

PECC Statement to APEC SOM I Seoul, Korea

On behalf of the PECC Chair, I would like to congratulate Korea for the special effort they have put into focusing the APEC agenda on vital issues for Asia Pacific cooperation this year. APEC's theme of "Towards One Community: Meet the Challenge, Make the Change" is most appropriate as APEC undertakes its mid-term review. This is the first time that APEC and PECC will be simultaneously chaired by the same economy. This presents a unique opportunity for bringing together those involved with the official policy process and those engaged in the Track II process.

Members of the PECC would also like to express our sincere condolences and sympathy to those APEC member economies struck by the earthquake in Aceh and subsequent tsunami.

Many of you will be very familiar with PECC's work program. In this update to SOM we would like to highlight just a few key aspects of the programme.

The Trans-Pacific Agenda

The 16th PECC General Meeting will be held in Seoul on 5-7 September. We have chosen the theme "Towards a Pacific Community: Renewing the Commitment" to focus on the trans-Pacific character of PECC and indeed APEC's work. While recognizing the importance of initiatives to deepen market integration on each side of the Pacific, PECC remains convinced of the strong market-based rationale for economic integration across the Pacific.

The PECC General Meeting will bring together the region's businessmen, policymakers and policy analysts to focus on key facets of the trans-Pacific policy agenda with a view to creating a better sense of the shared interests we all have in the integration of the Pacific economy and the challenges we face in pursuing that goal, and to contribute to the development of policy responses to those challenges.

Mid Term Stocktake

PECC recognizes the importance of the mid-term stock-take as a central concern in the 2005 APEC year. This is an opportunity both to take stock of APEC's progress and to set out a "road map" to guide APEC economies as they move forward toward achievement of the Bogor goals. PECC agrees that this "road map" to the Bogor goals must be the key outcome of the mid-term stocktake exercise. We will be offering the results of our work programmes during the year as possible contributions to the development of the "road map". Like others we believe that the greatest challenges will be faced in developing the liberalisation component of the "road map".

Trade and Investment

PECC will be undertaking studies during 2005 that will contribute to the assessment of APEC's progress towards the Bogor goals in a number of areas of the Osaka Action Agenda: tariffs, NTMs, services and investment. We will also be focusing on two processes that will

obviously play key roles in the road to the Bogor goals: the WTO negotiations and RTAs/FTAs.

PECC joins with APEC members in giving the highest priority to a successful outcome to the DDA negotiations, and to a successful ministerial meeting in Hong Kong in December as a crucial milestone towards that outcome. Our work in this area will be directed toward improving understanding among the wider community of stakeholders of key issues that must be resolved if the negotiations are to succeed.

PECC applauds the adoption by APEC last year of Best Practice Guidelines for RTAs/FTAs. Our work on the role of RTAs/FTAs in the “road to the Bogor goals” will focus on two avenues:

- Application of the Best Practice Guidelines. We see a role for both “vertical” analysis (applying the Guidelines in the analysis of individual agreements) and “horizontal” analysis (comparison across agreements of provisions on specific issues). This work will assist in deepening the understanding of best practice, and in suggesting possible further development of the Guidelines in areas such as rules of origin, trade facilitation, services, and investment.
- Evolution of the Region’s RTA/FTA Architecture along the “Road to the Bogor Goals”: This will involve exploration of the potential for the existing architecture, based predominantly on bilateral agreements, to evolve towards the Bogor goals through steps involving larger plurilateral groupings, in ways that promote rather than hinder ultimate convergence towards full regional market integration, and that lower the transactions costs of doing business in the region. In the process we will aim to identify issues requiring early attention if this type of evolution is to be facilitated, and to reflect these conclusions in proposals for further development of the Best Practice Guidelines. Our approach will be to combine economic and legal analysis with case studies of actual and attempted formation of plurilateral agreements, including examples of the proposed “trilateralisation” or “plurilateralisation” of existing bilateral agreements. We will also aim to draw on the lessons from integration processes outside our region, including the FTAA negotiations. Rules of origin is clearly one of the key areas that will demand attention, and in relation to this topic we will be aiming among other things to draw and build upon the analysis and ideas about possible policy responses that were highlighted at the excellent workshop held recently by APEC’s Market Access Group.

PECC also agrees with ABAC that existing processes will need to be complemented by further bold initiatives if the Bogor goals are to be achieved, and we look forward to assisting ABAC in the development of new proposals in this regard.

The PECC Trade Forum will be holding its annual meeting jointly with the APEC Studies Centers this May just before SOM II and the APEC Ministers Responsible for Trade meeting. Initial results from our 2005 work programme on trade and investment will be available for consideration at that time.

Policy Frameworks for Engaging in the Global Economy

PECC's work on community building is focused on what type of policy environment is most appropriate for communities to engage in the global market place. As the tsunami disaster demonstrated there is an urgent need for communities, especially those in underdeveloped and remote regions to be better connected to the regional and global system.

PECC's work on community building seeks to find areas where the policy framework can play a key role in accelerating developmental progress. At a meeting in Sydney in December, PECC continued its work to identify the impediments to private sector investment in infrastructure in the region

Status of Trans-Pacific Cooperation for Financial Stability in the APEC Region

To be held just before the APEC Finance Ministers Meeting this September, the PECC General Meeting will examine the state of regional cooperation for financial development and stability in the APEC region

One of the major topics we will be discussing is the trans-Pacific trade imbalance. The key question to be discussed is what does this still growing imbalance imply for the state of financial and monetary cooperation or its absence among the APEC governments. What could be the consequences of the imbalance if it is left unchecked? What should be done about it by way of cooperation, and how? Can such cooperation or the need for it serve as a catalyst for financial and monetary integration across the Pacific or in East Asia? What should be the role of APEC?

As mentioned in our statement to APEC Ministers last year in Chile, we believe this is an area where greater dialogue between the region's trade and finance ministers could help lessen possible friction and create greater confidence in APEC.

The upcoming PECC General Meeting will also discuss and develop a regional agenda for public-private sector partnership for further development of both bond markets and corporate governance in the regional emerging markets, with a focus on East Asian economies.

Changing Retail Food Market Structure

PECC's annual Pacific Food System Outlook will be on the changing structure of retail food markets in the region. The experts meeting will be held in Kunming, China on 10-13 May this year. This work will examine the nature and scope of the supermarket phenomenon in the region. We believe this issue is of increasingly relevance to policy makers as well as consumers given that supermarket chains now account for 30-50% of retail food sales in the developing economies. This represents an enormous shift in these economies. Given scares over food safety as well as changing demographics we hope that our approach will highlight areas where regional policy coordination and cooperation can be of benefit to the people in the region.

Future of Pacific Cooperation

During the upcoming PECC Standing Committee next month we will be holding a public seminar on the Future of Pacific Cooperation. This seminar will focus on systemic rather than organizational issues. The output of the seminar will be published as a series of discussion

papers that will provide ideas and analysis on the future of trans-Pacific cooperation and how APEC may enhance its contribution to that cooperation in future.

Thank you for your kind attention.