



Asia-Pacific Economic Cooperation

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**2003/SOMI/056**  
Agenda Item: VIII 2

## **PECC Report to SOMI**

Purpose: Information  
Submitted by: PECC Secretariat



**Senior Officials' Meeting I**  
**Chiang Rai, Thailand**  
**20-21 February 2003**

**PECC Report to SOM I  
CHIANG RAI, THAILAND  
20-21 FEBRUARY 2003**

**1. RTAs/FTAs and Support for SOM Trade Policy Dialogue**

PECC will be in a good position to contribute substantively to the SOM TPD at SOM II.

PECC can contribute two resource papers: one on the state of play of RTAs/FTAs in the region and one issues or priorities paper. These two papers would bring together the work of PECC's five meetings and substantive analysis. They would reflect the perspectives of a wide-range of experts from throughout the APEC region.

PECC has a two-year work program on RTAs/FTAs which will conclude in September this year at the PECC General Meeting in Brunei on 1-3 September.

PECC has brought together some of the region's foremost experts on RTAs/FTAs in this project and is also working closely with a range of other organizations, including the Inter-American Development Bank. PECC believes that it is important for the region to learn from the North American and Latin American experience which is far more extensive than that in the Western Pacific.

The aim of the PECC contribution is to:

- analyze the developments of RTAs in the APEC region and enhance understanding of these developments and their implications
- develop a set of "principles" or a set of conditions under which RTAs would be consistent with the achievement of the Bogor Goals and the APEC vision of bridging both sides of the Pacific region.

Three meetings have already been conducted: Bangkok, June 2001 (in cooperation with the Thai Ministry of Commerce); Lima, May 2002; Vancouver, November 2002.

Three more sets of meetings are planned:

Washington DC, April 22 and 23 – full-day meeting organized by PECC and the Institute of International Economics and half-day meeting organized jointly by PECC and the Inter-American Development Bank,

Phuket, May 25 – Full day meeting organized by PECC back-to-back with the APEC Studies Centers Consortium meeting

Brunei, Sept – Final meeting and release of PECC work on RTAs/FTAs.

**2. Finance Forum: supporting Finance Ministers themes for 2003**

The PECC Finance Forum will work on the following issues:

- Advancing financial and monetary cooperation in the region
- How to develop regional bond markets in East Asia
- Strengthening domestic financial system

Under each broad thematic area are a number of sub-themes. Several of these themes and sub-themes are an integral part of the Finance Ministers' agenda this year.

*Scope for financial and monetary cooperation in the region*

- Outlook for financial and monetary stability in the short term and the long term
- Challenges of financial and monetary cooperation in the Asia-Pacific: a follow-up on the work in 2002
- Regional surveillance on financial standards and regulations: an Asian Financial Institute?

*How to develop regional bond markets in East Asia*

- The need and rationale of creating regional bond markets in East Asia
- Laying the institutional foundation for regional bond markets: building of financial, legal, and regulatory infrastructures
- The structure and characteristics of East Asian bond markets

*Strengthening the domestic financial systems*

- Risk management practices, corporate governance and ownership structure in the banking system: survey and assessment, a follow-up work on the pilot survey in 2002
- The impact of DDA and RTAs on the domestic financial industry
- Financing SMEs and their ventures

Like the PECC Trade Forum, the Finance Forum is working with a wide range of other regional and international groups.

The Finance Forum will meet in Hua Hin alongside the APEC Finance Ministers Technical Working Group meeting in July. It will also work in direct collaboration with the Asian Bankers Association and ABAC on some specific issues. PECC already has close working links with the IMF, the World Bank, the ADB and the Bank of International Settlements.

RTAs/FTAs will also be on the agenda of the Finance Forum meeting in Hua Hin. PECC trade experts will join their finance counterparts to ensure that PECC's work on RTAs/FTAs is in the context of wider economic integration including some of the key finance-related aspects.

### **3. Other Trade Related Issues**

***Impediments to trade and investment:*** PECC has been updating its work on impediments to trade and investment. PECC is aiming to have reports on services, NTMs, investment and tariffs and an overview available for APEC before SOM II in May.

***Maritime Security:*** PECC is exploring with the Council for Security Cooperation in the Asia Pacific (CSCAP), which is the PECC equivalent of the ASEAN Regional Forum, the possibility of carrying out collaborative work on maintaining efficient and secure sea-borne trade in the region. We think that there are benefits in bringing together economists and security experts in an informal setting to look at these issues so that there is a clearer and more balanced understanding of developments in the new environment. We see this as being very supportive of APEC efforts. We are considering a meeting in Singapore in early June to begin this process

***APEC and the WTO:*** PECC continues to work on five areas in which APEC has a major stake in the WTO: investment, competition, trade facilitation, agriculture and services.

#### 4. Institutional Issues

***Standing Committee Meeting in Washington DC:*** PECC's Standing Committee will meet in Washington DC in late April 23-24. This meeting will be combined with meetings on RTAs/FTAs outlined above.

***Launch of US Asia Pacific Council:*** The Standing Committee Meeting will also be combined with the launch of the new US Asia Pacific Council. With the new Council, the US is bringing together PECC, PBEC and the US APEC Studies Centers under one institutional and administrative roof.

This is an interesting institutional development and one which is happening in various forms in many other economies of the region. We believe that it will strengthen the business and academic effort in regional economic cooperation and lead to lower administrative costs and less duplication.

PECC continues its direct discussions with PBEC on closer cooperation in a climate where it has been agreed that all issues, including eventual possible merger, are on the table for consideration.

***PECC General Meeting:*** The two-yearly General Meeting of PECC will be held in Brunei on 1-3 September. This will be a large meeting bringing together high level representatives from business, government and research from throughout the region. PECC has started work on a significant statement on what we see as the present state of play in the region and the priorities for the future given the tremendous changes that have occurred in recent years.

This meeting is only six or seven weeks before the APEC Leaders Meeting in October. We will be sharing our ideas with the SOM Chair leading up to that the PECC General Meeting to ensure that we can be supportive of APEC 2003. We will also be working closely with the organizers of the CEO Summit to ensure that PECC can help build upon and sequence the business sector contribution which will culminate in October.

PECC International Secretariat  
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