Consensual Leadership

Notes from APEC

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In an increasingly globalized world, most of the critical issues that countries face either originate from outside their borders or require the cooperation of other countries to resolve. Accordingly, we have seen the growth of multilateral institutions designed to tackle 21st century challenges such as financial crises, environmental pollution, cross-border terrorism, and regional stability. Moreover, while longstanding institutions such as the G-7 continue to serve an important purpose, much of the work of addressing our regional and global challenges has shifted to the expanded and more diversified G-20, which includes emerging powers such as China, India, and Brazil. Within the Asia-Pacific region, we have seen the expansion of the East Asia Summit (EAS) to include the United States and India, movement toward an Association of Southeast Asian Nations (ASEAN) Community, as well as a resurgence of the Asia-Pacific Economic Cooperation (APEC) forum in recent years. Unlike national governments or some regional security alliances, however, these institutions do not possess hierarchical, legal, or political structures. Reflecting an increasingly multipolar world, these institutions need to operate in a consensual manner in which each member—whether large or small, developed or developing—has the opportunity to play a leading role in shaping the decisions of that institution.

With multilateral institutions taking on a more critical role today, it is thus important for governments to examine how they can effectively pursue their national priorities within this broader and more complex framework. Here, leaders cannot rely on well-defined legal or political decision-making structures nor can they appeal to nationalism. Unlike in bilateral mechanisms, leaders working within multilateral institutions cannot simply focus on protecting or advancing their own interests vis-à-vis the other. Instead, leaders need to consider the goals and interests of the institution itself—beyond those of individual members. The more successful the multilateral institution is, the more effectively it can serve as a platform to advance the agenda of its members. In turn, the success of the institution depends on the extent to which it is able to benefit all of its members. Hence, leadership in this context requires that each member not only seek to advance its own interests, but also to relate them to the interests of the other members.
This effort is less about establishing one’s own vision and getting others to accept it—as “leadership” is sometimes defined in more hierarchical structures—and more about mobilizing consensus for what are seen as common goals.

**Consensus building in APEC**

APEC is a good example of such a multilateral institution. It is a diverse forum of twenty-one members on both sides of the Pacific focused on promoting the economic development of this expansive region. APEC currently includes the three largest economies in the world—the United States, China, and Japan—as well as developing economies from within ASEAN and the Pacific (i.e., Papua New Guinea). Member economies represent different cultures from the four continents bordering on the Pacific, including North and South America, Asia, Australia and New Zealand, and Russia. APEC was formed over twenty-five years ago and initially focused on facilitating trade and investment, but has since expanded its agenda to work on a range of economic development and capacity building issues. This broad range of issues, including human resource development, energy, infrastructure, education, health, emergency preparedness, anti-corruption, and the environment, reflects the diverse needs and concerns of its members.

Indeed, the operating principle of APEC is that its initiatives and agreements require consensus and are not legally binding. There is no dispute settlement mechanism, unlike those in the World Trade Organization (WTO) or in some other regional free trade agreements. APEC’s success is based essentially on the continued willingness and commitment of each member to work with others to define common goals and to cooperatively achieve them. Although the APEC host economy for a given year has a leading role in shaping the agenda for that year, any member economy has the opportunity to propose and lead initiatives as well as the responsibility to find and build support for them. Leadership in APEC is thus achieved by consensus. In this paper, I look at some examples of U.S. engagement in APEC over the past two years to illustrate how the United States sought to pursue various priorities in this context. It is my hope that this article will provide ideas on how governments might function more effectively in such multilateral institutions in general.

**APEC 2014: Combatting Corruption**

One of the most serious and urgent problems among many APEC economies today, unfortunately, is that of pervasive and systemic corruption. This problem has not prevented rapid economic growth in the short-term; however, corruption has a corrosive impact on the political and economic fabric of a society that threatens long-term economic development by limiting opportunities to a select few and generating social instability. Corruption is one of the most significant factors impeding the growth of developing economies, even contributing to other factors that produce what is known
as the “middle income trap.”

Fortunately, many governments have begun to recognize the severity of this problem and are taking steps to address it. For example, after President Xi Jinping took office in 2013, he stated that anti-corruption is a top domestic priority for China. Over the past two years, the Chinese government has made increasingly public efforts in this endeavor. Similarly, President Aquino of the Philippines (APEC host in 2015) and other APEC economy leaders, have also recently highlighted this issue and begun to take on the challenge of combating corruption and developing the rule of law in their respective countries.

Recognizing the increasing severity of this problem and the expressed desire of leaders to combat pervasive corruption in the region, the United States decided to launch an initiative in 2014 to strengthen and expand anti-corruption work within APEC itself. Despite years of efforts to coordinate law enforcement cooperation with China and other countries, progress had been quite limited. American companies continued to complain about the difficulty of competing in such environments and urged further action to strengthen anti-corruption programs. Thus, China hosting APEC in 2014 was viewed as an opportunity to strengthen anti-corruption cooperation. China wanted a broader regional platform to highlight its achievements and pressed for increased cooperation among APEC law enforcement officials on cross-border fugitive cases. The United States consulted with Chinese law enforcement officials and encouraged China to take the lead in this effort. At the same time, the United States was able to mobilize the support of other economies grappling with corruption, as well as economies like Hong Kong and Singapore, who have succeeded impressively in combatting this problem.

As a result of these efforts to find common ground with China and others, APEC leaders collectively endorsed the “Beijing Declaration on Fighting Corruption” drafted by China and welcomed the “APEC Principles on the Prevention of Bribery and Enforcement of Anti-Bribery Laws” and the “APEC General Elements of Effective Voluntary Corporate Compliance Programs” drafted by the United States. Soon thereafter, the APEC Business Advisory Council (ABAC) organized a workshop to consider taking measures to establish corporate compliance programs among private sector companies within APEC. This anti-corruption initiative is seen as one of the key achievements of APEC in 2014.

**APEC 2015: Promoting Inclusive Growth**

When the Philippines took over in 2015, its Senior Official made it clear early on that the Philippines would seek to focus on promoting balanced and inclusive economic growth, as well as enhancing the region’s capacity to respond to economic shocks and vulnerabilities. This focus is consistent with efforts to counter the “middle income trap” and improve the rule of law.

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growth during its host year. This effort aims to reduce the widening disparity of wealth within and across APEC economies that threatens the sustainable development of the region as a whole. This is an unfortunate phenomenon that exists not only in the Philippines, but also in the United States and most other APEC economies. More specifically, the Philippines wanted to explore and launch initiatives to help small and medium-sized enterprises (SME) access financial resources and regional markets in order to enhance their viability and growth.

As it turns out, the United States (led by the Department of Commerce) currently chairs the SME Working Group in APEC. Hence, the United States was in a particularly good position to support and expand on this goal. It was widely recognized that the rapid growth of APEC economies had in fact generated even greater economic and social inequality in these countries. If allowed to continue, this trend could indeed generate greater social and political instability and eventually slow, or even reverse, the growth of a region that has been the fastest growing market for American exports. At the same time, the United States had also been looking for ways to help American SMEs access global markets, especially because SMEs are the largest source of employment for American workers. The United States thus welcomed Philippine leadership in this effort and saw it as an opportunity to promote not only U.S. interests but also the goals of APEC and the region as a whole.

In this connection, the United States expanded a scheduled SME Working Group meeting in Atlanta (Georgia) in June 2015 and invited over 150 SMEs from all of the APEC economies to participate in the first APEC Accelerator Network Forum, which was designed to facilitate early-stage investment in SMEs. The program for the week also included a series of workshops to assist SMEs in improving supply chain management (including the application of cold chain storage technology), integrating with the global value chain, and understanding non-tariff measures among APEC economies. Afterward, the SME Working Group held follow-up workshops in the Philippines and Taipei, including the second APEC Accelerator Network Forum, the SME Finance Forum, and workshops on SME Business Continuity Planning. Finally, the Philippines agreed to convene an APEC SME Summit during the Leaders Week in Manila in November, which included a large delegation from the United States. This event was designed to highlight the contribution of SMEs to APEC economies, provide lessons learned from successful SMEs, help connect SMEs around the region, and build stronger private sector support for APEC as an institution.

Additional U.S. and APEC Priorities

The United States and other APEC economies have also collaborated effectively to advance other common priorities over the past two years. On the trade front, for example, in 2013 the United States created an APEC fund to help economies improve their customs procedures in order to facilitate the annual movement of about $1.4 trillion worth of goods around the region. Since then, other APEC economies have made significant contributions to the Fund to help achieve a 10 percent improvement target from 2010 to 2015, which will bring enormous benefits to exporting companies in the region.
APEC economies have also made progress toward implementing a major U.S. initiative and APEC commitment to reduce tariffs on environmental goods to 5 percent or less by the end of 2015.

With respect to the goal of inclusive and sustainable growth, the United States took the lead in 2014 to expand economic opportunities for women by forging an agreement to establish the “Women and Economy Dashboard,” which uses twenty-six contributing indicators to track and measure progress in improving women’s economic participation among APEC economies. The United States worked with Australia and other APEC economies to prepare for the launch of the Women’s Entrepreneurship in APEC (WE-APEC) network to help connect women entrepreneurs throughout the region. Additionally, the United States sought to promote cross-border education to expand opportunities for students, particularly in developing APEC economies, by creating an APEC Scholarship program. By the end of 2014, eight APEC economies had offered over 150 scholarships and internships as a result of this initiative.

In 2015, the United States actively supported China’s initiative within APEC to reduce barriers and create opportunities for people with disabilities to participate in the economy. The State Department’s Special Advisor for International Disability Rights traveled to China in November 2014 to begin engaging with China and other APEC members and, eventually, to develop an agenda for the first meeting of the APEC Group of Friends on Disability (APEC GOF), which China in the Philippines hosted in September 2015. This meeting—attended by delegates from nineteen APEC economies—resulted in an outcome document that proposed measures and commitments to be presented to APEC Leaders for endorsement at the end of the year. Also, recognizing the region’s particular vulnerability to natural disasters, the United States has taken the lead in APEC’s work on emergency preparedness by seeking to improve early warning systems, facilitate the movement of relief workers and supplies, and strengthen trade recovery mechanisms among APEC economies.

**Conclusion**

As seen from some of the above examples of APEC’s work over the past two years, leadership in this multilateral context is reflected in the ability of individual members to mobilize consensus in support of what are seen and accepted as common goals. This requires leaders not simply to articulate visions of their own national goals but also, more importantly, to relate and bind them clearly to the interests of other members and the institution as a whole. Effective leadership thus requires a genuine effort to understand the interests of other members and non-member stakeholders, (e.g., in the private sector), and determine how one’s own priorities relate to these interests. The successful matching of these interests and initiatives creates a synergy that maximizes the overall benefit to individual members and strengthens the institution itself. For an institution like APEC that requires consensus, there really is no alternative to this type of leadership.

Furthermore, consensual leadership in such multilateral institutions must be sustained
because leaders cannot rely on legal or political authority to implement agreements. Leaders must continually mobilize and consolidate support to achieve their goals as well as the goals of the institution. Although the task and responsibility of leadership in this context is initially and necessarily more time consuming and difficult, this effort—if successful—can generate a “virtuous cycle” of increased habits of cooperation among an institution’s members. In the case of the United States’ work in APEC, for example, the United States was able to obtain stronger support for some of its initiatives in part because it was willing to mobilize support for the initiatives of other members. Such broad cooperation generates increased stakeholder interest in the institution itself because it is better able to address the diverse needs of individual member economies. The recent resurgence of APEC is reflected in part by the long list of economies that have volunteered to host APEC up to 2022 as well as the continued interest of nearly a dozen other economies in joining or participating in APEC. In the long term, the hope is that APEC and its model of consensual leadership is able to promote a “community of interests” that could lead to the increased integration of the Asia-Pacific region.

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