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Update from Observers PECC Statement to SOM II

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Senior Officials' Meeting II
Pucón, Chile
2 June 2004

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We would like to express our sincere appreciation to our host, the government of Chile for its excellent organization of APEC SOM. Since SOM I, PECC has held a number of meetings of relevance to the work undertaken by APEC.

Trade

The PECC Trade Forum has just concluded a joint meeting with the APEC Studies Centers in Viña del Mar. We would like to acknowledge our hosts for the meeting, the Chile Pacific Foundation and the Pontificia Universidad Católica de Valparaíso, as well the co-organizers, the APEC Studies Centers, and our sponsors and collaborators LAEBA (a joint venture between the Inter-American Development Bank and the Asian Development Bank Institute). Our meeting brought together members of the Trade Forum network from throughout the APEC region, and speakers from the OECD, Inter-American Development Bank, the Organisation of American States, the U.N. Economic Commission for Latin America and the Caribbean, Oxford University and ICONE in Brazil also made valuable contributions to our discussions. We believe that by working together we are able to help build support for APEC's goals as well as benefiting from the large amount of work undertaken by separate organizations and learning from the varied experiences of different parts of the Asia-Pacific region.

The focus of the PECC Trade Forum panels at the meeting will be of interest to SOM. Following the publication last year of the proposed "Common Understanding on Asia-Pacific RTAs as Avenues for Achieving APEC's Bogor Goals", the Trade Forum is now embarking on a new phase in its work programme, focusing on detailed practical issues of RTA design, sequencing and convergence relating to possible transition paths by which Asia-Pacific RTAs may evolve toward fulfillment of the Bogor goals. Three panels at our recent meeting explored these issues, as well as providing analyses of the latest RTA developments in the APEC region. Three panels also focused on the "core issues" in the Doha Development Agenda: services, agriculture and non-agricultural market access. The services panel also highlighted the contribution that RTAs can make to global liberalisation of services trade.

In 1995 the PECC Trade Forum produced two studies, *Impediments to Trade and Investment Liberalisation in the APEC Region* and *Milestones in APEC Trade and Investment Liberalisation* that proved to be invaluable policy tools for APEC governments and a key reference for trade policy analysts from around the region.

Ten years on, as its contribution to APEC's "Mid-Term Review" in 2005, the PECC proposes a new detailed and in-depth study on the current state of trade and investment impediments in the region. It is proposed to include sections in the study on each of the following topics, drawn from the agendas of both APEC and the WTO:

- Non-agricultural market access: tariffs
- Agriculture
- Non-Tariff barriers (NTBs)
- Rules

- Services
- Investment
- Trade Facilitation
- RTAs

We note the discussions in the SOM Trade Policy Dialogue and the Peer Review sessions held during this series of meetings on RTAs which are an important step in clarifying some of the questions that remain on this issue. We believe that the inclusion of RTAs in this study will further help to explain the ongoing liberalization process in the region and the role of RTAs in that process.

Members of the PECC network are also working on a CTI project on the Mutually Supportive Advancement of APEC's Trade Facilitation and Secure Trade Goals post September 11. The team working on that project looks forward to comments from APEC members for the timely completion of the project by SOM III.

Finance

PECC's Finance Forum will meet for its Third Annual Conference in Santiago. The title of the conference is "Institution-Building in a World of Free and Volatile Capital Flows: PECC Perspectives"; the sub-topics are: Issues and Challenges of the International Financial Architecture from the Asia-Pacific Perspective, Strengthening the Domestic Financial Systems, Assessing and Building Capacities for the Development of Bond Markets in the APEC Region. This conference is being organized back-to-back with the APEC Finance Ministers Technical Working Group meeting for the second time. We hope that this will become a tradition as it greatly facilitates a fruitful exchange between researchers, bankers and officials on questions of financial stability. SOM may wish to take note of the work PECC is undertaking on strengthening domestic financial systems. We believe it is of relevance to the CTI, in particular for the High Level Conference on Structural Reform as well as the SELI group. SOM may also be interested to know that PECC will be publishing in late July this year a collection of innovative studies it has done on how to develop the Asian bond markets.

PECC and ABAC organized a joint meeting on developing regional bond markets last 10-11 May back to back with the second ABAC meeting of the year. While this meeting was organized in response to the call from APEC Finance Ministers for specific inputs from the private sector on bond market development, there are some aspects of that work which we believe would be of interest to SOM. Specifically, the meeting highlighted recommendations on promoting effective domestic and region-wide insolvency and creditor rights systems that should be of interest to the Strengthening Economic Legal Infrastructure group.

Community Building

PECC is continuing to refine its work program on community building. As we reported to SOM I, our focus in this area is on addressing bottlenecks to infrastructure development. A significant part of this work will be on sectoral issues such as information and communications technology and energy.

PECC's work on ICT will mainly be on the environment for developing strong IT sectors to enable all people of the region to benefit from the services of the Internet. This includes the

work PECC is undertaking for APEC on the monitoring and assessment of the E-APEC strategy.

PECC has undertaken an assessment of the APECs performance in delivering e-infrastructure as part of its overall assessment of implementation of the e-APEC Strategy.

The assessment of e-infrastructure is laid out in a detailed working draft of nearly 50 pages (in two sections) and is being circulated for internal discussion between APEC Members and PECC.

The assessment considers access to infrastructure, its affordability and reviews the openness and state of market liberalization in relevant sectors in all APEC economies. Section 2 of the assessment concludes that a significant process of liberalization has occurred in the APEC region in e-infrastructure since 1998. The report will be circulated to PECC and APEC members within the next few weeks for comments.

Regional Outlooks

PECC's expert network on food met in Viet Nam last May 17-19. We would like to express our appreciation to the Viet Nam PECC committee and the host for the meeting, the Chamber of Commerce in Hanoi. We are especially pleased as it has been some time since we last held a meeting in Viet Nam. This meeting addressed infrastructure issues related to the production and delivery of food. This topic is of special concern to many economies in the region today. As we have seen over the last few years, food safety is a concern to all of us and the system through which our food passes is vital in ensuring the maintenance of high standards in food safety.

PECC will be releasing its annual economic forecast next week to coincide with the APEC Ministers Responsible for Trade Meeting. This forecast is undertaken by a panel of respected independent economists from throughout the Pacific Rim who examine the underlying assumptions behind forecast models and how regional trends play a role in determining actual growth. Our forecasters expect regional growth to rise further to 4.7% in 2004, and then to ease back to 4.4% in 2005. A major risk in the outlook continues to be the response in the region to the rising US current account deficit. Other risks come from world commodity markets, especially energy markets. The outlook is available on the internet at: www.pacificeconomicoutlook.com

PECC Standing Committee

PECC held its Standing Committee in Beijing last April. To coincide with this we also held a special seminar on "China's Economic Growth and Its Impact on the Region". We were very fortunate to have the Governor of the People's Bank of China, Dr. Zhou Xiaochuan deliver the keynote speech on prospects for China's economy. PECC will shortly be publishing a summary of the discussions at the meeting. The discussions demonstrated the level to which the region's economies are integrated and highlighted the importance of policy dialogue across a wide range of issues.

We would like to take this opportunity to thank the APEC Secretariat Executive Director, Ambassador Mario Artaza for taking the time out of his busy schedule to update PECC members on developments in APEC. During this meeting we discussed some of the challenges facing Asia Pacific cooperation and tentatively concluded that the working theme for the PECC General Meeting to be held in Korea next year should be "Re-strengthening

Ties across the Pacific”. As this will be the first time that PECC and APEC will both be chaired by the same economy, we believe that close coordination between our organizations over the coming twelve months or so has a special role to play in building strong public support for Asia Pacific cooperation.

Thank you for your attention.