The Pacific Economic Cooperation Committee (PECC) is a unique tripartite partnership of senior individuals from business and industry, government, academic and other intellectual circles. All participate in their private capacity and discuss freely on current, practical policy issues of the Asia-Pacific region.

PECC was established in 1980. It currently has 25 Member Committees, including two associate members (Mongolia and French Pacific Territories), from all over the Asia-Pacific region. Each Member Committee comprises tripartite, senior representatives. In addition, PECC comprises two institutional members: Pacific Trade and Development Conference (PAFTAD) and Pacific Basin Economic Council (PBEC).

PECC is the only non-governmental official observer of APEC since the APEC's formation in 1989. PECC has provided information and analytical support to APEC. It also channels and facilitates the private sector's participation in the formal process.

The Chinese Taipei Pacific Economic Cooperation Committee (CTPECC) was formed in 1984, with the purpose of participating in PECC events as an observer. In November 1986, CTPECC's application for membership was approved by PECC during the 5th General Meeting. Since then, CTPECC has become a full member of PECC.

The Chairman of CTPECC is Dr. Jeffrey Koo and Vice Chairmen are Mr. Nelson Chang and Dr. David S. Hong. The Secretariat of CTPECC is set up at the Department of International Affairs, Taiwan Institute of Economic Research. Dr. David S. Hong also serves as the Secretariat's Director General and the Deputy Director General is Dr. Johnny C. Chiang.

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APEC and the Role of Microfinance as a Tool for Promoting Financial Inclusion

Julius Caesar Parreñas

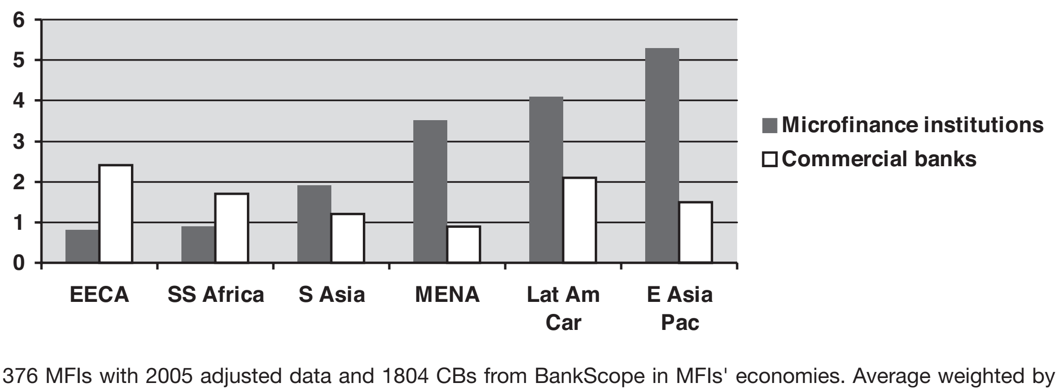
Microfinance institutions (MFIs) first came to prominence in the 1980s, offering small loans to low income households and individuals who did not have access to mainstream finance. Since then, microfinance has undergone remarkable growth, which has accelerated particularly during the previous half-decade, as MFIs significantly expanded their client base and increasingly became linked to banking systems and capital markets.

This rapid transformation has brought about a reassessment of the potential of microfinance not just as a tool for promoting equity and development but also as a commercial undertaking. This reassessment focuses on the following characteristics that define microfinance today.

First, microfinance has proven to be profitable. A growing number of MFIs that started out as traditional non-government organizations (NGOs) have made the leap to become regulated deposit-taking institutions. Measured by return on assets, these institutions have outperformed the commercial banking sector in four out of six developing regions. *(See Chart 1)*

In terms of loan portfolio quality using portfolio-at-risk for more than 30 days, data from six Latin American economies show microfinance institutions outperforming their

CHART 1: Return on assets (%), MFIs vs. Commercial Banks (Mean), 2005*



* 376 MFIs with 2005 adjusted data and 1804 CBs from BankScope in MFIs' economies. Average weighted by assets. Only NGOs and licensed MFIs.

Sources: Microfinance Information eXchange Inc (MIX), December 2006, International Finance Corporation.

respective domestic financial sector averages. *(See Chart 2)* In most regions, microfinance institutions have stricter policies for bad debt provisions and have demonstrated a superior ability to withstand financial crises.

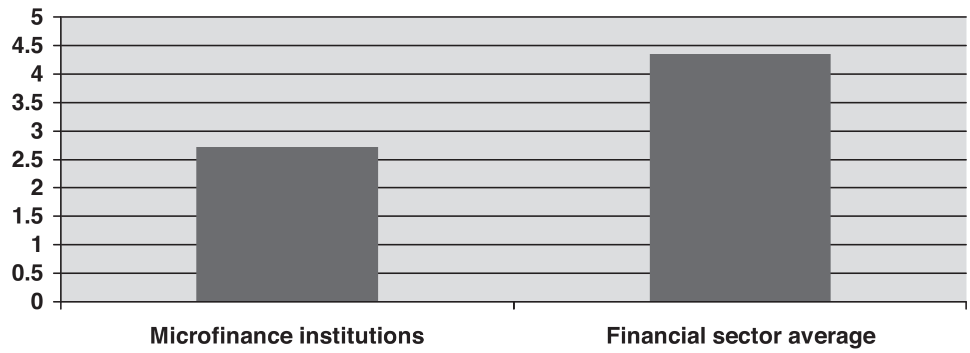
Second, microfinance is increasingly attracting mainstream financial firms. Commercial banks now use a wide range of options, from offering front or back office functions, wholesale lending, outsourcing and investing equity, to establishing loan service companies and specializing in microfinance. Growing involvement of investment banks facilitate funding through capital markets. Microfinance investment vehicles are attracting a growing number of institutional and individual investors by offering geographic diversification with low volatility, low correlation and high asset quality.

Third, the scope of microfinance has considerably expanded. Bancosol of Bolivia provides one example. Having started out in 1997 with small loans to micro-enterprises, it has grown into a full-fledged financial institution providing consumer and housing loans, savings accounts, life and health insurance, utility bills payments and international money transfers.

Behind this transformation lie a number of key factors – technology, innovation, the changing nature of MFIs, and policy reforms. MFIs have been quick to take advantage of information technology (IT) connectivity, automated teller machines (ATM) and point-of-sale (POS) technology, mobile telecommunications, smart cards and biometric information to reach a wider clientele. Today, clients can access financing through loan service agents, lottery agents, traders and processors, point-of sale networks including retail stores, ATMs and mobile phones.

MFIs are evolving from their early origins as traditional NGOs to become licensed

CHART 2: PaR-30* (Portfolio-at-risk for more than 30 days), Average for Bolivia, Colombia, El Salvador, Mexico, Nicaragua and Peru, End-2004



* Portfolio at risk for more than 30 days, estimated by adding the past due loan portfolio and loans in legal recovery and calculating them as a percentage of the total portfolio.

Sources: Microfinance Information eXchange Inc (MIX), International Finance Corporation.

financial institutions that are now serving as bridges between large investors and low-income borrowers. An example is Banco Compartamos of Mexico, which started out in 1990 as an NGO with capital of US$50,000 and is now a fully authorized bank worth US$126 million raising capital from debt and equity markets.

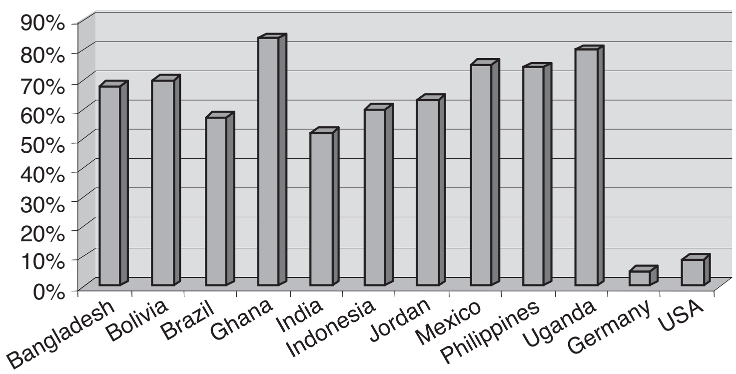
Finally, policymakers now realize that providing an enabling policy environment is more effective than providing government credit and guarantee programs as a strategy to promote commercially sustainable microfinance. The experience of the Philippines, where microfinance began to take off only after the government abandoned a three-decade long directed credit program that failed to produce results, has been instructive.

For developing economies, the importance of microfinance lies in its potential to address the issue of financial inclusion. In many of these economies, large majorities of the adult population are still unserved by the banking system, compared to only less than 10% in the advanced economies. *(See Chart 3)*

With MFIs having demonstrated their capabilities to reach these clients even in the most remote areas, microfinance has proven to be an effective tool for linking these large, unserved population groups with mainstream banking and capital markets. How policymakers are able to harness this tool will have a significant impact not just on social equity and economic growth, but also on the development of the financial sector.

Government has an important role to play in the process of promoting financial inclusion, and this is to provide an enabling environment that addresses legal, policy and regulatory barriers in order to facilitate the development of microfinance and increase its access to commercial funds. They can accelerate progress toward financial inclusion by identifying the most critical policy solutions.

CHART 3: Percent of Adult Population without Bank Account, 2006*



* Based on various household surveys.

Source: Honohan, 2007, Gesellschaft fur Technische Zussamenarbeit (GTZ).

A study that examined alternative policy measures to promote financial inclusion identified six sets of access policy solutions that governments in the region could consider. These refer to policies and regulations governing correspondent banking agents, mobile phone banking, entry barriers to the financial sector, the governance and management of publicly-owned financial institutions, financial identity regulations and financial consumer protection.

APEC can play a key role in promoting financial inclusion within the Asia-Pacific region, with microfinance as an instrument of choice, by incorporating it in its agenda. For initiatives to succeed, however, microfinance should be treated not as a social welfare measure, but as part of APEC's suite of policy tools to advance economic and financial reforms.

On account of financial inclusion being a central task of financial sector development, its significance to the development of banking systems and capital markets and the role that financial regulation and financial institutions would have to play in this process, its appropriate place should be within the APEC Finance Ministers' Process.

An APEC financial inclusion initiative could focus on providing an enabling legal, policy and regulatory environment through improvements in measuring levels of financial inclusion in member economies, policy dialogue and sharing of experiences and capacity-building activities. In addition to the significant microfinance expertise already available in the region, strong private sector collaboration is important for the successful design and implementation of critical measures, both at the regional and domestic level.

Thus, a meaningful involvement of key groupings such as the APEC Business Advisory Council (ABAC), the Pacific Economic Cooperation Council (PECC) and the Advisory Group on APEC Financial System Capacity-Building in a financial inclusion initiative undertaken by the APEC Finance Ministers would be very desirable. The wide variety of successful experiences among APEC economies – expansion of MFIs' activities to banking and capital markets in Mexico and Peru, policy reforms in the Philippines, rapid development of agent and mobile phone banking in Chinese Taipei, just to name a few – can certainly help APEC make a meaningful contribution to the growth of financial inclusion in the region through the promotion of commercially sustainable microfinance.

A Functional Department Participation Plan to Promote Good Corporate Governance

Darson Chiu

Introduction

APEC has been valuing the importance of corporate governance especially after the disastrous 1997-98 financial crisis. The effective corporate governance framework that promotes transparent and efficient markets is consistent with legal requirements and specifies responsibilities of different supervisory and managerial levels of an organization. This functional department participation plan is designed by identifying the functional departments that should participate in a business governance plan and also detailing departmental roles and the significance of those roles. Departments addressed in this plan include human resources, legal, finance, and board of directors. Despite corporate practices in Asia, Europe, and America are not quite similar, this function department plan is designed to be an apply-all principle.

Human Resources

The role of human resources department is to manage organizational policy and operation issues as well as personnel activities. The emergence of globalization and rapid development of technology and communications have made the function of human resources department more flexible. Organizational designs become flatter and more fluid, and dynamic networks have replaced bureaucratic and hierarchical structures in response to the changing environments. In addition, the form of decision-making that is able to minimize the possibility of unethical conduct and ensure a sound business governance plan is the decentralized structure. A decentralized structure is to share decision-making and accountability vertically and horizontally with employees. The role of human resources department that has shifted from operational personnel to strategic human resource management must also provide adequate training to ensure competent employees.

Human resource managers must help define major transactions for the organization and work with senior managers as consultants. In a vertical system, the human resources department needs to become a business partner of line managers to ensure line managers acquire relevant knowledge for required tasks. In general, the human resources department serves the function of being an active business partner to the organization.

Managing organizational policy, operation issues, and personnel activities, the human resources department can help the organization build an ethical climate and ensure compliance with the legislation. Providing adequate training to ensure competent employees, the human resources department can support leaders' actions in practicing good corporate governance.

Legal

The role of the organization's legal department is to perform whistle blowing and to ensure that the organization's internal and external conducts are in compliance with relevant legal requirements. In addition to the legal department, the functions of corporate independent directors who assess corporate social responsibility and monitor managerial integrity and efficiency are responsible for ensuring the company's compliance with laws and regulations.

The legal department and organizational leaders at all levels must embrace whistle blowing as a tool to reduce, deter, and stop corporate wrongdoing. Corporate wrongdoings occur when the organizational leaders place extra emphasis on goal attainment without an equivalent emphasis on legitimate procedures and regulations, and corporate wrongdoings in most situation provide negative impacts on the business governance plan by hurting the organization's reputation and brand image. The essential roles of the organization's legal department are to study the laws and regulations and provide advices to organizational leaders to end or prevent wrongdoings. Furthermore, independent directors must play the role of uncovering the potential consequences of the organization's unethical behavior and elucidate the qualities of ethical leadership. The roles are significant because they can affect the organization's sustainable operations.

Investors and employees were hurt because of illegal and ethical failures like Enron, WorldCom, Adelphia, and Tyco. The roles of the legal department and independent directors are about preventing organizational leaders to commit illegal and even unethical behaviors that might place the organization in jeopardy.

Finance

The finance and accounting department, the internal audit department, and the audit department of an organization all play important roles in directing, planning and governing the organization's management of financial issues. The organization's finance and accounting department plays an important role in managing complexity of work resulted from the addition of corporate governance. In order to strengthen a responsible finance and accounting department, the senior finance executive must practice effective leadership to lead a highly skilled finance and accounting team that is capable of delivering accountable financial reports.

The organization's internal audit department must also play the critical role in helping the management improve controls, business processes and risk management. To promote good corporate governance and a sound business governance plan, the internal audit department, audit committee, external auditors, and senior management have to work together to ensure quality work and mutual respect.

The audit committees must be independent and competent. The quality of the audit is positively and closely related to the proportion of independent directors in the audit committee as well as financial qualifications of committee members. The role of the finance and accounting department is also important because the financial accountability of the organization depends on whether the department is able to provide quality reports. The internal audit department serves the function of channeling the board of directors, external auditors, and senior managers. Trust should be built by strengthening the organization's internal and external relationships.

Although hiring and maintaining a qualified finance and accounting department is crucial, organizations tend to be reluctant to increase employee compensation due to limited corporate budget. In addition, recruiting capable directors of qualified financial background is essential to ensure a feasible governance plan. Organizations that target at the long-term sustainable growth would be more interested in employing qualified financial experts; organizations that aim at short-term profits would be hesitant in hiring high skilled financial professionals to launch high quality accounting and auditing practices.

Board of Directors

Board of directors plays the most important role in promoting good corporate governance. The board needs to supervise if other corporate departments are following the ethical standards. In addition to working closely with the management, the board of directors has the responsibility to create a statement of values that is able to serve as a foundation of the organization's action guidelines. Without an effective statement of values, company staff will act on their own interests instead of stakeholders' interests.

Dishonest executives and negligent board of directors could make irrational decisions regarding inappropriate executive compensation, and irrational decisions upset employees and damage the organization's ethical environment. To prevent disasters related to ethical issues from happening, it is argued that trust should be built by continuing regulatory actions and making CEO-board relationships transparent. The feasible governance plan should require the board to balance the shareholder's rights with the discretion granted to the management and focus on long-term strategies that help sustain the organization's operation. The significance of the board's multiple roles in the governance plan is that the board can not only keep the organization on the right directions but also provide feasible directions.

Integrating CSR in SMEs: Creating a Win-Win Situation

Grace Chung

Over the years, various factors have shaped the development of Corporate Social Responsibility (CSR), among which globalization, trade liberalization, greater integration of supply chains, greater consumer expectations particularly those in the developed countries, are especially relevant for companies relying on international trade. Under this scenario, big companies and multinationals have a need to invest in CSR as they are more vulnerable to shareholders, subject to a wider range of shareholders and have more to lose. However, from the perspective of the SMEs, the approach taken is both ethical and instrumental. In SMEs, there is no separation of ownership and management. As such, CEOs have full discretion to manage the company and as a result, CSR is reflective of their personal values.

There is no universal definition of the term CSR and it is interpreted in all-encompassing manner which is commonly accepted that business practices have gone beyond traditional corporate philanthropy to voluntarily include elements of social and environmental concerns when interacting with relevant stakeholders. Having said so, SMEs with limited resources tend to be skeptical about what CSR could actually deliver, eventually leading to insufficient motivation of embracing warmly to CSR, and consider it to be better suited to larger companies. However, the fact that SMEs account for about 90% of business worldwide indicates that SMEs plays a fundamental role in society and could have a huge impact on social welfare, means that it is important that the key features of CSR include the opportunity of the creation of a win-win situation instead of simply red tape for SMEs.

Interestingly, it should be pointed that SMEs including those in the trading and manufacturing sectors are actually doing CSR in some way or another as they focus their attention on compliance with mandatory government rules and environmental management. For instance, many SMEs actually do place emphasis on increasing employee skills and work on motivating and building staff morale and are also alert to health and safety issues in the workplace and for the customers. It is clearly a matter of finding ways to encourage SMEs to adapt CSR activities to their core business, instead of just using moral and ethical arguments to describe why CSR is important to them and saying that it is "the right thing to do".

From an economic standpoint, CSR activities could be beneficial to SMEs. For example, one characteristic of small businesses is that their success relies largely on a handful of key employees, hence treating and investing employees the right way via CSR may not bring about immediate results, but it is a sure way to attract and retain valuable employees, as it brings about employee loyalty and with higher morale and job retention, greater productivity is achieved while costs incurred from personnel loss and recruitment is minimized. At the same time, engagement with stakeholders during CSR activities could be very effective in achieving positive feedback and gaining trust and understanding that is crucial to business strategy and operations. Also, while it may not be necessarily for the manufacturing SMEs to jump on the CSR bandwagon immediately, pressures from business partners overtime will be a major driving force for them to carry out production-side related CSR activities that would be above and beyond minimum legal standards and so eventually the engagement of a "not just for profits" concept is going to be essential. Under this context, from a long term perspective, especially for those who are exporting their products and services and attempting to expand their business, catering to social, community and environmental initiatives could improve image and reputation through "word-of-mouth" that eventually allows the company to be better market positioned.

While there is a great deal of business rationale for SMEs to become more focused on CSR, the difficulty of the allocation of time and resources to activities beyond the daily operation of the business, considering the limited size of the company and lack of devoted CSR personnel, are one of the problems they face when seeking to address CSR issues. In this regard, it is essential to remain practical. There are many ways which the government could support this process, among which 1) provide proper regulatory and fiscal frameworks that could stimulate SMEs to catalyze CSR actions; 2) develop guidance programs such as training seminars publish toolkits and handbooks to assist SMEs in management of CSR issues; and 4) facilitate voluntary CSR practices through tax rebates if necessary.

In any case, it is important to keep in mind not to assume a "one size fits all" approach to CSR practices, particularly when SMEs are considered much more resource constrained than big companies. In this respect, while experiences from large companies could be drawn to provide useful information, engaging SMEs in and maintaining dialogues with government, civil society and international organizations to identify the needs, objectives and the appropriate responses to social concerns is essentially viable to create win-win situations and bring advantages to the enterprise itself and its stakeholders.

Business Issues of Climate Change

Alex Hsu

Since the United Nations Framework Convention on Climate Change was signed in 1992, it has been mainly governments that have driven the international climate change agenda. Over the intervening period, scientific data have advanced and are now suggesting that more significant action may be required, and on an accelerated basis.

Climatologists broadly agree, however, that likely effects include: melting of glaciers and ice caps; higher sea levels (up to 1M by 2100 in the base case, and ultimately by 4-7M should half of Greenland and the West Antarctic Ice Sheet melt); and more frequent and violent weather events.

The economic costs of climate change are a major uncertainty. Conservative estimates suggest a cost of between 0 and 3% of global GDP annually by the time that Earth's temperature has risen by 2-3oC, with poor countries affected disproportionately. Were greenhouse gas concentration to rise beyond 550ppmv, temperature to increase by more than 3oC, and the ecological impact to be more abrupt, the economic costs could be much higher.

Rising temperatures have already altered Earth's climate, with consequences for: hydrology and water resources; agriculture and food security; terrestrial and freshwater ecosystems; coastal zones and marine ecosystems; and human health. Predictions of climate change are uncertain: they involve making projections outside the range of recorded experience. The scope and scale of effects will depend on the degree and speed of adaptation of countries, economies, and people; and will differ by region.

There is a widening gap between this advancing scientific evidence and the international response from governments leading to higher levels of uncertainty for business. As a result many businesses are adopting a much higher profile role in the international debate on climate change, in particular the discussions around future policy frameworks.

Internationally, business is anticipating tighter constraints on GHG emissions. Investment decisions for major infrastructure, particularly for long-lived assets such as power stations, require strategic assessment of policy and market drivers. Without suitable policy frameworks which cover timeframes to match these investment horizons, business has little appetite to invest due to the risk of stranded assets.

Climate change is a major business risk. Uncertainty about the future of climate policy heightens the risks associated with investment. Scientific research indicates that by significantly reducing global GHG emissions it may be possible to slow the rate of climate change. The decisions that business makes every day are already starting to be affected by the risks of climate change.

Business is used to working in uncertain environments, for example, fluctuating interest rates, exchange rates and crude oil prices. However, existing frameworks allow business to take informed positions on these variables. It is clear that a framework is required to determine future climate policy impacts. Such a framework would assist business in making decisions and investments using established business models to manage climate risks and exploit opportunities.

Uncertainty increases risk, thereby reducing and delaying investment which is critically required to maintain and grow infrastructure. Lack of an appropriate policy framework encourages the status quo, however new investment in emission-intensive infrastructure could lead to future stranded assets which would impose a significant cost to the national economy. Without a clear policy framework that matches investment horizons, business has little incentive to invest now in newer, cleaner technologies.

The free market fails to limit climate-damaging emissions sufficiently, because polluters do not have to pay for the damage they cause. A basic role of policy in such cases is to 'internalize' such costs into emitters' cost structures – the 'polluter pays' principle. Estimates of the cost of limiting emissions sufficiently to keep greenhouse gas concentration below 550ppmv range between -2% (net losses) and +5% (net gains) of global GDP.

A policy to maximize the gains (i.e. damage avoided) relative to the costs of abatement requires determining and setting either an emissions volume (through emission targets, or regulation) or a 'social' price for carbon (e.g. via an emissions tax). Under a base-case scenario, the 'social' price of carbon rises progressively, from perhaps $20 per ton today to over $80 by 2050. Some estimates are significantly higher. Additionally, society might wish to pay more than the 'social' price of carbon, out of a desire for: a cleaner environment in its own right; and/or insurance against the risks from taking temperatures higher than they have been for at least many hundreds of years.

While governments arguably should focus – as they do with the risk of nuclear or terrorist attacks – on minimizing the likelihood of extreme and catastrophic events, businesses should in general plan on the basis of more likely, central, estimates. For firms, climate change, like globalization, technical change, and population ageing, is likely to be another powerful force that inexorably shapes the economic environment.

While climate change may well be a slow-moving force, asset prices will on occasion move sharply, when new evidence reaches the market, or policies are changed. Businesses are likely to be affected both by climate change itself and by policies to address it through: regulatory exposure; physical exposure; competitive exposure; and reputation – including litigation – exposure. Sectors particularly likely to be affected include: utilities; integrated oil and gas; mining and metals; insurance; pharmaceuticals; building and construction; and real estate. Within each sector, many firms will find ways of turning change to their advantage, while others will fail to adapt. Already, with little impact yet felt from climate change, about 20% of firms enter and exit most markets each year, and only 60 to 70% survive their first two years of activity. The firms that will prosper in a climate-changed world will tend to be those that are: early to recognize its importance and its inexorability; foresee at least some of the implications for their industry; and take appropriate steps well in advance.

The pace of a firm's adaptation to climate change and related policy is thus likely to prove to be another of the forces that will influence whether, over the next several years, any given firm survives and prospers; or withers and, quite possibly, dies.

Transforming APEC into a Transregional Institutional Architecture

Chen-Sheng Ho

Introduction

Since the creation of APEC in 1989, it has played a significant role in strengthening economic cooperation in the Asia-Pacific region. At the same time, APEC has strived to serve as a vehicle for promoting economic development among its members. APEC has sought to realize these visionary ideas through the conceptualization of the Bogor Goals in 1994. Subsequently, the Osaka Action Agenda (OAA) was developed in 1995 to become a concrete plan. Finally, the Manila Action Plan for APEC (MAPA) came into being in 1996 to begin the implementation phase.

After several years of existence, APEC has begun to discuss the possibility of creating a Free Trade Area of the Asia-Pacific (FTAAP). This is a strong indication that APEC has taken a bigger step towards economic cooperation. APEC is also making every effort to raise economic development in the APEC region. In sum, APEC has become more institutionalized in recent years. Furthermore, APEC is constantly seeking to make improvements. This is the reason why APEC is undertaking reform. At the same time, APEC has been assessing some of its working groups, so as to derive suggestions for their improvement. In addition, APEC is trying to decrease the number of meetings. For example, SOM II will not be held in 2009 when Singapore becomes the APEC host (APEC SOM 2008). APEC has also focused on trade and investment facilitation with the development of Trade Facilitation Action Plan II (TFAP II) and the Investment Facilitation Action Plan (IFAP) (APEC SOM 2008b).

However, this paper posits that the improvements that APEC has made and plans to make in the future could never be considered adequate, if APEC is regarded as a regional institutional architecture rather than as a trans-regional institutional architecture. The main purpose of this paper is to show that APEC economies should embrace the notion that APEC is a transregional institutional architecture. In doing so, APEC could work towards more equal balance between APEC economies of the Eastern Pacific Rim and APEC economies of the Western Pacific Rim. Furthermore, APEC should increase the number of members to include all Pacific Basin economies. With the approach of the datelines for the Bogor Goals, APEC could begin to examine the direction it would like to take in the future. This paper serves as a way to initiate discussions on the future of APEC.

Regionalism, Interregionalism and Transregionalism

Professor Vinod Aggarwal has undertaken detailed analysis of regionalism, interregionalism and transregionalism. According to Aggarwal and Fogarty (2003), regionalism refers to "geographically-concentrated minilateral accords" and interregionalism is defined as "the pursuit of formalized intergovernmental relations with respect to commercial relationships across distinct regions." They further define "pure interregionalism" as "the formation of ties between two distinct free trade areas or customs unions" (Aggarwal and Fogarty, 2003). Aggarwal and Fogarty (2003) further state that "hybrid interregionalism" occurs when "one customs union negotiates with a group of countries from another region, but the second group is not a customs union or free trade agreement." Additionally, transregionalism is evident when "an accord links [economies] across two regions where neither of the two negotiates as a grouping" (Aggarwal and Fogarty, 2003). They relate that APEC is an example of transregionalism (Aggarwal and Fogarty, 2003).

Regional Institutional Architecture versus Transregional Institutional Architecture

As a result of Professor Aggarwal's analysis, we are informed that APEC exemplifies transregionalism (Aggarwal and Fogarty, 2003). This means that APEC links economies between two regions informally. However, most scholars and policymakers refer to APEC as a regional institutional architecture (RIA). The reason is that APEC focuses on the Asia-Pacific region and this is one region. The idea of transregionalism indicates that APEC has connected two regions. Thus APEC can only be partially considered as a RIA, since the institutional architecture aspect of RIA is still valid for APEC. At the same time, transregionalism can only partially portray APEC. The APEC process is more than connecting two regions. APEC could also be characterized as having several regions. This paper conceives a new way to describe APEC called transregional institutional architecture (TIA). TIA combines the concepts of transregionalism, institutional architecture and new ideas. The following paragraphs explain the TIA notion in greater detail and show that the acceptance of the TIA concept would greatly strengthen APEC development.

Our understanding of APEC's current role in the Asia-Pacific region and future role in the Pacific Basin would be greatly enhanced, if we are cognizant of the similarities and differences between RIA and TIA. Let us proceed to examine the similarities. First, we can see that both RIA and TIA contain the word "institutional". According to the Merriam-Webster Online Dictionary (2008), institutional means "of or relating to an institution" and institution connotes "an established organization or corporation especially of a public character." From these definitions, it is apparent that economies must deemed any RIA or TIA to be an established organization that is related to the public. We can infer that the definitions imply that a RIA or TIA should be in existence for some time and should have experienced. Additionally, a RIA or TIA should work towards benefiting the people.

The second similarity between a RIA and a TIA is that both include the word architecture. According to the Merriam-Webster Online Dictionary (2008), architecture is defined as "a unifying or coherent form or structure." This means that a RIA or a TIA must be regarded as being a structure. Therefore, the definition implies that a RIA or a TIA should be strong and able to withstand challenges.

The third similarity is that both a RIA and a TIA can be seen from a geographical perspective. The first word of RIA is regional while the first word of TIA is transregional. Thus we can state that both RIA and TIA refer to geographical location.

However, there is a major difference between the geographical location of a RIA and that of a TIA. In a RIA, there is only one region whereas in a TIA, there are two or more regions. Therefore, we can define a RIA as any regional organization that strives to work for the public while a TIA is any transregional organization that strives to work for the public. The regional in RIA denotes a specific region, such as the Asia-Pacific region, in the case of APEC. Another example is NAFTA, which indicates the North American region. In addition, EU signifies the European region. Thus a RIA stands for one particular region. On the other hand, TIA represents two or more regions, because of the word transregional in the TIA. Examples of frequently mentioned TIAs are the Asia-Europe Meeting (ASEM) and the EU-Latin America Summit. This paper will demonstrate that APEC should also be called a TIA.

Furthermore, there are also more RIAs in the world today than there are TIAs. The reason could be that it is easier to form a RIA than a TIA, because of geography. Economies that are closer to each other could share higher degree of political, economic and cultural similarities. With the advent of globalization, we are beginning to see the formation of more TIAs. However, RIAs should continue to see greater growth in numbers than TIAs.

APEC's Emphasis on the Asia-Pacific Region

We could say that Asian economies play a major role in APEC given that they are the majority in APEC. Additionally, ASEAN, Australia and Japan have been the initial economies that have started the idea of creating

APEC. Subsequently, the U.S. and other economies from the Americas become APEC members. Another indication of the importance of Asia in general and ASEAN in particular, is that the APEC Secretariat is located in Singapore. However, since the decision-making process of APEC is based on consensus, non-binding principle, and voluntary participation, there is high level of flexibility in terms of APEC members' participation.

APEC stands for Asia-Pacific Economic Cooperation. This indicates that APEC members seek to strengthen economic cooperation in the Asia-Pacific region. The APEC region is equated with the Asia-Pacific region. An examination of the meaning of the Asia-Pacific region could show that it means the Asian part of the Pacific Ocean. Therefore, APEC has consciously and subconsciously emphasized Asia. However, non-Asian members of APEC have not complained given that APEC has been created in Asia and the participation process is flexible.

APEC's Transformation into a Trans-regional Institutional Architecture

An outstanding characteristic of APEC is that it is always seeking to make improvements. This paper suggests that APEC should be transformed into a Transregional Institutional Architecture (TIA). A TIA means that it links two or more regions. APEC should be considered a TIA because it connects at least two regions. These two regions are the Eastern Pacific Rim and the Western Pacific Rim. If we would like to make further divisions, the current APEC region could be divided into five regions. They are South-East Asia, East Asia, Oceania, North America and South America.

The purpose for stressing regions in APEC is to bring greater balance to the work of APEC. As a first step, APEC should emphasize that the APEC region is not one region called the Asia-Pacific region, but two regions consisting of the Eastern Pacific Rim and the Western Pacific Rim. In doing so, APEC could work towards better linkage between the two sides of the Pacific Ocean. An analysis of APEC shows that a member that serves as a host always receives tremendous amount of attention and resources. Since Mexico, Chile and Peru will have hosted APEC meetings by the end of 2008, these South American members of APEC would have to show interest in APEC through active participation in APEC work programs. It will be awhile before they serve once again as APEC host. Chinese Taipei could become an example to APEC's South American members. The reason is that Chinese Taipei has not served as an APEC host but it has actively taken part in APEC activities through participating in meetings, projects and initiatives.

Furthermore, it is suggested that APEC provides funding for TILF and ECOTECH projects that specifically entail participation of economies from both sides of the Pacific Rim, so as to enhance linkages. At present, APEC stresses capacity building and the need for cooperation between developed economies and developing economies. Another way to strengthen cooperation among APEC economies would be to increase cooperation between the two distinct regions of APEC.

In addition, the Pathfinder Approach is an excellent way to execute projects when only a partial number of APEC economies are ready to join in implementation. However, APEC could add the criterion that APEC projects implemented through the Pathfinder Approach should include economies from both regions. In doing so, the APEC process would become more balance.

Finally, in the distant future, APEC could consider enlarging its membership to include all economies that touch the Pacific Ocean in South-East Asia, East Asia, Oceania, North America, Central America and South America. In addition, Asian, Central American and South American economies that do not touch the Pacific Ocean but have substantial trade and economic ties with the above stated economies would also be allowed to join. In conclusion, the strengthening of APEC as a transregional institutional architecture entails that the coverage of membership would be widen and would include at least two regions. For example, the EU has enlarged its membership in recent years but the process has not been without difficulties. However, the EU has been able to overcome challenges and has integrated to become stronger and larger. Therefore, APEC could strive in the same direction as EU, in terms of membership.

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