

**Update for APEC Senior Officials  
Senior Officials Meeting 2  
Kazan, 2-3 June 2012  
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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.

As there are many new Senior Officials who may not be familiar with our organization, I would like to share with you a little background on PECC. Our membership is broadly the same as APEC's, however, we have a slightly larger membership which includes Ecuador, Colombia, and Mongolia as well as the French Pacific Territories. Not yet or no longer members of our organization are Papua New Guinea as well as our hosts the Russian Federation.

The PECC was created in 1980 and consists of individuals from the academia, business, and government organized into 25 member-committees who share a belief in the critical importance of cooperation in the region to our own as well as global peace and prosperity. We establish task forces and project groups to consider actions the region can take collectively to further this vision. We also undertake public outreach activities designed to demonstrate the importance of the region to its individual members.

**PECC Leadership Change**

A little over a month ago our Standing Committee met in Singapore. At this meeting 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.

**APEC Economies: A Paradigm Shift**

The recovery from the economic crisis remains extremely fragile. The IMF's latest forecast 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 economic integration and trade liberalization to act as drivers of economic growth.

Alongside our Standing Committee meeting we held a major conference on "APEC Economies: A Paradigm Shift?" At this meeting we discussed trade liberalization in the region; nurturing growth amidst fiscal deleveraging; functional cooperation; competitiveness issues and the future role of PECC in the changing regional environment. We would like to express our appreciation to APEC Secretariat's Executive Director, Ambassador Muhamad Noor and to Russia's Ambassador to Singapore, Leonid Moiseev who shared with us their perspectives on APEC's work this year.

**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. 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. We hope that through these efforts and continuous monitoring this disturbing trend will abate. However, without sufficient external momentum there remains a distinct possibility that if the economic slowdown worsens, domestic pressures for protection will become stronger and the gains that have been reaped over the past few decades could unravel.

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**

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.

#### ***ASEAN Plus Three/East Asian Free Trade Agreement***

The ASEAN+3 or East Asian Free Trade Agreement was first proposed by the East Asian Vision Group (EAVG) in 2001. Its membership would include the ASEAN plus China, Japan and Korea. A number of studies have been undertaken which suggest some of the content and modalities for achieving such an agreement.

#### ***ASEAN+6 (CEPEA)***

The Comprehensive Economic Partnership for East Asia (CEPEA) includes 3 additional members to the EAFTA proposal – Australia, New Zealand and India. At the Second East Asia Summit (EAS) in January 2007, it was agreed to launch a Track Two study on CEPEA to deepen integration among EAS economies. Its membership is open to EAS members – which includes the United States and Russia.

#### ***China-Japan-Korea: Missing Link in REI***

In our statement to APEC Ministers Responsible for Trade last year we described the China-Japan-Korea (CJK) as the 'missing link' in regional trade architecture. At their recent summit in Beijing, China-Japan-Korea agreed to launch negotiations for a free trade agreement this year. While each of these parties has its own agreement with ASEAN, they lack an agreement amongst themselves. A CJK could help to resolve some of the difficulties that there has been in forging a broader East Asian free trade area and add momentum to the broader goal of achieving a free trade agreement of the Asia-Pacific.

#### ***ASEAN Framework for Regional Comprehensive Economic Partnership***

At the ASEAN summit in Bali last year, a new initiative was launched with the goal of achieving a comprehensive and mutually beneficial economic partnership agreement. This initiative seeks to involve broader and deeper engagement with significant improvements over existing ASEAN FTAs/CEPs with Dialogue Partners. The hope is that the framework will combine the web of ASEAN+1 agreements into a single regional agreement.

#### ***The Trans-Pacific Partnership***

Momentum has been gaining on the TPP pathway since 2006 with nine APEC member economies now negotiating the expansion of the agreement beyond the original four. The TPP is now into its 12<sup>th</sup> round of negotiations just concluded in Dallas.

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

Some of these initiatives are moving faster than others but the critical point is that these initiatives lead to the achievement of a free trade area in the Asia-Pacific. As the details of the putative agreements become confirmed we hope that sufficient work will be done to ensure that they are mutually compatible.

Critical to the eventual achievement of the FTAAP is that the more that can be done to increase the chances for and to hasten eventual consolidation of the various agreements, Efforts can be made 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 the technical development.

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 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 Service on this work. We note that while services have come to dominate the modern economy, international trade in services lags behind.

The service 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, responding to the suggestion for 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 the developments of 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.

### **Competition and Cooperation in the Extractive Industries**

One result of last year’s report on transpacific energy trade is new work PECC is currently undertaking on competition and cooperation in the extractive industries. A roundtable session among major minerals and energy exporters and importers in the region highlighted some areas of concern:

- A period of high prices for minerals and energy commodities and the consequences of the rents that are associated with those prices
- The consequences of the shifts in prices for the interaction between the sectors, given that minerals extraction and processing is also intensive in the use of energy
- Changes in markets for minerals and energy in the region, in particular, the scope for growth in energy trade across the Pacific
- The environmental impacts of activities in these sectors at local and global levels, especially in the presence of faults or gaps in environmental policy.

We believe that regional cooperation can make a contribution to the resolution of these issues, through the sharing of experience, the building of capacity as well as cooperation in the design of policy and its implementation.

### **Food Security**

We note that food security is a major theme of this year's APEC work. 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 with particular attention to implications for 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.

### **Social Resilience**

In 2009 PECC launched a project on social resilience led by our Japan committee. The social resilience project's focus is social safety nets in Asia-Pacific. This is a first attempt to discuss social policy in the Asia-Pacific region in depth and it is expected to advocate social resilience-related policies as part of the inclusive growth announced at APEC Yokohama and examine ways to achieve inclusive growth in the future. Future work will:

- supplement current research findings with additional surveys
- offer knowledge in forms that facilitate APEC discussions on inclusive growth
- provide support to the Human Resource Development Working Group (HRDWG), which examines social policy issues in APEC
- consider policy approaches that would make socioeconomic infrastructure more resilient against risk and stressing their importance to the Asia-Pacific region

### **Marine Energy Resources**

Another project we have of possible interest to APEC members is work on the Sustainable Management of Marine Resources. This work is led by our French Pacific Territories Committee. This work has three dimensions: protecting the oceans and sharing marine resources; oceans as a source of renewable energy; and the management of oceans' natural resources/oceans as a means of communications. The third dimension will be covered in the concluding seminar which will be co-organized with the New Zealand PECC Committee on 4-5 December 2012.

### **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 an annual survey of perceptions on key developments in the region and priorities for APEC and other regional groupings.

This is a useful tool for gauging how progress on Asia-Pacific cooperation is perceived amongst stakeholders from business, the research community, government and civil society.

As has become our tradition we will select a particular topic as the focus for a longer discussion. Last year we looked at the potential for transpacific energy trade, this year we will be addressing the various regional economic integration initiatives in the region and the impact of the Euro zone 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.

### **Building Constituencies**

Beyond the collaborative research projects that our community undertakes, our member committees organize a range of events that help to explain the importance of Asia-Pacific cooperation within their own economies. These events are not only critical for creating constituencies supportive of APEC's work but also create networks of people engaged in dealing with the same challenges across the region. We hope that APEC officials will be able to work with their PECC committees to better harness the potential of these groups.

### **Review of PECC's Mission and Purposes**

The PECC Standing Committee has established a review committee to consider the changes that have taken place in the region over the past few years and the implications these have for our organization. This review

committee will report back to PECC's Executive Committee by the end of July. We invite APEC Senior Officials to discuss your views on the role of PECC with your respective member committees.

One clear message from our membership was the idea that PECC, as an informal organization could play a useful role in reaching out to those economies not part of the broader Asia-Pacific process.

Thank you for your kind attention.