



## PACIFIC ECONOMIC COOPERATION COUNCIL

### **PECC Statement to the 15<sup>th</sup> APEC Ministerial Meeting Bangkok 18 October 2003**

At this time, APEC is facing risks and challenges that are very different from the ones which the founders of Asia Pacific cooperation might have expected.

#### *Key challenges*

APEC is being asked to respond to three key issues. These include the problems posed by terrorist attacks that are confronting the region and the setback to the WTO's Doha Development Agenda (DDA), which is now at risk after Cancun. Now added to this list is the renewed controversy over currency alignments in the region.

These all challenge the fulfilment of key elements of the APEC agenda including the overarching goal of regional economic integration.

#### *The Doha Round*

It is critical that every APEC member gives the fullest support to efforts to revive the momentum of the DDA. Multilateral liberalisation through the WTO is a key means of delivering concerted progress towards APEC's liberalisation objectives. APEC is the only forum that offers a realistic avenue to resolve some of the key liberalisation issues facing our Asia/Pacific region, as well as the global economy. A strong indication from APEC members at this time that they are prepared to re-engage in the DDA is essential for the future of both APEC and the WTO.

PECC therefore calls on APEC to play a concrete and constructive role in reviving the momentum of the DDA. In addressing this issue an uncomfortable reality must be faced. Despite the collective commitment of APEC members to work for a successful outcome at Cancún, it is nevertheless a fact that at Cancún, APEC members could be found taking leading roles on opposing sides of the most contentious issues, and in particular, aligning themselves with the most intransigent opposing positions on the issues that finally brought the ministerial to a standstill.

Against this background bland statements of general support for the DDA by APEC Leaders will lack credibility. The region will be looking for signs that serious efforts are being made to reconcile the differences that derailed the Cancun meeting. Such efforts, furthermore, among a group of economies with the divergence of interests demonstrated by APEC members at Cancún would be a real contribution towards reviving the DDA.

Cancún also highlighted the importance of capacity building in giving real meaning the "development" component of the DDA. In this area, APEC's understanding of economic and technical cooperation as a partnership based on mutual respect can make a crucial contribution to the multilateral process as well as to the achievement of APEC's own objectives.

### *Currency alignments and financial cooperation*

Responding to this set of issues may be complicated by the recently renewed controversy in the region with respect to currency alignments, arising out of concerns with the widening deficit on the US current account. PECC cautions against efforts to dictate a certain pattern of exchange-rate alignment in the region in order to address the problem. Such an approach can be disruptive both financially and politically. And it may not bring about the intended adjustment on the US current account, especially in the absence of the necessary realignment in the levels of saving and investment in the region.

PECC supports the call for the currencies under floating to be allowed to float freely, except for judicious smoothening operation where deemed necessary. On the other hand, it does not advise all economies, and especially those with weak domestic financial systems, to float their currency. PECC, however, shares the concern over the US current account imbalance, and encourages macroeconomic policy dialogue among the APEC governments.

PECC is also concerned that economies in East Asia in particular have yet to improve the role of intermediation in their financial systems. As long as this role is lacking they are in danger of repeating the double mismatch which was the primary cause of the 1998 crisis. To this end, economies will do well to promote financial cooperation and at the same time undertake further reforms in domestic financial institutions.

### *The Asia-Pacific vision of economic integration*

In the light of the struggle of multilateral and regional institutions to satisfy the interests of its members, PECC reviewed the Asia-Pacific vision of economic integration and global economic cooperation at its 15<sup>th</sup> General Meeting in Brunei last month.

PECC is concerned that in the current environment political support for that vision has waned.

PECC concluded unequivocally that the APEC vision is now even more important as member economies respond to new uncertainties. The integration of open markets across the whole Asia-Pacific region will maximise the benefits of liberalisation and facilitation for all APEC economies while ensuring that none suffer the economic costs of exclusion. It will provide the most effective stimulus to economic growth across the region, ensuring that all APEC economies have access on the best possible terms to the markets where the most dynamic growth is occurring. While individual APEC members may insist on moving forward more rapidly with selected trading partners, it is vital that these initiatives are pursued in ways that ensure that they will contribute to the achievement of APEC's objectives.

His Majesty the Sultan of Brunei, Philippines President Gloria Arroyo, Prime Minister Thaksin Shinawatra and Malaysian Prime Minister-designate, Dato Seri Abdullah Badawi, joined us for the Brunei meeting, which involved three days of discussions among nearly 500 participants from more than 20 Asia Pacific economies

and leading international organizations. These distinguished guest speakers and the other eminent participants shared their views with the meeting on the future of our region.

In the Brunei Declaration, released at the end of the meeting, PECC underscored the value of the founding principles of the Asia Pacific approach to regional economic integration that are embodied in the Bogor goals and in the Osaka Action Agenda.

The Declaration states that these principles remain the key to securing long-term growth and stability and that it is therefore vital to reassert their value.

PECC believes it has demonstrated the continuing importance of these principles in its work in key areas concerning the APEC agenda, especially on a common understanding on regional trading arrangements, on priorities in financial sector development and on the facilitation of secure trade.

Success in regional economic integration, however, requires a renewed political commitment and a stronger sense of community. PECC looks to APEC Ministers and Leaders demonstrate the strong leadership required to provide greater certainty for the region, as they did in Seattle and Bogor.

#### *Seven priorities*

PECC identified seven priorities for the way ahead in the Brunei Declaration:

- First, governments should be resolute in ridding the region of the threat of terrorism. They must be prepared to bear the cost of providing security for people and the trade on which the region depends.
- Second, the region's economies should provide a strong lead in advancing the Doha Development Agenda in the WTO, maintaining its spirit and balance.
- Third, all APEC members, in particular, must lay out a credible path to the Bogor goals of free and open trade and investment, and extend their work to include other key Leaders' commitments including the Brunei goals on ICT.
- Fourth, APEC should adopt a common understanding on how regional trading arrangements can contribute to the Bogor goals incorporating the elements released by the PECC Trade Forum and presented to Ministers at this meeting.
- Fifth, APEC should support the effort of the East Asian economies to promote financial cooperation and capital market integration in the region while encouraging them to base those initiatives on reform of domestic institutions and their alignment with global standards.
- Sixth, the economic and technical cooperation agenda, based on strong public-private partnerships, must remain a central part of regional integration because it is the key to greater transparency, building capacity and managing and facilitating change.

- Seventh, the significance of these challenges suggests that now is a good time for APEC to re-examine its own institutional arrangements and internal processes so that its members can provide the leadership required.

*PECC participation*

PECC remains committed to working with APEC on its overall goal of building a regional community and on the steps to implement these particular recommendations.

PECC would like to thank the Thai Government for encouraging wide PECC participation in the APEC process this year and for its openness to PECC's many contributions.

The PECC delegation is particularly grateful for the hospitality and cooperation it has received at this Ministerial Meeting.

Finally, PECC looks forward to working closely with Chile in 2004.