The 2009 Asia Pacific Economic Cooperation (APEC) Meetings and U.S. Trade Policy in Asia

Michael F. Martin
Specialist in Asian Affairs

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Summary

Congress and the Executive Branch have historically identified the Asia Pacific Economic Cooperation forum (APEC) as potentially important in the promotion of liberalized international trade and investment in Asia, and possibly the rest of the world. APEC’s commitment to the goal of trade and investment liberalization is embodied in its Bogor Goals, in which APEC members pledged to free and open trade and investment in the Asia-Pacific by 2010 for industrialized economies and 2020 for developing economies.

The 2009 APEC Leaders’ and Ministerial Meetings focused on balanced growth, resisting protectionism, fostering trade and investment liberalization, accelerating regional economic integration, and enhancing human security. In the Leaders’ Declaration, APEC presented a new “growth paradigm” based on balanced, sustainable, and inclusive growth. In the Ministerial Meeting, one of the main topics was efforts to be taken at, behind, and across borders to promote regional economic integration.

The next two years may be a critical period for APEC and its achievement of the Bogor Goals. The 2010 meetings are to be held in Yokohama, Japan—the target year for APEC’s industrialized members to achieve the Bogor Goals. The United States will host the 2011 meetings. The Obama Administration has chosen Honolulu as the host city for the 2011 Leaders’ Meeting, but has not given a clear indication of APEC’s role in U.S. trade policy.

Several alternative avenues for the promotion of trade integration in Asia have emerged, challenging the past U.S. focus on APEC. The Association of Southeast Asian Nations (ASEAN) is promoting the creation of various forms of an all-Asian free trade association that could exclude the United States. In November 2009, the Obama Administration announced it would enter into negotiations with the Trans-Pacific Strategic Economic Partnership Agreement (TPP), a free trade agreement between Brunei Darussalam, Chile, New Zealand, and Singapore.

Critics of APEC have referred to the association as a “talk shop,” that has produced few results. However, studies conducted by APEC reveal a substantial drop in members’ average tariff rates, the elimination of a number of non-tariff trade barriers, and a major reduction in the transaction costs associated with international trade—all of which is likely attributable at least in part to APEC initiatives.

Historical trade data is consistent with the premise that APEC has been successful in promoting greater trade within its member economies and with the rest of the world. Both the exports and imports of APEC members have grown faster than global trade since the creation of APEC. However, APEC’s greater trade growth may be attributable to other factors than the liberalization of trade and investment policies among its members.

The 111th Congress may reexamine U.S. policy towards APEC. It has already increased APEC-related funding in FY2009, in part to provide for the preparations for the 2011 APEC meetings to be held in the United States. In addition, there are other actions Congress may choose to take with respect to APEC, depending on its determination of APEC’s role in relation to trade promotion initiatives in Asia. Congressional attitudes and actions may also be influenced by the Obama Administration’s trade policies in Asia—and the role APEC plays in those policies.

This report will be updated as circumstances warrant.
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Introduction

Congress and the Executive Branch have historically identified the Asia Pacific Economic Cooperation forum (APEC) as potentially important in the promotion of liberalized international trade and investment in Asia, and possibly the rest of the world. APEC is unusual among various trade associations in its reliance on consensus-based, voluntary reductions in tariff and non-tariff trade barriers—as well as a variety of trade facilitation measures—to promote trade and investment liberalization not only between APEC members, but for all international trade and investment, an approach often referred to as “open regionalism” (see “APEC’s Approach to Trade Liberalization” below). In addition to its primary trade mission, APEC provides a venue at which the United States can hold bilateral and multilateral discussions on non-economic matters of concern in the Asia-Pacific region, such as international security and human rights.

Over the last few years, however, the United States’ position as a leader in the region has been challenged by China. China’s accession to the WTO, its recent efforts to negotiate bilateral trade agreements (BTAs) across Asia (including the ASEAN-China FTA), and its unilateral liberalization of its trade regime, has arguably placed China as a major competitor to the United States.

Many argue that the United States should re-energize its involvement in Asian trade discussion and elevate the importance of APEC to reassert U.S. leadership. They advocate both increased financial assistance to APEC, through the annual contribution and specific assistance programs, and alteration in U.S. laws and policies on key issues. Others say that APEC should reformulate its mission by focusing more narrowly on trade facilitation and economic integration, abandoning many of the working groups that are not central to the core goals, and strengthening the Secretariat. The annual Leaders’ Meeting continues to provide prestige and offer an opportunity for heads of state, particularly those of smaller countries, to interact with top U.S. officials. APEC offers the additional benefit of including Taiwan and Hong Kong as member economies, unlike most other regional groupings.

Critics of APEC, however, point to its apparent slow progress as a demonstration of its ineffectiveness. For example, the Bogor Goals set the year 2010 for the achievement of trade and investment liberalization for APEC’s “developed economies.” Some experts maintain that it is doubtful that APEC will ever fulfill the Bogor Goals, in part because of its reliance on voluntary compliance. As a result, some would recommend a shift in U.S. trade policy in Asia to a focus on more formal trade associations, such as the TPP.

One indicator of previous congressional interest in APEC is the National Defense Authorization Act for Fiscal Year 2006 (P.L. 109-163). That legislation called for the President to develop a comprehensive strategy to address the “emergence of China economically, diplomatically, and militarily; promote mutually beneficial trade relations with China; and encourage China’s adherence to international norms in the areas of trade, international security, and human rights.” It continues by specifying that this comprehensive strategy should “identify and pursue initiatives

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1 APEC adopted the Bogor Goals in 1994, setting the year 2010 for the achievement of trade and investment liberalization for APEC’s “developed economies.” Some experts maintain that it is doubtful that APEC will ever fulfill the Bogor Goals, in part because of its reliance on voluntary compliance. As a result, some would recommend a shift in U.S. trade policy in Asia to a focus on more formal trade associations, such as the TPP.

2 P.L. 109-163, section 1234(b).
to revitalize United States engagement in East Asia.” The act then states, “The initiatives should have a regional focus and complement bilateral efforts. The Asia Pacific Economic Cooperation forum (APEC) offers a ready mechanism for pursuit of such initiatives.”

The notion that APEC may be an effective forum for advancing U.S. interests in Asia is shared by the Obama Administration. In his testimony before the House Foreign Affairs Subcommittee on Asia, the Pacific, and the Global Environment, U.S. Senior Official for Asia-Pacific Economic Cooperation Kurt Tong referred to APEC as a “valuable asset to the United States” and as “a primary venue for multilateral engagement with the Asia-Pacific on economic and other key interests.” On another occasion, Tong referred to APEC as “the premier economic organization in the Asia-Pacific region.” Tong’s sentiments regarding APEC were echoed by U.S. Trade Representative (USTR) Ron Kirk during his December 15, 2009 presentation at a Washington International Trade Association (WITA) seminar when he referred to APEC as a “critical forum” for the United States.

It is unclear, however, what role APEC will play in future U.S. trade policy in Asia. The Bush Administration saw APEC as a vehicle for regional economic integration in the Asia Pacific region under the concept of a Free Trade Area of the Asia-Pacific (FTAAP). This was widely seen as a counterforce to the efforts of some members of the Association of Southeast Asian Nations (ASEAN) to pursue an alternative “Asian only” model for regional economic integration that would exclude the United States. On December 14, 2009, USTR Kirk formally notified Congress that the United States would enter into negotiations with the members of the Trans-Pacific Strategic Economic Partnership (TPP) about U.S. participation in the regional trade agreement. The Obama Administration’s interest in the TPP has raised questions about its commitment to APEC’s vision of “open regionalism” and the FTAAP.

The uncertainty about the future role of APEC in U.S. trade policy comes just before the target deadline for the first of APEC’s Bogor Goals—open trade and investment among the industrialized APEC members by 2010—and a year before the United States is scheduled to host the association’s meetings in 2011. According to some analysts, the next two years could be a critical time for APEC’s development.

The 111th Congress could take action on APEC in several ways. First, Congress may choose to consider the level of direct and indirect financial support provided to APEC. Second, Congress may take into account U.S. commitments to APEC when considering legislation on various trade and non-trade issues. Third, Congress may increase oversight of APEC-related activities and programs of the U.S. Trade Representative, the Department of State and other federal departments and agencies.

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3 P.L. 109-163, section 1234(c)(4).
6 Author’s notes from seminar.
7 ASEAN members include Brunei Darussalam, Burma (Myanmar), Cambodia, Indonesia, Laos, Malaysia, the Philippines, Singapore, Thailand, and Vietnam.
8 For more information about U.S. interest in the TPP, see CRS Report R40502, *The Trans-Pacific Strategic Economic Partnership Agreement*, by Ian F. Fergusson and Bruce Vaughn.
Although the U.S. government in the past has considered APEC as important, questions remain as to whether APEC has proven a reliable mechanism for advancing U.S. interests in Asia and if Congress and the White House shared a common view of what the U.S. interests in Asia are. In particular, the organizational and operational structure of APEC is unusual among multilateral associations, reflecting an atypical approach to trade liberalization. As a result, APEC’s approach, organization, and operations may make it difficult for the United States to promote its positions on various issues through its activities in APEC.

APEC’s Approach to Trade Liberalization

APEC began in 1989 as an Australian initiative—backed by Japan and New Zealand—in recognition of the growing interdependence among Asia-Pacific economies and in response to the free-trade areas that had developed in Europe and North America. From that initiative, APEC has grown into an association of 21 “member economies” bordering the Pacific Ocean that are working cooperatively to promote economic growth and prosperity in the Asia-Pacific region. It is the only international trade organization, besides the World Trade Organization, in which China, Hong Kong, and Taiwan are members.

During the 1994 meetings in Bogor, Indonesia, APEC established the “Bogor Goals” of “free and open trade and investment in the Asia-Pacific by 2010 for industrialized economies and 2020 for developing economies.” These goals have been reaffirmed at the Leaders’ Meeting each subsequent year.

In contrast to most other multilateral organizations, APEC is a cooperative forum in which members arrive at decisions via consensus. All commitments made by members are voluntary; APEC has no formal enforcement mechanisms to compel members to comply with any trade liberalization policies previously declared at APEC meetings—an approach often referred to as “open regionalism.” Point 9 of the 1994 “APEC Economic Leaders’ Declaration of Common Resolve” states, “APEC economies that are ready to initiate and implement a cooperative arrangement may proceed to do so while those that are not yet ready to participate may join at a later date.”

The underlying notion of the APEC approach to trade liberalization is that voluntary commitments are easier to achieve and more likely to be implemented than obligatory commitments derived from agreements negotiated by more traditional—and potentially, confrontational—methods. By establishing a common vision or goal for the organization, the belief is that future APEC discussions can make more rapid progress towards the organization’s goals by seeking consensus views with which members are willing to comply.

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9 The 21 members of APEC are: Australia, Brunei Darussalam, Canada, Chile, the People’s Republic of China, Hong Kong, Indonesia, Japan, the Republic of Korea, Malaysia, Mexico, New Zealand, Papua New Guinea, Peru, the Philippines, Russia, Singapore, Chinese Taipei (Taiwan), Thailand, the United States, and Vietnam.


By contrast, trade agreements negotiated according to more traditional approaches tend to foster confrontation and expectations of reciprocal concessions. Lacking a shared goal or objectives, it may be difficult to resolve differences among the parties and complete a trade agreement. Later on, if any party to the agreement feels that it was inequitable, they may fail to comply with the terms of the agreement, or withdraw from the agreement in its entirety, even if there are formal sanction or grievance provisions within the agreement.

Critics of the APEC approach warn that its voluntary nature can lead to inaction, with slow and marginal movement to the achievement of the Bogor Goals. In addition, because APEC lacks compliance requirements, members could reverse trade and investment liberalization commitments during economic downturns.

APEC strives to meet the Bogor Goals in three “broad areas” of cooperation. First, members consult with each other to formulate individual and collective actions to liberalize merchandise and service trade, as well as international investment. Second, members discuss their domestic regulations and procedures to find ways of facilitating international business. Third, the members engage in “Economic and Technical Cooperation,” or ECOTECH, to provide training and foster greater cooperation among APEC members.

In 1995, APEC created a template to achieve the Bogor Goals in its “Osaka Action Agenda.” In 1995, APEC created a template to achieve the Bogor Goals in its “Osaka Action Agenda.” The Osaka Action Agenda emphasizes APEC’s “resolute opposition to an inward-looking trading bloc that would divert from the pursuit of global free trade” by accepting a set of fundamental principles for APEC’s trade and investment liberalization and facilitation. These principles include comprehensiveness; WTO consistency; comparability; non-discrimination; transparency; flexibility; and cooperation.

Results of the 2009 Meetings in Singapore

The November 2009 APEC meetings in Singapore were the first for President Obama, and came in the midst of an extended trip to Asia that included stops in China, Japan, and South Korea. The trip provided President Obama with an opportunity to present his vision for U.S. policy towards Asia in general and APEC in particular, as well as to announce his decision to enter into negotiations with the members of the TPP.

Besides President Obama, the 2009 delegation included Secretary of State Hillary Clinton, Treasury Secretary Tim Geithner, and USTR Ron Kirk. Over the last few years, some APEC members had been critical of the Bush Administration’s seeming disregard for the trade organization, and the lack of high-level representatives in the U.S. delegation. The strength of the U.S. delegation in 2009 was a symbolic act that was generally well received by other APEC members.

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14 Criticism of U.S. commitment to APEC hit a peak in 2007 when both President Bush and Secretary of State Condoleezza Rice left the meetings early to return to the United States.
The Meetings

As in previous years, the main focus of attention was on the Leaders’ Meeting, which was held on November 14-15, 2009, and its associated statements. However, the event’s more substantive outcomes came from the Ministerial Meeting, held on November 11-12, 2009. President Obama also held three bilateral meetings with leaders from other APEC members.

Both the Leaders’ Meeting and the Ministerial Meeting focused on the same themes—supporting balanced growth, resisting protectionism, fostering trade and investment liberalization, accelerating regional economic integration, and enhancing human security. The meetings were principally concerned about economic and trade issues, but there was limited discussion of non-trade issues, such as countering terrorism, preparing for natural disasters, and ensuring that people have sufficient access to safe food.

In their post-meeting declaration, the APEC leaders endorsed the G-20 goals of strong, sustainable, and balanced growth. However, the APEC leaders added an additional criteria—economic growth must also be inclusive. In their efforts to achieve these goals, the leaders agreed to: “gradually unwind global imbalances;” adopt fiscal, monetary, trade, and structural policies consistent with the new growth paradigm; broaden access to economic opportunities; and “protect the environment and mitigate climate change.” The leaders also agreed to resist protectionism, support the conclusion of the Doha Development Agenda (DDA) in 2010, continue to explore ways forward with a possible Free Trade Area of the Asia Pacific (FTAAP), strengthen economic and technical cooperation, enhance human security, combat corruption, and improve governance and transparency. In their joint declaration, the leaders mentioned the 2007 APEC Declaration on Climate Change, Energy Security, and Clean Development, that set out a APEC-wide target of reducing energy intensity by at least 25% by 2030.

The joint statement issued following the Ministerial Meeting provided more detail to the general principles contained in the Leaders’ Declaration. For example, in APEC’s efforts to foster more inclusive growth, each member pledged to focus more resources on education, worker retraining, and greater assistance to small and medium sized enterprises (SMEs). In addition, APEC members said they would strengthen their social safety nets to enhance economic security. Similarly, to promote sustainable growth, APEC members pledged to reduce barriers to trade and investment for environmental goods and services (EGS), as well as to facilitate the diffusion of climate-friendly and other EGS technologies.

As evidence of APEC’s efforts to promote greater regional economic integration, the ministers cited various existing and new initiatives. As part of APEC’s “At the Border” integration program, the members were developing more “business-friendly” rules of origin and adopting more consistent policies towards the trade in services. On the subject of “Behind the Border” integration, the ministers pointed to programs designed to lower the cost of starting a business, facilitating investment, strengthening intellectual property rights protection, and aligning national standards with international-recognized specifications. “Across the Border” connectivity was to involve increasing interconnectivity of transport, logistical, and digital systems; enhancing trade

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15 These goals were agreed upon during the G-20 meeting in Pittsburgh on September 25, 2009.

16 The text of this declaration is available online at http://www.apec.org/apec/leaders__declarations/2007/aelm_climatechange.html.
facilitation programs to reduce transaction costs; and improving the security of trade routes and the exchange of trade data.

Much of the ministers’ concerns about human security centered on food security and safety. During the last few years, there were periodic reports of food shortages in Asia that contributed to some nations prohibiting the export of staple grains (such as rice). While the food shortage reports were generally false, APEC members are concerned about the retreat from trade liberalization that occurred during this period. In addition, there have been repeated incidents of unsafe food products exported by APEC members. In their joint declaration, the APEC ministers agreed to enhance efforts to avoid unwarranted restrictions of food exports, while at the same time taking steps to ensure that food exports were safe.

Other topics addressed in the ministers’ joint statement included: continued regional cooperation to combat the H1N1 virus; improving governance; promoting gender equality and maximizing economic opportunities for women; greater development for the region’s tourism industry; and strengthening the APEC Secretariat.

A separate and concurrent finance ministers’ meeting also issued a joint statement detailing the efforts APEC members would take to “support strong, sustainable, and balanced growth.” There was consensus that the pace of implementing “exit strategies” should consider the pace of recovery in the different APEC economies, but that the members should confer with one another to avoid inconsistencies or undo harm. To that end, there was agreement to work with international financial institutions—such as the International Monetary Fund (IMF) and the World Bank to “evaluate the collective consistency” of members’ economic policies. The finance ministers also committed to “strengthen financial supervision to prevent the re-emergence in the financial system of excess credit growth and excess leverage…” At the same time, they accepted the “need to further capital market development and integration…” An apparent effort by Secretary Geithner to accept the desirability of “market-oriented” exchange rates was toned down in the joint statement. The ministers agreed to “undertake monetary policies consistent with price stability in the context of market-oriented exchange rates that reflect underlying economic fundamentals.”

Other Major Events

Besides the traditional Leaders’ Meeting and the Ministerial Meeting, the 2009 APEC meeting featured the first official U.S.-ASEAN meeting, and three bilateral meetings between President Obama and other APEC leaders. The U.S.-ASEAN meeting was significant not only because it was unprecedented, but that it also reaffirmed the new U.S. policy towards Burma, in which the United States keeps its current sanctions in place, but is willing to engage in high-level talks with representatives of Burma’s ruling military junta, the State Peace and Development Council (SPDC). Following the meeting, the leaders released a joint statement, which began with their agreement to hold a second meeting in 2010. Among other things, the joint statement indicated that the United States “welcomed ASEAN’s plan to achieve an ASEAN Community by 2015,” and “agreed on the need for a broader and deeper ASEAN-U.S. cooperation.”

17 The text of the finance ministers’ joint statement is available online at http://www.apec.org/apec/ministerial_statements/sectoral_ministerial/finance/2009_finance.html.
18 The text of the joint statement is available online at http://www.aseansec.org/24020.htm.
During his time in Singapore, President Obama held three bilateral meetings with other leaders of APEC members. Bilateral meetings of this type have been a common feature of the APEC meetings because it is one of a few occasions each year when a significant number of Asian leaders are gathered together. In 2009, bilateral meetings were held with President Dmitry Medvedev of Russia, Prime Minister Lee Hsien Loong of Singapore, and President Susilo Bambang Yudhoyono of Indonesia. The main topics of discussion with President Medvedev were nuclear disarmament and Iran. By tradition, the U.S. President meets with the leader of the host member. In this year, President Obama met with Singapore’s Prime Minister Lee. A number of issues were discussed, including the global economic recovery, regional economic integration, and the future role of APEC. The U.S.-Indonesia bilateral meeting was reportedly a more wide-ranging discussion. Among the topics discussed were the Copenhagen meeting on climate change, educational cooperation, trade and investment relations, and global economic recovery.

Although the official theme for the 2009 APEC meetings—“Sustaining Growth, Connecting the Region”—was reflected in the official declarations and statements, the global economic recovery and the U.S. announcement of its intention to began formal negotiations about TPP membership drew more media attention.

Little attention was paid to the impending milestone for the Bogor Goals in 2010—the year by which “industrialized economies” were to achieve free and open trade and investment in the Asia-Pacific.19 Japan, the host of the 2010 meetings, has indicated an interest in using the event to take stock of APEC’s progress on achieving the Bogor Goals. By contrast, the United States, which will host the 2011 meetings, appears to favor a more “forward looking” orientation for APEC meetings over the next few years. Japan has decided that the next Leaders Meeting will be held in Yokohama on November 13-14, 2010. During his speech in Singapore, President Obama announced that the 2011 Leaders’ Meeting is to be held in Honolulu. Russia has announced the 2012 Leaders’ Meeting is to be held in Vladivostok.

APEC and U.S. Trade Policy in Asia

During the later part of 2009, the Obama Administration gradually began to reveal the outlines of its trade policy in Asia. While many aspects of the Obama trade policy demonstrate continuity with the policies of past administrations, there are some elements that distinguish it from the approach of the Bush Administration. The United States continues to support the goals of trade and investment liberalization, and the possible formation of a regional trade agreement—goals shared by administrations for many years past. However, the Obama Administration has taken actions that may indicate a shift in style and focus in U.S. trade policy in Asia.

One initial difference that has drawn much attention and substantial praise in the region is a broader and more sustained interest in the region. The Bush Administration was frequently criticized for paying little attention to Asia outside of its relationship with China and its concerns about North Korea. Since assuming office, several senior administration officials have traveled to the region besides President Obama. The first official foreign visitor to the White House in 2009

19 There has not been an official statement by all the APEC members as to whether they are “industrialized” or “developing” members. Australia, Canada, Chile, Hong Kong, Japan, New Zealand, Singapore, and the United States consider themselves as “industrialized” economies. Other possible members of this group—such as South Korea—have not made clear their status with respect to the Bogor Goals.
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was Prime Minister Taro Aso of Japan. President Obama also participated the first U.S.-ASEAN meeting and announced the decision to explore membership in the TPP. In both word and deed, the Obama Administration has indicated an interest in Asia that encompasses more than China and North Korea.

However, it remains unclear how the various initiatives of the Obama Administration coalesce to form a consistent trade policy in the region that is compatible with the goals of trade and investment liberalization. In addition, it is uncertain how APEC fits into the overall U.S. vision for the future relations in the region. In particular, negotiations to join the TPP and greater interest in the U.S.-ASEAN relations may indicate a turn away from APEC as, in the words of Tong, “the primary venue for multilateral engagement with the Asia-Pacific.”

The TPP talks appear to be replacing APEC as the main vehicle for advancing trade and investment liberalization in the region. This shift was seemingly acknowledged by Deputy U.S. Trade Representative Demetrios Marantis in January 2010 when he stated, “It is our aim for the TPP to create a platform for economic integration across the Asia-Pacific region.” However, in his speech, Marantis did acknowledge that APEC is “a flexible organization that provides an environment where economies are willing to take on pressing and new barriers.” And, as host to the APEC events in 2011, the United States will have “an incredible opportunity to put forward a bolder vision for APEC and allow us to eliminate barriers to trade and investment impeding greater economic integration in the region.”

The formal notification of Congress of the intent to enter into discussions with the current members of the TPP and three other interested parties—Australia, Peru and Vietnam—about possible U.S. membership in the trade association creates tension with APEC’s approach to trade liberalization and the previous goal of creating a Free Trade Area of the Asia-Pacific (FTAAP) under the auspices of APEC. The current TPP is a formal, obligatory trade agreement that extends trade benefits exclusively to parties to the agreement, and at the same time, protects selected domestic markets and industries in each member country from international competition. The APEC model for trade liberalization is based on the voluntary elimination of trade and investment barriers that are extended to all nations.

Another source of ambiguity in the Obama Administration’s trade policy in Asia is its developing relations with ASEAN. In 2009, the United States acceded to ASEAN’s Treaty of Amity and Cooperation, a step that would allow the United States to formally join discussions led by ASEAN with other nations about the creation of a pan-Asian regional trade agreement. While no step has been taken in this direction to date, the option remains open.

In October 2009, Senior Official for APEC Tong stated that the Obama Administration sees APEC as providing the “best and most established regional mechanism for practical cooperation and action” on economic issues. A few weeks later, Tong was asked specifically asked if the recent U.S. trade initiatives in Asia indicated that the United States had “given up the idea of forming an FTA [free trade agreement] in the Asia-Pacific region.” In his answer, Tong stated...

21 Of the 10 ASEAN members, seven are APEC members (Brunei, Indonesia, Malaysia, the Philippines, Singapore, Thailand, and Vietnam) and three are not APEC members (Cambodia, Burma [Myanmar], and Laos).
that the United States still sees a Asia-Pacific free trade area as a “long-term objective,” but the United States is trying to determine the best means of achieving that objective “tactically, organizationally.”24 At a seminar held after the APEC meetings, USTR Kirk presented the U.S. interest in TPP as reflecting an interest in utilizing the organization as a model for future trade relations, as well as updating U.S. policy in response to the new global economic environment.25 Despite these reassurances as to the importance of APEC, many observers perceive a trade policy shift away from APEC and towards the TPP, at least in the short-run.

APEC Organization and Operation

APEC’s unusual approach to trade liberalization is reflected in its organization and operation. APEC’s organization consists of a small Secretariat in Singapore, which reports to the members of five separate groups: the preeminent Leaders’ Meeting, the APEC Business Advisory Council, the Ministerial Meeting, the Sectoral Minister Meetings, and the Senior Officials Meetings. The Secretariat, in turn, supervises the work of six different groups: the Committee on Trade and Investment, the Economic Committee, the Steering Committee on ECOTECH, the Budget and Management Committee, Special Task Groups, and Working Groups. Each member of APEC seconds representatives to work on the Secretariat’s staff to serve as program directors.26

Figure 1. APEC Organization


24 Ibid.
25 Author’s notes from seminar.
26 In 2006, the United States seconded Scott Smith to work with the APEC Secretariat.
The focal point of APEC activities is the annual Leaders’ Meeting in which the APEC leaders set goals, publicize them, and seek to provide momentum for the process. This is usually held in October or November of each year, and is customarily attended by heads of state except for Taiwan which, because of China’s objections, sends a special representative. The first Leaders’ Meeting was held in 1993 on Blake Island, near Seattle, Washington.

Major decisions are generally affirmed and/or announced at the Leaders’ Meeting. Although APEC confines its agenda primarily to economic issues, the leaders often hold bilateral meetings during the Leaders’ Meeting to discuss international security, human rights, and other issues.

Most of the decisions announced at the Leaders’ Meeting are first considered in a series of Ministerial Meetings held throughout the year. These include the respective ministers dealing with trade, finance, transportation, telecommunications, human resources development, energy, environment, science and technology, and small and medium-sized enterprises. The largest ministerial is the annual Joint Ministerial Meeting which immediately precedes the Leaders’ Meeting. It usually is attended by foreign trade or commerce ministers from member states. The various Ministerial Meetings make recommendations to the Leaders’ Meeting; they do not have the authority to act independently on behalf of APEC.

Working under the direction of the various APEC ministers, the Senior Officials coordinate the activities of the various committees, working groups and task forces within APEC. Senior Officials Meetings are held three or four times a year. The current U.S. Senior Official for APEC is Kurt Tong.

The APEC Business Advisory Council (ABAC) consists of up to three individuals appointed by each APEC member. It provides advice on implementing the APEC agenda and other specific business-related issues. ABAC also can make comments on the recommendations of the various Ministerial Meetings.

Most of the specific tasks before APEC are addressed in committees, working groups, or expert groups that deal with economic issues of importance to the region. For implementing the Bogor goals, the Committee on Trade and Investment plays the key role. APEC has ten working groups that work on specific areas of cooperation and facilitation: (1) Trade and Investment Data, (2) Trade Promotion, (3) Industrial Science and Technology, (4) Human Resources Development, (5) Energy Cooperation, (6) Marine Resource Conservation, (7) Telecommunications, (8) Transportation, (9) Tourism, and (10) Fisheries. Each working group has one or more shepherds (members) who take responsibility for coordinating the work of the group.

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

28 In the past when it was still a British colony, Hong Kong also sent a special representative.

29 A summary of the major achievements of the past Leaders’ Meetings is provided in an appendix to this report.

30 Following the incidents of September 11, 2001, the Bush Administration sought to increase APEC’s attention to security and counter-terrorism. This initiative received a mixed reception among the APEC members. While there was general support for the U.S. initiative, over time support waned and there was a call to refocus on APEC’s core objective of trade and investment liberalization.

31 U.S. representatives to ABAC are Deborah Henretta, group president for Asia at the Procter & Gamble Company, and Peter Scher, executive vice president for global government relations and public policy at JPMorgan Chase. The third position is currently open.
The APEC chair rotates annually and since 1989 has been held by (in order): Australia, Singapore, South Korea, Thailand, the United States, Indonesia, Japan, the Philippines, Canada, Malaysia, New Zealand, Brunei, People’s Republic of China, Mexico, Thailand, Chile, South Korea, Vietnam, Australia, Peru, and Singapore. Japan is to be the chair in 2010, the United States is to be chair in 2011, and Russia is to be the chair in 2012.

Decisions within APEC’s various organizational bodies are based on the consensus approach of APEC. Most committees, working groups, and special task groups have representatives from all 21 members, and select their leadership from amongst themselves. Members may delay or refrain from any action recommended or approved by a meeting, committee, working group or special task force without facing sanctions or recriminations from other members. However, all decisions and agreements of the various meetings, committees, and working groups must be implemented by the organization in accordance with the Osaka Action Agenda.

APEC actions take place at three levels: actions by individual members; actions with the confines of APEC; and collective APEC actions with respect to other multinational organizations. The primary form of individual member actions are the “Individual Action Plans,” or IAPs. Each year, APEC members submit at the Ministerial Meeting an IAP that spells out what steps the member has taken and/or will take to advance their trade regime towards the achievement of the Bogor Goals. IAPs typically are organized along both sectoral (e.g., architectural services) and topical (e.g., customs procedures) lines. Although members cannot impose changes on each other’s IAPs, the Osaka Action Agenda calls on each member to consult, submit, and review the IAPs to foster comparability, transparency, and cooperation amongst the IAPs.

The internal actions of APEC generally involve research on topics related to trade liberalization, the exchange of best practices, and the standardization of policies and procedures related to international trade and investment. In some cases, APEC will create a working group on a particular topic, with the goals of generating a “collective action plan,” or CAP. In some cases, the CAPs are little more than a topical summary of the member IAPs; in other cases, the working group plays a more active role in promoting trade liberalization and facilitation via the CAPs.

Another example of an APEC’s internal action is the “APEC Business Travel Card,” an idea advanced by the ABAC. Business travelers possessing an APEC Business Travel Card (ABTC) are allowed fast-track entry and exit through special APEC lanes at major airports, and multiple, visa-free entry amongst members that recognize the card. In September 2007, the United States became a “transitional member” to the ABTC scheme, providing possessors expedited visa appointments at U.S. embassies and consulates, and expedited immigration processing through airline crew lanes upon arrival at any U.S. international airport port of entry.32

Collective actions of APEC usually involve joint or coordinated efforts to advance trade and investment liberalization in other multilateral organizations. APEC’s collective actions have recently focused on helping complete the Doha Round of the WTO. For example, following the 2006 Leaders’ Meeting in Hanoi, APEC released a statement on the “Doha Development Agenda of the WTO” that affirmed the members’ “collective and individual commitments to concluding an ambitious and balanced WTO Doha agreement” by each member “moving beyond our current positions in key areas of the Round.” The key areas mentioned were “trade-distorting farm

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32 The United States does not consider the ABTC as a substitute for a visa. Cardholders from non-Visa Waiver Program countries still need to present valid passports and obtain U.S. visas.
support,” “market access in agriculture,” “real cuts in industrial tariffs,” and “new openings in services trade.”

APEC’s Role in Regional Integration

Possibly the premier issue facing future meetings of APEC is its relevance for the possible creation of some form of open trade and investment association in the region. At present, there are several overlapping and sometimes competing models for trade and investment integration in the Asia-Pacific. ASEAN has its own FTA, known as the ASEAN Free Trade Area (AFTA). Over the last few years, ASEAN has concluded FTAs with several trading partners—including Australia, China, India, Japan, New Zealand, and South Korea—raising the possibility of a broader multilateral trade association centered around ASEAN. ASEAN, Australia and Japan have all put forward models for the possible creation of an Asian economic community, similar to the European Union.

An expanding TPP, as envisioned by Deputy U.S. Trade Representative Marantis, also raises questions about APEC’s relevance. Although it has been presented by both the Bush and the Obama Administration as an initiative designed to complement APEC, the TPP has the potential to supplant APEC as a vehicle for trade and investment liberalization in the region, though for the moment its membership is much more limited. In addition, the United States may find TPP’s obligatory administrative process easier to understand than APEC’s consensus-based “open regionalism.” It may also be easier to transform the TPP than APEC into the U.S.-backed FTAAP.

Even with its “open regionalism” approach to trade and investment liberalization, APEC has been seen since its inception as a possible vehicle for liberalizing both regional and global trade. In general, observers focus on two methods by which APEC may help foster greater trade and investment liberalization. The first method is by forming a coalition during WTO negotiations. The efforts of the APEC Geneva Caucus during the Doha discussions are often cited as an example of how APEC can help promote trade and investment liberalization.

The second method is more controversial. Over the last decade, the number of Asia-Pacific bilateral trade agreements (BTAs) has grown dramatically. According to one observer, “The result is a competitive form of liberalization. As occurred within APEC itself, there are competing models of FTAs that cannot be integrated.” A reporter described the phenomena as follows:

The trade diplomacy of east Asia has become so blindingly complex that even the metaphors are getting muddled. The subtitle of one academic paper on free trade agreements (FTAs) suggests using “spaghetti bowls as building blocks.” Another describes a “patchwork of bilateral hub-and-spoke FTAs in a noodle bowl.”

According to some experts, the growth of bilateral trade agreements (BTAs) amongst APEC members represents an unsystematic, but organic process that could lead to the formation of an

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33 For a description of the recent growth of BTAs in Asia, see CRS Report RL33653, East Asian Regional Architecture: New Economic and Security Arrangements and U.S. Policy, by Dick K. Nanto.
APEC-wide regional trade agreement (RTA) much like the proposed FTAAP. According to this view, the actions of APEC—via the IAPs, CAPs, model measures, and the various committee reports—form a commonality of perspective on issues, thereby permitting some members to conclude limited BTAs. However, there is also a view that sees ASEAN’s growing network of FTAs as a more likely base than APEC for the creation of an Asian RTA. In either case, the idea is that over time a network of BTAs will form the basis for the creation of an Asian RTA.

However, other experts view the proliferation of BTAs as forming a barrier to trade and investment liberalization. As described by one scholar, “The resulting web of agreements and negotiations is fragmented, uncoordinated, and uneven in content and coverage.”36 Because many BTAs are politically (not economically) motivated, the emerging BTAs in Asia generally suffer from several problems—WTO-incompatibility; narrow sector focus; discriminatory rules of origin (ROOs)—that make future amalgamation of the BTAs nearly impossible. As one expert describes it:

The predictable results of foreign policy-driven FTA negotiations light on economic strategy are bitty, quick-fix sectoral deals. Politically sensitive sectors in goods and services are carved out... Little progress is usually made in tackling domestic regulatory barriers.... Finally, the sway of power politics can result in highly asymmetrical deals, especially when one of the negotiating parties is a major player.37

Even if the merger of the various BTAs into an Asia-Pacific RTA were accomplished, there are concerns that the resulting agreement would institutionalize a number of tariff and non-tariff trade barriers in the region. A U.S. trade official was quoted as saying, “Bilateral FTAs being pursued by China, Japan, and Korea to some extent, risk falling to the lowest common denominator. As one commentator once quipped, ‘they are neither F, nor T, nor A.’”38

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

I note how the current discussions with the Asia-Pacific Economic Cooperation (APEC) forum to establish a Free Trade Area of the Asia-Pacific (FTAAP),” writes one scholar, “was also proposed at APEC’s Santiago summit just two years ago. It failed then as it will probably fail now because of the immense political and technical challenge of harmonizing a large number of heterogeneous bilateral FTAs into a unified regional agreement.”39

Another scholar is even more dismissive of APEC’s potential, writing, “It cannot be expected to contribute anything serious to regional economic integration.”40

Others see a slightly different effect of the BTAs on prospects for the creation of a FTAAP.41 In this view, the stalled Doha Round is fostering the further disintegration of the global trading

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36 Kelsey, op. cit.
40 Sally, op. cit.
41 An example of this view is C. Fred Bergsten’s speech, “The Free Trade Area of the Asia-Pacific Is the Next Step (continued...)
system, generating a rising number of BTAs, and increasing the risk of the creation of an East Asia Free Trade Area (EAFTA) that might be discriminatory towards inter-regional trade. The fear is that the EAFTA would become another barrier to the completion of the Doha Round, and possibly generate protectionist reactions from the European Union and the United States.

To counteract these trends, some experts say the United States should push for the creation of a more inclusive and comprehensive FTAAP. In this view, by advancing the idea of a FTAAP via APEC or the TPP, the United States might improve the prospects for the Doha Round, as non-APEC members may prefer to see progress at the WTO over the creation of a FTAAP. However, even if Doha talks remain stalled, discussion of the creation of a FTAAP could limit the growth of BTAs in Asia, and/or help insure that any new BTAs are less discriminatory and WTO-compatible. In summary, supporters of this view see APEC playing four roles in this new regional dynamic.42 Those roles are:

1. Organizing regular meetings of regional trade and finance ministers and political leaders to advance the process at the multilateral and bilateral levels;
2. Reinforcing the ‘Bogor Goal’ of free and open trade and investment by 2010/2020 and authenticating neoliberal trade policies;
3. Developing “model measures” for FTAs and RTAs to achieve “high quality” liberalization and consistency; and
4. Promoting WTO-plus FTAs that are consistent with the policy agenda of the international and regional financial institutions.

**APEC’s Substantive Trade Liberalization Measures**

Skeptics have frequently criticized APEC for being “all talk and no show.” They maintain that APEC is unable to significantly reduce trade barriers because of its lack of an enforcement mechanism. However, according to studies conducted by APEC, its members have implemented substantive trade liberalization measures over the last 20 years, and those measures have contributed to significant trade growth in the region. APEC’s trade liberalization measures include both sizable reductions in tariff rates and meaningful trade facilitation reforms.

A 2005 study conducted by APEC found that the average tariff rate among APEC members had declined from 16.9% in 1989 to 5.5% in 2004 – a drop of nearly 66% in 15 years.43 The report also determined that nearly half of all APEC tariff lines were set at 5% or less. In addition, a range of non-tariff trade barriers (such as quotas, import and export levies, licensing, and export subsidies) had been eliminated by APEC members as part of their voluntary IAPs. While no subsequent study has been released, APEC members have continued to lower their tariff and non-tariff trade barriers over the last five years.

(...continued)

Forward for APEC (and for the World Trading System),” presented to APEC’s CEO Summit on Nov. 18, 2006 in Hanoi, Vietnam.

42 Kelsey, op. cit.

43 APEC Secretariat, A Mid-term Stocktake of Progress Towards the Bogor Goals, Busan, Korea, November 16, 2005.
In addition to the substantial reduction in tariff and non-tariff trade barriers, APEC has also contributed to the growth of regional trade by fostering the enactment of a variety of trade facilitation measures. For the international trading community, transaction costs associated with the compliance with various administrative measures—such as certification requirements, or country-specific rules of origin, product standards, and shipping documents—can hinder international trade. APEC programs designed to standardize trade documents, rules of origin, product labeling and safety requirements reduced the transaction cost of trade by 5% between 2002 and 2006. During the 2007 Leaders’ Meeting, the members of APEC made a commitment to a further 5% reduction in transaction costs by 2010.

**APEC and International Trade**

The primary goal of APEC is to foster international trade by means of trade and investment liberalization and facilitation. Since its inception in 1989 and the adoption of the Bogor Goals in 1994, APEC members have lowered their trade restrictions to varying degrees. With nearly two decades of history, one question is whether or not there has been a corresponding rise in APEC members’ foreign trade accompanying their liberalization and facilitation efforts.

Figure 2 compares the growth of intra-APEC and total APEC exports to the growth of global exports from 1970 to 2006. Starting in 1981, total APEC exports begin growing faster than global exports, and intra-APEC exports are outstripping total APEC exports. However, the pace of export growth slows for all three categories in 1995, with noticeable downturns in APEC exports occurring in 1998 and 2001, corresponding to the Asia financial crisis and the attacks on the World Trade Center and the Pentagon.\(^4\) Since the downturn in 2001, the pace of world export growth has increased, and the pace of APEC export growth has increased even more.

Import statistics reveal a similar pattern to exports (see Figure 3). From 1970 to 1980, there is little difference in the import growth rate for intra-APEC, total APEC, and the world. Starting in 1981, APEC’s imports—both from amongst its members and from the world—begin to increase faster than world imports. The divergence between APEC import growth and world imports continues until 1997, when the Asian financial crisis precipitates a sharp decline in APEC’s imports.

imports and global imports in 1998. For the next two years—1999 and 2000—global imports and APEC’s imports recover, only to drop once again following the attacks on September 11, 2001. Import levels grew modestly in 2002 for both APEC and the world, and then accelerated starting in 2003, with APEC’s import growth rate outstripping that of the world.

While the trade data appear to support the notion that APEC has promoted trade growth for its members, the results are not conclusive. Although APEC’s exports and imports have grown at a faster rate than world trade figures since the creation of APEC, it is uncertain if its trade growth is the result of trade liberalization and facilitation, or caused by other economic factors. During the time period in question, APEC’s members included several of the fastest growing economies in the world—for example, China and Vietnam—so the average economic growth rate for APEC members was higher than the global average. APEC’s greater economic growth rate could be sufficient to explain most of its better trade performance compared to global figures.

The higher growth rate of trade among APEC members may also reflect changes in the global supply chain. The production of consumer goods is increasingly driven by major retailers and multinational corporations who source products from manufacturers and sourcing companies around the world. In turn, these companies subcontract out the production of subcomponents and parts to several other companies who may operate in several different countries. The subcomponents and parts are then shipped to possibly another country for final assembly. As a result, the initial order from the major retailer may initiate a chain of international trade flows that possibly exceeds the total value of the final goods produced.

Such multinational supply chain networks are fairly common among the Asian members of APEC. Some may have been intentionally established among APEC members because of the association’s relatively low trade barriers. For certain product categories—including clothing, textiles, consumer electronics, and toys—many of these supply chains depend on orders from U.S., European, or Japanese retailers or brand name distributors to initiate the multinational manufacturing of the consumer products. Also, a large percentage of these supply chains have their final assembly operations in China, but source the parts and components from several different Asian nations.

However, the fact that intra-APEC exports and imports are growing at a faster rate than total APEC trade raises concerns about possible trade diversion. On the one hand, the greater growth

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46 For more on this subject, see CRS Report RL34524, *International Trade: Rules of Origin*, by Vivian C. Jones and Michael F. Martin.
of intra-APEC trade could be the result of lower intra-APEC trade barriers stemming from the members’ actions via their IAPs and CAPs, and the spread of RTAs and FTAs amongst APEC members. On the other hand, the higher intra-APEC trade expansion could represent the diversion of trade from other nations as APEC members form preferential bilateral trade agreements that siphon off trade from non-APEC members.

If APEC members have indeed benefited from more rapid trade and economic growth during the past few decades, they may also suffer more from the decline in trade and economic growth precipitated by the global financial crisis. As orders from Europe, Japan and the United States decline, the network of trade in intermediate goods associated with the Asian supply chains will decline even more quickly.

APEC and “Human Security”

Initially, APEC was viewed as a purely economic forum. APEC carefully kept its distance from political matters for fear that such issues would cause divisions within the group—particularly among China, Japan, Russia, Taiwan, and the United States. Such divisions could thwart cooperation in achieving economic goals. Consideration of non-economic issues was confined to bilateral meetings held before and after the Leaders’ Meeting.

In 1995, the issue was raised of whether APEC should be expanded to include consideration of regional security issues. The consensus in 1995 among APEC members seemed to be that regional security issues should be discussed in the ASEAN Regional Forum and other fora rather than in APEC.47

Starting in 2001, however, security was added to the official agenda of the Leaders’ Meeting. At the October 2001 meetings in Shanghai, the attacks on the World Trade Center and the Pentagon overshadowed the economic agenda. The Leaders issued a joint statement condemning the attacks—APEC’s first joint statement on non-economic issues. Since 2001, the agenda for the Leaders’ Meeting has included issues related to “human security,” with a focus on three topics: terrorism, disease, and disasters.

In 2009, APEC’s interest in human security focused primarily on the issue of “enhancing human security.” Within that broad concept, APEC’s discussions centered on two issues – improving food security within the region and responding to the H1N1 pandemic. On the topic of food security, the main concerns were ensuring that people had reliable access to an adequate supply of safe and affordable food. Regarding the H1N1 pandemic, APEC’s goal was to build a regional capacity to respond to outbreaks in the region.

47 The ASEAN Regional Forum usually meets after the ASEAN Ministerial Conference and, in addition to the 10 members of ASEAN, includes the Australia, Canada, China, the European Union, Japan, New Zealand, Russia, South Korea, and United States. For more information about the 1995 discussions, see Moosa, Eugene. Regional Security Remains a Taboo at APEC. Reuters Newswire Service. Nov. 19, 1995.
Implications for Congress

Past Congresses and the Bush Administration identified APEC as the primary regional institution in the Asia-Pacific for promoting open trade and practical economic cooperation. APEC is also seen as a useful forum for advancing U.S. concerns on issues related to human security.

Since APEC’s inception in 1989, congressional interest and involvement with APEC has focused on two areas: (1) direct and indirect financial support for APEC; and (2) oversight of U.S. participation in APEC.

Previous Congressional Actions on APEC

Section 424 of the Foreign Relations Authorization Act, Fiscal Years 1994 and 1995, authorized the President to maintain United States membership in the Asia-Pacific Economic Cooperation and provided for U.S. contributions of APEC out of appropriations for “Contributions to International Organizations.” The level of direct U.S. financial support for APEC for FY2010 was $900,000 per year.48 In addition, $4.497 million is included in the FY2010 budget under the State Department’s Office of International Conferences of the Diplomatic & Consular Programs for preparation work for the 2011 APEC meetings.

Section 2540 of the National Defense Authorization Act for Fiscal Year 1996 made “a non-communist country that was a member nation of the Asia Pacific Economic Cooperation (APEC) as of October 31, 1993” eligible to participate in a loan guarantee program “arising out of the financing of the sale or long-term lease of defense articles, defense services, or design and construction services.”49

The Federal Agriculture Improvement and Reform Act of 1996 (P.L. 104-127) included a finding by Congress that:

... during the period 1996 through 2002, there will be several opportunities for the United States to negotiate fairer trade in agricultural products, including further negotiations under the World Trade Organization, and steps toward possible free trade agreements of the Americas and Asian-Pacific Economic Cooperation (APEC); and the United States should aggressively use these opportunities to achieve more open and fair opportunities for trade in agricultural products.50

In the Intelligence Reform and Terrorism Prevention Act of 2004 (P.L. 108-458), Congress finds:

... other economic and regional fora, such as the Asia-Pacific Economic Cooperation (APEC) Forum, and the Western Hemisphere Financial Ministers, have been used to marshal political will and actions in support of combating the financing of terrorism (CFT) standards.51

48 Department of State, Congressional Budget Justification, Fiscal Year 2010. In addition, an indeterminate amount of funds are utilized for APEC-related activities within various State Department funds (such as the Bureau of East Asian and Pacific Affairs, International Criminal Justice, Representation Allowances, Emergencies in the Diplomatic and Consular Service, and the East-West Center).

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

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

51 Language now codified into U.S. Law under Title 31, Chapter, Subtitle IV, Chapter 53, Subchapter II, section 770.
Finally, the National Defense Authorization Act for Fiscal Year 2006 (P.L. 109-163) included as the sense of Congress:

that the President should present to Congress quickly a comprehensive strategy to—

(1) address the emergence of China economically, diplomatically, and militarily;

(2) promote mutually beneficial trade relations with China; and

(3) encourage China’s adherence to international norms in the areas of trade, international security, and human rights.

To be included in that strategy are “[a]ctions to encourage United States diplomatic efforts to identify and pursue initiatives to revitalize United States engagement in East Asia. The initiatives should have a regional focus and complement bilateral efforts. The Asia-Pacific Economic Cooperation forum (APEC) offers a ready mechanism for pursuit of such initiatives.”

Pending Legislation

Several bills have been introduced during the 111th Congress that explicitly refer to APEC. Some are directly targeted at U.S. policy towards APEC. The Asia-Pacific Economic Cooperation Business Travel Cards Act of 2009 (H.R. 3192 and S. 1633) would require that the Secretary of Homeland Security and the Secretary of State establish an “APEC Business Travel Program” that would issue APEC Business Travel Cards (ABTCs). As previously mentioned, the United States became a “transitional member” to the ABTC program in September 2007, but progress has been slow.

The Foreign Relations Authorization Act for Fiscal Years 2010 and 2011 (H.R. 2410) includes a sense of Congress that “engagement is Asia must be a cornerstone of United States foreign policy in the 21st Century” and that APEC is to pay an important role in that policy. To that end, the President should appoint “APEC Coordinators” in appropriate departments and agencies that “shall, in consultation with the United States Ambassador to APEC, set department- and agency-wide guidelines for each such department’s or agency's participation at APEC.” In addition, the legislation would require that the Secretary of State appoint a small business liaison to APEC, create a dedicated webpage to improve communication between the government and the small business community about APEC; and to submit a report to the appropriate congressional committee about the status of plans for hosting the APEC meetings in 2011. The Foreign Relations Authorization and Reform Act for Fiscal Years 2010 and 2011 (H.R. 2475) has similar provisions. H.R. 2410 was passed by the House of Representatives on June 10, 2009 and referred to the Senate on June 22, 2009; H.R. 2475 awaits action in the House Committee on Foreign Affairs.

The United States-China Diplomatic Expansion Act of 2009 (H.R. 2311) is designed to increase funding for U.S. relations with China. However, it would also authorize the appropriation of $3 million in fiscal year 2010 for the financial support of APEC.

Other proposed legislation attempts to use APEC to foster a consistent global approach to key issues. The Energy Security Through Transparency Act of 2009 (S. 1700) would require the federal government to attempt to persuade the members of APEC to adopt regulations similar to those of the United States governing the operation of extractive industries.
Issues in the 111th Congress

For the 111th Congress, issues related to APEC could arise in a variety of direct and indirect ways. In addition to the issue of U.S. financial support for APEC, Congress may choose to express its sense on different policy issues. Also, there are oversight issues raised by U.S. participation in various APEC activities and, in particular, with respect to the 2011 APEC meetings to be held in the United States.

Financial Support

The most direct issue would be the level of U.S. financial support for APEC. Although the President does have the authority under current federal law to determine the level of APEC’s funding without action by Congress, Congress may choose to take up this issue (see above). For example, Congress could consider setting funding levels, directly or indirectly, for APEC’s trade facilitation programs independently from the amounts previously appropriated.

In addition, Congress may consider expressing its preferences regarding the agenda and content of the 2011 APEC meetings to be held in the United States, possibly via appropriation legislation that provides funding for those meetings. The 110th Congress appropriated $2.3 million in FY2009 and $4.497 million in FY2010 for the 2011 meetings, but additional funding is likely to be needed. In his proposed FY2011 budget, President Obama has requested an additional $38.220 million for hosting APEC meetings in 2011.

APEC as Vehicle for Promoting a FTAAP

Past Congresses have recognized the potential of APEC as a vehicle for promoting free trade. In addition, to the issue of a possible Free Trade Area of the Asia-Pacific, negotiations over regional trade integration under APEC would likely raise issues related to labor rights and environment protection, and whether the United States would be able to respond to foreign country violations of labor or environmental standards with economic sanctions or monetary fines (as stipulated in the U.S.-Singapore/Chile FTAs).

Progress on the Doha Round

Successful completion of the Doha Development Round is a high priority for the Obama Administration. In the past, APEC has been viewed as a reliable ally to the United States during Doha negotiations. Congress could take steps to promote the use of APEC to help break the current stalemate.

Focus on Human Security Issues

In addition to the various economic and trade issues, Congress may also consider issues pertaining to human security as a result of the U.S. involvement with APEC. For example, U.S. recognition of the APEC Business Travel Card could raise domestic security concerns to the expedited visa and entry privileges extended to card bearers. Similarly, concerns about a potential influenza pandemic may engender interest in providing more support to APEC’s primary forum on health issues, the Health Working Group.
Competition for Regional Influence

From a geopolitical perspective, APEC is a leading forum through which the United States can broadly engage the Asia-Pacific region. The United States is not currently included in the other regional multilateral associations, such as ASEAN and the East Asian Summit (EAS), and no other forum includes such a wide range of Asian economies. From a strategic perspective, many experts believe APEC could play a useful role in advancing U.S. interests in the region. Others, however, think other fora—such as the TPP—may be more effective mechanisms at this time.
## Appendix. Annotated Chronology of Past APEC Meetings

The following table provides a brief summary of the past APEC Meetings. For more details about each meeting, see the official APEC web page, http://www.apec.org/.

<table>
<thead>
<tr>
<th>Year and Location</th>
<th>Key Outcomes</th>
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<tbody>
<tr>
<td>1989 - Canberra, Australia</td>
<td>Concept of forming APEC is discussed at an informal Ministerial-level dialogue group with 12 members.</td>
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<tr>
<td>1993 - Blake Island, U.S.A.</td>
<td>First formal APEC Leaders’ Meeting includes representatives from 14 members: Australia, Brunei Darussalam, Canada, China, Hong Kong, Indonesia, Japan, New Zealand, Philippines, Singapore, South Korea, Thailand, and United States.</td>
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<tr>
<td>1994 - Bogor, Indonesia</td>
<td>APEC sets the Bogor Goals of “free and open trade and investment in the Asia-Pacific by 2010 for developed economies and 2020 for developing economies.”</td>
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<tr>
<td>1995 - Osaka, Japan</td>
<td>APEC adopts the Osaka Action Agenda (OAA) which provides a framework for meeting the Bogor Goals.</td>
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<tr>
<td>1996 - Manila, the Philippines</td>
<td>The Manila Action Plan is adopted, which outlines the trade and investment liberalization and facilitation measures to be taken by APEC members to reach the Bogor Goals. The APEC economies submit their first “Individual Action Plans,” or IAPs, indicating how they intended to move toward fulfillment of the Bogor goals. Moreover, APEC Leaders called for conclusion of the Information Technology Agreement in the WTO, which acted as a decisive catalyst toward successful completion of this agreement in 1997.</td>
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<tr>
<td>1997 - Vancouver, Canada</td>
<td>Several APEC members are coping with a severe recession caused by the Asian Financial Crisis. APEC ministers reject a Japanese-backed proposal to establish a separate Asian fund to provide financial support for countries coping with financial difficulties. However, APEC does endorse a proposal for Early Voluntary Sectoral Liberalization (EVSL) in 15 sectors, and decides that Individual Action Plans should be updated annually.</td>
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<tr>
<td>1998 - Kuala Lumpur, Malaysia</td>
<td>President Clinton does not attend because of the imminent bombing of Iraq. Economic recession continues for several APEC members, with varying levels of hardship. Malaysian Prime Minister Mahathir Mohamad, host of the APEC meetings, continues criticism of trade and investment liberalization, which he blames for causing the Asian Financial Crisis and his country’s deep recession. APEC agrees on the first nine sectors for EVSL and seeks an EVSL agreement with non-APEC members at the World Trade Organization.</td>
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<tr>
<td>1999 - Auckland, New Zealand</td>
<td>APEC meetings occur earlier than usual because the World Trade Organization’s Ministerial Conference is to be held in Seattle on November 30-December 3, 1999. The APEC leaders endorse the launching of a new WTO round of multilateral trade negotiations and agreed that the new round of trade negotiations to be concluded within three years. The APEC Meetings occur at a time of increasing violence in East Timor; APEC leaders put pressure on Indonesia to allow international peacekeepers into East Timor. APEC commits to paperless trading by 2005 in developed economies and 2010 in developing economies. APEC Business Travel Card scheme is approved.</td>
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<tr>
<td>2000 - Bandar Seri Begawan, Brunei Darussalam</td>
<td>APEC establishes an electronic Individual Action Plan (e-IAP) system, providing IAPs online. APEC also states that China should be accepted into the WTO soon, followed by Taiwan and sometime later by Russia and Vietnam. Following a bilateral meeting, the United States and Singapore announce that they would begin negotiations on a bilateral free trade agreement.</td>
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<tr>
<td>2001 - Shanghai, China</td>
<td>Meeting is held five weeks after the attacks on the World Trade Center and Pentagon. APEC adopts the Shanghai Accord, which focuses on Broadening the APEC Vision, Clarifying the Roadmap to Bogor and Strengthening the Implementation Mechanism. The e-APEC Strategy is adopted, which sets out an agenda to strengthen market structures and institutions.</td>
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The 2009 APEC Meetings and U.S. Trade Policy in Asia

<table>
<thead>
<tr>
<th>Year and Location</th>
<th>Key Outcomes</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002 - Los Cabos,</td>
<td>APEC adopts a Trade Facilitation Action Plan, agreeing to reduce transaction costs in international trade by 5% by 2006. Policies on Trade and the Digital Economy and Transparency Standards are adopted. The leaders also declare support for the Doha negotiations (including the abolition of agricultural export subsidies) and call for their conclusion by January 1, 2005. In conjunction with the Mexico APEC Meetings, the United States announced the Enterprise for ASEAN Initiative, a new trade initiative with the Association of Southeast Asian Nations. APEC’s second Counter-Terrorism Statement is delivered, along with the adoption of the Secure Trade in the APEC Region (STAR) Initiative.</td>
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<tr>
<td>Mexico</td>
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<tr>
<td>2003 - Bangkok,</td>
<td>APEC issues first separate statement on Doha negotiations. The APEC ministers in attendance call for the reopening of the negotiation process based on the text of the unsuccessful proposal made during the WTO talks in Cancun, Mexico. APEC pledges to take specific actions to dismantle terrorist groups, eliminate the danger of weapons of mass destruction and confront other security threats. Members sign up to the APEC Action Plan on SARS and the Health Security Initiative to further protect personal security. The Leaders’ statement calls for more six-party talks and for North Korea to demonstrate “verifiable” progress in dismantling its nuclear weapons program.</td>
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<td>Thailand</td>
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<td>2004 - Santiago,</td>
<td>APEC issues second statement on Doha Round, setting December 2005 as target date for completion of negotiations. APEC adopts “Best Practices” guidelines to ensure that FTAs and RTAs fully comply with or exceed WTO guidelines. APEC establishes an Anticorruption and Transparency (ACT) program to aid members in fighting corruption and increasing transparency; the United States is among the seven member economies funding the program.</td>
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<td>Chile</td>
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<td>2005 - Busan,</td>
<td>APEC adopts the “Busan Roadmap,” which include deadlines for reducing transaction costs and developing a plan for structural reform to make member economies more business-friendly. The 21 leaders issue a special statement regarding the Doha negotiations encouraging member economies to exercise “the necessary flexibility” to resolve “the current impasse in agricultural negotiations, in particular in market access.” The United States, Canada, and Australia push for the statement to single out the European Union for their protectionist measures, but other APEC members demur. Special attention is given to the threat of a pandemic influenza stemming from the incidences of avian flu in both birds and humans.</td>
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<td>South Korea</td>
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<td>2006 - Hanoi,</td>
<td>APEC initiates a study of regional economic integration to include consideration of U.S.-proposed Free Trade Area of the Asia-Pacific. The APEC Leaders issue a separate declaration on the Doha Round talks, calling for deeper reductions in trade-distorting farm subsidies and increasing market access for goods and services. The United States announces it will start recognizing the APEC Business Travel Card in 2007.</td>
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<td>Vietnam</td>
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<td>2007 – Sydney,</td>
<td>The main topics of discussion during the September 2007 two-day Leaders’ Meeting and the two-day Ministerial Meeting were climate change and regional economic integration. The Leaders issued a separate joint declaration on climate change, which included “aspirational” commitments to reduce energy intensity by at least 25% by 2030 and to increase regional forest cover by at least 20 million hectares by 2020. APEC’s consensus position on the latter topic entitled “Strengthening Regional Economic Integration,” was endorsed by the Leaders. The APEC meetings also discussed the recent global problem with food and product safety.</td>
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<td>Australia</td>
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<td>2008 – Lima,</td>
<td>Although the official theme for the meeting was &quot;A New Commitment to Asia-Pacific Development,&quot; global economic events overshadowed the event, focusing discussion on resisting protectionist pressures and expediting economic recovery. The joint ministerial statement indicated that a &quot;rapid, coordinated and effective response&quot; to the global financial crisis was APEC’s &quot;highest priority.&quot;</td>
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Author Contact Information

Michael F. Martin
Specialist in Asian Affairs
mfmartin@crs.loc.gov, 7-2199