



Asia-Pacific Economic Cooperation

2002/SOM1/042

Senior Officials' Meeting I

PECC Statement to SOM I

Agenda Item: XII 1

Purpose: Information
Submitted by: PECC



Senior Officials' Meeting I
Mexico City, Mexico
27-28 February, 2002

PECC Statement to SOM I

Agenda Item: Update from Official Observers

APEC SOM I: Mexico City

14th PECC General Meeting in Hong Kong

The Pacific Economic Cooperation Council ended a two-year cycle last November with its 14th General Meeting in Hong Kong. The General Meeting saw the conclusion of the PECC Chairmanship by prominent Hong Kong businessman, Dr William Fung. Despite the difficult economic times, over 1,000 people participated in the meeting. About 400 were from business, 320 were from research institutions, and the remainder were drawn from official circles.

The General Meeting attracted some 100 speakers. The proceedings were opened by the Chief Executive of the Hong Kong Special Administrative Region (the Hong Kong SAR), Mr. Tung Chee Hwa. The WTO Secretary-General Mr. Mike Moore spoke about the successful conclusion of the Doha WTO Ministerial Meeting. Representatives from the business sector included Dr. Victor Fung, Chairman of the Hong Kong Airport Authority; Mr. Yotaro Kobayashi Chairman of the Board, Fuji Xerox Co.; Mr. Hernán Somerville President, Chilean Association of Banks and Financial Institutions; Mr. Didier Balme, Head of North and East Asia, BNP Paribas; and Group Chief Executive, BNP Paribas Peregrine; and Mr. Stuart Gulliver Chief Executive, Investment Banking and Markets Asia Pacific, The Hong Kong and Shanghai Banking Corporation Limited.

Ministers and former Senior Officials spoke including Malaysia's Minister for International Trade and Industry, Dato' Seri Rafidah Aziz, Hong Kong SAR's Secretary for Commerce and Industry Mr. Chau Tak Hay, the former US Trade Representative Amb. Charlene Barshefsky, Canada's Secretary of State for the Asia Pacific, Dr. Rey Pagtakhan, and New Zealand's Minister for Trade Negotiations Mr. Jim Sutton. Noted international analysts included Prof. Paul Krugman, Prof. Alan Winters, Prof. Ippei Yamazawa and Prof. Ross Garnaut.

While it was agreed that the economic performance of the region had been built upon a successful model of global and regional integration, a clear message from the General Meeting was the importance of designing and implementing capacity building programs to tackle the complex changes that result from increased interdependence.

Brunei takes the PECC Chairmanship

At the conclusion of the General Meeting, Pehin Lim Jock Seng, who heads the Brunei PECC Committee, was endorsed by the PECC Standing Committee as the Chair of PECC for the next two years. He will be familiar to APEC officials as the Chair of the SOM for APEC 2000. Mr. David Parsons is the new Director General of the PECC International Secretariat. PECC's work for the next two years will be guided by the theme *Securing the Future* with the sub-themes: "Rejuvenating Growth; Mapping Economic Integration; and Building Partnerships for Development".

PECC implements new working structure

PECC's ongoing work program will now be centered around three main forums on Trade, Finance and Community Building. Each of these forums will have a limited number of task forces and project groups which will be given a specific and time-bound mandate. Each forum and task force will be run by a coordinator and an international advisory group drawn from the PECC members and relevant international and regional organizations.

a) Trade Forum

The work programmes of the Trade Forum will continue to focus on the contribution to the region's prosperity that can flow from the progressive realisation of the APEC vision of free and open trade and investment in the Asia-Pacific region. Task forces have been established to tackle key issues for APEC's trade and investment ambitions that are raised by two major new developments.

The first of these developments is of course the launch at Doha last November of a new round of WTO negotiations. While these negotiations and the associated preparatory activity are still at an early stage, we know already that they will cover a number of issues that are also central to APEC's agenda, including several that have already received extensive attention in APEC work programmes. APEC members have a strong interest in working to ensure complementarity between the WTO and APEC agendas, so that the WTO negotiations can build on the progress that has already been achieved within the APEC process. At the same time a successful WTO round will clearly provide a major impetus towards the achievement of APEC's own objectives. The task force established by the Trade Forum will aim to produce quality analysis that will assist in identifying ways forward in both the WTO and APEC that take maximum advantage of the respective strengths of the two processes to promote the multilateral and regional trade and investment objectives of APEC's members. In particular the task force will work on the following specific issues:

- Investment
- Competition Policy
- Trade Facilitation
- Government Procurement
- Agriculture
- Services
- "Rules" Issues
- Industrial Tariffs
- Trade and Environment

The second major development is the spread of preferential trading arrangements in the APEC region. A wide variety of arrangements has been proposed, ranging from bilateral agreements to much larger trading blocs. These developments have created considerable controversy and also some tensions within the region, and raised questions about whether and under what conditions they can be viewed as contributing towards APEC objectives. The Trade Forum has established a task force to develop in-depth analysis of the implications of this trend towards creation of new regional trading arrangements in the Asia-Pacific region.

The task force's work programme will build on the outcome of Trade Policy Forum's successful seminar on RTAs, held in Bangkok in June 2001. The seminar identified a number of issues requiring more work, and a number of additional issues to be addressed. These issues will be

Final

incorporated in the task force's agenda, along with new issues that arise as the trend towards RTAs in the Asia-Pacific region continues.

The mandate of the Trade Forum continues and expands that of its predecessor, the Trade Policy Forum. The Trade Forum looks forward to continuing the close collaboration already established with APEC's Committee on Trade and Investment.

b) Finance Forum

The newly instituted Finance Forum will undertake those activities of PECC that address the issues associated with financial development, as well as financial and monetary cooperation in the region, so as to help enhance and sustain financial stability and economic dynamism in the region.

The main instruments of the Finance Forum will be two Task Forces, namely: *Financial Institutions Development (FID) Task Force*, and *Financial and Monetary Cooperation (FMC) Task Force*.

The FID Task Force will study issues concerning bank and non-bank ownership and control, as well as financial institutions' risk-management policies. Specifically, it will identify best practices in the global economy in regard to these issues, and highlight important impediments to the efficient functioning of the financial systems of the PECC economies. The Task Force plans three basic outputs to address these issues and form the basis for policy recommendations:

- (1) Bibliography/Resource Manual;
- (2) Cross-Country Law and Regulation Survey;
- (3) Cross-Country Survey of Regulator and Financial Firm Practice.

The FMC Task Force will survey and analyze the attitudes of the governments in the PECC region toward a number of existing financial fora for mutual support for financial and exchange-rate stability in order to determine *how deep financial and monetary integration is among governments in the region*, as well as *to what extent, and how, it can be deepened*. Examples of such fora include ASEAN+ 3 (Chiangmai Initiative and Asian Monetary Fund), Manila Framework Group and Executives' Meeting of East-Asia and Pacific Central Banks (EMEAP). In 2002, the Task Force will focus on financial arrangements to prevent financial crises in the region, and to manage more effectively those that do occur. It will also initiate work on monetary cooperation for exchange-rate stability, including the long-term issue of monetary integration.

c) Community Building Forum

PECC's Community Building Forum is an innovative approach to the challenge of globalization. Taking on board some of the key recommendations on ICT and human capacity building and associated issues from the Brunei and Shanghai Leaders' Statements PECC will be focusing on building partnerships, especially with the business sector. Part of this will include the types of regimes required to attract investment in physical infrastructure and skills.

So far, two task forces have been established within this Forum. A task force on sustainable cities will analyze the processes implemented in a dozen diverse metropolises in order to identify and draw conclusions regarding the legal and institutional, national, regional and local frameworks, the establishment of public-private partnerships, the level of costs and their associated financing, and the treatment of social and environmental considerations. A second task force, led by Japan, aims to demonstrate practical ways of bringing the benefits of information technology to developing

Final

economies and assisting their integration into the global community. This task force will develop programmes for application in the challenging environment of the Pacific island nations.

d) Cross-cutting Activities

In addition to the work undertaken by the Forums, PECC will continue to publish its three outlooks: Pacific Economic Outlook (Forecast); Pacific Economic Outlook (Structure); and Pacific Food System Outlook. The Structure group will be focusing on Infrastructure Development in the Asia Pacific, and the Food System Outlook will address the question of food safety.

Ongoing Cooperation with APEC

PECC will continue its close cooperation with APEC. PECC's restructured work program will operate on, for the most part, a two-year cycle, with many of its deliverables coming in 2003.

- PECC's Trade Forum intends to continue to work closely with the APEC Committee on Trade and Investment and its subfora..
- PECC's Finance Forum will be working closely with the APEC Finance Ministers Process and other relevant APEC committees. The Finance Forum will be co-organizing a seminar on Risk Management with ABAC. The Finance Forum Coordinator will be attending the APEC Finance and Central Bank Deputies Meeting in April.
- PECC's Community Building Forum is conceptualizing a framework through which much of our sectoral work will be channeled. It will be targeted at enabling the widest spectrum of the region's communities to participate effectively in the global market. It will build on the work that PECC has undertaken in key areas such as telecommunications, human resource development, energy, transportation, and tourism.

Specific ongoing areas of collaboration include the following:

- Project for the APEC Group on Services on Phase Three of the "Menu of Options for Voluntary Liberalization, Facilitation, and Promotion of Economic and Technical Cooperation in Services Trade and Investment."
- Work for the Investment Experts Group on "A Review of Cross-border Mergers and Acquisitions in APEC".
- The "APEC-PECC RISE" Project.
- PECC's telecoms and information industry experts continue to work in close cooperation in organising public-private sector dialogues for APEC Tel.

In addition to our project-oriented Forums and Task Forces, the PECC members will continue to support and play an active role in the APEC process through their respective economies. PECC continues to stand ready to respond to suggestions from APEC on further areas for productive collaboration in the future.

Final

February 2002