



**NEW ZEALAND COMMITTEE
OF THE
PACIFIC ECONOMIC
COOPERATION COUNCIL
(NZPECC)**

**Annual Report
June 2012**

Directory

Principal Contacts	Designation	Affiliation	Remarks (if any, such as relevant subject matters overseen by the person, direct e-mail address, etc)
Denis McNamara	Chair NZPECC, Nominations Committee Chair, Finance Committee Member	NZPECC Board member	Consultant, Lowndes Associates (law)
Fran O'Sullivan	Deputy Chair NZPECC, Finance Committee Chair, Nominations Committee Member	NZPECC Board member	MD, NZ Inc Limited, Columnist, New Zealand Herald
Emeritus Professor Gary Hawke	Board Member	NZPECC Board member	NZPECC representative on New Zealand APEC Cluster Group
Associate Professor Rob Scollay	Food Project leader	NZPECC Board member	Principal researcher on ABAC/PECC FTAAP, Trade and Food studies
Yvonne Lucas	Nominations Committee Member	NZPECC Board member	Chief Negotiator, International, Sector and Services Policy, Ministry of Health (on Secondment from MED)
Wade Armstrong	Board Member	NZPECC Board member	Principal Advisor Trade Policy, Ministry of Foreign Affairs & Trade
Elizabeth Jones	Finance Committee Member	NZPECC Board member	Chartered Accountant, consultant to government
Elizabeth Bell	Executive Director		
John Robertson	Board Accountant		
Christine Connon	Board Secretary		
ASB Bank Ltd	Bankers		

Elizabeth Bell; Executive Director	
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Registered Office:	PO Box 47, Auckland 1140
Registered Name:	New Zealand Committee of the Pacific Economic Co-operation Council
Registered Under:	Incorporated Societies Act 1908
Registered Number:	669051

Minutes of the Annual General Meeting of the New Zealand Committee of the Pacific Cooperation Council held at Auckland Regional Chamber of Commerce, Level 3, 100 Mayoral Drive, Auckland at 4.00 pm on Friday 17 June 2011

The NZPECC Chair, Associate Professor Coral Ingley, opened the meeting attended by 34 members and guests.

Apologies

That the apologies be noted.

Moved: Coral Ingley

Seconded: Fran O'Sullivan

Resolution carried

Minutes of the Annual General Meeting

That the minutes of the Annual General Meeting held on 14 June 2010 be approved.

Moved: Gary Hawke

Seconded: Yvonne Lucas

Resolution carried

Annual Report

The Chair noted that NZPECC members had participated in a number of international and domestic meetings, including outreach activities.

That the annual report for the year ended 31 December 2010 be received and adopted.

Moved: Fran O'Sullivan

Seconded: Yvonne Lucas

Resolution carried

Financial Statements

That the unaudited financial statements for the year ended 31 December 2010 be adopted.

Moved: Denis McNamara

Seconded: Fran O'Sullivan

Resolution carried

Election of Board Members

That Professor Gary Hawke, Yvonne Lucas and Denis McNamara be re-elected to the Board of New Zealand Committee of the Pacific Economic Cooperation Council for a term of two years.

Moved: Rob Scollay

Seconded: Elizabeth Jones

Resolution carried

Following conclusion of the formal business of the meeting, the meeting was addressed by Hon Tim Groser, Minister for Trade who spoke openly on his views for New Zealand's trade focus and future in the Asia Pacific region. The meeting was followed by refreshments.

NEW ZEALAND COMMITTEE OF THE PACIFIC ECONOMIC COOPERATION COUNCIL

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2011

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NEW ZEALAND COMMITTEE OF THE PACIFIC ECONOMIC COOPERATION COUNCIL

STATEMENT OF FINANCIAL POSITION

As At 31st December 2011

	\$	2011	\$	2010	\$
ASSETS					
<i>CURRENT ASSETS</i>					
Cash at Bank - NZPECC		26,273		5,648	
Term Deposit - ASB Bank		116,278		132,647	
Taxation Refund		475		255	
		143,025		138,550	
TOTAL ASSETS			143,025		138,550
LESS LIABILITIES					
<i>CURRENT LIABILITIES</i>					
Taxation - Goods & Services Taxation		5,348			
Accounts Payable		5,043		2,702	
		10,391		2,702	
TOTAL LIABILITIES			10,391		2,702
NET ASSETS			\$ 132,634		\$ 135,848
<i>REPRESENTED BY:</i>					
ACCUMULATED FUNDS			\$ 132,634		\$ 135,848

For and on behalf of the New Zealand Committee ;

Chair
Dated this 31 day of May. 2012

Treasurer
Dated this 31 day of May 2012

The above statement has not been subject to audit
This statement is to be read in conjunction with the notes to
Financial Statements.

NEW ZEALAND COMMITTEE OF THE PACIFIC ECONOMIC COOPERATION COUNCIL

STATEMENT OF FINANCIAL PERFORMANCE For The Year Ended 31st December 2011

	2011	2010
REVENUE		
NZ Government Grants	45,000	45,000
Food Project Grant	25,000	
Interest Received	5,676	5,363
	75,676	50,363
LESS EXPENSES		
Accountancy Fees	2,414	1,800
Bank Charges	17	5
Computer Consumables	239	1,594
General Expenses	109	307
Meeting Costs - NZ	5,267	8,054
NZPECC Secretariat	11,650	13,378
Printing & Stationery	198	1,180
Travel & Accommodation	57,279	17,111
Tax Expense	1,309	
Website Expenses	407	1,440
	78,890	44,869
NET SURPLUS	-\$ 3,214	\$ 5,494

The above statement has not been subject to audit

This statement is to be read in conjunction with the notes to
Financial Statements.

NEW ZEALAND COMMITTEE OF THE PACIFIC ECONOMIC COOPERATION COUNCIL

SCHEDULE OF ACCUMULATED FUNDS ACCOUNT

For The Year Ended 31st December 2011

	2011		2010
ACCUMULATED FUNDS at Beginning of Year	135,848		129,553
SURPLUS & REVALUATIONS			
Net Surplus After Tax	- 3,214		5,494
		132,634	
OTHER MOVEMENTS			
Tax Refund			801
ACCUMULATED FUNDS at End of Year	<u>\$ 132,634</u>		<u>\$ 135,848</u>

The above statement has not been subject to audit

This statement is to be read in conjunction with the notes to
Financial Statements.

Notes to the Financial Statements For the Year ended 31st December 2011

1 STATEMENT OF ACCOUNTING POLICIES

Reporting Entity

These are the financial statements of the New Zealand Committee of the Pacific Economic Cooperation Council (NZPECC). NZPECC is an Incorporated Society established and domiciled in New Zealand by incorporation in accordance with the Incorporated Societies Act 1908

The society qualifies for differential reporting exemptions based on the following criteria:

It is not publicly accountable, and

The society is 'not large' as defined by the New Zealand Institute of Chartered Accountants.

The Committee has adopted all available differential reporting exemptions.

Measurement Base

These financial statements of NZPECC have been prepared in accordance with generally accepted accounting practice in New Zealand.

The financial statements of NZPECC have been prepared on an historical cost basis, except as noted otherwise below.

As the Committee is now required to register for Goods and Services Tax, these accounts are presented exclusive of GST

The information is presented in New Zealand dollars.

Changes in Accounting Policies

There have been no changes in accounting policies. All policies have been applied on bases consistent with those used in previous years.

Differential Reporting

NZPECC is a qualifying entity in that it qualifies for Differential Reporting as it is not publicly accountable and there is no separation between the owners and the governing body and is not large as defined under the Framework for differential reporting.

All differential reporting exemptions have been applied.

Specific Accounting Policies

In the preparation of these financial statements, the specific accounting policies are as follows:

Taxation

As an Incorporated Society there is a liability for Income Tax on Interest earned less a \$1000 exemption, at a tax rate of 28 cents in \$

There is no Provision for Income Tax as Resident Withholding Tax deducted exceeds the Income Tax Liability and an Income Tax Refund is due.

2 AUDIT

These financial statements have not been audited.

3 CONTINGENT LIABILITIES

At balance date there are no known contingent liabilities or commitments.

Notes to the Financial Statements, continued
For the Year ended 31st December 2011

4 TRANSACTIONS INVOLVING BOARD MEMBERS

There were no related party transactions during the year under review. Some Board Members were reimbursed for costs of attendance at PECC functions in New Zealand and overseas.

Board Member & Event	Cost	
	\$	\$
Gary Hawke		
NZPECC Board & Meeting & AGM - 17 June'11	<u>476.10</u>	476.10
Coral Ingley		
FPT PECC Sustainable Cities, Perth - April 2011	2,315.95	
PECC General Meeting, Washington - Sept'11	<u>4,235.84</u>	6,551.79
Denis McNamara		
PECC General Meeting, Washington - Sept'11	<u>5,064.03</u>	5,064.03
Fran O'Sullivan		
MFAT Food Project, Wellington -November 2011	<u>476.10</u>	476.10
Robert Scollay		
NZPECC Food Project, North Asia - February'11	11,180.88	
NZPECC Food Project, South East Asia - July'11	7,227.07	
PECC General Meeting, Washington - Sept'11	3,225.34	
MFAT Food Project, Wellington -November 2011	695.00	
NZPECC Food Project, Taipei - December'11	<u>5,436.10</u>	27,764.39
Total Claims by Board Members		<u><u>\$ 40,332.41</u></u>

New Zealand PECC Domestic Events and Activities

In order to build on the successful work carried out in 2010, the New Zealand Committee of the Pacific Economic Cooperation Council (NZPECC) made a strategic decision to continue to focus its activities and outreach on food issues. In 2011, researchers paid particular attention to:

- a) regional concerns with food security and supply chain issues, and
- b) domestic concerns with trade issues and market trends.

Through the project NZPECC aims to facilitate linkages between New Zealand experts and counterparts in the Asia Pacific region to build shared understandings of regional and national imperatives related to the following issues and their significance in the context of food security concerns:

- Supply and Demand – trends and policy impacts
- Sustainability – water; energy and its links to food security
- The Role of National Agricultural Policies
- The Role of Business - Supply Chains, PPP Initiatives, investment and ownership (foreign and domestic) issues in Agriculture
- The Role of Trade and Trade Policy

At the same time the pursuit of Track II engagement within New Zealand has promoted the objectives of NZPECC in (a) widening engagement with business representatives and academics, and (b) contributing to development of business and public policy responses to key issues relating to New Zealand's integration with regional and global food markets, including the market development strategies of New Zealand firms and their positioning in regional and global supply chains and the potential contribution of New Zealand in adapting to the changing patterns of regional food demand.

NZPECC (in strong collaboration with the New Zealand Ministry of Foreign Affairs and Trade) has been working on a preliminary assessment of food issues within the region. Track II missions to North and South East Asia have been undertaken, both to gather information on latest developments and to exchange information on research agendas with other researchers in the region with a view to identifying potential avenues for collaboration.

Within New Zealand a series of meetings and workshops with business, government and academics have been held to identify priority issues to be addressed and where NZPECC can make the most effective contribution¹.

NZPECC / MFAT Food Seminar Wellington November 7 2011

¹ See Appendix 1 for a full list of NZPECC Activities for the 2011 year.

In conjunction with MFAT NZPECC was pleased to participate in, and assist in the organisation of, an Academics Roundtable on 7 November 2011. The Roundtable focused on Food and related issues and brought together academics, government representatives and leaders from the private sector².

Some of the topics canvassed were:

- Key policy challenges for New Zealand in the Asia-Pacific region
- Key challenges/opportunities for New Zealand / New Zealand business in the region
- Current New Zealand business practices in the region – what works and not
- Stock take of future business opportunities in the wider agriculture supply chain in Asia Pacific countries – entry possibilities

Governance

The Chair and Board of NZPECC would like formally to thank past Chair Dr Coral Ingley for her service to the Board. Mr. Denis McNamara has been appointed Chair and Ms. Fran O’Sullivan appointed Deputy Chair.

NZPECC has spent some considerable time and effort re-organising its administrative functions. Two internal committees have been established, a Finance Committee and a Nominations Committee. These committees meet separately and report directly to the Board. NZPECC has found that this has led to a more efficient running of the Board process.

The Board has also updated its charter of rules to more accurately reflect today’s business practices. These rules have been distributed to NZPECC members.

NZPECC gratefully acknowledges the ongoing financial support of the Ministry of Foreign Affairs and Trade and the Ministry of Economic Development. NZPECC would particularly like to acknowledge the Ministry of Foreign Affairs and Trade’s Trade and Economic Programme for its ongoing support of NZPECC’s Food Project, enabling deeper links into key Asian economies. NZPECC would also like to acknowledge the many additional contributions we have received from the employers of our Board Members and thanks those organisations that have generously hosted events on NZPECC’s behalf.

² See Appendix 2 for a full agenda of this meeting.

PECC International Events and Activities

The two major events in the PECC calendar for the 2011 year were the XXth PECC General Meeting (“PECC 20”) in Washington, September 28-30 and the PECC Conference, Singapore, 29-30 June 2011. PECC International also participated as an Official Observer at the APEC Meetings hosted by the United States.

XX General Meeting, Washington

The XXth General Meeting was hosted by The East-West Centre (EWC) on 29 September 2011. The theme for PECC 20 was “State of the Region” which is also the title of a report released during the conference. The plenary session featured speeches by senior US government officials and panel discussions from leading economic and political experts from the Asia-Pacific region. The topics covered included:

- Asia Pacific Regional Outlook;
- Regional Dynamics; and
- the future of Regional Economic Cooperation³.

NZPECC was pleased to sponsor two Youth Scholars to attend this conference. Paul Chong (completing an MBA) and Clare Szabo (studying her Master in Public Administration) were both at Harvard at the time and took time out of their busy academic schedule to participate in the Youth Programme run by PECC.

Regional Economic Outlook

A representative from the IMF presented at this session.

A potentially disquieting trend pointed out was towards rising income inequality in East Asia which is so pronounced and so potentially significant that the IMF are focusing on this despite it being outside their area of ‘core business’. The rising inequality is associated with very low levels of spending on social safety nets.

The overall assessment (by the IMF) of East Asia is that while growth continues to be relatively robust the downside risks have increased. Policy rebalancing and an emphasis on more inclusive growth are the key responses that this organisation would like to see.

Regional Dynamics

Mike Moore was asked to address the emerging role of bilateral free trade deals in the Asia Pacific. As New Zealand Ambassador to the US his remarks reflected the New Zealand perspective.

³ See Appendix 3 for more detailed information on the Washington meeting and notes from the sessions on ‘Paths to Inclusive Growth’ and a further session on the TPP

The importance to New Zealand of the WTO round and its conclusion was emphasised, although with the expectation that it will not be concluded this year but will take time and will be solved in world Capitals, not in Geneva. Nevertheless, in a world of global supply chains, multi-lateral agreements make sense and regional and global supply chains make deepening of trade agreements more important than ever, which our trading system needs to reflect.

Intra-East Asian trade represents more than 60% of East Asia's trade. There is a compelling logic behind deeper economic integration in the Asia-Pacific. At present the noodle-bowl prevails. Moreover, the US has done few of these deals.

Recent FTAs are becoming higher quality and are involving more comprehensive agreements, with SMEs as the main beneficiaries. Recognising the desirability of rationalising the "noodle bowl", New Zealand is very supportive of initiatives such as TPP as well as ASEAN+3, ASEAN+6 and EAS. Although there is progress on each of these initiatives there is no consensus yet on how the regional trade architecture should evolve.

APEC is also doing valuable work towards an FTA of the Asia-Pacific (FTAAP). As a potential building block for the FTAAP, the TPP is of strategic importance for greater regional integration. For New Zealand it has the added importance of including the US as part of the regional supply chain. Inclusion of the US as a partner in the region is also geopolitically important. It is a moving game because the negotiators keep on wanting to widen and deepen.

The TPP will be considered a success if it can expand beyond the current 9 members to include the major East Asian economies. At the same time the negotiators want a very high quality agreement (going well beyond existing WTO agreements. Attention to sequencing, timeframes, etc., can help in realising this ambition. The TPP negotiations are difficult but a successful agreement will be of great significance and the parties involved are very serious about achieving this.

The Future of Regional Economic Cooperation

In this presentation by the US, outcomes were listed in three main areas:

- Regional Economic Integration – outcomes on innovation, supply chain connectivity and SMEs (the "next generation" issues as seen by the US.
- Green growth, especially action on Environmental Goods and Services (EGS)
- Regulatory cooperation and convergence (regulatory impact assessments, inter-agency coordination, transparency)

According to the US the key strengths of APEC are

- Agenda-setting, based around the leaders' process
- Capacity to mobilise technical expertise, unmatched by other regional institutions
- Private sector involvement e.g. on supply chain issues and environmental goods and services

Singapore Conference

The Singapore conference focused on the theme "Growing APEC Economies: New Challenges and Approaches". Held 29-30 June 2011, the Plenary sessions discussed the following issues:

- Growing Economies in APEC
- Managing Capital Flows
- APEC's Growth: State of the Region Report Presentation
- Growing Trading in Services in APEC Economies
- Strategic Importance of Regional Economic Integration and Cooperation vis-à-vis Asian Pacific Economic Council (APEC), East Asian Summit (EAS) and Group of Twenty (G-20)
- Can APEC Deliver?

Feedback from the conference was varied but notably it highlighted the importance of capital flows and trade in services. Issues such as structural reform, not included in this year's conference, were marked as sadly missed and given their importance in the Asia Pacific region; attendees urged these issues be put forward for future consideration.

State of the Region Report

The State of the Region report was released during the XXth General Meeting in Washington. The State of the Region Report is based on analysis from the views of over 400 respondents from PECC's 26 member economies.

Below are some highlights from the report:

The results for risks to growth showed that concerns over the health of the European and US economies predominated, as expected, but there is also a significant level of concern over the Chinese economy. Concerns over energy security and high food prices easily out-ranked concerns over protectionism.

Investment in new technology and innovation systems was given the highest rating among policy objectives for sustained growth in the Asia-Pacific over the next five years, followed by the "rebalancing" objectives of reducing US fiscal and current account deficits and re-balancing growth in East Asia.

For the results on obstacles to doing business the results were interpreted as showing that concerns over behind the border issues now greatly outweigh concerns over border barriers. Corruption is perceived by the respondents as the most significant obstacle to doing business.

Concerns over regulatory impediments in regional markets are highest in Oceania, followed by South America and SE Asia. Perhaps somewhat surprisingly, concerns are higher in North East Asia than in North America.

Support for pursuit of multiple tracks for regional economic integration has grown from 2010 to 2011, except in Southeast Asia, where support for the ASEAN Plus track is exceptionally strong, and in South America where the Trans Pacific Partnership (TPP) is strongly favoured. Support for ASEAN Plus is higher than for TPP in the western Pacific regions (NE Asia, SE Asia, Oceania), although there is also quite strong support for TPP in NE and SE Asia, while Oceania is surprisingly negative about both tracks, especially the TPP. North America and South America heavily favour the TPP, with North America being especially negative about the ASEAN Plus track.

In rating the effectiveness of regional institutions, respondents from all regions and all sectors gave a significantly higher rating to APEC than to EAS. Respondents give marginally higher ratings to APEC for its performance on trade issues, and slightly lower ratings for its performance in 'implementing a balanced, inclusive, sustainable, innovative and secure growth strategy', 'implementing structural reforms', 'improving energy efficiency', and 'enhancing human security'.

A special feature of this year's SOTR is the highlighting of the potential of trans-Pacific trade in energy, and the consequent emergence of a more integrated and competitive energy market in the Asia-Pacific region, to match the discovery of very large shale gas deposits in North America with the need of East Asia to diversify away from coal to gas and to also limit its dependence on nuclear energy. This would be a dramatic change from the current situation, where there is very little trans-Pacific trade in energy and large price differentials are symptomatic of the absence of a competitive and integrated region-wide market for energy.

To read more on the 2011 State of the Region, or about any PECC event or publication, go to <http://www.pecc.org>

Appendix 1

NZPECC activity summary for the period January - December 2011

Event	Venue	Month	Organiser	Activity
Project Information Gathering	North Asia, various	February	NZPECC	NZPECC Food Project
Conference Representation	Perth	April	FPT PECC	Workshop on Sustainable Cities
Workshop Presentation	Wellington	April	MFAT	Report on NZPECC Food Project to representatives from MFAT Academic Roundtable and business interests.
Conference Representation	Hong Kong	June	PECC	Services Trade Meeting
Annual General Meeting, Outreach	Auckland	June	NZPECC	NZPECC Annual General Meeting and Address by the Hon Tim Groser, New Zealand Minister for Trade
Conference Representation and Presentation	Singapore	June	SINCPEC	PECC-USAPC-SINCPEC Conference on: "Growing APEC Economies: New Challenges and Approaches"
Project Information Gathering	Southeast Asia, various	July	NZPECC	NZPECC Food Project
Conference Representation	Wellington	September	MFAT	APEC Cluster Group
Conference Representation	San Francisco	September	APEC	APEC Study Centre Conference
Conference Representation	Washington	September	PECC	PECC XX General Meeting and Standing Committee Representation
Conference Representation	Washington	September	NZPECC / Asia NZ Foundation	PECC XX General Meeting, Youth Scholar attendance
Conference Representation	Wellington	September	MFAT	APEC Cluster Group
Seminar Organisation and Representation	Wellington	November	NZPECC / MFAT	Academics Food Seminar
Meeting Attendance and Presentation	Taipei	December	CTPECC	Meeting on : 'Moving Beyond Market Volatility to Foster Food Security'
Conference and Meeting Attendance and Presentations	Beijing and Nanning	December	CNCPEC	Symposium 'TPP and its Implications for Regional Economic Integration and Symposium on Consolidating the Basis of China-East Asia Friendship'
Conference and Meeting Attendance and Presentations	St Petersburg	December	APEC	Symposium on APEC 2012 and APEC ISOM

Appendix 2

Food Seminar MFAT / NZPECC, Wellington, November 2011

AGENDA

Chair: Rupert Holborow, Director Economic Division, MFAT

Food Issues

9.30am	Welcome; objectives of discussion and introductions
9.40am	NZPECC Food Project Rob Scollay and Hugh Whittaker will discuss the outcomes from their round of consultations with research institutions and businesses in Northeast and Southeast Asia. They will highlight themes and issues requiring further consideration by NZ government, business and academia.
10.00am	Q&A
10.15am	Review of NZTE's Primary Sector Strategies [Colin Harvey/Dame Cheryll Sotheran (tbc)] outline the findings of the review of NZTE's Primary Sector strategies, with implications for the food and agricultural industries.
10.25am	Global Agribusiness Strategic Project (NZTE/PWC) Craig Armitage (PWC) will discuss the Global Agribusiness Project to identify opportunities for NZ's agricultural production systems to be leveraged internationally to generate a sustainable return to New Zealand. Of particular interest is what business models might support this.
10.45am	Q&A
11.10am	Food and Beverage Information Project (MED/Coriolis) Outline the Food and Beverage Information Project. The project aims to address the lack of a comprehensive, integrated and regularly updated information base on the Food & Beverage (F&B) sector to better support business decision making and government policy.
11.30am	Q&A
11.45am	Roundtable <i>Possible issues to discuss:</i> <ul style="list-style-type: none">- Discuss common themes or emerging issues across the three strands of work- Share perspectives from own work and/or experience from contact with researchers and organisations interested in food related issues?- Are there any key gaps where further work could be explored?
12.30pm	Wrap up

Appendix 3

XXth Washington Meeting

Concurrent Session on Trans Pacific Partnership Agreement (TPP)

Chair:

Prof. Peter Petri, Professor of International Finance, Brandeis University

Speakers:

Mr Cai Penghong, Director of APEC Research Centre, Shanghai Academy of Social Sciences

Mr Takashi Imamura, Vice President and General Manager, Washington Office, Marubeni America Corporation

Prof. Merit Janow, Professor in the Practice of International Economic Law and International Affairs, Columbia University

Mr Lim Jock Hoi, Permanent Secretary, Ministry of Foreign Affairs and Trade, Brunei Darussalam

Peter Petri, the session chair, is about to publish a substantial study of the TPP and its “Asian track” competitors as routes to the FTAAP. He previewed the results as showing that the TPP provides positive incentives for enlargement of the TPP itself, further East Asian integration, and US-China cooperation. They also show that the economic gains from an enlarged TPP will be comparable to the potential economic gains from the WTO’s DDA.

Lim Jock Hoy, Brunei’s chief TPP negotiator and APEC senior official, provided a brief overview of the TPP negotiations. He first identified the issues that are included in the TPP negotiations but were not in the P4: Electronic Commerce and Telecommunications (both proposed by the US); Investment and Financial Services (not covered in P4 although outlines of an agreed treatment had been negotiated); and Horizontal Issues. The so-called Horizontal Issues include Focus on Competitive Business Development, Regulatory Coherence, Development, and SMEs. He also highlighted where the level of commitment sought in the TPP is much higher than in the P4: Environment and Labour (separate chapters in the TPP as against Environmental Cooperation Agreement and MOU on Labour in the P4); Intellectual Property. He said there is a much greater emphasis on transparency in the TPP than in the P4.

As might be expected from a trade law expert who has spent several years as a member of the WTO’s appellate body Merit Janow was somewhat skeptical of the TPP and concerned about implications for the WTO. She argued that the stagnation in the DDA is a major impediment to development of the global trading system and that the participants should focus on concluding the round by extracting what is possible from the negotiations. She sees a potentially unfortunate parallel between the TPP and the earlier MAI (Multilateral Agreement on Investment) fiasco, where a deal was hammered out by the developed countries with the idea that it would then be offered for accession by the developing world, only to be firmly rebuffed by the latter. She noted arguments that NAFTA acted as a catalyst to conclusion of the Uruguay Round but argued that even if these arguments are correct it is not realistic to expect the TPP to play a similar role in relation to the Doha Round. She noted the need for the TPP to be acceptable to the US Congress as a major constraint on a successful conclusion. She

complained that there is no clear indication of what the content will be of provisions on the so-called Horizontal Issues in the TPP. She is skeptical of other regional economic integration initiatives as well, for example she regards the proposed China-Japan-Korea FTA as a confidence-building initiative rather than a potential instrument of deep integration.

Penghong Cai listed three key issues in the TPP where China has serious reservations: data transfer, financial services, the rate of tariff reduction. He said that he would recommend against China joining the TPP at this stage, citing his most fundamental objections as: Suspicion of US motives – is it just a strategy by the US to contain China? According to him China's attitude to the TPP has to be based around assessment of the US' strategy toward Asia on all three levels – economic, political/social/military. He noted that China already has FTA relationships with seven of the existing TPP participants and is negotiating with an eighth (Australia), thus the decision about joining the TPP is essentially a decision about its trade relations with the US.

Transparency – he argues that since TPP is effectively promoted by APEC as a potential route to the FTAAP it is unacceptable that a potential participant like China is unable to find out what is being negotiated. Jock Hoy countered that TPP participants have in fact been regularly reporting progress to APEC senior officials, although obviously not in the detail that Penghong would like to see.

Takashi Imamura gave a fairly straightforward account of the debate in Japan over the TPP, and the business community's arguments in favour of joining TPP. He also argued however that the TPP faces a trade-off between the ambition of a high-standard agreement and the ambition of expanding membership. One might be achieved at the expense of the other. Jock Hoy countered that the ambitions for a high standard and expansion will eventually have to converge because of the growing importance of behind the border measures.

Charles Morrison (PECC International Co-Chair and USPECC Chair) gave his take on the US strategy from the floor. Given the competition between the different routes toward the FTAAP the US needed to have a vehicle for competing with the "ASEAN Plus" initiatives. The vehicle needed to involve partners with whom an agreement could realistically be navigated through Congress. The implication is that US would not welcome Chinese participation at this point, notwithstanding the "party line" that any country prepared to accept a high standard agreement is welcome to join.

Concurrent Session on Paths to Inclusive Growth

Chair:

Ambassador Yoshiji Nogami, Chair, Japan National Committee for Pacific Economic Cooperation (JANPEC), and President, Japan Institute of International Affairs

Overview: At APEC 2010 Yokohama, the leaders agreed to pursue five growth strategies: balanced, inclusive, sustainable, innovative, and secure growth. Under the banner of inclusive growth, APEC economies will strive to ensure that all people of the region have the opportunity to participate in, contribute to, and benefit from global economic growth. "The APEC Leaders'

Growth Strategy” further states that APEC should support policies that increase opportunities for workers to benefit from (1) regional economic integration, (2) an improved business environment for small and medium-sized enterprises (SMEs), and (3) increased access to finance for the most vulnerable sectors such as microenterprises (MEs). In addition, the statement calls on APEC economies to create sufficient opportunities for potentially disadvantaged and marginalized groups, including youth, elderly and women, through better education, training, and employment programs.

In this session, speakers explored social policy issues and human development measures, such as employment, education, empowerment, and social security. They also examined the current status of PECC economies and the ways in which they hope to achieve inclusive growth in the future.

With regard to the APEC growth strategy, an initiative has led to undertake a 2 year project especially designed to help developing economies. The primary partner in this initiative is the Philippines and there is also support from other APEC economies, including New Zealand, with a follow-up opportunity from a series of seminars. Clear objectives for the seminars include identifying successful social protection measures, and systems that contribute to economic security. Initial discussion topics will focus on 3 aspects in relation to social protection as an economic stabilizer – what are the essential building blocks, how to make it happen (overcoming barriers in extending coverage), and breaking through. The outputs from these discussions will be combined into a report identifying best practices, etc., as well as commissioned research and the first follow-up seminar in the Philippines.

There is presently a mix of systems, old and new, in place across the APEC countries and all are in a state of flux but there is a need for consensus around the key issues.

See <http://hrd.apec.org> for materials on this project.

Prof. Riordan Roett, Sarita and Don Johnston Professor of Political Science and Director of Western Hemisphere Studies, The Johns Hopkins Paul H. Nitze School of Advanced International Studies (SAIS), Latin America, compared (South) Korea as an example of a progressive Asian economy with Argentina, Brazil and Venezuela, with regard to economic development and social issues. Latin American countries lag far behind Asian economies. Measures are in place to bring more people into the lower middle class, however, military dictatorships have made the transition to democracies and market economies difficult, which has not been a problem for Asia. Moreover, the process of integration in Latin America extends only over the last one to two decades. The exception overall is Chile. The challenge is to take lessons from Asia to address the issues.

Prof. Lu Jianren, Deputy Director of the APEC Study Center, Chinese Academy of Social Sciences, China, spoke of 3 development stages in China’s endowment insurance programme. The first stage, introduced in 1951 involved labour insurance, for government service retirees. During the Cultural Revolution social coordination in endowment insurance was suspended. The second stage occurred in 1978 when China began to re-establish the programme and since 1998 it has had in place a new system, comprising joint contribution to a pension fund by employers and government.

In the past, the fund paid out 65%-75% of the wage before retirement. Now it is proportional according to the average wage. The system is about to enter a new era for both urban and rural residents. It comprises a contributory scheme with employees contributing 8% and employers contributing 20% plus a government subsidy. It is essentially an insurance-based scheme with premiums payable. Eligibility is for males at age 60, for female official employees at age 55, and for female workers at age 50 years. The system also includes voluntary participation in a supplementary pension scheme, as well as personal deposit insurance, which, unlike the other schemes is not a national scheme.

The challenges relating to the retirement fund system are the same as those facing developed economies: an aging population and in China's case, an incomplete system. There are two key issues: first, around 13% of the population are currently over 60. China has an aging society before it has developed as a rich country, and the dependency ratio has risen from 5:1 to 3:1, with a high and increasing rate of dependency. The second issue is the difficulty in transferring schemes between firms if employees change jobs. Similarly, pension systems between urban and rural areas are not matched, making the environment unstable for migrant workers. In addition, some urban residents are excluded from the system.

The new development direction to address these issues involves, first, a pilot project launched in 2009 for a new rural social endowment insurance programme covering 400 million rural residents. Second, a pilot project has been initiated for an urban pension combined with social mutual assistance including family support, social relief and welfare. This new direction makes a distinction between a social coordination account and a personal account, for greater protection of more citizens and to guarantee basic living standards, as well as to provide a basic system involving both social coordination and personal pensions to enhance living standards for the aged.

There have been enormous variations in the level of saving rates, even within developing Asia, during the past 50 years, with saving rates tending to be higher in East Asia and Southeast Asia (with the exception of Philippines and Vietnam) and lower in South Asia, regardless of whether we look at nominal or real saving rates. (Singapore is at the top and Pakistan and Vietnam are at the bottom of the pile.)

Overall, however, there is a need to reduce anxiety about the future of social safety nets, especially regarding pensions and, in the case of Japan (as elsewhere in Asia), it would help to reduce precautionary savings levels. Nevertheless, Asians like to save for such expenditures as their children's education, and so a challenge lies in the cultural "stickiness" with regard to a change in Asian attitudes and consumption behaviour.

Policy implications include for Japan, where stagnation in household incomes has led to stagnant consumption, a need to stimulate employment as well as improving social safety nets and providing access to consumer credit. For the US, consumption growth may have been too robust, so the policy remedies are almost the opposite of those required for Japan.

Financial sector development (increasing credit availability) and improving social safety nets are substitutes for one another, with both having the effect of reducing saving, increasing consumption, and improving household welfare by shielding them from risk.