ENVIRONMENTAL COOPERATION AT APEC: THE FIRST FIVE YEARS

Recommended Citation

Lyuba Zarsky and Jason Hunter, "ENVIRONMENTAL COOPERATION AT APEC: THE FIRST FIVE YEARS", APSNet Special Reports, March 31, 1997, https://nautilus.org/apsnet/environmental-cooperation-at-apec-the-first-five-years-2/

Founded in 1989, the Asia Pacific Economic Cooperation forum (APEC) has emerged as the leading multilateral framework for trans-Pacific diplomacy. Focused primarily on economic cooperation-especially the liberalization and facilitation of regional trade and investment--APEC has included environmental issues within its purview almost since its inception. Since 1991, it has spawned a host of initiatives, including a Framework of Principles for sustainable development, meetings of Environment Ministers, a host of studies and task forces, and, most recently, a regional environmental Action Programme. Initiatives sweep across sectors, embracing energy and tourism, sustainable cities and clean production technologies, biotechnology and marine conservation.

The "APEC Way" of environmental cooperation has focused not on specific trade-environment linkages, as in other international trade fora, but on broad economy-environment integration. For the past five years, the primary thrust has been to define common principles, study and scope out key issues, and try to improve environmental management capacities sector by sector. The World Trade Organization (WTO), by contrast, has been absorbed with defining the environmental parameters for trade sanctions and trade restrictions.(1)

Given the narrowness, rigidity and snail pace of environmental diplomacy at the WTO, APEC's broad scope and momentum are impressive and its flexibility is hopeful. Nonetheless, the seeds of environmental cooperation at APEC are still germinating: little has yet blossomed in terms of implementation of initiatives, let alone measurable improvements in environmental performance. Significant areas of sustainable resource management, including agriculture, are not yet on the agenda, there is a resistance to discussing policy change, and institutional mechanisms to coordinate environmental work and to interface with environmental NGOs are lacking. Most importantly, the trade "track" remains largely separate from rather than integrated with sustainable development objectives and environmental diplomacy.

This paper describes APEC's work on environmental issues between 1993, when environmental issues moved into the mainstream of APEC, and 1997, when Environment Ministers will approve implementation of a regional "Action Programme."

Part I locates environmental cooperation within the broader politics of APEC and explores the domain of regional environmental cooperation. Part II chronicles the emergence of environmental cooperation at three levels: 1) initiatives taken "at the top" by APEC Leaders, Environment Ministers, and Senior Officials; 2) the "nuts and bolts" work of APEC Working Groups; and 3) "track two" non-governmental diplomacy. Part II also explores the contours of an emerging "APEC Model." Part III concludes with an assessment of APEC's five-year record on the environment and some pointers to its future work program.

I. ASIA-PACIFIC 'REGION-BUILDING' AND THE ENVIRONMENT

APEC is made up of eighteen member "economies" spanning North America, Northeast Asia, Southeast Asia, Australasia and, with Chile, South America. (2) Founded in 1989 at the initiative of Japan and Australia, APEC is the first trans-Pacific institution to emerge since the end of World War II. The forces driving regional economic integration and political coordination, however, have been in the making for more than thirty years. (3)

Regional environmental cooperation at APEC grows out of and is deeply embedded in the deeper forces driving Asia-Pacific regionalism, and more broadly, economic globalization. Driven primarily by economic interdependence and the region's economic dynamic growth, "region-building" processes shape both the context for and the domain of requisite environmental cooperation. Should APEC founder as an institution, the environmental policy coordination problems created by economic integration would remain.

A. Market-Led Economic Integration

APEC is a highly dynamic and politically complex organization. It embraces two of the world's three largest industrial economies, Japan and the United States.; two of the world's most populous and rapidly developing nations, China and Indonesia; and a clutch of the most successful newly industrialized and industrializing economies, including South Korea, Singapore, Chinese Taipei, Thailand, Malaysia, and Indonesia. Within it, APEC encompasses two sub-regional organizations: the North America Free Trade Agreement (NAFTA) and the Association of Southeast Asian Nations (ASEAN).

Among APEC's members are counted the world's largest and fastest-growing capital exporters, the greatest concentrations of inflows of foreign capital, and the largest and fast-growing markets.(4) Little wonder that the membership of APEC has grown rapidly-from twelve in 1989 to eighteen in 1996-and that a host of nations have applied to join, including India, Russia, Peru, and others. (5)

Within APEC is found an extraordinary degree of diversity. Political and legal structures, languages and social mores, enormous wealth and deep-rooted poverty, create divides between and within nations. One divide could be drawn between developed and developing/newly industrialized countries, another between Western and Asian countries, and a third between ASEAN and the rest. Social differences of identity, culture and politics, as well as differences in the level and model of economic development, have generated large gaps in the approach and level of commitment to environmental management. Moreover, a few APEC countries-the United States, Japan, and increasingly China-are political heavyweights, yet none is hegemonic. Progress on any issue is achieved only through careful coalition-building.

For much of the past fifty years, trans-Pacific political coalitions and military alliances were shaped and constrained by Cold War politics. With the end of the Cold War in 1991, new opportunities and imperatives to cooperate in building regional institutions have been unleashed, not the least of which is the need to manage the changing regional power balance between China, Japan and the

U.S. (6)

The primary driving force behind the founding and evolution of APEC is economic, *viz*, the increasing market-driven integration of APEC countries, both in terms of trans-Pacific and East Asian trade and investment. Nearly 70 percent of total APEC trade was intra-regional in 1994. (7) Capital flows, both direct foreign and portfolio investment are also highly concentrated in APEC. About 65 percent of Japan's foreign direct investment outflows, for example, went to APEC countries in 1990, some 46 percent to the U.S. alone. (8)

Within APEC are two highly integrated economic sub-regions, viz, North America and East Asia. In 1990, about 40 percent of total East Asian trade was to other East Asian countries; for North America, the figure was about 37 percent. (9) Like trans-Pacific integration, sub-regional integration reflects the importance of both geographical proximity and common language. Studies have shown that East Asian integration is not biased by government policy but is an outgrowth of the market-driven economic dynamism of the region. (10)

Nonetheless, the "network" style of East Asian capitalism contrasts with the more transparent, rules-based style of the West and has created concerns about exclusion among Western countries.(11) Indeed, the two broadly contrasting approaches to economic and political management shape all of APEC's diplomatic efforts in regime construction, whether on trade, investment, or environment. The pull between the two poles generates a new style, dubbed the "APEC way," based on "concerted unilateralism" (12) (see Part II).

Broad East-West differences in development strategies and political-economic cultures, as well as a new-found sense of power and identity, have fueled an East Asian nationalism within APEC, centered especially in ASEAN. Jealous to guard its own status as a regional organization, ASEAN initially blocked the formation of APEC in the 1980s. In the 1990s, Prime Minister Mahathir of Malaysia called for the creation of an "East Asian Economic Organization" which would exclude Western nations. The proposal failed, due primarily to the overriding economic interests of ASEAN in Western capital and export markets, as well as security concerns about Japan and China. Nonetheless, an East Asian Caucus was established and the largely Western push for APEC-wide "free trade policies" remains the subject of intense negotiations.

Over the past twenty years, rapid growth and industrialization in several East Asian countries has come as a result of strong "developmental" state policies, including import protection and export promotion, in an export-oriented domestic development strategy. (13) The large growth in production and export capacities, however, has created new strains on trade relations, especially a large trade deficit with the United States.

Some analysts argue that it is important for industrializing countries to retain their option to undertake import protection/export promotion strategies. (14) However, reliance on external market access limits the political sustainability of export-oriented developmental state policies: U.S. threats to limit market access carry political weight. Most East Asian countries are now pursuing "linkage-led" development strategies which point generally toward an open trade and investment regime, albeit at a pace shaped as much as possible by domestic policy objectives. (15)

Market-driven economic integration, trade tensions, and the new demands of "linkage-led" growth have shaped the "two legs" of APEC diplomacy:

> 1) *Trade and investment liberalization and facilitation*, primarily the lowering of tariff and non-tariff barriers to trade in East Asia, the creation of a non-discriminatory investment regime, and measures to reduce regulatory and procedural barriers to trade;2) *Economic and technical*

cooperation, primarily promoting economic development and capacity-building, as well as environmental management and potentially, promoting social policy.

B. The Politics of Trade and the Environment at APEC

APEC diplomacy, both on trade and on environment, has been characterized by differences in the priority different members accord to its two legs, as well as differences over the specific design of initiatives within each leg. The original focus of APEC was on economic cooperation, including trade facilitation. Since 1993, however, the Western countries, led by the United States, have pressed hard for liberalization. Following on the heels of a report of an Eminent Persons Group, (16) U.S. President Bill Clinton called an APEC Leaders Meeting in 1993 which crafted the concept of "free and open trade and investment in Asia-Pacific." Meeting the following year in Bogor, Indonesia, APEC Leaders accepted the broad vision of free and open trade by 2020 for the developing and 2010 for the developed countries of APEC. In November, 1996, "Individual Action Plans" for liberalization will be presented to APEC Ministerial meetings.

On the surface, APEC countries have developed a broad consensus on the need to make steady progress toward "free" trade and investment. Below the surface, however, are deep tensions over both the scope and pace of liberalization, as well as whether commitments made in APEC should be binding. In the Osaka APEC meetings of 1995, Japan successfully excised agriculture from the purview of "free trade" while ASEAN countries are pressing for a greater emphasis on development goals in the design of the liberalization process.

Within the broad "free trade" consensus, in other words, are multiple agendas-and environmental issues figure in each. Among Japan's arguments to limit agricultural liberalization, for example, was the concern that domestic environmental benefits of rice production would be lost. ASEAN countries stress the need for "sustainable development" in part as a way to raise the profile of development cooperation, as well as to maintain domestic flexibility in the design of their trade policies. And Western "free traders" emphasize the environmental benefits of open markets.

There are thus three distinct, though partially overlapping, political postures on trade which shape the linkage between trade and environmental diplomacy at APEC:

1) *Free trade*, with environmental safeguards and capacity-building (U.S., Canada);

2) *Protectionism* for certain sectors, with environmental capacity-building (Japan);

3) *Flexible trade policy*, that is, scope and pace of trade openness dependent on national development goals, plus environmental capacity-building (ASEAN).

A fourth "sustainable development" approach, evolving mainly among think tanks and NGOs, stresses the integration of environmental and social objectives into the design of trade and investment regimes, both nationally and regionally. (17) Within this framework, environmental goals are not subordinate to economic goals-whether free trade, protectionism, or national development-but inform the design of economic, including trade, policies on a sectoral basis.

To date, political differences on environmental postures and priorities have been muted, with general consensus on the need to establish common principles and focus on capacity-building. Developing countries in particular favor capacity-building efforts, especially if there are financial benefits, while developed countries generally seek more concrete outputs. Significantly, there is no support for the notion that market access should be unilaterally or regionally conditioned on environmental performance.

Environmental diplomacy at APEC has been led by Western countries, especially Canada, with the significant exception of the Philippines. The push has been driven by four factors:

1) the need to maintain domestic support for free trade, especially in countries with strong environmental non-governmental organizations (NGOs);

2) the increasing recognition of the intrinsic importance of good environmental management, stemming from both changes in norms and the perception of the costs of environmental degradation;

3) the constraints on domestic environmental management created by the increasing economic integration with APEC and with external dependence more broadly, especially in terms of maintaining competitiveness (see below);

4) the recognition that the "environment track" can reinforce the goals of the "trade track."

Developed country governments and businesses also see commercial opportunity in the export of environment management products and services, as well as cleaner, leading-edge technologies generally. (18)

In addition to economic and intrinsic environmental interests, there are security-oriented incentives for regional environmental cooperation. Japan, for example, has taken leadership on energy issues, largely out of concern for security of energy supplies, as well as export opportunities. U.S. State Department diplomats have increasingly come to view environmental cooperation as a "second crop" of seedlings to nurture not only economic but broader U.S. security interests in Pacific regionalism. (19) When the Labor Party was in government, Australia promoted the notion that environmental cooperation enhanced Australia's trade interests-and vice versa. (20)

Within the past year, new, East Asian environmental leaders have emerged, most prominently the Philippines, which as the 1996 chair of APEC, strongly promoted a new focus on "sustainable development," and Chinese Taipei, which has indicated a strong interest in promoting clean production technology and environment management systems for industry.

For East Asian NICs and developing countries, incentives for regional environmental cooperation stem from the desire to enhance domestic management capacities, both technological and managerial, maintain market access in developed country markets, and to encourage "green" foreign investment. Both Chinese Taipei and the Philippines are strongly committed to the trade liberalization agenda. A broader focus on the development aspects of environmental cooperation may emerge in 1998 when Malaysia will be the chair of APEC.

C. Domain of Regional Environmental Cooperation

Driven by changing domestic norms, incentives to increase the gains from regional economic integration, and regional security concerns, the political will for environmental cooperation in APEC has gained momentum in the past five years (see Part II). However, the domain of environmental cooperation-APEC's specific 'value-added'-- is still poorly mapped.

Environmental and resource management are largely the preserve of domestic policy. Economic integration, however, creates new constraints on domestic environmental management and makes necessary new forms of supra-national environmental governance. Trade and investment liberalization unleash the role of market forces, which create both new imperatives and new opportunities to promote sustainable environmental management. The domain of regional environmental cooperation--what states could and should do together to improve environmental performance--is shaped by these new constraints, imperatives and opportunities.

1. "*Stuck in the Mud:*" *The Constraints of Competitiveness*

Economic integration creates pressures for economic and social, including environmental, standards and policies to converge. Convergence pressures are driven primarily by forces of competition: the attempt by business and government policymakers to gain or maintain international competitiveness. (21)

Environmental degradation-and good environmental management--impose costs. Unless specific measures are taken, these costs are not reflected in market prices but are borne socially, today or in the future. An individual country (or business) which takes measures to internalize its own local or global environmental costs could be priced out of export markets or lose attractiveness as a production site for domestic or foreign investors. Even if the actual change in relative costs is negligible, the fear of such an effect can act to politically paralyze policymakers, especially if there are implications for job loss and campaign contributions.

There are thus strong incentives for domestic environmental management standards to converge toward those of primary competitors. (22) Moreover, to facilitate trade and investment, policymakers have a further incentive to harmonize environmental policy in order to reduce transaction costs, i.e. the costs to business of getting information about and meeting different environmental requirements. Transnational firms, as well, can reduce learning and management costs by maintaining global standards.

Some analysts have argued that the process of policy convergence will be a "race to the bottom" in terms of environmental performance standards. However, there are counteracting forces, including "green" consumer trends, especially in large-market countries, and norm-building efforts by citizen groups, both internal and external. In many East Asian countries, the political role of "civil society" has mushroomed in the past five years. Moreover, the drive for international competitiveness is itself a two-edged sword: the push to compete in global markets can act to promote technological innovation and undermine inefficient, ecologically damaging national policies such as energy, industry and agricultural input subsidies.

Competitiveness, in short, can constrain nation-states (and firms) from bad as well as good environmental policies and propel standards up as well as down toward the market average. Over the long run, trade and investment openness, even without collective state action, may be positively correlated with improvements in environmental performance--even taking scale effects into account--as resources are better allocated, environmentally cleaner technologies are disseminated and the environmental standards of the worst performers are pulled upward toward convergence with the average, large-market country standards.

The problem is that, with each nation (or firm) reluctant to take unilateral action which could impose domestic costs of loss of competitiveness, the *average level* of environmental performance is likely to be low and the *rate of innovation* in improving environmental performance will be slow. Rather than racing to the bottom, market-driven convergence pressures cause environmental standards to be "stuck in the mud." (23)

Besides being low and slow, a market-driven process of convergence is bound to be too blunt. Good ecosystem and resource management requires sensitivity to local ecological and social conditions. Diversity of goals and approaches both across and within nations will yield a better environmental outcome than uniformity.

Overcoming the problems of uniformity and inertia requires collective action by governments and/or by firms to set broad, common environmental and resource management frameworks which promote

continuous improvement. In Europe, the "common standards" problem was tackled primarily by side payments to the politically weaker nations to bring up their standards to the level of Germany. (24) In the APEC context, gaps between low and high standard countries, however, are much greater and the potential costs of a "side payment" strategy politically infeasible. (25)

The need to close gaps between country standards, especially between richer and poorer nations, and to drive upwards the market-driven "average level" of environmental performance, are the fundamental imperatives of trade-environment diplomacy, whether at regional or global levels. The strong economic incentives, small number of countries, and consensus-building style within APEC suggest that it can be a fruitful arena. Given the social and ecological diversity within APEC, and the enormous environmental challenges, creative, flexible and efficient approaches will be needed.

2. *Norms, Capacities and Institutions*

The first step toward managing convergence is to develop common environmental norms and management principles for both government and the private sector. Even without any formal implementation plans or enforcement machinery, the process of defining common principles can generate changes in domestic practices and policy. A regional forum offers a venue for peer pressure and learning processes to be unleashed.

For three reasons, norm-building processes-the winning of "hearts and minds"--are especially important in APEC. First, most East Asian countries have weak judicial and legal structures: the rule and force of law is much less strong than in the West. Ethical decisions are formed more by peer group pressures than by legal interventions. In environmental management, self-enforcement is likely to be more effective than state enforcement. Second, the role of the business sector is very prominent in East Asia. Business has a large scope for norm-influenced improvements in environmental management. Third, East Asian countries, especially ASEAN, have developed a "consensus-building" style of regional diplomacy. With the flexibility to opt out, states must be persuaded to join in.

The evolution of common norms, and eventually, common policies, is dependent on improvements in national capacities for environmental management, especially by APEC's developed and newly industrialized members. APEC is characterized by large differences in technological, managerial, institutional and financial resources. Regional cooperation offers opportunities to improve domestic environmental management "from the bottom up," through learning and information exchange, technical and managerial training, and technology transfer.

A capacity-building approach aims to build on notions of self-interest in enhancing environmental performance. When aid or concessional financing is added, capacity-building initiatives provide a "carrot," that is, a positive incentive, to invest in enhancing management capacity. This is diametrically opposite to the "stick" approach-the threat to use trade sanctions to external impose environmental conditionalities-which has inflamed much of the trade-environment debate. (26)

In addition to enhancing domestic management capacities, cooperation is needed to create better regional management capacities, including of regional commons such as oceans and air systems. There is little standardization among APEC countries in the definition, collection, and organization of ecological data. The creation of common monitoring procedures and environmental indicators would help in identifying and managing regional cross-border environmental problems such as acid rain, marine pollution and biodiversity loss. Cooperation in developing APEC's environmental information infrastructure would also help countries to implement their commitments under global environmental agreements, such as the Climate Change and Bio-Diversity Conventions.

Norm- and capacity-building efforts and, generally, the larger policy convergence process cut across industry, bureaucratic and social sectors. Indeed, as two decades of global environmental diplomacy have shown, environmental issues are broadly and deeply embedded throughout society. To be effective, a regional work program on the environment requires the creation of regional institutional mechanisms to undertake two crucial tasks:

Coordination and Policy Research: Regional mechanisms are needed to nurture the overall progress of regional environmental cooperation, including the coordination of crosscutting issues, identification of emerging issues, and evaluation of initiatives taken;

Public Participation: Regional mechanisms are needed to create an effective interface between the public and the regional decisionmakers. Such an interface must provide openings for regular input both by "citizen groups," such an environmental, consumer, labor and community groups, and by business. To date, only a business mechanism, the APEC Business Advisory Council, has been created.

3. *Environmental Management Priorities*

The building of norms, capacities and institutions constitutes a process toward better environmental management. In Asia-Pacific, the pressing environmental problems which must be addressed fall in two broad categories: 1) *Pollution* of air, water and land; and 2) *Resource management*, that is, the unsustainable utilization of resources, including agricultural lands, minerals, forests, fisheries, inland waters, and oceans.

In East Asia, rapid economic growth has generated severe problems of both pollution and resource depletion. (27) Toxic and hazardous wastes plague industrial development, especially in the most industrialized countries of East Asia such as Chinese Taipei and South Korea and increasingly Thailand and Indonesia. Energy-related pollution, especially from high-sulfur coal-burning plants in northern China and elsewhere, has generated created a host of pollution and health problems, both within and across borders, including acid rain, bronchial disease and an increase in greenhouse gas emissions. (28) Widespread water and coastal pollution also stems from inadequate sewerage, especially in rapidly urbanizing areas.

Unsustainable resource use has generated a rapid decline in the productivity of East Asian fisheries, depletion of forests, and a loss of agricultural lands. Environmental and resource degradation have also undermined social gains, eroding livelihoods in rural areas and stimulating rural out-migration. (29) "If unchecked," concludes a 1995 World Bank study, "the pace of environmental damage from pollution and over extraction of renewable resources threatens to compromise the welfare gains in east Asia from higher incomes." (30)

For the Western countries of APEC, the most pressing environmental problems stem from unsustainable resource management practices. In Canada, inappropriate pricing undermines forest sustainability, while inadequate management precipitated a collapse of Northeastern fisheries. In the United States, financial and environmental resource subsidies continue to make the U.S. among the world's largest per capita users of water and energy, with distorting impacts on trade. (31) In Australia, farming and grazing practices in some states generate soil erosion and decline of water tables. In both East Asian and Western APEC members, domestic economic interests make changes in resource management policies politically difficult.

Among the most pressing region-wide problems is the cluster of issues related to energy. Projected high rates of economic growth, especially in Northeast Asia, will drive a large increase in energy demand over the next 20-50 years. If future investment decisions resemble those of the past, power

sector development will be based heavily on fossil fuels, including "dirty" high-sulfur- and/or carbon-emitting coal. Moreover, scarcity or instability of energy supplies could fuel regional tensions. (32) Through regional cooperation, APEC members could create incentives for investment in more environmentally sustainable energy development.

II. ENVIRONMENTAL COOPERATION: THE FIRST FIVE YEARS

Environmental issues have been discussed at APEC virtually since its inception. At the founding conference in 1989, Ministers agreed to scope, at a national level, issues related to energy, fisheries and marine pollution. In 1991, the Seoul Declaration defined the scope of APEC and included equity and sustainable growth. But it was in 1993, with the launching of the "Sustainable Development Dialogue" by APEC heads of state, that environmental issues moved unmistakably onto APEC's radar screen. Since 1993, the momentum on environmental issues has increased exponentially.

The primary emphasis of environmental cooperation in the past five years has been on norm-building--the distillation of a common overarching vision and principles--and on capacity-building. The norm-building process is far from complete: key debates remain to be resolved and will become more pressing as the private sector and non-governmental organizations become more engaged with APEC. The capacity-building effort is likewise in an early stage and has focused primarily on "scoping exercises."

Nonetheless, the principle that environmental cooperation belongs within APEC has been firmly established and some initial contours shaping an "APEC model" have been drawn. Important debates continue, however, the resolution of which could be pivotal in the performance of the model over the next five years.

A. Dynamic Architecture

APEC is young, flexible and dynamic. With an operational style based on voluntarism and consensus, APEC's institutional architecture is more like cartilage than bone. Under the principle of "concerted unilateralism," APEC members collectively design broad, common goals and leave specific implementation to be designed nationally. APEC's flexibility has been crucial in promoting the rapid evolution of environmental cooperation.

APEC operates via a series of diplomatic "tracks:" official and non-official, regular and ad hoc (see Appendix 1). (33) At the official and regular track, the top decisionmaking body is a yearly Ministerial, held by tradition in mid-November in the country which is acting for that year as the APEC chair. The Ministerial brings together foreign and trade ministers from each of the eighteen member governments to discuss and ratify initiatives hammered out and approved by Senior Officials Meetings (SOMs) held throughout the year. SOMs are attended typically by senior bureaucrats located in foreign, industry and/or trade bureaucracies, accompanied by a host of underlings.

Reporting regularly to the SOM are three Committees and ten Working Groups. The Committee on Trade and Investment (CTI) promotes and coordinates work related to trade and investment facilitation and liberalization; the Budget and Administrative Committee oversees and allocates APEC's central funds; and the Economic Committee nurtures work related to APEC's "third leg," viz, economic and technical, including environmental, cooperation.

The ten Working Groups are organized by sector and to date, have focused primarily on trade liberalization and facilitation. "Shepherded" on a rotating basis by different APEC countries according to their interest, the Working Groups have a wide berth in terms of designing and

undertaking specific projects. On the other hand, they tend to be composed of trade-oriented bureaucrats, rather than technical or environmental experts.

The "Ministerial-SOM-Committees-Working Group" structure is the official day-to-day backbone of APEC's diplomatic machinery. Some of APEC's most significant initiatives, however, on both legs of its agenda, have been jump-started by APEC's official and *ad hoc* track, the most important of which is the APEC Leaders Meeting.

Initiated by U.S. President Bill Clinton in 1993, the Leaders Meeting has become a regular feature of APEC and is held following the yearly APEC ministerial. Heads of state can leap over all the rungs of bureaucracy below them and undertake bold initiatives, directing underlings to design the details. It was the Leaders Meeting in 1993 which ignited APEC as a vehicle for trade liberalization-and sparked the environmental agenda.

Besides their now-annual Meetings, APEC Leaders are able to generate or promote agendas through the mechanism of the annually rotating chair. As the host of the APEC Ministerial, the chair has substantial scope to influence the emphasis of APEC diplomacy. In particular, the chair can introduce new issues such as environment or human rights, as well as emphasize particular themes within already established agendas.

Another official, *ad hoc* track is the occasional Ministerial meeting. A variety of Ministerials have been called, including Finance and Trade, as well as Environment. Like the Leaders Meetings, the Ministerials can leap over bureaucracy in generating creative proposals. However, unlike those of the Leaders, Ministerial-level proposals must be approved by the SOM and then by the APEC Ministerial in November. Ministerial-level initiatives are implemented by Working Groups or simply by individual governments with particular interest in the proposal. None of the issue-Ministerials have been regularized.

A third *ad hoc* track is the creation of groups to take on particular tasks or functions. The most important in the past five years was the Eminent Persons Group chaired by American Fred Bergsten, which developed a blueprint for a free trade regime in APEC. More recently, an APEC Business Advisory Group (ABAC) has been established. Composed of top business leaders form each APEC country, ABAC is to provide regular input on issues involving public-private sector partnership.

APEC also has an unofficial *ad hoc* track made up of task forces and expert groups. An important breeding ground for new ideas and initiatives, task forces and expert groups can be called by any of the official tracks, viz, Committees, Working Groups, SOM, etc. These groups tend to focus on technical issues and/or issues which are too politically "hot" to be considered on the official tracks. For example, Australia and Japan have established a Task Force on Food within the Economic Committee, formed in part because a Working Group on agriculture which would have included agricultural liberalization in its purview was too contentious.

Other inputs into APEC diplomacy and activity come from the "sub-regional track," the most important of which is ASEAN; and the "non-governmental track," including the Pacific Economic Cooperation Council (PECC), currently the only NGO to be granted official status at APEC. Completely ad hoc initiatives are also possible; e.g., the U.S. state of Oregon undertook an effort aimed primarily at promoting its environmental service industries which resulted in the creation of the Sustainable Development Information and Training Network.

B. Environmental Initiatives "At the Top"

The milestones of environmental cooperation at APEC have been propelled primarily "at the top" by

initiatives taken by Leaders Meetings and Environment Ministerials (Appendix 2).

At the first Leaders Meeting in Blake Island in 1993, Prime Minister Chretien of Canada promised to "green" APEC and called for Canada to host APEC's first Environment Ministerial. Philippine President Ramos strongly supported Chretien and called for a conference on creative financing for sustainable development. The Environment Ministerial was held the following March in Vancouver and produced an *Environmental Vision Statement and a Framework of Principles for Integrating Economy and Environment* (Appendix 3).

Following the spirit of the Rio Declaration, the *Vision Statement* and *Framework of Principles* firmly established the goal of APEC environmental diplomacy to be the pursuit of sustainable development. "We are committed to develop policies that are sound economically and environmentally," the Vision proclaims. "We will all work together with our APEC Ministers to promote sustainable development, trade and investment in the region, through a vision for APEC that encourages members to integrate environmental considerations into their policy..."(34)

In the spirit of economy-environment integration, the Vision Statement calls on APEC senior officials to "develop a strategic approach, based on sustainable development principles, for environment considerations to be fully integrated into the program of each APEC working group and policy committee." The directive for institutional integration of the environment was deeply significant: it pointed away from the marginalization of the environment via the creation of a separate Working Group or Committee on the Environment and towards the "kneading" of environmental issues into APEC's deepest institutional fabric.

To help implement the Vision, the Ministers generated a Framework of nine Principles. Besides the fundamental principle of sustainable development, the Principles included inter alia cost internalisation, technology transfer, the precautionary approach, and the principle that APEC should make the best use of existing fora and institutions. It also generated a "Trade and Environment" principle which stated that "member economies should support multilateral efforts to make trade and environment policies mutually supportive" (Appendix 4).

Working through APEC's official machinery, the Vision Statement and Framework were approved by the APEC Ministerial in November, 1994, blessed by the Leaders Meeting, and sent to the SOM for further implementation. In early 1995, a Senior Officials Meeting directed all of APEC's Working Groups and Committees to include environmental issues in their annual reporting process.

During 1995, the Working Groups began to grapple with the implementation of the directive, with mixed success (see below). One of the issues which emerged early is that many crucial issues of sustainable resource and environmental management cut across sectors. The Working Groups, on the other hand, are structured by sector.

At the 1995 Meeting in Osaka, Leaders took another leap and directed the Economic Committee to consider cross-cutting issues. Called FEEEP (Food, Energy, Environment, Economic Growth, Population), the initiative grew out of Japan's "3Es" (energy, economy, environment) proposal of the previous year. The Economic Committee has created a FEEEP Task Force which will report to the next Environment Ministerial in 1997.

In addition to moving towards cross-cutting issues, environmental cooperation has begun to evolve from promoting national environmental objectives to defining regional priorities and developing a regional work program. In July, 1996, the Philippines government hosted a second Ministerial meeting on environmental issues. Called the "Sustainable Development Ministerial," the gathering produced an "Action Programme" on three priority areas (Appendix 5):

Sustainable Cities, put forward and supported especially by Canada, Japan and the Philippines;*Clean Production/Clean Technology*, put forward by the United States and Chinese Taipei;*Sustainability of the Marine Environment*, put forward by the United States.

In keeping with APEC's larger style, the Action Programme is to be implemented according to particular guidelines, including promoting public-private partnerships, the need to define APEC's particular "value-added," and the need to recognize diverse stages of economic development among APEC economies. (35)

One of the important issues discussed at the Ministerial was the problem of "cross-cutting mechanisms." While the "spreading out" of environmental initiatives throughout APEC curtails marginalization, the lack of an overarching institutional "home" for environmental issues creates problems of coordination, accountability and transparency. Besides the normal bureaucratic problems of coordination, the work of keeping environmental issues on track requires a certain level of scientific and technical expertise-currently lacking within Senior Officials Meetings or, indeed, in any other part of APEC's "official" regular architecture.

The issue of "institution-building" at APEC, however, is highly contentious. Some members, currently including Australia, worry about the over-bureaucratization of APEC-pointing to the European Union as their worst nightmare-and resist the formation of any new institutional mechanisms. The most acceptable proposal currently is for Senior Officials to devote one Meeting each year specifically to environmental issues. A decision to set up such a mechanism is expected by the Senior Officials Meeting ahead of the November, 1996 APEC Ministerial. Hopefully, the SOM will direct governments to send Environment Officials to the SOM.

The two cross-cutting issues, viz, analytical/policy integration and institutional coordination/oversight, could-and certainly should--be the central topics in the next Environment Ministerial, to be held in Toronto, Canada in April 1997. As chair of APEC for 1997, Canada is taking the lead in moving the "Action Programme" toward implementation.

In Manila, Ministers directed various Working Groups to conduct "scoping exercises" to define APEC's "value-added," that is, the specific goals and activities which APEC should undertake in the three priority areas. (36) Canada is particularly interested in Sustainable Cities (renamed Sustainable Urbanization). A meeting of Senior Environment Officials in Montebello, Canada, in October, 1996, reviewed work-to-date and stimulated a variety of new proposals.

C. "Nuts and Bolts:" Working Groups

While the Leaders and Ministers are the architects of the environmental agenda, the Working Groups and Committees are the engineers. Since 1994, the number of environment-related initiatives by Working Groups has grown rapidly, primarily studies, surveys, and conferences (Appendix 6). Some Working Groups have been far more active than others.

There are ten Working Groups in APEC. Each Working Group is "shepherded" on a rotating basis by a particular member economy. As of September, 1996, the Working Groups and their shepherds were:

Fisheries	New Zealand (co-shepherds: Indonesia, Japan, Thailand)
Human Resources Development	Canada
Industrial Science and Technology	Japan (co-shepherds: China, Indonesia, Philippines)
Marine Resources Conservation	Thailand (co-shepherds: Canada, Indonesia, New Zealand)

Regional Energy Cooperation	Australia
Telecommunications	United States
Tourism	Indonesia
Trade and Investment Data Review	Australia (co-shepherds: Indonesia, Japan, Singapore, US)
Trade Promotion	Korea (co-shepherds: Indonesia, Malaysia, Thailand)
Transportation	New Zealand (co-shepherds: U.S., Indonesia)

The most active by far has been the Regional Energy Cooperation Working Group (REC). The REC defines it objective as maximising "the energy sector's contribution to the region's economic and social well being," including through regional discussion on how to respond to "energy related issues such as the greenhouse effect." Its five Expert Groups are based on five key themes: 1) energy supply and demand; 2) energy and the environment, which aims to promote clean coal technologies; 3) energy efficiency and conservation; 4) energy research and development and technology transfer, with a priority on new and renewable energy technologies; and 5) minerals and energy exploration and development. (37)

For the past two years, the REC has focused primarily on developing an information base and stimulating regional discussion. It has begun to move, however, into policy-related areas with the proposed "Joint Regional Action on Appliance Efficiency Improvement and Harmonisation of Standards." This is a "nuts and bolts" initiative in the management of policy convergence (as described in Part I.C above) and, if undertaken, should have a demonstrable positive effect on regional environmental performance by pulling regional appliance standards up. The REC is also expanding into regional capacity-building efforts with the proposed Asia Pacific Energy Research Centre.

Another potentially significant Working Group achievement is the creation of an "APEC Sustainable Development Information and Training Network." Launched in October, 1996, the Network was the brainchild of the Oregon Economic Development Department. Seeking to promote local environmental management industries in Asia-Pacific, the Department stumbled on APEC and creatively developed a "win-win" proposal to enhance basic capacities of middle-level governmental environment managers. (38) The Network will be under the purview of the Human Resources Development Working Group.

Other Working Groups with environment-related outputs include Tourism, which is developing regional "Sustainable Tourism" guidelines; Human Resources Development, which is promoting environmental training; Marine Resources Conservation, which is spearheading the Regional Action Programme component on Sustainability of the Marine Environment; and Industrial Science and Technology, which is spearheading the "Clean Technology" component of the Regional Action Programme.

While the sheer quantity of output is impressive, the move toward implementation and eventually positive impact on environmental performance is not assured. The Working Groups suffer from lack of technical expertise and reflect some political resistance in moving toward policy issues. Moreover, initiatives related to "environment" are only part of what Working Groups do. In their other work, the Working Groups are pursuing agendas which may have far greater and potentially negative impacts on the environment, such as harmonisation of vehicle emissions standards.

Finally, the overall orientation and technical capacities of Working Groups reflect their original *raison d'être, viz*, to promote trade and investment liberalization and facilitation on a sectoral basis. The Fisheries Working Group, for example, is undertaking a four-year study aimed primarily at

examining trade barriers, including, in the fourth year, the issues of subsidies. Whether they will focus on environmental impacts of subsidies and propose ways to integrate trade and environmental objectives will depend more on external advocacy than bureaucratic directive. The deep integration of environment and economy envisioned by Ministers in 1994 is still to be achieved.

D. "Track Two" Diplomacy

As long as APEC remained primarily a forum for regional consultation, it captured little public imagination or concern. With the turn toward activism in 1993, including the vigorous push for trade liberalization, non-governmental and private sector groups throughout the region began to consider how to engage APEC in furthering their concerns. In May, 1996, the Pacific Basin Economic Council (PBEC) organized a Task Force on the Environment. Encompassing high-level corporate managers throughout the region, the Task Force is still developing its agenda.

Environmental advocacy has been strongest among non-governmental think tanks and activist groups. Between 1994 and 1996, a series of NGO workshops and seminars were crucial in shaping the parameters and defining the agenda of regional environmental cooperation.1 Environmental groups have engaged and prodded governments to deepen and hasten their sustainable development work by developing policy alternatives. Moreover, they have begun to focus on influencing specific initiatives and Working Groups. In Australia, for example, a coalition of environment groups targeted a meeting of APEC Energy Ministers in July 1996 with a list of their concerns. (40)

Such efforts have been particularly successful in countries which have established institutional mechanisms for the regular interface of NGOs with government. In the Philippines, for example, the Philippine Council for Sustainable Development includes APEC in its purview. NGO members have used their positions effectively to raise the profile of sustainable development. In Canada, the National Round Table for Environment and Economy provides direct channels of communication between government and NGOs leaders.

At APEC itself, the role of NGOs has not been defined. Three countries-the U.S., Canada, and the Philippines-included NGO representatives or individuals in their official delegations to the Sustainable Development Ministerial in July. This was the first time that NGOs have been on any delegation to APEC and there are no regular channels to do so. Indeed, there are no formal institutional mechanisms whatsoever for NGOs to interface with APEC.

Among activist non-governmental groups in general, APEC has generated a storm of interest and controversy, especially over its "free trade" push. An NGO "parallel conference" to the official APEC Ministerial has emerged as a regular feature of the APEC political landscape. The first NGO parallel conference was slated for Indonesia in 1994. However, Indonesia refused to grant permission or visas for the gathering and it was hastily relocated to Bangkok. In 1995, an NGO conference held in Kyoto drew over 150 participants from throughout the region to discuss the environmental and social costs of "free trade." In 1996, the Manila People's Forum is expected to draw over 400 people from a wide range of groups working on human rights, environment, women's empowerment, and economic development. In 1997, the NGO conference will be held in Vancouver.

The emergence of "track two" diplomacy is a two-edged sword for many APEC governments. On the one hand, NGOs are a fount of creative and constructive proposals and their increased activism deepens the region-building process. On the other hand, NGOs force issues into the political spotlight which governments would rather keep obscure. Significantly, the human rights issue again dominated the Manila People's Forum, with concern that the Philippine government would refuse a visa to East Timor activist and Nobel prize-winner Jose Ramos-Horta. Given the role of NGOs as a bellwether, it is likely that human rights will be the next significant new issue to come onto APEC's

agenda.

E. An "APEC Model?

Following the lead of ASEAN, APEC's operational style is based on voluntarism, consensus and flexible implementation. (41) By design, APEC is not a forum in which binding regional agreements are made and enforcement mechanisms created -on trade or any other issue. Even the most ardent free trade supporter, the United States, recognizes, at least intermittently, that the value of APEC goes beyond specific gains in trade openness and encompasses the broad goals of economic integration and region-building(42).

Initiatives at APEC are based on "concerted unilateralism:" APEC members aim to define broad regional goals of common interest, the specific aspects of which are implemented unilaterally at the national level. The emphasis on consensus suggest that common initiatives are taken not primarily through a process of side payments and threats of sanctions but on a perception of self-interest, as well as more subtle forms of political pressure.

The consensus-building approach has been important in gaining regional support for APEC as a whole and the environmental agenda in particular. Most important, it helped to head off actual or perceived attempts by the more powerful Western countries to define environmental issues primarily in terms of their links to market access. Many East Asian countries are deeply concerned about and opposed to a "trade-environment" agenda based on market restrictions.

Moreover, consensus-building and concerted unilateralism suggest that the initiatives taken will be grounded in national political and economic realities, as well as social and political commitments. With self-interest and norm-building as the operational factors, it is more likely that initiatives committed to at a regional level will actually be implemented. The problem of implementation has bedeviled the implementation of international environmental agreements. On the other hand, with no external enforcement mechanism operating, only self-interested initiatives will be undertaken.

The "APEC way" has promoted a focus, led by East Asian countries, on building environment management capacities, rather than defining rules and procedures for trade sanctions-or on any other matter. APEC has thus avoided the expensive and largely barren legalistic trade-environment approach of the North American Free Trade Agreement (NAFTA). (43) Moreover, APEC's institutional flexibility has allowed the environmental agenda to gain rapid momentum, overcoming political resistance which has plagued other fora.

The "APEC Model," in short, represents an innovative approach to the blending of trade and environment and may offer guidance to other institutions. However, there are some significant drawbacks. The requirement to move ahead only in ways and on issues in which there is unanimity-or at least, in which there is no strong objection-derails controversial issues and makes progress slow. The lack of institutional transparency inhibits accountability and input from the public.

Moreover, some of the most difficult--and significant--issues are still to be resolved, including the relationship between the "trade track" and the "environment track," the design of crosscutting and participatory institutional mechanisms, and the development of a consensus to undertake common policy initiatives, especially on resource management.

CONCLUSION

Within the past five years, APEC has made impressive gains on environmental issues. It has accepted the principle that environmental issues are a legitimate part of APEC, an organization

which remains pre-eminently focused on economic and trade issues. It has defined a Framework and developed an integrative, development-oriented approach which have spawned a host of initiatives and avoided political stalemate. And it has sparked the interest of a widening sector of "civil society."

Nonetheless, there is little yet to show for all the verbiage in terms of implementation, let alone measurable improvements in environmental performance. Environment officials themselves recognize the problem, defining it as the need to come up with "deliverables." With the first five years devoted primarily to building norms--and developing the capacities to build capacities-- the next five years will need to focus more squarely on policy initiatives and institutional development.

There are three key areas in which APEC will need to focus its environmental work agenda.

1. *Linking the "trade track" and the "environment track:"* Despite the Vision Statement's call for broad economy-environment integration, environmental diplomacy has emerged on a separate track from trade diplomacy. The design of a process to liberalize trade and investment, centered in the creation of "Individual Action Plans (IAPs)," has not been informed by sustainable development principles. There is no requirement, for example, for the IAPs to be reviewed and/or modified on environmental grounds, nor to include specific commitments to improve environment management capacities

By the same token, there has been no attempt on the environmental track to guide the process of liberalization toward sustainable development. Investigation and analysis of likely environmental impacts, both local/immediate and broad/intersectoral, would provide recommendations as to the pace and scope of liberalization on a sectoral level. In some cases, such an investigation might suggest a precautionary, "go slow" approach to liberalization, while in other sectors, liberalization could yield "double dividends" for both environment and economy and should be speeded.

Within APEC, an early debate about a "parallel" versus "integrated" track for environmental diplomacy resulted in the push towards parallelism. However, the prevailing model of the parallel track was the "side agreements" approach of NAFTA. Trade bureaucrats were universally wary of such an approach, the Western governments because they thought it would slow momentum toward liberalization, and East Asian governments because they saw it as covert form of Western protectionism. A new, APEC-specific approach to trade-environment integration is clearly needed. A good place to start is within the IAPs.

2. *Crosscutting and participatory mechanisms:* The need to coordinate and guide progress toward sustainable development is already pressing and will become more so as more initiatives are undertaken. An annual review by the Senior Officials Meeting would be a good start and would help to ensure there is progress on and broad coordination among various initiatives. However, there are important crosscutting functions which the SOM could not provide, including analytical and strategic work in examining cross sectoral linkages and proposing-and even implementing--new cross-sectoral work. At the moment, the Working Groups are the only vehicle for implementation and, as argued above, they face certain structural limitations.

One proposal is for the Economic Committee to take on crosscutting analytical and institutional work, perhaps in the creation of an Environment Commission. One of the advantages of an institutional "home" for the environment is that NGOs and other groups can have better access to information and more generally, to the agenda-setting process.

Modalities for an interface between environmental and other NGOs with APEC are sorely needed. Proposals include the creation of an "Environmental Eminent Persons Group" and an "APEC Council

of Councils" made up of representatives from national Councils of Sustainable Development. (44)

3. *Resource Management:* Environmental diplomacy at APEC has yet to tackle some of the region's most pressing environmental problems, especially problems related to resource management. One of the greatest concerns is agriculture: with rapidly growing incomes and a fast growing and rapidly urbanizing population, food demand in East Asia will grow dramatically in coming years. On the other hand, unsustainable agricultural practices will undermine food supply, while agricultural liberalization will displace potentially millions of peasants. Involved in agricultural management, in other words, are security and livelihood issues which could have far-reaching consequences.

The interplay of food security, resource management, population, economic and trade issues requires a cross-sectoral approach in designing a transition to sustainable agriculture. On the trade side, this would include the eventual design of common policies eliminating chemical, water and energy input subsidies to agriculture, including by major food exporters like the United States. Other key resource management issues at APEC include fisheries, minerals, and forests.

APEC members are not ready at the moment to move beyond capacity-building efforts towards considering common policies on resource management or any other issue. However, in 1993, they were not ready to develop a regional Action Programme, which in 1996, was uncontroversial Even modest efforts aimed at capacity-building-but which squarely put resource management issues on the agenda-would be a progressive first step. Over the long term, the move from capacity-building to policy development will be the crucial indicator that sustainable development at APEC has come of age.

Notes

* Lyuba Zarsky and Jason Hunter are, respectively, the Director and the Environment Program Officer at the Nautilus Institute for Security and Sustainable Development in Berkeley, California. This paper is Working Paper No. 6 of the Institute's Asia Pacific Regional Environment Network and was prepared for the Global Environment and Trade Study directed by Steve Charnowitz in New Haven, Connecticut.

(1) Environmental issues at the World Trade Organization are primarily the purview of the Committee on Trade and Environment (CTE). For an ongoing report on the Committee's activities, see *Trade and the Environment*, CTE newsletter, World Trade Organization, Geneva.

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(2) Canada, United States, Mexico, Japan, China, South Korea, Chinese Taipei, Hong Kong, Brunei Darussalam, Indonesia, Malaysia, Philippines, Singapore, Thailand; Australia, New Zealand, Papua New Guinea, Chile. Members are called "economies" because of the inclusion of both Chinese Taipei (Taiwan) and China. APEC is the only international forum in which both are members.

(3)1 See Hadi Soesastro, "Pacific economic cooperation: the history of an idea," in R. Garnaut and P. Drysdale, *Asia Pacific Regionalism, Reading in Intenraitonal Economic Relations*, Pymble, New South Wales: HarperEducational Publishers, 1994, pp. 77-88.

(4) See Mohsin S. Khan and Carmen M. Reinhart, Capital Flows in the APEC Region, Washington D.C.: International Monetary Fund, Occasional Paper 122, March 1995; Pacific Economic Cooperation Council, *Pacific Economic Outlook 1995-96*, San Francisco: The Asia Foundation, 1995; and Ippei Yamazawa, "On Pacific Integration," in R. Garnaut and P. Drysdale, *Asia Pacific Regionalism, Readings in International Economic Relations*, Pymble, New South Wales: HarperEducational Publishers, 1994, pp. 201-211.

(5) Yoichi Funabashi, *Asia Pacific Fusion, Japan's Role in APEC*, Washington D.C.: Institute for International

Economics, October, 1996, pp. 142-144.

(6) Jenelle Bonnor, "APEC's Contribution to Regional Security," in Hadi Soesastro and Anthony Bergin, eds. *The Role of Security and Economic Cooperation Structures in the Asia Pacific Region, Indonesian and Australian Views*, Jakarta: Centre for Strategic and International Studies in cooperation with the Australian Defence Studies Centre, 1996, pp. 45-56.

(7) International Monetary Fund, *Direction of Trade Statistics*, Washington DC: IMF, 1995. (8) *World Investment Directory, Volume III Developed Countries*, New York: United Nations, 1993.

(9) Ippei Yamazawa, "On Pacific Integration," in R. Garnaut and P. Drysdale, *Asia Pacific Regionalism, Readings in International Economics*, Pymble: HarperEducational Publisher, 1994, Table 16.4.

(10) Processes of regional integration are even older and were driven, prior to World War II, largely by the ambitions of Japanese imperialists to create a Greater East Asian CoProsperity Sphere.

(11) See Stewart R. Clegg and S. Gordon Redding, *Capitalism in Contrasting Cultures*, Berlin: Walter de Gruyter, 1990.

(12) Yoichi Funabashi, *op cit*

(13) See Peter Evans, *Embedded Autonomy: States and Industrial Transformation*, Princeton: Princeton University Press, 1995.

(14) Walden Bello, Presentation to Forum on APEC and Its Implications for Asia and the Pacific, Washington D.C., School of Advanced International Studies, John Hopkins University, October 8, 1996.

(15) See OECD, *Linkages, OECD and Major Developing Economies*, Paris: OECD, 1995.

(16) Asia-Pacific Economic Cooperation, *A Vision for APEC, Towards an Asia Pacific Economic Community*, Report of the Eminent Persons Group to APEC Ministers, Singapore" APEC Secretariat, October, 1993.

(17) See Lyuba Zarsky, "APEC and the Environment: Guiding Principles, Innovative Strategies," Nautilus Institute, March, 1996; "What is Sustainable Development: Asia-Pacific Initiative?" Center for Alternative Development Initiatives, Quezon City, October, 1996; and National Round Table for the Environment and Economy, *The Environment and Economy in APEC: Realizing Convergence*, March, 1996.

(18) Coming on the heels of a raging domestic debate over NAFTA, Canadian leadership of the environmental agenda at APEC is probably a combination of all these factors. In addition, Canada's domestic political culture and status as a "middle power" has promoted its role as an altruistic leader in international affairs.

(19) Interview with Joseph Hayes, Office of Economic Policy, U.S. State Department, June, 1996.

(20) Prime Minister Paul Keating, Foreign Policy Speech, Singapore National University, February, 1996.

(21) This section draws heavily from Lyuba Zarsky, "Stuck in the Mud? Management Issues in the Globalization/Environment Relationship," paper to OECD Globalisation and Environment Study, Economics Division, January, 1997.

(22) More subtly, there is a tendency for the total costs to business of meeting environmental management requirements to converge. Total costs include compliance costs, as well as information, regulatory, and other transactions costs. More efficient regulatory regimes may generate a higher level of environmental performance for the same cos. See C.Leigh Anderson and Robert A Kagan, "Adversarial Legalism, Transaction Costs, and the Industrial Flight Hypothesis," draft, Carleton University, Ottawa Canada, October 17, 1996

(23) An example of the "stuck in the mud" problem is the inability of the U.S. and Australia to enact even a very small energy tax. In the U.S., the proposal was defeated largely by aluminum producers. In Australia, a business lobby argued successfully that even though the actual cost was negligible, a perception of added cost would dampen foreign investment. See J.Andrew Hoerner and Frank Muller, "Carbon Taxes for Climate Protection in a Competitive

World," Center for Global Change, University of Maryland College Park, June,

(24) Richard Steinberg, "Trade-Environment Rules and Practices: Globalizaiton, Westernization or Regionalization?" paper to Workshop on Innovative Approaches to Trade and Environment in Asia-Pacific, Nautilus Institute and Berkeley Roundtable on the International Economy, October 18, 1996.

(25) Foreign aid can act as a "side payment" to provide incentives for better environmental management; e.g. Japanese provision of coal-scrubbers to China.

(26) See C. Brandon and R. Ramankutty, *Toward an Environmental Strategy for Asia*, World Bank Discussion Papers No. 224, Washington DC: World Bank, 1993.

(27) See C. Brandon and R. Ramankutty, *Toward an Environmental Strategy for Asia*, World Bank Discussion Papers No. 224, Washington: World Bank, 1993.

(28) Lyuba Zarsky, "Environmental Cooperation and Sustainable Development in Northeast Asia," in *Economic and Regional Cooperation in Northeast Asia*, Joint U.S.-Korea Academic Studies, Volume 6, Center for East Asian Studies, University of Chicago and Korea Economic Institute of America, 1996, pp. 80-84.

(29) Vivienne Wee and Noeleen Heyzer, *Gender, Poverty and Sustainable Development*, Centre for Environment, Gender and Development, Singapore, 1995.

(30) Jeffrey S. Hammer and Sudhir Shetty, *East Asia's Environment, Principles and Priorities for Action*, Washington DC: World Bank Discussion Paper #287, 1995, p.4.

(31) See OECD, *Environmental Performance Reviews, United States*, Paris: OECD, 1996.

(32) See Kent E. Calder, *Pacific Defense, Arms, Energy, and America's Future in Asia* , New York: William Morrow and Company, 1996.

(33) A useful description of APEC's "tracks" was provided by Hadi Soesastro, presentation to conference of Pacific Asia Trade and Development Forum, Ottawa, September 5, 1995.

(34) *APEC Environmental Vision Statement*, March 1994, Vancouver.

(35) See "Declaration, APEC Ministerial Meeting on Sustainable Development," Manila, July 11-12, 1996.

(36) One of the issues being discussed in the Clean Production initiative is the promotion of ISO 14,000. For an analysis, see Naomi Roht-Arriaza, "ISO 14,001 in the APEC Context: Uses, Limitations and Policy Alternatives," paper to Workshop on APEC and the Environment: Innovative Approaches to Trade and Environment in Asia-Pacific, October 18, 1996.

(1) Regional Energy Cooperation Working Group, Internet Home Page, http://www.isr.gov.au/resources/apec-ewg/index.html

(38) APEC, Organizaing Conference, Sustainable Development Training and Information Network, Iniitial Conference Report, October 22-25, 1996.

(40) Even more specifically, an NGO has formed to target the minerals-oriented work of the Regional Energy Committee. For information, contact Danny Kennedy <mailto:dannyk@moles.org>dannyk@moles.org, Project Underground, at the International Rivers Network, Berkeley, California.

(41) See Yoichi Funabashi, Asia Pacific Fusion, Japan's Role in APEC, Chapter 8, "The APEC Way," Washington DC: Institute for International Economics, 1995, pp. 133-150.

(42) "The value of APEC is not that we are going to do trade agreements in APEC," claimed a U.S. trade official in 1995. "I mean, if that's all APEC were, we could do it in Geneva. We don't need it. The value of APEC is that it will help create the conditions for commercial and economic integration." Quoted in Yoichi Funabashi, op cit, p. 146.

(43) See Mark Spalding, "Lessons of NAFTA for APEC," paper to Workshop on APEC and the Environment: Innovative Approaches to the 'Greening" of Trade in Asia-Pacific, Nautilus Institute, October 18, 1996. According to Spalding, the effort to design trade sanctions occupies 80 percent of the verbiage on environmental issues in NAFTA, while the design of institutional mechanisms to promote environment management capacities occupies 20 percent. Since its passage, the actual work of NAFTA environment institutions has been in exactly the reverse proportion.

(44) See David Morgan, " Building APEC's Institutional Architecture: Crosscutting and Participatory Mechanisms for Sustainable Development, Some Preliminary Thoughts," paper to Workshop on APEC and the Environment: Innovative Approaches to Trade and Environment in Asia-Pacific, Nautilus Institute, October, 1996.

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Nautilus Institute
608 San Miguel Ave., Berkeley, CA 94707-1535 | Phone: (510) 423-0372 | Email: nautilus@nautilus.org