

Keynote Remarks

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(Summarized and read in her absence by Dr. S. Stanley Katz)

The Clinton Administration was the first U.S. Administration to confront the post Cold War world and all the ambiguities and opportunities this new set of circumstances offered. One of the very first of the latter was the opportunity to craft a clear statement of U.S. policy toward the Asia-Pacific region. Initial questions about the importance for the United States of the Asia-Pacific region were relatively easy to answer: trade with the region is one half again as great as with Europe; U.S. exports to the region support 2 1/2 million U.S. jobs; this is the region where the great powers intersect, where the U.S. fought three wars, and where the continued presence of the U.S. is needed—and wanted—to help sustain stability.

The U.S. Administration soon discovered that it was not enough simply to declare itself a Pacific power. Such a declaration had to be backed by ideas and institutions that could support and sustain the U.S. presence. The core idea that the Clinton Administration began to advance was that of building an Asia-Pacific community. This idea was supported on the security side by the evolution of regional security dialogues. And on the economic side, APEC was the institution the U.S. Administration chose to nurture and expand as a means of supporting the community concept.

In fact, the significance of APEC goes beyond economics. First, it serves to anchor the United States in the region—regularly and routinely as part of an institutional infrastructure. Second, APEC offers the chance to bring China into regular contact with international standards and norms of commercial practice. Third, APEC gives Japan the opportunity to exercise the regional leadership its economic power warrants. These geo-political considerations give APEC its true *raison d'être* and they gave an increased sense of urgency to the annual meeting of leaders in Osaka this past November.

Why was Osaka a crossroads for APEC? To answer this question, one must first remember the transformation that APEC underwent in 1993 and 1994. The 1993 Seattle Summit marked the start of a new era for APEC.

*These remarks are personal and unofficial.

President Clinton's hosting of the first ever Asia-Pacific heads of state meeting gave shape to the nebulous Asia-Pacific community concept. It gave APEC as an institution new legitimacy and visibility and it ensured that political leaders would be able to meet regularly and have the opportunity to steer the evolution of regional economic integration.

The 1994 Bogor leaders meeting gave direction to this vision. They agreed that the region would achieve free trade and investment by 2010 or 2020 (depending on the particular country's economic status). This decision was more sweeping than any taken by GATT in its forty years of existence. Of added significance is the fact that the Bogor consensus in favor of free trade was orchestrated by an Asian country—a developing country that is also a leader of the non-aligned movement. Bogor thus signaled that the Asia Pacific region was prepared to play an active role in setting the international economic agenda.

The 1995 Seattle meeting was the single most important innovation for APEC. The U.S. President's call for building an Asia-Pacific community was supported by all leaders, and the meeting of leaders was established as an annual event. And Seattle gave APEC a common frame of reference and issued a bold call for action—the establishing of free trade.

It was thus up to the Osaka meeting to deliver on the promises made by the two prior meetings and to lay out a credible action agenda that would spell out the steps to be taken in achieving them. There were several challenges on the road to Osaka. First was the role of Japan in the chair. Would the Japanese bureaucracy be capable of generating and leading a consensus on actions to achieve free trade? And would the Japanese Prime Minister be able to exercise the same strong personal leadership as had Messrs. Clinton and Suharto?

Second was the question of Asian-style trade liberalization versus the more traditional legalistic approach of the West. Was APEC going to be able to reconcile these different views of how to reach free trade?

Third was the question of "trade fatigue." Much of what had been achieved by APEC up to that point could be traced to the desire to prod the rest of the world into finishing the Uruguay Round. With that out of the way, and with the World Trade Organization in place, many in APEC were reluctant to embark on new, far-reaching trade action.

Each of these challenges was met successfully at Osaka. Specifically, the Osaka meeting laid out a set of principles that would govern APEC's free trade actions; set up a process for negotiating free trade; and identified 15 issues for immediate action. In addition, Osaka laid out a strong program for economic cooperation and technical assistance geared toward supporting the long term goal of free trade. With Osaka, the stage is now

set for APEC to grow as the preeminent economic organization in the Asia-Pacific region. And APEC can become the vehicle for pressing ahead with regional economic integration.

From a U.S. perspective, the Osaka meeting elevated the profile of the Asia-Pacific region for business and public policy makers. APEC is now the platform for anchoring the U.S. in the region, for advancing U.S. commercial interests, and for developing the networks that give definition to the Asia-Pacific community concept.

With the Osaka meetings behind us, many may think that APEC merely needs to implement the action agenda in order to remain a core building block of the Asia-Pacific community. I would argue that is not the case. At the outset, I suggested that APEC was important for geo-strategic or geopolitical reasons and not for mere economic reasons. These compel APEC to expand its non-trade economic agenda in the near future. It must focus on many of the same issues that occupy this Sixth Forum Meeting—for example, transportation infrastructure, developing a regional telecommunications policy, setting up region-wide educational linkages, addressing human resources training needs, and reducing the burdens on business. Without these types of over-arching activities, it may not be possible for APEC to continue to capture the attention of foreign ministers and leaders, in which case APEC risks becoming just another forum for meetings of trade ministers. That would be most unfortunate since it would mean abandoning the mantle of APEC as a building block of the Asia-Pacific community.

I believe the challenge for APEC at the Manila meetings next November is therefore to demonstrate that regional economic integration is central to APEC's identity, and that this entails more than trade and investment liberalization—recognizing, of course, that these are important objectives and must proceed as well. Only after Manila will it be possible to assess whether APEC, the first institution formed in the post Cold War period, has been able to marry economics and geo-strategic considerations. And after Manila it will be possible to assess whether APEC should remain as a core element of long term U.S. policy in the region—a policy that is based on continued engagement and arises from our national goals of promoting stability, security and prosperity in the Asia-Pacific region.