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APEC Rises Again Post-Beijing Summit: A More Connected Asia-Pacific?

By Oh Ei Sun

Synopsis

The recent APEC summit in Beijing resuscitated the free-trade promotion forum which has been eclipsed in recent years. The various ambitious initiatives proposed by host, China, could connect and transform the region.

Commentary

“WATER CUBE”, the 2008 Beijing Olympics water sports complex, was perhaps a potent venue for the gala dinner of the recent Asia-Pacific Economic Cooperation (APEC) summit. For water, at least in some versions of traditional Chinese culture, symbolises wealth and prosperity. Indeed, the host country, China, announced huge amounts of future capital investment throughout the APEC summit, mainly to shore up the infrastructural development in its Asia-Pacific neighbours, and henceforth to connect them with China's huge market and production base.

A Revitalised APEC for a Region-wide FTA?

APEC was instigated a quarter of a century ago with the explicit aim of promoting free trade and thereby regional prosperity. Over the years, APEC member economies, most notably China, have generally performed well economically, accounting nowadays for more than half of the total global trade volume.

Nevertheless, APEC's role as the region's main free trade promoting institution has decidedly waned over time, with close to 50 different bilateral and multilateral free-trade agreements that have either entered into force or been negotiated at present, largely outside of APEC's purview.

President Barack Obama of the United States, for one, has shunned the APEC summit at least twice in recent years, and his administration has instead assiduously pursued negotiations on the Trans-Pacific Partnership (TPP) which, though owing its inception to APEC, has outgrown the latter in both form and substance.

Nevertheless, TPP, with its many free-trade “plus” elements encompassing anything from stringent intellectual-property protection to heightened labour policy, was unsurprisingly met with strong

reluctance from most negotiating partners that are developing countries. This slowed down the negotiation process, necessitating President Obama to attempt to resuscitate it on the side line of the recent APEC summit.

In contrast, China, which has acceded to the World Trade Organisation (WTO) only at the turn of the century and is now the world's second largest economy, seized the moment as this year's APEC host to kick-start the momentum toward a Free Trade Agreement for Asia-Pacific (FTAAP) under the aegis of APEC, in a sense restoring APEC's central role in moderating free-trade trends in the region.

It is understood that unlike TPP, the FTAAP process will work on more modest and traditional free-trade goals in line with prominent regional free-trade setups such as the ASEAN Economic Community, which will be effective next year, and its future extension, the Regional Comprehensive Economic Partnership (RCEP). FTAAP, which will overlap with TPP in membership, is thus expected to be more acceptable to most countries in the region.

Infrastructure and region-wide connectivity

The series of APEC peripheral activities actually started in Beijing more than two weeks before the summit. The most conspicuous of these was the official launch in late October of the Asian Infrastructure Investment Bank (AIIB), a China-led regional development-banking initiative which were announced more than a year ago.

Distinct from the traditional development-banking model such as that practised by the Asian Development Bank (ADB) is AIIB's emphasis on co-investment by both public- and private sector capitals in Asian infrastructure outlays, with expectations of the new bank becoming eventually self-sustaining after initial contributions from member states, with China presumably taking up the main bulk of the capital as well as undertaking the role of de facto guarantor.

It is worth noticing that one of China's potential regional competitor, India, and also two of China's recent antagonistic neighbours in the context of the South China Sea claims - Vietnam and the Philippines - also signed up as AIIB founding members.

And just before the APEC summit, Beijing again gathered some of the APEC leaders for a forum with new maritime and continental Silk Roads as main theme. President Xi Jinping announced a US\$40 billion fund for investing in the infrastructure and resources of the mainly Central (continental) and Southeast (maritime) Asian countries along these ancient Silk Roads.

The investment focus will be on improving the connectivity – via road, rail, sky and telecommunications – between China and these neighbouring countries to improve trade and other exchanges. The scope and depth of these Chinese initiatives are impressive, and may be said to have set a high bar for future APEC activities.

Prospects for APEC and Asia-Pacific

The much anticipated meeting between President Xi and Prime Minister Shinzo Abe of Japan duly took place during the Beijing APEC summit, after intense huddling between senior officials of both countries that culminated in a joint statement almost at the eleventh hour before the summit which for the first time acknowledged, albeit cryptically, "different views" on the tensions surrounding the much contested Senkaku / Diaoyu Islands.

The actual meeting between the two leaders could at best be described as icy, lasting less than half an hour. It was nevertheless an ice-breaking restart after a two-year hiatus on Sino-Japanese high-level exchange.

On the other hand, China and Korea announced the conclusion of their free-trade negotiations during the APEC summit, in stark contrast to the glacier-like Sino-Japanese thaw. The United States could arguably be said to have played second-fiddle to China during this round of APEC meetings, being unable to "match up" to most of the wide-ranging and ambitious regional initiatives proposed by China. The two sides were nevertheless able to reach agreements on reductions for tariffs on high-tech products and for carbon emissions.

The recently concluded APEC summit in Beijing may well go down in history as the most fruitful APEC event thus far, with various funding and developmental initiatives for the region proposed by the host country, China, as well as the significant, though piecemeal, free-trade agreements reached.

APEC thus has regained a new lease of vitality, as the FTAAP agenda has moved to the forefront of regional free-trade efforts. And with an Asia-Pacific that will be better connected as a result of these myriad initiatives, opportunity and prosperity for the traditionally vibrant region should follow.

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