

China and India. More quickly than most realize, their emergence will send shock waves through the global economic system – shock waves that will need to be managed and ultimately absorbed, partly through membership in the new World Trade Organization but also through membership in APEC.

This will make APEC, almost by definition, a key arena in which trade policy issues of the future will be played out. The evolving nature of APEC will challenge how we understand and deal with the trade agenda of the 21st century – above all the interaction of trade policy with investment policy, with competition rules, with technological development and with environmental standards. The focus of the World Trade Organization on formal negotiation leading to binding disciplines is often at variance with the Asian preference for informal deliberation and consensus building. In this sense too, APEC might provide a path forward in areas for which the World Trade Organization, at least for the moment, is still ill-equipped.

Perhaps most important, APEC is uniquely placed to bridge both sides of the Pacific. Although some may question the ability of two and potentially three economic superpowers – the United States, China and India – to coexist within the same Asia-Pacific Bloc, APEC has the potential, if structured properly, to provide an interface between the two continental economies – a geopolitical "buffer" ensuring that neither regional integration within Asia nor the extension of free trade throughout the Americas will create a fault line running through the Pacific. APEC can help to sustain and mediate the cross-cultural management of trade issues in a way that neither the World Trade Organization nor the OECD [Organization for Economic Co-operation and Development] can.

The APEC Summit in Jakarta in November was preoccupied with the question of when the commitment to free trade should be completed. A more salient issue is when – and in what ways – the negotiation of free trade should begin. Only by moving forward, only by maintaining the momentum arising from the seven years of Uruguay Round negotiations, can we make concrete progress. Canada has suggested some specific steps.

First, Asia-Pacific countries could consider accelerating the implementation of the tariff cuts agreed to in the Uruguay Round. APEC could explore further tariff cuts in other sectors. There may be possibilities of additional sectoral tariff harmonization or of new zero-for-zero initiatives in a range of products. At the same time, APEC economies must build on the General Agreement on Trade in Services to further liberalize their financial services, a key sector in the modern, globalizing economy, where trade and investment are becoming indistinguishable.

Second, APEC economies should consider how we can remain at the forefront of investment liberalization. We should move