

**PECC Statement to APEC Ministers
Agenda Item XVI: Statements by Observers
18 November 2004, Santiago**

It is once again the pleasure and privilege for the PECC to offer its views on several key issues of mutual interest for consideration by APEC Ministers.

Mid-Term Review

The original ambitions of regional economic cooperation are sometimes lost in the attention to its process. The process and its particular parameters consume our attention. An example is the emerging debate on the Bogor goals.

PECC acknowledges that there remains ambiguity over what 'free and open trade and investment' is for the region. We agree that the mid-term review offers an opportunity to resolve some of that uncertainty and we think that two key foci for the mid-term review must be:

- Assessment of progress toward the Bogor goals and steps needed to ensure that the target dates will be met
- The role of PTAs (bilateral and plurilateral) in making progress toward the Bogor goals

As part of its contribution to the mid-term review, the PECC Trade Forum is undertaking analytical work designed to assist APEC in addressing both of these issues.

However, the mid-term review next year is also a unique opportunity for APEC also to revisit its ambitions for a Pacific community. In a successful community, each member would benefit from economic integration with each other and with the world. The review provides a chance to look forward to what our economies might resemble in that environment, how they might develop, and how our people might share in the benefit, and not simply focus on the metrics of the transition. PECC would welcome an opportunity to further contribute to the mid-term review.

Preferential Trading Arrangements

Since the region announced the Bogor goals at least 13 further PTAs have been concluded in the APEC region. With addition of the PTAs currently under negotiation, the region faces the prospect that the number of PTAs in the region will number over 30.

While many of these agreements are trade-creating, we nonetheless expect Ministers will work to ensure that all trade agreements support the ultimate objective of free and open trade and investment throughout the region.

Bland statements of resolve to abide by Article XXIV, or that PTAs are designed to promote achievement of the Bogor goals, are not convincing. This is especially the case when the commitments some RTAs are less than those made in Bogor, or with transition periods that go beyond 2020.

We are also aware that in a negotiating environment, either at the bilateral level or in Geneva, there are tensions between a commitment to the principles of the trading system and the delivery of specific domestic political benefit. However, international cooperation can help resolve that tension.

This is why we will be continuing our work on PTAs in 2005, in parallel with, and hopefully contributing to, APEC's own work on the issue. Two specific problems PECC will be working on are the consistency of PTA rules with multilateral rules, and feasible paths by which PTAs could lead to achievement of the Bogor goals.

ABAC Recommendations

The ABAC report this year makes specific recommendations for further study of an APEC-wide preferential agreement and on a new business agenda of policy reform. These proposals have surfaced, in PECC's view, because of three concerns about APEC's performance.

1. Concern over inadequate progress towards the Bogor goals.

On current trends there is no realistic prospect that the various processes of liberalization, at global, regional and bilateral levels, will deliver achievement of the Bogor goals by all APEC developed economies by 2010. In that context, PECC welcomes the progress at this meeting to make a concerted effort to contribute to the DDA, a call also made by ABAC. A successful DDA is certainly crucial for APEC and its goals. However, we caution against thinking that this by itself will be sufficient to ensure that APEC developing economies meet their Bogor targets. Additional initiatives on the liberalization element are still required if this is to be achieved.

2. Concern over the consequences of the proliferation of PTAs in the APEC region.

As Ministers are aware, this issue has been troubling PECC, as well as ABAC and many others in the region, for some considerable time. We commend APEC for the steps that senior officials have taken this year to address the question of how to ensure that these trade agreements support the ultimate objective of free and open trade and investment throughout the region, including through the formulation of "best practice guidelines" for the design of PTAs. We have contributed to, and place great importance on, this work. It should continue in 2005.

The PECC network has contributed to the assessment this year of proposals for an FTAAP. If APEC decides to proceed with the recommendation to study that proposal in more detail, PECC would welcome the opportunity to make further contributions.

3. Concern about progress on facilitation

PECC welcomes the work to assess progress on APEC's trade facilitation. The assessment is good, but expectations are high. ABAC's recommendation for a Trans-Pacific Business Agenda calls for a further intensification of APEC's efforts in the area of trade facilitation. PECC looks forward to contributing to choices about the directions and priorities of that effort.

Digital Economy and E-commerce

PECC this year has been pleased to make a contribution to the work on the assessment of e-APEC. That is a significant agenda, and PECC's work helps to remind members of the value of the Brunei goals which refer to the APEC digital agenda.

The assessment, however, highlights the value of strategic connections within APEC of the various aspects of the work; the aim would be to achieve a higher degree of internal networking, in other words.

Our work also stressed the point that meeting the Brunei goals is not just about hardware and mobile phones. It depends critically on the skills of the users, and that a focus in the capacity building in that area is worthwhile especially because it would trigger substantial business support.

Security and Trade Facilitation

Links between trade facilitation and secure trade has been a topic on the APEC agenda to which members of the PECC network have contributed over the last two years.

A key conclusion of that work was the scope to gain from the complementarities between the work to secure trade and that to facilitate it. But the work also highlighted the challenges for many economies who are being asked to accelerate the rate at which they move towards new higher and more demanding standards for security in trade, if they wish to remain directly connected and networked with the world trading system.

APEC is well placed to respond to this dilemma, and its trade facilitation agenda contains the right principles to drive the work. The question is one of implementation, and success will depend on a very clear and well-targeted program of capacity building that leverages support from the international agencies and the business community.

APEC Reform

PECC strongly supports the concept of APEC reform. Any complex process that has taken on an expanding range of activities and responsibilities over 15 years of existence, as APEC has, is bound to benefit from a self-critical analysis of its structures and processes.

There is, we expect, potential to enhance the effectiveness of APEC initiatives through coordination of the component activities. PECC endorses the steps being taken in this direction and encourages APEC to continue and extend these efforts.

There are linkages between the issues that APEC is addressing, and finding ways to reflect that interconnectedness in the APEC process is valuable. The relation between trade and macroeconomic imbalances in the region, not yet on the APEC agenda, is an example. A coherent approach would require collaboration between the Trade and Finance Ministers' processes. Another example is the linkage between the TILF and Ecotech agendas.

The progress made on APEC reform in 2004 is encouraging and we look forward to further progress in 2005. The results of the mid-term review would prompt further ideas for change and about the ways in which goals and processes can be aligned.

Links between Trade and Financial Architectures

PECC shares the concerns that have also been expressed over the scale and persistence of the international macroeconomic imbalances in the region, and their potential implications for the trade and investment relations that are so vital to the prosperity of the region.

This issue has important implications for risks associated with adjustments in foreign exchange markets, possible misuse of trade policy instruments to solve the resulting problem, as well as for potential to raise tensions in trans-Pacific relations. As others have noted, there are inhibitions to action on both sides of the Pacific to solve the problem. The current stalemate is deeply disturbing.

Can APEC prompt some action in this area? PECC hopes so. From this perspective, PECC recommends a dialogue at the Ministerial level with both trade and finance matters on the APEC table.

It has always been the privilege of PECC to work with APEC officials on all levels to strengthen economic integration in the Asia Pacific region and it is our intention to continue to do so in the coming years.