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## WHY APEC NEEDS RESULTS IN SYDNEY

*Barry Desker*

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*APEC has to break new ground if it is to remain relevant in an evolving Asia Pacific architecture. To succeed in this goal, creative moves have to be attempted in areas ranging from trade and security to agenda-setting.*

THIS WEEK'S APEC Leaders' Meeting could mark a turning point for the grouping. APEC is trying to remain relevant to its members. It risks being overshadowed by the newer, more vibrant East Asian Community (EAC) and East Asian Summit (EAS) groupings. However, the EAC is based on a model of participation by contiguous states (also known as ASEAN Plus Three in ASEAN circles and as the 10+3 in Chinese reports, reflecting China's preference to handle relations with ASEAN states on a bilateral basis). A rising China is the driving force behind the EAC and this grouping is likely to be dominated by China over time.

### **APEC and the major powers**

This consideration has been an important factor accounting for Japanese support for the establishment of a broader EAS. It is unlikely that the EAS will emerge in the near future as the key institution for the structuring of regional relationships as China, in particular, is likely to resist efforts by other members to implement proposals for functional cooperation within the EAS structure. By contrast, APEC is the United States' preferred vehicle for engagement with East Asia while APEC also encompasses China within its framework.

It is important to bear in mind that regional institutions function both as diplomatic instruments capable of mitigating some of the differences that exist between China and the US as well as avenues where their different values compete and are played out. The Chinese emphasis is on an East Asian regionalism excluding the US (which is not part of East Asia) rather than Asia Pacific regionalism, multipolarity rather than multilateralism, and essentially the application of uncontested and standard UN Charter principles to East Asia. The Chinese focus is on the EAC framework accompanied by a preference for the management of relations through bilateral linkages.

In contrast, the US prefers institutions set in the wider Asia-Pacific context (APEC and the ASEAN Regional Forum or ARF come to mind) and primarily as complementary diplomatic instruments to its system of bilateral military alliances, especially its core alliance with Japan. Institutions are thus not expected in Washington to pose a threat to its unipolarity but rather to consolidate it. These different values and strategies are present in the very regional institutions currently being established in the Asia-Pacific, making the clash of norms and values quite possible.

## **Role of the smaller states**

I would argue that the role of mitigating these differences and shaping a coherent synthesis can therefore be played by smaller states in the region. This provides ASEAN and Australia with an opportunity to shape the emerging regional security architecture and to ameliorate the risks of a clash of cultures or a clash of civilizations. How the leaders of ASEAN and Australia handle the debates in Sydney could therefore provide us with an indication of the future outlook for the region.

APEC could be the key to a strategy designed to engage the US and China. Australia's hosting of the 2007 APEC Leaders' Meeting provides an opportunity to exercise leadership in the forum on a range of issues including strengthening the institutionalised mechanisms for APEC cooperation, developing an agenda for functional cooperation, and trade facilitation.

APEC will increasingly focus on non-traditional security issues such as the impact of international terrorism, transnational organised crime, pandemics, natural disasters, climate change, the environment, energy issues, the smuggling of persons, drugs and goods across international borders and the consequences of economic crises such as the 1997-98 Asian financial crisis.

## **Changing Attitudes on Climate Change**

Interestingly, while security analysts call for an expansion of the security agenda within organizations such as the ARF to include non-traditional or human security issues, these same issues form part of the wider agenda promoted by trade negotiators through institutions such as APEC. It is noteworthy that APEC already has directors responsible for non-traditional security issues such as counter-terrorism and infectious diseases. It has also begun discussions on issues such as supply-chain security, maritime security, energy, and the environment. Through its chairmanship, Australia is poised to lead the way in advancing these new initiatives within APEC as well as proposing new areas of activity such as APEC cooperation on climate change issues.

There is a significant change in attitudes towards the environment and climate change in the APEC region, particularly in East Asia, where this is no longer seen as a developed versus developing countries issue but one which affects the security of their own citizens. An APEC initiative on the environment and climate change would therefore be timely. The US and China are the leading global emitters of carbon dioxide, followed by Indonesia. Carbon dioxide emissions in East Asia will rise rapidly in the next two decades.

The APEC Leaders' Meeting could promote the adoption of policies aimed at encouraging the efficient use of energy in the APEC region. However, the Kyoto approach of prescriptive, legally binding obligations will be resisted in East Asia. An approach which focuses on changing the norms and obtaining consensual agreements is much more likely to succeed. This is where an APEC initiative could be effective as it would mark a move away from the Kyoto model and bring on board China, Indonesia as well as the United States.

As APEC's programme for early, voluntary sectoral liberalisation has stalled, APEC leaders will advance a security agenda at APEC meetings, albeit focusing on non-traditional security issues, as security discussions provide substance to the annual APEC Leaders' Meeting, even though economists criticize the move away from an economic focus.

On the sidelines of APEC, ASEAN leaders should push for an agreement on meetings at the summit level of members of the ASEAN Regional Forum (ARF) once in every three years when APEC is hosted by an ASEAN member. Although the ARF is the primary institution discussing regional and multilateral security issues, it has been marginalised because it is primarily an institution serving foreign ministers and has only recently begun to meet at the defence ministry senior officials' level.

## **Time for Second-Best Option on trade**

APEC leaders are talking of making a breakthrough in multilateral WTO trade negotiations in Sydney. They are not likely to succeed. It is time for second best options. If the US and China took the lead in proposing a multilateral APEC free trade agreement under GATT Article XXIV among countries and customs territories interested in opening markets across the board, it would help to re-shape the substance and atmospherics of international trade negotiations. The focus would shift away from free trade agreements (FTAs) while providing the necessary pressure on the European Union, the US and the major developing countries to conclude negotiations in the current stalled Doha Round of WTO negotiations.

Politically, it could be the imaginative approach necessary to create a new foreign policy opening between the current global hegemon, the US, and the world's rising power, China. Such an alignment would assist in ensuring the peaceful development of China and prevent the emergence of new great power conflicts by creating binding interests. If a new concert of interests can be created between the US and China, it is possible that China's emergence, like that of the US at the end of the 19th century, when Britain was the global hegemon, could take place within the framework of a rule-based international system willing to accommodate the emergence of new global powers with shared interests in the maintenance of global peace and stability.

On the other hand, if APEC fails to break new ground, it will soon fade. APEC will then be seen as only an opportunity for a range of bilateral meetings rather than an institution at the centre of the post-Cold War Asia-Pacific regional security architecture.

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