

**PECC Statement
To Meeting of APEC Ministers Responsible for Trade
Khon Kaen, Thailand
2-3 June 2003**

The PECC welcomes the attention given by APEC leaders, ministers and senior officials to the issues raised by the recent trend towards the establishment of new regional and bilateral trading arrangements, or more accurately preferential trading arrangements, in the Asia-Pacific region.

The PECC Trade Forum has been working on these issues for the last two years, and over that period has held five conferences, workshops and symposia at which the views of PECC and other experts from almost every APEC economy, and further afield, have been presented, analysed and refined. Papers from these meetings are available on the PECC website.

As is well known, this type of trading arrangement has both advantages and disadvantages. PECC's work programme has been most beneficial in building a more complete understanding of their role, and of ways to maximise the advantages and minimise the disadvantages.

PECC agrees that the priority now for APEC members should be to focus on the ways in which regional trading arrangements can move us more quickly toward APEC's Bogor goals. PECC has no doubt that they can make a positive contribution, but is equally convinced that this will not occur automatically. It will require clarity on the part of APEC members as to the conditions under which regional trade arrangements will support achievement of the Bogor goals, and a commitment to establish those conditions in practice.

PECC congratulates APEC Senior Officials on the Trade Dialogue held in this city earlier in the week to consider these issues. PECC is strongly supportive of the view expressed by a number of delegations at that Dialogue that it would be helpful for APEC members to develop a common understanding on the features that should characterise RTA developments in the APEC region if they are indeed to contribute to the Bogor goals.

PECC is developing the elements that we think should be included in such a common understanding. We look forward to sharing these ideas with APEC officials as work in this area continues over the coming months in both our processes, and propose to deliver them in their finished form at the PECC General meeting in Brunei in September.

PECC of course agrees that all RTAs should be consistent with WTO obligations but believes also that this is not a sufficient condition for RTAs to contribute to the Bogor goals since WTO disciplines are notoriously weak in this area. PECC believes that valuable direction can be provided by the Principles that APEC members adopted in 1995 in Osaka to guide APEC progress toward the Bogor goals. In particular the principles of comprehensiveness, flexibility and non-discrimination can provide strong guidance for

development of RTAs in the APEC region – comprehensiveness, because it affirms that all sectors are to be included, flexibility, because it acknowledges that liberalisation in sensitive sectors may proceed at a pace and in a way that takes account of the difficulties faced in those sectors, and non-discrimination, because it implies that no APEC member economy should be excluded from a developing pattern of RTAs among APEC members that is intended to lead to the Bogor goals.

In addition to what Leaders have agreed upon in the Osaka Action Agenda, a common understanding among APEC members will need to cover a range of further matters, including the need for rules of origin that support the objective of liberalising and facilitating trade, and that are clear, transparent, consistent and as straightforward as possible. PECC also considers that it will be useful to consider ways of building features into the design of RTAs among APEC members that will facilitate their eventual convergence. Achievement of the Bogor goals implies that concessions made within RTAs will ultimately be multilateralised, and a credible commitment to multilateralisation can assist in building and maintaining confidence that APEC members remain committed to the Bogor goals even as they pursue preferential trading arrangements with each other.

Having drawn on the widest possible range of expertise in developing its ideas, PECC stands ready to work with APEC officials to contribute to the establishment of a common understanding that is practical, serviceable and fully supportive of the APEC vision.

Finally, the relation between RTAs and the Bogor goals serves to underline the crucial nature of another key issue on your agenda, namely the vital importance of maintaining progress towards liberalisation within the multilateral trading system, and accordingly of a successful conclusion to the Doha Development Agenda.

Ongoing non-discriminatory liberalisation together with the maintenance of a strong rules-based multilateral trading system is essential in minimising negative consequences of preferential liberalisation within RTAs. It also provides a necessary complement to preferential liberalisation in areas that cannot be adequately addressed within regional agreements. In the case of agriculture for example, there are already examples within the region of the difficulties that can be encountered if market access objectives are pursued within regional agreements without sufficient attention to a corresponding strengthening of commitments on domestic support and export subsidies at the multilateral level. Perhaps more fundamentally, ongoing non-discriminatory liberalisation provides the ultimate assurance that the Bogor goals will indeed be achieved.