

## **PECC Statement to APEC Ministers Responsible for Trade**

**Kim Kihwan**

**PECC Chair**

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Mr. Chairman,

PECC congratulates APEC on the work being undertaken this year under the theme “Towards an Asia Pacific Community: Meet the Challenge, Make the Change.” This is a theme we fully support and hope to contribute to over the coming months, especially through our General Meeting to be held in Seoul just before the APEC Finance Ministers’ Meeting and SOM III.

Our statement today will focus on three central points: first, the mid-term stocktaking of progress towards the Bogor Goals and the way ahead; second, the challenge posed by the proliferation of PTAs; and, finally, the regional macro-economic environment and the need for APEC action.

### **Towards the Bogor Goals: Stocktaking and the Way Ahead**

APEC’s mid-term stocktaking and the resulting “road map to the Bogor goals” will be an important milestone in APEC’s development. PECC greatly appreciates the multi-stakeholder approach that has been adopted for this task.

It is already clear that the stocktaking will show that APEC economies have made impressive progress toward the Bogor goals and that the APEC process itself has made many contributions to this progress across an exceptionally wide range of activities.

At the same time it is also clear that some of APEC’s most difficult challenges still lie ahead. Among the most immediate are those relating to the looming 2010 target date for achievement of the Bogor goals by APEC developed economies. Important breakthroughs in liberalization, particularly in sensitive sectors, remain to be made by APEC developed economies before 2010.

The WTO’s Doha Development Agenda (DDA) has the most vital role in achieving these breakthroughs and is crucial for APEC’s overall progress toward the Bogor goals. Therefore, a successful outcome for the DDA must remain the top priority for APEC’s liberalization agenda. Hence, we urge APEC ministers to do everything in their power, both individually and collectively, to ensure that the forthcoming ministerial meeting in Hong Kong paves the way for a successful DDA outcome.

However, a realistic assessment of a successful DDA outcome shows that the DDA alone will not

be sufficient. Although other policy options, including RTAs/FTAs, will contribute toward achieving the Bogor goals, they will likely leave APEC developed economies short of full achievement by 2010, even in conjunction with a successful DDA outcome. Therefore, we believe that APEC must confront the need to find ways to accelerate the pace of liberalization.

Accurate information on the current state of impediments to trade in the region is indispensable for constructive discussion on how to address the remaining challenges. With this in mind, PECC is working in partnership with multilateral institutions on a detailed analysis of the current state of tariff barriers in APEC economies and on a survey of non-tariff measures faced by exporters from APEC economies. PECC is also pioneering the use of all available information to produce the most complete assessment possible of the current state of services trade liberalization in the region, beginning with a pilot project in three key sectors. The results of these studies will be released in time for the PECC General Meeting.

Another important challenge for APEC as it pursues the Bogor goals relates to the rapid pace of change in the global and regional economies. The rise of China is a key development. Over the last ten years, profound changes have also occurred in ways of doing business and in the organization of production in the region. For example, outsourcing is now a common phenomenon; multi-stage production has given interdependence new meaning; and the delivery of services has changed in ways unimaginable ten years ago. The pace of change can be expected to continue if not accelerate in the future, continually posing new challenges for APEC in its pursuit of the Bogor goals.

In this rapidly changing environment we believe that APEC has further valuable contributions to make in the area of facilitation, building on its already impressive achievements in this area. APEC and the business community, represented by ABAC and others, can profitably work together in defining the future facilitation agenda.

Investment is also an area that we believe is ripe for further progress within APEC. After a promising beginning, APEC's work on investment liberalization has languished somewhat in recent years. A revitalized work program on investment liberalization would pay substantial dividends for APEC members.

### **Meeting the Challenge of Preferential Trading Agreements**

The proliferation of preferential trading agreements (PTAs) is another fundamental change that has taken place affecting the region's trade and investment environment, and many commentators have expressed concern over this development. At any rate, it is by now very clear that an undue amount of the liberalizing energy of the region is being channeled into PTAs, the proliferation of

which will continue in the foreseeable future.

Fortunately, APEC members have recognized the importance of formulation in determining each PTA's consistency with APEC objectives, and APEC has taken the important first step in addressing this issue with the adoption in 2004 of its guidelines for "*Best Practices in RTAs/FTAs in APEC*." APEC must now focus on effective implementation of these guidelines. Promotion of transparency and development of a robust process for reviewing APEC-member RTAs/FTAs for consistency with the guidelines would be an important contribution.

Fragmentation of regional markets through a multiplicity of overlapping and intersecting PTAs with inconsistent provisions – the so-called “spaghetti bowl” -- has been identified as a key concern of the business community because of its adverse impact on transactions costs. If PTAs are to serve as avenues to the Bogor goals, it is important that they should encourage integration rather than fragmentation of regional markets. In this connection, PECC applauds the willingness of senior officials to explore ways of promoting the convergence of PTAs among APEC members, building on the Best Practice guidelines. We hope that our own work may make a contribution to this effort.

“Rules of origin” have already been identified as a crucial factor in determining both the degree of effective liberalization within PTAs and the extent to which PTAs among APEC members will contribute to the integration rather than fragmentation of regional markets. APEC recently held an outstanding workshop on rules of origin. PECC hopes that APEC will build on this by working with business to develop approaches to rules of origin that will facilitate rather than impede trade.

### **Need for APEC Dialogue on the Trans-Pacific Imbalance**

PECC forecasts slower but still robust growth for the Asia Pacific region: 4.2% in 2005 compared to 5.4% in 2004. The region, however, continues to suffer acute imbalances in trade and financial flows. These imbalances are forecast to widen further, and there is a great risk that they could become a major destabilizing factor in regional economic relations. What's more, the inability so far to resolve these imbalances has driven the region to the verge of a major trade war.

For these reasons, we reiterate our call made at the Joint Ministerial Meeting in Santiago for a Ministerial dialogue with both finance and trade policy issues on the table. Finding a solution to this problem will help prove APEC's effectiveness at dealing with pressing issues and demonstrate its leadership on a global level.

Thank you.