

## **Hosting the Economic Leaders' Meeting 1997: Canada and APEC**

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### **I. "Canada's Year of the Asia Pacific" (CYAP)**

For those who associate Canada with European history and North American identity, rather unfamiliar events took place in the country all through 1997: From June to December *Asia-Pacific Works of Art in Newfoundland Collections* were exposed in St. John's; in August, a *Pacific Area Senior Officers' Logistics Seminar* took place in Vancouver; Toronto hosted the *Celebration of the 50th Anniversary of India's Independence* in August; a *Canada/China Sister Cities Conference* was organized in September in Saskatoon; the *Asia Pacific Expo* was presented in Montreal in September, and in the same month, young people from all over the Asia Pacific gathered for the *Asia Pacific Youth Conference 'Asia Connects'* in Winnipeg.

This list could be extended up to more than 600 different exhibitions, seminars, trade shows and festivals held in all Canadian provinces last year, covering mainly cultural but also economic and academic topics addressed at a great variety of people. Serving as an umbrella for this great diversity of events was "Canada's Year of the Asia Pacific" (CYAP), an ambitious program launched by the Canadian government on January 8, 1997. Apart from the activities by Canadian and Asian Non-Governmental Organizations (NGOs) mentioned above it was accompanied by official APEC meetings which were held in Canada throughout 1997 and which culminated in the APEC's Economic Leaders' Meeting (ELM) on November 24 and 25 in Vancouver. At the launching of CYAP, Canada's Minister of Foreign Affairs, Lloyd Axworthy, pointed to the two dimensions of the government's strategy, one domestic and one international:

"Both the APEC forum and Canada's Year of the Asia Pacific will emphasize the global, international dimension of Canada as a major player in this immensely important region. They will help Canadians to think in terms of

the Pacific dimensions of their country. And they will showcase Canadian capabilities, values and diversity to Asian leaders."<sup>1</sup>

The overall aim, therefore, was twofold: to familiarize Canadians with Asian traditions, culture and ways of doing business, and to present Canada as a worthwhile target for business people, rich immigrants and politicians from the Asia Pacific region.

With respect to Canada's relations with the Asia Pacific it is important to characterize her as one of several players in the region, as expressed in Axworthy's statement, and not as a Pacific nation, as is sometimes done. Canada is as much, or as little, a Pacific country as it is a European, North American, Canadian, or simply multicultural nation. For the arguments used to prove the idea of Canada having a Pacific identity - bordering the Pacific Rim, high rate of Asian immigrants, Asia as second most important trading partner - must be seen in the context of other important facts: Canada's most important trading partner, the U.S., absorbs a huge share of Canada's exports and imports; Asian immigrants are unevenly spread over Canada and do not represent all Asian nations, and their role in facilitating Canadian business with the Asia Pacific is still not clear; despite its importance, the Asia Pacific is just one of many regions with which Canada maintains good foreign relations. Therefore, calling Canada a Pacific player and referring to governmental politics is a more appropriate starting point for this study than trying to fulfill the impossible task of characterizing Canada's identity. It also allows a focus on the national interests pursued by the government - primarily economic objectives in the case of Canada's APEC policy.

## II. Canada's Economic Interests in the Asia Pacific

With her intention of making better use of the great economic potential of the Asia Pacific, Canada is no exception: But there are certain characteristics of Canada's economic performance and goals which have to be looked at more closely. In a very general and comprehensive fashion they can be found in the "Canada Asia Review 1997", published by the *Asia Pacific Foundation of Canada (APFC)*. Written before the Asian crisis and referring to the bright future of the region, the authors wrote:

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<sup>1</sup> Department of Foreign Affairs and International Trade (DFAIT): *Notes for an Address by the Honourable Lloyd Axworthy*, Minister of Foreign Affairs, at Harbourfront Centre on the Launch of Canada's Year of Asia Pacific Cultural Program. Toronto, February 8, 1997.



"It is of great benefit to Canada to share in this growth [of the Asia Pacific, M.Z.]: it reduces our excessive dependence on the US market; it stimulates the growth of our own exports; it creates jobs and wealth; it promotes immigration; it helps reduce our government debt; and it ties us closer to the region which increasingly is setting the pace of global economic change."<sup>2</sup>

Three goals of the list mentioned in the statement will be examined more closely since they reveal some characteristics of Canada's interest in the Asia Pacific: reducing dependence on the US market, growth of Canada's exports, and promoting immigration.

### 1. Reducing Canada's Dependence on the U.S. Market

Canada and the U.S. form the largest bilateral commercial relationship in the world, but it is far from being a symmetrical one. Whereas less than twenty percent of U.S. imports come from its northern neighbour<sup>3</sup>, U.S. goods have always formed the largest share of all Canadian imports - over 65 percent annually on average since 1992.<sup>4</sup> A comparable situation exists for exports. In the 1990s the U.S. exported only twenty percent of their merchandised goods to Canada<sup>5</sup>, whereas the trade flow from the north to the south has accounted for about eighty percent of Canada's total exports each year<sup>6</sup>. Investment flows are an additional proof of the U.S.'s status as Canada's most important economic partner. In 1996, U.S. Americans held 53 percent of Canada's net liabilities to non-residents, followed by the EU (24%) and Japan (15%).<sup>7</sup> A look at the investment flows from Canada to foreign countries reveals a similar picture: 54 percent of Canadian foreign investment went to the U.S. in 1996, by far the lion's share when compared to 11 percent to the EU and 9 percent to the Asia Pacific.<sup>8</sup>

How can these figures be interpreted and what do they mean for Canada's Asia Pacific policies? Any significant dependence on the economy of one country is problematic, even for a country which is one of the richest in

<sup>2</sup> Asia Pacific Foundation of Canada: *Canada Asia Review 1997*. Vancouver: Asia Pacific Foundation of Canada, 1997, p. 9.

<sup>3</sup> The exact figures for 1992, 1994 and 1996 are 18,51%, 19,42% and 19,78%. They are retrieved from Industry Canada's *Trade Data Online* in the internet: <http://strategis.ic.ca>.

<sup>4</sup> 65,17% in 1992; 67,75% in 1994 and 67,55% in 1996. In: *ibid*.

<sup>5</sup> The exact figure for 1992 was 19,6%, for 1994 21,61% and for 1996 20,45%. In: *ibid*.

<sup>6</sup> In 1992 76,79% of Canadian goods were exported to the U.S., in 1994 81,14% and in 1996 81,29%. In: *ibid*.

<sup>7</sup> Statistics Canada: *Canada's International Investment Position, 1926 to 1996*. Ottawa: Statistics Canada, 1997, p. 8.

<sup>8</sup> *Ibid.*, p. 10 and 17.

the world and was, repeatedly, declared 'best place to live' by the United Nations. But apart from this general difficulty, Canada's concern has always been the fact that it is the U.S. upon which the economic well-being of its people depends. Without explaining this complex topic in detail, the following clarification shall be given: Canada's difficulty in finding its own identity is not only related to the Anglo-/Franco-Canadian conflict, but also to the country's endeavours to find its place next to a giant and influential neighbour. Because the two countries have so many similarities - former British (and French) colonies, same language, similar culture, geographic proximity - many Canadians have felt the discrepancy in power and influence as a threat. Nowadays, of course, this feeling does not present itself as a military danger like in the nineteenth century, but has been translated into the fear of being assimilated by U.S. American culture, economic practices and political dominance. These concerns, whether justified or not, have produced one aim common to almost all Canadian governments: to try to diversify Canada's foreign relations, both political and economic. The means to achieve this goal have varied greatly, however. In the seventies, for instance, Prime Minister Pierre Trudeau tried his 'Fourth Option' of radically redirecting trade and investment flows away from the U.S. to Europe and Asia. The subsequent failure to significantly raise exports to non-U.S. markets was one reason, among others, to try a different strategy - that of legally binding the U.S. in free trade agreements in order to secure Canadian access to an increasingly protectionist U.S. market. Consequently, in 1987, a bilateral free trade agreement (CUFTA) was signed, which was followed by a trilateral treaty (NAFTA) including Mexico in 1993. What seems to be a policy that contradicts the goal of reducing dependence on the U.S. is, in fact, in line with the ongoing theme of diversification of Canada's foreign economic relations. But the focus and means have changed drastically since Trudeau's 'Fourth Option'. Canada has become more realistic and knows that other trading partners can never replace the U.S. as her most important economic partner but 'only' enlarge the spectrum of Canada's economic options. However, it is exactly this function of diversification which makes all the difference for a country like Canada.

## 2. Stimulating Growth of Canadian Exports

Together with Japan and Germany, Canada is one of the three G7/G8 countries whose trade balance has not been negative for decades<sup>9</sup> - a clear indication of the great importance exports play in Canada's economy.

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<sup>9</sup> At least not since 1987, when the chronicle of the 1996 OECD Economic Outlook starts. See OECD: *OECD Economic Outlook No. 59*. Paris: OECD, 1996, Table 47.



Looking at the trade balance from a regional angle, however, reveals a different picture: Canada's imports from the region far exceed the exports, thus resulting in a negative trade balance. The following table illustrates this fact and also reflects the tendency of an intensifying negative trend.

**Table 1:** Canada's Trade with APEC Countries (excluding the U.S.), in million Can\$

Countries	Canadian Imports		Canadian Exports		Trade Balance	
	1992	1996	1992	1996	1992	1996
Japan	10,762.2	10,439.6	7,455.1	10,377.0	- 3307.1	- 62.6
Mexico	2,773.6	6,012.1	800.8	1,171.0	- 1972.8	- 4841.1
China (incl. Mongolia)	2,452.7	4,925.8	2,144.0	2,706.8	- 308.7	- 2219.0
Taiwan	2,469.9	2,863.1	960.2	1,362.4	- 1509.7	- 1500.7
South Korea	2,012.5	2,727.6	1,412.0	2,676.3	- 600.5	- 51.3
Malaysia	603.9	1,580.1	235.1	499.9	- 368.8	- 1080.2
Australia	772.6	1,291.2	637.6	969.0	- 135.0	- 322.2
Singapore	645.6	1,191.0	323.8	529.3	- 321.8	- 661.7
Hong Kong	1,135.4	1,143.1	762.4	1,109.3	- 373.0	- 33.8
Thailand	581.7	1,043.3	328.4	503.2	- 253.3	- 540.1
Indonesia	398.4	625.8	433.3	825.6	+ 34.9	+ 199.8
Philippines	277.7	552.6	209.3	258.3	- 68.4	- 294.3
Chile	202.5	342.2	145.2	313.6	- 57.3	- 28.6
New Zealand	205.0	322.2	105.5	213.0	- 99.5	- 109.2
Papua New Guinea	0.5	0.7	6.4	5.3	+ 5.9	+ 4.6
Brunei Darussalam	0.8	0.3	1.3	9.3	+ 0.5	+ 9.0
<b>Total</b>	<b>25,295.0</b>	<b>35,060.7</b>	<b>15,960.4</b>	<b>23,529.3</b>	<b>- 9334.6</b>	<b>- 11,531.4</b>

Source: Industry Canada: *Trade Data Online*. [<http://strategis.ic.gc.ca>]. Additional own calculations

Several additional noteworthy trends for Canada's trade with Asia Pacific countries in this decade can be deduced from the table: First of all, Canada's exports to almost all countries of the region have risen considerably since 1992, especially with important buyers like Japan, China, Hong Kong and South Korea. But so have imports, a second important observation. With the exception of Japan and Brunei, Canadians bought more goods from Asia Pacific countries in 1996 than four years previously, leading to a doubling or almost tripling of the total amount with countries like Mexico, China and Malaysia. All in all, a third and final conclusion, imports have grown stronger than exports, a fact which accounts for the more negative trade balance in 1996.

One of the several strategies to reverse this trend of a growing trade deficit and raise exports is to attract immigrants from the Asia Pacific. They may play the role of mediators between Canadian and Asian business people and help raise the percentage of Canadian exports to the Asia Pacific from less than ten percent of all Canadian exports in 1996.<sup>10</sup>

### 3. Promoting Immigration from the Asia Pacific

The total number of immigrants from Asian Pacific countries has risen considerably over the last decade, especially when compared to traditional immigrants from Europe: In 1986, 41,600 Asian and 22,709 European immigrants settled in Canada<sup>11</sup>; ten years later the numbers had changed to 124,000 from the Asia Pacific (55,4% of the total of 224,050 immigrants in 1996) and 39,699 (17,7%) from Europe. In 1996, places one to seven among the top ten source countries of immigrants to Canada were taken by countries of the Asia Pacific.<sup>12</sup> A similar picture exists for two of the three immigration classes<sup>13</sup>, business and skilled workers: Hong Kong, Taiwan, China and South Korea ranked first, second, third and fourth in the business immigration class in 1996, and among the skilled workers, ranks 1 to 6 were taken by Hong Kong, China, Taiwan, India, Pakistan and the Philip-

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<sup>10</sup> Imports from the Asia Pacific formed 15 percent of total Canadian imports in 1996. Industry Canada's *Trade Data Online* in the internet: <http://strategis.ic.ca>.

<sup>11</sup> Statistics Canada: *Canada Yearbook 1992*. Ottawa: Minister of Industry, Science and Technology, 1991, p.91.

<sup>12</sup> Ranks 1 to 7 are taken by Hong Kong, India, China, Taiwan, Philippines, Pakistan, Sri Lanka. See Citizenship and Immigration Canada: *Facts and Figures 1996: Immigration Overview*. [<http://cicnet.ingenia.com>].

<sup>13</sup> In the annual Canadian immigration plan there are three main immigration categories: skilled workers, business and family. The refugee category is separate from the immigrant category and much smaller in number.



piners.<sup>14</sup> After immigrating to Canada, the Asian Canadians do not spread evenly over the ten provinces, but prefer to stay in British Columbia and Alberta and in the major cities Vancouver, Toronto and Montreal.

The volume and composition of immigration flows indicated above has largely been the result of a clearly formulated immigration policy, serving mainly Canada's economic interests. In addition to more general goals like offsetting the aging of the native born population and compensating for shortages in the Canadian workforce in certain areas, there are special aims as regards the Asian immigrants: they are attractive as investors and as networkers facilitating trade between their home and host country. In its 1997 "Canada Asia Review" the *Asia Pacific Foundation of Canada* describes this connection:

"These Asian-Canadian business people represent a valuable new resource this country has yet to exploit fully ... Their familiarity with various Asian languages and business practices and, in some cases, family connections in Asian business, provide a ready-made network that can be used to develop trade and investment partnerships."<sup>15</sup>

There are academics, however, who question this 'human dimension' of Canadian-Asia Pacific relations. Diana Larry, for instance, complains that levels of ignorance about Asia are still very high in Canada and that priority should be given to increasing knowledge about the region. She writes: "Personal, familial ties with the region are important, but if Canada really wants to be part of the Pacific Rim, the willingness to learn has to go beyond the Asian-Canadian communities."<sup>16</sup> Clear evidence of the fact that the Canadian government has begun to pay more attention to the educational and cultural side of the relationship with Asia Pacific countries, in addition to its immigration policy, were its activities in 1997. Clearly evident in the CYAP program, as described in the beginning, but also visible in the organization of APEC was the government's intention to include the people in Asia Pacific politics. Before turning to the most recent APEC meetings in Canada last year, Canada's previous policy in the multilateral forum will be examined in order to come to a useful statement about continuity and change in Canada's APEC policy since 1989.

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<sup>14</sup> Citizenship and Immigration Canada: *Facts and Figures 1996: Immigration Overview*. [<http://cicnet.ingenia.com>]

<sup>15</sup> Asia Pacific Foundation of Canada: *Canada Asia Review 1997*. Vancouver: Asia Pacific Foundation of Canada, 1997, p. 15.

<sup>16</sup> Diana Larry: *Dumb Foreigners. Language and Cultural Barriers to Canadian Relations with Asia and the Pacific*. Toronto/North York: Joint Centre for Asia Pacific Studies, Asia Papers 4, 1990, p. 62.

### III. Canada's APEC Policy

In pursuing the goals of its Asia Pacific policy, the Canadian government has chosen a wide variety of instruments and programs - trade missions (*Team Canada*); cultural and educational programs (CYAP); participating, together with NGOs, in security policy dialogue fora like the *Canadian Consortium on Asia Pacific Security* (CANCAPS) and the *Council for Security Cooperation in Asia Pacific* (CSCAP), foreign aid, etc. But there is one instrument which seems to stand out from among all others in its importance for Canada's Asia Pacific policy, and that is APEC. Since its founding in 1989 as an informal circle for politicians of the Asia Pacific to discuss economic cooperation issues, Canada has been a very active and innovative member.

Why has the Canadian government put so much effort into playing a decisive role in APEC and why does the organization fit Canada's Asia Pacific strategy so well? The answer is more complex than the statement: "Our commitment to APEC is profound and logical: Asia is our neighbour; it represents a huge and growing market for what we produce and we have many natural ties to that region, through investment, family connections and trade associations."<sup>17</sup> Consonance with APEC's main characteristics and principles can be seen as additional and decisive reasons for the government's active support of the organization. In particular, this consensus concerns to multilateralism, open regionalism, and APEC's agenda.

#### 1. Canada, APEC and Multilateralism

Canada's foreign policy is firmly based on the principle of multilateralism. Participating in an international institution like APEC, therefore, fully corresponds to the basic foundations of Ottawa's foreign policy. Multilateralism allows a self-declared and internationally respected 'middle power' like Canada to play 'some' role in international politics. It would be wrong, however, to assume that this role always has to be that of a mediator and honest broker, a role often attributed to middle powers in general and Canada in particular. Trying to use the international arena for national interests is a well known motive in Canadian foreign policy, too, and officials do not hesitate to express this openly as may be seen in the following statement:

"As an APEC member, Canada can pursue specific objectives, such as expanding trade opportunities, ensuring sustainable growth and development,

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<sup>17</sup> DFAIT: *Notes for an Address by the Honourable Sergio Marchi*, Minister for International Trade, at the Breakfast for APEC Sponsors. Vancouver, November 21, 1997.



and making it easier to do business, especially for small and medium-sized businesses. APEC provides an opportunity for greater co-operation in key areas, including human resources development, telecommunication, energy, the environment, transportation and tourism."<sup>18</sup>

Nevertheless, attention should be directed to the idealistic part of foreign policy as well. Paradoxically, in the Canadian case it serves national interests, too. By giving its foreign policy a moral bias, Canada has been able to dissociate itself from the superpower in the south, which has often been characterized as imperialistic and interest-driven. Thus it is not surprising to find this 'idealistic' component in Canada's APEC policy as well. Chapter III.3 on APEC's agenda proves that Canada has always strongly advocated the inclusion of non-economic issues. However, there are, as we shall see, also limits to morality in Canada's APEC policy - viz. the decision not to put human rights on the 1997 APEC agenda. All in all, the following statement serves as a well balanced assessment of Canada's APEC policy: "In its blend of idealism and self-interest, Canada's APEC strategy is fully consistent with the multilateralist evolution of Canadian diplomacy in the postwar era."<sup>19</sup>

## 2. Canada, APEC and the Principle of 'Open Regionalism'

Although a regional economic organization, APEC has always been committed to promoting free trade on a global basis, endeavouring to prevent its evolution into a trade bloc comparable to the European Union. The 1997 Economic Leaders' Declaration proves that this principle of 'open regionalism' still ranks high on the APEC agenda: "We reaffirm the primacy of the open, rule-based multilateral trading system under the WTO and reiterate our commitment to APEC's activity proceeding on the basis of open regionalism."<sup>20</sup> Although itself a member of a trilateral free trade agreement with the U.S. and Mexico, Canada, by and large, supports these basic APEC principles - for at least two reasons. First of all, free trade on a global scale and guaranteed by a rule-based trade regime like GATT/WTO has first priority for a small and open economy like the Canadian. In Canadian eyes APEC can contribute greatly to ultimately attaining the goal of global free trade, both by means of example and coercion. Secondly, by showing its

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<sup>18</sup> Government of Canada: *The Asia-Pacific Economic Cooperation (APEC) Forum: Background*. Ottawa, November 14, 1996, Release No. 207.

<sup>19</sup> James M. Lambert: *Institution-Building in the Pacific - Canada in APEC*, in: *Pacific Affairs*, Vol. 70 No. 2 (1997), p. 202.

<sup>20</sup> APEC: *APEC Economic Leaders' Declaration: Connecting the APEC Community*. Vancouver, November 25, 1997.

unlimited support for 'open regionalism', Canada can counter criticism of her signing of free trade agreements with the U.S. (CUFTA) in 1987 and the U.S. and Mexico (NAFTA) in 1993. The contracts nourished fears, particularly in Japan, that Canada would adopt a protectionist trade policy. However, what might be true for the United States must be doubted in the case of Canada, since for the latter bilateral or trilateral free trade agreements with the U.S. are only the third best option. All Canadian governments have always assigned priority to global free trade, followed by regional trade arrangements with a large number of members. Consequently, in pursuing the second option, Canada has been lobbying hard to enlarge NAFTA into a larger trading area of the Americas and has, with the signing of a bilateral accord with Chile in 1996 and its implementation last year, taken a first step towards reaching this goal. Again, U.S. dominance is part of the explanation for the Canadian interest in large and open trade arrangements and it can be expressed in the formula: "In the presence of the strong, there is sometimes safety in numbers."<sup>21</sup>

### 3. APEC's Agenda and Canadian Priorities

#### a) The Three Pillars of APEC's Agenda

Almost a decade has passed since ministers from 12 Asia Pacific countries met in Canberra in 1989 and decided to "identify the range of practical common economic interests"<sup>22</sup>. Today, a long list of issues subject to cooperation between 18 APEC members can be presented, ranging from trade liberalization to environmental protection, from health problems to institutional and organizational questions. This diversity of topics can be divided into three parts, the so-called APEC pillars - Trade and Investment Liberalization and Facilitation (TILF), Economic and Technical Cooperation (ECOTECH) and Institutional Development.

Liberalization of trade and investment in the region is the essence of the first pillar. Both individually and collectively, through Individual Action Plans (IAP) and collective actions, APEC members try to proceed in their principal but voluntary commitment to reduce tariffs, to identify and abolish non-tariff barriers, to promote openness about investment rules in the region and to facilitate trade in services. The agreement to set up a non-

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<sup>21</sup> Denis Stairs: *Choosing Multilateralism: Canada's Experience after World War II and Canada in the New International Environment*, CANCAPS Papers, No. 4 (1994), p. 3.

<sup>22</sup> APEC: APEC Ministerial Meeting, Chairman's Summary Statement, Canberra, November 6-7, 1989, in: *APEC Secretariat: Selected APEC Documents, 1989-1994*. Singapore, 1995, p. 37.



binding deadline for free trade (2010 for industrialized and 2020 for developing APEC members) at the Bogor meeting in 1994 and to formulate non-binding principles for investment marked important highlights on the road towards trade and investment liberalization in the Asia Pacific. With respect to trade liberalization, however, it is important to mention APEC's guiding principle of 'unilateral liberalization' or 'concerted unilateralism'. They both stand for the provision that decisions about the content and pace of liberalization should not be made collectively but individually by the member countries. Not surprisingly, non-Asian members like the U.S., Canada, New Zealand and Australia regard the principle as a pretext for other APEC members not to fulfill agreements and as a serious barrier on the way to free trade. Therefore, under the leadership of Australia, they try to use public opinion and peer pressure as a means to restrict the use of 'unilateral liberalization'.<sup>23</sup>

The second element of TILF, trade facilitation, is of particular interest for business people, consumers and national producers in the region. Simplification and harmonization of customs procedures, alignment of national standards, e.g. food labelling and electronic appliances, and protection of intellectual properties - these are needs common to many economic actors in the Asia Pacific. APEC has put trade facilitation on its agenda, with special emphasis on the interests of business people in general and small- and medium-sized enterprises in particular. For this purpose APEC leaders agreed in 1995 on establishing the APEC Business Advisory Council (ABAC), a permanent body addressing the interests and needs of the private sector.

But APEC is more than a forum concerned with trade and investment issues only, as its second pillar, ECOTECH, proves. Participants of the fourth Economic Leaders' Meeting in Subic, the Philippines, made it quite clear in 1996 that TILF is only one field of activity for APEC: "As an essential complement to our trade and investment liberalization agenda, economic and technical cooperation helps APEC members to participate more fully in and benefit from an open global trading environment, thus ensuring that liberalized trade contributes to sustainable growth and equitable development and to a reduction in economic disparities."<sup>24</sup> In their 1996 declaration APEC ministers had identified six areas for ECOTECH activities: developing human capital; fostering safe and efficient capital markets;

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<sup>23</sup> See for instance Garnaut, Ross: *Open Regionalism and Trade Liberalization. The Asia-Pacific Contribution to the World Trade System*. Singapore: Institute of Southeast Asian Studies, 1996, p. 95.

<sup>24</sup> APEC: *APEC Economic Leaders' Declaration: From Vision to Action*. Subic, the Philippines, November 25, 1996. [<http://www.apecsec.org.sg>].

strengthening economic infrastructure; harnessing technologies of the future; promoting environmentally sustainable growth; encouraging the growth of small and medium enterprises.<sup>25</sup> Along with this increase in tasks and issues went institutional development - APEC's third pillar.

Institutional development in the APEC context would be misleading if construed as an intentional evolution of the forum into a powerful organization, since it refers to an unintentional evolution of APEC's structure while retaining up essential principles like informality, voluntarism and unanimity. It is obvious, however, that an institutional development of APEC has taken place. In 1993, for instance, the first Economic Leaders' Meeting took place in Seattle and this has since become a permanent establishment. In addition, a small secretariat was set up in Singapore in 1992, which, although provided with but limited power and functioning only as the 'support mechanism of APEC', could be interpreted as a symbol for APEC's institutionalization. The most important innovation, however, are APEC's working groups and advisory bodies. Both their number - ten permanent and two ad hoc groups - and their scope of activity - from a working group on trade promotion to one on telecommunications - reflect the forum's widening and deepening agenda. Although they are only advisory bodies without any authority to make decisions, the working groups reflect APEC's growing demand for discussion and coordination.

### **b) Canada's Balanced Approach Towards APEC's Agenda**

After this description of APEC's agenda Canada's position towards the forum's three pillars shall be analyzed, for the period up to 1996. The following statement by a group of academics working in the field of Canada's Asia Pacific relations serves as a point of reference: "Canada's strategy to advance the goal of building the Asia-Pacific community is to ensure that the three pillars of APEC are equally represented."<sup>26</sup> A closer look at Canada's accomplishments within each of APEC's pillars illustrates her aim of keeping the balance by progressing in all fields.

With respect to free trade, the Canadian government has always emphasized its support for liberalized trade, both in goods and services, in the region: "The Government intends to pursue actively APEC's call for freer trade in the Pacific Rim region in the decades ahead, and is prepared to par-

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<sup>25</sup> APEC: *Eighth Ministerial Meeting*. Manila, the Philippines, November 22-23, 1996. [<http://www.apecsec.org.sg>].

<sup>26</sup> John Kirton, Karen Minden, Steve Parker, Isobel Studer: "Canada's APEC Challenges on the Road to Vancouver: A Summary", in: John Kirton et al. (ed.), *Canada and the Challenge of APEC: The Road to Vancouver*. Vancouver: Asia Pacific Foundation of Canada, 1997, p. 14.



ticipate in phasing out barriers to trade within APEC."<sup>27</sup> Both in its 1996 Individual Action Plan and in the Revised Individual Action Plan (IAP) of 1997 Canada demonstrated what this 'preparation to participate in liberalization' means: In addition to its Uruguay Round commitments, Canada announced further reductions in tariff and non-tariff barriers for goods and services. It also proposed to enter into multilateral talks about the elimination of tariffs in areas of special interest to Canada, like wood and fish products.<sup>28</sup> All this shall, according to Canada's IAP, be achieved in close cooperation with the WTO and in unison with APEC's principle of 'open regionalism'. The Collective Action Plan (CAP) complement the IAP as means to achieve APEC's free trade goal in 2010/20. Some observers of Canada's APEC policies made out a preference in Ottawa for collective actions of APEC members.<sup>29</sup> Although this practice would be a departure from APEC's habit of 'unilateral liberalization' or 'concerted unilateralism' mentioned above, collective actions would, among other things, allow for major and ad-hoc liberalizations, as envisaged by Canada for its APEC presidency in 1997.

For other authors, Canada's enthusiasm for the main component of APEC's first pillar, free trade, is not comprehensible at all: "The present APEC approach to liberalization offers little benefit to Canada."<sup>30</sup> Seeking a formal free trade agreement would serve Canada's interests much better, and the authors give the following reasons: Through a trade agreement better access for North American businesses would be guaranteed; voluntary liberalization by Asian countries in sectors of Canadian interest (e.g. raw materials) is unlikely to be implemented in the near future; a country like Canada, which has only few multinational companies, will not benefit from sectoral trade arrangements since it lacks the bargaining power necessary to compel reciprocal market access. Without wanting to question the validity of the arguments brought forth by the authors, two remarks should be made in justification of the government's approach: Firstly, signalling her willingness to adjust to the Asian, informal way of liberalizing trade and depart from the rule-based, legalist Western way might be advantageous for Canada. It supports the image of Canada as an adjustable and flexible actor in the Asia Pacific, thereby distinguishing it from the U.S. Secondly, Canada's institutional 'free trade' focus is the WTO. Regional free trade would be a

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<sup>27</sup> Government of Canada: *Canada in the World. Government Statement*. Ottawa 1995, p. 16. Highlighting in the original.

<sup>28</sup> All revised IAP can be found on APEC's Homepage at <http://apecsec.org.sg/>.

<sup>29</sup> John Kirton: *Canada and APEC. Contributions and Challenges*. Vancouver: Asia Pacific Foundation of Canada, Asia Pacific Papers, No. 3, 1997, p. 13.

<sup>30</sup> John Kirton, Karen Minden, Steve Parker, Isobel Studer, op.cit., p. 24.

intermediary phase on the way to global free trade, but could, in the Canadian opinion, never replace it.

Proposals to coordinate APEC's activities with the WTO can not only be found in Canada's IAP passages referring to trade liberalization, but also in those related to investment. The 1997 Revised IAP reveals that Canada is willing to implement obligations resulting from its participation in international and regional fora (WTO, OECD, FTAA initiative) and from bilateral initiatives (Canada-Chile FTA, Foreign Investment Protection Agreements with the Philippines and Thailand) concerning the removal of barriers for foreign investors. One remarkable concession is the announcement to apply WTO rules for trade and investment to one of Canada's sensitive sectors - telecommunication. Canada declared that she will end existing monopolies and partly liberalize this sector.<sup>31</sup> Entry to other sensitive sectors, like broadcasting for instance, remains restricted, however, due to Canada's policy of protecting its national identity.

Before turning to APEC's second pillar, a few words about Canada's stance towards the second part of TILF - trade and investment facilitation - are necessary. In the eyes of Sylvia Ostry, a reputed Canadian economist, Canada is probably better equipped to influence APEC's facilitation and cooperation agenda than the liberalization one, since the latter is dominated by powerful actors like the U.S.<sup>32</sup> But the decision to play an active role in the area of trade and investment facilitation was not only influenced by the desire to find a playing ground for smaller countries, but also by the needs of the Canadian business community. It consists of few large and many small- and medium-sized enterprises (SMEs) and its members are known for risk-evasion rather than risk-taking, preferring the familiar North American business environment to the less known Asian. Both these factors suggest that an Asia Pacific marketing area based on fair, common and transparent rules provided for by trade and investment facilitation measures would serve Canadian business interests well. The Canadian government has tried to use its APEC membership to push this agenda by setting an example for individual trade and investment facilitations and by initiating collective measures. Examples of the latter endeavour are Canada's leading roles in certain committees, working groups and other expert fora in APEC. In 1997, for instance, Canada chaired two important subcommittees of the Committee on Trade and Investment (CTI): the Sub-committee on Customs

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<sup>31</sup> Canada's Individual Action Plan 1997. [<http://apecsec.org.sg/>].

<sup>32</sup> Sylvia Ostry: "Canada and the Asia Pacific: Trade and Investment". Lecture held at the 1997 National Foreign Policy Conference "Canada's Year of the Asia Pacific: Linking the Links", Canadian Institute of International Affairs. Regina, October 3-5, 1997. [<http://www.ciiia.org.ostry.htm>].



Procedures (SCCP) and the Sub-committee on Standards and Conformance (SCSC). Canadian officials have made considerable progress in leading the SCCP one step further towards its goal: to "identify and pursue projects on the regional enhancement of harmonized and simplified customs procedures and on enforcement matters related to trade facilitation."<sup>33</sup> As chair of the SCSC the Canadian representative has attracted support from his APEC colleagues for the alignment of economic standards by 2000-2005 in the areas of electrical and electronic appliances, food labelling, some rubber products and machinery.<sup>34</sup> In a preliminary conclusion, Canada can be characterized as an APEC member that not only agrees with most issues of APEC's trade and investment pillar, but also supports liberalization and facilitation - both by participation and innovation.

This great activity in APEC's first pillar raises the question whether the Canadian government has given comparable attention to the second group of issues dealt with in the organization, Economic and Technical Cooperation (ECOTECH). The answer is: Yes: "Canada views APEC's activities in support of economic and technical cooperation as important as its trade agenda ..."<sup>35</sup> Indeed, Canada does not only view the two pillars as equally important, but as interconnected, because "if structural impediments to growth in the region are not addressed, it is unlikely that trade and investment flows can continue to expand at their current pace."<sup>36</sup> This is why the Canadian administration has successfully lobbied for the creation of a body within APEC which would deal with both premises for economic success in the region - growth and development. After dispersing scruples by other APEC members that this committee might try to introduce a common, region-wide macroeconomic policy, the Economic Committee (EC) was established in 1994 and has ever since been chaired by Canada. Bringing together ministers from foreign affairs, trade, industry, finance and environment, the EC reflects Canada's comprehensive and interdisciplinary approach to economic growth in the region. Therefore, in addition to research areas falling under the heading of TILF<sup>37</sup>, the EC deals with a great variety of ECOTECH issues, namely research on infrastructure develop-

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<sup>33</sup> APEC: *APEC Committees: CTI Sub-committee on Customs Procedures*. Singapore 1998. [<http://www.apecsec.org.sg/committee>].

<sup>34</sup> APEC: *APEC Committees: CTI Sub-committee on Standards and Conformance*. Singapore 1998. [<http://www.apecsec.org.sg/committee>].

<sup>35</sup> James M. Lambert: *Institution-Building in the Pacific - Canada in APEC*, in: *Pacific Affairs*, Vol. 70 No. 2 (1997), p. 199.

<sup>36</sup> *Ibid.*

<sup>37</sup> For instance research on the economic impact of trade and investment liberalization; creating a foreign direct investment data base; examining sub-regionalism's impact on APEC.

ment, environmental protection, migration, information and communication. Canada's will and ambition to fill the ECOTECH pillar with content is enormous. Among other projects initiated and led by Canada in the field of infrastructure and transportation, the FEEEP stands out as a program most clearly connected with Canadian leadership. Based on the Osaka ELM declaration of 1995, John Curtis, the Canadian chairman of the EC, supported a research program designed to examine the interplay between Food, Energy, the Environment, Economic Growth and Population. In the beginning, all that was clear about FEEEP was that it was based on ecological concerns and questions of sustainable development. As host of APEC, the first FEEEP symposium which took place in Saskatoon from September 1 to 4 last year, helped to bring more transparency into the complex field and identified the most pressing research topics.

All in all, Canada's initiatives have helped broaden APEC's agenda, not only with regard to the subjects of cooperation but also with regard to the actors. In addition to decision makers and business people, members of NGOs were included in the FEEEP conference, introducing the idea of a civil society to the APEC process. The question now is: Does Canada's interest and partial success in enlarging APEC's agenda correspond with proposals for reform in APEC's third pillar - institutional development - so that the overall impression of Canada's APEC policy is that of a member working for APEC's transformation from an informal body into a rigid organization?

The answer is: No! The Canadian government is very much aware of Asian concerns about a departure from APEC's original ideals of consensus, compromise and voluntarism and it is more than unlikely that Canadian officials will ever come up with a proposal of introducing binding majority decisions or other instruments restricting national sovereignty into APEC. Having said that, however, does not mean that Canada rejects any form of institutionalization, on the contrary. Canada's approach to APEC's institutional reforms revolves around four topics: bureaucratization; Senior Official Meetings (SOM); decision-making process; membership. The first three points may be summarized as follows:

"A[n] ... area of consistent Canadian emphasis has been a resistance to the heavy bureaucratization of APEC ... Instead, Ottawa has preferred institutionalized political-level guidance, preparations by senior officials, work programs delivered largely by national bureaucracies, and a societally-driven, bottom-up program. Canada has sought to ensure greater coherence, effectiveness and efficiency in APEC's proliferating activities ..."<sup>38</sup>

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<sup>38</sup> John Kirton: *Canada and APEC. Contributions and Challenges*. Vancouver: Asia Pacific Foundation of Canada, Asia Pacific Papers, No. 3, May 1997, p. 6.



Canada's general interest in counteracting APEC's growing organizational complexity and duplication of processes resulted in the following concrete steps and proposals: promoting the role of senior officials and ministers; rationalization of working group activity<sup>39</sup>; establishment of a *Task Force on Management Issues* chaired by Canada in 1996; preventing the APEC Secretariat from developing into a research and analysis entity.<sup>40</sup> Corresponding with this interest in "building the 'well-managed' institution"<sup>41</sup> is Canada's stance towards the issue of membership. Membership should be inclusive and transregional, but manageable; it should be broad, balanced, but not open-ended. Following from these premises Canada lobbied for admission of the three Chinas into APEC, completed successfully in 1991, as well as the announcement at the end of last year's ELM to invite three new members and then close the 'club' for at least ten years. This and other results of the 1997 APEC meetings hosted by Canada will be analyzed in the following section.

#### IV. Vancouver 1997: Ideas, Plans, Results

With respect to APEC's third pillar, institutionalization, Canada's policy during 1997 was marked by continuity and innovation alike. In an effort to implement its ideas about better management of the APEC process mentioned above, the Canadian government organized a series of ministerial and senior official meetings which took place all over the country. Added to this traditional Canadian APEC policy in line with APEC's 'top-to-bottom' decision-making process was a new approach - the introduction of democratic procedures. Whenever possible the Canadian government invited non-governmental and business groups to participate in the APEC events and also co-sponsored the 'People's Summit', an alternative APEC meeting which took place in Vancouver parallel to the official APEC events. But Ottawa's strategy was unsuccessful - the government did not get support for its APEC policy in return for the organizational integration. Criticism of APEC in general and of Canada's position in particular was vehement and the Canadian press reported elaborately about the protests.

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<sup>39</sup> DFAIT: *Canadian Quarterly Report on Asia Pacific Economic Cooperation*. Ottawa, July 1995.

<sup>40</sup> Karen Minden, Nicole Gallant, Paul Irwin: Canada's Role in APEC, in: Fen Osler Hampson et al. (eds.), *Canada Among Nations 1997: Asia Pacific Face-Off*. Ottawa: Carleton University Press, 1997, p. 27.

<sup>41</sup> *Ibid.*, p. 126.

The main reason for this dissonance may be attributed to the fact that although the Canadian government did include NGOs in the organizational process it failed to integrate their issues into the agenda. Instead of making human rights the centre of last year's APEC meetings, as most of the NGOs had demanded, other topics were found on Canada's agenda. These shall be looked at more closely.

As chair of APEC in 1997, the Canadian government raised not only high expectations but promised results instead of visions, too: "Canada takes the helm of APEC at a time of implementation and follow-through to produce measurable results."<sup>42</sup> At first glance, the agenda presented in advance of the meetings matched Canada's balanced approach towards APEC's three pillars - it included issues covering trade and investment liberalization and facilitation, economic and technical cooperation, and institutional development. The official Canadian priorities list for APEC in 1997 read as follows:

- On trade and investment liberalization activities, the Canadian Chair has secured agreement to advance by two years the identification of sectors for early voluntary liberalization ... [...];
- The Canadian Chair has focused on finding ways to bring down obstacles to trade and thereby reducing the cost of doing business. [...];
- Economic and technical cooperation is at the core of APEC's activities. Canada has established two priorities for 1997 ..., namely on private-public infrastructure partnerships and sustainable development (especially in urban centres) ... [...];
- Business components are being organized as part of all APEC meetings hosted in Canada ... in 1997 ... [...];
- The Canadian Chair is also promoting a broader base of input and dialogue to APEC by reaching out to the range of interested groups and organizations outside government as part of the development of policy. [...]<sup>43</sup>

In reality, however, the Canadian government did not assign the same weight to each of the three pillars. Concluding from the ranking in this priority list, the government's own statements and from articles in the press, trade liberalization had priority in Canada's 1997 APEC policy. The overall aim which should also serve as gauge for APEC's and Canada's success was

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<sup>42</sup> Office of the Prime Minister: *APEC: Opening Doors for Canadian Business*. Ottawa, 1996. [<http://www.dfait-meaci.gc.ca/~apec>].

<sup>43</sup> DFAIT: *APEC 1997: Canadian Priorities*. Ottawa 1996. [<http://www.dfait-meaci.gc.ca/~apec>].



to identify sectors for early trade liberalization. Two explanations can be given for choosing trade liberalization as centerpiece of APEC in 1997: a counterbalance to the previous year's emphasis on ECOTECH issues was needed and a reduction of trade barriers would best serve an open and export-dependent country like Canada. Much speaks for the latter argument, since the sectors offered by the chair for early liberalization read like a list of primary Canadian exports - wood-products, telecommunication, environmental technologies, fishery and energy. Had Canada been successful in winning recognition of its agenda among APEC members?

At first, it seemed that Canada would be able to push its trade agenda. The U.S. influence was weakened due to Congress' resistance to extend the fast track agreement which would have given Clinton full authority to discuss free trade issues and may have thwarted Canada's plans. Also, the ministers present at the five APEC ministerial meetings which took place all through 1997 had been in favour of early trade liberalization. But the ELM did not follow Canada's proposal completely. The host had asked for a binding commitment of all APEC members to eliminate tariff and non-tariff barriers in a large number of sectors by January 1, 1999. What the ELM finally agreed upon was nothing more, or less, than an 'elastic approach to free trade'<sup>44</sup> which was formulated in the ELM Declaration as follows:

"We endorse the agreement of our Ministers that action should be taken with respect to early voluntary liberalization in 15 sectors, with nine to be advanced throughout 1998 with a view to implementation beginning in 1999."

Why was the Canadian recommendation diluted during the course of 1997? Among the numerous possible explanations, including speculations about Canada's power to negotiate, two interrelated factors seem to be the most plausible: resistance of many Asian countries to sectoral free trade and the Asian financial crisis. The collapse of many financial institutions in Malaysia, Thailand, Indonesia, the Philippines, South Korea and even Japan coincided with the preparations for the APEC ELM in Vancouver. Without any doubt, this had negative effects on Canadian planning for APEC 1997 since it diverted attention from long-term trade plans to short-term financial remedies. The crisis temporarily changed APEC's function from a body dealing with economic cooperation to one facing the task of crisis management. It should be noted, however, that APEC members fulfilled their new task well. The discussion between Japan and the two North American countries about the right moves to solve the crisis led to a compromise between two plans: The first, favoured by Japan, envisaged a special fund to stabilize Asian currencies; the other, lobbied for by the U.S. and Canada,

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<sup>44</sup> Title of an article in *Financial Times*, November 24, 1997.

wished to let the IMF operate the fund and bind eligibility for the money to compliance with the organization's strict stabilization criteria. In the end, the agreement negotiated in Manila provided for a separate fund tied to IMF conditions. By agreeing that the IMF should play a role in solving the crisis, APEC sent a clear message to the Asian countries hit by it: Stay on the neo-liberal economic course!

But the message, repeated again and again by the Canadian chair, lacked credibility in the face of the widespread opinion that the crisis had been caused by following Western economic models. In this context, Canada's failure to get full support for its trade agenda can partly be explained by the fact that the crisis revealed some problematic implications of neo-liberal politics. The other half of the explanation, however, must be seen in a lack of congruence between sectors identified for early liberalization by Canada and some Asian countries. Japan and South Korea, in particular, felt threatened by the Canadian proposal of removing trade barriers for different types of raw materials, since forest products, fish and agricultural goods are economically and politically sensitive sectors in the two countries, too.

In the face of these problems, which, at some points, endangered successful completion of the APEC process in 1997, the compromise agreed upon at the ELM might even be called an unexpected success. And because the crisis absorbed all attention, some of the accomplishments were not even noticed at all by the media. The new decision-making formula for early voluntary sectoral liberalization is one such example, which was adopted for the first time in this year's ELM and might be applied at future APEC meetings. The '18 minus X' formula determines that "further sectoral liberalization could proceed through a plurilateral agreement among a group of APEC economies, if there was a 'critical mass' in support of that proposal."<sup>45</sup>

However, as if the host did not trust its achievements and wanted to make a more distinct Canadian mark on the APEC ELM, Prime Minister Chrétien announced that APEC will invite three new members - Russia, Vietnam and Peru - and then close the club for at least ten years. The declaration, published on the very last day of the APEC meetings, took many officials and media representatives by surprise and was meant to end the 1997 Canadian chairmanship with an unequivocal result.

Less surprising and recognized results could also be presented in the second pillar of APEC - economic and technological cooperation. Two events stood out from the great number of meetings dealing with ECOTECH issues. In an effort to examine the linkages between Food, En-

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<sup>45</sup> Asia Pacific Foundation of Canada: *APEC: Beyond Vancouver*. Vancouver, 1997, p. 8.



ergy, the Environment, Economic Growth and Population (FEEEP), the Canadian host had organized a symposium in Saskatoon in September which attracted almost 200 academic, government, non-government and business experts. The interim report presented to the ELM calls for continued endeavours in this area and the development of policy recommendations. Closely related to FEEEP and a new APEC project is the 'Clean Cities'-program. The ultimate aim is to make cities in the region (the Asia Pacific comprises ten of the fifteen largest cities in the world) more sustainable and to promote environmentally sound technology.

## V. Conclusion

How can Canada's overall performance in the 1997 APEC round be evaluated? Or, to put the question differently: "So what did Canada get for its \$49.2 million?"<sup>46</sup> - for the most expensive international meeting ever organized in the North American country. There can be no doubt that the Canadian government has not been successful in attaining all of its APEC goals for 1997. It had started its chairmanship with a well designed agenda for continuing Canada's APEC policy of balancing the three pillars of the forum, although with a noticeable emphasis on trade liberalization. And it ended with a vague compromise on early sectoral free trade, some progress in identifying research topics in the area of economic and technical liberalization, and an unmistakable decision concerning membership.

Canada's sectoral free trade agenda was challenged from two sides: one external and one internal. The external challenge came from the Asian crisis, as journalists were not tired to repeat: "It's just that pesky reality kept getting in the way of Ottawa's week-long \$49.2-million production and blurring the messages. Most obviously, the Asian currency crisis accelerated over the last week, sucked up a good part of the APEC agenda and news coverage."<sup>47</sup>

Non-governmental groups which organized alternative APEC meetings challenged Ottawa's neo-liberal APEC agenda from the inside. Youth groups, women's organizations, labour unions and others criticized APEC for defining itself as a strictly economic organization and not dealing with social and human rights issues. They could not change the Canadian government's decision to exclude human rights from multilateral negotiations

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<sup>46</sup> News Ticker Canada: "APEC: So what did Canada get for its \$49.2 million?", November 25, 1997. [<http://www.canoe.ca/NationalTicker/>]

<sup>47</sup> Ibid.

and to refer them to the bilateral track. Nevertheless, by encouraging these groups to take part in Canada's Year of the Asia Pacific, by inviting them to selected APEC meetings and by promoting the notion of a civil society in the Asia Pacific, the Canadian government indirectly contributed to the protesters' agenda. Thus, the following forecast almost becomes a certainty and might influence the agenda of this year's APEC host Malaysia: "The Vancouver summit could well be remembered in its aftermath for the vigorous stand people in the host country took on human rights."<sup>48</sup>

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<sup>48</sup> *Vancouver Sun*, November 25, 1997.