

**FROM PAFTAD TO APEC: ECONOMISTS NETWORKS
& PUBLIC POLICYMAKING**

by

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APEC – the governmental Asia Pacific Economic Cooperation forum – is a new form of regional economic policymaking that is already playing a significant role for its members and indeed for the global economic system, even though its potential remains greater than its actual achievements thus far. That is not surprising; it is a young organization. While a governmental organization, APEC relies considerably on policy research, ideas and advice from the academic and business communities. These inputs are generated through a variety of channels, national, regional, and APEC-wide.

Policy-oriented academic economists have played important, if not widely recognized, intellectual roles in APEC policy discussions and policy making. It is not a coincidence, or an accident, that most of these economists from all the different countries and economies know each other well. They have been long involved in an informal, effective network which brings many of them together on a regular basis. That has been the series of conferences on Pacific Trade and Development (PAFTAD) begun in 1968, of which 23 have been held, and more are scheduled. PAFTAD refers not only to the conference series but increasingly to its structure as a private, non-governmental informal organization – a network of economists throughout the Asia Pacific.

This paper describes the growth and evolution of PAFTAD, and its role in enhancing economic analysis and policy thinking as how to improve – to make more efficient and effective – the Asia Pacific economies and their economic relationships with each other, and their market-driven dynamic regional economic integration. In retrospect it is clear that PAFTAD was a visionary concept which over time has had a significant intellectual and substantive impact, though most of us involved at the beginning did not have the prescience to realize that. Indeed, it can be argued that the region-wide consciousness-raising that was essential for APEC to be established was in substantial part due to the intellectual contributions of PAFTAD and its participants.

It is not my purpose to provide a detailed history of PAFTAD and its accomplishments. For further detail see Drysdale (1984), Patrick (1989), and Woods (1993 and 1995). However, in order to appreciate PAFTAD's seminal contribution it is necessary to provide some information about PAFTAD. Succeeding sections provide an overview; consideration of the early years as PAFTAD gradually became established; and PAFTAD's role in contributing to the creation first of PECC, and then APEC. The final section provides a brief evaluation of APEC prior to and following its November 1996 meeting in the Philippines, as a new approach to trade liberalization.

PAFTAD – An Overview

The basic purpose of the PAFTAD conferences and activities has been consistent: how to enhance the economic growth and development of the Asia Pacific economies, and to achieve more efficient and effective economic relations with each other and with the rest of the world, through economic analysis and policy consideration of trade and related economic issues. PAFTAD conferences have considered a wide range of topics: trade systems and regimes, regional and subregional arrangements, trade barriers, and related issues; foreign direct investment flows, effects and roles of multinational corporations and networks; structural adjustment problems and policies; specific sectors, such as minerals, agriculture, forestry, fisheries, energy, and services; technology and technology transfer; industrial policy and trade; cooperation between large and small countries, and between economically advanced and developing economies; financial markets and financial interdependence; environmental externalities and development; and most recently, business systems and competition policy in the APEC economies. Much of the focus has, inevitably and desirably, been on the nature of the systems of trade and other economic relations, always within the global context of GATT and now the WTO, but with strong regional foci – now on APEC, AFTA and NAFTA, and from

earlier on ASEAN and CER as well. The full list of conferences – title, date, location – and ensuing book publications appear in Appendix A.

To quote from Peter Drysdale's 1984 brief history of the PAFTAD conference series:[The PAFTAD conferences] have been held in order to examine important issues of economic policy in the Pacific region. Each conference has involved the definition of a research program on a particular theme, the discussion of research results and their implications for policy, and the publication of research findings. The purpose, from the very beginning, was not primarily to originate specific policy proposals – although that does sometimes happen – but to delineate issues and consider policy options, to present basic and relevant empirical evidence to make national and regional interests and points of view explicit, and generally to provide a more informed basis for policy discussion of these issues in Asian-Pacific nations.

Participants in the PAFTAD conferences have predominantly been university or research institution-based, policy-oriented economists, together with a smattering of other social scientists, and, in their private capacities, government officials and representatives of the Asian Development Bank, the OECD, other international organizations, and private foundations. In general there have been three overlapping types of conference participants. One has been generalists – that is, international trade and development economists who are globalists and theorists, epitomized in the early years by Professor Harry Johnson of the University of Chicago, and including a number of distinguished scholars over the years. A second has been those (predominantly international trade) economists who know not only their own economies well but have considerable knowledge of the Asia Pacific region more broadly; Professor Kiyoshi Kojima, the founder of PAFTAD, is the prototype, which includes a number of economists from

throughout the region. The third type is comprised of specialists in particular fields and sectors who bring their special, technical and country expertise to enhance the substantive discussion at each conference. As the list of topics above implies, these have included economists and other specialists in agriculture, fisheries, minerals, energy, industrial organization, macroeconomics, corporate networking, technology and innovation, financial markets, environment, and law, among others.

Over time participation in PAFTAD has expanded from a few Asia-Pacific countries and economies to virtually all of them. No one is excluded by reasons of nationality or political relationships among economies. Inevitably the initial focus was on market economies – first the five advanced industrial Pacific nations and then the developing market economies of East and Southeast Asia. The big challenge was to obtain participation from economists in the Asian socialist countries (including the USSR); over time that has been well achieved. Some, but less, success has been achieved in arranging participation in PAFTAD from the Pacific Latin American countries; it has yet to be accomplished on a sustained basis. There are very few economists in Latin America interested in and knowledgeable of Asia, and not many Asian economists expert on Latin America. With Mexico in NAFTA, Mexico and Chile in APEC and PECC, and other Latin American countries also becoming members of PECC, the Latin American academic base for PAFTAD-type intellectual interchange can only increase.

One of the great strengths of PAFTAD has been that as a private organization it could and did reach out to all Asia Pacific economies regardless of political orientation, even at the height of the Cold War, by not just inviting but seeking out participants from countries where diplomatic relationships did not exist or were strained. In some cases this took several years of informal negotiation, and obtaining visas from some host countries at times has been a problem. Nonetheless, two economists from the Soviet Union participated effectively in the sixth PAFTAD conference in Mexico City in 1974 and in subsequent conferences. To my knowledge,

the first economist from the People's Republic of China to participate in any international economics conference was at the tenth PAFTAD conference held in Australia in 1979. Chinese economists have become ever more deeply involved in PAFTAD over the years, and indeed PAFTAD 19 was held in Beijing in 1991. Vietnamese economists have participated in recent conferences; and for the first time North Koreans – following several years of invitations and negotiations – attended PAFTAD 22 held in Ottawa, Canada in September 1995, and again in PAFTAD 23 held in Taipei, Taiwan in December, 1996. PAFTAD is one of the few meetings where economists from China and the Soviet Union, China and Taiwan, and now South Korea and North Korea, have exchanged views.

PAFTAD's organizational structure remains simple, informal, inexpensive, and very cost-effective. It consists of an International Steering Committee, with a chairman; a Secretariat housed at Australian National University with a director; the ad hoc host committee set up for each conference, backed by a well-established local research institution to provide conference administration; and an informal Executive Committee consisting of the chairman, secretariat director, and chair of the next PAFTAD conference. The International Steering Committee (current members are listed in Appendix B) is the basic decision-making group; it meets at the PAFTAD conferences, and utilizes the Secretariat for communications between meetings. It plays the central role in deciding future conference venues, conference themes (in cooperation with the host committee, typically chaired by a steering committee member), and providing advice and suggestions as to specific topics, possible paper writers, and discussants – always with an eye to ensuing widespread national representation together with appropriate expertise.

When PAFTAD first began and indeed for several years thereafter, its organizational structure was even simpler. It consisted solely of its chairman, Professor Kojima, and what was initially an informal executive committee (we did not even think of ourselves in those terms) of Peter Drysdale and Hugh Patrick. Over time, as it gradually became apparent that a number of participants were eager for further PAFTAD conferences to be held, an International Steering

Committee was formed of participants from various countries and economies willing to take ongoing leadership responsibilities. In 1975, the Executive Committee arrangement was formalized and Saburo Okita of Japan joined it. Following proposals for longer-run planning of future conferences and greater stability in funding at the 1981 PAFTAD conference, the Secretariat was established at Australian National University in 1983 with Professor Peter Drysdale as Director.

Also in 1983, in light of the establishment of PECC (Pacific Economic Cooperation Council) and the need for coordination at a political level, Professor Kojima recognized the time was right for a new initiative in the organization of Pacific trade and development efforts and decided to retire as Chairman of PAFTAD in order that Saburo Okita could take on those responsibilities. Professor Kojima became the first Senior Advisor to the International Steering Committee. He has been joined in more recent years by Sir Frank Holmes of New Zealand, Professor Lim Chong Yah of Singapore, Professor Edward English of Canada, and Professor Wontack Hong of South Korea as, after many years of service to PAFTAD, they have taken less active roles. In 1985, Saburo Okita relinquished the chairmanship of PAFTAD in light of his many other duties, and Hugh Patrick of the United States became chairman.

Funding of the PAFTAD conferences and its secretariat activities has always been something of a problem, particularly in the early years. Almost all the cash expenditures are for direct conference costs: overwhelmingly participant travel and local costs, and modest editorial expenses to ensure book publications of the papers and proceedings. The economists' custom of honoraria for papers was followed, but at minimal levels (a token amount of \$500 has been the norm from the first conference and has never been changed). Initially the funding was ad hoc, depending on the ability of conference organizers to raise funds from local institutions and U.S. foundations, particularly the Asia Foundation (especially in the early years) and the Ford Foundation. With the passage of time, it became apparent that if PAFTAD was to continue it

had to develop a more stable base both financially and institutionally. Accordingly, a consortium of funders for PAFTAD conferences and secretariat expenses was established in 1983 in order to provide enhanced forward planning and to make it more possible for developing economies to serve as PAFTAD conference hosts by utilizing, in part, consortium funding through the PAFTAD Secretariat. Initial consortium funders were U.S. foundations, Japanese organizations, and the Australian government. In addition some participants, from advanced countries in particular, had the responsibility to obtain their own travel funds. Over time, institutions from the countries participating in the consortium has increased, so that now they also include Korea, Taiwan, Indonesia, Thailand, and the Asian Development Bank.

Two further points. First, as PAFTAD matured and as its financing became more stable, it became possible to plan one, sometimes even two, conferences ahead rather than staggering from one conference to the next. Accordingly, not only will the twenty-fourth PAFTAD conference be held in Thailand in May 1998, but PAFTAD 25 will be in Japan in 1999, and PAFTAD 26 in Korea in the year 2000 – and other International Steering Committee members have indicated a willingness to host future PAFTAD conferences.

Second, participants have always considered it important that the presented papers and summaries of the discussion be made available in a timely manner in published (book) form for wider public policy and academic audiences. The early PAFTAD volumes were indeed “proceedings” in the sense that publication was rapid and papers were not substantially edited or revised. It was deemed more important to get ideas out and to raise consciousness about the possibilities of Asia Pacific regional economic integration in a world which still, by and large, ignored the early stages of dynamic growth in the region. Eventually, it was decided to exercise greater quality control in the editorial process, insisting on substantial revisions of papers as appropriate with no commitment to publish all presented papers. The Secretariat has played an important role in the editorial and publications process, and in arranging a publisher for the

PAFTAD conference volume series. The Secretariat also publishes the annual PAFTAD Newsletter.

PAFTAD has been a remarkable success. Perhaps the most cogent criticism, made by Woods among others, is that it has not become a high profile, widely known institution and activity. That is probably inherent in being a professional organization based on policy-oriented academic economists from throughout the Asia Pacific committed to regional trade and development. PAFTAD's great contribution has been intellectual: the generation of ideas and concepts regarding desirable forms of regional economic interchange and integration, the provision of evidence through empirical research to support or reject policy proposals, and ongoing debate among participants. Equally important, these ideas and empirical findings have entered the public policy dialogue and have a significant impact in most of the PAFTAD economies. Virtually all participants in PAFTAD conferences have been actively involved in public policy discussion and formulation in their home countries and in regional and international organizations, frequently as advisors to government, as leading academic members of the national PECC committees, and indeed as advisors to APEC member bureaucracies and policymakers; some have gone into and out of government.

PAFTAD over the past 29 years has established extraordinarily effective networks among economists throughout the region. They have been and are continuing to exercise effective leadership in broader fora. At least seven active PAFTAD participants are currently serving on the PECC Standing Committee or its Coordinating Group; six of the APEC Eminent Persons Group had been members of the PAFTAD International Steering Committee, and four of them had chaired host committees for PAFTAD conferences. Perhaps most important, two of the ongoing PAFTAD leaders from the very beginning – Sir John Crawford of Australia and Saburo Okita of Japan – were instrumental in 1980 in leading their countries to propose and carry out the establishment of the tripartite Pacific Economic Cooperation Committee (PECC), which in due

course led to the formation of the government ministerial level Asia Pacific Economic Cooperation forum (APEC) in 1989. To quote Morrison and Evans (1995):

The group of policy-oriented economists associated with PAFTAD has been particularly important as the progenitor of ideas that ultimately led to the creation of the quasi-official PECC and the intergovernmental APEC process... Although an academic network, PAFTAD has had a tremendous influence on the policy process.

Kojima's Creation of PAFTAD: The Early Years

All this makes the PAFTAD conference program seem as if it had progressed smoothly and steadily as the implementation of a shared long-term vision. Such was not the case at all, especially in the early years. The first conference in January 1968 was planned as a one-shot event. In fact it set into motion a process that none of us involved from the beginning anticipated would persist or achieve so much as it has.

It all began in the mid-1960's when Professor Kojima set out to explore the possibility of a Pacific free-trade area in response to the formation of the European Common Market and the fear that Japan would be left out in the cold. I still recall vividly the spring day in 1967 when Professor Kojima called on me at my office at Yale University to explain his plan to hold a conference of leading policy-oriented economists in Tokyo to explore the possibility of establishing a free trade area among the advanced industrial Pacific nations, namely Japan, the United States, Canada, Australia and New Zealand. He indicated he had obtained funding from the Japanese Foreign Ministry, with the support of Foreign Minister Takeo Miki (later Prime Minister). He invited me to help in the planning and in contacting appropriate American academic participants. To my knowledge this was the first postwar international economics conference completely initiated and led by Japanese academics. Peter Drysdale, having recently

completed dissertation research at Hitotsubashi University under Professor Kojima, assisted Professor Kojima in organizing that conference, which was hosted by the Japan Economic Research Center headed by Saburo Okita.

The 1968 conference, titled “Prospects for a Pacific Free Trade Area”, brought together a group of economists from these five countries who turned out not to know a great deal about each other’s countries, and whose perspectives were predominantly global and bilateral, not regional. The proposal for a Pacific free trade area (PAFTA) was quickly rejected, particularly by the American participants who argued regionalism ran counter to the United States global vision of a world trading system. Economists at the conference turned out to have different national as well as individual perspectives. Canadians were overwhelmingly concerned about access to the United States market; Japanese were worried about European exclusion and finding other markets; Australians were concerned about how to sell wool, agricultural products, and minerals to Japan without at the same time being overwhelmed by Japanese manufactures; and for the New Zealanders, Japan was an eye-popping new world, a new set of issues and new markets.

This first conference was on trade. Participants from the developing Asia Pacific market economies, much less the major socialist economies, notably China and the Soviet Union, were not invited. Over time this was to change.

Two main conclusions were derived from the first conference. First, while a free trade area was not feasible, it was clear that there were real possibilities for more substantial regional cooperation. Moreover, we all displayed considerable ignorance; everyone had a great deal more to learn from and about each other. To this end, Howard Jones, the incoming Chancellor of the East-West Center in Honolulu, invited participants to hold a follow-up conference there a year later. Second, it was essential at this second conference to have as participants economists from

the developing market economies of the Asia Pacific region, namely the emerging NICs and the ASEAN nations. This was strongly argued, in particular by Arthur Paul of the Asia Foundation, who stressed both the importance of considering development in a regional context and the need to alleviate the fears of those in the developing Asia Pacific market economies who interpreted the first conference as representing possible collusion by the five industrialized Asia Pacific countries against them.

Accordingly the second conference was held in Honolulu in 1969. The second conference both expanded on the trade themes of the first conference and explicitly incorporated regional development as a major focus for analysis and discussion, hence the creation of the acronym PAFTAD which has persisted. (A proposal some years later to change it to PACTAD as a more accurate representation was turned down, on the sensible grounds that PAFTAD was by then too well established a term – the importance of brand names!) This second conference brought together economists from the Asian developing market economies with economists from the original five participating countries at the first conference. And that was to be the end of it – until the Australian participants said they would be willing to organize, host, and somehow fund a third PAFTAD conference the following year to consider foreign direct investment issues, a matter of great policy concern in Australia at the time.

So what came to be designated the third PAFTAD conference was held in Sydney some 18 months later, in August 1970. There, Canadian participants pledged to hold a fourth conference in Canada to focus on barriers to trade among the Asia Pacific economies. Thus the PAFTAD process began, and persisted.

These early PAFTAD conferences demonstrated there were a number of important Pacific regional trade and development issues which needed to be considered within the context of the global economic system, and real opportunities for constructive policy initiatives for regional trade and investment liberalization and facilitation. Moreover, they revealed the need

for empirical economic research, consciousness-raising, and informed policy discussion. Most importantly, the early conferences demonstrated the strong personal commitment to regional economic cooperation by a number of academics from throughout the region, and their willingness to take leadership in ensuring a continuation of the very significant dialogue that was developing.

These initial efforts, modes of organization, and substantive themes set the pattern for the conduct of future PAFTAD conferences. Individuals from one country would take on the responsibility of organizing and hosting a conference and playing a major role in raising the necessary funds. A strong personal commitment by academics from each country would be the key to successful organization of the conference series. The host organizing committee would propose a theme and discuss this with an emerging core of ongoing participants from several countries. The vetting of names of potential paper writers and other participants was shared among those continuously involved. Not only was the personal commitment of individuals from a host country but a credible institutional and organizational commitment behind them was key. Also key was the understanding that a substantial part of the funding would be raised by the host committee.

Special tribute must be paid to five persons who were instrumental in achieving both the intellectual depth and the policy focus of PAFTAD from its inauguration. One, of course, is Professor Kiyoshi Kojima of Japan, who not only initiated and chaired the PAFTAD conference series but was a constant source of ideas. The other intellectual guru was Professor Harry Johnson of the University of Chicago, a leading participant in six of the first eight PAFTAD conferences until his untimely death. In addition to his insightful, and often acerbic, comments during the discussions, at the final session he provided a brilliant summary of the conference and its papers. I shall never forget his whittling away at some wooden carving during our meeting, never taking a note. I suspect he hardly slept at all during the conferences.

Arthur Paul, an independent-minded man who was a trouble-shooter for the Asia Foundation in the United States, also deserves special mention. He did more than argue successfully for the inclusion of the developing market economies of East and especially Southeast Asia in the PAFTAD conferences, which added the dimension of economic development to that of trade openness as core concerns of PAFTAD. Arthur Paul was instrumental in encouraging economists and research institutions in Southeast Asia by arranging funding for a number of their research projects on various aspects of economic development, in which trade patterns and trade policy were important themes. He argued cogently, as PAFTAD began to evolve, that in due course the developing Asian countries would come to have the institutional capability to host PAFTAD conferences – a fact taken for granted today but not the case in the beginning years. Arthur Paul died in 1976. Before his death he took great pleasure in knowing that PAFTAD 8, on trade and employment in the Asia Pacific, was being held in Thailand in 1976, the first PAFTAD conference hosted by an Asian developing market economy. Since then, as Appendix A indicates, virtually every Asian Pacific developing economy has hosted a PAFTAD conference, as have all the developed economies.

Two of the most important architects, not only of PAFTAD, but indeed of PECC and by extension APEC, were Dr. Saburo Okita of Japan and Sir John Crawford of Australia. I do not attempt to summarize their contributions here. Suffice it to say that both were policy advisors to their respective governments at the highest levels; both very early on recognized the benefits of, articulated the case for, and pushed for an open, liberal, Asia Pacific economic regionalism; and both participated centrally in the creation and development of supporting institutions, beginning with PAFTAD (see Okita's insightful comments in his 1987 and 1993 publications). Both participated actively in the PAFTAD process until their untimely deaths, Sir John in 1985 and Saburo Okita in 1994.

Inevitably with the passage of time, the number of participants who have been continuously active in PAFTAD from the early days has dwindled through retirement or death. They have been replaced by a new generation of leaders, including Yamazawa in Japan, Chia in Singapore, Bollard in New Zealand, Young in Korea, and Dobson in Canada (see Appendix B). With the retirement of Edward English of Canada from the International Steering Committee, the original contingent from PAFTAD 1 of ongoing of active participants is now down to two: Drysdale and Patrick. Our turn to retire will come in due course.

From the beginning there was a vision of Asia Pacific outward-looking regional economic cooperation to be created; and PAFTAD created and articulated it. This vision has been transmuted and transformed over time as economic and political conditions have changed – notably the rapid economic development first of the NIEs, and more recently of the ASEAN nations and China, the ending of the Cold War, and the increasing economic integration, market-driven, of the region – and as our economic analysis and policy prescription has deepened, reflecting in part changing national economic policy objectives. The enduring success of the PAFTAD conference series, and of the range of topics it has been addressing, is testimony to the importance of this vision.

From PAFTAD to APEC, via PECC

The road from PAFTAD to PECC, and then to APEC is direct, as the above discussion makes clear. As one commentator recently put it, “the fingerprints of PAFTAD are all over PECC and APEC.” This is another way of saying that the economists actively involved in PAFTAD have also been playing major intellectual and policy roles in PECC and APEC in virtually every Asia-Pacific economy. For example, the two outside studies commissioned to PECC by the APEC Secretariat for the November 1995 Osaka APEC ministerial and summit meetings were in fact both done by economists who have long been active in PAFTAD.

PAFTAD was the progenitor of PECC, and PECC was the progenitor of APEC. This is not the place to describe the evolutionary development and roles of PECC in any detail. The roles of Saburo Okita and Sir John Crawford in getting their respective Prime Ministers Ohira and Fraser to sponsor at the Canberra 1980 seminar on the concept of a Pacific Community are charmingly described in Okita (1993). This seminar came to be known as the first PECC conference. PECC is unique: it is a private, non-governmental organization of national PECC committees, each of which has membership from three sectors – academic (including private economic research institutions), business, and individuals from governments “acting in their private capacity” (a convenient oxymoron which has made it possible to articulate and consider views not yet representing government policies or positions). By late 1996 PECC membership of tripartite national committees has expanded significantly to include essentially all Asian, Oceanic, North American and Latin American economies bordering on the Pacific; eleven conferences have been held, the most recent in Shanghai, and PECC XII will be held in Santiago, Chile on the theme “Transpacific Partnership: Implementing Trade and Investment Opportunities.” A good history of the development and activities of PECC is provided in Woods (1993, especially Chapters 6 and 7). The wide range of early views on Pacific economic cooperation are nicely captured in Soesastro and Han (1983).

PECC was very much a Japanese-Australian initiative. Its intellectual foundations were certainly related to earlier concepts of a Pacific free trade area and the evolution of thinking about Pacific institutions throughout the 1970s articulated in PAFTAD conferences and publications. It was clearly recognized that participation of the ASEAN nations was essential for any form of Pacific Community, non-governmental or governmental. And, as Chinese economic reforms progressed in the 1980s and 1990s and its foreign trade grew dramatically, it became more important than ever that China be an active and positive PECC in addition to ongoing PAFTAD participant. At the same time almost all Asia Pacific participants were eager for the

United States to enhance its commitment to the Western Pacific and be actively involved in PECC.

Throughout the 1970s and indeed until early 1985 the United States government continued to reject regional approaches to Asia Pacific economic cooperation, giving priority to its global vision and approach and to bilateral resolution of particular issues with specific nations. However, in the late 1970s Senator Glenn, Chair of the Subcommittee on East Asian and Pacific Affairs, Senate Committee on Foreign Relations, initiated the first policy discussion at a U.S. governmental level of a possible Asia Pacific regional economic organization with U.S. participation. He had the Congressional Research Service commission a paper by Professors Drysdale and Patrick, who built upon ideas earlier espoused in PAFTAD to propose an Organization for Pacific Trade and Development (OPTAD). This paper, and the Congressional Hearings based on it (see Drysdale and Patrick, 1979) became a reference point in the emerging trans-Pacific discussions and in bringing issues of Asia Pacific economic cooperation into the U.S. public policy arena (Soesastro and Han, 1983). However, it was not until the beginning of the second Reagan Administration that Secretary of State Schultz specifically endorsed a regional approach to Asia Pacific economic cooperation and arranged for active participation, for the first time, of the U.S. government in PECC.

As governments came increasingly in the 1980s to recognize the inevitable forces of market-driven economic integration among the Asia Pacific economies, the benefits of more formal government cooperation became increasingly apparent. PECC had succeeded in raising consciousness at governmental as well as business and academic levels of the need for supportive policies and arrangements – public goods – to support and enhance the rapid growth in regional trade, investment, and technology transfer. Once again Australia, encouraged by Japan, took governmental leadership, holding the first Asia Pacific Economic Cooperation (APEC) forum meeting in Canberra in late 1989 to initiate consultations among interested

governments, initially twelve market-based countries. To date there have been eight annual APEC meetings, the latest in the Philippines in November 1996, shortly before the first general meeting of the World Trade Organization, in Singapore. The ninth annual APEC meeting will be held in Canada in November 1997.

The basic objectives of the APEC are to promote and facilitate, through liberalization of the rules for trade and investment flows, the development and growth of its members; and to do so in ways which not only conform to WTO rules but are supportive of the multilateral, global WTO system. In a very real sense APEC is a governmental institutional reaction to the economic realities of the large and increasing economic integration, led by private businesses operating through markets.¹ They seek to increase market access and to reduce transactions costs by improvements in the rules of the game engineered by APEC. An APEC core concept is "open regionalism", which in essence means that any trade liberalizations arranged among APEC members will be extended on a non-discriminatory, unconditional MFN basis to all WTO members. Since it creates free rider problems, especially vis a vis the European Union, the United States and Canada among others have not been willing to accept this concept fully.²

The eighteen members of APEC are Japan, South Korea, China, Chinese Taipei (Taiwan), Hong Kong, Philippines, Malaysia, Thailand, Singapore, Indonesia, Brunei, Papua New Guinea, Australia, New Zealand, Chile, Mexico, the United States, and Canada. China,

¹ Together, the APEC economies comprise about one-half of world gross domestic product measured at exchange rates, though two-thirds consists of the United States and Japan. APEC exports are close to one-half the world total; about two-thirds of APEC member trade is with each other.

² A broader definition of open regionalism, involving a bundle of policy changes which reduce barriers to trade in goods and services and to investment flows on a non-discriminatory basis through consensus, is given in Pacific Economic Cooperation Council, Pacific Economic Development Report 1995, p 27.

Hong Kong, and Taiwan (termed Chinese Taipei) joined at the third APEC meeting at Seoul in 1991 as a result of successful negotiations handled by South Korea. PECC maintains a close relationship with APEC, providing studies for APEC Working Groups and being the only outside organization formally participating in APEC meetings as an observer. A moratorium on new APEC members has been in effect. Prior to the 1997 APEC meeting criteria for membership are to be developed, with new members entering in 1999. Vietnam, which recently joined ASEAN, and Peru are front-runners in any expansion of membership, followed probably by Russia and Colombia. A total of 11 countries, including India, have expressed interest in membership. Inevitably Japan and China play major roles in APEC together with the United States and ASEAN. In addition, by virtue of their substantive policy proposal inputs as well as economic size both South Korea and Australia are significant players.

Formally, APEC is a governmental institution at the Ministerial level, with participation of Foreign and Trade Ministers. However, its profile has been raised significantly since the 1993 Seattle conference, at which President Clinton held an “economic leaders “summit conference, a pattern which subsequent host leaders have followed. APEC is a young organization which has made considerable progress since its inception in 1989. So far, it has been a consultative arrangement, based on annual meetings and preparatory meetings by technical staff and senior officials. It is administratively lean and simple. A small APEC Secretariat was set up in Singapore following the fourth meeting in 1992. It relies upon Working Groups to develop policy proposals and modes of cooperation in a range of specific areas, often in cooperation with PECC as exemplified by the recent studies it has contracted out to PECC.

APEC established the Eminent Persons Group (EPG) in 1992, consisting in principle of one private citizen from each member, in order to develop a vision of APEC's long-run objectives and modes of operation. Its reports for the 1993 meeting in Seattle, and the 1994 meeting in Bogor, and its final report for the Osaka meeting in 1995 provided an intellectual

framework for approaching many of the concrete issues that APEC must ultimately face. The EPG, under its dynamic American chairman Fred Bergsten, also became the setting where differences in concepts and approaches were most forcefully articulated. Their deliberations reflected substantial differences in substance and style among the APEC members. The United States government is eager to achieve results quickly. It, Canada, Mexico, Singapore, Hong Kong and perhaps some others, prefer to achieve trade liberalization through formal negotiations in the traditional way. Many Asian countries, including Japan, China, and most of the other Asian members, prefer a more informal and consensual style, less contractual and less binding approaches, and reliance on peer pressure and moral force rather than treaty sanctions. As APEC has started to move toward implementation of agreed policies, the role of the EPG came to an end and it was disbanded following the 1995 Osaka meeting.

As APEC moved from grappling with “visions” and conceptual issues, it has focused increasingly on the practical issues facing business. Recognizing that “business is the source of vitality for the Asia-Pacific and the driving force for regional economic development”, the Osaka meeting served to establish the APEC Business Advisory Council (ABAC), with the respective governments each appointing three business leaders to the Council. ABAC issued its first report APEC Means Business just prior to the 1996 APEC Manila meeting. It focused on a range of practical policy reforms that would facilitate business trade and investment activities.

The four most recent meetings, especially those at Seattle and Bogor, have moved APEC dramatically forward. At Seattle in November 1993, President Clinton in effect raised APEC to the highest governmental level in convening an informal leaders meeting of the heads of state following the APEC Ministerial meeting. That summit also exposed political difficulties facing APEC. China successfully insisted that Taiwan's President not be invited; and Prime Minister Mahathir of Malaysia refused to attend. At Bogor in November 1994, with the strong and bold leadership of President Soeharto the leaders enunciated a vision, a non-binding commitment but

with strong moral intent and peer pressure, to achieve free and open trade and investment no later than 2010 for the industrialized economies and no later than 2020 for the developing economies. How the principles of the Bogor Declaration are to be implemented in practice was the main challenge facing the November 1995 APEC meeting at Osaka and the November 1996 meeting at Manila, and will drive the future APEC meetings, as increasingly concrete and detailed “action plans” are formulated and implementation agreed upon.

The overall APEC policy agenda has three major interrelated components: trade and foreign direct investment liberalization; trade facilitation; and promotion of the economic development of the developing APEC members. At the 1996 APEC meeting, the Osaka Action Agenda was agreed upon. It established 15 areas for trade liberalization and facilitation: tariffs, non-tariff barriers, services, investment, standards and conformance, customs procedures, intellectual property rights, competition policy, government procurement, deregulation, rules of origins, dispute mediation, mobility of business people, implementation of the Uruguay Round, and information gathering and analysis. In addition, the Agenda set up 13 areas of economic and technical cooperation: human resources development, industrial science and technology, small and medium-sized enterprises, economic infrastructure, energy, transport, telecommunications and information, tourism, trade and investment data, trade promotion, marine resource conservation, fisheries and agricultural technology. This is a comprehensive set of issues and matters to be dealt with over time. Finance is not included because there is a separate, lower-key, annual meeting of APEC Finance Ministers usually held in March or April. Environmental issues have also been considered at an APEC Environmental Ministers meeting, but this has attracted less attention and environmental issues have yet to be included in the main APEC agenda.

The most difficult, or at least the most salient and visible, policy issues are how to implement trade and investment liberalization in practice. What should the basic approach be;

what about unconditional versus conditional MFN; how can APEC be not only WTO-consistent but WTO-supportive; how should the differences in levels of development be dealt with?

The traditional approach to trade liberalization, global or regional, has been for member governments to enter formal trade negotiations among themselves: to exchange trade concessions, to set timetables, and to ratify a legally binding treaty. APEC has rejected this legalistic, Western approach, for at least two reasons: it implies the establishment of a regional free trade area (or common market); and various APEC members are at dramatically different levels of economic development, and have dramatically different economic regimes (in terms of trade barriers, and the role of the government). Instead APEC has come up with what is termed the “Asian way” to liberalization – through voluntary actions by each government.

APEC has rejected the establishment of a Pacific free trade association (PAFTA) since by reducing trade barriers only among members a FTA discriminates against non-members, is trade diverting and, although permitted, often is not supportive of WTO objectives and principles. It is counter to the principle of open regionalism, embodying unconditional MFN. Many APEC economies, including Japan, appear willing to extend any APEC-based trade liberalization on an unconditional MFN basis. However, as already noted, the United States, Canada and some others are unwilling to extend on an unconditional non-reciprocal basis any reductions in trade barriers to the European Union, not only on free rider grounds but because that would sharply reduce EU incentives to participate in a new global round of trade negotiations. The U.S. position is not surprising, since it has a very large market and great bargaining power, unlike smaller economies with far less bargaining power. While Japan is also a very large economy, its economic relationships with the European Community are much less close. Nonetheless, it is fascinating and a bit ironic that Professor Kojima almost thirty years ago at the first PAFTAD conference proposed a Pacific free trade area in response to the formation of the European common market and U.S. academics and policymakers rejected it; now some (fortunately not

many) in the U.S. propose a PAFTA and Japanese policymakers reject it. As economic circumstances change government policy positions are altered.

Although Americans often perceive the trade liberalization process to involve formally negotiated mutual concessions among economies in a legalistic framework, in practice a large majority of the APEC economies have undertaken substantial unilateral deregulation and liberalization policy packages in recent years. This is textbook economics: an economy on net balance benefits from its own trade liberalization even if its partners do not liberalize. Of course it benefits more if its partners also liberalize; those are the benefits of the WTO and APEC. However, when a country's bargaining power is small it makes sense to liberalize unilaterally. It is textbook politics, however, that liberalization is economically costly to previously-protected, entrenched, organized interests – mainly domestic producers of import - competing goods – and they try to impose political costs upon those making the decision to liberalize. The practical question is, accordingly, how much further will countries liberalize unilaterally without external pressures and benefits? And what will be the mechanisms for pressure without formal negotiations?

APEC: A New Approach to Trade Liberalization

_____ Following the 1994 Bogor commitments to free trade in principle, at least rhetorically, in the consultations preparatory to the 1995 meeting in Osaka APEC laid the groundwork for a new, consultative, consensual, voluntary approach to trade liberalization. Proposed by Indonesia, this “Asian way” has been termed “concerted unilateral liberalization.” Under this approach, each country unilaterally develops its own liberalization program, and brings it to the APEC table for discussion and consultation. No doubt each country will be criticized for being laggard, and will be asked to do more. This mode of consultations (rather than formal “negotiations”) relies primarily on peer pressure, though no doubt understandings would be

reached as to what in effect will be mutual concessions. Each country then revises its program, and announces it. These individual action plans (IAPs, in the jargon) by each country to liberalize unilaterally, but implicitly in concert, is consistent with WTO provisions so long as countries do so on an unconditional MFN basis. Discriminatory treatment of non-members is acceptable under GATT Article 24 only where a free trade area is established which involves liberalization of substantially to all trade, certainly not the case in APEC. It is not clear how, in such an arrangement, under WTO rules the United States or other countries could "unilaterally" extend concessions only to other APEC members while requiring reciprocity (conditional MFN) from non-members. This remains an unresolved issue, not yet tested by them.

On first appearance, this seems to be a recipe for inaction because there are no legal commitments and no enforcement mechanisms. Since the procedure depends critically upon peer pressure, it remains to be seen how vigorously and to what degree economies will liberalize under "concerted unilateral liberalization". Moreover, since these reductions of tariff and non-tariff barriers are not legally binding (meaning that they can be unilaterally increased in the future), then there is always the danger of backsliding. Nonetheless, unilateral liberalization by one member has competitive effects on the policies of others. It was not mere coincidence that Indonesia announced a liberalization of its foreign direct investment regime in early June 1994 following U.S. de-linking of its human rights policies and its application of MFN status toward China. The viability of APEC in the longer run requires all members to liberalize trade and investment, and no one wants to be seen as undermining APEC.

The results of the 1995 APEC Osaka meeting provided grounds for cautious optimism. Virtually all the member economies affirmed their commitment to the liberalization process by making voluntary "down payments." The United States was unable to do so because of lack of Congressional approval for acceleration of Uruguay Round scheduled commitments or other forms of liberalization, but other APEC members have been tolerant of American "free riding"

since, after all, the U.S. market is very large and on the whole very open.

The Osaka APEC was generally a success in other respects as well. It represented the transformation from a top-down, general policy statement by leaders to a bottoms-up approach based on intensive, extended consultations over the course of the year among the government officials actually responsible both for formulating concrete policies and for implementing them. An Action Agenda was agreed upon, setting guidelines for even more detailed proposals to be decided upon at the 1996 APEC meeting in Manila. Considerable progress was made in a number of trade facilitation areas and on training and other developmental agenda items.

The first test of the concerted, voluntary approach to trade liberalization through individual action plans was at the 1996 APEC meeting at Manila (Subic Bay) in November. The members presented their IAPs, which varied greatly in specificity and substance. These were collated to become the Manila Action Plan for APEC (MAPA). There is no unambiguous way to make straightforward comparisons across the 18 APEC members and the 15 areas of trade liberalization and facilitation. Tariff reduction of course is one important measure, but certainly not the only one. Comparisons are asymmetric since low income members have substantially higher tariffs than the high income members. In general, IAPs of the developing countries went substantially beyond Uruguay Round commitments, and indicate better than linear progress to the Bogor targets, while the IAPs of the developed countries, notably the United States and Japan, represented virtually no incremental commitments (see PECC et al, November 1996 and Yamazawa, December 1996 for data and assessments). However, a number of the commitments were somewhat vague; most presented average tariff rates by the year 2000 without treating specific product rates; and, aside from Singapore and Hong Kong which already have zero tariffs, four countries – South Korea, Malaysia, Papua New Guinea and Thailand – made no concrete tariff-reduction proposals (see Yamazawa, 1996, Figure 1).

Evaluations of the Manila 1996 IAPs are mixed; it is a situation of whether one sees the

glass as half full or half empty. Certainly there was some progress, but it was disappointingly small to many. Less attention has been given to progress made at Manila on a range of plans approved to reduce administrative barriers to conducting business in the region, such as customs simplification, standardization, and transparency. This part of the agenda, focused on collective action plans among APEC members and worked out through close consultations of working-level committees on a variety of technical issues, has come to be called the Collective Action Plans. (See Johnstone for a nice description and appraisal). As the ABAC and other business representatives suggest, these activities will contribute substantially to lowering the costs of doing business among APEC members.

The real tests of the “APEC way” of voluntary, concerted trade liberalization through IAPs will occur only over the course of the next several APEC meetings. Manila was only the first year of what will be a lengthy process. Every country now has a commitment to and will benefit from trade liberalization. Certainly each country will initially continue to do the easy liberalizations, and postpone tackling the more sensitive sectors and issues until their economies are stronger, their resolve is stronger, and the APEC process is stronger. Even so, it is possible that by the initial target dates liberalization will not be completed in the most sensitive sector in some countries. The unwillingness of Japan, South Korea, Taiwan and China to commit to agricultural liberalization within the given time frames was handled at Osaka not by allowing exceptions but by agreeing to handle such sensitive sectors with flexibility. Presumably similar “flexibility” will be allowed for developing countries such as China and Indonesia as they aggressively pursue specific industrial policies. As the liberalization process proceeds in APEC, the tension between the ideal goal of free trade and investment by 2010 or 2020 and the realities of political power and governmental policies maintaining protection in some sectors will probably intensify. However, APEC is not to be judged so much by its ultimate achievement of complete free trade, but by the degree to which general trade and investment liberalization continues to take place. The processes underway do provide realistic grounds for cautious optimism.

APEC: More Than Regional Trade Liberalization

For APEC the objective is global trade liberalization, not simply liberalization among its members. This is the basis of the concept of open regionalism. It is not mere rhetoric. In some respects APEC's trade liberalization success to date has been even more at the global level than regionally. APEC last-minute concessions at the 1993 Seattle meeting (and its threat as a potential alternative to a global system) provided the final impetus to complete the Uruguay Round as the European Union quickly made concessions in response. As the United States utilizes APEC and develops its relationship with the Asia Pacific economies, European countries feel greater pressure to develop their Asian relations, and this can generate opportunities for global liberalization packages, and perhaps eventually even an APEC Round of global negotiations under the WTO.

APEC can be, and indeed has become, a vehicle for pushing forward global trade liberalization through the WTO. At the 1996 Manila APEC meeting the United States, with strong support from Japan, Australia, and Singapore, proposed that a global Information Technology Agreement be endorsed by the APEC Summit leaders and submitted to the WTO first Ministerial meeting the following month, in December. The objective of this Agreement is to eliminate tariffs on a wide range of information-technology products by the year 2000. Some APEC members resisted but eventually endorsed the proposal, once it was agreed that some flexibility in the timing of tariff reductions would be acceptable. This enabled the proponents to obtain European support, and at the WTO meeting some 28 countries comprising 85% of world trade in these items agreed to join; signers included the United States, Japan, Canada, Australia, Hong Kong, Singapore, Indonesia, Taiwan and South Korea. Once additional countries join so that 90% of world trade is covered, the Agreement will go into effect. Subsequently Thailand agreed to join, and Malaysia and the Philippines expressed positive views; together with several

other (non-APEC) countries which have agreed to join that will be sufficient to reach the coverage target. Without the support of APEC, it is unlikely the Agreement would have succeeded.

As already noted, the 1996 Manila meeting initiated a number of practical, if somewhat technical and less glamorous, steps to facilitate trade. These included agreement to harmonize tariff nomenclature by the end of 1996 and to simplify and harmonize customs procedures by 1998. These can lead to substantial savings in business trade transactions costs.

In broader perspective, APEC has served the important function of providing a locus and vehicle for a series of significant bilateral summit meetings among major leaders, most notably at Manila President Clinton of the United States with President Jiang of China, with President Kim of South Korea, and with Prime Minister Hashimoto of Japan. With each country the United States had important business to be considered at the highest (i.e. top leader) level. These meetings were particularly useful. Such bilateral summit meetings are very difficult logistically and politically to arrange in isolation. APEC offers an annual opportunity, hitherto not available, for APEC leaders to meet both bilaterally and as a group. It is noteworthy that prior to the Seattle first APEC meeting in 1993 the leaders of the United States, China and Japan have never been in the same place at the same time. APEC provided that opportunity, and will in the future. This may turn out to be the greatest contribution APEC makes.

My overall evaluation of APEC is positive. It is beneficial for all its members. Perhaps its most important substantive contribution in the near future will be in trade facilitation, where opportunities for simplifying procedures and reducing transactions costs abound. Its developmental activities are certainly useful, though perhaps they would occur anyway. Trade liberalization will continue to be the most contentious and most difficult issue. At this early stage the APEC process is just as important as the results. The APEC Ministerial and leader

summit meetings, and the preparations for them, are important in themselves. They build knowledge, trust, and confidence; raise consciousness of each other's circumstances; and develop networks. Moreover, the goals are highly desirable, and movement is in the right direction. And it should not be forgotten that APEC is still young, and its processes and institutional arrangements are still somewhat fragile.

APEC has been particularly important for the United States, and for those desiring active American involvement in Asia. APEC has provided a coherent, region-wide focus to U.S. Asian economic policy. It provides another mechanism for liberalizing trade and expanding market access. It potentially mitigates the U.S. heavy reliance on bilateral economic negotiations. And it has been an important educational process about Asia for the U.S. government from the President on down. There are now APEC offices in every relevant U.S. government department, and a position created in 1995 of U.S. Ambassador to APEC.

Of course APEC is far from a panacea; it cannot resolve all regional economic issues. Some have gone so far as to say that APEC is irrelevant, others that it is potentially dangerous. One strand arguing irrelevance say Asia Pacific economic integration is market-led (which is correct) and that governments have no significant role (incorrect). Establishing rules and harmonizing them is a key role governments can play in the building of market institutions. Another strand of argument is that the really key economic issues are not region-wide but bilateral and triangular, among China, Japan, and the United States. These are certainly very important relationships that probably will continue to be managed directly; however, it is possible that the larger audience of other APEC members will have a mediating influence.

The potential danger of APEC is that it might become an inward-looking, discriminatory trading bloc which thereby undermines the global role of the WTO. That is not going to happen. All APEC members well understand they benefit most of all from a liberal, open global trading

system, and they will do nothing to undermine the WTO. Rather, they correctly see APEC's role to be complementary to and supportive of the WTO. This underlies the emphasis on open regionalism, and the rejection of a free trade area. In trade facilitation and in other areas it serves as a laboratory for consultation on new issues not yet dealt with by the WTO. Most importantly, APEC is very likely to be the source of efforts to enter, in due course, the next round of global trade liberalization negotiations.

PAFTAD's Contribution to APEC

PAFTAD's contribution to APEC is not simply a matter of history, of path dependency. Rather, both through its network of policy-oriented scholars and its conferences, PAFTAD provides direct, as well as indirect, input into the APEC process. It is not a coincidence that virtually all of the scholars and experts who prepared the timely substantive document Perspectives on the Manila Action Plan for APEC just before the Manila meeting are PAFTAD participants, and indeed four of them members of PAFTAD's International Steering Committee. The overlap between participants in PAFTAD and academic members of PECC has always been very substantial, especially in the PECC Trade Policy Forum.

PAFTAD is linked but not tied to APEC. PAFTAD plays a continuing vital role as the locus of independent, objective analysis of the issues encompassed in the APEC Action and other agendas. As an independent, private (non-governmental) organization, it is not subject to the same governmental strictures as APEC and even PECC. It has the substantive research capabilities lacking in the APEC Business Advisory Council (or PBEC). The APEC Action Agenda is so comprehensive that virtually every topic considered in PAFTAD conferences is of direct relevance to the APEC policy process. There are important exceptions, where PAFTAD

addresses a significant topic not yet high on the APEC agenda, such as the PAFTAD 22 conference in 1995 on environmental issues and their relationship to development and trade in the Asia Pacific context.

PAFTAD 23, held in Taipei in December 1996, on the “Business, Markets and Governments in the Asia Pacific” is of direct relevance for APEC. Three themes dominated the conference: the relationships between competition policy and trade policy; the nature of competition law and competition policy in the Asia Pacific economies and the prospects for harmonization; and the relevance of these analyses and discussion for APEC, for which competition policy is one of 15 specific areas for APEC action plans.

Competition law varies widely among the APEC members (6 economies including Hong Kong and Singapore do not yet have explicit competition policies), as do competition policies (a broader concept) and the implementation of laws and policies. Competition policy is quite country-specific, with varying institutional arrangements, and involves an evolutionary process of development. Different countries attach different weights to efficiency gains and to other goals such as price stability and income distribution (and maintenance of certain groups in power, it appears, in some cases). Given these systemic differences, harmonization of competition policies and laws among APEC members is very far away, indeed unrealistic in the foreseeable future; and since harmonization is not an end in itself it may not even be desirable. The issue always is: harmonization to what set of norms and rules.

The best competition policy for APEC is probably liberalization of trade and investment which makes their markets more contestable. As trade and investment barriers in the Asia Pacific continue to decrease, competition policy to deal with internal market barriers becomes increasingly important to ensure that markets are indeed contestable. A common starting point of principles for both sets of policies is non-discrimination between domestic and imported (or

exported) goods and services, and national treatment of foreign firms equal to that of domestic firms.

Considerable concern was expressed at PAFTAD 23 by the way in which the United States uses anti-dumping laws as a trade remedy, and the spread of this restrictive policy instrument to other countries as well. It was argued that there is little evidence that predatory pricing, which is the main intellectual justification for anti-dumping, occurs much in practice; and that where it does competition laws provide the more appropriate policy instrument. One constructive suggestion is that there is a deal to be negotiated whereby the U.S. gets rid of its anti-dumping laws and procedures in return for tough competition laws which are also implemented in other countries; this solution is in the distant future however. Some cogently argued that anti-dumping procedures are necessary since competition policy will not replace it any time soon; the real issue is to prevent abuses by clarifying procedures, introducing dispute settlement, and preventing cases of frivolous harassment.

By clarifying the commonalities and the differences in competition policies and practices among the APEC members, the papers and the discussion provide important, useful input into the APEC process of consideration of competition policy issues. PAFTAD 23 very nicely anticipated what now is becoming a front-burner issues in APEC. APEC can be a forum for competition policy discussion, engaging in consciousness-raising and agreement on general principles. A minimum standards approach was proposed to address the most egregious types of private anti-competitive restraints, such as dominant market power and exclusionary behavior, naked price fixing, bid rigging, and market allocations. Many of the PAFTAD 23 participants are actively involved in their respective countries' APEC policy discussions and formulations, including the August 1996 APEC workshop on competition policy and the further meeting to be held in 1997. All came away better informed and with heightened consciousness about the role for competition policy in trade and development policies.

PAFTAD will continue to provide significant substantive theoretical and empirical analyses for the APEC process, both through its network of PAFTAD participants and through future PAFTAD conferences. The International Steering Committee is considering further ways in which PAFTAD might provide an objective sounding board and organizational locus for assembling experts to examine APEC-relevant issues prior to separate from the regular PAFTAD conferences.

Nonetheless, as in the past – ever since Asia Pacific regional economic cooperation became an idea – PAFTAD conferences will continue to provide an important service not just to APEC but to its broader intellectual underpinnings. The themes of the next three conferences reflect both PAFTAD’s early identification and analysis of significant policy issues and its independence. PAFTAD 24, to be held in Thailand in May 1998, will focus on financial innovations and development in and among the Asia Pacific economies. PAFTAD 25, to be held in Japan in summer 1999, will provide an objective evaluation of APEC – its successes, its failures, its future problems and prospects. By that time there will have been three rounds of individual action plans presented to APEC annual Ministerial meetings, and it will be possible to evaluate the further prospects for concerted unilateral trade liberalization, cooperation with the WTO, and progress on the trade facilitation front. PAFTAD 26, to be held in Korea in fall 2000, will focus on the effects of demographic transformations on labor market adjustments, pension funding, social safety nets, and trade and capital flows in the Asia Pacific.

In Conclusion

The seeds for Asia Pacific economic integration, cooperation, and trade liberalization planted in the mid-1960s have grown and flourished beyond all expectations. PAFTAD has provided a notable, indeed crucial, intellectual input into this process of economic growth and

development through its theoretical, empirical and policy research, and particularly in disseminating these ideas through personal networks to the highest levels of economic policymakers in most of the APEC economies. To paraphrase Saburo Okita, PAFTAD provided the intellectual foundation for PECC, and PECC the institutional and policy apparatus which made the creation of APEC possible.

In the mid-1960s no one expected Japan, much less the NIEs, and then the ASEAN nations and China to develop and thrive so rapidly as they have in the ensuing decades, or for the Asia Pacific to become and persist as the world's most dynamic economic growth node. And it would have been very optimistic to have expected not only the series of global trade liberalization rounds of negotiations culminating in the Uruguay Round, but especially for all the Western Pacific economies to make essentially unilateral decisions to liberalize trade and investment as in fact they have done, particularly during the past decade. Most still have a considerable way to go, but the benefits of market-led growth are pushing them in the right direction.

This economic growth and the economic strength of the APEC region mean that the initial concept of a Pacific free trade area has been overtaken by events. In a real sense a global approach has continued to win the day. The European common market has turned out to be less of a threat and more of a benefit than expected. The mantle of a global approach to trade policy is now worn at least as much by Japan as the United States. Within a global framework APEC has the potential to play a significant regional role. And PAFTAD, through its networks and through its conferences, will continue to provide significant intellectual inputs of rigorous empirical research and policy analysis.

Appendix A: PAFTAD Conferences and Ensuing Book Publications

- 1) Pacific Trade and Development
Tokyo, Japan
10-13 January 1968
Pacific Trade and Development I
Kiyoshi Kojima (ed.)
Japan Economic Research Center, Tokyo, 1968
- 2) Pacific Trade and Development II
Honolulu, Hawaii
8-11 January 1969
Pacific Trade and Development II
Kiyoshi Kojima (ed.)
Japan Economic Research Center, Tokyo, 1969
- 3) Direct Foreign Investment in Asia and the Pacific
Sydney, Australia
20-23 August, 1970
Direct Foreign Investment in Asia and the Pacific
Peter Drysdale (ed.)
Australian National University Press, Canberra, 1971
- 4) Obstacles to Trade in the Pacific Area
Ottawa, Canada
7-10 October 1971
Obstacles to Trade in the Pacific Area
HE English and KJ Hay (eds.)
Carleton University, Ottawa, 1972
- 5) Structural Adjustments in Asian-Pacific Trade
Tokyo, Japan
9-13 January 1973
Structural Adjustment in Asian-Pacific Trade
Kiyoshi Kojima (ed.)
Japan Economic Research Center, Tokyo, 1973
- 6) Technology Transfer in Pacific Economic Development
Mexico City, Mexico
15-20 January 1974
Technology Transfer in Pacific Economic Development
Miguel Wionczek (ed.)
Japan Economic Research Center, Tokyo, 1975
- 7) Cooperation and Development in the Asia Pacific Region: Relations Between
Large and Small Countries
Auckland, New Zealand

- 24-28 August 1975
*Cooperation and Development in the Asia Pacific Region: Relations
Between Large and Small Countries*
Frank Holmes and Leslie Castle (eds.)
Japan Economic Research Center, Tokyo, 1976
- 8) Trade and Employment in Asia and the Pacific
Pattaya, Thailand
10-14 July 1976
Trade and Employment in Asia and the Pacific
Narongchai Akrasanee and Seiji Naya (eds.)
University of Hawaii Press, Honolulu, 1977
- 9) Minerals Resources in the Pacific Area
San Francisco, United States
22-26 August 1977
Minerals Resources in the Pacific Area
Lawrence B. Krause and Hugh T. Patrick (eds.)
Federal Bank of San Francisco, San Francisco, 1978
- 10) ASEAN in a Changing Pacific and World Economy
Canberra, Australia
19-23 March 1979
ASEAN in a Changing Pacific and World Economy
Ross Garnaut (ed.)
Australian National University Press, Canberra, 1980
- 11) Trade and Growth in the Advanced Developing Countries in the Pacific Basin
Seoul, Korea
1-4 September 1980
Trade and Growth of the Advanced Developing Countries in the Pacific Basin
Wontack Hong and Lawrence B. Krause (eds.)
Korea Development Institute, Seoul, 1981
- 12) Renewable Resources in the Pacific
Ottawa, Canada
7-11 September 1981
Renewable Resources in the Pacific
A. Scott and H. Edward English (eds.)
International Development Research Centre, Ottawa, 1982
- 13) Energy and Structural Change in the Asia-Pacific Region
Manila, Philippines
24-28 January 1983
Energy and Structural Change in the Asia-Pacific Region
Romeo Bautista and Seiji Naya (eds.)
Asian Development Bank and Philippine Institute for Development Studies, Manila, 1984

- 14) Pacific Growth and Financial Interdependence
Singapore
18-21 June 1984
Pacific Growth and Financial Interdependence
Augustine Tan and Basant Kapur (eds.)
PAFTAD/Allen & Unwin, Sydney, 1986
- 15) Industrial Policies for Pacific Economic Growth
Tokyo, Japan
26-29 August 1985
Industrial Policies for Pacific Economic Growth
Hiromichi Mutoh et al (eds.)
PAFTAD/Allen & Unwin, Sydney, 1986
- 16) Trade and Investment in Services in the Pacific
Wellington, New Zealand
25-29 January 1987
Pacific Trade in Services
Leslie V. Castle and Christopher Findlay (eds.)
PAFTAD/Allen & Unwin, Sydney, 1988
- 17) The Challenge of Technological Change to Pacific Trade and Development
Bali, Indonesia
20-23 July 1988
Technological Challenge in the Asia-Pacific Economy
Mari Pangestu and Hadi Soesastro (eds.)
PAFTAD/Allen & Unwin, Sydney, 1990
- 18) Macroeconomic Management in the Pacific: Growth and External Stability
Kuala Lumpur, Malaysia
11-14 December 1989
The Pacific Economy: Growth and External Stability
Mohamed Ariff (ed.)
PAFTAD/Allen & Unwin, Sydney, 1991
- 19) Economic Reform and Internationalisation: China and the Pacific Region
Beijing, People's Republic of China
27-30 May 1991
Economic Reform and Internationalisation: China and the Pacific Region
Ross Garnaut and Liu Guoguang (eds.)
PAFTAD/Allen & Unwin, Sydney, 1992
- 20) Pacific Dynamism and the International Economic System
Washington DC, United States
10-12 September 1992

Pacific Dynamism and the International Economic System

C. Fred Bergsten and Marcus Noland (eds.)

PAFTAD/Institute for International Economics, Washington DC, 1993

21) Corporate Links and Direct Foreign Investment in Asia and the Pacific

Hong Kong

1-3 June 1994

Corporate Links and Direct Foreign Investment in Asia and the Pacific

Edward KY Chen and Peter Drysdale (eds.)

PAFTAD/Harper Educational, 1995

22) Environment and Development in the Pacific: Problems and Policy Options for Dynamic Economies

Ottawa, Canada

7-9 September 1995

Environment and Development in the Pacific: Problems and Policy Options

H. Edward English and David Runnalls (eds.)

PAFTAD/Addison-Wesley 1996

23) Business, Markets and Government in the Asia Pacific

Taiwan, Taipei

8-11 December 1996

Business Markets and Government in the Asia Pacific

Rong-I Wu and Po-Chih Chen (eds)

PAFTAD/Addison-Wesley forthcoming 1997

Appendix B: PAFTAD International Steering Committee, December 1996

Dr. Narongchai Akrasanee
Minister of Commerce
Kingdom of Thailand

Professor Florian Albuero
School of Economics
University of the Philippines

Professor Mohammed Ariff
Department of Economics and Administration
University of Malaysia

Dr. Alan Bollard
Chairman, New Zealand Commerce Commission

Professor Edward KY Chen
President, Lingnan College
Hong Kong

Professor Chia Siow Yue
Institute of Southeast Asian Studies
Singapore

Professor Wendy Dobson
Director, The Center for International Business
University of Toronto, Canada

Professor Peter Drysdale
Executive Director, Australia-Japan Research Centre
Australian National University

Professor Ross Garnaut
Research School of Pacific and Asian Studies
Australian National University

Professor Lawrence Krause
Graduate School of International Relations and Pacific Studies
University of California at San Diego, U.S.

Professor Justin Yifu Lin
Director, China Center for Economic Research
Peking University, PRC

Professor Hugh Patrick (Chairman)
Director, Center on Japanese Economy and Business
Columbia University, U.S.A.

Dr. Hadi Soesastro
Executive Director, Centre for Strategic and International Studies
Jakarta, Indonesia

Dr. Wu Rong-I
President, Taiwan Institute of Economic Research

Professor Ippei Yamazawa
Department of Economics
Hitotsubashi University, Japan

Dr. Young Soogil
President, Korea Transport Institute
Seoul, Korea

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