

Executive Summary
22nd Pacific Economic Cooperation Council General Meeting
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Pacific Economic Cooperation Council (PECC) held its 22nd General Meeting (PECC GM) in Beijing 11-11 2014 under the theme of “Economic Cooperation in Asia Pacific: 2014 and Beyond”. The PECC GM occurred at a time when China hosts the APEC 2014 meetings. This coincidence reflects PECC's commitment to regional economic cooperation as a think-tank and one of the three observers to APEC.

Over 350 participants discussed a wide range of issues in relation to the economic cooperation in the Asia Pacific region with a view to making an objective assessment of the current situation, exploring solutions to difficult issues, and identifying partnership to shape the future of the Asia Pacific region.

We have recognized that the Asia Pacific region is entering into a New Normal characterized by moderate economic growth, in-depth economic restructuring, digital-tech revolution, parallel rise of economic integration and fragmentation, and to a great extent, China's positive externalities of its reform and development to the region and the world.

It is generally advised that efforts to find new growth drivers and structural policy initiatives should be orchestrated in the Asia Pacific region to arrest and reverse the trend of falling growth and avoid the middle income trap; that regional economic integration should be further promoted to enhance liberalization, facilitation and capacity building in a balanced manner; that connectivity should be further promoted with special attention to be paid to measures to overcome the bottlenecks of infrastructure; and that financial cooperation should be sped up to match the economic cooperation in other areas.

In relation to the APEC process, the following recommendations are highlighted:

On New Drivers and New Ways for Economic Growth

The participants are generally confident and optimistic about the economic prospects of the region. Although risks and uncertainties still exist and the post-GFC recovery is weak, the Asia Pacific region has ample sources for economic growth and leads the world economy as the locomotive.

1. Regional economic cooperation agenda should go beyond market access and tariff reduction and tap the great potential of services and connectivity as drivers.
2. More coordination is needed to optimize macroeconomic policies.
3. Better ways and means are needed to channel savings to right places with long term considerations.
4. Reform is needed to address the stock problem.
5. Technical innovation is needed to improve productivity and reduce negative externalities.
6. Less resources should be used while cutting labor input.
7. The relationship between the government and the market should be further defined to liberalize the service sector to give more impetus to growth.
8. Special attention should be paid to inclusive support to reduce inequality. Input in human capital is considered to be a top priority.

On Urbanization

Urbanization is both a natural result and a key driver of economic growth. The challenge for urbanization in the Asia Pacific region is to make the cities sustainable, livable, and human-oriented.

1. Urbanization should be addressed in a coordinated and holistic way and promoted together with endeavors in fields of finance, energy efficiency, and climate change;
2. The inequality problem be rightly tackled through integration of rural and urban areas, developed and underdeveloped regions, isolated and well-connected economies;
3. Good and innovative institutions are needed for urbanization; and
4. Regional connectivity should be promoted through urbanization.

On Energy

Supply and demand of energy is undergoing a tectonic shift in the Asia-Pacific, with the demand of emerging economies ever increasing with their continued

growth, and the supply of energy is yet to be secured. Given complementary energy structure, the Asia Pacific has great potential to tap in energy cooperation.

1. The cooperative programs of various regional institutions should be combined for regional solutions;
2. Energy transition and decarbonization becomes an imperative, given the limited resource, the environmental pressure, and global warming. Technological and institutional innovation should be promoted for clean and sufficient use of energy;
3. Equal and sustainable access to energy should be promoted and energy poverty should be eliminated;
4. More investment through new cooperative modes should be channeled to energy infrastructure and energy connectivity.

On Connectivity

Connectivity cooperation is highly regarded as both a driver of economic growth and a tool to promote economic integration in the Asia Pacific region.

1. More investment in infrastructure is necessary to build production network and drive down cost of production;
2. Private sector should be mobilized in a big way to invest in infrastructure and the APEC PPP center program should be promoted with greater efforts;
3. Financial innovations like the Asia Infrastructure Bank are in urgent need to overcome the infrastructure bottlenecks;
4. Digital connectivity should be given due attention both as a driver of economic growth and as a dimension of connectivity.

On Financial Cooperation

Financial cooperation is an integral part of future regional economic integration. The areas for financial cooperation include financial services liberalization, capital account liberalization, capital market development, and establishment of integrated, safe, and efficient system of payment and settlement system.

1. Financial cooperation in Asia Pacific should be given due consideration in shaping the partnership for the region's future, especially for preparing for the next global financial crisis which would be much bigger in magnitude;

2. The region should yet enhance policy dialogue to contribute to the global rule making and standard setting;
3. APEC is recommended to take a holistic approach to the real economy and the financial system;
4. Regional cooperation is needed in such aspects as intensive supervision of financial institutions, rigorous disclosure and governance; liquidity buffers, strengthened micro supervision, leveraging standards, and internationalization of the RMB;
5. The regional financial cooperation should promote financial interconnectedness between economies, and concrete measures should be taken to make finance serve better the real economy;
6. Regional cooperation should encourage better and inclusive access to financial services and products;
7. Public and private sectors are yet to engage each other in deeper cooperation to promote financial market integration.

On Regional Economic Integration

Regional economic integration remains top priority in the 20th anniversary of Bogor Goals. The participants have reiterated the benefits of regional economic integration across the Pacific region and commend highly APEC's vision of and commitment to regional wide economic integration agenda.

1. The regional economies should take a “both-and” attitude instead of “either-or” attitude towards the various regional trade arrangements (RTAs), in that the RTAs are mutually complementary and reinforcing.
2. An Free Trade Area in Asia Pacific (FTAAP) should follow the following principles:
 - It should give sufficient consideration to the development aspect of economic cooperation.
 - It should be comprehensive in scope, including liberalization of trade in services and liberalization of investment.
 - It should be multi-dimensional and go beyond border barriers to include finance, infrastructure, connectivity and structural reform.
 - It should be sustainable, paying attention to environmental protection.
 - It should simplify Rules of Origin
 - The negotiation process should be transparent.
 - It should be inclusive and open to all APEC members.
 - It should help to underpin secure and reliable markets for energy,

resource and food.

3. APEC should play a leading role in promoting FTAAP in true sense after 8 years of preparation, rather than only play as “cheerleader.”
4. It is appropriate for APEC to launch a feasibility or analytical study on an FTAAP.
5. A goal is necessary for APEC in leading the pursuit for an FTAAP, a timeline would be helpful and an interim timeline is necessary.
6. The region should think of a Plan B in case that neither Trans-Pacific Partnership (TPP) nor the Regional Comprehensive Economic Partnership (RCEP) will lead us to an FTAAP.
7. No pan-Pacific initiative should exclude either China or the United States. An ambitious Pacific Economic Partnership (PEP or PEPI) which include the two countries and cover a wide range of issues could be an option.
8. Experience-sharing should be encouraged to garner more political support domestically for regional economic integration.
9. The impact of GVCs should be factored and operationalized in trade negotiations, and a set of issues such as rules of origin, tariff reduction, and trade facilitation should be re-framed accordingly. FTA negotiations should be pursued or re-examined through the lens of GVCs.
10. As the significance of GVCs is yet to be realized by policy makers, academia and entrepreneurs, capacity building is highly needed for various communities to realize the potential benefits.

The PECC GM also has in-depth discussion on China's reform and its implications for regional economic cooperation. The participants generally welcome the difficult but steady reform steps that China has thus far taken, support China's aspiration for future development, and look forward to deeper engagement with China's development.

In conclusion, the participants at the PECC GM have widely expressed aspiration of trust and solidarity in the Asia Pacific region; the commitment to common development through further economic integration, and concern of inclusive growth.