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A Canadian Primer to APEC

by Colin Robertson
September, 2012



POLICY PAPER

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On Saturday and Sunday (September 8-9), Prime Minister Stephen Harper will attend the 20th Asia-Pacific Economic Cooperation (APEC) Leaders' Meeting in Vladivostok, Russia. The theme for this year's meeting is "[Integrate to Grow, Innovate to Prosper.](#)"

WHAT IS APEC ?

Established in 1989, the objective of the Asia-Pacific Economic Cooperation (APEC) forum is to facilitate regional economic growth and prosperity through trade and investment liberalization, business facilitation and economic and technical cooperation. Its ultimate goal is a Free Trade Area of the Asia-Pacific.

Canada is an original member of APEC. We hosted the 1997 Leaders' summit in Vancouver; an event that, in addition to its substantive work to address the Asian financial crisis (and push back on protectionism), provided for the admission of Russia, Peru and Vietnam. It earned domestic notoriety because of the use of pepper spray to quell demonstrators.

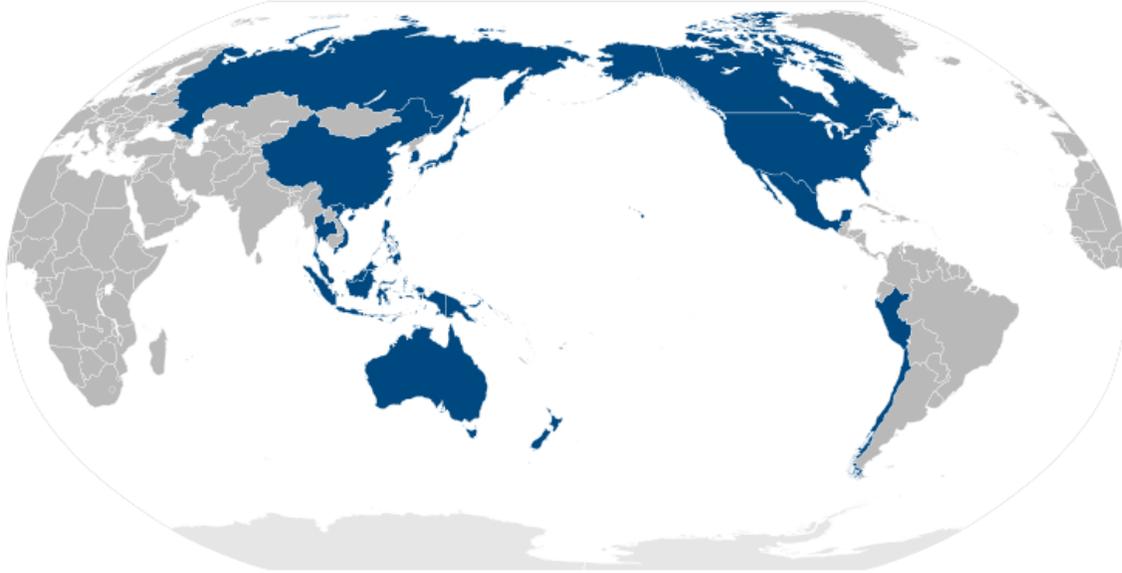
In addition to Canada, the other 'member economies' (a finesse to Chinese sensibilities around the status of Taiwan and Hong Kong) are Australia, Brunei, Chile, China, Hong Kong, Indonesia, Japan, Mexico, Malaysia, New Zealand, Papua-New Guinea, Peru, Philippines, Russia, Singapore, South Korea, Taiwan, Thailand, United States, and Vietnam.

APEC can be seen as a regional complement to the World Trade Organization and a counterpart to the G-8 and G-20. Like the G-8/20, APEC hosts a series of functional meetings leading up to the leaders' summits, including finance and other economic ministers, business leaders, and senior officials.

Like the WTO, APEC decisions are made by consensus and commitments are undertaken on a voluntary basis. This is both its strength and its weakness; progress can be glacial.

The APEC Secretariat and its Policy Support Unit is based in Singapore. There are APEC study centres throughout the member economies including at the Asia Pacific Foundation in Vancouver.

APEC draws advice from the [APEC Business Advisory Council \(ABAC\)](#), created in 1995 in acknowledgement that business is vital to creating prosperity.



DOES APEC MATTER?

Yes, it has been a useful forum, especially in its early years, for advancing trade liberalization within Asia and as a talking-shop, especially since leaders began meeting annually in 1993.

It aims to be the pre-eminent economic forum in the Asia Pacific, but it still has a long way to go. Like other international organizations, it is long on aspirations but less successful on outcomes. It still has to decide on its future membership. India, for example, is not a member and there are other Latin American countries that also border on the Pacific that have not been admitted.

APEC has set itself some useful goals to achieve before the end of 2015, specifically:

- 10 percent improvement in supply chain performance through the identification and redress of chokepoints;
- 25 per cent reduction in the cost of doing business; and
- reduction of applied tariff rates to 5 per cent or less on products that support green growth.

DOES APEC MATTER FOR CANADA?

Any chance to rub shoulders with Asian leaders is valuable, especially as we see opportunities for Canadian business. In this part of the world, relationships between national leaders are important in advancing commercial interests. In the PMO announcement that he would attend the summit, Mr. Harper said that, “Increased exports to the Asia Pacific region are vital to Canada’s future prosperity.” To help set the table for the leaders summit, trade ministers, including International Trade Minister Ed Fast, met earlier in the week in Kazan, Russia.



Home to 40 percent of the world's population, APEC's 21 member economies account for 56 percent of world GDP and 47 percent of global merchandise trade.

Trade between Canada and APEC economies (according to the useful [DFAIT site](#)) was worth \$654.4 billion in 2010, an average annual growth rate of 3.5% since 1994. Investment in Canada by APEC economies for the same period rose by 7.1% per year to reach \$343.3 billion in 2010. Outward Canadian investment in the Asia-Pacific region grew to \$321.8 billion in 2010, an average annual growth of 7.9%.

The importance of the Asia-Pacific region was underlined in a [Nik Nanos poll](#) taken in June (and released this week) which reported that in 'thinking about Canada's future prosperity', more than one third of Canadians think the region holds the 'most economic opportunity' for Canada:

Asia Pacific: 35.2%

The United States: 23.0%

Europe: 9.0%

Central and South America: 5.7%

Africa: 1.7%

Unsure: 25.4%

WHAT DO WE WANT OUT OF THE MEETING?

As the PM noted in the [PMO announcement](#) of his visit, the APEC agenda includes four priority areas: "expanding trade and investment liberalization and increasing regional economic integration, strengthening food security, establishing reliable supply chains and fostering innovative growth" all of which are Canadian trade policy objectives.

There are a series of initiatives currently underway including Canada's Asia-Pacific Gateway Corridor Initiative, Trans-Pacific Partnership negotiations, free trade negotiations with Japan and Korea, and the launch of free trade exploratory talks with Thailand.

Discussions with and about China will be important, including a likely discussion with Chinese President Hu Jintao.

Prior to his arrival, Mr. Harper attended the Bloomberg Canada-Asia Dialogue in Vancouver and in an [interview with CBC](#) he remarked, "We want to see this economic relationship continue to expand," he said. "But we want to see it expand in a way that there's a clear two-way flow and clear benefits for both sides. Win-win to use the Chinese expression." As the [Vancouver Sun](#) reported, Mr. Harper said, "I've always taken the view that our relationship with China was not one-sided... including protecting an economic relationship that has been very beneficial to them ... We want this economic relationship to continue to expand, but that it expands with a clear two-way flow with benefits for both sides."



In commenting on the China National Offshore Oil Corp (CNOOC) initiative to purchase Calgary-based oil company NEXEN, Mr. Harper observed, "We can't make it a prerequisite of doing business that they've got to become just like us. But we do have to accept that there are differences and factor those differences into how we conduct ourselves." Mr. Harper added that, "In making a decision the government has to put in place a pretty clear policy framework that indicates why it would or would not accept this decision or subsequent such decisions ... the most important thing is that we have rules in Canada that are respected ... It is up to the Chinese to display a willingness to play within our rules."

HOW DOES APEC FIT WITH TPP, ASEAN AND THE EAST ASIA SUMMIT?

Think of APEC as the lead regional economic association, itself still in development.

The Trans Pacific Partnership is an effort by a smaller group of nations - Australia, Brunei, Chile, Malaysia, New Zealand, Peru, Singapore, Vietnam, and the United States - committed to achieve a higher standard of trade and economic liberalization that will also address and set rules around such issues such as intellectual property, including digital technologies, and investment by state-owned enterprises. The TPP took wings when President Obama decided in November 2009 that it would be the 'leading integration initiative' for the US in the Pacific. Canada and Mexico won admission to the TPP at the Honolulu APEC summit in November 2011 and we are currently awaiting the outcome of deliberations by the USTR before we will formally join the discussions. The TPP is currently holding its 14th round of negotiations in Leesburg, Virginia.

Created in 1967, ASEAN (Association of Southeast Asian Nations) is as much geo-political as economic and includes original founding members Indonesia, Malaysia, the Philippines, Singapore, Thailand and now Brunei, Myanmar, Cambodia, Laos and Vietnam. It includes a web of regular, functional sessions including defence and security that will be instrumental in containing potential conflicts, such as disputes in the South China Sea.

The East Asia Summit of leaders began in 2005. It follows on the heels of the ASEAN Leaders meeting. It includes the ASEAN nations as well as China, Japan, South Korea, India, Australia and New Zealand and since 2011, the United States and Russia. It should be our next target for membership given its potential as a forum for discussion of broader trade and security issues. As US Secretary of State Hilary Clinton remarked in July at the most recent East Asia Summit in Phnom Penh, Cambodia, "We support the East Asia Summit as the Asia Pacific's premier institution for political and strategic issues, the capstone of an increasingly mature and effective regional architecture."

FOR FURTHER READING ON CANADA AND THE PACIFIC:

Start with the latest [Policy Options magazine](#) that includes a series of excellent essays written to coincide with the Pacific Century conference hosted by the [Canadian Council of Chief Executives](#). The CCCE has commissioned a series of reports including Wendy Dobson's 'Canada, China and A Rising Asia' all available on the CCCE website. For two brief perspectives, look at



Hugh Stephen's *Asia-Pacific: Let's Get Back in the Ring* and *China's Shadow* by Roger Girouard, both available on the [CDFAI website](#). There is also a new very good report, 'Securing Canada's Place in Asia: Means, Institutions, Mechanisms', prepared by Don Campbell, Paul Evans and Pierre Lortie for the Asia Pacific Foundation as part of its [National Conversation on Asia](#). Look also at [Securing Canada's Global Economic Future](#), prepared recently by Derek Burney, Fen Hampson, Tom D'Aquino and Len Edwards, at the Norman Paterson School of International Affairs, Carleton University.

► About the Author

Colin Robertson is Senior Strategic Advisor for the US-based law firm of McKenna, Long and Aldridge. He writes on international affairs and is a frequent contributor and commentator on CTV, CBC and CPAC.

He is current President of the Canadian International Council's National Capital Branch. Mr. Robertson sits on the board of the Conference of Defence Associations Institute, Canada World Youth and he is honorary chair of the Canada Arizona Business Council. He is a Distinguished Senior Fellow at the Norman Paterson School of International Affairs.

A career foreign service officer from 1977-2010, Colin Robertson served as first Head of the Advocacy Secretary at the Canadian Embassy in Washington and Consul General in Los Angeles, with previous assignments in Hong Kong and in New York at the UN and Consulate General. In his final assignment he directed a project on Canada-US Engagement at Carleton University's Centre for Trade Policy and Law with private and public sector support. A member of the team that negotiated the Canada-US FTA and NAFTA, he is co-author of *Decision at Midnight: The Inside Story of the Canada-US FTA*.

He is a former President of the Historica Foundation. He was editor of *bout de papier: Canada's Journal of Foreign Service and Diplomacy* and President of the Professional Association of Foreign Service Officers. He has taught at Carleton University and the Canadian School of Public Service.

He indicates that his smartest decision was marrying his wife Maureen Boyd, a Vancouverite, former journalist and author. They have three children, Allison, Sean and Conor. Robertson reads voraciously, runs slowly, swims, cycles, and cross-country skis.



► **Canadian Defence & Foreign Affairs Institute**

CDFAI is the only think tank focused on Canada's international engagement in all its forms - diplomacy, the military, aid and trade security. Established in 2001, CDFAI's vision is for Canada to have a respected, influential voice in the international arena based on a comprehensive foreign policy, which expresses our national interests, political and social values, military capabilities, economic strength and willingness to be engaged with action that is timely and credible.

CDFAI was created to address the ongoing discrepancy between what Canadians need to know about Canadian international activities and what they do know. Historically, Canadians tend to think of foreign policy – if they think of it at all – as a matter of trade and markets. They are unaware of the importance of Canada engaging diplomatically, militarily, and with international aid in the ongoing struggle to maintain a world that is friendly to the free flow of goods, services, people and ideas across borders and the spread of human rights. They are largely unaware of the connection between a prosperous and free Canada and a world of globalization and liberal internationalism.

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