

PECC Statement to APEC MRT

5 June

Pucon, Chile

PECC continues to fully support APEC's vision of an Asia-Pacific region integrated through achievement of the Bogor goals. In our view the logic underlying this vision is as strong as ever.

That we feel the need to make this statement reflects a concern that the emergence of new issues and concerns at both the regional and global levels has left Asia Pacific cooperation relatively lower on the agenda than it used to be. Our PECC Chair, Dr Kim Kihwan has renewed PECC's commitment to deploy its full resources in building and maintaining support for Asia-Pacific economic cooperation and in delivering substantive contributions to the advancement of APEC's objectives. Those contributions are primarily the responsibility of our three Forums. Our Trade Forum focuses on impediments to trade and investment between our economies, our Finance Forum focuses on ways to ensure stability and continuity of capital and financial flows, and our Community Building Forum focuses on internal infrastructure and how to avoid bottlenecks to growth.

Like many others PECC has been concerned about the development of preferential trading arrangements in our region. As is well-known these arrangements – bilateral, plurilateral, subregional, and regional – have been proliferating in the Asia-Pacific, as elsewhere. Both the attractions and the risks associated with these arrangements are familiar to all of us.

PECC recognizes that governments everywhere claim the right, indeed the duty to pursue their trade policy in the ways that they consider best serve their national interests, and this can and does include through preferential trading arrangements. At the same time we know that history teaches us that the uncoordinated pursuit of national trade policy objectives can easily become a zero-sum game. That was one of the lessons that led to the creation of first the GATT and then the WTO. PECC is concerned that the unconstrained and uncoordinated proliferation of preferential trading arrangements in the APEC region and beyond may result in a regional trade architecture that is at best sub-optimal and that at worst may impose serious economic costs on the region's economies and their businesses.

The question that needs to be addressed is how to identify organizing principles or coordination mechanisms to ensure that governments can attain their trade policy objectives while also providing for the liberalizing impulse of these new arrangements to be harnessed for the common good of all APEC economies through region-wide integration. Ideally the required principles or mechanism should be provided by the WTO. As we all know however, the WTO rules on preferential trading arrangements are notoriously weak. While we can hope for a strengthening of these rules as one of the outcomes of the current WTO negotiations, realism suggests that we should not count on this. APEC economies will therefore have to find their own solution to the policy dilemma.

As an initial contribution, PECC last year produced its proposal for a Common Understanding on RTAs as Avenues for Achieving the Bogor. This proposal embodied our conclusion that APEC's own principles provide valuable guidance as to the way in which preferential trading arrangements should evolve in order to be consistent with the APEC Bogor goals. We continue to maintain that conclusion.

The next step is clearly to move from the level of principle to the level of practicalities and details. Accordingly, the task we have set ourselves over the remainder of 2004 and 2005 is to produce a further body of analysis that can assist in identifying possible transition paths whereby preferential trade in the region can evolve towards attainment of the Bogor goals. This analysis will include attention to issues such as best practice, sequencing, transparency, and rules of origin.

We are very encouraged by the response of APEC senior officials to these issues. The Trade Policy Dialogue on FTAs/RTAs held several days ago in Pucon was a very worthwhile and productive exercise. We are glad to know that a further Trade Policy Dialogue is likely to be held next year in Korea, and that it has been proposed that this should be preceded by a very substantial work programme on how FTAs/RTAs can contribute to APEC's goals and principles. We hope that our own work programme can contribute to this process, and we look forward to sharing our findings with you.

ABAC too has been considering these issues. As Ministers will know a proposal recently surfaced within ABAC for a Free Trade Area of the Asia Pacific (FTAAP). At ABAC's request, members of the PECC Trade Forum will provide a preliminary assessment of this proposal. This will be an objective "issues paper", designed to assist ABAC in its consideration of the proposal.

I would like to highlight one other proposed contribution of the PECC Trade Forum that may be of interest to Ministers as you look ahead to next year's mid-term review. In 1995 the PECC Trade Policy 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, the PECC Trade Forum proposes to conduct a new detailed and in-depth survey of the state of liberalisation and facilitation in the region. We hope that this will once again prove a valuable contribution to APEC's deliberations.

Finally, and most importantly, we must stress that regional and global developments mean that a successful outcome to the WTO's Doha Development Agenda is more vital than ever. Successful multilateral liberalisation is the best possible antidote to any negative impact of preferential trade arrangements. It is also clear that prospects for achievement of APEC's Bogor goals, especially by the developed economies, is heavily dependent on substantial progress being made in the Doha Development Agenda. A fairer international trading system can make a valuable contribution to the promotion of peace, harmony and human well-being on our planet.

The issues that need to be resolved in order to make progress in the Doha Development Agenda are well-known, as are the obstacles. Political will is now crucial. Allow us simply to add our voice to the many others urging you to take every possible step towards securing a successful outcome.

Looking ahead, next year we will hold our PECC General Meeting in Korea. This will be the first time that APEC and PECC have been simultaneously chaired by the same economy. We believe that this provides an opportunity for especially close coordination between our two organizations with the objective of building strong public support for Asia Pacific cooperation.