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## **APEC VS. EU COOPERATION THROUGH DIVERSIFICATION**

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Article presents the features of Asian Pacific economic cooperation in contrast with the European way of integration. Apart from its informal structure the most distinctive characteristics of APEC is the vast diversity among member countries concerning the stage of economic development, resources endowment and socio- cultural background. According to the author in spite of its negative aspects the diversity advantages seem to be much more influential. It has stimulated an active trade of resources, technology products and services together with a flow of capital which has contributed to the high growth and rapid development of the region. The article suggests that the diversity as a source of an economic complementary and development could be also taken into consideration in building and strengthening an economic integration in a new Europe. The author's intention is only to start the discussion on the important problem without formulating any categorical statements.

### **1. INTRODUCTION**

In a world where national economies are increasingly linked by trade and investment, economic interdependence now plays a vital role in development and prosperity of nations. Therefore after World War II, international economic cooperation has become a major part of the economic policy of nations. Thus, like in Europe, the ideas about Asian Pacific cooperation come from economic necessities.

The first proposals for economic cooperation in Asia Pacific were made by economists and businessmen in the middle of the 60's. In 1966 the Japanese economist Kojima Kiyoshi wrote a paper advocating the idea of a Pacific community with a free trade area (Gibney 1992, p. 523). From that time the idea evolved into Asia Pacific Economic Cooperation (APEC) – the inter-governmental group covering the whole Asia Pacific Region.

In several years from the 1989 APEC initial meeting of Ministers from twelve countries in Canberra, Australia, APEC has entered into a new stage of development in terms of the size and advancement of its programmes for trade liberalization, facilitation as well as economic and technical cooperation. Today, APEC is an intercontinental group of eighteen member economies:

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eleven Asian (the six: ASEAN members, China, Hong Kong, Japan, South Korea and Chinese Taipei), four American (Canada, the United States, Mexico and Chile) and three Oceanian (Australia, New Zealand and Papua New Guinea).

Thus, APEC has become a major regional integrated group compared only to the European Union (EU). However, in spite of the history of APEC development stimulated by the successful development of the European Common Market, current features of Asian Pacific cooperation can be fully explained only in contrast with the European way of integration.

## 2. APEC IN CONTRAST WITH EU

The distinctive characteristics of APEC is its informal, intergovernmental structure. According to the wishes of ASEAN members, expressed by the Prime Minister of Malaysia, Mahathir Mohamad: "APEC should remain a loose consultative forum and not be transformed into a negotiating forum" (Soesastro 1995, pp.475–476). In contrast with the formal structure and mode of cooperation of EU, it results in a form of APEC integration which can be described as an evolutionary process of consensus building accomplished by annual Leaders and Ministerial Meetings as well as regular intensive activities of senior officials and ten thematical working groups. The commonality of interests which have emerged among the member countries allowed them not only to agree to a vision of integration but also to formulate a concrete goal and roadmap for its implementation. The APEC Economic Leaders Meeting at Bogor, Indonesia in November 1994 provided a specific goal, that of achieving free and open trade and investment liberalization in the Asia Pacific Region by the year 2010 for industrialized economies and 2020 for developing economies. The progress in trade liberalization and business facilitation improvement should be made by individual and collective Action Plans. The failure in formulation or implementation of the above plans does not create any political or economical consequences. This refers to the concept of "open regionalism" implying that APEC does not discriminate against any members and nonmembers. In that sense APEC is often described as another OECD based on the Asia Pacific (Yamazawa 1996).

The duality of the APEC goal results from vast differences in the stage of development between members. Despite these differences APEC as a whole is considered as a growth centre of the world economy. The average real GDP growth rates for its developing members were 7.3 % in 1985–90 and 6.9 % in 1991–95. For the same two periods the developed APEC economies achieved 3.9% and 2.1 % respectively (Yamazawa 1996). Thus, APEC as a whole

represents a high growth potential compared to the stagnant economic growth of EU countries. The average growth of GDP in 1988–1993 for EU countries was only 1,8 % (*Facts...* 1996, p.10).

The vast diversity among APEC members does not concern only the economic development status and relative size of economies. Despite the fact that some members have already matured while others are at a very different stage of industrialization and possess high growth potential, each economy varies in many other terms. The differences are much sharper than among relatively similar EU members with common roots of Roman civilization and Christian tradition. Being spread over four continents APEC members differ greatly in natural resource endowment, cultural and social heritage, value judgment and economic systems. Apart from that within APEC exists several so-called “gloeconomic” (Dutta 1996, p. 548) regional groupings: four formal sub-regional trade arrangements including the ASEAN-Free Trade Area (AFTA), the Australia–New Zealand Closer Economic Relations Agreement (ANZCER), the North American Trade Agreement (NAFTA) and the Chile-Mexico FTA, which will be subsumed within NAFTA upon Chile’s anticipated accession, as well as informal economic zones like the Golden Triangle of China consisting of Chinese Taipei, Hong Kong and Mainland China or the growth triangle ecentred on Singapore. The description of main APEC features in contrast with EU is presented on the Table 1.

Table 1  
APEC vs. EU

Feature	Region	
	APEC	EU
Goal	Trade and investment liberalization and facilitation based on idea of ‘open regionalism’	Free flow of goods, services, capital and labour among member countries based on economic and monetary union
Scope	Intercontinental	Continental
Structure and form of integration	Informal and market driven integration	Formal Institutional integration
Stage of development	From low to high	Midle and high
Socio-cultural differences	Great differences	Similar background
Economic Growth	From slow to rapid	Stagnat

Source: author’s own description.

### 3. ADVANTAGES AND DISADVANTAGES OF DIVERSITY

Thus, one might argue that the above diversity is too big an obstacle in order to build a real economic cooperation in Asia Pacific. Using Orwell's phrase: it is much more obviously than within European Union, some of the equal partners will be more equal than others. It was pointed out that because of the diversity of economic power, the East Asian economy was strongly influenced by the US and Japan so that its growth pattern was characterized by "external dependent development" (Watanabe 1997, p. 3). From 1945 to 1990 the United States contributed some \$71 billion in development aid, loans, technical assistance and other means of economic support to the Asian nations which was far more than the earlier sums for Marshall Plan in Europe. Today Japanese direct investment and foreign aid programs for the Asian countries are even more extensive than America's. According to these opinions the asymmetry still remains the dominant feature of Asia Pacific foreign trade and therefore the Bogor's goal was formulated in a different way for industrialized and developing economies.

Moreover, from this point of view the negative aspect of the diversity is a time consuming consensus process clearly seen in frequent trade disputes between members. They usually try to avoid facts that the most intensive tension occur between most industrialized countries like the US and Japan (Czinkota and Woronoff 1993, pp. 19–20). Furthermore, sceptics argue that APEC has a marked preference for vague language and "non-binding" commitments while the detailed issues such as standardizing business visas is still unresolved (*APEC Leaders Meet*, 1996). However, in spite of these arguments the positive aspects of the differences among APEC members seem to be much more influential.

First, today the phrase "external dependent development" should be changed to "interdependent development". The proportion of East Asian trade with the US and Japan declines while within the region is significantly rising. With similar trends in the investment field, the economic power within APEC is becoming more balanced compare to the initial level of the diversity. Since 1990, Chinese capital from Singapore, Hong Kong and Taiwan has spread throughout Southeast Asia and China and these countries – not the US and Japan – are now the largest investors in ASEAN countries (Watanabe 1997, p. 5). The author is fully convinced by Professor Toshio Watanabe's thesis that Asian countries created "autonomus cycles" including both trade and investment capital, and this cycles have become important mechanisms that support recent high economic growth and future integration in the whole region. These changes prove that in the long term perspective, cooperation among APEC member countries can be based on mutual benefits and doesn't have to petrify the socio-economic *status quo*.

Second, the intra-APEC sub-regional trade agreements also become supportive of the APEC grouping as a whole and its process of trade liberalization and facilitation. In fact, the sub-regional groupings trade liberalization being building blocks towards APEC liberalization, should accelerate the realization of its Bogor's goal, that of achieving free and open trade and investment in Asia Pacific by the year 2010 for industrialized economies and 2020 for developing economies.

Last but not least the vast diversity should be seen rather as a source of economic complementary than economic disadvantage. As soon as diversities in productivities and in tastes arise, international exchange allows an efficient specialization and division of labor. Described in every basic macroeconomic handbook the Ricardian principle of comparative advantage demonstrates that international trade is beneficial even if one country is absolutely more or less productive than the others in all commodities (Samuelson and Nordhaus 1989, p. 484). The principle also holds that diversity as a main reason for international trade improves the returns to the factors of production and enlarges the totals of world production.

Different stages of development, resources endowment and socio-cultural backgrounds among APEC members have already generated the high economic complementary and "market driven" way of integration. It has stimulated an active trade of resources, technology products and services together with a flow of capital mainly in the form of direct investment. Even if in the 1990's the proportion of East Asian foreign trade and investment with the US and Japan has been declining, in order to maintain the high economic growth of the emerging economies in APEC region the direct capital investment with technology transfer from Japan and the US will remain essential. By providing public funds and generating private capital for infrastructure related projects, Japan as well as the US play a vital role in the equally important problem of economic infrastructure improvement in the region. On the other hand, in order to ensure further growth of Japanese and US economies, sustainable growth of emerging APEC economies as the growth centre of the world economy is indispensable. In the 1990's Japanese exports to Southeast Asia have almost doubled, exceeding exports to the US. The APEC countries also absorb about 60% of US exports, of which Asian emerging markets' purchases account for 25% (Kato 1996, p. 16).

#### 4. CONCLUSIONS

Presented facts indicate that the complementary relations have already led to a strong interdependence which has contributed to the high growth of many

APEC members and rapid development of the whole region. Looking at the Asian Pacific mechanism of economic cooperation it seems that advantages of the diversification could be also taken into consideration in building and strengthening an economic community in a new Europe. The EU can profit from the acceleration of its enlargement by some of emerging market economies of central and eastern Europe. The EU enlargement based on trade and investment liberalization without current non-member discriminations (eg. in a form of subsidies) could determine the future position of European economy. It would also be the first stage on the path to broader economic and monetary union. But in order to see the diversity not only as a cost of foreign aid, loans and technological assistance, the European way of economic integration ought to become less formal and more market oriented.

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