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APEC and its role in formulating international norms*

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Abstract

Formulation of international norms, including their diffusion and acceptance, is part of the practice in international relations. However, the scholars have not paid adequate attention to the role of regional organizations and institutions in this process. The Asia-Pacific Economic Cooperation (APEC) has been one of the leading organizations in the Asia-Pacific region since its launch in 1989. This study examines the role of regional organizations in formulating international norms by examining APEC's position in recent years. Three different international norms were chosen: (i) trade and investment liberalization, (ii) data-free flow with trust, and (iii) climate change governance. Actors in formulating international norms may involve governments, industries, civil societies/epidemic communities, and international organizations and institutions. The study examines how APEC, the APEC Business Advisory Council (ABAC), and the APEC Vision Group (AVG) have influenced the formulation of the aforementioned international norms. Through this examination, the study derives several points that are necessary for examining the relations between regional organizations and international norms.

Keywords: international norms, APEC, trade and investment liberalization, data free flow with trust, climate change governance

JEL classification: F02, F53, F55

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1. Introduction

The Asia-Pacific Economic Cooperation (APEC) has been one of the most influential regional institutions since its establishment in 1989. The inter-governmental forum began as a ministerial meeting to deal with the economic matters among the 12 member economies: Australia, Brunei Darussalam, Canada, Indonesia, Japan, Korea, Malaysia, New Zealand, the Philippines, Singapore, Thailand, and the United States. Subsequently, it expanded its membership to include the People's Republic of China, Hong Kong (later Hong Kong, China), and Chinese Taipei in 1991; Mexico and Papua New Guinea in 1993; Chile in 1994; and Peru, Russia, and Vietnam in 1998. It elevated its meetings from ministerial levels to leaders' levels in 1993, when it held the APEC economic leaders' meeting on Blake Island in the United States.

In recent decades, international norms have been formulated and have subsequently evolved across various policy areas. These norms have been diffused and accepted globally. Notably, trade and investment liberalization has been the key international norm since the end of World War II under the Breton Woods system. Trade and investment liberalization have been enforced and challenged by various events. The post-WWII General Agreement on Tariffs and Trade (GATT) evolved into the World Trade Organization (WTO) in 1995, which now multilaterally considers various necessary reforms.

The economic shift towards digital economy has also ushered in related international norm formulation. In 2019, the G20 Osaka Leaders' Summit introduced an international norm—Data Free Flow with Trust (DFFT)—although it needs to be elaborated for it to be implemented properly. While considering the cross-border flow of data and information, it is imperative to consider privacy, data protection, intellectual property rights, and other matters related to digital economy to nurture the right path to digitalization.

Climate change governance is an important aspect of international norm formulation since the mid-1980s. According to the United Nations Framework Convention on Climate Change (UNFCCC) in 1992, the Kyoto Protocol in 1997, the Copenhagen Accord in 2009, and the Paris Agreement in 2015, the norms for climate change governance have evolved to mitigate the impact of climate change and adapt to circumstances created by it. While it is a global issue, responding to it has been a challenging task worldwide.

This study examines the APEC's role in formulating the aforementioned kinds of international norms: (i) trade and investment liberalization, (ii) DFFT, and (iii) climate change governance. By examining its role, this study intends to draw several points necessary to consider the relations between regional organizations and international norms. The next section will present the analytical framework of this study. The next three sections will individually consider these international norms. The following section will present APEC's general role. The final section will conclude the discussion.

2. Analytical Framework

Formulation of international norms, including diffusion and acceptance, have been considered in international relations. For example, Finnemore and Sikkink (1998) considered the “norm life cycle” of emergence, cascade,

and internationalization of international norms. However, scholars have not paid adequate attention to the role of regional organizations and institutions in this process. Finnemore (1993) argued that international organizations could be “teachers of norms” to diffuse norms internationally. However, there has been a limited focus on the role of international organizations as “norm entrepreneurs” (Florini 1996). Specific discussions are required on the role of international organizations in formulating international norms and utilizing specific cases.

The APEC has been one of the leading regional organizations in the Asia-Pacific region since its launch at a ministerial meeting in 1989. The forum has advanced and deepened its activities since then. The APEC widened its scope and upgraded the level of members’ commitments during the 1990s. The APEC member economies started to commit themselves to the 2010 target for developed economies and to the 2020 target for other economies when it laid down the Bogor Goals in the Bogor Economic Leaders’ Declaration of 1994. In 1995, the APEC introduced the Osaka Action Agenda to implement the actions to meet the Bogor Goals. Furthermore, the APEC overcame the failure of the early voluntary sectoral liberalization (EVSL) proposals from 1997 to 1998. During the 2000s, the APEC began focusing on international environment, where regional trade agreements (RTA) and free trade agreements (FTA) were gaining attraction. The APEC discussed the Free Trade Area of the Asia-Pacific (FTAAP) in 2006 and agreed with Yokohama Vision to consider some mega-FTAs, such as the Trans-Pacific Partnership (TPP), as the pathway towards the FTAAP. In 2016, the Lima Declaration was agreed upon by APEC members to promote a related agenda, taking the eventual realization of the FTAAP into account. When the Bogor Goals were envisaged, the APEC generated a new vision. In 2020, it agreed to the APEC Putrajaya Vision 2040, and in 2021, it set the Aotearoa Plan of Action to implement the APEC Putrajaya Vision 2040.

Since its creation, various studies have been conducted on the cooperation and institutionalization of the APEC (For example, Mack and Ravenhill 1995, Beeson 2009, Bendebka and Hossain 2011). Among its various characteristics, the APEC’s conceptual creation of “open regionalism” has been identified as its uniqueness. Ravenhill (2001, p. 199) wrote “APEC is *sui generis*.” Before the APEC, regionalism was often considered as construction of a closed internal market. However, the APEC’s approach, which was often called the “APEC Way,” was not intended to create a closed market; instead, it sought openness. Additionally, the APEC attempted to pursue the members’ voluntary trade liberalization while considering the various development stages of its member economies.

When the APEC discussed the Yokohama Vision in 2010; the “incubator” concept was nurtured within the discussion on trade and investment liberalization in the region. The following is a quote from the Yokohama Vision². The underlined section has been added by the author.

We will take concrete steps toward realization of a Free Trade Area of the Asia-Pacific (FTAAP), which is a major instrument to further APEC’s regional economic integration agenda. An FTAAP should be pursued as a comprehensive free trade agreement by developing and building on ongoing regional undertakings, such as ASEAN+3, ASEAN+6, and the Trans-Pacific Partnership, among others. To this end, APEC will make an important and meaningful contribution as an incubator of an

² https://www.apec.org/Meeting-Papers/Leaders-Declarations/2010/2010_aelm

FTAAP by providing leadership and intellectual input into the process of its development, and by playing a critical role in defining, shaping, and addressing the “next generation” trade and investment issues that FTAAP should contain.

The APEC established the concept of “an incubator of an FTAAP” in 2010. Since then, the regional economic forum has gradually become an “incubator” of ideas, which may help drive the formulation of international norms.

Against this background, this study examines the role of regional organizations in formulating international norms by analyzing the case of APEC in recent years. Three different international norms were selected: (i) trade and investment liberalization, (ii) DFFT, and (iii) climate change governance. Actors in formulating international norms may involve governments, industries, civil societies/epistemic communities, and international organizations and institutions. Therefore, regarding the recent APEC, this study examines how the APEC, the APEC Business Advisory Council (ABAC), and the APEC Vision Group (AVG) have influenced the formulation of the aforementioned three international norms.

The ABAC was established in 1995 to advise the APEC on the implementation of the Osaka Action Agenda and other priorities specific to the business sector. Since then, the ABAC has provided annual reports to its leaders; the meetings between the APEC leaders and ABAC members are held during the annual APEC Leaders Week. The ABAC comprises up to three private sector members from each APEC economy. The ABAC leaders appoint the council members.³

The AVG was established as an advisory body to assist senior officials in developing a Post-2020 Vision. The AVG members comprise one member from each APEC economy. The AVG began working in 2018 and completed its mandate by CSOM 2019 with the delivery of a report to senior officials with recommendations on the APEC Post-2020 Vision. The report aimed to contribute to senior officials’ deliberations and actions in 2020 by framing a Post-2020 Vision. The report, *People and Prosperity: An APEC Vision to 2040*, was released in December 2019.

The study, therefore, examines the roles of APEC, ABAC, and AVG in relation to the three different international norms, and indicates avenues for further consideration when analyzing international norms formulation.

3. APEC’s role in formulating international norms

3-1. Trade and Investment Liberalization

This subsection examines the APEC’s role in formulating the norms of trade and investment liberalization. Two elements depict: (i) support for multilateral trading systems, and (ii) liberalization in the region. Support for multilateral trading systems, especially in relation to the WTO, is the key element to securing the international

³ <https://www2.abaconline.org//page-content/2521/content>

norm of trade and investment liberalization. Additionally, liberalizing a specific region is among APEC's top agenda.

APEC

In 2020, the APEC adopted the APEC Putrajaya Vision 2040, offering the region a new vision. It says: “[o]ur vision is an open, dynamic, resilient, and peaceful Asia-Pacific community by 2040, for the prosperity of all our people and future generations.” The APEC Putrajaya Vision identified three economic drivers to realize its goals: (i) trade and investment, (ii) innovation and digitalization, and (iii) strong, balanced, secure, sustainable, and inclusive growth⁴.

Regarding its first economic driver, trade and investment, APEC Putrajaya Vision 2040 stated:

To ensure that the Asia-Pacific remains the world's most dynamic and interconnected regional economy, we acknowledge the importance of, and will continue to work together to deliver, a free, open, fair, non-discriminatory, transparent and predictable trade and investment environment. We reaffirm our support for agreed upon rules of the WTO in delivering a well-functioning multilateral trading system and promoting the stability and predictability of international trade flows. We will further advance the Bogor Goals and economic integration in the region in a manner that is market-driven, including through the work on the Free Trade Area of the Asia-Pacific (FTAAP) agenda which contributes to high standard and comprehensive regional undertakings. We will promote seamless connectivity, resilient supply chains and responsible business conduct.

Regarding the support for multilateral trading system, it stated: “[w]e reaffirm our support for agreed upon rules of the WTO” and “in delivering a well-functioning multilateral trading system.” The WTO is the center of the multilateral trading system; however, its reformation is under discussion and its functioning under question.

APEC Putrajaya Vision 2040 underscored the FTAAP regarding liberalization in the region, but it appeared to be cautious while elaborating on it. It initially stated: “[w]e will further advance the Bogor Goals and economic integration in the region in a manner that is market-driven.” Later, however, it stated, “including through the work on the Free Trade Area of the Asia-Pacific (FTAAP) agenda which contributes to high standard and comprehensive regional undertakings.” It did not state the eventual realization of FTAAP as disclosed under the Lima Declaration, but emphasized the FTAAP agenda contributes towards high-standard and comprehensive regional undertakings.

Furthermore, the APEC Leaders' Declaration touches upon two areas: support for multilateral trading systems and liberalization in the region. In 2021, with respect to support for multilateral trading systems, the declaration⁵ stated: “[w]e are committed to working together to shape a responsive, relevant and revitalised WTO, in particular through the necessary reform of the WTO, with a view to improving all its functions.” Regarding

⁴ https://www.apec.org/Meeting-Papers/Leaders-Declarations/2020/2020_aelm/Annex-A

⁵ <https://www.apec.org/meeting-papers/leaders-declarations/2021/2021-leaders-declaration>

liberalization in the region, it stated: “[w]e will advance economic integration in the region in a manner that is market-driven. We support ongoing efforts to conclude, ratify, implement, and upgrade trade agreements in the region that benefit our people and our businesses.” Furthermore, it also stated that “In this context, we will advance the APEC Free Trade Area of the Asia-Pacific (FTAAP) agenda in line with implementing the Lima Declaration, to contribute to high quality and comprehensive regional undertakings. We also note that APEC Business Advisory Council considers the realisation of FTAAP its preeminent economic priority.”

The APEC member economies agreed to “advance the FTAAP agenda,” which was “to contribute to high quality and comprehensive undertakings.” Furthermore, they agreed to take “the realisation of FTAAP” into their declaration by considering the ABAC’s perspective on the FTAAP. A similar approach was adopted when the APEC member economies considered the WTO while drafting the 2020 Kuala Lumpur Declaration.

In 2020, the Kuala Lumpur Declaration⁶ stated: “[w]e recognize the importance of a free, open, fair, non-discriminatory, transparent, and predictable trade and investment environment to drive economic recovery at such a challenging time.” It added: “[i]n this regard, we reaffirm our support for agreed-upon rules of the WTO in promoting the stability and predictability of international trade flows.” This vision was similar to that of the APEC Putrajaya Vision 2040. However, the APEC member economies stated: “[w]e take note of the call of the APEC Business Advisory Council (ABAC) for APEC to continue supporting the multilateral trading system.”

Both the cases—of the FTAAP in 2021 and the WTO in 2020—demonstrate the influence of ABAC in drafting the APEC Leaders’ Declaration. The ABAC cited the aforementioned aspects in their ABAC Report to the APEC Economic Leaders in 2020 and 2021 from its perspectives.

The APEC has expressed support for multilateral trading systems and liberalization in the region in the APEC Putrajaya Vision 2040 as well as for the APEC Economic Leaders’ Declaration. Notably, the ABAC’s motivation is considered in the latter, which made the trade and investment liberalization norm more robust.

ABAC

The ABAC’s role in the trade and investment liberalization norm can also be understood through its ABAC Reports to the APEC Economic Leaders during the same period. In the ABAC Report to APEC Economic Leaders 2021⁷, it referred to the WTO under the “Support for the WTO and resisting protectionism” heading. It stated:

The multilateral trading system, with the WTO at its core, is critical for prosperity. APEC economies must work together to shape a strong, credible and relevant WTO, and to reject protectionism in all its forms. The priority should be on pandemic response (fast, equitable access to vaccination; and free trade in vaccines, essential medical supplies and services) and working together to ensure the WTO can regain its full negotiating, administrative and dispute settlement functions, reflecting evolving

⁶ https://www.apec.org/meeting-papers/leaders-declarations/2020/2020_aelm

⁷ http://www2.abaconline.org/assets/2021/ABAC_Report_2021final.pdf

business and social needs and interests.

It referred to the FTAAP, under the “Progress towards the Free Trade Area of the Asia-Pacific” heading. It stated:

Achievement of the Free Trade Area of the Asia-Pacific (FTAAP) remains ABAC’s preeminent economic priority. APEC should redouble its efforts to achieving FTAAP through the implementation of the Putrajaya Vision, including early harvest of concrete outcomes and implementing the negotiating pathways. Progress should be prioritized in areas where APEC has fallen short on the Bogor Goals, as well as on ‘next generation’ trade and investment issues.

In the ABAC Report to APEC Economic Leaders 2020⁸, commitment to and reformation of the WTO was discussed in the Integration section. It stated: “[s]upport the multilateral trading system through a strong commitment to a credible, relevant and strengthened World Trade Organization (WTO) that reflects evolving business needs and models.” Additionally, it stated:

This would include: reforming WTO rules to enable better responses to crises, including through sectoral elimination of tariffs and nontariff barriers on essential medical supplies and measures to ensure that supply chains are resilient; resolving the unfinished business from the Doha Round; enabling the WTO dispute settlement to operate to its fullest extent as a matter of urgency; and supporting initiatives to reflect the evolution of trade, including through enhanced transparency and achieving a meaningful outcome in the e-commerce negotiations.

The FTAAP was also discussed in the Integrity section. It stated:

Find consensus and promote work towards the eventual realization of the Free Trade Area of the Asia-Pacific (FTAAP), advancing regional economic integration through liberalization of trade and investment and incorporating emerging next generation issues faced by business, taking account of the transformational challenges posed by the pandemic.

The aforementioned aspects of the WTO and FTAAP, considered by the ABAC, were included in the ABAC Report to the APEC Economic Leaders, and as we have seen, they were brought to the APEC Economic Leaders for the APEC economies’ consideration.

AVG

The AVG produced its final report, *People and Prosperity: An APEC Vision to 2040*⁹, in 2019. The report included the “statement that leaders could endorse.” The statement said:

We are united in our overarching commitment to building a peaceful and interconnected Asia-Pacific

⁸ http://www2.abaconline.org/assets/ABAC_Report_2020_Final.pdf

⁹ <https://www.apec.org/publications/2019/12/report-of-the-apec-vision-group>

community for the prosperity and welfare of all our people.

To achieve this end, we will continue to pursue free and open trade and investment and deeper regional economic integration, while promoting people-centered economic growth that is innovative, inclusive, sustainable, balanced, secure and resilient.

APEC should reassert its leadership in championing free and open trade and investment and a well-functioning rules-based, multilateral trading system.

APEC should, through collective and individual efforts, complete the unfinished business of the Bogor Goals and further deepen economic integration in the Asia-Pacific.

AVG's statement was taken up by the APEC in 2020, when the latter adopted the APEC Putrajaya Vision 2040. The AVG envisaged "peace" in its vision's first aspect; so did the APEC Putrajaya Vision 2040. Additionally, it conceptualized an "innovative, inclusive, sustainable, balanced, secure and resilient" community and its "free and open trade and investment and deeper regional economic integration." This view was also adopted by the APEC Putrajaya Vision 2040. Third, the statement emphasized "a well-functioning rule-based, multilateral trading system." Lastly, it stressed "further deepening economic integration in the Asia-Pacific."

Summary

In summary, the APEC supports multilateral trading systems and liberalization in the region with respect to the trade and investment liberalization norm. The ABAC provides recommendations to the APEC and pressures it to follow its processes. The AVG considers future visions in the region and generates recommendations for them.

There could be issues between the formally acknowledged actors, such as the ABAC and the AVG, and other stakeholders. Relations with other international fora, such as the WTO, East Asia Summit, and ASEAN+3, need to be considered. Finally, the relations between hard and soft law need to be examined.

3-2. Data Free Flow with Trust

This sub-section will examine the APEC's role in formulating international norms in a digital economy, especially with respect to the notion of Data Free Flow with Trust (DFFT). Prime Minister Shinzo Abe first mentioned the DFFT at Davos in January 2019 (World Economic Forum, 2020). At the G20 Osaka Leaders' Summit in June 2019, the DFFT was internationally recognized as a notion to address the digitization platform's core. The G20 Osaka Leaders' Declaration¹⁰ stated:

Cross-border flow of data, information, ideas and knowledge generates higher productivity, greater innovation, and improved sustainable development, while raising challenges related to privacy, data protection, intellectual property rights, and security. By continuing to address these challenges, we can

¹⁰ https://www.mofa.go.jp/policy/economy/g20_summit/osaka19/en/documents/final_g20_osaka_leaders_declaration.html

further facilitate data free flow and strengthen consumer and business trust. In this respect, it is necessary that legal frameworks, both domestic and international, should be respected. Such data free flow with trust will harness the opportunities of the digital economy. We will cooperate to encourage the interoperability of different frameworks, and we affirm the role of data for development. We also reaffirm the importance of interface between trade and digital economy, and note the ongoing discussion under the Joint Statement Initiative on electronic commerce, and reaffirm the importance of the Work Programme on electronic commerce at the WTO.

Here, the declaration stated that “data free flow with trust will harness the opportunities of the digital economy.” The DFFT is specified to “facilitate data-free flow and strengthen consumer and business trust.” Additionally, regarding concerns about domestic regulations, it stated: “legal frameworks, both domestic and international, should be respected.”

APEC

The APEC has worked on policy coordination and cooperation in digital economies for years. It started work before the DFFT was conceptualized and continued after the DFFT was introduced at the G20 Osaka Leaders’ Summit. In 2017, the APEC Internet and Digital Economy Roadmap (AIDER) was released; one of its main objectives was regarding free flow of data in the digital economy. It characterized the relationship between the flow of data and domestic law as follows:

Facilitating the free flow of information and data for the development of the Internet and Digital Economy, while respecting applicable domestic laws and regulations

In 2018, “the Chair’s Era Kone Statement” was released at the APEC Economic Leaders’ Meeting. It was not a joint declaration, but it noted that “[m]ost economies agreed to the following text, while a small number had alternative or additional views on paragraphs 9, 16, and 17.” It added: “[w]e emphasize the importance of enabling the free flow of information and data, recognizing legitimate domestic public policy objectives.” The paragraph 6 is as follows:

We recognise that APEC economies’ collective efforts on the digital economy have the potential to increase productivity leading to significant gains for our economies as a whole. We acknowledge that the ability to harness such gains for all in a balanced and equitable manner will also depend on APEC’s collective effort in enabling an open, accessible, and secure environment for the growth of the digital economy. We note that promoting stability, security, trust, confidence and protection of consumer rights in the use of information and communication technologies (ICTs) are also essential. We emphasize the importance of enabling the free flow of information and data, recognizing legitimate domestic public policy objectives. We recognize the importance of facilitating e-commerce and digital trade, including the identification and reduction of unjustified barriers.

However, in 2020, the APEC Putrajaya Vision 2040 stated:

Innovation and Digitalisation: To empower all our people and businesses to participate and grow in an interconnected global economy, we will foster an enabling environment that is, among others, market-driven and supported by digital economy and innovation. We will pursue structural reforms and sound economic policies to promote innovation as well as improve productivity and dynamism. We will strengthen digital infrastructure, accelerate digital transformation, narrow the digital divide, as well as cooperate on facilitating the flow of data and strengthening consumer and business trust in digital transactions.

Here, it stated: “We will strengthen digital infrastructure, accelerate digital transformation, narrow the digital divide, as well as cooperate on facilitating the flow of data and strengthening consumer and business trust in digital transactions.” Furthermore, the term “free” was omitted from the “facilitating the flow of data” part. Simultaneously, it did not refer to domestic regulations when dealing with the facilitation of data flow and strengthening consumer and business trust.

In 2020, the Kuala Lumpur Declaration, in the Inclusive Economic Participation through Digital Economy and Technology section, stated:

Innovation and digitalisation enable governments, businesses and people to carry out their activities and empower inclusive economic participation by all. We will foster an enabling environment for the development of the digital economy, including to open new opportunities for Micro, Small and Medium Enterprises (MSMEs). We aim to promote innovative technologies and foster a reliable, interoperable, open, accessible and secure ICT environment, narrow the existing digital, skills and regulatory gaps, and encourage development in digital infrastructure and transformation. We acknowledge the importance of cooperation in facilitating the flow of data and strengthening consumer and business trust in digital transactions.

Here, it stated: “[w]e acknowledge the importance of cooperation in facilitating the flow of data and strengthening consumer and business trust in digital transactions.” This was reiterated during the adoption of the 2021 Leaders’ Declaration. The declaration stated:

We have witnessed a remarkable acceleration in digital adoption and transformation across our economies. To sustain this enormous growth potential, we will accelerate the implementation of the APEC Internet and Digital Economy Roadmap (AIDER), further develop digital infrastructure, encourage the development and application of new technologies, and work towards a digital business environment that is open, fair and inclusive, including by narrowing the digital divide. We will also strive to implement structural reforms and increase information sharing regarding our respective domestic policies and practices in support of digital connectivity and inclusion. We acknowledge the key importance of interoperability of digital systems and tools across the region. We will also cooperate on facilitating the flow of data, and strengthen consumer and business trust in digital transactions.

The APEC Putrajaya Vision 2040 did not include the term “free” when it approached the DFFT concept; the APEC Economic Leaders’ Declaration, too, did follow these approaches. Although the term “free” was used in the AIDER in 2017, before the G20 Osaka Leaders’ Summit took place in 2019, it was omitted from the APEC Putrajaya Vision 2040 and APEC Economic Leaders’ Declaration in 2020 and 2021, respectively.

ABAC

The ABAC Report to the APEC economic leaders covers the APEC’s responsibilities regarding the development of the digital economy in the Asia-Pacific region. A comparison of the presentations by the ABAC’s reports in three consecutive years—2019, 2020, and 2021—showed how the ABAC has dealt with the DFFT from the business sector’s perspective.

The ABAC Report to the APEC Economic Leaders in 2019 stated:

ABAC urges Leaders to:

Take concrete steps to implement the APEC Internet and Digital Economy Roadmap early and in full. Encourage approaches that enable an open, nondiscriminatory, interoperable and connected business environment, including for digital enterprises.

Support free and secure cross-border data flows, while also recognizing the importance of meeting objectives around digital trust, privacy, consumer protection and cyber resilience in the least trade-restrictive manner possible, and encourage international cooperation on defining common approaches.

It referred to AIDER and ask APEC to take concrete steps to implement it. Then it expressed, regarding the DFFT concept, to support “free and secure cross-border data flows,” and at the same time, it specifies several points related to consumer and business trust by stating “recognizing the importance of meeting objectives around digital trust, privacy, consumer protection and cyber resilience in the least trade-restrictive manner possible, and encourage international cooperation on defining common approaches.

The ABAC Report to the APEC Economic Leaders 2020 stated:

Innovation

Promote the development of more secure, accessible and affordable physical digital infrastructure, including broadband, particularly in underdeveloped areas, and a more open, nondiscriminatory and robust enabling regulatory environment for digital transformation.

Address unnecessary barriers to, and build trust in, cross-border data flows and expand international

regulatory cooperation to develop interoperability mechanisms. Initially, the focus should be on privacy, consumer protection and cybersecurity.

Encourage adoption of artificial intelligence (AI), introduce supportive policy frameworks, improve regulatory coherence, interoperability and international cooperation, and prepare jobs and skills for the transformations of AI.

The report expressed the need for addressing “unnecessary barriers” to cross-border data flows. It also specifies that privacy, consumer protection, and cybersecurity are the key elements in building consumer and business trust. In addition, it promotes the development of physical digital infrastructure and encourages the adoption of artificial intelligence (AI), among others.

The ABAC Report to the APEC Economic Leaders in 2021 stated:

Digital

Creating an enabling environment for more digital MSMEs: MSMEs need enhanced digital literacy, skills and capabilities to succeed. APEC should establish a platform that makes available the best of the region’s digital skills programs and helps the active startup ecosystem to connect and access trade and investment opportunities. MSMEs also need access to digital tools and a more enabling environment. APEC should champion the adoption of interoperable e-invoicing and support better border and tax policies on low-value e-commerce shipments.

Interoperability of digital systems for trade and supply chain connectivity: The speed of digital transformation has outpaced the regulatory response, and this must be addressed. APEC should accelerate the implementation of the APEC Internet and Digital Economy Roadmap in areas of greatest impact for business, establish interoperable paperless trade systems across the region, support an enabling ecosystem for e-signatures, develop a regional implementation plan for Global Data Standards, encourage cooperation on data governance in relation to privacy including the APEC Cross-Border Privacy Rules system, and prioritize effective cybersecurity.

Supporting emerging technologies: An enabling environment for new technologies such as artificial intelligence (AI) and health technologies has the potential to boost productivity and resilience, but this must also seek to boost uptake and support greater trust. APEC should create an APEC multistakeholder forum to collaborate on AI governance, policies, regulation and standards, develop a framework for responsible processing of personal data by AI systems, and establish a more enabling environment for innovative health technologies including research and development, inclusion, skills development, data protection and interoperability.

This report did not expressively address the DFFT concept but rather emphasized the AIDER, including its aspects. It also elaborates on enabling environments for MSMEs and supporting emerging technologies,

including AI.

From 2019 to 2021, the ABAC observed the development of digital economies. It, however, shifted away from a direct discussion on DFFT and referred to the AIDER. Additionally, it addressed the importance of enabling environments and supporting technological development in the digital arena.

AVG

The AVG released its final report in 2019, which included recommendations on the development of digital economies. It stated that the “APEC should support the development of the digital economy and innovative growth across all of its economies.” It added:

To facilitate the free cross-border flow of data, APEC should address challenges related to privacy, data protection, security and intellectual property rights while respecting domestic and international legal frameworks, thereby promoting the healthy development of the digital economy, building trust, and benefiting from the exchange of information, ideas, and commerce.

The report stated that “the free cross-border flow of data” should be facilitated, challenges, such as privacy, data protection, security, and intellectual property rights, should be considered and when doing so. According to the AVG, this should be done “while respecting domestic and international legal frameworks.” It added that domestic regulations and international legal frameworks should be respected while doing so.

Summary

The APEC implemented the DFFT norm within its context by streamlining “free flow” and its conditions, as well as providing capacity building to implement it. The ABAC’s role has been to present business concerns. Furthermore, the role of AVG is to present considerations regarding “free flow.”

This may be a test to check the mutuality of the free flow with the trust norm utilizing the APEC venue. There may be a decrease in direct business interests regarding institution building in relation to the data flow. The importance of capacity building should be addressed in this regard.

3-3. Climate change governance

This section examines the APEC’s role in relation to international norms on climate change governance. International norms on climate change governance have evolved with the following steps: the UNFCCC in 1992, the Kyoto Protocol in 1997, the Copenhagen Accord in 2009, and the Paris Agreement in 2015.

The APEC’s role in facilitating international norms formulation was highlighted when the Sydney APEC Leaders’ Declaration on Climate Change, Energy Security, and Clean Development was adopted on September 9, 2007. The goal was to establish a future framework for climate change mitigation, before climate negotiations set the

Bali Action Plan at the 13th Conference of the Parties to the United Nations Framework Convention on Climate Change (COP 13) in 2007. However, recently, APEC's role has been to implement the climate change norm realized under the Paris Agreement. This section examines how the APEC, ABAC, and AVG consider climate change governance in Putrajaya Vision 2040, among others.

APEC

In 2007, the Sydney APEC Leaders' Declaration on Climate Change, Energy Security, and Clean Development stated: "[w]e, the APEC Economic Leaders, agree that economic growth, energy security and climate change are fundamental and interlinked challenges for the APEC region." It added: "[w]e are committed, through wide-ranging and ambitious actions, to ensuring the energy needs of the economies of the region while addressing the issue of environmental quality and contributing to the reduction of greenhouse gas emissions."

As the "Future international action," it stated: "we believe the following must underpin an equitable and effective post-2012 international climate change arrangement." These include:

Comprehensiveness

We need concerted international action with all economies contributing to shared global goals in ways that are equitable, and environmentally and economically effective.

Respect for different domestic circumstances and capacities

The future international climate change arrangement needs to reflect differences in economic and social conditions among economies and be consistent with our common but differentiated responsibilities and respective capabilities.

Flexibility

To ensure a comprehensive global effort, we support a flexible arrangement that recognises diverse approaches, and supports practical actions and international co-operation across a broad range of areas relevant to climate change. We support domestic actions which make measurable contributions to a shared global goal, and underline the importance of the effective operation of market mechanisms.

The important role for low and zero emissions energy sources and technologies

Fossil fuels will continue to play a major role in our regional and global energy needs. Co-operation, including joint research, development, deployment and transfer of low and zero emission technologies for their cleaner use, particularly coal, will be essential. It is also important to enhance energy efficiency and diversify energy sources and supplies, including renewable energy. For those economies which choose to do so, the use of nuclear energy, in a manner ensuring nuclear safety, security and non-proliferation in particular its safeguards, can also contribute.

The importance of forests and land use

Sustainable forest management and land use practices play a key role in the carbon cycle and need to

be addressed in the post-2012 international climate change arrangement.

Promoting open trade and investment

The pursuit of climate change and energy security policies must avoid introducing barriers to trade and investment. Open trade, investment and environmental policies are crucial to disseminating low emissions products, technologies and best practices.

Subsequently, it set the following points as “support for a post-2012 international climate change arrangement”:

We are committed to the global objective of stabilising greenhouse gas concentrations in the atmosphere at a level that would prevent dangerous human interference with the climate system. The world needs to slow, stop and then reverse the growth of global greenhouse gas emissions.

We, therefore, call for a post-2012 international climate change arrangement, building on the above, that strengthens, broadens and deepens the current arrangements and leads to reduced global emissions of greenhouse gases.

APEC economies that are Parties to the UNFCCC agree to work actively and constructively toward a comprehensive post-2012 arrangement at this year's UNFCCC Conference of the Parties. We pledge our strong support for Indonesia in its role as President of the Conference in Bali in December.

In 2020, climate change was in the third economic driver for the Putrajaya Vision 2040. However, it was only referred in a small portion:

Strong, Balanced, Secure, Sustainable and Inclusive Growth: To ensure that the Asia-Pacific region is resilient to shocks, crises, pandemics and other emergencies, we will foster quality growth that brings palpable benefits and greater health and wellbeing to all, including MSMEs, women and others with untapped economic potential. We will intensify inclusive human resource development as well as economic and technical cooperation to better equip our people with the skills and knowledge for the future. We will promote economic policies, cooperation and growth which support global efforts to comprehensively address all environmental challenges, including climate change, extreme weather and natural disasters, for a sustainable planet.

In the 2021 Leaders' Statement, climate change was mentioned in the section titled “Our Commitment to Sustainability and Inclusion” as follows:

In 2021, the world continues to confront unprecedented challenges posed by the impacts of climate change. We acknowledge the need for urgent and concrete action to transition to a climate-resilient future global economy and appreciate net zero or carbon neutrality commitments in this regard. We commit to work together to ensure that our economic and environmental policies are mutually supportive.

APEC has made some progress in strengthening the region's capacity to adopt renewable energy and other environmentally sound technologies, as part of sustainable energy transitions that reduce our dependence on fossil fuels. In this context, we will continue to work together to support energy resilience, access, and security in the region. We acknowledge the importance of stable energy markets, and supporting clean energy transitions.

Building on this, we commit to leverage APEC's role as an incubator of ideas and capacity building to tackle climate change. We will further integrate action on climate change across relevant APEC workstreams.

The APEC pushed a strong initiative in 2007, when it launched the Sydney APEC Leaders' Declaration on Climate Change, Energy Security, and Clean Development to influence a norm formulation on climate change towards the UNFCCC process. This subsequently led to the Copenhagen Accord in 2009. However, the process for the Paris Agreement was designed to be more flexible, as was the process for implementing actions against the climate change norms after the Paris Agreement. It committed to leverage the APEC's role as an incubator for ideas.

ABAC

The ABAC and APEC addressed the climate change problem differently. The ABAC's 2021 report addressed climate change issues more deeply compared to the 2020 report. The ABAC Report to APEC Economic Leaders 2021 stated the following in its Sustainability section:

Climate leadership: Climate change demands an urgent, robust, multi-sector response. Business has a key role to play. ABAC has developed a set of Climate Leadership Principles for Business - attached as Annex C - to guide the development of relevant practices and policies. The Principles can serve as a model for others within and outside the region. The financial sector will play a critical role in the transition to net zero emissions. APEC economies should also engage in dialogue on how to develop sound, mutually-reinforcing, WTO-consistent and coordinated trade and other policy responses to climate change.

Renewable energy: In order to achieve carbon neutrality and energy resilience, and to support the necessary major shift in energy policies to that end, it will be important to build an environment that is conducive to investment and trade in renewable energy and in low emissions technologies. However, many barriers remain. APEC should cooperate to develop a Framework to encourage more such trade and investment.

The ABAC established its leadership and developed a set of climate leadership principles for business. Simultaneously, the ABAC sought the APEC's policy development between trade and climate change. Consequently, it added: "APEC economies should also engage in dialogue on how to develop sound, mutually

reinforcing, WTO-consistent and coordinated trade and other policy responses to climate change.” The ABAC also emphasized the role of renewable energy in achieving carbon neutrality and energy resilience.

The ABAC Report to APEC Economic Leaders 2020 also included the Sustainability section, but its contents. The most relevant aspect of this report was:

Introduce measures to incentivize reusing, repurposing and recycling of materials, and minimize carbon emissions throughout the lifespan, including the roll out of policies to assist the transition from high carbon to low carbon, such as simplifying the approval for the promotion and application of low-carbon technologies, collaboratively sharing policies and best practices in the APEC region and encouraging low-carbon footprint in the consumption of energy intensive products and services.

It emphasized the need to minimize carbon emissions and “roll out policies to assist the transition from high carbon to low carbon.” The ABAC did not completely elaborate on the APEC’s actions required to implement the climate change norm laid down under the Paris Agreement.

AVG

The final report of the AVG in 2019 stated:

APEC should further align its work with regional and international efforts to address climate change and promote environmental sustainability.

... Energy demand is on the rise with the region accounting for most of the increase. APEC leaders have set targets to double the share of renewables in the APEC energy mix by 2030 and reduce energy intensity by 45 percent by 2035. They have also committed to phasing out fossil fuel subsidies that encourage wasteful consumption. To meet increasing energy demands as well as these targets, APEC will need to help member economies transition to increased energy efficiency and low emissions systems while maintaining security and affordability. APEC has developed initiatives in the areas of environmental goods, energy efficiency and low-emissions technologies.

The AVG’s 2019 report also identified several related points as follows:

- APEC should incorporate sustainability considerations into all of its programmes and projects in line with the United Nations Sustainable Development Goals for 2030 and beyond.
- APEC, in collaboration with business, should encourage the exploration of innovative technologies and targeted solutions to promote sustainability and climate change mitigation and adaptation.
- APEC should accelerate its work on developing policy and regulatory best practices for deploying renewables and ensuring energy security and affordability. APEC should accelerate its initiatives in

relation to sustainable towns and communities and low emissions.

- APEC should step-up its work on emergency preparedness.
- In taking these actions, the outcomes of APEC's work must align more closely with the efforts of other international forums given the urgency and complexity.

The AVG recommended further realignment of climate change to APEC's work. Furthermore, it identified several specific aspects needed to deal with climate change, such as innovative technologies and developing policy and regulatory best practices. However, it did not elaborate on whether APEC should get involved in the formulation of climate change norms.

Summary

APEC's role is to generate recommendations for climate negotiations and to implement energy-related solutions. The ABAC's role is to recommend climate change policies and promote business actions. The AVG's role is to recommend climate change mitigation and related transition recommendations.

APEC members are in different developmental stages and conditions that may have positive and negative impacts on facilitating climate change action. APEC may be at an advantage when linking trade and climate change. Moreover, carbon-neutrality and energy transitions are parallel issues.

4. Discussion

In this section, I would like to make the following three points regarding the role played by the APEC¹¹.

First, the APEC should serve as an incubator for ideas. The APEC has implemented advanced and ambitious talks and initiatives under its voluntary and non-binding principles. In 2012, the forum developed a list of environmental goods for tariff reduction and removal, leading to the WTO's negotiations on an Environmental Goods Agreement. (In 2021, the APEC updated the list.) In 2011, the APEC created the Cross-border Privacy Rules (CBPR) System, which is used to protect personal information through corporate validation. (Talks are underway on the expansion of the CBPR system beyond the APEC.)

Second, the APEC should take advantage of the uniqueness of its membership. Among the 21 APEC member economies, seven are members of the Association of Southeast Asian Nations, and various economies from both sides of the Asia-Pacific are also members. While the confrontation between the United States and China is controversial, the APEC can provide the two countries opportunities cooperate with each other as well as with other major regional economies.

¹¹ This section's discussion is drawn from Hattori (2021).

Third, the APEC, as a long-lasting regional framework, has robustly developed its institutional frameworks, including the secretariat, budgets, and committees. It implements more than 100 projects annually for economic and technical cooperation, capacity building, among other purposes. Japan has contributed to regional development by carrying out various projects, including training in capacity building for quality infrastructure development and investment and workshops for sharing digital technologies to facilitate trade. Through such projects, The APEC can be expected to further consolidate the infrastructure development in the Asia-Pacific region.

5. Conclusion

As the global situation changes following the China-United States trade conflicts and the Russian invasion of Ukraine, the APEC should further optimize its role in formulating international norms. APEC's role must be enhanced to overcome global challenges.

This study examines APEC's role in formulating three kinds of international norms. The APEC, ABAC, and AVG have demonstrated some roles in formulating international norms on trade and investment liberalization, DFFT, and climate change governance. The ABAC and AVG's roles influence APEC's discussions, which often introduce some aspects of potential/future norms and strengthen the existing ones.

Regarding the trade and investment liberalization norm, the APEC has aimed to influence the sustenance of multilateral trading systems. The WTO has consistently shown support for multilateral trading systems. Simultaneously, the APEC promoted liberalization in the Asia-Pacific region by establishing the FTAAP agenda while supporting the regional attempts to negotiate FTAs and RTAs among members. The ABAC strengthened the APEC's role in trade and liberalization norms by presenting the business sector's perspectives on the multilateral trading system and liberalization in the region. The AVG helped the decision to set a long-term APEC vision in relation to trade and investment.

The APEC was not involved in DFFT's inception, but it created the basis for discussion before the concept was introduced. It also deepened the arguments on DFFT by facilitating exchange of views among APEC members. The ABAC offered its views on the DFFT and represented business sector's interests. The AVG presented a consensus regarding the arguments related to the DFFT in their report. It can be said that the DFFT concept was substantiated by the APEC process, while the ABAC and AVG provided their views on it.

The APEC took a strong stance in 2007 on the climate change norm, which subsequently led to the Copenhagen Accord in 2009. The APEC identified sustainability more clearly in its vision set in 2020 and incorporated climate change in its work stream, though its scope has been limited. Furthermore, there has been a shift in the APEC's working: It implements the climate change norm in its activities. The ABAC took corresponding action in the business sector, and recommended the APEC to address the climate change issue. The AVG also provided some elements that should be taken up by the APEC to effectively deal with climate change.

I would like to propose a few suggestions for enhancing APEC's role in formulating international norms. First, the forum's role as an incubator for ideas should be explored further. The APEC can also be considered a "norm entrepreneur" (Florini 1996). Second, the idiosyncrasies of APEC's members can be advantageous in building ideas. The APEC member economies vary in their size and economic, social, and political circumstances. Third, formal institutions, such as ABAC, should be utilized in various stages of the APEC process. Further, acquiring a wider range of stakeholders directly should be considered. Finally, adequate infrastructure through implementation of projects may help international norms become more secure; the APEC has an advantage in this regard.

Therefore, further research is required in this regard. This study could not analyze what norms can affect the policies and actions of the APEC member economies, what stakeholders beyond the ABAC and AVG can affect the APEC's formulation of international norms, and what actions under the norms should be taken by such stakeholders in each member economy. I would like to perform such an analysis as part of future research that I conduct.

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