

**APEC Meeting of Ministers Responsible for Trade**  
**Kazan**  
**4-5 June, 2012**  
**Eduardo Pedrosa, Secretary General**  
**On behalf of Mr Jusuf Wanandi and Amb Donald Campbell, Co-Chairs**  
**Pacific Economic Cooperation Council**

On behalf of the members of the Pacific Economic Cooperation Council (PECC) we thank you for this opportunity to update you on the work we are doing to promote economic cooperation in our region.

**APEC Economies: A Paradigm Shift**

The recovery from the economic crisis remains extremely fragile. The IMF's latest forecasts for global growth are for slightly slower growth in 2012 than last year but the downside risks, especially in the Eurozone remain high and the possibility of a downward revision strong. There is an urgent need for this region to not only resist protectionist measures but also to accelerate regional economic integration and trade liberalization to act as drivers of economic growth.

In this context, a little over a month ago our Standing Committee met in Singapore and held a major conference on "APEC Economies: A Paradigm Shift?" This conference brought together leading experts from the region to discuss trade liberalization; nurturing growth amidst fiscal deleveraging; functional cooperation; competitiveness issues and the future role of PECC in the changing regional environment.

**PECC Leadership Change**

At our meeting in Singapore, Amb Donald Campbell, chair of the Canada PECC committee was elected as co-chair of PECC along with Mr Jusuf Wanandi of Indonesia. Amb Campbell succeeds Dr Charles E. Morrison, who had completed two terms as co-chair.

**The Global Trading System**

We noted in our discussions a disturbing trend towards protectionism. At the height of the economic crisis, G20 and APEC leaders made strong and categorical statements against protectionism. However, according to independent sources the number of protectionist measures adopted by APEC member economies now stands at 431 – or 20 percent of all trade restrictive measures implemented across the world since the start of the crisis. These measures come despite the calls of our leaders for a standstill on the adoption of protectionist actions. In this regard we welcome APEC and in particular the Policy Support Unit's work to look more deeply at these measures.

APEC stands at the forefront of promoting trade liberalization with its goal of promoting free and open trade and investment through open regionalism. As the region represents a critical mass of global output and trade APEC's continued commitment to this vision is critical to ensuring the maintenance of an open rules-based trading system.

**Regional Economic Integration**

In Yokohama APEC leaders said that the FTAAP should be pursued by "building on ongoing regional undertakings, such as ASEAN+3, ASEAN+6, and the Trans-Pacific Partnership, among others." In our 2009 report on "Inclusive, Balanced and Sustainable Growth" we recommended, amongst others suggestion, that the region promote economic integration through investments in connectivity and trade agreements that strengthen the Asia-Pacific market as a growth engine. In 2010 APEC leaders instructed officials to contribute to the achievement of a free trade area of the Asia-Pacific by playing an incubator role. In fulfilling this role APEC has been engaged in thinking about a variety of next generation trade issues. However, there are a number of other roles that APEC can play to help achieve this vision.

At the aforementioned Singapore Conference we had a very useful discussion on various regional economic integration initiatives including the Trans-Pacific Partnership, the East Asian Free Trade Area, the ASEAN Economic Community, and the ASEAN Framework for Regional Comprehensive Economic Partnership.

### **Need to Establish Dialogue between Processes**

Some of these initiatives are moving faster than others but the critical point, as far as Asia-Pacific regional economic integration is concerned, is that these initiatives lead to the achievement of a Free Trade Area of the Asia-Pacific. This objective should be of prime consideration during the negotiation of the details of the different agreements. However, it is not clear to many that these agreements will be building blocs towards an FTAAP. As the details of the putative agreements become confirmed we hope that sufficient work will be done to ensure that they are mutually compatible

Efforts can be made, especially by APEC, to make provisions as complementary as possible, one first step in this process would be to develop interactions between them. This might include joint studies that help to minimize misunderstanding and guide their technical development. In our more informal discussions on these issues it is apparent that the present process for exchange is insufficient. There are a number of institutions in the region doing analytical work on the agreements that could contribute to such a dialogue.

These issues will feature as a thematic chapter in PECC's annual State of the Region report. At our meeting in Singapore we also endorsed a project to be led by our Chinese Taipei committee on "Regional Economic Integration: An Overview and Outlook." This project will provide a thorough overview of REI development in the Asia-Pacific and East Asia; compare and contrast of two potential tracks, TPP and ASEAN plus X; and explore opportunities and challenges of current and future REI in the region.

### **Services Trade: Critical for Future Growth and APEC Goals**

Last year we established a task force in cooperation with the Asian Development Bank Institute to look at "Services Trade: Approaches for the 21<sup>st</sup> Century." The task force issued a report last year and members of the group have briefed APEC officials at the Economic Committee, Committee on Trade and Investment and Group on Services on this work. We note that while services have come to dominate the modern economy, international trade in services lags behind.

The services sector plays a key enabling role, driving growth and development across the whole APEC economy. APEC's goals on food security, supply chain connectivity and the growth strategy require a modern and efficient services sector. All APEC economies are exporting services, but for most the services' share of exports is still well under the global average of 25 percent. This means there is much room for improvement and potential for driving future trade growth.

We note that GOS in particular has responded to the work of the task force, for example, beginning work on services statistics so we can better understand the role of services in our economies. During the GOS meeting here in Kazan we organized a workshop on the governance of services trade at both the multilateral level and in regional agreements. We express our appreciation to APEC for your receptiveness to our suggestions and express our hope that APEC will prioritize this issue as we believe services trade reform can provide a real boost to the regional economy at time of economic uncertainty.

### **Prospects for Transpacific Energy Trade**

Last year, as part of our State of the Region Report, we issued a special supplement on "Prospects for Transpacific Energy Trade." As APEC will be organizing an Energy Ministers' Meeting in late June we draw your attention to this report which is available online at: <http://www.pecc.org/research/state-of-the-region>

This work highlighted some significant changes that are taking place in world energy markets. While we focused in this report on shale gas in North America, further Arctic oil and gas exploration and exploitation could also have a significant impact, notwithstanding the environmental concerns associated with all of these developments.

**Food Security**

We note that food security is a major theme of this year's APEC work. PECC has a long-established Pacific Food System Outlook which has addressed a number of aspects of food security in the region. Last December PECC's Pacific Food System Outlook network in cooperation with our Chinese Taipei committee organized a conference in Taipei on this issue. Approximately 50 experts participated in the conference to explore food security issues with particular attention to implications for the Asia-Pacific. How policy affects food security and may need to be adjusted were central to the dialogue. Speakers addressed the underlying causes of price instability, and how to foster resilience and food security by building sustainable agri-food systems to better serve the future needs of consumers, producers and the entire food supply chain.

**State of the Region**

In addition to the ad hoc task forces and projects described above we issue an annual report on the State of the Region. This report includes a survey of perceptions on key developments in the region and priorities for Asia-Pacific cooperation. This year we will be addressing the various regional economic integration initiatives in the region and the impact of the Eurozone crisis on the Asia-Pacific.

We welcome your views on both the issues you think such a report should be addressing and also suggestions on the questions we might pose in our annual survey.

Thank you for your kind attention.