

## **PECC Statement to the APEC Trade Ministers**

Shanghai, People's Republic of China

**7 June, 2001**

Honorable Ministers, I would like to thank you for the opportunity to share our ideas with you today.

The uncertainties facing the world trading system post Seattle has increased and there are great challenges ahead in charting the millennium trade agenda. Given that 60 percent of world trade is conducted in this region, it is crucial that we not lose sight of the goal and spirit of APEC. The main challenge facing the region is to build confidence to continue the process of globalization while at the same time managing any detrimental aspects of globalization.

In recognition of this challenge, PECC has reorganized its vision and work program. The spirit of our work is captured under the caption, "Managing globalization in the 21<sup>st</sup> century". We are fully committed to the open regionalism spirit of APEC and through our work programs, we hope to contribute significantly to the APEC process.

PECC fora and task forces are working on four sub-themes: Charting the Millennium Trade Agenda; Strengthening Financial Markets and Corporate Governance; Seizing the E-opportunities and Community Building. We would like to take this opportunity to share with you some of the relevant ideas from our broad-ranging program, especially those that pertain to trade issues.

### **Charting the millennium trade agenda**

The PECC, Trade Policy Forum, has identified the following priorities for charting the millennium trade agenda.

#### ***A new WTO Round is critical and APEC can help us get there***

There is a virtuous circle between APEC and the WTO. A new WTO Round makes it more likely that APEC will meet its own schedule. However, there is also no reason for APEC to wait for the WTO and indeed APEC can lead the process and act as a catalyst for a new round.

A new WTO Round is key to sustaining growth. It helps create expectations of further reform, it provides a framework for efficient investment decisions and it helps meet some of the challenges in our current business environment. APEC can play a role in helping to set a realistic and unified stance on what could be discussed during the fourth WTO Ministerial in Doha and help make progress in the crucial negotiations, already underway in services and agriculture, areas where the returns to reform are very high.

PECC believes that services is one area where APEC could lead the way in finding solutions to some of the complicated and contentious areas in the global multilateral negotiations.

We hope that APEC will set an important trend in the services area by adopting the Menu of Options for Voluntary Liberalization and Facilitation and Promotion of Economic and Technical Cooperation in Services Trade and Investment, which has been proposed by the APEC CTI Group on Services. Our PECC experts have worked closely with GOS to develop this Menu of Options which is aimed at fostering liberalization and facilitation of services trade and investment among APEC economies, along with the promotion of capacity building in the services area. It is hoped that this work will serve as a catalyst for other regions and provide valuable input to the global discussions on service negotiations.

In tandem, because it will help members support and be ready for a new Round, APEC members should continue their commitment to meet the Bogor goals of free trade and investment through concerted unilateral processes. APEC can make a difference by example. APEC's track record of unilateral action is commendable and despite the problems the region has faced, there has not been a retreat from openness. However, it can do even better by launching a set of initiatives on liberalization at this stage of the WTO ministerial discussion, which can help galvanize a new Round. PECC's update on impediments to trade and investment in goods and services indicate that there are many areas such as removal of peak tariffs, in which members can undertake further removal of impediments.

The clock is ticking on the Bogor goals; ten years is not long to go, and showing progress towards the goals is critical for APEC. APEC can only continue to deliver on its promise as the institution in the region, which has the capacity to set business and community expectations about the direction of policy change if it maintains its liberalization credibility. PECC welcomes your interest in strengthening the peer reviews of the IAPs. Our review undertaken in the 1999 New Zealand year, indicates that there is room to improve the way members can announce and explain their actions. Other than short-term measurable goals, more concrete and longer-term action plans need to be incorporated which businesses and investors consider credible and in fact base their decisions on. Members could also think of undertaking voluntary mid-term reviews of their plans to achieve the Bogor goals.

APEC is also unique in that its agenda encompasses new issues, which have not found their way on to the WTO agenda, such as investment and competition policy. These are important components of ensuring an open trade and investment regime. PECC is proud of the work it has done in framing a set of well-received Competition Principles. PECC is continuing to work on competition policy issues, and is undertaking an assessment of the implementation of the PECC Competition Principles adopted in 1999, in the region. The work currently being undertaken looks at understanding the sources and changes in market power, and how to prevent its misuse in a number of East Asian economies.

### ***APEC can address concerns of regionalism***

The conclusion of the Summit of the Americas and the new proliferation of preferential proposals of RTAs (Regional Trade Arrangements), including bilateral, plurilateral, cross regional and regional agreements have been a source of concern to the extent that they may be counter to open regionalism. The proliferation of regional cooperation and arrangements are in part a manifestation of the decline in confidence towards multilateral rules under the WTO, and a desire to have broader and deeper integration at a bilateral or regional level which is not yet possible. Principles and guidelines will need to be developed both in the multilateral forum as well as in a regional forum such as APEC.

PECC notes the reference to the WTO disciplines in your discussion. Our own view is that these rules are not sufficient and that the region needs a set of rules which is WTO-plus. In our last statement to you in Darwin, we laid out some principles such as transparency, openness to new members and not raising further barriers. Thus, an important beginning that could be undertaken in APEC is to encourage transparency by having members entering into such agreements briefing other members of the contents of these agreements and their objectives, and ensuring open membership.

The PECC's Trade Policy Forum is currently undertaking a survey and analysis of existing regional arrangements in the region, as well as the new ones. The results of the research will be discussed at our joint meeting in Bangkok next week.<sup>1</sup> The studies hope to do a stock-take of existing knowledge on the role of RTAs in the Asia-Pacific and the global trading system, and assess the implications of the new RTA developments in the APEC region. We recognize that these arrangements are here to stay, irrespective of the outcome of the multilateral negotiations. However, we need to be cognizant of the developments and ensure that principles and guidelines are developed to keep to the open regionalism spirit of APEC. Otherwise their proliferation could lead to an increase in the cost of transactions and adverse effects to non-members.

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<sup>1</sup> *The meeting will be held jointly by APEC through the Thai Ministry of Commerce, and the PECC Trade Policy Forum in Bangkok on June 12-13, 2001.*

A particularly important issue is that of rules of origin, the importance of coordination and mutual recognition if not harmonization of such rules between the regional trading arrangements is a minimal first step. More importantly in a world where products, as a rule rather than an exception, are manufactured in cooperation between many economies, the old rules of origin seem antiquated and out of date and may indeed misrepresent real trade flows. There is a crying need for academia to come up with new definitions and measures of multi-country of origin goods. PECC is working on this.

### **Community Building: concrete deliverables**

PECC believes that the vision of trade and investment liberalization must be matched by institution-building and technical assistance that can help economies manage the risks and costs of globalization process so that most people enjoy tangible benefits. An essential part of the process will be to bring the benefits of globalization to local communities. The challenge is of course to make the programs concrete and real. Community building must occur across all sectors, and we urge that governments focus on concrete deliverables.

In that light, PECC held an open forum in Jakarta last October. The objective of the forum was to share PECC members' experiences of managing globalization with Indonesia, an economy which was the hardest hit by the Asian financial crisis. Not only was there an open and frank dialogue of sharing of experiences intended to contribute to confidence building of the process of opening up, but several PECC member economies also announced specific pilot projects in capacity building to help Indonesia.<sup>2</sup>

PECC has participated and wishes to continue to contribute to APEC community building. For instance, PECC has been working with APEC on the Regional Integration for Sustainable Economies (RISE) project. RISE has been successful in trying to bridge the urban-rural gap, promote rural and small-town development and improve the living condition of the rural areas. We are happy to note that this project has been very successful in Jiangmen City, China, where the private sector has already signed an agreement or expressed a strong interest in investing.

PECC has also initiated the Institutes of Directors in several member economies, where capacity building for good corporate governance would contribute to sound financial policy and solid economic management. PECC also sent a large delegation to attend the APEC High Level Meeting on Human Capacity Building and participated actively, including as resource speakers on various aspects of capacity building for the new economy. We congratulate APEC for the progress made and believe that it could prove to be an important model for Ecotech in the coming years.

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<sup>2</sup> See <http://www.pecc.net/2000-state/Jakarta%20Statement.doc>.

PECC looks forward to the discussion on APEC Ecotech Action Plans (EAPs), since we believe strongly that TILF and Ecotech should be mutually reinforcing in the process of achieving Bogor goals. Given our experience with assessing the IAPs, we also hope to do a similar exercise of peer group assessment of the EAPs. We hope that we will be able to work even more closely with APEC to ensure that there are concrete deliverables towards the objective of community and capacity building.

### **IT Opportunities: regional good fortune or digital divide?**

The issues relevant to capturing the benefits of the new economy are central to the APEC agenda for liberalization of trade and investment and market strengthening reform under the Bogor goals. For instance liberalization in telecommunications services would be a key prerequisite to interconnectivity.

Meeting IT's challenges in APEC's work program can broaden the appeal of the Bogor goals, as well as communicating APEC's achievements in meeting the goals. Outreach, I know, continues to challenge us all. Further, meeting the IT challenges also makes it easier to reach your end point of free and open trade and investment amongst APEC members.

PECC has contributed to crosscutting policy work in the communication and information technology fields. In 2000, the PECC Telecommunication and Information Industry Forum (TIIF) developed a number of programs and organized regular industry-government dialogues both at the APEC Telecommunications Working Group (Tel), the Electronic Commerce Steering Group (ECSG), and the Tel Ministerial.

The TIIF focuses on a number of fundamental objectives such as advancing all member economies access, at affordable rates; empowerment by increasing IT literacy and skills development; and creating partnerships between government, industry, and academic organizations to facilitate new business opportunities for small and medium sized enterprises. We believe that the PECC work program in these areas offers a significant contribution to the 2001 APEC theme of creating benefits to all from digital opportunities.

PECC's Telecommunications and Information Industry Forum (TIIF), with a strong private sector network, continues to support APEC's work. During APEC's TEL 23, PECC highlighted the APEC leaders' statement that commissioned the establishment of a policy framework that would allow all persons access to communications networks by the year 2010. The active public-private partnerships for internet connectivity project being developed by PECC was also highlighted as an initiative that addresses the concerns of the APEC ministers in Cancun regarding cost reduction for internet services.

Honorable Ministers, thank you for giving me the opportunity to report on some of the ideas and ways PECC hopes to contribute to APEC, and we will certainly continue our efforts to provide substantive and policy relevant inputs to the APEC process.