

**Institutionalizing, Marketizing
and Networking
Asia-Pacific Economic Cooperation**

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What types of institutional arrangements or governance structures will best secure prosperity and stability in the Asia-Pacific region, the most dynamic region in the world today? According to C. Fred Bergsten, who chaired the Eminent Persons Group (EPG) of Asia-Pacific Economic Cooperation (APEC), there is a shared goal between Asians and the US to have "firm institutional ties" to avoid regional tensions in the Asia-Pacific region.¹ Are "firm institutional ties" really desirable and feasible in this region? Is there a consensus on regional institutional arrangements, where "no society has yet achieved a monopoly on good governance"?² Has APEC provided a solution?

Some regard APEC's loose and informal form of consultation as an Asian Way embedded in traditional cultures and employed mainly by the long standing institution of Association of Southeast Asian Nations (ASEAN). Others see APEC as a very primitive stage in regional integration, as compared with the formal customs union of the European Union (EU) or the free trade area in the North American Free Trade Agreement (NAFTA), and believe its loose commitments will be easily abandoned. Both perspectives are somehow dangerous and ethnocentric because they imply that Asia's values and cultural aversion to formal institutions can justify authoritarian regimes or developmental states not fully understanding the "American" values of the free market and liberal democracy, or that European (or North American) economic integration is a universal model of regional integration that can and should be followed by others. Culture is perhaps a factor influencing institutional arrangements, but an implication of cultural relativism is that members with different cultures cannot form a serious institutional or governance arrangement, unless they change their cultures. Thus, the Asia-Pacific region tends to be regarded as the field of what Huntington calls the clash of the civilizations.³

This paper argues that political and economic variables are more endogenous factors than culture in determining regional regimes and

governance. The current institutional characteristics of APEC should be understood in the context of the networking processes that can be found widely across different cultures, attempted by a variety of actors: states, multinational corporations, academics and others. Furthermore, this form of APEC can be regarded as a stage in an organizational evolution, rather than a preliminary stage of institutionalization or an expression of Asia's cultural aversion to formalization.

Different theorists define the concept of network differently. This paper follows the relational definition of the heterarchical network in contrast with the hierarchical institution and atomized market.⁴ By network is meant a form of multilateral governance structure in which linked agents act and interact loosely within its realm and openly outside its realm.⁵ As an ideal type, the network is regarded as an evolved stage which may overcome state failures and market failures, and the key realm for networks is civil society in a post-industrial era. Unlike state institutions, a network is free from the rigidity of a tight hierarchy. Unlike an isolated mass in a market society, people in a network can become a critical mass empowered by linking with each other. Although there can be network failures, such as free-riding and fuzziness, it is also assumed that networkers can coordinate and cooperate to achieve a shared goal using network methods.

A network under the above definition should be understood as a structured entity. The term "network" as a structure should be distinguished from "networker" as an agent, and from "networking" as a process. Although the key realm for a network may be a civil society, "members of a network do not themselves have to be networks."⁶ Furthermore, the recent revolutionary innovation of information and communication technologies can facilitate complex networking processes between and within state, market, and civil society agents. Individual professionals and activists in non-governmental and/or non-profit organizations (NGOs/NPOs) are oft-cited lead networkers in civil society, but they can also cooperate with, or be

coopted by, state and market actors. Thus, they can be made hierarchical and business oriented. On the other hand, state and market agents can also be evolved into networkers. For instance, unlike Fordist mass production, post-Fordist networked producers can attain flexible specialization and sometimes oligopoly. Thus, networking in a narrow sense refers to an interaction between agents, and yet it can also refer to long term structuration processes between various agents and different structures. History is open, and the dominant form of governance in the future is dependent on these processes.

It is the role of political scientists and political economists to clarify the causation of these processes. It is especially important to understand how these procedural aspects would or would not facilitate substantive changes, and how these changes will form a historical trajectory toward a newly emerging governance structure. Therefore, this paper conceptualizes the causation of the APEC institutional structure in three ways; where we view APEC institutions as dependent variables, intervening variables, and independent variables, respectively.⁷

The structure of this paper is as follows. Section I, will explain the causal relationships of the institutional development of APEC. First, it will briefly review the institutional characteristics of APEC as dependent variables, and examine the question of whether APEC is really an open and loose forum of consultation. Then, explanatory variables for the existing APEC institutions will be analyzed. Second, APEC institutions will be conceptualized as intervening variables. Here, various agents will act with or without relying on APEC and other institutions in specific issue areas, including trade and investment liberalization, economic cooperation, environment, human rights and democratization, and security. Third, the causal process in which APEC institutions impact on the willingness and capabilities of agents and related behaviors and consequences will be analyzed. Section II, will draw practical implications for a variety of agents

from the analysis made in the previous section. It will focus on three main actors involved in the process of constructing a structural basis for Asian-Pacific regionalism. These are: governments, businesses, and civil society organizations. Their networking strategies have two aspects: networking among like-units and among unlike-units.

I. Explaining the Institutional Development of APEC

APEC Institutions as Dependent Variables

First, APEC institutions as dependent variables will be considered. Some Asian observers use a conventional dichotomy of informal, non-institutional processes vs. formal institutions, and favor the former processes in promoting confidence building at the current stage.⁸ It is also common among some American observers to share a similar dichotomy between Western and Asian preferences and to argue that the current loose form of APEC may not contribute to expected outcomes of liberalization.⁹

Now, these arguments may be challenged by considering both the internal and external aspects of APEC institutions. The view that formal institutionalization is more advanced than voluntarism, and that the former is embedded in Western traditions and the latter in Asian customs can be criticized. This is partly because the *musyawarah* (Consensus Building) of the Association of Southeast Asian Nations (ASEAN) can also be seen in non-Asian regime formations, and partly because the newly emerging network method can also be seen in the non-American context.¹⁰ According to recent network theorists, such as Jessica Lipnack and Jeffrey Stamps, and David Ronfeldt, the network as an ideal type is regarded as the most evolved stage that could overcome the failures of formal state institutions and competitive marketplaces. Openness ("open regionalism"¹¹) and consultations and coordination ("concerted unilateralism") are the main external and internal characteristics of such heterarchic network processes. Thus, it can be argued that open and loose networks are more advanced than

formal institutions in a post-industrial age, and the seemingly "Asian" informal mechanism might effectively work for realizing "American" values of liberalization and democratization.

Are the current APEC institutions really open, and loosely networked? As the organizational chart of APEC (Figure 1) shows, the structure of the ministerial meetings, senior officers meetings, three committees and ten working groups (and expert groups) is not so loose. "Informal" APEC leaders attempted to seek advice from the EPG and the business leaders to avoid bureaucratic rigidity of this institutional structure. In addition to this, the pace of hierarchicalization was also faster than is usually recognized. ASEAN was created in 1967, and its secretariat was established nine years later in 1976.¹² APEC was created in 1989, and its secretariat was established in 1993, only four years later. Thus, the institutionalization or hierarchicalization of APEC developed much faster than that of ASEAN. It is also important to recognize the pace of the deepening processes of differentiating specific issue areas and of the broadening processes of increasing the membership and involving various non-state actors. As compared with the EU, however, the level of APEC institutionalization is still much lower.

What explanatory variables can account for the current relatively loose, but not completely loose, institutional structure of APEC? It is said that at an early stage of the APEC leadership, there was a rift between Australia and Japan, especially the Ministry of International Trade and Industry, about the conceptual framework of Asia-Pacific cooperation.¹³ This original division was later widened by a growing tension between Malaysia's proposal for an East Asian Economic Group (EAEG) and the US idea of the NAFTA extension to Asia Pacific economies. However, the difference did not arise simply because of cultural variations between Asia and the West. There are four independent variables which should be examined; they are power, profit, knowledge and values.

With respect to the first variable, political scientists have long conceptualized power as the most important interaction capacity of state agents. At the international system level, the attempts of non-American states to avoid US hegemonic control of trade and financial systems would to some extent explain the network nature of the institutional structure of APEC. The alleged decline of US hegemonic power, especially since the mid 1980s, provided a rationale for reviving defensive regionalism in Europe, Asia, and even in North America. The decision of the UK to join the EU triggered defensive reactions of non-European Commonwealths to form alternative regional arrangements. Thus, Canada took the lead in forming the Canada-US Free Trade Agreement, Australia in advancing APEC, and Malaysia in proposing an EAEG, later renamed as the East Asian Economic Caucus (EAEC). In Asia, the re-emerging Chinese power also facilitated the formation of the ASEAN Free Trade Agreement (AFTA). Among the developed market economies, Japan is the only state which has not committed itself to any free trade area or customs union allowed by Article 24 of the General Agreement on Tariff and Trade (GATT). Thus, Japan has attempted to divert the US shift to unilateral or regional measures by making the US engage in Asia's "open regionalism." In this sense, current APEC should be regarded as inter-regionalism (or networking regionalism)¹⁴ rather than regionalism based on land or sea as can be seen in the EU, NAFTA, and AFTA. Similar inter-regionalism networking in major free trade areas can be seen in the attempt of the Asia-Europe Meeting (ASEM) and the idea of a Transatlantic Free Trade Area (TAFTA) or a Transatlantic Market (TAM). In short, APEC's institutions can be influenced by the future developments of other regional arrangements, especially the EU.

Turning to profit, the second variable, it is often pointed out that the APEC Business Advisory Council (ABAC) and many business and economic leaders argue that "APEC means business." Economists also often characterize Asia's integration as market led. It is correct that market forces

are fostering Asia-Pacific regional integration, and that APEC is seeking further trade liberalization. International trade has long been an important parameter for regional integration, but trade is no longer the most important indicator of the age of the network. At a deeper level, structural changes in production and finance have become more important for integration, especially since the 1980s. A combination of the crisis of Fordist mass production and financial and trade liberalization facilitated a variety of corporate network strategies for cost reduction and profit maximization. According to Albert Bressand, corporate networks evolve from intra-firm (and intra-group) to inter-firm, and inter-firm to meta-firm networks, by linking "shared" or "combined" estates.¹⁵ The increased importance of Asian economies in the global marketplace has accelerated the development of these business networks. The Pacific Basin Economic Council (PBEC) can be regarded as a meta-firm network to coordinate business interests within the business community, whereas the Pacific Business Forum (PBF) and the ABAC can be regarded as meta-firm networks to coordinate business interests vis-a-vis state agents.

The third and fourth variables, knowledge and values, can also serve as important interaction capacities in the networked community. As Robert Manning and Paula Stern argue, "Trade, investment, and a Pacific coastline do not necessarily make for a broader sense of community."¹⁶ Such an intangible sense of community has gradually developed among key state officers when there was interaction with each other to form a network at the ministerial meetings, senior officers meetings, committees, and working group levels. Prior to this intergovernmental process, it should be noted that the idea developed by non-governmental networking, such as the Pacific Trade and Development Conference (PAFTAD), the EPG, and APEC Study Centers, played a significant role of building the so-called epistemic communities of professionals. Stuart Harris argues that APEC as an intergovernmental forum was realized "only after a substantial and lengthy process of dialogue

on issues of economic cooperation in this region at a non-governmental level.”¹⁷

Many observers recognize the Pacific Economic Cooperation Council (PECC) as an important predecessor to APEC. In actuality, the creation and management of APEC was directly or indirectly supported by the PECC national and international networks.¹⁸ The PECC has some explanatory power, mainly because of its tripartite nature. That is, individual actors in their private capacities from state, business, and research institutions participate in the PECC where power, profit, and knowledge and ideas are intertwined with one another in a fuzzy way. Thus, as Richard Higgott argues, the idea of “market led open regionalism” is normatively shared by the policymaking elites in the region.¹⁹ In this process, economic profit is perhaps a more immediate factor. This was supported by a combination of both political power and normative knowledge and values. Although these epistemic networks did become a precedent and provide a basis for APEC institutions, it is also reported that they “could contribute little more to the process of community building; the many emerging problems were the exclusive domains of sovereign governments.”²⁰ Such a networked epistemic community is perhaps a necessary, but not a sufficient, condition for effective governance.²¹

APEC Institutions as Intervening Variables

Agents with different interaction capacities can act with or without APEC institutions which can be conceptualized as intervening variables. The dependent variables here are expected, or unexpected, consequences. The question to ask here is: what kinds of APEC institutional structures would effectively facilitate, or constrain, consequent behavior of agents and result in what outcomes? This causation will be analyzed by focusing on key issue areas.

Currently, two main APEC agendas are (1) trade and investment

liberalization and facilitation (TILF), and (2) economic and technical cooperation (Ecotech). TILF has been promoted by APEC in two ways: Individual Action Plans (IAPs) and Collective Action Plans (CAPs). IAPs are submitted unilaterally by each member economy according to its own timetable, but they are carefully monitored in a peer group. CAPs rely more on APEC institutions, because all members decide to implement them according to their agreed timetables. However, both plans are non-binding and without formal rules, and thus some worry that these would not achieve the expected result of liberalization due to cosmetic efforts and free-riding.

Up to now, the effectiveness of this mechanism in the field of TILF has been mixed. According to Ippei Yamazawa, former EPG member and current Coordinator of the Japan Consortium of APEC Study Centers, the Manila Action Plan for APEC (MAPA)'s tariff reductions toward the Bogor target by some developing economies, such as Indonesia, the Philippines, China, and Chile, were rather impressive, while those of others, including major developed member economies, were not so different from their Uruguay Round commitments.²² Achievements also vary across sectors. APEC was used as leverage to achieve multilateral and regional liberalization in the telecommunication sector in 1996, and the nine early voluntary sectoral liberalizations (EVSL) in 1997.²³ However, even informal agreements are difficult to reach in other sectors, including the farm sector.

The poor results for member economies or some sectors can be attributed to a lack of either willingness or capabilities in both macroeconomic and microeconomic policy coordination across time. The example of the recent currency crisis in Asia recalls that the post-1985 Plaza Accords financial structure, that is the appreciation of the yen and Southeast Asia's foreign direct investment (FDI) driven (mainly Japanese FDI), export led growth strategy, was one of the main driving forces for market driven regional integration. Such market led integration pre-existed the formation of APEC, and that is why formal institutions were not always needed. On one hand,

the recent crisis calls for more active intergovernmental networks or institutions for "enhanced regional surveillance" in macroeconomic policies. On the other hand, however, the changing financial structure could damage the existing APEC mechanism for trade liberalization, because the changing currency values could brake the pace of unilateral liberalization measures, and a unilateral competitive devaluation could result in fragmentation of the market in the region. For those who lack sufficient willingness or capabilities, enforced liberalization can be counterproductive. As the 1997 leaders declaration implies, a network of "enhanced regional surveillance" will be sought jointly with, or without, relying on the IAP and CAP schema. Capacity building by "intensified economic and technical cooperation" could also be implemented with, or without, relying on the Ecotech scheme.

APEC's Ecotech philosophy is based on the principle of a very non-hegemonic network. The original Partnership for Progress proposal made by Japan, the largest donor of Official Development Assistance (ODA) in this region as well as the world, caused apprehension among the US and other donors about Japan's ODA hegemonic status in the APEC process. Unlike trade and investment, Japan's aid share in the region is still dominant. As a result of consultation, Ecotech activities changed from coordination of traditional bilateral or multilateral ODA projects and programs to small "pet" projects coordinated mainly by the original proposers and participated in by other members on a voluntary basis.²⁴ By 1995, APEC Ecotech joint activities had mushroomed into thirteen areas.²⁵ Among these, one of the most active areas is human resource development (HRD). According to data based on the October 1996 Working Group and APEC Fora Reports, the total number of joint activities in this area reached 86, although the number of completed activities was relatively low. Perhaps this is because HRD is one of the oldest areas of cooperation where the network method works most effectively. This area was also one of the six priority areas identified by the 1996 Declaration on an Asia-Pacific economic cooperation framework

strengthening economic cooperation and development.²⁶ In 1997, particular emphasis was placed on strengthening economic infrastructure and promoting environmentally sustainable growth.

These three focused areas of human resources development, economic infrastructure, and the environment are not only indispensable areas for attaining the APEC goals of "sustainable growth" and "equitable development," but also the very basic components of post-Cold War goals of sustainability and security. The development studies community is not now using only the concept of "economically sustained growth" but also "sustainable human development" and "ecologically sustainable development." The security studies community seems to have expanded to deal with the newly conceptualized issues of "human security" and "environmental security." Thus, although the APEC agenda has concentrated on the economic sphere, the APEC goals of "sustainable growth" and "equitable development" could not be completely separated from the ecological and politico-security agendas.

The issues of ecologically sustainable development have become prominent since 1992, when the United Nations Conference on the Environment and Development (UNCED) was held in Rio de Janeiro. The 1993 APEC economic vision statement mentioned sustainable growth, and in 1994 Canada hosted the first environmental ministers meeting in Vancouver. The environmental vision statement decided to integrate environment and sustainable development into "each APEC working group and policy committee," rather than to create a new committee or working group on sustainable development. The US and other seekers of environmental leadership in this region, like Japan, the Philippines, and Canada, proposed the liberalization of environmental goods and services, the multifaceted notion of FEEEP (food, energy, environment, economic growth, and population), the ministerial meeting on sustainable development, and sustainable cities. All these activities have been discussed as crosscutting

issues.

This strategy of linking the APEC economic agenda and environmental issues is expected to be effective, because such crosscutting recognition can facilitate key actors, such as the ASEAN countries, to adopt more pro-active environmental diplomacy.²⁷ At the same time, the lack of a separate standing committee may lead to problems of accountability and transparency.²⁸ Furthermore, because of their lack of specific Bogor-like targets with timetables on environmental improvements, non-binding arrangements lose the focus of bureaucrats, business people, and even NGOs. For instance, when Japan, as the chair of the third Conference of the Parties (COP-3) to the United Nations Framework Convention on Climate Change, tried to use the 1997 APEC meetings to define the target of the Kyoto Protocol for climate change, APEC recognized its importance but provided little impact on consensus formation among member economies on establishing quantified emission limitation and reduction objectives of greenhouse gases. Thus, APEC's loose forum provided an increased, but narrow, impact on the behavior of governmental actors in this issue. More formal arrangements, say a NAFTA-like environmental side accord, may be examined, and yet without mature willingness such an attempt may result in lowering the existing environmental standards.

Political issues, such as human rights and democratization, have not directly been discussed at the APEC forum. Canadian Prime Minister Jean Chretien said, "I don't think APEC will ever have human rights on its agenda."²⁹ Yet, what the World Bank once called the East Asian miracle, that is a combination of sustained economic growth with reduced income inequality, has provided room for expanding mass production and consumption and has produced an emerging middle income class. They are often regarded as a driving force for democratization. In a similar manner, the neo-Kantian democratic peace hypothesis is still the basis for US Congressional activism in human rights diplomacy, although some empirical

studies suggest that democratization associated with national sentiments may not promote peace.³⁰ Open ended liberalization sometimes proceeds with nationalist repercussions, and small and medium size enterprises and agriculture sectors may become potentially political destabilizers. Political economic complexities as such tend to be managed at the national level, rather than regionally, in the Asia-Pacific region. In fact, many Asian governments are not willing to form a regional institution on human rights, as was seen in the Bangkok declaration made by the regional meeting for Asia of the 1993 world conference on human rights in Vienna.

This tendency is both a Cold War legacy and a post-Cold War effect. It is a Cold War legacy, because the US and other former Western bloc countries ignored domestic human rights and undemocratic issues of Asian countries in order to fight effectively against the communist bloc. It is a post-Cold War effect, because pent-up nationalisms revived when the Cold War internationalisms lost their glitter. Thus, it is less likely, at least in the short term, for APEC to become an intergovernmental regional institution on human rights and labor issues.³¹ It seems that bilateral or multilateral frameworks have been more effective instruments on this issue. However, this does not mean APEC has no role to play in this issue. For instance, the Bill Clinton-Jiang Zemin meeting at the 1993 APEC leaders' meeting at Blake Island did provide some promise for easing the tension, at least temporarily, between the US and China over the issue of human rights and the most-favored nation (MFN) status renewal, although it did not produce breakthroughs for the problem. Clinton's decision in 1994 to delink human rights and trade issues with China was made unilaterally or bilaterally, and yet it can be understood that the APEC multilateral forum, where not only China but also other Asian members produced the 1993 Bangkok Declaration, was working as an intervening variable.

Although the ASEAN countries did not want to discuss security issues at the APEC forum, they took the lead in providing networked forms of

security dialogues. The intergovernmental ASEAN Regional Forum (ARF) and the non-governmental Council for Security Cooperation in the Asia-Pacific Region (CSCAP), both of which were established in 1993, can be regarded as the security equivalents of APEC and PECC. Australia's proposal for "common security", and Canada's proposal for "cooperative security" are also a reflection that a network type of a non-hegemonic multilateral security regime is also called for in this area.³² Many security analysts doubt that multilateral institutions will soon replace bilateral alliances, especially in East Asia.³³ However, it is erroneous to conclude that the US would not move to multilateralism in this area. In fact, US President Clinton once stated, "overlapping plates of armor, individually providing protection and together covering the full body of our common security interests."³⁴ This suggests that the US would not always be against the idea of multilateral security institutions in this region. Thus, informal fora, like the North Atlantic Cooperation Council (NACC), in addition to the existing formal bilateral arrangements, will be a semi-solution to the foundation for Asia-Pacific security.³⁵

Although peace and stability are necessary conditions for Asia-Pacific trade, investment, and other business and cooperation, it will be difficult for APEC itself to become a security forum, mainly because China would not agree that politico-security issues could be dealt with by even an informal forum where Chinese Taipei shares equivalent status with Beijing. More likely, ARF can develop to play an expanded role in the region. Such attempts may work effectively for confidence building and preventive diplomacy; however, they may not work for ex-post conflict resolution. This is mainly because physical force, which will be needed for effective collective security, is not a dominant method for a network.

APEC Institutions as Independent Variables

Lastly, but no less importantly, the autonomy of APEC institutions

can be regarded as an explanatory variable for the change in interaction capacities of agents as well as the results of their behavior through the APEC institutions. Institutions, through a feedback process, will influence the will and capability of a variety of agents both domestically and internationally.

It is usually understood that governments that are weak on the international stage can benefit from informal agreements to avoid visible commitment,³⁶ while an international "cooperative institution" can be used to fight against protective interests at home.³⁷ Thus, the current APEC arrangement can provide governments of member economies with strengths to set out their preferable pace of liberalization, although the slowness of committing and implementing the Bogor targets can be regarded as protectionism. Since some ASEAN economies have already liberalized their financial markets to some extent, this can also be regarded as compensation "at the regional level for policy autonomy lost at the national level."³⁸ Yet, the recent foreign exchange crisis makes such policy autonomy of the affected Asian member economies quite irrelevant.

In a different context, policy autonomy stemming from APEC looseness can be learned by the developed member economies as well. For instance, the US, with its constitutional requirements for Congressional approval of trade negotiation, has expressed its initial preference for more formal free trade arrangements. Despite this, why did the US eventually compromise on the current loose free trade consultation? One of the reasons, is that the US representatives learned that there are some advantages to this looseness. Unlike traditional trade negotiations, the US executive branch, especially the US Trade Representative at the 1995 Osaka meetings, learned that they could become more autonomous than before in relation to Congress, because APEC's executive consultations, not trade negotiations, did not always require democratic approval of "fast track" decisions.

The informal arrangement of APEC can also strengthen APEC itself as an international agent. Unlike the prolonged Uruguay Round talks of the

formal GATT negotiation process, informal agreement enabled APEC to form quickly a regional arrangement sufficient to threaten its rival regionalism, in particular the EU.³⁹ When the formal World Trade Organization (WTO) negotiation of the Information Technology Agreement became stalemated, the informal but quick action of APEC again facilitated WTO liberalization in this sector. If such a learning process is repeated, the increased willingness and capability of state and intergovernmental actors to maintain the current APEC institutional structure with its looseness and voluntarism would remain.

The learning process, however, may not always work positively in maintaining the current APEC institutional structure. If some members of APEC learn that other members are not satisfactorily implementing their IAPs, for example, more formal, legally binding arrangements may be called for. Equally important, even if ministers and officers in the area of trade acknowledge the advantages of the current APEC institutional structure, ministers and officers in other issue areas, say, finance, labor, and the environment, may not be satisfied with the looseness. Even if all ministers and officers acknowledge the importance of looseness, non-state actors, say business and NGO communities, may not be satisfied with this looseness for different reasons. Although the APEC institutions can be autonomous, the future institutional structure of APEC is dependent on the complex processes of hierarchicalization, marketization, and networking of state and non-state actors. Thus, it is erroneous to assume that there is a teleological or linear evolution of APEC institutions.

Some newly emerging symptoms of calling for formalization can already be seen in the business and NGO sectors as well. While some "sensitive sectors" of business interests were protected by the voluntary and informal commitments of APEC members, unsatisfied exporters and investors facing visible and less visible barriers tend to desire more legally binding dispute mechanisms in securing national treatment and MFN status. This

line of movement by international capital, especially in the US and EU, facilitated a Multilateral Agreement on Investment (MAI), through the Organization of Economic Cooperation and Development (OECD) and the WTO. These negotiations started in 1995. This coincided with APEC's decision on long term targets for trade liberalization at Bogor in 1994 and the informal and fuzzy action agenda of Osaka in 1995.

Like market forces calling for transparency, non-governmental organizations, another category of social force, also call for transparency and accountability in order to realize alternative values. As the 1995 report of the Japan Center for International Exchange (JCIE) identifies, networks of three types of civil society agents have been emerging in the Asia-Pacific region.⁴⁰ These are independent policy research institutes, NGOs in the field of third world development, and organized corporate philanthropy. These have emerged independently of the APEC process, and yet APEC also facilitated NGOs to become active in networking and in preparing conferences parallel to APEC. Canada attempted to narrow the gap between the public sector and the NGO sector in the 1997 APEC process by officially supporting the alternative meeting, but this attempt resulted in failure when human rights activists were arrested by the Canadian authorities. A Japanese NGO activist also points out that APEC's informality was used as a rationale for closed meetings by state officers.⁴¹ Executive agreements do not require legislative approval, and therefore limit access even by democratically elected parliamentary members. This kind of undemocratic secrecy will undermine the power of civil society agents, who may call for more legally binding mechanisms.

II. Devising a Networking Strategy for New Regionalism

Implications for Governments

What do governments think about networking? Should they hinder or assist networking? While many business and other non-governmental

organizations have already adopted the network method, Jessica Mathews observes, "Governments . . . are quintessential hierarchies . . ."42 Governments do and can further advance their own networking processes, because (not despite the fact that) governments tend to be hierarchies, when they perceive that the networking method is effective for increasing their own interaction capacity to adapt to the changing hierarchicalization and fragmentation among like-units and unlike-units. Thus, the strategy of governments can be distinguished according to the target of their networking actions: governmental actors and non-governmental actors. Their networking strategy *vis-a-vis* other governmental actors as like-units can be further categorized in terms of the territoriality of the state: governmental and intergovernmental actors within APEC, governmental and intergovernmental actors outside APEC, and local governments within each APEC member economy. The strategy of governments *vis-a-vis* non-governmental actors as unlike-units can be roughly adapted for their partnerships with market and civil society agents.

As for networking among governments within the APEC forum, while a continuing resistance to further bureaucratization or hierarchicalization of APEC as an international institution exists, increased demands for interaction by government officers in a wide range of issue areas have emerged. Faced with the recent Asian financial crisis, for example, the role of APEC finance ministers' meetings has been increasingly important. Since 1994, finance ministers' meetings have been held in the previous year's host country, and the 1997 finance ministers' meeting was held in Cebu, the Philippines, before the Asian currency crisis started. As the root cause of production, finance is the issue area that requires consultation and coordination earlier than trade and investment liberalization. Although the idea of an Asian monetary fund was rejected as being neither feasible nor desirable, increased intra-regional trade provided Asian economies with an incentive to form a monetary bloc to insulate them from the declined US

dollar. Another important issue area for intergovernmental networking is the environment, arising out of economic growth and possibly of trade and investment liberalization. Although the Philippines took the lead in holding a ministers' meeting on sustainable development in 1996, and Canada attempted to regularize environment ministers' meetings in 1994 and 1997, intergovernmental interaction in the field of the environment is still sporadic. Further integration of these issue areas into the APEC agenda seems to have been regarded as being too diffuse and working against a streamlined, lean and mean APEC institution. However, issue-networking, which requires intra-bureaucratic coordination within each government and among governments, will be inevitable in achieving APEC goals of sustainable growth and equitable development.

In addition to issue expansion, APEC's expansion in membership is another worry for some strategists. For instance, Paul Keating saw that expansion would diminish "APEC's capacity to act quickly and effectively" and "the Bogor aims will become unrealistic."⁴³ This is a possibility, but expansion in membership itself may not necessarily result in weakening APEC's potential, if the network method continues to be functional. If there have been some signs of delay in member economy's efforts in attaining the Bogor goals, it is partly because the current review of IAPs and CAPs has not utilized peer network pressures effectively. So, the real problem is whether new members, as well as existing ones, understand, maintain, and strengthen the governance structure of "openness" and "concerted unilateralism." Increased interaction of government officials in an expanded community will not automatically provide them with incentives to form an effective network, but it will increase chances to review each other's performance under new peer pressures. Since APEC is providing a network for non-WTO members - China, Chinese Taipei, Russia and Vietnam - such a peer review will continue to be important to build confidence before their accession to the WTO. In a similar way, closer performance reviews of existing members will be needed

as well.

How can we strengthen the network method for intra- and inter-governmental cooperation under the condition of issue expansion and membership expansion? One way is to set out clear goals with specific timetables in various issue areas. This is the role of leaders' meetings, which pay strategic attention to causal relationships between liberalization and other functional areas, and establish effective linkages between them. In order to facilitate Bogor-like voluntary targets on various issue areas, specific sectoral ministers should join leaders' meetings each year to determine goals and timetables for their jurisdictions in relation to TILF and ecotech agenda. For instance, finance ministers could have joined the leaders' meeting held in Vancouver to discuss specific targets, with timetables, for financial surveillance. EVSL is a good example of microeconomic multilateral liberalization. However, there should also be a commitment to early voluntary coordination on macroeconomic, socio-economic and environmental aspects.

Another way of strengthening networking is to make the best use of information and communication technology, as is already adopted in some APEC activities. For instance, in order to monitor and strengthen the progress of IAPs and CAPs, the respective governments can make their own performance reviews available on the world wide web. It is also possible to review APEC-related performance by comparing the WTO and intra-APEC groups of free trade areas, such as NAFTA, AFTA, and Australia New Zealand Closer Economic Relations Trade Agreement (ANZCERTA). Thus, the viability of APEC's network strategy will become clearer, as compared with the institutionalization strategy of global multilateralism and regional unilateralism. Comparative self-performance reviews as such can also be done voluntarily and openly in a network. If some governments initiate them regularly and openly, and if it is recognized by other members that such an action leads to increased power and benefits for them and the region, it can

be expected that other governments will follow.

If performance review is not well appreciated by other members, what is the next step? Should we expect them to withdraw voluntarily from APEC? What if they would like to remain in APEC? One way to save their membership is to utilize Ecotech activities for improving their capacity to implement their targets. Performance review itself can be included as an Ecotech activity.

Another way to save the APEC network is to break down members' economies into local economies and to construct effective networks among local government units in the region to attain the targets. Since the membership unit for APEC is not the state, but an economy, this kind of arrangement may well be feasible. It will be easier for Hong Kong and Singapore, because of not only their *entrepôt* economies but also their territorial sizes, to make and manage their voluntary commitments and economies. In addition, having the three economies of China as APEC members is not weakening Beijing's political interaction capacity in the APEC community. The addition of the Russian Federation as a whole may have a function similar to ASEM, because of its political connection to both Europe and East Asia. Nevertheless, the Russian Far East might be a more appropriate economy for membership of APEC, although some observe that "the Russian Far East human resources base is too thin for Russia to be substantially involved in the Asia Pacific networks."⁴⁴ In Japan, a local initiative proposed by the Okinawa Prefecture to introduce an All Okinawa Free Trade Zone by 2005,⁴⁵ is an interesting networking experiment at the level of local economies in the context of APEC liberalization, although its feasibility and desirability are still open to debate. If local governments wish to participate in the APEC process independently, it is worth a try. At least, federal or central governments should not impede local initiatives of networking in APEC-related activities on the basis of their initial preference of hierarchicalization within the national territory. The so-called growth

triangles or natural economic territories, "almost all of which have received official government backing," are not so natural.⁴⁶

Next, how should governments respond to unlike-units—the business community and civil society—using the network method? Malaysian Prime Minister Mahathir Mohamad stated at the 1997 APEC CEO Summit, "The choice for the world is not absolute power for the Government or for the market. The choice is cooperation and collaboration between the government elected and responsible to the electorate and the market with its stress on efficiency, competition and the bottom line. Only when the Government and business work together can there be maximum economic development for all to enjoy."⁴⁷ Unlike politicians in liberal democracies, a state bureaucracy is not elected, but selected or appointed. This is the problem called democratic deficit. The distinction between democratic or bureaucratic "intervention" in business affairs and government-business "collaboration" in a network is difficult. And yet, APEC has already extended its consultative arms to the business community by establishing and regularizing the interaction with ABAC. It seems that business inputs to the APEC process are critical and effective. For instance, the 1997 ABAC Report's evaluation of MAPA from a business perspective was more critical than the results compiled by the governments. Robert G. Lees, Secretary General of PBEC, asserts, "the APEC pace towards liberalization continues to be glacial, at best. This is discouraging, given the fact that so much of the region's future stability and prosperity is depending on open markets and open trade."⁴⁸ One important point revealed through these APEC government-business interactions was that effective business operations are not accomplished by the "eclipse of the states,"⁴⁹ but rather by an increased role of governments in cooperation with the private sector. Intellectual property protection, government procurement and dispute mediation are just some examples showing the necessity of appropriate institutional or regulatory structures.

As compared with the institutionalized involvement with business, it

seems that governments' network with the epistemic community became less institutionalized when the mandate of the EPG was terminated in 1995. According to a former EPG member, the "second wife syndrome" existed for academics. For APEC leaders, "the first wives are ministers and senior officers and academics are the second wives." Today the position of the second wife has been taken by the business sector. However, this does not always mean that a government's network with the academic and professional community has disappeared. Research activities at international and members' consortia of APEC Study Centers are becoming more active, and some academics, as independent advisors, have continued to cooperate with member delegations to several APEC meetings. There should be, however, a more direct linkage between the academic community and the APEC institution, especially in newly introduced agenda items. David Morgan of Canada's national roundtable on the environment and the economy has advocated the creation of an environmental EPG for APEC.⁵⁰ As was seen in the role of the EPG on liberalization, such an arrangement can provide an effective input of knowledge from the academic community directly to APEC leaders and ministers without creating hierarchical structures. At least, as with business input, agenda setting and the independent review of members' performance conducted by professionals and research groups should be encouraged by governments.

With a limited number of exceptions, government-NGO networking in APEC is undeveloped. The idea of further civil society involvement, as well as increased membership may not be attractive to some governments because they perceive it could undermine the efficiency of the APEC process. On the other hand, other governments will encourage civil society involvement to improve the efficacy of the APEC process. As Canada did in 1997, governments can set up regular consultative meetings with civil society organizations to provide financial support for APEC parallel meetings of NGOs. However, if it continues to be a "parallel" process, the impact of civil

society mechanisms in the APEC process will be limited. Considering the limited resources that can be devoted by the NGO community, it will be important to hold more "integrated" dialogue sessions where governments and other major groups, including NGOs, can meet together to discuss freely the APEC agenda and processes. The fact that governments and NGOs are sometimes hostile to each other may impede this process, and yet governments should, at least, ensure that civil society agents can access information on, and permit their reporters to observe, any aspects of the APEC process.

Implications for Businesses

The business sector has used and will develop intra- and inter-firm networking in regional as well as global marketplaces for maximizing their profits, independently of or through the APEC mechanism. A business networking strategy can be distinguished also by its target, within the market or outside the market. For competition within the marketplace, firms that used to be organized in hierarchical order internally, have started a variety of networking arrangements: intra-firm, inter-firm, inter-industry. Businesses also take the lead in collaborating with governments and even civil society agents.

Networking within the business community started prior to the formation of APEC. The horizontal integration in Asian economies can be largely explained by the famous flying geese model. Liberalization and deregulation in East and Southeast Asia, in combination with the appreciation of the yen against the US dollar after the 1985 Plaza Accords, also promoted a vertically networked division of labor. This vertical integration, which led to increased intra-firm and intra-industry trade in the region, can be explained mainly by liberalized markets and wage levels. The Asian financial crisis, which coincided with the relative depreciation of the yen in the last several years, complicated regional integration as such.

However, this does not undermine the viability of the network model for business enterprises. How to form efficient business networks within a firm, with other firms, within an industry, and with other industries, continues to be the key issue in achieving business success.

In addition to labor-focused and customer-focused networking, informal networks promoted by advances in technology and knowledge are becoming increasingly important. Among other matters, the setting of standards and routine procedures is one of the most important networking activities in the Asia-Pacific region. The reason for this is that expanded trade and investment of goods and services has demanded further standardization in many ways. One instance of this is paper size; it is still inconvenient to receive a facsimile document in the A-4 size sent from Japan to North America, where letter size is popular. This practice usually consumes a larger amount of paper with unnecessary blank space. Technology can solve such problems, and yet business networks in combination with segmented regional markets can sometimes avoid a technical solution. Firms need not comply with specific standards, but non-compliance often means a diminished market share and a decline in profit. Thus, achieving international standards is becoming a crucial factor for business success.

Competition on Digital Versatile Discs (DVD) format is one of the most recent examples of international standards achieved by inter-firm and inter-industry networking. The DVD Forum was created in 1995 as an *ad hoc* association, whose membership is open to any hardware manufacturers, software firms, and other DVD users. Several DVD-related products have been developed with more than two competing formats. Disagreement has existed between R&D and sales sections even within the same manufacturing company, but major competition can be seen between firms and between industries. Within the consumer electronics industry, major competition for standards can be observed between Toshiba and seven other forum founding

members (Hitachi, Matsushita, Mitsubishi, Pioneer, Thompson Multimedia, Victor) and the Sony-Philips alliance.⁵¹ The DVD standards will also be determined by networking between upstream and downstream industries, including semiconductors, computers, movies, and broadcasting. The existing DVD players and discs already have regional or country codes, which have fragmented the APEC markets into six zones. Thus, standards of future generations of DVD are likely to be determined by a complex network of businesses involved not only in Asian-Pacific but also in European markets.

International standards of goods and services are sometimes determined by business-government collaboration.⁵² In the case of high-definition television (HDTV) standards, the original alliance between the Japanese public broadcasting service corporation (NHK) and US video software suppliers in Hollywood to create *de facto* HDTV standards was challenged by European electronics multinationals, Philips and Thompson, in collaboration with European bureaucrats. This could happen, because a combination of HDTV manufacturing and satellite broadcasting involved government activity in both industrial policy and broadcast regulation. Thus, the *de facto* standards strategy seeking networked oligopoly in marketplaces was blocked by the *de jure* standards to be agreed by inter-governmental organizations, in this case, the International Telecommunications Union's consultative committee on international radio. The *ad hoc* European-US alliance against Japan did not last long, temporarily resulting in separate HDTV standards development in Japan, the US, and Europe, although the decision of Japan's Ministry of Posts and Telecommunications in 1997 to shift from analog to digital HDTV format will facilitate US-led standardization.

Similar knowledge-based networking by businesses and governments is reflected in the APEC TILF agenda on standards and conformance. As was identified in 1997 as one EVSL sector, telecommunication's Mutual Recognition Arrangement (MRA) has significant implications for future

interactive network-based businesses. In particular, the USA, which has the world's largest online market of goods and services, is eager to establish interactive electronic networks in the region. US Ambassador to APEC, John Wolf, said at a SOM in Singapore in 1998, "To have e-commerce, you have to deal with issues of access, bandwidth, speed of transmission and reliability of the network" which all need the involvement of governments. WTO's new Agreement on Technical Barriers to Trade also facilitated standardization by the collaboration of government and business sectors in the APEC region. Asian-Pacific standardization and conformance will continue to affect potential cooperation and tension with Europe and the Europe-originated International Organization for Standardization (ISO). For governments, borderless electronic commerce development can also mean cooperation and tension with businesses, because it can undermine sovereignty as well as providing potential revenue-seeking opportunities in the form of taxes and customs. While business leaders of ABAC and PBEC agree that the leading role in constructing electronic commerce markets should be taken by the business sector, and the involvement of governments should be minimum, they support "constructive engagement with national governments."⁵³

In this issue, PECC is the main non-governmental body collaborating with the business sector. PECC's Telecommunications Forum, which closely collaborates with APEC's Telecommunications Working Group, hosted a meeting to support an MRA for conformity assessment of telecommunications equipment.⁵⁴ As was seen in the recent establishment of the APEC Internet Collaboration Center at the University of Washington, the APEC Study Centers can also be places of high-level business-academic collaboration, although at the grassroots level, collaboration is still undeveloped. The lower levels should be involved, because they can be affected by the potential relocation of labor and unemployment, and grassroots civil society agents will also potentially gain benefits from the development of an open information

network infrastructure. Similarly, organized labor and small and medium-sized enterprises should be involved, because electronic commerce will provide them with both positive and negative potential.

Implications for Civil Society Agents

While effective networking of professionals, mainly neo-classical and development economists in the region, pre-dated the formation of APEC, the networking of non-economist academics, NGOs, and other civil society agents was stimulated by the development of APEC. Despite this alleged influence, newly emerging civil society networks are not functioning effectively to exert their cognitive or value influence on APEC. A critical view is that "whether on a national or APEC-wide scale, civil society has exerted virtually no influence" on agenda setting, process, and outcomes of APEC.⁵⁵ Some argue that the concept of civil society is Western, and therefore not appropriate to the non-Western world. In fact, however, many Asian and non-Western NGOs are becoming actively involved in recent global or regional conferences at the UN, IMF, World Bank, WTO, and the Asian Development Bank. It is possible that the relative failure of NGO networks in the APEC process is related to the newness of civil society involvement in APEC and the relative success of the government and businesses networks. In order for academic and activist networks to influence APEC processes in the new issue areas, such as the environment, it will take time to establish both the hardware and the software infrastructure in the region. Although the path of civil society development may not be universal, and may depend on various cultural factors, a basic strategy of networking for civil society agents can be suggested.

Within civil society, cohesive networks have emerged around shared knowledge and values. Liberal and development economists continue to offer their knowledge and policy prescriptions independently, through their educational and research institutions, and through their networked academic

communities, including APEC Study Centers. APEC Study Centers were recently established in most APEC member economies, where research has been conducted not only on TILF and Ecotech agenda items, but also on political, social, and ecological issues. Annually held international consortia meetings of APEC Study Centers are a promising symptom of knowledge-based interdisciplinary networking, although the full input of knowledge and participation from a wide range of disciplines is still limited. This is mainly due to the limited funds for attending meetings and conducting joint research. The APEC Study Centers' Consortium should expand its interdisciplinary networks of academics and professionals, to monitor and research both substantive and procedural aspects of the APEC process. A joint research program between APEC Study Centers and the newly created Council on Asia-Europe Cooperation may be proposed. This can be a research network equivalent for ASEM to expand cross-regional networks.

As compared with the pre-existing academic networks of economists, networking of NGOs was promoted first by the Seattle meeting in 1993. Just prior to that year the UNCED was held, and many environmental organizations questioned the environmental sustainability implications of trade liberalization proposed by APEC, NAFTA, and the WTO. Issues of environment and human development promoted by the government- and business-led APEC processes have been strongly criticized at parallel conferences by people's organizations such as the Kyoto NGO Forum on APEC in 1995, the Manila People's Forum on APEC in 1996, and the Vancouver People's Summit on APEC in 1997. Partly because the environment-related aspects were, to some extent, incorporated into the APEC agenda, the recent parallel NGO meetings were attended more by labor and human rights-related NGOs rather than environmental ones. Nevertheless, the inadequate treatment of the environment in APEC would also steer them towards the anti-APEC camp.

There is a division within the NGO community concerning its strategy

vis-a-vis intergovernmental APEC relationships. David Webster reports: "It's been a running debate within the people's summit on whether to engage or oppose APEC (and to what degree to engage). . . . Ed Broadbent, former leader of the federal NDP (New Democratic Party) and of the International Centre for Human Rights and Democratic Development (ICHRDD), backed engagement - a social clause for APEC that would protect workers' rights, environmental safeguards, and so on. . . . The Council of Canadians . . . is completely opposed to APEC and to the involvement of the Canadian government in the APEC process."⁵⁶ Both attitudes can be seen as viable networking strategies. The former proposes networking by the NGO community in relation to governments, whereas the latter is seeking networking within civil society that is seeking alternatives. The approach proposed by the Council of Canadians, whose information network-based campaign against the MAI in 1997-98 is often regarded as a victory for civil society, achieved some success in slowing the proposed rapid liberalization.⁵⁷ However, this strategy needs to be complemented, sooner or later, by the other strategy of engagement - searching for an "APEC with human faces", because alternative blueprints for the Asia-Pacific governance mechanism are also needed. It is also not easy to coordinate, within civil society, different values and knowledge from a wide range of NGOs, trade unions, women's, youth, and indigenous groups, cultural, religious, and environmental groups, and so on. Civil society must explore its own political mechanisms to develop reliable nodes and networks, which can coordinate the sometimes parochial interests, local or issue-specific, to link them into a broader context, and to coordinate with the networks of APEC and ABAC.

Anti-APEC NGO activities have been faced with covert or overt opposition from governments. It seems that such resistance will become salient when NGOs are tempted to fight against government hierarchies by utilizing the non-network method. Some big NGOs hierarchicalize their own organizations and sometimes attempt to resist government power, physically.

Although this may be undertaken in a non-violent manner, such a physical reaction often induces the use of force by governments. A more fruitful approach for NGOs is to use the network method based on knowledge and values to win over bureaucrats and politicians. In particular, where internationally weak governments tend to resist stronger state-led hierarchies, there is room for NGOs to collaborate. Some governments also recognize the efficacy of civil society. For instance, Canadian Foreign Minister Lloyd Axworthy, who succeeded in using a network with NGOs to launch the convention to ban the use of land mines, stated at the APEC parallel business conference, "people will begin to question the value of an organization that has only two dimensions (government and business)."⁵⁸ This statement implies that he was engaged with civil society agents to balance the primacy of dominant multinationals, especially those of the US.

In addition, where APEC's bureaucracy-led networking has problems with democratic resistance, civil society agents can collaborate with political parties and elected politicians. In particular, NGOs, whose home base is located in societies that have recently experienced democratization, such as South Korea and Taiwan, can demonstrate a new model of civil society involvement for the rest of Asia. Japan's recent NPO law is also a new, although insufficient, move towards civil society development in Asia.

Another strategy taken by some NGOs is marketization. An example is the debt-for-nature swap arrangement, which has already been established in some APEC countries, including the Philippines and Mexico, to ease both debt and environmental problems. Debt-for-nature swaps are not exactly the same as market-based exchanges, but the idea itself is based on a market-like exchange, which has often been criticized by some indigenous residents who have feared marketization by northern NGOs. To maintain the policy autonomy of NGOs, it is important to gain secure financial resources. Again, a better strategy for NGOs is the network method of persuasion, rather than bargaining, based on information and moral values. In addition to public

donations and support, international foundations and endowments have been an important financial resource in forming civil society networks. Traditionally, this foundation community is well developed in the US, but it has also provided resources for Asia-Pacific non-governmental civil society activities. Recently, Japanese and Asian business firms which invested in North America, where they experienced local community activities, became involved in similar civil society activities, including philanthropic activities, in their home countries. Using information and values, the networks of consumers, labor organizations and other NGOs should be able to persuade corporations and corporate-related foundations that the increased purchasing power of consumers and environmentally sustainable development will provide long-term gains for corporations as well. Thus, networking between civil society organizations and businesses is also possible. It is worthwhile for NGOs to approach ABAC and PBEC to examine common issues, as symbolized by multiple visa issue restrictions by governments for business people and NGO activists.

Conclusions

In 1999 APEC will celebrate the tenth anniversary of its establishment. It is timely to rethink its governance structure and managerial practices to achieve the APEC goals of sustainable growth and equitable development. Important aspects of the network inherent in the new regionalism include openness, voluntarism, and the involvement of non-state actors. Reviewing the institutional development of APEC is theoretically stimulating and practically challenging. It calls for both interdisciplinary science and all-cast art.

In order to further clarify the causation, empirical research will be needed to improve both internal and external validity. To elaborate the logic of which variables actually affect which dependent variables, the following question should be asked: what organizational principles work effectively, to

what extent, under what conditions and at what stages and in what issue areas? Different institutional arrangements by different agents may work differently in different issue areas. It seems that networks of epistemic communities in PAFTAD, PECC, EPG, and APEC Study Centers worked relatively well at the stages of agenda setting and for parts of policy making and monitoring. However, the stages of policy making and decision making were dominated by a hierarchy of senior officers, ministers, and eventually economic leaders. Networks of businesses have been increasingly integrated into the intergovernmental APEC process, but a large part of the NGO community seems to be still not well integrated. Consequently, further studies will be needed at different stages of the policy cycle; they should examine agenda setting, policy making, decision making, monitoring, *ex post* evaluations, and policy enforcing. By so doing, APEC would provide some theoretical lessons not only in terms of issue specific international regimes but also in terms of a more overarching governance.

Another area for study would arise from the enhanced validity of the APEC networked structure. It is debatable whether an informal network will work effectively in larger populations or different settings. This is directly related to the increased membership. Despite some strong opponents to expansion, APEC membership increased from twelve to twenty-one, including Russia, Vietnam, and Peru, within a decade. In particular, the addition of Russia, a politically important country connected to both Europe and the Asia-Pacific region, may impart further dynamism to APEC networking, because it may alter the networking, or hierarchic relations between the great powers in the region. In such a case, even ASEAN may call for a more formal rule of law, to protect the rights of the weaker members. On the other hand, the involvement of Pacific Russia, rather than Moscow, may facilitate local level growth triangles and business networks, which can already be seen in East and Southeast Asia. Outside APEC, the more formal EU also adopted their "closer cooperation" and "flexibility" concepts in the

1997 Amsterdam Treaty.⁵⁹ Does this mean weakening formal institutionalization? Does this mean a convergence of formal institutions and informal networks? - In any event, it seems that the networking process does not exist independently of hierarchicalization and marketization. Sometimes, networking happens as a reaction to hierarchicalization or marketization. And sometimes, agents in epistemic communities and civil societies influence the networking of different types of agents. By further analyzing this new development within and outside APEC, we can better understand the strengths as well as the weaknesses of a newly emerging governance principle of networks, to search for the appropriate mix of the different governance principles in attaining sustainable and balanced development.

In terms of practice, further steps in networking strategy, which could promote openly networked regionalization in the post-Cold War Asia-Pacific, should be taken by a broad range of actors. Governments, businesses, academics and other civil society agents can link whatever need for force and non-voluntary association there may be 'with bargaining and exchanges' and with knowledge-based persuasion and moral-based inducement. Thus, a networking strategy can take various forms in the actual world. The "APEC means business" perspective can be interpreted in the sense that APEC involves networking of governments and businesses, for businesses by governments. APEC can also be regarded as a manifestation of networked regionalism, providing a policy of governments, for governments, and by governments, which builds upon a networked regionalization of business, for business, and by business. Other versions of networking also exist, including the involvement of civil society agents. The historical trajectory in the Asia-Pacific region was and will be shaped by interaction between governments, businesses, and civil society agents for their respective purposes, by a combination of their hierarchicalization, marketization, and networking methods. Political and security issues are not yet officially integrated in the

APEC process. According the same logic of networking, governments will seek Asian-Pacific cooperative or common security by means of a networking process, to engage necessary partners in regional affairs as a balance to the changing international structure after the cold war.

Endnotes

- ¹ C. Fred Bergsten, "APEC and World Trade," *Foreign Affairs*, May/June 1994, pp.20-26.
- ² Kishore Mahbubani, "An Asia-Pacific Consensus," *Foreign Affairs*, Vol.76, No.5 September 1997, p.157.
- ³ Samuel P. Huntington, "The Clash of Civilizations?" *Foreign Affairs*, Summer 1993, pp.22-49.
- ⁴ See for example, Walter W. Powell, "Neither Market Nor Hierarchy: Network Forms of Organization," *Research in Organizational Behavior*, No.12, 1990, pp.295-336; and David L. Ronfeldt, *Tribes, Institutions, Markets, Networks: A Framework about Societal Evolution*, Rand, P-7967, 1996. Ronfeldt assumes that the regimes of tribes (T), institutions (I), markets (M), and networks (N) have evolved in this order, and that different, additive combinations of these distinctive forms of organization can be seen across time and space. He argues that the most advanced combination of T+I+M+N can be seen in North America and Europe, while Asia is till preoccupied with the traditional T structure. I argue that APEC is an example of the most advanced T+I+M+N formation.
- ⁵ Some may refer to Japanese *keiretsu* and overseas Chinese business groups as "networks," but if they are hierarchical and not open to outside groups, they are not "networks" by this definition.
- ⁶ Jessica Lipnack and Jeffrey Stamps, *The Age of the Network: Organizing Principles for the 21st Century*, New York: John Wiley & Sons, Inc., 1994, p.43.
- ⁷ A similar conceptualization of the causal relationships between basic factors, international regimes, and related behavior and outcomes can be seen in Stephen D. Krasner, ed., *International Regimes*, Ithaca: Cornell University Press, 1983, pp.1-21; pp.355-368.
- ⁸ For instance, see Shin-Yuan Lai, "Reflections on APEC's Open Regionalism and Its Institutional Development," paper presented at the APEC Study Center Consortium Conference, Banff, Canada, May 24, 1997.
- ⁹ For instance, Hellmann sees APEC as an economic version of the 1928 Kellogg-Briand Pact, which was just a diplomatic symbol without formal procedures. Donald C. Hellmann, "America, APEC, and the Road Not Taken," in Ippei Yamazawa and Akira Hirata, eds., *APEC: Cooperation from Diversity*, Tokyo: Institute of Developing Economies, 1996, pp.7-28. Morrison explains that the US historically wanted Asia to work through institutions and regulatory mechanisms similar to theirs and reflecting the US values. Charles. E. Morrison, "The United States and Cooperation in the Asia-Pacific," *Australian Journal of International Affairs*, Vol.48, No.1, May 1994, pp.63-73.
- ¹⁰ For further information on "musyawarah," see Susumu Yamakage, *ASEAN*, Tokyo: University of Tokyo Press, 1991, pp.237-274. For an example of networking methods which worked in Western countries, see Marc Levy, "European Acid Rain: The Tote-Board Diplomacy," in P. M. Haas, R. O. Keohane, and M. A. Levy, eds., *Institutions for the Earth*, Cambridge: MIT Press, 1994, pp.75-132.
- ¹¹ For some definitions of "open regionalism," see C. Fred Bergsten, "Open Regionalism," *The World Economy*, Vol.20, No.5, August 1997, pp.545-565.
- ¹² I owe this argument on the comparison of ASEAN and APEC to Dr. Ng Chee Yuen, former Director of the Bureau of Economic Cooperation of the ASEAN Secretariat. Ng Chee Yuen, "Regional Organization: ASEAN and APEC," lecture presented at the Research Institute of the International University of Japan, February 27, 1997.
- ¹³ Yoichi Funabashi, *Asia Pacific Fusion: Japan's Role in APEC*, Washington, D.C.: Institute for International Economics, 1995, pp.55-71.
- ¹⁴ Bowles uses the term "multiple regionalism" to explain these overlapping memberships. Paul Bowles, "ASEAN, AFTA and the 'New Regionalism'," *Pacific Affairs* Summer 1997, pp.219-233.
- ¹⁵ Albert Bressand, *Networld* translated by Izumi Aizu, Tokyo: Toyo Keizai Shimposha, 1991.
- ¹⁶ Robert A. Manning and Paula Stern, "The Myth of the Pacific Community," *Foreign Affairs*,

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- 17 Stuart Harris, "Policy Networks and Economic Cooperation: Policy Coordination in the Asia-Pacific Region," *The Pacific Review*, Vol.7, No.4, 1992, p.381.
 - 18 Australian Prime Minister Robert Hawke was closely assisted by the Australian National Committee for PECC for the 1989 inaugural meeting of APEC. See Donald Crone, "The Politics of Emerging Pacific Cooperation," *Pacific Affairs*, Vol.65, No.1, Spring 1992, p.70.
 - 19 Richard Higgott, "Ideas and Identity in the International Political Economy of Regionalism: The Asia-Pacific and Europe Compared," *International Relations*, No.114, March 1997, pp.14-48.
 - 20 Crone, "The Politics of Emerging Pacific Cooperation," p.69.
 - 21 The ASEAN Institutes of Strategic and International Studies (ASEAN-ISIS) may be functioning to build a similar epistemic community, and the ASEAN Regional Forum (ARF) may be regarded as an equivalent network on the issue of security in this region.
 - 22 Ipeei Yamazawa, "APEC jiyuka jizoku kakudai wo," *Nihon Keizai Shimbun*, November 30, 1996.
 - 23 Over sixty nominations for non-binding EVSL were consolidated by APEC ministers into the nine industrial sectors: environmental goods and services; the energy sector; fish and fish products; toys; forest products; gems and jewelry; medical equipment and instruments; chemicals; and telecommunications mutual recognition arrangement.
 - 24 Ipeei Yamazawa, "APEC's Economic and Technical Cooperation: Evolution and Tasks Ahead," paper presented at the Institute for International Economics' symposium on "Whither the APEC," April 14-15, Washington, D.C.
 - 25 These are: trade and investment data (TID), trade promotion (TP), industrial science and technology (IST), human resource development (HRD), regional energy cooperation (REC), marine resource conservation (MRC), telecommunications (TEL) (these seven started in 1990); fisheries (FWG), transportation (TPPT), and tourism (TWG) (these three started in 1991); small and medium enterprises (SME), economic infrastructure (Infra), and agricultural technology (ATC), (these started in 1995).
 - 26 The six priority areas are: developing human resources; developing stable, safe and efficient capital markets; strengthening economic infrastructure; harnessing technologies for the future; safeguarding the quality of life through environmentally sound growth; developing and strengthening the dynamism of small and medium enterprises.
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 - 28 Lyuba Zarsky and Jason Hunter also expressed mixed feelings about the strengths and weaknesses of APEC's flexible institutional style for regional environmental governance. See, Lyuba Zarsky and Jason Hunter, "Environmental Cooperation at APEC: The First Five Years," *Journal of Environment & Development*, Vol.6, No.3, September 1997, pp.222-251.
 - 29 *Asiaweek*, December 5, 1997, 22.
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- ³⁶ Charles Lipson, "Why are some international agreements informal?" *International Organization*, Vol.45, No.4, Autumn 1991, pp.495-538.
- ³⁷ Harris, "Policy Networks and Economic Cooperation," p.387.
- ³⁸ Higgott, "Ideas and Identity in the International Political Economy of Regionalism," p.19.
- ³⁹ Lipson also points out that the need to reach agreements quickly often facilitates informal agreements. Lipson, "Why are some international agreements informal?" 501.
- ⁴⁰ Tadashi Yamamoto, ed., *Emerging Civil Society in the Asia Pacific Community*, Tokyo: Japan Center for International Exchange, 1995.
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Figure 1: APEC Organizational Chart

