APEC, Globalization and the “Sustainable Development Agenda”

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Introduction: In the early 1990s, popular concern about mounting ecological degradation swept the world. The historical moment was crystallized in the 1992 UN World Conference on Environment and Development, known popularly as the Rio Summit. Attended by over 100 heads of state, the Summit coalesced around the concept of "sustainable development," the idea that environmental protection could and should be built into the design of economic development plans and policies, rather than addressed as an aftermath of economic growth. The Summit produced a sweeping plan of action called "Agenda 21" and called for both states and international organizations to implement it.

From another direction as well, environmental issues began to trickle into--and bump up against--global consciousness and institutions, especially the General Agreement on Tariffs and Trade (later the World Trade Organization). At the GATT/WTO, however, the framework for grappling with new environmental concerns was based on a "trade and environment" formulation which stressed the primacy of maintaining neo-liberal trade rules and ensuring that environmental protection not be a mask for trade protectionism. Convened in 1992, the WTO Committee on Trade and Environment has been absorbed with defining (and confining) the environmental parameters for trade sanctions and trade restrictions.1

APEC's approach to the environment is an anomaly. While APEC is predominantly focused on economic cooperation and trade liberalization, its work on environment nonetheless flows in the "sustainable development" current. APEC has focused not on conflicts between trade and environmental rules and policies but on the discussion and design of practical, voluntary initiatives which broadly promote sustainable development in the context of trade liberalization. Like its trade diplomacy, APEC's actions on environmental policy grow out of a consensus-building, non-binding, "soft law" approach to international cooperation. In style and substance, it is more akin to a UN than a WTO model of international collective action.

Given the narrowness, contentiousness and gridlock of environmental diplomacy at the WTO, APEC's broad scope and "nuts and bolts" approach are potentially promising. Moreover, environmental and trade negotiations typically are conducted in separate institutions. Discussing them under one APEC roof suggests seeds of possibility for the integration of environmental and economic objectives in a regional trade regime.

In the first six years, however, the substantive results at APEC--as indeed with the larger global Agenda 21 process--have been meager. Despite a plethora of "capacity-building" seminars and workshops between 1991 and 1997, no collective policy initiatives were charted or debated, let alone embraced. Significant areas of resource management, including forests and agriculture, remained off the agenda and no effective institutional mechanisms emerged to coordinate APEC's environment work and to provide an interface with scientists, NGOs, and other "civil society" groups.

Most importantly, despite APEC's stated commitment to "economy-environment integration," environmental and trade diplomacy were kept on separate and parallel tracks, both within individual APEC economies and in APEC as an institution. Divorced from both popular political forces and from APEC's high-powered trade and investment track, environmental cooperation remained mired in the lackluster province of bureaucrats and technocrats.

This paper is in four parts. Part I outlines the analytical and political contours of environmental regionalism in Asia-Pacific. After surveying some of the region's most pressing environmental problems, we develop a theoretical framework to show why economic globalization requires the coordination of trade-impacting environmental policies.

Part II examines the politics of environmental diplomacy at APEC and analyzes the "value-added" domain of environmental cooperation. Part III describes APEC's environmental initiatives between 1993, when environmental issues moved into the mainstream of APEC and May, 1998, when this article went to print. It also describes the emergence of NGO activism on APEC. Part IV evaluates APEC's overall work on sustainable development and argues that, while it developed momentum in the 1990s, environmental diplomacy lost steam in 1997--well before Asia's financial crisis. The reasons include poor leadership by the West; popular opposition in Asia to APEC's "free trade" agenda; and a lack of connection between APEC's trade and environmental tracks.

Part IV concludes that, despite its shortcomings, APEC remains the only multilateral trans-Pacific economic institution in Asia Pacific, a region of great strategic significance, including to the United States. Since environmental cooperation promotes long term U.S. goals of cooperative engagement with Asia, it is likely to remain on the U.S. radar screen at APEC. Moreover, the APEC region continues to become increasingly integrated in terms of trade and investment. The governance imperatives generated by economic integration, viz, a convergence toward common environmental standards, remain extant; and civil society organizations are increasingly pressing for new approaches to development which explicitly target environmental and social objectives.

Whether at APEC or some other regional forum, popular, strategic and commercial pressures suggest that environmental cooperation will be on the Asia Pacific agenda over the next decade. To truly promote sustainable development, environmental goals must be linked to and integrated with trade and investment rules and norms--not in a neo-liberal framework which blindly asserts the primacy of trade but in a new approach to regional economic governance based on the co-equal status of economic development, environmental protection, and social justice. It is a tall order. But it is worth fighting for.

I. Asia-Pacific Regionalism and the Environment

For much of the past fifty years, trans-Pacific politics were delineated by the Cold War. With the end of the Cold War in 1991, new imperatives to cooperate in building regional institutions were unleashed, not the least of which is the need to manage the changing regional power balance between China, Japan and the U.S.(2)

The primary driving force behind the founding and evolution of APEC, however, is economic, viz, the increasing market-driven integration of APEC economies. Nearly 70 percent of total APEC trade was intra-regional in 1994. (3) Capital flows 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. (4) Within APEC, North America and East Asia form two highly integrated economic sub-regions. In 1990, about 40 percent of total East Asian trade was to other East Asian countries; for North America, the figure was roughly 37 percent.(5)

Most East Asian nations have pursued development strategies which have two overarching features: 1) they are based on "linkage led" growth, that is, on promoting trade and investment with developed countries, especially Japan and the United States; and 2) they are based on an economic paradigm which excludes environmental "externalities" and social concerns, especially equity.

Linkage-led growth has made East Asia the world's economic dynamo. In most Southeast Asian nations, GNP grew more than five percent per year throughout the 1980s and early 1990s. In China, GNP has been growing at an annual rate of about ten percent or more for nearly two decades.(6)

The good news is that rapid growth has raised the standard of living for millions of people.(7) The bad news is that rapid, socially and environmentally blind growth has exacerbated poverty in the countryside and created severe problems of ecological degradation.(8) "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". (9)

Regional Environmental Problems

While environmental woes are many, there are three broad areas which are most relevant to regional cooperation: 1) air, atmospheric and water pollution, especially those related to energy production and use; 2) resource depletion and degradation; and 3) demographic shifts, including rural out-migration, food security and urbanization.

Among the most pressing problems for both the developed and developing countries of APEC is the cluster of issues related to energy production and use, including air and atmospheric pollution.(10) In East Asia, commercial energy demand is projected to double by 2010, propelled by high rates of economic growth. In China alone, electricity-generating capacity is expected to quadruple.(11) Projected growth in. generation and transmission in Northeast Asia alone is projected to require an investment of $72 billion per year for the next fifteen years.(12) 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.

Energy-related air pollution, especially "acid rain" induced by sulfur emissions from power plants in northern China, is already among the most severe regional environmental problems in Northeast Asia.(13) According to the World Bank/ADB RAINS-Asia model, sulfur dioxide emissions in Northeast Asia totaled 14.7 million tons in 1990. Under a "business-as-usual" scenario, sulfur dioxide emissions will more than double by 2010 and nearly triple by 2020; emissions of nitrogen oxide (NOX) will more than triple between 1990 and 2020. Even under a "higher efficiency forecast" scenario, in which governments make targeted efforts to increase energy efficiency and institute reasonable fuel substitution measures, sulfur dioxide emissions would double in the next 30 years.(14) The lion's share of the emissions will emanate from China and could double the levels of acid rain in neighboring countries, including Japan

and the two Koreas. The politics of acid rain--monitoring as well as mitigating--are tense and of high priority in Northeast Asia.

Rapid growth in coal-based energy, as well as motorized urban transport, are also responsible for projected large increases in greenhouse gas emissions in Asia, especially carbon dioxide. Between 1990-2000, the growth of carbon dioxide emissions in Asia will more than triple that of the rest of the world.(15) As a whole, Asia accounted for about 20 percent of worldwide greenhouse gas emissions in 1985; by 2000, its share will be 30%. By the year 2025, China is projected to be the world's largest annual emitter of greenhouse gases.(16)

Problems of energy demand and use are not restricted to the East Asian members of APEC. The United States, Canada, and Australia, are among the world's highest per capita carbon emitters.(17) In the U.S., energy use is encouraged by financial and environmental resource subsidies. Besides helping to make Americans energy guzzlers,(18) the subsidies distort global energy prices.

Rapid industrial development is also an important source of both air and water pollution. The pollution intensity of industry is increasing in all the rapidly industrializing countries of East Asia.(19) Water pollution, especially generated by high organic pollution loads, is a serious problem throughout the region.(20) The increase in pollution intensity is a result both of an overall increase in manufacturing and the sectoral growth of pollution-intensive industries within manufacturing. In Thailand, for example, hazardous waste-generating industries accounted for 58 percent of industrial GDP in 1989, up from only 29 percent in 1979.(21) In Indonesia, manufacturing output doubled in volume every 6-7 years during the 1970s and 1980s, and is projected by the World Bank to expand another 13-fold by the year 2020.(22)

Besides air and atmospheric pollution, APEC economies suffer high rates of resource depletion and degradation. East Asia has the world's highest rate of deforestation and loss of original habitat. According to the Asian Development Bank, the region's remaining timber reserves will be depleted in less than 40 years.(23) The marine environment and fisheries, both coastal and offshore, are also under severe stress in many APEC countries. In Canada, policy neglect precipitated a collapse of Northeastern fisheries. In Northeast Asia, the Sea of Japan suffers a high level of marine pollution stemming from oil exploration and transport, radioactive waste disposal, and shipping and industrial waste dumping.(24) Throughout East Asia, coastal zones are threatened by flows of urban, industrial, port and riverine wastes. Intensive shrimp aquaculture ponds, mostly for export, have damaged significant areas of coastal mangrove forests throughout China and Southeast Asia. A marked increase in fishing effort has resulted in the over-exploitation of several important species in Southeast Asian seas, one of the world's most productive fisheries.(25)

Interwoven into the human-nature interface in Asia are demographic factors, including population growth, rural-urban migration, and urbanization. The population of Asia was about 3.4 billion in 1995 and is projected to rise to 4.9 billion in 2025. About 34 percent of all people in Asia live in cities, up from only 22 percent in 1965.(26) In APEC as a whole, 44.5 percent of the population lived in urban areas in 1995; by 2015, over 64 percent will be urban-dwellers.(27)

While the urbanized population is rising rapidly, environmental infrastructure such as clean water, sewerage systems, and public transport is not keeping pace. Problems of air pollution in many East Asian cities are severe, generated by high levels of particulates, lead from leaded gasoline and emissions from households, vehicles and small industry. In the Western countries of APEC, widely dispersed cities, coupled with lack of public transport make automobile dependence high, with associated problems of local and atmospheric pollution.(28)

Interrelationships between natural resource degradation and demographic change are not well charted.(29) While simplistic formulations should be eschewed, there is ample evidence that unplanned and large jumps in the number of people living in a given area can increase ecological degradation.(30) Throughout Asia, high levels of rural-urban migration is driven by the prospect of employment and higher incomes on the one hand, and, on the other hand, the demise of traditional sources of livelihood in rural areas due to marketization and resource depletion.(31)

The shift from agricultural production and rural living to industrial work and urban habitation has been a feature of all countries in the process of industrialization. In Asia, however, the shift is occurring at great speed, stimulated by "structural adjustment" economic policies.(32) A rapid, broad and deep liberalization of agricultural trade-as presaged by APEC-would likely speed the rural-urban migration process further, leaving potentially millions of poor displaced peasants without secure sources of food.

Besides its human and ecological impacts, it is likely that environment-blind development is more costly in financial and economic terms than environmentally sensitive development. According to the World Bank, the annual health

costs from air pollution in Bangkok, Jakarta and Kuala Lumpur total $5 billion-about 10 percent of city income. In Jakarta, unsafe drinking water generates health costs of $300 million per year. A study in Vancouver found that traffic congestion cost the city $200 million per year.(33) Given the region's projected large increases in energy and industrial growth, one of the central environmental management issues for the next twenty years will be the creation of incentives for the "greening" of investment and "innovative financing" for the provision of public goods.

The Domain of Regional Environmental Cooperation

Environmental and resource management are largely the unilateral preserve of nation-states. There are three cases, however, when cooperation between two or more nations is needed to govern ecosystems and resources (transboundary): first, when ecosystems or resources straddle national borders; second, when a resource is wholly or partially outside the jurisdiction of any state (common property resource; and third, when two or more nations are highly integrated economically (globalization).

It is commonly understood that the management of transboundary and common resources require international collective action. APEC could potentially serve this function by acting as an umbrella under which Asia-Pacific nations develop regimes to manage common resources, especially the Western Pacific Ocean and fisheries. However, APEC is highly dispersed geographically. With land masses spread on four continents, few resources are truly regional. On the other hand, APEC could help to catalyze or support cooperation on sub-regional transboundary issues, such as acid rain in Northeast Asia or fisheries in Southeast Asia.

Given its character as an economic organization, APEC's primary "value-added" is more likely to lie in promoting better governance of the environment-economy interface in the context of globalization. In this vein, there are four key tasks: 1) Vision--developing a common paradigm and norms of ecologically sensitive development at a national level, and a longterm sense of direction at the regional level; 2) Capacity-building--developing capacities for environmental and resource management by closing national gaps between richer and poorer countries and by creating new, regional capacities to monitor and raise environmental performance; 3) Policy coordination--undertaking common policies aimed at creating market incentives to improve environmental performance; and 4) Institutional strengthening-- developing regional institutional mechanisms to coordinate, evaluate and stimulate environmental initiatives and to provide avenues for public information and input.

In its first six years, APEC focused primarily on building norms and capacities. While it did not generate a compelling overarching vision, progress was made toward articulating Principles (see below). On the capacity-building side, the primary emphasis was on building capacities to build capacities, that is, on analyzing problems and exchanging information. The need to develop institutional mechanisms, at least for better coordination, was discussed and debated. The highly controversial realm of coordinated policy initiatives, however, was largely uncharted.

The rationale for focusing on regional economy-environment cooperation, especially policy coordination, stems from the high level of Asia-Pacific economic integration. Under conditions of globalization, the environmental policies and commitments of nations are highly conditioned by those of major trade and investment partners and competitors. 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.(34) An individual country (or business) which takes significant 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.(35)

There are thus strong market-driven incentives for domestic environmental management standards, especially for production and harvesting processes, to converge toward and remain close to those of primary competitors.(36) Product standards, on the other hand, tend to be drawn toward large-market countries such as the United States and Japan.(37) Moreover, standards within particular industries are likely to converge toward those of market leaders.

Beyond market forces, policymakers have a further incentive to harmonize environmental policy in order to facilitate trade and investment by reducing transactions 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 adopting global rather than country-specific standards.

What do market-driven convergence pressures mean for environmental performance? (38) On the one hand, product standards of the worst performers are likely to be drawn up toward an OECD average. On the other hand, production

and process standards may be drawn up or down, depending on the structure of global competition in the particular sector or industry. Over time, the long-term trend might be positive, that is, toward better environmental performance due to market-driven processes of technological and managerial innovation and better allocation of resources.

The problem is that, with each nation (or firm) reluctant to take bold unilateral measures which could impose costs on domestic producers, the average level of environmental performance in particular sectors, industries and nations is likely to be too low to be ecologically sustainable; and, most importantly, the rate of innovation in improving environmental performance will be slow.(39) Given projected rapid growth in the Asia Pacific region, with associated high levels of ecological degradation, the rate of improvement is a crucial variable.

Besides generating a level of performance that is too low and a process of change that is too slow, a purely 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. Without policy coordination, markets are likely to promote harmonization without fully incorporating specific environmental goals.

Market competition among open economies, in short, creates a drag on bold, unilateral policy initiatives.(40) To "lift the game," governments must set common policy frameworks which create incentives for better environmental performance, especially for internationally-exposed sectors. Coordinated action would change the terms of the "level playing field" in which all firms compete. An example would be a common commitment to reduce or eliminate environmentally damaging financial subsidies, including for energy use and the commercial use of resources.(41) While countries could reduce subsidies unilaterally, the sectoral impacts on competitiveness create powerful domestic oppositional lobbies. As a recent OECD workshop concluded, "Overcoming opposition to subsidy reform will be substantially easier if countries can be convinced to react together, rather than separately, in reducing subsidies/tax concessions to particular industries or sectors".(42)

II. APEC and the Politics of Environmental Diplomacy

APEC's ability to effectively undertake the tasks of regional environmental governance depends ultimately on politics and leadership. During its first six years, environmental politics at APEC were intimately bound up with the regional politics of trade diplomacy and the global politics of environmental diplomacy.

Externally, APEC's defining political feature is the attractiveness of membership. APEC could be described as a "club of winners." 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 economies, including South Korea, Singapore, Chinese Taipei, Chile, Thailand, Malaysia, and Indonesia.

Little wonder that the membership of APEC has grown rapidly-from twelve in 1989 to twenty in 1998 (43)-and that a host of nations have applied to join.(44) The membership issue-who to let in and when--is a recurrent and contentious theme. Should APEC continue to expand to include big, powerful developing countries like India, its modus operandi and even raison d'être could change substantially.

Besides economic interdependence, APEC is characterized politically by discrepancies in economic size and thus, political power. In 1995, the United States and Japan together accounted for about 80 percent of the total GDP of APEC countries.(45) The United States alone accounted for about 46 percent (ibid). In nearly all APEC countries, however, exports comprised a growing share of GDP during the 1980s.(46)

Market-driven economic integration and the gaps in economic capacities have shaped the "two legs" of APEC diplomacy: 1) Trade and investment liberalization and facilitation, primarily the lowering of tariff and non-tariff trade barriers 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, dubbed "Eco-Tech," primarily promoting economic and human resource development in APEC's poorer economies. Slotted into the second leg, environmental cooperation has been premised largely on the notion that the poorer countries have the problems while the richer countries have the solutions, rather than a need to tackle problems common to all.

APEC diplomacy, on both trade and environment tracks, has been characterized by differences in the priority different members accord to the two legs. APEC's original focus was on economic cooperation, including trade facilitation. Since 1993, however, the Western countries, led by the United States, have pressed hard for liberalization.(47) In 1994, APEC Leaders meeting in Bogor, Indonesia accepted a broad vision of "free and open trade and investment" by 2020

for the developing and 2010 for the developed countries. In November, 1995, an Action Agenda was accepted in Osaka and in November, 1996, "Individual Action Plans" for liberalization were presented to APEC Ministerial meetings in Manila.(48)

On the surface, APEC member economies have developed a broad consensus on the desirability of free trade and investment Below the surface, however, are tensions among Western and Asian elites over the scope and pace of liberalization. In Asian countries hit hard by the financial crisis in late 1997/early 1998, these tensions were exacerbated by the structural adjustment policies imposed by the IMF as a condition of bail-out.

There is also contention--and some confusion--about APEC's role in trade diplomacy. It is unclear whether APEC will act primarily to implement commitments made under the GATT/World Trade Organization-or go beyond them. In other words, the issue is whether will APEC will be a leader or a follower in the push toward global free trade. On the one hand, APEC's broad vision of "free trade by 2020" is much more sweeping than any free trade goals yet embraced by the WTO. On the other hand, the 1996 Individual Action Plans pointed in the direction of a follower: few new "GATT-Plus" commitments were offered by any country.(49) Changing tack, APEC Trade Ministers in 1997 designated fifteen broad sectors as targets for "Early Voluntary Sector Liberalization". Specific trade-promoting initiatives are to be presented in November, 1998.

On the environment side, the results of six years of diplomacy have yielded outcomes almost exactly inverse to the trade track. On the one hand, there has been a plethora of activity: as of mid-1997, over forty environmentally-oriented projects had been launched. On the other hand, there is no broad vision of "sustainable development by 2020" to integrate the myriad projects either with each other or with APEC's trade and economic diplomacy.

An egregious example of this failure at integrating trade and environment tracks at APEC was the designation of two resource-intensive sectors--forest and wood products and fisheries--as targets for rapid liberalization with virtually no consideration of their environmental impacts. Environmental groups protested loudly that there was no environmental impact assessment, including an evaluation of whether existing policies--such as financial and environmental subsidies--and management capacities would be adequate or appropriate under a changed trade regime.(50)

Three factors which characterize APEC inhibit more substantive environmental cooperation : 1) cultural and economic differences among members, which have fueled trade conflicts and Asian nationalism; 2) the complex and confused politics of leadership, especially the preponderant but non-hegemonic power of the United States; and 3) APEC's particular "consensus-building" style and flaccid institutional structure.

Cultural Diversity and Trade Conflict

Within APEC is found a high degree of cultural diversity and economic disparity. Income per capita, for example, is about thirty times greater in Japan, APEC's richest country, than in the Philippines, one of its poorest.(51) Northeast Asia is predominantly Confucian, while Southeast Asia is a mixture of Buddhist, Moslem, Christian and others. Western countries have strong legal, juridical traditions, while East Asian and Latin APEC countries generally do not. Western countries also have strong democratic traditions, with noisy civil society groups who press their governments to act on social and environmental issues. In much of East Asia, strong civil society organizations are young or nascent.

One political dividing line in APEC could be drawn as "North-South," i.e. between developed and developing/newly industrialized countries, another between East and West; and a third between ASEAN and the rest. One of the primary fault lines stems from different models of development. Over the past twenty years, rapid growth and industrialization in several East Asian countries, including South Korea, have come as a result of strong "developmental" state policies, including import protection and export promotion.(52) The large growth in production and export capacities, however, have generated large and persistent trade deficits with the United States. U.S. threats and, occasionally, actions to restrict domestic market access unless Asain markets are opened to American goods, services and investment have shaped bilateral and regional relations with East Asia since the early 1980s.

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.(53) 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" as an alternative to APEC, 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 APEC East Asian Caucus was established.

Differences in levels of economic development, as well as political culture, have created gaps in among APEC nations in capacities for environmental and resource management. For APEC's Western nations and Japan, environmental regulation and legislation began in earnest in the late 1960s or early 1970s. For most of East Asia, environmental awareness and regulation was sparked only in the early 1990s. While there is some potential for fast-growing Asian economies to "leapfrog" Western technology and avoid the West's ecological sins, environmental managers in both the public and private sectors are often playing "catch up" with the West. Economic managers, in turn, resist the rapid imposition of environmental requirements which could impose costs and slow growth.

Like in other international environmental fora, gaps in management capacities and development priorities have generated tension in APEC over the weight given to a "development" versus an "environment" agenda. While the tension has not deadlocked progress toward environmental cooperation, it has slowed the pace and complicated the articulation of a common vision. To date, discussion of political differences about environmental postures and development priorities has been muted, with general consensus on the need to establish common principles and focus on non-controversial aspects of capacity-building.

The Politics of Leadership

The second feature of internal politics at APEC is the preponderant but non-hegemonic power of the United States. With the largest economic and military capability, the United States has been called the "800-pound gorilla" of APEC.(54) While the United States remains APEC's largest and most powerful economy, East Asia is highly dynamic. Between 1980 and 1995, Japan's share of APEC's GDP increased from about 22 percent to about 33 percent.(55) If China continues its current growth rates of 9-12 percent per year, it will emerge as a significant economic player over the next fifteen years. ASEAN, as well, is an increasingly important political player in Asia.

While the U.S., often with its Western allies, tends to take leadership in APEC on all important issues, the success of unilateral U.S. initiatives is not assured, especially in the gap between acquiescence and implementation. To be truly successful, initiatives require skillful leadership to tease out a sense of perceived common self-interest and/or to build supporting coalitions. The support of ASEAN is especially important. Trained during a period of U.S. hegemony, many U.S. diplomats do not operate effectively as coalition-builders.

Environmental cooperation at APEC has been promoted primarily by the U.S. and by Canada, which promised in 1993 to "green APEC" (56) The North American push has been driven primarily by the need to maintain domestic support for free trade following bruising domestic battles over NAFTA; and the hope that the "environment track" can reinforce the goals of trade liberalization. In addition, there is an increasing recognition of the intrinsic importance of good environmental management, stemming both from changes in norms and rising costs of environmental degradation. Finally, American and Canadian, as well as Japanese and Australian, governments and businesses see commercial opportunity in the export of environment management products and services, as well as cleaner, leading-edge technologies generally.

There are also security 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.(57) When the Labor Party was in government, Australia promoted the notion that environmental cooperation enhanced Australia's trade interests-and vice versa.(58)

The leadership of the United States and Canada has been short of brilliant. For the U.S., the pursuit of narrow, sectoral trade interests has often trumped efforts to articulate and implement an overarching strategic vision of long-term U.S. economic, environmental and security interests in Asia-Pacific. While there is a general consensus in Washington about the importance of trade liberalization--and of Asia-- there is confusion over US commercial vs strategic priorities in APEC and little articulation of how environmental objectives fit in with either or are important to U.S. interests in their own right. Moreover, there is some tug-of-war between the State Department and the Office of the US Trade Representative.

This confusion plays itself out in the different signals the U.S. gives APEC. On the one hand, the U.S. has taken the lead to promote specific environmental initiatives-including clean technology and marine conservation. On the other hand, the U.S. has promoted rapid liberalization without regard to environmental impacts or management capacities. Moreover, environmental issues tend to get sidelined within the office of the US ambassador on APEC, who has adopted a wary posture toward a broad, sustainable development agenda for fear that environmental concerns could

slow progress toward free trade or raise demands for increased development aid.(59) When Asian governments press for "development cooperation", U.S. diplomats recite the mantra that technology transfer will be on a commercial basis only.

Eschewing the old model of development aid, the United States has pressed for "public-private partnerships" which increase the role of markets in virtually every APEC initiative, including environment. The U.S. has also tried--unsuccessfully--to nudge the environmental agenda toward policy discussion within its favored initiatives. The reluctance to offer aid or concessional financing to help build environmental management capacities suggests that the United States seeks environmental leadership "on the cheap."

In 1994, Canada catalyzed environmental cooperation at APEC when it organized and hosted APEC's first meeting of Environment Ministers (see Part III). In 1997, shortly after taking the helm as APEC chair, the Canadian government announced it would make environment the "key theme" for the year's activity. As the months unfolded, however, Canada produced no bold initiatives and diluted the focus on environment by adding other, vote-attracting themes like women and youth.

Like the United States, Canada is highly trade dependent-exports comprised about 37 percent of its GDP in 1990-and faces a trade deficit with East Asia.(60) Moreover, although its diplomats often display a high level of diplomatic skill, Canada found it difficult to articulate specific environmental initiatives and was unable to design an institutional process to pursue its priority issue, sustainable cities. Besides running into conflicts with its own trade bureaucracy, Canada's environmental push was hampered by a domestic fiscal crisis, which undercut financial support for APEC-oriented bureaucrats, even as Canada pursued a plethora of initiatives. Faced with proliferating demands--Canada hosted six ministerials in total-- Canada's APEC-oriented footsoldiers were too constrained and overextended to effectively generate and guide an environmental agenda.

Japan has also attempted to guide an environmental agenda at APEC. While Canada waved the banner of integration of environment and economy, Japan steered toward development goals, especially energy. In 1995, its proposal for a program on the "3Es"--environment, economy and energy-- was taken up and elaborated by APEC Leaders, who called for a scoping of issues related to the interrelationship of food, energy, environment, economy, and population issues (see below). Japan has also established and funded a central fund for APEC projects and was instrumental in establishing the APEC Energy Resource Center (APERC), based in Tokyo.

Japan's focus on development has been welcomed by many Asian governments. However, Japan's strong self-interest in ensuring security of energy supply and promoting its energy technologies make other APEC economies, both Western and Asian, wary. Japan's proposals for developing-developed country partnerships often include a "tied aid" component which Western countries consider contrary to the push for trade liberalization and Asian countries consider a violation of sovereignty.

Other Asian voices on environmental issues include the Philippines, which as the 1996 chair of APEC, strongly promoted a new focus on "sustainable development;" and Chinese Taipei, which collaborated with the U.S. in designing APEC's Clean Technology initiative. 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 encourage "green" foreign investment. Taiwan, for example, faces enormous problems of water and soil pollution, and is eager to embrace market-oriented approaches to clean-up like ISO 14,000.

Like the trade side, the "action" of APEC environmental diplomacy often rests in domestic political economy. In the Philippines, Presidential promises to turn APEC's course toward sustainable development and transform the Philippines into a "green tiger" aimed, in part, to assuage domestic criticism of a push toward liberalization. The other target of Filipino diplomacy was to pull the US and its Western allies toward a greater focus on development issues generally, an effort which was not ultimately successful.

"Soft Law"?

The third defining feature of APEC politics is a consensus-building, non-bureaucratic institutional style which has been dubbed the "APEC way".(61) By design, APEC is not a forum in which binding regional agreements are negotiated-on trade, environment, or any other issue.(62) Moreover, APEC members are generally keen to limit bureaucracy and constrain formal institutional development. Instead, APEC aims to be primarily task-oriented and to promote private sector initiatives. The chair of APEC rotates every year, the Secretariat is purposefully kept very small, the ten Working

Groups and three Committees do most of the work, and coordinating mechanisms, if they exist, are built into existing Committees. Moreover, initiatives can easily be undertaken to fill issue vacuums. Indeed, APEC may be a burgeoning model of a new, non-binding "soft law" approach to regulation in a global economy. Lacking sanctions, the "soft law" approach relies for enforcement on self-interest, common norms and citizen watch-dogging in the design and implementation of international agreements and initiatives.(63)

The consensus-building approach has been important in gaining East Asian participation in APEC as a whole and the environmental agenda in particular. It has helped to head off actual or perceived attempts by Western countries to define environmental issues primarily in terms of their links to market access. However, 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 even the discussion of controversial issues and makes progress slow. Moreover, a resistance to formalizing institutional development creates an organizational flaccidity which mitigates against effective coordination of APEC's various initiatives, clouds the transparency of APEC processes, and inhibits public input.

One characteristic of this approach is that it provides substantial leeway to the annual chair to raise the profile of specific areas of interest. In 1996, the Philippines championed a "sustainable development" paradigm. Substantive aspects of the paradigm are still evolving, primarily among think tanks on both sides of the Pacific. In broad terms, it stresses the integration of environmental and social objectives into the design of trade and investment regimes, both nationally and regionally.(64)

One of the key political issues in moving toward a new, sustainable development paradigm is the role of civil society. Throughout Asia, civil society groups are blossoming and seeking to engage governments as both critics and partners. Within APEC, however, the principle of stakeholder participation, including environmental and other NGOs, has not yet been embraced either within member economies or APEC as an organization. Indeed, unlike the United Nations, there are no policies or procedures for NGOs to interface with APEC. Only a few APEC members, including Canada, the U.S., the Philippines and Indonesia, have included NGOs in official delegations to Environment or other Ministerials.(65) Even this meager attempt at transparency and inclusion has drawn criticism from other APEC members.

Without institutional mechanisms for stakeholder participation in the creation of common norms and in pressing governments to be accountable to them, the effectiveness of the "soft law" approach in actually changing behavior is limited. The push by the Philippines, for example, ignited little popular passion or discussion outside Manila. The adoption by APEC Leaders of sustainable development language in their 1996 statement reflected more a rhetorical than a political process or commitment.

III. Environmental Cooperation: The First Six Years

Environmental issues have been on APEC's agenda virtually since its inception. At the 0founding conference in 1989, Ministers agreed to examine national issues related to energy, fisheries and marine pollution. In 1991, the Seoul Declaration defined equity and sustainable growth to be within the scope of APEC. 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.

Environmental Initiatives "At the Top"

The milestones of environmental cooperation at APEC have been propelled primarily "at the top" by initiatives taken by Leaders and Environment Ministers (see Appendix 1). In 1993, Canadian Prime Minister Chretien promised to "green" APEC and offered to host APEC's first Environment Ministerial. Held the following March in Vancouver, the Ministerial produced an Environmental Vision Statement and aFramework of Principles for Integrating Economy and Environment.(66)

Following the spirit of the Rio Declaration, the Vision established APEC's goal to be the pursuit of sustainable development. "We are committed to develop policies that are sound economically and environmentally," the Vision proclaims and call on 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" (67). To help implement the Vision, the Ministers generated a Framework of nine Principles, including the precautionary principle and the principle of making trade and environment policies mutually supportive. After approval by APEC Ministers and Leaders, the Vision Statement and Framework were sent to Senior Officials. In a crucial initiative, the Senior Officials in 1995 directed all of APEC's ten Working Groups and three Committees to include environmental issues in their annual reporting process.

When the sectorally structured Working Groups began to grapple with implementation of the directive, it became clear that crucial issues of sustainable resource and environmental management cut across sectors. At the 1995 Osaka Meeting, Leaders directed the Economic Committee to consider cross-cutting issues in an initiative called "FEEEP": Food, Energy, Environment, Economic Growth, and Population. A FEEEP Symposium held in September broke new ground in including both governmental and non-governmental participants. However, it generated no substantive initiatives.

Environmental cooperation also evolved toward defining regional priorities and developing a regional work program. In July, 1996, the Philippines hosted a second Ministerial meeting on sustainable development issues which produced consensus on developing an "Action Programme" in three priority areas: 1)Sustainable Cities, put forward and supported especially by Canada, Japan and the Philippines; 2) Clean Production/Clean Technology, put forward by the United States and Chinese Taipei; and 3) Sustainability of the Marine Environment, put forward by the United States.(68)

Over the following year, "Action Strategies" were developed for the Clean Technology and the Marine Environment priority areas, largely at the initiative of the U.S.(69) Shepherded by the Industrial Science and Technology Working Group, the Clean Production Strategy is focused on building capacities for better environmental management at two levels: 1) industry sectors, through the adoption of cleaner technologies, policies and practices, including ISO 14,000 and environmental performance indicators; and 2) cross-cutting, through institutional, professional and private sector partnerships, including the facilitation of demonstration projects and mechanisms to diffuse best practices.

The Strategy for the Sustainability of the Marine Environment, developed and shepherded by the Marine Resource Conservation Working Group, established that APEC cooperation would focus on: 1) integrated approaches to coastal management; 2) the reduction of marine pollution; and 3) sustainable management of marine resources. The primary "tools" are the familiar APEC litany: information and technology exchange; training and education; and public-private sector participation and partnership.

The three action strategies were adopted by APEC's third meeting of Environment Ministers, held in Toronto in June, 1997. With Canada as APEC chair in 1997, environmentalists had hoped that the Ministerial would propel a "great leap forward". In the event, it took a few small steps. The Clean Technology Strategy could offer a way out of the North-South conundrum over technology transfer. The Sustainable Cities Program could point APEC toward an integrative, cross-cutting approach to sustainable development. The Marine Strategy could point towards a Pacific-wide regime of sustainable coastal and ocean management.

The fulfillment of this potential, however, has yet to be assured. "Many people have real doubts about whether APEC can evolve into a credible force for environmental protection," Eileen Claussen, the head of the U.S. delegation, told the Ministers. "It is true that we certainly have not become one yet." (70)

In 1998, Malaysia assumed the chairmanship of APEC. Fatigued with the activity of 1997, and caught up in financial crisis, Malaysia announced it would focus only on trade and finance. The environmental push "at the top" to link environmental and economic policy issues went flat. In 1999, New Zealand will chair APEC and could conceivably revive high-level interest.

"Nuts and Bolts:" Working Groups

While the Leaders and Ministers are the architects of the environmental agenda, the Working Groups and three Committees are the engineers. The most active has been the working group on Regional Energy Cooperation, which defines it objective as maximizing "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."(71)

For the past three years, the Regional Energy Cooperation working group 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 Harmonization of Standards." This is a "nuts and bolts" initiative in the management of policy convergence and, if undertaken, should have a demonstrable positive effect on regional environmental performance by pulling regional appliance standards up. The working group is also expanding into regional capacity-building efforts with the newly-established Asia Pacific Energy Research Centre in Tokyo.

Another 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 Economic Development Department of the State of Oregon. 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.(72) 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 quantity of output is impressive, the Working Groups suffer from lack of technical expertise and resistance to the discussion of 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 liberalization of resource-intensive trade and harmonization 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.

"Track Two" Diplomacy

As long as APEC remained primarily a forum for broad regional economic consultation, it captured little public imagination or concern. With APEC's turn toward trade activism in 1993, non-governmental and private sector groups throughout the region began to consider how to engage APEC on both trade and environmental issues. The business-oriented Pacific Basin Economic Council, for example, organized a Task Force on the Environment in May, 1996.

Environmental advocacy has been strongest among non-governmental and quasi-governmental think tanks. Between 1994 and 1996, a series of NGO workshops and seminars aimed to sopce out the parameters and articulate an agenda for regional trade-environmental cooperation.(73) In addition, activist NGOs targeted specific initiatives and Working Groups. In Australia, for example, a coalition of environment and development groups challenged a meeting of APEC Energy Ministers in July 1996 to focus on social and environmental, rather than purely commercial, aspects of energy development.(74)

Efforts to engage APEC on environmental issues have been somewhat successful in countries which have established institutional mechanisms for the regular interface of NGOs with government, like the Philippines Council for Sustainable Development. Such mechanisms, however, are few and far between. Even in the United States, there is no regular avenue for environmental groups to consult with policymakers on issues related to US policy on APEC.(75)

Among Asia-Pacific-based activist and community groups, APEC's "free trade" push in the early 1990s generated a storm of controversy and opposition, including on environmental grounds. Since 1995, an NGO "parallel conference" to the official APEC November Ministerial has emerged as a regular feature of the APEC political landscape.(76) In 1996, five separate NGO conferences were held, including the Manila People's Forum which drew over 500 people from a wide range of groups working on human rights, environment, women's empowerment, and economic development.

United in their rejection of socially and environmentally blind "free trade," APEC-based NGOs are less sure about their posture toward APEC itself. A debate over whether to "engage or oppose" APEC emerged in Kyoto in 1995, raged in Manila in 1996, and was politely pushed under the table in Vancouver in 1997. The central argument of the oppositionists is that there is "no there there", viz, that APEC is mostly a figment of instrumental American imagination. Attempts to engage it on any issue, including environment, would simply lend legitimacy to the US-imposed free trade thrust. Those seeking to engage APEC argue that NGOs should be not only oppositional but propositional. APEC provides a vehicle, they suggest, by which they can not only challenge but generate alternatives to the "free trade" orthodoxy. To date, the oppositionists have held sway.

The emergence of "track two" diplomacy is a two-edged sword for many APEC governments. On the one hand, NGOs

and other groups can proffer creative and constructive proposals and their increased activism deepens APEC's region-building process. On the other hand, NGOs can clash with and retard governmental objectives, especially the push toward free trade, as well as force issues into the political spotlight which governments would rather keep obscure.

IV.Conclusion: Whither Sustainable Development

APEC made a notable start in the 1990s towards regional cooperation for sustainable development. It accepted the principle that environmental issues are a legitimate part of APEC; has defined a Framework and developed a capacity-building approach which has spawned a host of initiatives and avoided political stalemate; and, by embracing a "sustainable development" framework, it steered away from the contentious and largely barren paradigm of trade-versus-the environment.

Given the political, economic and ecological diversity of its members, the achievement of regional consensus on any program for environmental cooperation is no small feat. Moreover, lodging environmental concerns within an organization pre-eminently concerned with trade and investment holds promise for environmental governance of the global economy.

The actual programmatic initiatives to date are meager, however, and there is little sign of coherent leadership or political will to grapple with issues of environment and development in the design of a trade regime. Moreover, the popular passions which APEC has ignited have tended to undermine, rather than promote, APEC's prospects as a catalyst for sustainable development.

By early 1998, despite its promise and early momentum, cooperation for sustainable development at APEC was heading for the doldrums. The fundamental problem was the lack of political demand at home--in virtually APEC country--for APEC to grapple seriously with creating a framework for sustainable trade and investment in the region. Without domestic demand and the political will it generates, APEC's initiatives will tend to be narrow and shallow and follow the strategic and commercial interests of its strongest members.

Political demand, in turn, is constrained by the lack of institutional openings at APEC and within APEC countries for the participation by NGOs and other civil society groups. Without organic connection to social groups, international efforts at environmental governance will remain trapped in rhetoric. APEC is not the only international organization to find environmental initiatives dissipated by the disconnection between "top-down" initiatives and "bottom-up" concerns.

Moreover, APEC's sustainable development thrust lost steam because environmental and trade diplomacy was not integrated. Some of the major issues of sustainable development--massive private investment in clean energy and industrial technologies, the reduction of subsidies for the commercial exploitation of natural resources, common standards to improve environmental performance, the protection of the rights of marginal groups to environmental amenities and resources--are deeply integrated with trade and investment rules and norms. Shunting environmental cooperation into calm waters safely away from trade negotiations might avoid debilitating controversy--but it also dampens motivation.

Despite its shortcomings, APEC remains the only multilateral trans-Pacific economic institution in Asia Pacific, a region of great strategic significance, including to the United States. Since environmental cooperation promotes long term U.S. goals of cooperative engagement with Asia, it is likely to remain on the U.S. radar screen at APEC. Moreover, the APEC region continues to become increasingly integrated in terms of trade and investment. The governance imperatives generated by economic integration, viz, a convergence toward common environmental standards, remain extant. Most promisingly, civil society organizations are increasingly pressing for new approaches to economic development which explicitly target environmental and social objectives. By deeply discrediting the old development model, the financial crisis may have provided a new opening for progressive voices and reform.

The ability of these groups, on both sides of the Pacific, to coalesce into a significant regional political voice is likely to be the single most important determinant of the scope and direction of environmental regionalism.

Whether at APEC or some other regional forum, popular and commercial pressures suggest that environmental cooperation will be on the Asia Pacific agenda over the next decade. To truly promote sustainable development, environmental goals must be linked to and integrated with trade and investment rules and norms--not in a neo-liberal "trade-environment" framework which blindly asserts the primacy of trade, nor in a bland "sustainable development" approach which eschews new trade rules and economic policies. What is needed is a new approach to the governance of trade and investment based on co-equal status of economic development, environmental protection, and social

justice. It is a tall order. But it is worth fighting for.

Notes

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 World Trade Organization (1996).

2 Bonnor, Jenelle (1996). 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 (pp. 45-56). Jakarta: Centre for Strategic and International Studies in cooperation with the Australian Defence Studies Centre.

3 International Monetary Fund (1995). Direction of Trade Statistics. Washington, D.C.: IMF.

4 United Nations (1993). World Investment Directory, Volume III Developed Countries. New York: United Nations.

5 Yamazawa, Ippei (1994). On Pacific Integration. In R. Garnaut and P. Drysdale (Eds.), Asia Pacific Regionalism, Readings in International Economic Relations (pp. 201-211; Table 16.4). Pymble, New South Wales: HarperEducational Publishers.

6 World Resources Institute (1994). World Resources 1994-1995, New York: Oxford University Press.

7 UNDP (1995). Human Development Report, New York: United Nations.

8 Anuja, Vinod, Bidani, Benu, Ferreira, Francisco and Walton, Michael (1997). Everyone's Miracle? Revisiting Poverty and Inequality in East Asia, Washington: The World Bank.

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

10 In addition to environmental impacts, there are security implications to energy development choices in Northeast Asia, including potential conflicts erupting over insecurity of supply; and the potential for nuclear weapons proliferation arising from the widespread development of nuclear power. See Calder, 1996 and the Energy, Security and Environment.

11 Fesharaki Fereidun, Sara Banaszak, and Wu Kang (1997). Energy Supply and Demand in Northeast Asia. Paper to the Seventh Meeting of the Northeast Asia Economic Forum, Ulan Bataar, Mongolia, 17-21 August.

12 Razawi, H. (1997, March). "The Impact of Financing on Sustainability of Energy Development in North East Asia," Energy, Security and Environment in Northeast Asia Project, Nautilus Institute for Security and Sustainable Development.

13 Zarsky, Lyuba (1998). Energy and the Environment in Asia-Pacific: Regional Cooperation and Market Governance, paper to a Symposium on the UN System in the 21st Century, United Nations University, volume forthcoming.

14 Streets, David G. (1997). Energy and Acid Rain Projections for Northeast Asia, Energy, Security and Environment Project (ESENA), Nautilus Institute.

15 Brandon, C. and Ramankutty, R. (1993). Toward an Environment Strategy for Asia. World Bank Discussion Papers No. 224. Washington, D.C.: World Bank.

16 China is also the world's most populous country. Historically, it has been the rich, relatively unpopulated countries which have been the primary emitters. For a discussion of the ethical and historical dimensions of allocating responsibility for greenhouse gas emissions, see P. Hayes and K. Smith, 1994.

17 World Resources Institute (1994). World Resources 1994-1995, New York: Oxford University Press. Table 11.7

18 High energy use in the U.S. and Canada also stems from urban design patterns: widely dispersed cities with few public transport services encourage a high level of dependence on cars. See Kenworth and Laube, 1997.

19 Wangwacharakul V. (1989). "Trade, Investment and Sustained Development," paper to ESCAP/ADB Expert Meeting on Trade, Economic and Enviornmental Sustainability, October 23-27, 1989.

20 Rock M.T. (1996). "Industry and the Environment in Ten Asian Countries: Synthesis Report of US-AEP Country Assessment," Washington: U.S-Asia Environmental Partnership, USAID, October 9.

21 Reed D. (1992). Structural Adjustment and the Environment, Boulder: Westview Press.

22 World Bank (1993). Indonesia Environment and Development: Challenges for the Future, 68, August 9 (unpublished World Bank Confidential Report No. 12083-IND).

23 Asian Development Bank (1994). The Environment Program of the Asian Develoment Bank, Past Present and Future.

24 ESENA (1998). Papers to Conference on Marine Pollution, Energy and Security in Northeast Asia, Nautilus Institute for Security and Sustainable Development, July.

25 Soegiarto A. (1994). "Sustainable Fisheries, Environment and the Prospects of Regional Cooperation in Southeast Asia," paper to Workshop on Trade and Environment in Asia Pacific: Prospects for Regional Cooperation, Nautilus Institute, East-West Center, Honolulu, September 22-24.

26 World Resources Institute (1994). World Resources 1994-1995, New York: Oxford University Press.

27 Gilbert, R. (1997). "Reducing Urban Air Pollution in APEC Economies," Paper for Workshop on Toward Sustainable Cities in APEC, National Roundtable on the Environment and the Economy, Vancouver, May 5-6. The definition of "urban" and "rural" differs among nations, making cross-national comparisons problematic. This estimate is based on UN data, which simply sums figures submitted by governments.

28 Kenworthy J. and F. Laube (1997). "Indicators of Transportation Efficiency in Global Cities and Their Implications for Urban Sustainability," Presentation to Workshop on Toward Sustainable Cities in APEC, National Roundtable on the Environment and Economy, Vancouver, Canada, May 5-6.

29 One detailed study concluded: "Population density and natural resource degradation cannot be correlated in any fixed way since factors such as poverty and land-tenure policies mediate what happens to the resource base." Comparing Costa Rica and the Philippines, the study showed inter alia that, despite much lower population density, Costa Rican soils were relatively more damaged due to large-scale conversion of forest to cattle pasture. See Cruz et al, p. vii and passim.

30 See papers of the Project on Environment, Population and Security, a collaboration of the Peace and Conflict Studies Program, University of Toronto, Canada and the Population and Sustainable Project of the American Association for the Advancement of Science, Washington. Papers are available from the AAAS, 1200 New York Ave NW, Washington DC 20005.

31 World Resources Institute (1996). World Resources 1996-97, The Urban Environment, New York: Oxford University Press.

32 Cruz W. and R. Repetto (1992). The Environmental Effects of Stabilization and Structural Adjustment Programs: The Philippines Case, Washington D.C. World Resources Institute.

33 Harcourt, Michael (1997). Presentation to Sustainable Cities Workshop, National Round Table on the Environment and the Economy, Vancouver, March 4-6.

34 While gains in eco-efficiency can offer "win-win" solutions on the micro level, deeper problems stemming from too large a total ecological load and poor land use planning require more costly, macro measures.

35 Hoerner, J.A. and F. Muller (1996), "Carbon Taxes for Climate Protection in a Competitive World," Environmental Tax Program, Center for Global Change, University of Maryland at College Park, June 12.

36 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 cost. See Anderson and Kagan, 1996.

37 Vogel, D. (1995). Trading Up, Consumer and Environmental Regulation in a Global Economy, Cambridge: Harvard University Press. For the rich countries of the OECD, primary competitors and export markets are typically other OECD countries. The Newly Industrializing Countries (NICs) typically compete with other NICs for foreign investment and export opportunities, while at the same time they are drawn towards the product standards of the large-market countries. There is thus likely to be more than one "equilibrium" convergence point at a global level at any given time.

38 Some analysts have argued that the process of policy convergence will be a "race to the bottom" in terms of environmental performance standards. For an exposition and critique see Revesz, 1992.

39 Zarsky, Lyuba (1997a). Stuck in the Mud? Management Issues in the Globalization/Environment Relationship in OECD, Globalisation and the Environment, Preliminary Perspectives, Paris: OECD. An example is the inability of the EU, the U.S. and Australia to enact even a very small carbon tax. In the U.S., the proposal was defeated by a strong business lobby, including aluminum producers. In Australia, an aluminum industry-dominated business lobby argued successfully that, even though the actual cost of the proposed tax to producers was negligible, a perception of added cost and of rising environmental commitment would dampen foreign investment. See Hoerner and Muller, 1996.

40 A similar argument is made by Esty, 1996.

41 Porter, Gareth (1997). Natural Resource Subsidies and International Policy: A Role for APEC, Journal of Environment and Development, Vol 6 Number 3, September.

42 Runge, C. Ford and Jones, Tom (1996). Subsidies, Tax Disencentives and the Environment: An Overview and Synthesis, in OECD Subsidies and Environment: Exploring the Linkages, Paris: OECD pp. 7-22.

43 Russia and Peru joined in December, 1997. Hong Kong will retain its separate membership in APEC, as in all international fora, for fifty years after reunification with China in July of 1997.

44 Funabashi, Yoichi (1995, October). Asia Pacific Fusion, Japan's Role in APEC (pp.142-144). Washington, D.C.: Institute for International Economics.

45 World Bank (1997). World Development Indicators, Washington D.C.: The World Bank.

46 World Bank (1997). World Development Indicators, Washington D.C.: The World Bank.

47 The "broad vision" was developed by an Eminent Persons Group chaired by Fred Bergsten of the United States. See APEC, 1993, October.

48 APEC (1995). Selected APEC Documents, 1995, Singapore: APEC Secretariat.

49 APEC's utility as a leader in the global push toward free trade is constrained by the differences in diplomatic styles between the and APEC. In the WTO, tariff reductions and other market access offers are made on a "tit-for-tat" reciprocal basis. APEC, by contrast, is not a negotiating forum. Trade liberalization is presumed to be in the self-interest of all members and any actions to increase market access are offered unilaterally. WTO negotiators are reluctant, therefore, to give up bargaining chips at APEC which they could use in Geneva.

50 The campaign to raise environmental concerns about liberalization was led by the Pacific Environment Resource Center in Sausalito, California (perc@pop.igc.org).

51 World Resources Institute (1996). World Resources 1996-97, The Urban Environment, New York: Oxford University Press.

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

53 Some Southeast Asian analysts argue that it is important for industrializing countries in Asia to retain flexibility in

trade policy, that is, to retain the option to undertake import protection/export promotion strategies in particular sectors. See Bello, 1996. However, reliance on external market access limits the political viability of developmental state policies: U.S. threats to limit market access carry political weight.

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

55 World Bank (1997). World Development Indicators, Washington D.C.: The World Bank.

56 The analysis in this section is based largely on interviews with a variety of government officials in the United States and Canada.

57 Hayes, Joseph (1996, June). Interview with Author. Office of Economic Policy: U.S. State Department. In April, 1996, U.S. Secretary of State Warren Christopher made a widely publicized speech about integrating environmental issues into U.S. foreign policy. See U.S. Secretary of State (1996). Since then, the State Department has announced the creation of six regional "environmental hubs," including in Bangkok for Southeast Asia. See Environmental Diplomacy, U.S. Department of State, http://www.state.gov/www/global/oes/earth.html.

58 Keating, P. (1996, February). Prime Minister of Australia, Foreign Policy Speech. Singapore National University.

59 Zarsky, Lyuba (1996). Report from Sustainable Development Ministerial, Manila, July, Nautilus Institute,

60 World Bank (1997). World Development Indicators, Washington D.C.: The World Bank.

61 Funabashi, Yoichi (1995, October). Asia Pacific Fusion, Japan's Role in APEC (pp.142-144). Washington, D.C.: Institute for International Economics.

62 "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 Funabashi, 1995, p. 146.

63 Weiss, Edith Brown (1997). Editor, International Compliance With Nonbinding Accords, Washington D.C.: American Society of International Law.

64 For a sampling, see Center for Alternative Development Initiatives (1996, October), National Round Table for the Environment and Economy (1996, March), and Zarsky (1997, September).

65 The organizations who participated in the 1996 Ministerial on Sustainable Development in Manila were the Phlippine Commission on Sustaianble Development, the National Round Table on the Environment and Economy (Canada), and the Nautilus Institute for Security and Sustainable Development (U.S.). These three organizations also participated in the 1997 Environment Ministerial in Toronto. In addition, a representative from a women's organization in Indonesia participated.

66 APEC (1994, March). APEC Environmental Vision Statement, APEC Secretariat, Vancouver, Also available from the Nautilus Institute .

67 APEC (1994, March). APEC Environmental Vision Statement, APEC Secretariat, Vancouver, Also available from the Nautilus Institute .

68 APEC (1996, July). Declaration, APEC Ministerial Meeting on Sustainable Development, Manila. Available from the Nautilus Institute .

69 For the full text of both Strategies, see http://www.nautilus.org/aprenet/library.

70 Eileen Claussen, U.S. Assistant Secretary of State for Ocenas and International Environmental and Scientific Affairs, Opening Statement, Environment Ministerial Meeting on Sustainable Development, APEC , June 9, 1997. Available on http://www.nautilus.org/aprenet/library.

71 The Regional Energy Cooperation Working Group has Expert Groups focused 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 See Regional Energy Cooperation Working Group, Internet Home Page.

72 APEC (1996, October). Organizing Conference, Sustainable Development Training and Information Network, Initial Conference Report.

73 These include Workshops organized by the Canadian National Round Table on the Environment and Economy in March, 1996; and by the Nautilus Institute for Security and Sustainable Development, held at the East West Center in Honolulu in September, 1994. ASEAN also held a series of conferences during 1995.

74 Even more specifically, an NGO has formed to target the minerals-oriented work of the Regional Energy Committee. See Kennedy, 1997.

75 The Office of the US Trade Representative established a Trade and Environment Policy Advisory Committee in 1994. However, the agenda has been tightly focused on narrow issues relating to trade-environment conflicts at the World Trade Organization.

76 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."

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