

**PECC Statement to SOM II**  
**Agenda Item VIIIB: Update from Official Observers**  
**APEC SOM II: Merida, Mexico**

The PECC Standing Committee, at its first meeting this year in Kuala Lumpur in April, expressed its concern about an erosion in the sense of Pacific community which has begun to emerge over recent years. The Standing Committee believed that without a renewal of this sense of community it would be difficult to achieve the ambitious goals for regional cooperation and economic interdependence which are at the heart of both the APEC and PECC processes.

PECC has renewed its strong determination to address this issue through its work program and through endeavoring to cooperate more closely with a wider range of regional organizations and institutions with similar goals to give added impetus to regional cooperation.

As well as deepening working links with APEC institutions like ABAC and the APEC Studies Centres, there is also a widespread interest among PECC members to collaborate much more closely with PBEC. This could catalyse the process of regional cooperation and produce significant economies of scope which would ultimately benefit APEC in both political and technical terms.

PECC has embarked on an action program since APEC Senior Officials met in Mexico City. This report is divided into two main sections, PECC activities since the last APEC SOM and details of PECC's work in trade; finance; and community building.

**Section I: PECC Activities**

**APEC, WTO and RTAs addressed by PECC Trade Forum in Lima**

PECC's Trade Forum met in Lima, Peru from 17-May, 2002 with an agenda on APEC and the WTO and on Regional Trading Arrangements. A detailed report was presented to the CTI. Some of the key conclusions of the meeting will be reported in the PECC Statement to the MRT. APEC members will be notified when the papers from this meeting are posted on PECC's web page.

Peru PECC and the Universidad del Pacifico hosted the meeting. It was addressed by the Peruvian Vice Minister and Secretary General of Foreign Affairs and the Vice Minister of Integration and International Trade Negotiations and attended by participants from the Asia Pacific as well as representatives from the World Bank, the Inter-American Development Bank, the United Nations Economic Commission for Latin America and the Caribbean and the OECD.

The meeting also included a special session on trade facilitation with the private sector represented by the National Confederation of Private Business Associations, Peru.

**PECC working with Finance Ministers Process**

PECC is actively participating in the APEC Finance Ministers process.

Three PECC representatives present reports to the Finance Deputies Meeting in Washington D.C. in April. PECC has been invited to participate in a dialogue at the next meeting of the Finance Ministers Technical Working Group, further deepening interaction between PECC and the Finance Ministers process.

PECC has also committed to cooperating closely with the APEC Finance and Development Program which will be holding its first Annual Forum in China on 26 May, 2002.

#### **ABAC-PECC symposium in Sydney**

PECC co-organised with ABAC a special symposium on Risk Management, Pricing and Capital Provisioning at the ABAC meetings in Sydney in May . The participants stressed the need for regional cooperation in this vital area because of the region-wide systemic effects of perceptions of bad performance. Another important message from the meeting was that as important as capacity building efforts are in moving towards global standards, there has to be strong incentives to do so, as well as the right governance structures in place to support the culture within organisations to implement them.

#### **PECC co-organizes APEC Tel Min Dialogue**

PECC is co-organising the Three Party Dialogue between government and the business and research communities to be held at the opening of the APEC Telecommunications Meeting in Shanghai on 29 May. The Three Party Dialogue will focus on Narrowing the Digital Divide and is Chaired by Mr Timothy Ong, Vice Chair of Brunei PECC on behalf of the PECC Chair.

#### **Participation in APEC Sectoral Activities**

PECC participated in the APEC Transportation Ministerial Meeting in Lima in early May through representatives of Peru PECC.

PECC participated in the APEC Human Resource Development Working Group meeting and intends to work closely with the working group on a program associated with the challenges of globalisation.

#### **Pacific Economic Outlook – Forecast**

PECC's annual economic forecast will be released on May 29 following a meeting of the PEO Forecast team in Osaka, Japan on 18-19 March.

#### **Pacific Economic Outlook -Structure**

The PEO Structure experts met in Osaka, Japan on 16-17 March, 2002. The experts examined infrastructure development, learning lessons about how sectors like power (electricity, gas and water), transportation (sea, land, air), and telecommunication have developed over time. They identified recent trends of privatization in institutions and financing of infrastructure across member economies. The group also looked at the changing priorities in infrastructure development away from traditional infrastructure to non-traditional areas in relatively advanced economies and need for traditional infrastructure as a key component for future growth in other economies. The team will now extend the coverage to other areas such as education, technology and social service-related fields, which constitute an increasing proportion of future infrastructure needs.

#### **Pacific Food System**

The Pacific Food System Outlook team met in Santiago, Chile on 16-18 April and their report will be published soon.

## **Section II: PECC Work Program**

### **Trade**

PECC has begun to consolidate its restructured work program and held its inaugural Trade Forum meeting in Lima, Peru from 17 to 19 May. The work program includes issues relating to APEC and the WTO and to Regional Trading Arrangements.

#### ***The Doha Round***

As work continues in Geneva on the Doha Round negotiations, PECC's Trade Forum has emphasized the contribution the Asia Pacific region can make to achieving consensus on a number of difficult issues given the region's experience in these issues, namely the Singapore Issues of: Trade Facilitation; Investment; Competition Policy; Government Procurement. In addition to these, the task force will also be working Agriculture; Services; "Rules" issues – anti-dumping and countervailing duties, fisheries subsidies and Industrial Tariffs; and Trade and Environment which PECC has built up expertise over the past twenty years. To this end the task force has established study groups to assess how work is progressing in Geneva and the type of contribution that could be made by the region.

PECC representatives presented some work on this to the Market Access Group earlier this week with some specific recommendations on trade facilitation and non-tariff measures. These included an update on the work PECC has done on non-tariff measures, their relationship with non-tariff measures and some suggestions on how APEC working groups could achieve the objectives set by Leaders on trade facilitation in Shanghai.

### **Regional Trading Arrangements**

Following the seminar that PECC organized on RTAs in Bangkok last May, progress has been made on identifying some of the key issues the region needs to consider as a whole given the increased usage of RTAs as a trade policy option. One such issue is how these arrangements fit into the Bogor goals and the broader goal of sustainable development through regional cooperation. This was one of the key raised by PECC Forecasters during their March meeting in Japan who discussed how RTAs may affect regional trading patterns and in turn the long term effects on economic stability in the region.

### ***Finance***

The PECC Finance Forum has been actively pursuing its goal to contribute to regional cooperation in financial policy issues. First, by contributing to the strengthening of the foundations of financial institutions and markets in the region, and secondly, by contributing to the promotion of policy cooperation for financial and exchange-rate stability in the region.

### **Regional Financial Cooperation**

The task force on Financial and Monetary Cooperation has begun to assess the state of play in regional cooperation in financial policy issues and has agreed on methodology for the assessment. The Finance Forum will be organizing a meeting in Honolulu, Hawaii on August 12-13, in collaboration with the Asia-Pacific Financial Markets Research Center, University of Hawaii. Following the discussions during the PECC Standing Committee meeting in Kuala Lumpur in April and the Trade Forum meeting in Lima an important part of the work PECC will be undertaking is to look more closely, especially in sequencing issues in the relationship of regional cooperation initiatives in trade and finance.

**Financial Institutions**

PECC will be addressing how the regions financial institutions are moving towards global best practices and the capacity building required to reach this goal. As mentioned above, the Finance Forum co-organized a symposium with ABAC on this issue. PECC's work on this issue will also be addressed at the Finance Forum's meeting in Honolulu this August.

**Financial Markets**

The PECC Financial Markets Development project will be co-organizing a seminar on "How to Strengthen Banks and Develop Capital Markets in Post-Crisis Asia" on June 6-7, 2002 Along with the ADB Institute, Keio University.

***Community Building***

The PECC Community Forum held an International Advisory Group alongside the Standing Committee Meeting in Kuala Lumpur. The Forum further refined its broad objectives and discussed further work it may undertake to achieve those objectives. Several initiatives were discussed including human resource development, tourism, telecommunications and information industry, distance-learning, in addition to ongoing activities on sustainable cities and information technology development in the Pacific Islands.

The group agreed that it would be useful to take a 'building block' approach to community building in PECC. These blocks form three main interrelated foundations: infrastructure; technology and knowledge based human capacity; and, an effective institutional and regulatory environment.