

# The Asia-Pacific Cooperation Agenda: Moving from Regional Cooperation Toward Global Leadership

CHARLES E. MORRISON

# AsiaPacific

## I S S U E S

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**SUMMARY** In the past quarter-century Asia has seen vast changes, including increased economic growth, integration, and liberalization. The Asia Pacific Economic Cooperation (APEC) process, now marking its 25th anniversary, facilitated these changes through its institution of the first regular meetings of ministers and then leaders. But what role should APEC play in the future? With a continuing diffusion of power, what was once hailed as an imminent “Asian century” is much more likely to be a global one. This international system, however, will have a trans-Pacific core with much of the economic power and potential to provide global leadership for the further development of international norms, rules, and cooperation. Thus, we may be able to refer to an “Asia-Pacific century.” Two questions arise: Is North America, with a relatively small share of global population and a declining share of global world product, still relevant? Will the nations on the two sides of the Pacific really be able to use their power effectively to assume global leadership? The answer to the first of these is “yes,” and to the second, “it depends.”

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### **APEC Achievements and Challenges**

APEC celebrates its twenty-fifth anniversary in a vastly changed region and world. Since 1989, there has been dramatic economic growth in most Asian developing countries, especially China; regional integration through a combination of reduced political and regulatory barriers and the rise of supply and production chains; and a proliferation of regional institutions and freer trade and investment arrangements. In a context where there is also rising demand that institutions of all kinds, including international organizations, demonstrate concrete outcomes, some would question whether APEC can claim any responsibility for the region's achievements.

In fact, it is very difficult to link APEC as an organization in any specific way to these outcomes. Even the reduction in trade barriers has less to do with Bogor Goals than obligations undertaken as part of WTO commitments, other negotiations, or unilaterally. However, APEC has been part and parcel of the positive changes that have been occurring in the region, and undoubtedly the fact that first ministers, then leaders were meeting on a regular basis provided a positive atmosphere for international interaction and integration. Prior to APEC, there were no such meetings; regional cooperation was nonexistent or confined to subregional or highly specialized organizations with no sense of broad and converging regional interests; and Asia-Pacific engagement in global issues was fragmented and incoherent.<sup>1</sup>

APEC's achievements are much more visible to foreign and trade ministry bureaucracies than they are to the public, or even to more politically and policy-aware stakeholders. APEC has proved to be an efficient venue for the leaders of the region to meet. It has helped build some common sense of international economic norms and values and strengthened adherence to the international trade system. It has provided a vehicle for economies with once limited awareness of the WTO system to better understand the rules, obligations, and benefits of the system.

While APEC, as a venue for voluntary, nonbinding cooperation, has not itself been a formal vehicle for negotiating free trade areas, much of the inspiration for such agreements has been associated with the APEC

process. Freer trade and investment liberalization have been APEC goals for two decades. Today virtually all the economies in the region are engaged in one or another of the major free trade negotiations—the Trans-Pacific Partnership, the Regional Comprehensive Economic Partnership, and the Pacific Alliance. APEC itself may not be a rule-making organization, but it has both deepened adherence to global norms and rules and inspired more liberal trade rule-making at the subregional or plurilateral levels.

APEC no longer remains the only broad-gauged trans-Pacific organization; it has been joined by the East Asia Summit (EAS), which includes the United States as a member. If we consider APEC and EAS as complementary institutions in a broad trans-Pacific cooperation and integration process, this process faces two critical challenges during the coming decades: Will it effectively generate international cooperation among the region's economies in addressing the many continuing and often deepening challenges of the region? And, perhaps even more significantly, can the Asia-Pacific region assume a leadership role in the global system?

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### **A Global Century With an Asia-Pacific Core**

East, Southeast, and South Asia, with a little more than half the world's population, are rapidly regaining an equivalent share of world gross product for the first time in two centuries. There are many reasons to believe that despite cyclical variability and a longer-term decline in the growth rates of the more advanced nations associated with the end of catch-up development and demographic aging, the comparative rise of Asia within the global system will continue. Human capital enhancements, increased economic integration, technological leapfrogging, and the growth of middle classes are among the reasons. Projections by the US National Intelligence Council suggest that by mid-century, China will have slightly surpassed the United States as the world's most powerful nation, based on a composite index of the many elements of power.<sup>2</sup> But while the power and influence of China and India will continue to rise, and thus Asia's systemic weight increase, no single country will be as influential in the international system of the future

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as the United States has been in the last part of the preceding century.

The rise of Asia has led to speculation about an “Asian century.” With a continuing diffusion of power, the coming century is much more likely to be a global one. However, the international system will have a trans-Pacific core area with much of the economic power and the potential to provide global leadership for the further development of international norms, rules, and cooperation. In this sense, we may be able to refer to an “Asia-Pacific century.”

*The Asia-Pacific region will require individuals grounded in their own nationalities but with broad regional and global knowledge*

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### Defining Questions

Contemplating an Asia-Pacific century, two questions arise: Is North America, with a relatively small share of global population, and a declining share (less than 25 percent by 2050) of global world product, still relevant? Will the nations on the two sides of the Pacific really be able to use their power effectively to assume global leadership? The answer to the first of these is “yes,” and to the second, “it depends.”

North America’s role is not simply based on its population or economic size, but also on the creative dynamism of the American societies, which are constantly being refreshed by new immigration and a highly entrepreneurial culture facilitated by a unique interplay between business, government, and academic sectors, typified by Silicon Valley. Far from retreating from their historical origins as international “melting pots,” the United States and Canada remain open to high and increasingly diversified levels of immigration, drawing from human talent pools all over the world. The foreign born in the United States today is estimated at about 46 million of its 318 million people, the highest share for this country in over a century.<sup>3</sup> Canada has an even higher proportion of foreign born, with more than 7 million in a population of 35.5 million. While helping the United States to remain a global center for higher education, advanced research, and cutting-edge technologies, immigrant communities also inhibit retreat toward “isolationism.” The United States is likely to continue to provide a leading share of the world’s public goods, especially in such areas as international security, disaster relief, and financial systems.

The second question of whether the Asia-Pacific region will step up to global leadership depends on a number of factors and deserves more attention. It may be likely, but there is no guarantee. To be an effective core leadership area, the region needs to meet a number of requirements.

**First, the economies need to be stable and secure units**, capable of engaging in cooperation and adhering to international commitments. This appears positive. Despite many challenges, the quality of governance continues to improve in most of the region. **Second, there need to be harmonious, cooperative international relations among the societies of the region and intergovernmental institutions capable of creating common values, norms, and action agendas.** This is currently questionable. The region’s global role will be limited if territorial disputes persist, diverting resources and attention from major regional and global issues and challenges. Only by building a sense of community within the Asia Pacific can the region become a truly effective force for global peace- and order-building. **Third, there needs to be a continual process of integration and growing connectivity.** This has been occurring and is a key objective of the APEC process. The major economies of Asia are now more integrated in terms of trade flows than those of North America, and almost as much as those of the European Union. Continuing this process, as well as improving the interconnectedness of the region in transportation and communication, is an important force for continued Asia-Pacific growth. **Fourth, the economies of the region need to be inclusive domestically**, drawing upon the whole of the resources of their own societies. APEC’s goal of “inclusive” growth is important in this regard, as well as in contributing to the first goal of a “stable and secure unit.” **Fifth, the APEC economies need to be inclusive internationally**, that is, take into account the sensitivities and interests of nations outside the region. **Finally, the region will need intellectual, policy, and educational hubs for creative policy ideas and regionally and globally focused leadership training.** Just as an integrating Europe required individuals grounded in their own nationalities but with a European sense of challenges and opportunities, the

*What are the longer-term regional challenges most relevant to an emerging global agenda?*

Asia-Pacific region will require such individuals with broad regional and global knowledge.

This last requirement should be a major objective of APEC's working agenda on education. APEC economies can learn lessons from each other's experiences, a main current theme of this work, but they should also strive to build networks of individuals with a similar understanding of regional and global history, challenges, and desirable pathways to address issues. This will be facilitated by the greater mobility of students, joint venture and multinational educational programs, and a truly regional center for Asia-Pacific leadership education.

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#### **The Mega-Agenda for APEC**

What then are the challenges facing APEC in its twenty-fifth year? The focus here is on the longer-term regional challenges most relevant to an emerging global agenda.

**The first challenge, and an essential requirement for all else, is to strengthen the international cooperative relations of the region.** This requires overcoming issues of history and focusing on issues of common concern to the APEC community as a whole. In the past, APEC and other regional bodies have been used to dampen regional tensions and reassure populations that leaders remain engaged. But in recent years, leaders have not made such use of APEC and this may have contributed to regional misunderstandings and tension.

**Second, there are architectural questions, both within the Asia-Pacific region and between this region and other regional systems and the global system.** There is no particular reason that any institution, including APEC, needs to survive in its current form or with its current name. What is important over the longer term is that the process of Asia-Pacific cooperation and economic integration continue. The current architecture of institutionalized regional cooperation with its different components remains a work in progress. The relationship between the East Asia Summit, with its ASEAN base and politico-security dimension, and APEC, with its socioeconomic agenda, will need to be sorted out. Fragmentation into separate processes, however temporarily necessary, undermines

political attention and commitment. Moreover, the subregional building blocks of cooperation will need to be filled in. While healthy cooperation takes place in Southeast Asia, Oceania, and the Americas, regional cooperation in Northeast Asia and the North Pacific is quite limited.

**Third, APEC should enlarge its stakeholder community within the APEC economies and demonstrate more forcefully its relevance and benefits for the economies as a whole.** For the most part, knowledge of and interest in APEC has been confined to bureaucracies. Most of the nongovernmental outreach has been directed toward segments of the business community, as illustrated by the existence of only one advisory committee, the APEC Business Advisory Council. While the business community is an essential sector to be served through APEC, regional integration processes need parallel structures involving parliamentarians and even local political figures, as well as NGOs. Although such involvement does take place, it is usually in settings peripheral to the "core business" of APEC.

**Fourth, it is clear that parts of Asia and the Pacific are in the forefront of some of the world's biggest demographic, environmental, and health challenges.** If there are models of cooperation in APEC in these areas, they will quite naturally propel the Asia-Pacific region into global leadership roles. Northeast Asia, for example, has some of the world's lowest fertility rates, and Japan and possibly Russia already have shrinking populations. Urbanization is at very high levels or occurring at very high rates in many of the APEC economies. Integrating new citizens into urban communities, providing robust and equitable services, and retaining vitality in rural areas are significant issues not only in themselves, but also to the overall well-being of societies and the quality of their international relationships. With its dense populations and rapidly changing diets and lifestyles, Asia is also at the forefront of many health and environmental challenges. While the medical aspects of these are best dealt with in other forums, general health policies are a legitimate and important topic for APEC cooperation. Sustainable resource use and the environmental agenda for all of the economies have

*New regional leaders who may look upon APEC and the broader regional integration process with fresh eyes*

become very acute issues, as attested by the urgent attention the Chinese leadership has vowed to give clean air and water, but the Asia-Pacific regional cooperation agenda in these areas remains underdeveloped. **Finally, as mentioned above, APEC should give much greater attention to its education agenda,** particularly addressing the task of how to prepare the people of the region for a twenty-first century economy and for global leadership.

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**Political Champions**

Strengthened cooperation in APEC and global leadership from the Asia-Pacific region will, in the end,

be driven primarily by the quality, imagination, and attentiveness of political leadership, especially in the larger economies. Without such leadership, modes of cooperation tend to become routinized and bureaucratized, and progress to become incremental. Unfortunately, today's leaders are often highly distracted by the increasingly complex task of domestic governance, combined with responsive rather than proactive approaches to foreign policy issues. But we have a number of new regional leaders who may look upon APEC and the broader regional integration process with fresh eyes. Perhaps this new team of regional leaders can help to formulate a new and workable Asia-Pacific dream.

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**Notes**

<sup>1</sup> Charles E. Morrison, "Four Adjectives Become a Noun: APEC and the Future of Asia-Pacific Cooperation," in *APEC at 20: Recall, Reflect, Remake*, eds. K. Kesavapany and Hank Lim (Singapore: Institute of Southeast Asian Studies, 2009), 30.

<sup>2</sup> US National Intelligence Council, "Global Trends 2030: Alternative Worlds," Washington, DC, December 2012.

<sup>3</sup> United Nations, Department of Economic and Social Affairs, "Trends in International Migrant Stock: The 2013 Revision," <http://esa.un.org/unmigration/TIMSA2013/migrantstocks2013.htm>.

This article has been excerpted from *New Directions in Asia-Pacific Economic Integration*, edited by Tang Guoqiang and Peter A. Petri and published by the East-West Center in July 2014.

In this collection of short papers, experts from nearly every APEC economy explore the benefits and challenges of regional economic integration. They examine the Trans-Pacific Partnership and Regional Comprehensive Economic Partnership negotiations from various perspectives, and consider possibilities for their consolidation into a Free Trade Area of the Asia-Pacific (FTAAP). Their perspectives differ, but also reveal striking common ground. They offer practical recommendations for the Asian and

trans-Pacific pathways—for ensuring their compatibility, and for promoting their convergence into an FTAAP.

The book testifies to a little-celebrated, but invaluable achievement of APEC: the rise of a sophisticated, international community of experts who understand the region and collaboratively promote its long-term interests. The papers draw on two conferences organized by the China National Committee for Pacific Economic Cooperation and are published jointly with the US Asia Pacific Council.

*New Directions in Asia-Pacific Economic Integration* is available from the East-West Center in PDF format or in print. Find it at [EastWestCenter.org/Publications](http://EastWestCenter.org/Publications).

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*Publications Office  
East-West Center  
1601 East-West Road  
Honolulu, Hawai'i 96848-1601*

*Tel: 808.944.7145  
Fax: 808.944.7376  
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**About the Author**

**Charles E. Morrison** has been president of the East-West Center since 1998. He has been associated with the Center since 1980 in various capacities, including heading its former Institute of Economics and Politics. A US Senate aide early in his career, he has also been a research associate at the Japan Center for International Exchange. Morrison served as the international chair of the Pacific Economic Cooperation Council from 2005 to 2012, and is a member of other national and international bodies that promote trans-Pacific security and economic cooperation. His PhD is from the Johns Hopkins School of Advanced International Studies, where he also once taught on Southeast Asia. He speaks and publishes widely on US-Asia policy issues and the countries of the region, and gives special emphasis to regional cooperation, particularly the APEC process.

He can be reached at:  
MorrisonC@EastWestCenter.org