

# Overview

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## OVERVIEW

This collection of essays describes the emergence and evolution of the Pacific Economic Cooperation Council (PECC). It is not the definitive history of PECC. Rather, it provides an insight into the conceptual basis of Pacific cooperation, by reviewing the first 25 years of the organization. The following chapters are written by people with a long-standing commitment to PECC. They describe its antecedents, its establishment and the issues it has tackled. They also describe how PECC contributed to the establishment of the Asia Pacific Economic Cooperation (APEC) process. The book concludes by assessing the challenges now facing Pacific economies and suggesting how PECC might contribute to dealing with them.<sup>1</sup>

PECC is a unique organization which has sought, and continues to promote, a sense of shared interest in a peaceful and prosperous Pacific community which embraces and respects diversity. PECC has also been committed consistently to advocating policies which help Pacific economies reduce the currently wide differences in living standards.

Attempts at Pacific economic cooperation to date indicate that success depends on respect for three core principles: openness, equality and evolution. The careful application of these principles made it possible to launch PECC, and subsequently APEC. It also led to PECC's sustained commitment to open regionalism: seeking to reduce impediments to mutually beneficial economic integration of Pacific economies, without seeking to divert economic

activity away from other economies. This approach to promoting cooperation is fully consistent with the overriding interest of all Pacific economies in a rules-based multilateral trading system.

There are at least three big challenges for PECC.

Firstly, like all ideas, the concept of open regionalism can be challenged. It is certainly being questioned by recent events. As Mari Pangestu observed at the recent 25th Anniversary Dinner for PECC in Jakarta:

East Asia is no longer the champion for the multilateral trading system. It seems we lost the last bastion or champion for multilateralism in the trading area. We must now also deal with the world of multilateral, regional and bilateral free trade agreements. The question is how to make sense of these developments so that they do not take us away from the main game.

Secondly, PECC faces growing competition in seeking to define the broad agenda for productive economic cooperation in the region. In one sense at least, APEC is a potential source of competition. As demonstrated in this volume, PECC has made many important practical as well as conceptual contributions to APEC. But there is a lingering question in some minds as to whether PECC remains relevant now that Asia Pacific governments are directly engaged with each other. It is proving hard to keep APEC senior officials and high-level business leaders involved in PECC dialogues about the

<sup>1</sup> I am very grateful for guidance from Soogil Young for his management of this project; to him and also to Kim Kihwan, Hadi Soesastro, Christopher Findlay and David Parsons for helpful guidance in editing. I am also very grateful to the authors of each chapter. I have sought to reflect their valuable insights accurately, but I accept any responsibility if I have not been able to do so. I also thank Sue Mathews, who made it possible to produce this overview and the volume as a whole, together with Betty Chin Ip, Eunsuk Lee and Eduardo Pedrosa.

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development and socialization of policy options. The PECC–APEC relationship will continue to evolve and it will not always be an easy one. PECC will need to be able to distinguish its policy-oriented advice from that of others, such as the APEC Business Advisory Council or the APEC Study Centers.

Thirdly, the definition of the Pacific region may need to keep evolving. The concepts of the Pacific and the Asia Pacific are more or less interchangeable, and tend to be assumed to be so in this volume. But in some senses the PECC/APEC group of economies is both too narrow and too wide. As more economies commit themselves fully to an outward-oriented development strategy, the web of interdependence is expanding. For example, Indian policy-makers might find it easier to sustain support for such a strategy if they were part of the vigorous dialogue of PECC and the working groups of APEC.

At the same time, any expansion of either group increases the complexity of managing diversity. That raises the question whether economic integration can be more effectively promoted in smaller groups, possibly within bilateral arrangements, or in ASEAN, East Asia or Latin America. In late 2005, there will be a summit of Asian economies, including India, which is expected to discuss the prospects for an East Asian community. That can be consistent with APEC-wide cooperation. But it could also lead towards a three-bloc world economy. In any case, the summit and its follow-up will challenge the thinking of all involved in PECC.

All three challenges are touched on in the following chapters.

### **The Road to the 1980 Pacific Community Seminar, Canberra**

The first chapter, by Mark Borthwick, traces the evolution of Pacific cooperation back to the origin of the Institute of Pacific Relations (IPR) in 1919. Started in a hopeful period of Wilsonian idealism, its founders foresaw a trans-Pacific future full of economic promise but also one threatened by the growing competition and ambitions of the great Pacific powers. These ambitions could not be accommodated in the absence of an open global trading regime, and the IPR experiment in cooperation did not survive the chaos of World War II and the politics of the Cold War.

Nevertheless, it stimulated worldwide recognition of the growing importance of the Asia Pacific as a region, and ushered in a new era of empirical research under the direction of an international network of distinguished scholars. Some of this research took place amid the successes of the Bretton Woods system, the General Agreement on Tariffs and Trade (GATT) and the Marshall Plan as well as a rising European Economic Community. The work also laid the foundations for the Pacific Trade and Development (PAFTAD) conferences. Responding to, and inspired by, this new global economic environment, researchers began to examine how the Asia Pacific region might reap the benefits of the new world order.

PAFTAD's research demonstrated that the Asia Pacific was rapidly achieving its own degree of dynamism and coherence and was therefore a legitimate subject of analysis and planning. Their work was complemented by the Pacific Basin Economic Council (PBEC), which was founded by business people from Australia,

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Canada, Japan, New Zealand and the United States, but which expanded to include, and reflect the interests of, the private sector in developing economies.

Discussions in PBEC had generated awareness that closer communications and cooperation among the governments of the region could serve to improve the commercial environment for trade and investment. Governments were becoming aware that swiftly changing patterns of comparative advantage would require continuous and significant structural adjustments. To continue to reap the mutual benefits of ever-growing market-driven interdependence, while accommodating its stresses, required progressively closer coordination of policy-making, which then made it necessary to involve governments.

The formation of ASEAN in the late 1960s had demonstrated that a voluntary association of diverse nations and diverse economies was possible. By 1980, ASEAN members had developed a strong sense of community and were able to project a powerful, collective influence on potential Pacific-wide cooperation. Japanese Prime Minister Ohira gave a powerful impetus to closer cooperation when he initiated a study group to investigate the form it might take. The study group recommended that an international symposium be convened, involving respected individuals from Pacific economies, to discuss options for ongoing cooperation. Chapter 2 describes how this proposal was blended with other ideas from all around the Pacific to lead to the Pacific Community Seminar which was held in Canberra in September 1980 and which marked the beginning of PECC.

In the late 1970s, enthusiasm for an early move towards inter-governmental cooperation, by people including Thanat Khoman, Saburo Okita

and John Crawford, were countered by widespread fears about attempting organized cooperation among a wide, diverse group. Some feared the overshadowing of ASEAN; some feared big-power domination and no-one was sure about how to relate to or involve non-market economies. Many fretted about the potential for any form of regionalism to damage the GATT-based non-discriminatory trading system. On the other hand, more effective consultations were needed to defuse the threat of unilateral or bilateral solutions being imposed by the United States on Japan and other East Asian sources of competition.

These fears and concerns had not been overcome by the time of the Canberra Seminar. But once this group of researchers, business people and senior government officials met, they had no trouble in persuading themselves that ongoing cooperation should be pursued further. They recommended that a standing committee, possibly to be called the Pacific Cooperation Committee (PCC), be established to coordinate an expansion of information exchange within the region. The PCC was to consist of about 25 members representing business, academic, professional and government groups. Its prime responsibility would be to establish task forces in agreed areas to explore substantive issues for regional economic cooperation, to review the task force reports and to transmit the reports to governments. The PCC was also to explore the possibility of establishing a permanent institutional structure for Pacific cooperation.

### **The Early Years: Creating Structure, Substance and Relevance**

Initial reactions to the Canberra Seminar ranged from exhilaration to deep caution. To “hasten slowly” remained the watchword. In Chapter 3,

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Soesastro recalls that the PCC was intended to be unofficial, private and informal, but its establishment and operation were made conditional upon the consent, endorsement and commitment of regional governments. Obtaining such support proved to be difficult as some governments did not respond to the proposal, or did not respond positively. It soon became apparent that the PCC could not be realized immediately.

After further patient socialization of the concept of informal consideration of means and opportunities for cooperation, it proved possible to convene a Pacific Economic Cooperation Conference in Bangkok, in June 1982. This meeting led to the decision that there should be ongoing cooperation in the form of tripartite consultative meetings to review matters of common concern to the Pacific Basin countries. Participants also agreed to launch a Standing Committee to prepare for the next PECC meeting in Bali in 1983.<sup>2</sup>

The structure of PECC evolved rapidly during the next few years. A Coordinating Group was formed to orchestrate the work of task forces organised to research options for cooperative policy-making in various fields. National PECC committees were set up to enable the work of international groups to reflect the priorities of diverse economies and foster sufficient national support for sustained cooperation. There was also an expansion of membership, to include the three Chinese economies (People's Republic of China, Hong Kong China, and Chinese Taipei), then Russia and others

from both sides of the Pacific. The way membership expanded as PECC strove to include members with, at least in the 1980s, different ideologies and economic systems is a story in itself, but has been covered elsewhere.<sup>3</sup>

Chapter 4, by Soogil Young, reviews how the work of PECC task forces evolved between the Bangkok conference in mid-1982 and the Vancouver conference in late 1986. In those years, PECC set out to influence the agenda and nature of Pacific economic cooperation. To that end, PECC designed an effective means to bring together experts from academia, the business community and government to pinpoint relevant issues and practical policy solutions. These made it possible to identify opportunities for regional cooperation that would reflect the perspectives and interests of all member countries of the region in a balanced way.

A small number of task forces were set up by the Standing Committee to initiate the research needed to meet these ambitions, with emphasis on issues of particular interest to developing economies. There was close interaction between task force coordinators and the Standing Committee in preparing the task force reports as well as an integrated report of their findings. Each successive conference was essentially devoted to the in-depth review and evaluation of these reports and recommendations by tripartite delegations from member committees, with Standing Committee members playing a very active role.

<sup>2</sup> PECC was known as the Pacific Economic Cooperation Conference for a decade after the Bangkok Conference. Reflecting the extent of work that took place between Conferences, the name of the organization was changed to Pacific Economic Cooperation Council at the Standing Committee meeting held in Honolulu on 22 January 1992.

<sup>3</sup> A list of useful references about the evolution of PECC is appended to this overview.

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The chapter explains the careful consensus-building, spread over several years, to shape PECC's priorities and agreed strategies in areas such as trade, investment, fisheries, agriculture, minerals and energy. Particular attention is paid to the reasons for adopting the principle of open regionalism. To counter the perennial dangers of growing protectionism, it was considered essential that the region should recognise that "opening to the outside world" was a benefit to economies. The Pacific region could set an example to the rest of the world by sustaining the trend of unilateral trade liberalization evident since the 1960s. This would lend legitimacy to collective efforts to advance multilateral trade negotiations.

Soogil Young recounts that there have always been some people, including some within PECC, who are skeptical about what he describes as a single-minded commitment to multilateralism. He notes some of the reasons for renewed skepticism, setting out the possible reasons why the allegiance of the Pacific economies to multilateralism has faded badly, as discussed below.

The chapter recalls the development of the work program, noting how the structure of task forces and forums were reviewed regularly; at times that led to Standing Committee decisions to terminate activities or to initiate new ones, based on an agreed view of evolving priorities which took account of changes in the regional and global environment.

This systematic and evolutionary process indicated that the most effective way to promote cooperation among Pacific countries in the 1980s was to undertake consultation, information exchange and policy review in relevant areas. PECC itself contributed substantially by organizing such consultations,

which set the broad direction of the Pacific economic cooperation agenda and catalysed the formation of APEC.

### The Establishment of APEC

The mutually beneficial interdependence which led to the establishment of PECC had increased much further during the 1980s, leading to ever more serious proposals to involve Asia Pacific governments. But, as described in Chapter 5, it was not easy to bring any of them to fruition. The issues and the constraints on involving governments directly in the process of economic cooperation in the Pacific were strikingly similar to those which influenced the emergence and structure of PECC.

PECC's own example was crucial. As described in Chapter 4, its unique network of committed researchers from different backgrounds – undertaking rigorous studies on relevant topics – had shown that, despite great diversity, there was scope for effective cooperation in ways which could accommodate all Pacific interests. For example, PECC pioneered the way for policy-oriented economic consultations to include both the People's Republic of China and Chinese Taipei. That experience was used to good effect in the extensive and meticulous consultations needed to obtain the cooperation of potential APEC members.

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Australian Prime Minister Bob Hawke and by Japan's Ministry of International Trade and Industry (MITI). Many people active in PECC were consulted and helped to shape a consensus among the officials of potential participants in APEC about the potential objectives and nature of a feasible process of cooperation.

One aspect of the consensus was that the relative weights of Pacific economies would continue to change rapidly and continuously, especially as China became fully engaged in the global economy. Therefore, the PECC principle of "dialogue on an equal footing" should be carried across to the next stage of cooperation, so that the process would not be dictated by the currently most powerful. Giving due weight to the views of all participants made it essential that cooperation be voluntary, building consensus on a gradually wider range of economic issues.

As in 1980, the concerns and fears about inter-governmental cooperation were only partially overcome before the first ministerial-level meeting. Once again, it was necessary to agree on an agenda which struck a balance between prejudice of outcomes and the wish to see the Canberra meeting as the beginning of a substantive, ongoing process.

The meeting, in which Dr Jesus Estanislao participated as the ministerial representative from the Philippines, was successful. It may never be possible to repeat the example set at APEC I, where a brief Joint Statement of Ministers was actually drafted and unanimously approved during the meeting, rather than negotiated beforehand. The statement noted that:

Every economy represented in Canberra

relies heavily on a strong and open multilateral trading system, and none believes that Asia Pacific Economic Cooperation should be directed to the formation of a trading bloc.

At the same time, it was also agreed that:

.. it was premature at this stage to decide on any particular structure either for a Ministerial-level forum or its necessary support mechanism, but that – while ideas were evolving – it was appropriate for further consultative meetings to take place and work to be undertaken on matters of common interest and concern.

As in the case of PECC, it took several years to agree on the nature of APEC as a non-formal forum for consultations among high-level representatives of significant economies in the Asia Pacific region. The guiding principles were broadly agreed at APEC I; their essence was then reflected in the Kuching Consensus among ASEAN economic ministers, which sets out the basis for ASEAN's agreement to participate in APEC. These two sets of guidelines provided the basis for the Seoul APEC Declaration of APEC Ministers in 1991, where the three Chinese economies participated for the first time.

Brian Talboys attended APEC I, where ministers expressed their appreciation of PECC's pioneering role. At PECC VII, held in the following week, the Standing Committee formally welcomed and endorsed support for APEC, responding positively to the invitation to be an observer as well as to a request to become involved in APEC's work program.

PECC has sought to use its observer role in APEC to good effect. Chapter 6, by Soesastro, is a "sampler" of PECC's product: policy-

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oriented research which draws on regional and global experience to try to anticipate trends, opportunities and potential obstacles to cooperation in the Pacific. It contains four case studies which explain how the work of the PECC Trade Policy Forum (TPF, later the Trade Forum) has been able to set a sense of direction for APEC governments' efforts to progress towards their agreed commitment to free and open trade and investment.

The TPF considered the issues and precedents to devise guidelines for policies on international investment; concerted unilateral liberalization by Asia Pacific economies; competition policy; and a common understanding of the characteristics of preferential agreements, which could help to achieve the Bogor goals. In each case, the TPF interacted with APEC officials to persuade them that progressively closer adherence to these guidelines would be beneficial. In turn, APEC ministers and/or leaders have used these PECC principles as a basis for APEC principles to guide trade and investment liberalization and facilitation by APEC governments.

Consistent with the voluntary nature of the process, APEC guidelines are non-binding statements of principle. Experience has shown that it takes time for APEC governments to make use of these, but there is growing evidence that non-binding principles are having a constructive effect as governments recognize the merits of policies which are progressively more in line with these principles.

The extent of interaction with APEC extends well beyond these case studies, or even Table 6.1, which lists many other contributions. Members of PECC task forces and forums have worked almost continuously at several levels, often informally, using professional relationships and friendships developed over many years.

Most of the interactions have been with APEC committees, especially the Committee on Trade and Investment and its working groups. PECC has also had the opportunity to interact with APEC senior officials at their policy dialogues and sometimes as advisors (formal or informal) to the chair of APEC senior officials. Examples cited in Chapter 6 include the work of David Parsons as an advisor to the government of Brunei Darussalam during their leadership of APEC in 2000 and several independent assessments of trade and investment liberalization and facilitation by APEC governments.

Backing these efforts, business people and researchers have had countless interactions at a technical level on the full range of PECC task forces and forums, on matters ranging from APEC dialogues on chemicals and automobiles, to specific technologies needed to sustain supply chains, especially after the recent upsurge of concern with dealing with threats of terrorism.

### The Difficult Years

It has not been smooth sailing for either APEC or PECC.

APEC is not finding it easy to meet the Bogor goal of free and open trade and investment by 2010 for developed economies and by 2020 for developing economies. Uneven progress reflects both the strengths and weaknesses of a voluntary process of cooperation.

Concerted unilateral liberalization worked well in the early years of APEC, sustaining the strong trend of unilateral liberalization evident in the region from the 1960s until the late 1990s. There are very few quantitative restrictions on trade in investment left in the region and, as



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detailed in the recent mid-term stocktake of progress towards the Bogor goals, average tariffs are well below 1989 rates.

This progress has meant that the most sensitive products are coming to the top of the agenda. The incentives to liberalize trade in these products on a unilateral, voluntary basis are becoming overwhelmed by domestic vested interests and by policy preferences to negotiate liberalization on a reciprocal basis with other economies globally, regionally, or bilaterally.

In 1996, APEC leaders agreed that information technology products should remain freely traded. This led to a WTO-wide agreement to that effect within a few months. But, so far, it has not been possible to follow up this precedent.

APEC governments attempted to do so in 1997 and 1998. They attempted to negotiate a “package deal” to liberalize up to 15 sectors. This early voluntary sectoral liberalization experiment (EVSL) failed, partly due to domestic resistance to liberalizing sensitive products and partly because the sectors chosen were not seen to provide an acceptable balance of benefits and costs. By mid-1988, it was evident that EVSL was headed for failure. Moreover, the attempt to turn a consensus-building forum into a trade negotiating forum had shaken support for APEC – especially East Asian support. The consequent tensions over the nature of the APEC process were one reason why APEC governments had difficulty in responding either collectively or adequately to the financial crisis.

Chapter 7, by Kim Kihwan, recounts how PECC, like other groups, was not able to predict the Asian financial crisis and was also slow to react to it. Until the crisis, both PECC and APEC had

focused far more on trade than financial issues, perhaps because, until then, over-enthusiastic lending was more of a problem than how to finance economic development. The Asian financial crisis demonstrated that “opening to the outside world” is not the only necessary condition for sustainable growth. Attention also needs to be paid to the quality of institutions and to corporate governance. Chapter 7 explains how much of the work of the PECC Finance Forum has been concerned with such capacity-building.

Chapter 7 concludes that PECC, and particularly the Trade Forum, has at least three important remaining tasks: to encourage even greater participation from the eastern side of the Pacific; to convince APEC of the need to give financial policies as much attention as trade policies; and to pay greater attention to the international financial architecture, particularly currency movements and exchange rate instability.

As explained by both Kim (Chapter 7) and Patrick (Chapter 9), the financial crisis in Asian economies was a liquidity crisis. However, the early prescriptions of the IMF, backed by the US Treasury, assumed that they should be treated like debt crises experienced in other economies. That misdiagnosis led to an unnecessarily sharp slowdown in economic activity. A Japanese initiative to alleviate the problem by developing an Asian monetary fund was vetoed out of hand by the United States.

The aftermath of the financial crisis and the sad experience of EVSL weakened the sense of unity and solidarity among APEC and PECC economies. The failure of the 1999 meeting in Seattle to launch a new round of WTO trade negotiations and the weakening of the pace of concerted unilateral liberalization all

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contributed to the upsurge of interest in preferential trading arrangements.

As mentioned by Soogil Young (Chapter 4, this volume), the commitment to multilateralism has been badly shaken worldwide, not just in the Pacific region. The proliferation of overlapping discriminatory trading arrangements has led to widespread concern about the future of the WTO system.

There is also concern that product-specific, preferential rules of origin will disrupt market-driven integration among Asia Pacific economies. Continuing falls in transport and communication costs, combined with the ongoing refinement of supply chains, offer the potential for large productivity gains from further intra-firm and intra-industry specialization. But it may be hard to realize these gains if detailed, product-specific and discriminatory rules of origin become the main new tool of trade policy.

Most Asia Pacific governments have reservations about the proliferation of preferential trading arrangements, but dare not stay aloof when most of their trading partners are negotiating agreements which threaten some of their markets. There are some who believe that an APEC-wide preferential trading arrangement, which has been rejected by APEC governments several times, may need to be reconsidered. PECC and APEC's commitment to open regionalism will certainly be tested in the near future.

### Looking Ahead

In Chapter 8, Jusuf Wanandi looks ahead to other coming challenges. He notes that, even after decades of interaction and cooperation, including across the Pacific, many cultural differences remain. It continues to be hard to

deal with the recurring trans-Pacific macroeconomic imbalance, due to the chronic unwillingness of the United States to save enough relative to investment. However, the adjustments needed to sustain cooperation might prove far more difficult in the political and cultural fields which lead to differing priorities among Pacific governments.

For example, dealing with international terrorism is crucial, but it is not the only important item on the security agenda. Poverty, the challenge of development and nation building are still relatively more urgent political and security challenges. Wanandi emphasizes that, in developing economies, massive investments in health and education continue to be needed. The willingness to cope with the stresses of globalization can be sustained only if everyone has a chance to participate in and thrive on this process. The developed economies are also struggling to cope with economic and structural change, evidenced by the rejection of the draft European Union constitution and the resurgence of protectionist sentiment in the US Congress, this time aimed at China.

It will not be easy to manage smooth adjustment to the rise of China, as demonstrated by the history of the rise of Germany in the 19th and early 20th centuries. Efforts to promote an East Asian community are essential, but will not be sufficient. It is also vital to keep the United States engaged in considerations of the massive changes in relative economic strengths which will occur.

An East Asian community would help preserve a stable relationship between China and the United States. At the same time, the United States can deal better with China through cooperation with the region as a whole (including China) rather than cooperation in a bilateral

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setting. To make this possible, East Asia has to be embedded in the Asia Pacific region as a whole. This means that the East Asian regional initiative should form an important caucus in both APEC and in PECC.

Wanandi urges consideration of a “concert of powers” for East Asia, which might include the United States, China, Japan, India, Russia, South Korea, Australia and ASEAN, to work in parallel with the existing G-8 process. This raises the question of whether the time has come to bring India into PECC and APEC. Another issue to be addressed in considering the future shape of both East Asian and APEC-wide cooperation is whether emerging giants like China and India can be accommodated successfully in anything less than open regionalism and global economic cooperation.

Chapter 9 complements several of the preceding chapters. Hugh Patrick goes back to Prime Minister Ohira’s vision for Pacific cooperation in the 1970s, then discusses the major transformations since then, both globally and in East Asia. He notes that the extraordinarily successful market-driven development has occurred in the context of a global economic system in which, if East Asian economies could produce efficiently and competitively, they could sell anywhere.

Patrick then assesses some strengths and weaknesses of APEC in its pursuit of what he describes as extraordinarily ambitious targets. He does not expect APEC to meet its Bogor goals for liberalization. After significant early progress, voluntary trade liberalization has stalled. Negotiations will be needed to deal with remaining sensitive issues. APEC cannot undertake them directly, but could be effective in WTO negotiations, as it was in the Uruguay Round.

Since its own direct contribution to liberalization appears to have stalled, APEC needs to redefine itself or become marginalized. Redefinition is already taking place, as the November 2004 ministerial and leaders meetings in Santiago, Chile, signalled. While free trade continues as an objective, emphasis is being placed on trade facilitation, broadly defined to include such important issues as intellectual property protection, corruption, and secure systems for the shipment of exports.

Patrick believes that APEC’s evolution from an organization with a primary focus on tariffs and quotas to one with comprehensive trade facilitation programs is an important step forward. Cooperative arrangements to facilitate trade and investment are less well analyzed by economists and less exciting to policy-makers, but in the long run they may reduce transaction costs and improve conditions for businesses in many sectors even more than further trade liberalization will.

Patrick presents the motives for East Asian cooperation, together with options to do so in both trade and finance, with some progress already made. In his view, government-sponsored East Asian economic cooperation is in the very early stages of what necessarily will be a very long-run process, probably of some 50 years or more. Many policy thinkers have articulated a vision of a comprehensive, full-fledged East Asian or even broader Asian FTA. However, current trends indicate that East Asian governments are more likely to negotiate a series of highly specific FTAs that will build in incompatibilities sufficient to undermine the eventual development of an Asian FTA.

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### A Call for Renewal

Several authors, particularly Soesastro (Chapter 3) and Young (Chapter 4), call for PECC to reform itself, urgently, in order to sustain its ability to influence the Pacific cooperation agenda, responding to current and, as yet, unexpected changes.

In PECC's formative years, there was a lot of coherence in its activities and the purpose of each conference was clearly defined, with task forces producing analyses and recommendations to be evaluated and considered. The Standing Committee consisted of individuals with high standing who could readily talk to governments at the highest level.

The Standing Committee was closely and productively involved in forming consensus on priorities for policy-oriented research and on distilling the findings into recommendations to be considered by Pacific decision-makers. In the 1980s, PECC conferences concentrated on this process. Applying such a rigorous participatory process led to consensus on means to promote cooperation which took full account of the interests of Pacific economies. PECC thus became a movement with a vision and a mission.

As a result, PECC was able to set a coherent Pacific agenda and influence governments to foster sustainable cooperation based on the principles of openness, equality and evolution. But now, PECC is in danger of losing its spirit, then its influence or even relevance.

Following APEC's establishment, some governments have withdrawn or weakened their support for PECC. In the effort to maintain its relevance in the eyes of governments, PECC may have allowed its agenda to become too

focused on APEC, mirroring APEC's activities even in areas where PECC no longer has comparative advantage. The areas of research have kept multiplying as PECC has had difficulties in terminating activities. As Soesastro explains, to sustain its effectiveness, PECC must be able to redirect its activities: it must move from dealing with the "trees" by returning to the "forest"; it must move towards thinking through major strategic issues and trends.

At the same time, PECC needs to be more than a think-tank for stimulating debate. It is essential to resurrect a careful, systematic way to ensure that the policy options it transmits to the region and the world are coherent, reflecting tripartite contributions and the interest of all Pacific economies. The Standing Committee needs to be involved in the crystallization of ideas into a PECC consensus. Then it can shoulder the responsibility of transmitting these views to governments, persuading them to seize opportunities to generate region-wide benefits and help ameliorate trends which cut across mutually beneficial economic integration.

If PECC can refresh itself in these ways, it can also refresh its ability to be at the forefront in promoting a spirit of cooperation, in sharing experiences and in formulating joint approaches – in other words, its capacity to be at the forefront in developing a genuine regional community. It should also be able to gain the renewed respect and confidence of APEC governments and sustain intellectual leadership in shaping the future of the Pacific.

Renewing PECC's spirit and confidence needs a revived movement of individuals who are interested in pursuing a common objective, working with effective tripartite national committees. As PECC approaches its 25th anniversary, this common objective, in broad

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terms, is to ride the wave of globalization successfully, helping all Asia Pacific economies to share in its benefits, while coping with the stresses of adjustment. The movement should be one to prevent a “closing in” of economies, or even regions, to fight against a mentality of isolation, insulation and “trading with favorites”, in order to maintain the momentum of openness on the basis of the spirit of open regionalism.

To paraphrase Mari Pangestu’s concluding sentiment when she proposed a 25th anniversary toast to PECC in Jakarta, in April 2005:

Sometimes, we ask ourselves, what are we doing here? Why are we working so hard for PECC? Well, because we believe in it.

So, let us not lose faith. The world is getting more complex but some things do not change. Let us look forward to when PECC’s silver years will turn into golden years and make sure that we all do not lose faith and that we all work hard to reinvent ourselves to find the soul of PECC. So, to PECC for the next 50 years.

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### Appendix to the Overview: Selected PECC References

Most of these references can be found at  
<[www.pecc.org/reference.htm](http://www.pecc.org/reference.htm)>

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