



Asia-Pacific Economic Cooperation

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PECC Statement to SOM I

Purpose: Information
Submitted by: PECC Chair



Senior Officials Meeting I
Santiago, Chile
3 March 2004

**Update from Observers
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PECC is grateful to the government of Chile and the SOM Chair for the excellent arrangements for this meeting and for the warm reception PECC has received as a partner in the APEC process.

PECC is strongly committed to supporting Chile in its leadership of APEC this year. The issues that have been identified as priorities in the themes for 2004, namely:

- APEC as a catalyst in the multilateral trade system;
- institutionalization of FTAs and free trade regional arrangements in APEC; trade facilitation focused on trade and security and
- international financial architecture

are subjects which PECC will also be addressing over the next year and issues in which PECC has a strong background.

The overall theme of “One Community, Our Future” and its implicit understanding of the importance of an effective trans-Pacific partnership have particular resonance within PECC. Chile provided great leadership for regional cooperation when it chaired PECC for two years in 1996-97. PECC’s and Chile’s strong interest in strengthening transpacific cooperation and understanding has continued since that time. In PECC’s Brunei Declaration last year the trans-Pacific partnership was identified as being at heart of Asia Pacific economic cooperation because it “reflects the realities of the political and security relationships spanning the Pacific and the intensity and complexity of flows in trade, investment and technology”.

Institutional Developments in PECC

New PECC Chair

Since our General Meeting in Brunei, PECC is now being chaired by Dr. Kim Kihwan from Korea. The two-year Korean Chairmanship of PECC will culminate with our General Meeting in Seoul at the same time as Korea’s APEC year. We believe that this can add greatly to the focus and support of the regional community on APEC as the region undertakes the important mid-term review. Indeed, as we have done in the past, we are now considering how to best contribute to the review process through continued reviews of impediments to trade in the region, assessment of IAPs, and other such projects.

PECC Secretariat

As many of you will be aware, PECC is going through a phase of institutional development. When the PECC Secretariat was founded it was staffed by secondees from member economies. Over the past few years PECC has been moving towards openly recruiting all the Secretariat staff. This process will now happen with the appointment of a new Director General in the next few months.

PECC’s Work Priorities

PECC is continuing with its work program under three broad Forums: Trade, Finance, and Community Building. PECC will be holding two of its major meetings in Chile this year on trade and on finance.

We would like to take this occasion to express our gratitude to the government of Chile and the Chile Pacific Foundation for their support in putting these meetings together.

Trade

The PECC Trade Forum is jointly organizing a meeting on vital trade issues with the APEC Study Centers Consortium at the Pontificia Universidad Catolica de Valparaiso in Chile and support from the Chile Pacific Foundation. The Trade Forum's program at the meeting is supported by the Inter American Development Bank via its LAEBA initiative with the Asian Development Bank. The UN Economic Commission for Latin America and the Caribbean (ECLAC) will also be involved in the conference, which will be held between 26-29 May 2004. This will be the second time in recent years that the Trade Forum would have met in Latin America and we are pleased that it will enable a very broad range of participants to discuss issues relevant to APEC's agenda. . One of the reasons that PECC has chosen to meet in Latin America is to tap the considerable experience in the development of RTAs in the Americas and to draw out lessons for APEC and other parts of the region. .

RTAs will continue as a priority area for the PECC Trade Forum. In 2004-5 it intends to take a further step in its analysis by considering the implications of possible paths from the present situation of a multiplicity of RTAs to the ultimate achievement of APEC's trade and investment goals.

We note the importance APEC places on giving support to progress in the WTO negotiations. PECC will continue to bring together business, government and academic perspectives on some of the key issues involved. PECC is intending to work with PBEC on some Pacific approaches to one of the particularly difficult issues – agriculture. We believe that the combination of the analytical skills of the PECC Trade Forum with the business perspectives of PBEC can make the contribution more effective.

Finance

PECC will hold its Third Annual Finance Conference in Santiago on 20-21 June with support for the meeting from the Chilean Ministry of Finance and the Chile Pacific Foundation. The Conference will be held shortly before the APEC Finance Ministers Technical Working Group Meeting also to be held in Chile, following the precedent set last year in Thailand, for the purpose of facilitating PECC's contribution to the Ministers' process through cross participation between the two meetings. Conclusions of the Conference will be reported to the APEC Finance Ministers Meeting (FMM) to be held in Santiago on 2-3 September.

This Conference will be preceded by an *ABAC/PECC Joint Conference on Developing Bond Markets in APEC: Moving Forward through Public-Private Sector* to be held in Taipei on May 10-11. This Conference will be attended mostly by businessmen and experts from the private sector and international financial institutions in the region.

The theme of the Finance Forum's work program in 2004 is *Institution Building in a World of Free and Volatile Capital Flows*. This is a theme adopted from the APEC FMM 2004. By addressing the same core concerns with the APEC finance officials, we hope to establish the Finance Forum as a major advisory institution for the FMM. The work on this theme in 2004 will, however, constitute the preliminary portion of our work on finance over the next two years, the overall theme for which is *Vision and Roadmap for Financial and Monetary*

Cooperation in the APEC Region. We hope to be able to submit the output from this work program to APEC's Mid-Term Review in 2005, and specifically, to help APEC in deliberating its long-term work agenda for financial and monetary cooperation amongst its members.

In support of the APEC finance officials' work, and building up toward the vision and roadmap for financial and monetary cooperation in the region, the Finance Forum is undertaking work in three specific areas this year

- 1) Issues and Challenges of the International Financial Architecture from the Asia-Pacific Perspective;
- 2) How to Push the Unfinished Business of Strengthening the Domestic Financial Systems
- 3) Assessing and Building Capacities for the Development of Bond Markets in the APEC Region

We hope to identify immediate policy challenges as well as a long-term road map of cooperative actions among the APEC economies with which to help those economies withstand the turbulence of the international financial markets and at the same time continue their path of financial development and globalization

Community Building

The overall *mission* proposed for the Community Building Forum is to give impetus to partnerships between governments and the business sector to support change and growth. Public-private partnerships are emerging as key elements in economic development and they are being incorporated in a widening range of sectors. The Forum's programs will be practical and include the active participation of business as well as policy makers, researchers and other relevant groups.

The Forum will connect to projects based on various types of partnerships on both sides of the Pacific and then monitor their evolution. It will look at the new issues and initiatives that are happening at the cutting edge and determine what drives them. It will identify those features that invoke dynamism and enable further change and development.

Included in this portfolio of work will be PECC's work on assessment of the implementation of the e-APEC strategy, continued work on urban infrastructure – especially on the financing aspects; work on transportation links, as well as addressing sectoral issues such as energy and mining.

PECC is drawing on established international data sources and APEC economies for its assessment of the e-APEC strategy. Within the scope of the assessment, PECC is also endeavouring to highlight current priority themes security, the APEC goals on transactions costs and initiatives on liberalisation. It will participate in the APEC Tel meeting in Hong Kong, China, in March and proposals will be made to provide interim reports to APEC Ministerial meetings including the MRT.

Regional Outlook

Another core part of our work program is in publishing three outlooks assessments: Pacific Economic Outlook (Forecast), Pacific Economic Outlook (Structure), and the Pacific Food

System Outlook. The PEO is an annual forecast undertaken by a panel of experts from member committees, the special value we place in this activity is the bi-annual discussion we have on the underlying assumptions to our forecasts.

The Structure Group undertakes two-yearly research projects on selected topics affecting long-term economic growth. We believe these structural outlooks have an enduring value for the policy community and note that some of the previous work undertaken by this group may be of interest for the FMM this year, namely: Fiscal Policy Issues in the Pacific Region and Exchange Rate Fluctuations and Macroeconomic Management.

With the outbreak of bird flu and BSE in some parts of the APEC region, we would like to draw SOM's attention to the work being undertaken by the Pacific Food System Outlook who published a report on Food Safety in the region two years ago. This year the group will be addressing the logistics and improvements to the food supply infrastructure of the APEC region this May. We would like to express our gratitude to our colleagues from Viet Nam who have agreed to host this meeting.