



Can Obama Help Revive Asia-Pacific Economic Cooperation?

Jeffrey J. Schott says the Asia-Pacific Economic Cooperation (APEC) forum, which President Obama will attend in Singapore, offers an opportunity for him to try to clarify his intentions to a group that accounts for most world trade.

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Steve Weisman: This is Steve Weisman at the Peterson Institute for International Economics. Jeffrey Schott, senior fellow at the Institute, is here today to talk about a couple of aspects of President Obama's upcoming trip to Asia, his first major trip to Asia as president.

Thanks, Jeff.

Jeffrey Schott: Pleasure to be here.

Steve Weisman: Jeff, I wanted to talk to you about his stop in Singapore, where APEC is meeting. That's an organization that is perhaps less understood by Americans than other international organizations. It stands for the Asia Pacific Economic Cooperation forum. But what is it and why is he stopping there?

Jeffrey Schott: It's a meeting of the leaders of the Asia Pacific region, which account for more than half of world trade and more than half of world output. And so, it is an organization that is not a negotiating forum like we have in Geneva and the World Trade Organization, but a forum where countries get together to talk about how they can better cooperate with each other, work with each other, harmonize policies, and to some extent, act as a caucus for pushing common positions and broader negotiations.

In that context, the upcoming meetings in Copenhagen will be, I'm sure, a focus of discussion and there will be an effort to try to have some type of forward momentum built from the APEC meeting in Singapore in mid-November carry over to Copenhagen in mid-December.

Steve Weisman: On climate change?

Jeffrey Schott: On climate change.

Steve Weisman: The APEC is about 20 years old?

Jeffrey Schott: It's celebrating its 20th anniversary this year, yes.

Steve Weisman: It's had some ups and downs. I know that there were periods in its history where it was more robust, to use the cliché, than it has been recently. Is it an underperformer?

Jeffrey Schott: It depends on what your expectations are. If your expectations are high, that the organization would actually fulfill the very ambitious goals it set in 1994 to achieve free trade and investment in the Asia Pacific region within this decade, yes, that's a very ambitious goal that's not close to being met.

Steve Weisman: Did they even make progress toward it?

Jeffrey Schott: A little bit of progress at the beginning. But really, what was important at that time, in the early 1990s, was building a vision of cooperation and working together. Because remember at that time, the real problems were US-Japan and the real economic powers were still the United States and Europe, and Asia was only beginning to emerge in the first league of world economies.

Steve Weisman: And then of course we had the Asia financial crisis in the late 1990s.

Jeffrey Schott: Right, and that put a damper on a lot of the Asia-Pacific cooperation because there was a residue of mistrust about the role of the International Monetary Fund and some concern that that had placed the Asian countries at a competitive disadvantage.

Steve Weisman: What does the Obama administration want to come out of the APEC meeting?

Jeffrey Schott: I think it's important to note that from the very beginning, APEC had both political and economic objectives. And indeed, the Asian countries that founded APEC 20 years ago had as one of their priority concerns to ensure the continued engagement of the United States in the region, both militarily and economically. I think at this point, those dual objectives still hold and there is an interest in using APEC to try to advance economic integration, or certainly through broader cooperation in areas of priority concern—energy and the environment, is one; dealing with the advances in the digital economy is another—and coordinating efforts to try to have a successful conclusion to the Doha Round of multilateral trade negotiations.

Steve Weisman: What about some of the pending old business in trade, like the Korea Free Trade Agreement? Is that something that others in Asia and maybe at APEC are watching to see whether the United States is willing to engage with Asia on trade?

Jeffrey Schott: Well, that isn't really an issue for APEC.

Steve Weisman: Right.

Jeffrey Schott: Though the APEC meetings, I should note, are the opportunity for a number of bilateral summits, which take place on the sidelines. And indeed, that has been a very important aspect of the APEC process since 1993. That year, President Clinton initiated the first summit meetings of the APEC countries at Blake Island in Washington state and ever since it has been seen as a very useful opportunity for world leaders to get together, both en masse in the APEC sessions but also bilaterally to discuss their own problems.

And I am sure that during the course of his visit, President Obama will be discussing the Korea-US Free Trade Agreement and how one can move forward toward implementing that agreement in the future with the president of Korea.

Steve Weisman: There's been a lot of talk about Asian countries turning inward amongst themselves in Asia on economic cooperation and trade, which poses at least a theoretical possibility of closing off transpacific cooperation or relegating that to a secondary position. Is that something that the United States should be concerned about and will that be addressed in Singapore?

Jeffrey Schott: The issue of how to pursue approaches to expand economic integration in the Asia-Pacific region will be a broad topic of discussion. And there are a variety of approaches—some starting with the premise that one should further integrate Asia and then link it with an integrating Eastern Pacific or North America; others saying that there should be already a combination that brings together countries from both sides of the Pacific in a nascent new cooperation regime, like the free trade area of the Asia Pacific that has been vetted for the past five years in APEC councils.

Steve Weisman: That's a proposal that they've been studying?

Jeffrey Schott: It's been studied and in fact, what APEC has done is had ongoing competitive liberalization studies.

I think I would put it that way, looking at the approaches proposed by the United States, by Japan, by other Asian countries on how to move forward to broaden and deepen economic cooperation in the region.

Steve Weisman: Just to explain to our listeners and readers who may not know that term, "competitive liberalization" means various bilateral or multilateral agreements that would add up to a broader liberalization.

Jeffrey Schott: That's right. And essentially, what the APEC countries are looking at is how to work more closely together and move incrementally toward the long-term vision of free trade and investment in the region that their leaders mandated back in 1994.

Steve Weisman: This may be hard with so many countries—21.

What do you think is the most important thing that President Obama needs to tell them at this meeting? What's the most important message that he needs to convey?

Jeffrey Schott: I think it's a general message that the United States is engaged and will continue to be engaged in the Asia Pacific. I have seen from my travels in the region that there is a continued concern about the protectionist rhetoric that was abundant in the 2008 presidential campaign, that has been muted quite a bit by the administration since then but has still been reflected in pieces of legislation that have either been passed to Congress or are being considered by the Congress.

And I think President Obama will make it clear that the United States has an outward-oriented and free trade-oriented policy, that we need to stay engaged with the dynamic economies of Asia, we need to expand our trade more with them, and we need to work more closely with them in related areas of climate change and in dealing with some of the political challenges in the region, including North Korea.

Steve Weisman: Are these countries in APEC, especially on the Asian side, caught up with the, I would say, excitement or fascination with Obama as you see in Europe, for example? Or does that not give him any particular advantage?

Jeffrey Schott: I think it gives him a great advantage. Remember, he's lived in Indonesia and so he's regarded very, very favorably in the region as someone who understands cultural differences and can provide a much more balanced and pragmatic assessment of how to go forward. I think that will be very helpful. Also in dealing with the perceptions on the US side of the Pacific, where we are concerned about the question you raised before, whether Asian initiatives will lead to an insular trading bloc—[there are] a lot of concerns in the Congress and some parts of the administration about that.

But if you actually look at the trade and investment profile of those countries, they depend very significantly on the US and European markets as a final destination for their exports. And so, while they are trying to integrate more closely among themselves to expand their production networks, those networks rely very substantially on the ability to access the US and European markets. So there is a very definite linkage and mutual dependency.

Steve Weisman: Jeff, thanks very much for giving us a tour of the horizon on this. And we'll watch the trip, I'm sure with great interest. Thanks again.

Jeffrey Schott: Thank you.

