THE VIABILITY OF APEC?

AB. RAHMAN HARUN

THESIS SUBMITTED IN PARTIAL FULFILMENT FOR THE DEGREE OF
MASTER OF ART (STRATEGY AND DIPLOMACY)

FACULTY OF SOCIAL SCIENCES AND HUMANITIES
UNIVERSITI KEBANGSAAN MALAYSIA
BANGI

2001
ABSTRACT

This paper provides an argument relating to the viability of the Asia Pacific Economic Cooperation (APEC), employing the basic theoretical premise of open regionalism. It examines the relevance of the organization in globalized world, makes an assessment of its usefulness, draws conclusions about the benefits that accrue to its members, particularly in the area of trade, and thus makes an analysis of the viability of the organization as a whole.

The major findings of this paper are, firstly, that a good number of APEC countries have benefited in terms of trade volumes and other trade related activities, including investment, from their membership of the organization. Secondly, APEC is considered relevant in the current political and economic scenario of the world. Thirdly, this paper finds that APEC has met its goals and objectives. Fourthly, this paper observes that APEC faces a number of philosophical and practical challenges, many of which have been brought out into the open as a result of the Asian financial crisis, and that this challenges need to be and can be addressed adequately.

Given the above, it is the conclusion of this paper that APEC is a viable institution and its continued and its continued existence is thus guaranteed.
# TABLE OF CONTENTS

<table>
<thead>
<tr>
<th>CONTENTS</th>
<th>PAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>DECLARATIO</td>
<td>ii</td>
</tr>
<tr>
<td>ACKNOWLEDGEMENT</td>
<td>iii</td>
</tr>
<tr>
<td>ABSTRACT</td>
<td>iv</td>
</tr>
<tr>
<td>TABLE OF CONTENTS</td>
<td>v</td>
</tr>
</tbody>
</table>

## CHAPTER 1  INTRODUCTION                      1

1.1 OBJECTIVE OF THE PAPER 1

1.2 HYPOTHESIS 2

1.3 OPERATIONALIZATION OF HYPOTHESIS 2

1.4 THEORETICAL CONSTRUCTS OF THE PAPER 3

1.5 LITERATURE REVIEW 9

1.6 ORGANIZATION OF THIS PAPER 17

## CHAPTER 2 THE BACKGROUND OF APEC            19

2.1 The Historical Background of APEC 19

2.2 The Function of APEC as an Economic Institution 21

2.3 The APEC Secretariat 24
# CONTENTS

## CHAPTER 3 ANALYSIS AND CONCLUSIONS

### THE VIABILITY OF APEC AS AN ECONOMIC ORGANIZATION

- 3.1 Inter-APEC Trade 27
- 3.2 Foreign Direct Investment (FDI) between APEC Members 31
- 3.3 Official Development Assistance (ODA) From APEC Developed Members 35
- 3.4 Mechanism of Trade Policy Dispute 38
- 3.5 Failure of APEC to Overcome the Asian Financial Crisis 39
- 3.6 The Downside of APEC's Trade Liberalization Efforts 42
- 3.7 APEC's Ideological Cleavages: Competing Views Between Neoliberalism and The "Asian View" 44
- 3.8 Conditions for Admission of New Members 46
- 3.9 The Agreement of Reaching APEC Goal 48
- 3.10 The Institutionalization of APEC 49
- 3.11 Security Issues on the APEC Agenda 49
- 3.12 Trade and Economic Uncertainties Faced by an Organized APEC 50

## BIBLIOGRAPHY

## APPENDIX
CONTENTS

STATISTICAL TABLES AND CHARTS

Table 1: Key Indicators of APEC Member Economies (As in 1999) 58
Table 2: APEC Tariff Reduction in 2010 60
Table 3: APEC's Regional Pattern of Trade for Exports From 1992-1997 (Values in US$ million) 61
Table 4: APEC's Regional Pattern of Trade for Imports From 1992-1997 (Values in US$ million) 63
Chart 1: APEC's Trade with the World (in %) 65
Chart 2: Countries/Region Providing FDI to APEC (1990,1996) 66
Chart 3: FDI Received by APEC 67
Table 5: Growth in FDI Received by APEC 68
Chart 4: FDI Received by APEC (1990,1996) 69
Table 6: The International Development Agencies' Involved in Official Development Program to APEC Member Economies 70
Table 7: Type of Official Development Programs Rendered To APEC Member Economies 71