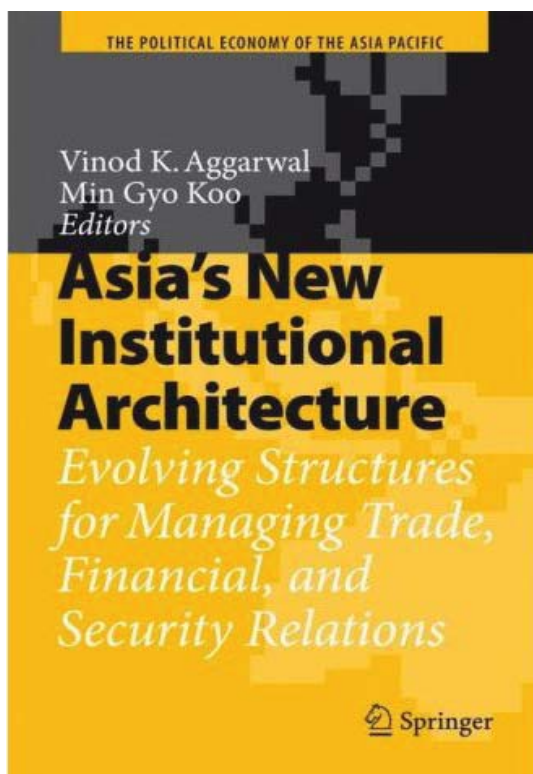
Although ANIA's contributors remain skeptical about the institutional "noodle-bowl," the book provides insight into how the tangle of bilateral and minilateral efforts in trade, finance, and security might eventually culminate in more coherent overarching institutions.

In doing so, the book proves to be must reading for scholars and policymakers who have an interest in security and economic trends in Asia. ❖

Michelle Haq
BASC Research Assistant

BASC Book Review

Asia's New Institutional Architecture



Although ANIA's contributors remain skeptical about the institutional "noodle-bowl," ANIA provides insight into how the tangle of bilateral and minilateral efforts...might culminate in **more coherent overarching institutions.**

tutions in Southeast Asia; and Aggarwal and Rahul Mukherji look at trade trends, while Eswaran Sridharan examines security institutions in South Asia.

Each case study analysis of a region follows the analytical model, thus allowing Aggarwal and Koo to compare and contrast institutional trends

Non-Traditional Security

A Panacea for Asian Regional Institutions?

In today's increasingly globalized and interdependent world, countries are acutely aware of the porous nature of their borders and their amplified vulnerability to transnational problems. Even security concerns, once considered the sole domain of individual states, are not as clear-cut as they once were. "Non-traditional security issues" arise primarily out of non-military sources, such as climate change, resource scarcity, infectious diseases, natural disasters, drug and human trafficking, and transnational crime. These dangers are often transnational, defying unilateral remedies and requiring comprehensive political, economic, social responses.

The inability of states to deal with these concerns individually makes NTS a natural candidate for the agendas of various Asian regional multilateral institutions. Saddled with elusive or ambiguous domains, many of these fora are eager to embrace NTS as a relatively uncontroversial arena in which to further interstate cooperation and produce tangible results – it is difficult to argue against fighting infectious disease or protecting vital sea lanes from pirates, and any progress on these issues presents a valuable contribution to the region. Consequently, ASEAN, ASEAN Plus Three (APT), the East Asia Summit (EAS), APEC, and the ASEAN Regional Forum (ARF) have all pursued NTS issues to some degree (see table).

Despite the indisputable value of NTS cooperation, however, the adoption of these issues is not without its detractors. While NTS proponents from governments such as the U.S. argue that these issues enable the eventual pursuit of these institutions' loftier, and presently unachievable, goals, critics worry that NTS may actually present a barrier to these long-term objectives, stalling fora at a lower level of cooperation or distracting them from higher priorities.

In the aftermath of 9/11, countries such as Malaysia complained about the increasing securitization of APEC, which was originally envisioned as an exclusively economic forum. How does an issue like infectious disease relate to APEC's Bogor Goals of free trade and investment by 2010? The ASEAN Regional Forum has also become increasingly involved in NTS over the past decade. How does disaster relief relate to the ARF's long overdue transition from confidence building to preventive diplomacy? While some NTS issues are ostensibly closer to institutions' original mandates than others, it is clear that the pursuit of non-traditional security exists in tension with the pursuit of other organizational goals.

In addition to internal concerns about organizational domain, problems arise from potential duplication of efforts across different fora. With little coordination between these five regional bodies, it is yet unclear whether the actions of these institutions are conflicting or complementary. Do different problems naturally lend themselves to treatment by different organizations, with a division of labor that lends coherence to their separate efforts? If so, Asia may be well served by overlapping organizations with different memberships.¹ If not, however, a greater degree of intentionality is required

to reconcile these multiple institutions, either by nesting them hierarchically or achieving a division of labor through parallel linkages.² Cooperation without coordination may be a troubling matter, calling to mind images of disaster-stricken areas inundated with an overabundance of clothing donations but totally lacking in fresh water.

Though the answers to questions about institutional distraction and effort duplication are yet unclear, two things can be deduced. First, NTS is a salient issue area on which countries can agree to cooperate – an invaluable contribution in a region with such diversity of culture, language, ideology, religion, and economic development, and with such a divisive historical legacy.

While Asia continues to be permeated by strong norms of sovereignty, making states reluctant to relinquish control over key issues, room still exists for regional institutions to make a difference, if only at the margin – NTS may be the stuff of which this margin is comprised. Secondly, despite

the institutional opportunity represented by NTS, it cannot serve as a panacea for the problems of Asian regional institutions. These institutions were not originally created to deal with NTS concerns, and a sustained, dominant focus on these issues will eventually reduce their legitimacy and effectiveness in achieving their espoused goals.

That being said, these regional institutions need to produce results in order to remain relevant to actors, and NTS provides one possible path

forward. Given the plethora of dialogue options currently available in Asia, fora must craft unique niches for themselves or fade into irrelevance as other institutions step up to meet the challenge. In terms of NTS, organizations should avoid pursuing issues indiscriminately, instead choosing those closely related to their espoused institutional aims.

For APEC and ARF, and ASEAN, their well-defined organizational domains may make this relatively straightforward. For those dialogue processes still in search of a mission, namely APT and the EAS, it may be more difficult. Some type of coordination should be achieved among fora, weaving these disparate entities into either a hierarchically-nested regional order or one with overlapping, multi-tiered institutions exhibiting a horizontal division of labor along issue area. It remains to be seen which of these organizations will emerge as most relevant in the years to come; while non-traditional security cannot provide the solution to all of their shortcomings, it will almost certainly have some role in their future endeavors. ❖

Issue	ASEAN	APT	EAS	APEC	ARF
Climate Change					
Counterterrorism					
Human Trafficking					
Drug Trafficking					
Disaster Relief					
Infectious Disease					
Maritime Security					
Transnational Crime					

Non-traditional security cooperation across Asian regional institutions

Kristi Elaine Govella
BASC Project Director

1 Pempel, T.J. "The Race to Connect East Asia: An Unending Steeplechase." *Asian Economic Policy Review* 1 (2006): 239-254.

2 Aggarwal, Vinod K. "Reconciling Multiple Institutions: Bargaining, Linkages, and Nesting." In *Institutional Designs for a Complex World: Bargaining, Linkages, and Nesting*, edited by Vinod K. Aggarwal, 1-31. Ithaca: Cornell University Press, 1998.



BASC PROJECTS

BASC is continuously working to produce fresh insight on the political-economy of the Asia-Pacific. Our current project lineup includes three projects in particular that we would like to bring to your attention.

On December 15, 2007, BASC will host a major conference on *The Evolution of East Asian Regionalism* on the UC Berkeley campus. The conference will feature a diverse array of renowned scholars who will discuss the politics of East Asian regionalism, focusing on the interplay of ideas, domestic politics, and institutions.

Based on an analytical framework developed by BASC Director Vinod Aggarwal and BASC Senior Affiliate, Seungjoo Lee, experts will focus on trends in East Asian regionalism, subnational lobbying, as well as policy choices by China, South Korea, Japan, the U.S., and ASEAN countries.

A second meeting will be held in Seoul, Korea. This project is sponsored by a grant from the Kim Dae-Jung Presidential Library.

In early 2008, BASC will debut its latest book, *Northeast Asia: Ripe for Integration?* This book

will be the culmination of a two-year project supported the East Asian Foundation in Korea. It analyzes the effectiveness of regional and interregional mechanisms for institutionalizing economic and security relations among the

the Cold War, the Asian financial crisis of 1997-1998, and 9-11. We believe this analysis will help inform thinking about navigating a path to potentially institutionalizing economic and security ties among key East Asian players. Don't forget to add *Northeast Asia* to your spring reading.

Finally, beginning early next year BASC will initiate a new research project examining EU and U.S. trade policy towards Asia within the context of current global trends towards bilateral FTAs.

What political and economic factors are driving this trend? How might these arrangements affect the global trading system? And how are Asian countries, as well as other key global players, likely to respond to a bilateral preferential approach to trade negotiations?

Through a systematic analytical examination of these issues, American and European experts will consider these key issues for the global economy. This new project is sponsored by the Institute of European Studies at the

University of California at Berkeley. ❖

Ross Cheriton
BASC Research Assistant

BASC Timeline

December 2007

Asia's New Institutional Architecture debuts

The Evolution of East Asian Regionalism conference on the UC Berkeley campus

January 2008

U.S. and E.U. bilateral trade policy research begins

Spring 2008

Northeast Asia: Ripe for Integration? debuts

regions' major powers, including China, Japan, Korea, Russia, and the U.S. Our unique approach to this subject provides an integrated analysis of economic and security trends within the region, and examines national responses to the end of



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