

Fixing What's Broke with APEC

Recommended Citation

Stewart Hudson, "Fixing What's Broke with APEC", Aprenet, June 23, 1995,
<https://nautilus.org/aprenet/fixing-whats-broke-with-apec/>

Fixing What's Broke with APEC:

First Steps Toward a Sustainable Development Plan That Can Be Adopted at the November 1995 Osaka Minister's Meeting

**A National Wildlife Federation
Trade and Environment Report**

June 23, 1995

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Working for the Nature of Tomorrow
NATIONAL WILDLIFE FEDERATION

PREFACE

Fixing What's Broke With APEC is the first in a series of new reports on global commerce and sustainability produced by the National Wildlife Federation's Trade and Environment Program. NWF stands for a common-sense approach to conservation, in which a strong economy and a healthy global environment go hand in hand. We hope that this series of reports will enhance the emerging dialogue

on how to ensure that both trade and environmental policy help achieve this important goal.

We are also pleased to announce that this first report was produced in collaboration with NWF's Tokyo-based East Asia Program. The East Asia Program's mission is to promote environmental reform of foreign aid and development in the Asia region. This report would not have been possible without the assistance of Richard Forrest, who directs the East Asia Program, as well as the thoughts and advice provided by several of his colleagues in Japan.

Finally, a number of outside experts, including Ms. Lyuba Zarsky of the Nautilus Institute in Berkeley, California and Mr. Gareth Porter of the Environment and Energy Study Institute in Washington, D.C., were kind enough to offer some views on earlier drafts of this report. While they were not responsible for the report's contents, their contribution is greatly appreciated.

We look forward to receiving your views on the content of this and other succeeding reports in our Trade and Environment series. Your comments will help us shape future policy proposals. Please send your thoughts to Rodrigo Prudencio, Trade and Environment Specialist at: nwfip@igc.apc.org

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I. Introduction

Since the 1992 Earth Summit, governmental performance in integrating economic and environmental concerns has steadily lost momentum, at least in terms of

regional and global agreements where this kind of integration can occur. One particular area where governments have fallen down on the job is in the Asia-Pacific region and, specifically, the Asia-Pacific Economic Cooperation (APEC) forum. Though the subject of environment has been raised at different meetings of APEC Ministers, little has been done to develop an adequate action plan for integrating environmental concerns within APEC. This is particularly troubling given the increased economic growth in this region, and the global environmental problems that are at stake here.

The good news, perhaps, is that there is an opportunity to fix what is broken with APEC. From November 17-19, 1995, the government of Japan will host the next meeting of APEC Ministers in Osaka. As host, and befitting its status as one of the world's leading economic powers, Japan has the authority and mandate to push the APEC countries to develop a general plan of action for addressing regional issues, including those related to environment. Because Japan is host, and due to the current lack of direction afflicting the APEC forum, the Osaka meeting is an historical event that will speak volumes as to the future of the Asia-Pacific region, APEC itself, and the role of Japan in global affairs.

While several months remain before the APEC summit in Osaka, planning for the event is already underway among government negotiators as well as representatives of the private sector. It is, therefore, important to move quickly in broadening the agenda for the Osaka meeting and involving a wider group of stakeholders in the planning of this important event.

This discussion paper is intended to lend momentum towards the achievement of both of these important goals by encouraging non-governmental organizations, as well as the private sector and governments, to initiate a discussion as soon as possible on the elements of a sustainable development action plan for the region. This paper focuses on elements of an action plan that can be adopted at Osaka, recommendations that may be added to in subsequent Ministerial meetings. It is, therefore, our intention that this paper will serve as perhaps the first, rather than the last word on APEC's plan of action for sustainable development.

II. Current APEC Efforts to Integrate Environmental Concerns

As a starting point, it is useful to review how environmental issues have been considered to date in APEC proceedings. Indeed, the Environmental Vision Statement adopted by APEC environmental ministers in Vancouver, Canada in March of 1993 states that:

We, the Asia Pacific economies are agreed that we must protect our environment and conserve natural resources. In particular, we have to improve the quality of air and water, and manage energy resources to ensure sustainable development and provide a more secure future for our people. We agree to develop co-operative programs to that end.

Since the Vancouver meeting, agreement has been reached to include environmental concerns in each of the working groups and committees established under the APEC umbrella. Those working groups and committees include:

Economic Trends and Issues (ETI) Marine Resource Conservation (MRC)

Trade and Investment (CTI) Fisheries (F)

Human Resources Development (HRD) Tourism (TO)

Industrial Science and Technology (IST) Transportation (TR)

Regional Energy Cooperation (REC) Telecommunications (TE)

In addition, APEC environmental experts have also agreed to a set of principles for integrating environmental issues into APEC, and they have provided some tentative ideas in a variety of thematic areas including: Environmental Technology, Economic Instruments, Environmental Management Standards, Environmental Education and Information, and Sustainable Cities. Japan, in particular, has taken the lead in discussions of potential APEC work to promote sustainable cities in the region.

Moreover, it is worth noting that some environmental language has already found its way into some specific nooks and crannies of APEC work. The small group consultations on APEC investment principles, comprising representatives from Korea, the United States, Indonesia, and Australia, in its

October 14, 1994 report proposed language on investment principles which states that: "Member economies will not relax health, safety, and environmental regulations as an incentive to encourage foreign investment."

These tentative initiatives are important. However, taken as a whole, APEC's attention to environmental issues has been inadequate to the forum's own stated goal of promoting sustainable development in the region. Integration of environmental concerns in the working groups, and ideas put forth in the thematic areas described above, amount to rather vague statements of intent, with little to suggest that actual work products will be delivered within a given period of time. This stands in stark contrast with other areas of APEC activities where specific timetables and work products have been established.

Furthermore, the principles adopted by APEC environmental experts are a mixed blessing when it comes to crafting a sustainable development plan of action. The principles do call for integrating environment into the work of APEC, rather than as a separate undertaking, and also encourage the eventual development of clear proposals on environment within each of the working groups. At the same time, even though the APEC Eminent Persons Group (EPG), and the private sector Pacific Economic Cooperation Council (PECC) were invited to participate in the recent environmental experts meeting in Chinese Taipei, there is nothing in the principles suggesting that broader public participation, including that of environmental groups, will be part of APEC's standard operating procedures. Principles that fail the basic test of leading to greater citizen involvement in APEC work are not likely to be successful at any level.

Finally, the principles endorse a prohibition on the creation of new institutions, which would rule out an APEC committee or working group specifically on environment. This is a curious recommendation for governmental environmental experts to have made, especially given that other institutions, such as the World Trade Organization's new Committee on Trade and Environment (CTE), and the recently formed North American Commission for Environmental Cooperation (CEC), have been created to help forge a stronger consensus for trade and environment both

regionally and at a global level.

For the APEC to be successful, it must pay attention to process-oriented changes that would encourage public participation in its work; it should undertake institutional changes that would allow it to monitor and address a wide range of environmental conditions in the Asia-Pacific region; and it must incorporate more specific proposals and timetables in each of its Working Groups and Committees.

III. An APEC Sustainable Development Action Plan

A. Process Oriented Changes

APEC has already invited the participation of business groups in its work through the formation of an APEC Business Forum, and by providing opportunities for groups like the Pacific Economic Cooperation Council to have notice of meetings, and to appear before governmental experts. This is a valid and appropriate step for APEC to have taken. However, to ensure public support for its efforts in the field of environment, this participation must be broadened to include not only environmental experts, but also representatives of non-profit environmental organizations. Fortunately, there are a variety of mechanisms for doing so.

First, international organizations like the International Union for the Conservation of Nature (IUCN), which have both governmental and non-governmental members, can be called upon to identify individuals in the region with expertise on environmental issues. These individuals can comprise a private sector environmental experts group that would assist in the design and implementation of APEC environmental work.

Second, an Asian-Pacific Environmental Forum, comprised of two environmental NGOs from each of the APEC countries, can be created. This forum, which should be provided with information and documents necessary to follow APEC activities, should be utilized as a source of information about public views on APEC and environment.

Third, as a complement to this forum, governments should also be encouraged to form national roundtables on APEC and sustainable development, and provide annual reports to the other APEC members on the conclusions reached by these roundtables.

In all cases, APEC parties should provide adequate information and create mechanisms that would ensure that the efforts made by the roundtables, the Environmental Forum, and the environmental experts are fully utilized in the work of the APEC.

B. Institutional Changes

Though APEC members clearly do not envision the creation of large new bureaucratic structures, it is nevertheless worthwhile to note that APEC has already created a Secretariat. Headquartered in Singapore, the Secretariat employs 25 individuals and has an annual budget of \$2 million. Ironically, despite the attention given to environmental issues by APEC members, and the variety of meetings in which environment is a relevant subject, there is no information to suggest that anyone within the APEC Secretariat is charged with dealing with environmental issues on a full time basis. This situation can easily be remedied, with little cost to governments, by adding an individual to the APEC Secretariat staff who is qualified to deal with environmental concerns.

A second institutional change has to do with the lack of an over-arching body within APEC to deal with environmental issues. While some have called for the creation of an APEC Commission for Environmental Cooperation, a less far-reaching proposal would be an Environmental Advisory Group to the Senior Officials Meeting (SOM). This would complement the existing APEC structure of including environment in all other working groups and could be used effectively to promote cooperative environmental activities in the region; to encourage the adoption and enforcement of sound environmental laws in the region; and to ensure more regular input from governmental environmental agencies in APEC's work.

There is also a lack of institutional architecture to deal effectively with agriculture, as evidenced by the lack of a working group to cover this sector. Many experts point to agriculture as a sector which poses significant ecological risks, and yet one that need not be inconsistent with an environmentally oriented approach to trade and investment in the region. Given the importance of food production and environmental concerns in the Asia-Pacific region, the inattention to agriculture is a major oversight, and the creation of a working group an appropriate remedy.

One final institutional change would be to add environmental issues to the research agenda for the APEC study centers. These centers are a notable part of the APEC process and could, if asked to do so, help chart a course for trade and investment and environmental protection in the APEC region.

C. APEC Committees and Working Groups

The Summary Action Plan of the APEC's governmental Environmental Experts, which was derived from their August 1994 meeting, is a good place to start to understand the ideas that have already been put forth in existing APEC committees and working groups. For the purposes of comparison a synthesis of the recommendations contained in the Summary Report is described for each of the subgroups listed below. At the time this paper was written, it was not clear whether any parts or all of the Summary Report have been adopted by APEC governments, or the APEC SOM. Nevertheless, it is a useful backdrop to evaluate ideas that might be put forth to APEC Ministers for approval at the November 1995 Osaka meeting.

1. Committee on Economic Trends and Issues (ETI)

In the Summary Report, APEC environmental experts call for ETI to give "full consideration" to the wider use of economic instruments, and reference is made to a paper prepared by the government of New Zealand on "Economic Instruments for Environmental Management." The Report requests the ETI to suggest how it might expand its work to include economic instruments. The ETI is also asked to "share the experiences of member economies" on the use of such instruments.

This paper's recommended Action Plan for the Committee on Economic Trends and Issues:

(ETI-1) By October 1, 1996, ETI should produce a paper which describes the use of economic instruments within the APEC region, and which contains recommendations on steps governments can take to utilize these instruments to meet three specific challenges: global climate change, the need for waste reduction, and sustainable forest management.

(ETI-2) Given that ETI is responsible for charting economic trends and identifying issues, a report should be prepared by October 1, 1996 that examines the issue

of poverty in the region and how it will be affected by the results of the Uruguay Round of GATT/WTO negotiations, and trade and investment liberalization promoted by APEC. The report should provide a country by country analysis of the economic impacts of trade and investment in the region, and the prospects for whether and how these benefits can more effectively help eradicate poverty in the APEC region.

2. Committee on Trade and Investment (CTI)

The Summary Report calls for CTI "to consider" a number of issues including the need for harmonizing the use of economic instruments, the elimination of subsidies, and the "adequate provision" of environmental infrastructure. The Report also calls for adding questions regarding enforcement and compliance programs of APEC members, and environmental management standards, to existing or future CTI APEC member surveys.

This paper's recommended Action Plan for the Committee on Trade and Investment:

(CTI-1) The principles for investment in the region call on countries to avoid "relaxing" environmental regulations in order to attract investment. This is a useful starting point, but if countries are serious about this pledge, mechanisms must be devised to respond to this practice should it occur. A useful comparison can be made to Section 1114 of the text of the North American Free Trade Agreement (NAFTA), and the environmental side agreement that accompanied the NAFTA. Moreover, the current language says nothing about moving standards in an upward direction, or the extent to which individual investor responsibility should be added to the mix. By April 1, 1996, the CTI should prepare a report which recommends specific mechanisms for adoption by APEC governments as a means of avoiding the creation of pollution havens in the region.

(CTI-2) With respect to economic instruments, by April 1, 1996 the CTI should provide recommendations on identifying subsidies that impede trade and undermine sustainable development in the APEC region, particularly those that contribute to global climate change, impede waste reduction, or lead to unsustainable forest management.

3. Human Resources Development Working Group (HRD)

The Summary Report asks HRD to "consider" supporting training in the design and application of economic instruments, and in the area of environmental technology. It also calls for a core coordinating group to deal with environmental education and "information activities" within HRD, and on the topic of sustainable cities asks HRD to "consider building on the concepts of sustainable cities in awareness and education efforts."

This paper's recommended Action Plan for Human Resources Development:

(HRD-1) Governments should agree to provide increased training in the design and application of economic instruments in resource management for government policy advisors and business/private sector managers, and specify the financial commitments they are willing to make to this effort in the APEC region.

(HRD-2) At the Osaka Ministers' meeting, governments should announce formation of, "A Campaign to Promote Environmental Awareness Within the APEC Region," and within a year convene a conference of environmental education experts from the APEC countries to draw up a specific action plan for this purpose. The campaign should address primary and secondary school education, community and adult education, media and the exchange and management of information on the environment by both governments, the private sector, and local communities.

4. Industrial Science and Technology Working Group (IST)

The Summary Report suggests consideration of an "APEC environmental information clearinghouse system"; full-cost pricing of resources "to avoid distortions in investment patterns from underpricing of natural and physical resources"; and the development of recommendations on the use of technology in forming sustainable cities.

This paper's recommended Action Plan for Industrial Science and Technology:

(IST-1) At the Osaka Ministers' meeting, governments should announce the formation of an environmental information clearinghouse which is accessible by the public. Governments should pledge the budgetary resources necessary to ensure that the

information is available to communities throughout the APEC region.

(IST-2) By October 1, 1996, governments should submit a description of policies being undertaken at national or sub-national levels, or voluntarily by private industry, to encourage the internalization of environmental costs in production. Industrialized countries should also provide a description of efforts made to promote zero-emissions from private sector industrial facilities. The Working Group should issue recommendations by May 1, 1997 based on the information it receives.

5. Regional Energy Cooperation Working Group (REC)

In the area of regional energy cooperation, the Summary Report again encourages APEC governments to "consider" the utilization of economic instruments to enhance regional cooperation; to expand the Energy Working Group's data base to include pollution technology inventories; and to "consider" proposals on energy related to sustainable cities.

This paper's recommended Action Plan for Regional Energy Cooperation:

(REC-1) By October 1, 1996, the Working Group should present respective national energy demand forecasts up to the year 2010, as well as an analysis of the extent to which investments in energy efficiency and conservation, as well as environmentally sustainable and renewable energy sources, can contribute to national energy needs. A conference on environmental sustainability and the energy sector in the APEC region should be organized for 1997, and should include representatives from governments, the private sector, universities and colleges, and non-governmental organizations.

(REC-2) By October 1, 1996, the Working Group should issue a list of recommendations for steps APEC governments can take to eliminate or reduce subsidies that encourage inefficient energy use within the APEC region and contribute to global climate change.

6. Marine Resource Conservation Working Group (MRC)

Again, the Summary Report makes only a vague reference to "consider" the use of economic instruments in promoting sound marine resource conservation.

This paper's recommended Action Plan for Marine Resources Conservation:

(MRC-1) The key to promoting sound marine resource conservation is to empower local communities to better manage their coastal resources. One of the most successful projects of this nature is the Sustainable Coastal Area Development (SCAD) program in the Philippines. Representatives of this program should be invited to brief governments attending the Osaka meeting. No later than October 1, 1996, APEC governments should report back to the working group on Marine Resources Conservation on measures they will undertake to encourage community participation in the sound management and conservation of marine resources, with a special focus on the shrimp aquaculture industry related to exports.

(MRC-2) As part of this effort, the working group should report to governments on the major economic benefits resulting from sound management of marine resources, and a listing of the major threats affecting such management. This report should be prepared no later than July 1, 1996.

7. Fisheries Working Group (F)

The Summary Report again makes a vague reference to the application of economic instruments as a means of promoting sound fisheries management.

This paper's recommended Action Plan for Fisheries:

(F-1) At the Osaka Ministers' meeting, the governments should renew their support for full implementation of the United Nations Convention on the Law of the Sea. APEC governments should announce steps they will take to enhance effective management and conservation of marine living resources, both in the global commons as well as within territorial waters.

(F-2) By October 1, 1996, the Working Group should issue a set of recommendations on steps governments can take to reduce subsidies which provide excess capacity within national fishing fleets, and have a negative impact on the sound maintenance of fish stocks.

8. Tourism Working Group (TO)

The Summary report talks about the possible use of economic instruments to encourage environmentally sustainable growth of tourism.

This paper's recommended Action Plan for Tourism:

(TO-1) By December 31, 1997, APEC governments should adopt environmental impact assessment mechanisms for tourism projects in environmental sensitive coastal zone regions. EIAs in these areas will be at least as strict as existing national or local requirements and will: provide mechanisms for public participation; consider alternatives to the projects in question; and consider mitigation as well as avoidance of any identified threat to the environment posed by these projects. Again, while many governments have an on-going EIA process, this commitment is designed to ensure that all such tourism projects in the APEC region will be subject to an analysis of environmental impact prior to the project's authorization.

(TO-2) By October 1, 1996, the Working Group will develop a set of recommendations on economic instruments that can be adopted by governments to promote environmentally sustainable tourism.

9. Transportation Working Group (TR)

The Summary Report discusses the possible application of economic instruments that would "encourage environmentally sustainable transport systems," and asks the Working Group to "consider relating their work to the important issue of sustainable cities."

This paper's recommended Action Plan for Transportation:

(TR-1) By October 1, 1996, the Working Group should issue a report on efforts made by APEC governments to promote the use of energy efficient automobiles, the application of fuel efficient technologies, and measures for switching to cleaner fuels as part of improved national transportation policies.

(TR-2) By October 1, 1996, APEC governments should report on their efforts to promote more environmentally sustainable transportation systems including, but not limited to: the promotion of bicycle transport and other low- impact modes of transportation; the promotion of mass transit where applicable; and the elimination of subsidies for transportation

systems that are environmentally unsustainable.

10. Telecommunications Working Group (TE)

The Summary Report calls for consideration of an APEC environmental information clearinghouse system.

This paper's recommended Action Plan for Telecommunications:

(TE-1) By October 1, 1996, APEC should provide a continuous source of information of its activities via communication networks, such as the Internet. Pertinent data would include the timing and agenda for upcoming APEC meetings, as well as their location, and government contacts for the subjects that would be covered by such meetings.

IV. The Special Role of Japan

The Osaka Ministers' Meeting is critical to the future of APEC, and it is entirely appropriate that the role of host should fall to the world's largest foreign aid donor and one of the leading economic actors in the Asia-Pacific region. As is customary, the role of host provides an opportunity for the government of Japan to announce unilateral measures that will help set the tone for the APEC gathering. While these measures may be domestic in intent, they could have a great effect on the image of Japan that is visible on the world stage. If Japan wishes to project an image of leadership on environmental issues, and to leave an important mark on the historical evolution of APEC, then announcement of the following measures in the weeks leading up to the Osaka summit could further that goal.

First, Japan could announce internal tax reforms that would encourage volunteerism and the growth of non-governmental organizations. The recent and tragic earthquake in Kobe demonstrated that private voluntary organizations can play a valuable role in responding to emergency situations and mobilizing public support for rebuilding efforts. What is true in emergencies is also true in the long-term--non-governmental organizations can assist society by doing things that governments and the private sector cannot. In the area of sustainable development, NGOs can play a valuable role in public education and encouraging citizen participation in the

construction of sustainable cities and towns.

In most other industrialized countries, and many developing countries, these organizations receive a great deal of public support through charitable contributions. Unfortunately, in Japan the tax code makes it difficult for NGOs to receive public contributions. By announcing a change in current tax law to encourage volunteerism in areas like environmental protection, Japan can send a very important signal both domestically, and to other countries of the APEC region, about the important role of private voluntary organizations.

Second, while Japan has made admirable progress in dealing with environmental issues such as pollution, it has not done as well in the area of nature conservation. This is particularly true in the array of river diversion, flood control, and port development projects that are now under consideration or underway in Japan. The Hakata Bay port development project, Nagara and Nibutani dam projects, and Chitose river diversion project in Hokkaido are all vivid examples of projects undertaken with little or no consideration of their impact on natural resources.

Thus, in a second important initiative, the government could announce that it intends to make environmental impact assessments mandatory for all major public and private projects, especially those which raise natural resource concerns. This idea has been under discussion for some time and has been identified by legal experts as a gap to be filled in Japan's safety net of environmental protection laws. An announcement of this further step would be extremely useful within Japan, and also for the message that it sends to other APEC countries.

Finally, Japan has taken the lead in APEC to promote sustainable cities. It has tabled several papers during APEC experts' meetings, and given its full support to the United Nations Environment Programme's International Environmental Technology Centre in Kyoto, Japan, to serve as an information center for urban environmental problems. These are important measures of support that have lent credence to the concept of sustainable cities, both within Japan and abroad.

However, these measures fall far short of an action plan that can be put in place in Japan, and for that matter throughout the Asia-Pacific region. If Japan is serious

about the promotion of sustainable cities, a third unilateral initiative that could be announced in the run-up to the Osaka meeting would be the announcement of a national meeting on sustainable cities that would produce a domestic plan of action for changing the current unsustainable patterns of urban development. This national meeting, which should involve representatives from cities across Japan, can build on initiatives that are already underway from Fukuoka to Obihiro, and in several other cities and towns in between. The action plan that could develop from the meeting should focus on basic issues like water and energy use and the promotion of green areas and conservation of resources utilized by cities. Stakeholders that should participate in the meeting, and development of the action plan, would include individuals and environmental groups, as well as the private sector and local, regional and national governments.

Given its leadership on this issue, Japan might also call on the other countries of APEC to convene similar national meetings, and report back to the APEC Ministers meeting in 1996.

V. Conclusion

As noted above, the Osaka Ministers' meeting will mark an historical turning point in the evolution of APEC; it also provides a unique opportunity for Japan to determine the image that it intends to project on the world stage. Sustainable development is a critical challenge in the Asia-Pacific region, and success in achieving it will not happen automatically. APEC is broken in this regard, and the Osaka meeting may be one of the last chances for repair.

By putting proposals on the table now, non-governmental organizations, as well as the private sector and APEC governments, can help fashion a meaningful plan of action for sustainable development in the region. Failure to do so, and resorting only to the usual complement of alternative forums that surround summits of this kind, will probably result in APEC continuing the course that it is now on, where environmental concerns are more of an afterthought rather than an essential element of how to pursue sustainable development in Asia and the Pacific.

In that regard, perhaps the most fitting conclusion to this paper is to close with the following excerpts from the APEC Leaders Economic Vision Statement which

was adopted when they met in November 1993:

...We envision a community of Asia Pacific economies in which...our environment is improved as we protect the quality of our air, water and green spaces and manage our energy sources and renewable resources to ensure sustainable growth and provide a more secure future for our people...We recognize this vision will become a reality only if we work together actively to achieve it. We are convinced we can succeed.

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