



Asia-Pacific Economic Cooperation

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## **14<sup>th</sup> APEC Ministerial Meeting**

PECC Statement to APEC Ministers

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14<sup>th</sup> APEC Ministerial Meeting  
Los Cabos, B. C. S. , Mexico  
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## **PECC Statement to APEC Ministers Statements from Observers**

Mr. Chairman,

We thank the Mexican Government for the warm hospitality extended to PECC at this meeting and throughout the year. We take our role as an Official Observer and supporter of the APEC process very seriously and it is therefore an honor to make this Statement.

These are difficult times for the international community facing the challenges of terrorism, corporate scandals, and an uncertain economic recovery. Unfortunately, the Asia Pacific region is at the centre of many of these uncertainties. It is a time when APEC must use its experience in economic cooperation as a clear force for regional unity.

Determined implementation of APEC commitments can contribute to unity in a practical way by providing much-needed cohesion and confidence in the market place. We therefore commend Ministers for their focus on implementation particularly in the area of the Shanghai Accord and on initiatives to provide a more secure environment for trade and investment.

### **Smooth cross border flows: a key APEC priority**

One obvious signal of APEC's success and influence as a force for unity will be the continued smooth flow of goods, services, funds and people across borders. We commend APEC plans for implementation to this end. Most of the solutions lie in better technology and the capacity to use it. We hope therefore that APEC will work rigorously to ensure that developed and developing economies alike are partners in new developments Ministers have foreshadowed.

### **Factors contributing to uncertainty**

Of course many of the factors contributing to uncertainty are not in the portfolio of Ministers at this meeting. Two of these issues are economic recovery and financial stability.

The economic recovery, according to our forecasting group in PECC, is likely to continue although it may be shaky and slow. PECC forecasters are expecting weighted averaged output in the Asia Pacific to grow by 2.8 percent this year and 3.8 percent in 2003 but there are risks and one important area is a greater perception of insecurity. The responses by governments and by foreigner investors to these perceptions will have important effects on economic growth and may even have longer-term effects on productivity growth.

Restoring confidence in the regional economy will require cooperation to promote financial stability. PECC has identified six key areas that would greatly benefit from strengthened cooperation by APEC:

- addressing the continued risks of volatile global capital flows;
- renewed leadership for improved corporate governance standards;
- addressing implementation challenge posed by the Basel 2 accords;

- focused capacity building for risk management in banks ;
- support for building regional financial arrangements, including surveillance
- support for greater representation of Asian economies in the IMF.

These particular issues are the domain of Finance Ministers but they are important to all aspects of the business and economic environment in which trade and investment policy is established. It is therefore crucial that the dialogue that you have established between Finance Ministers and the wider APEC process will continue to strengthen. The Transparency Principles that you are recommending to Leaders in Los Cabos are a very useful step in that direction.

### **The WTO and regional trading arrangements**

PECC applauds the strong affirmations APEC has given in support of the WTO and the significant contributions APEC is making to support the Doha Development Agenda through dialogue, consensus on regional priorities and capacity building.

We also note the instructions by Ministers for a constructive exchange of views between officials on regional trading arrangements and FTAs. PECC believes that this is the very least APEC should do at this time.

Some economies involved in these preferential arrangements have explicitly stated that they are seeking to accelerate progress towards APEC's objectives. Nevertheless it is clear that there are also a number of other factors at work and some of these are of concern.

PECC also has concern about the trans-Pacific dimension of RTAs and the potential implications for APEC. As we noted at the MRT in Puerto Vallarta, while some trans-Pacific RTA proposals continue to be pursued, the development of RTA initiatives is increasingly proceeding along separate tracks in East Asia and the Americas. The possible establishment of the FTAA and the emergence of an East Asian trade bloc have the worrying potential to divide the Asia-Pacific region into two competing mega-blocs. Obvious questions are raised about the future of the concept, inherent in the design of APEC, of the Asia-Pacific as a region of economic integration embracing both sides of the Pacific. We continue to believe that this issue must be squarely addressed within APEC.

### **More focus in economic and technical cooperation**

The Mexican year has included commendable moves to make the economic and technical agenda more meaningful and focused. This is an important development. PECC believes the key issue for APEC, with few resources of its own, is how to leverage up APEC capacity building initiatives so that they can benefit a much wider spectrum of stakeholders in the market place as well as policy makers. Working more closely with international institutions with their considerable resources provides a means to do this.

## **PECC contributions to APEC in 2003**

PECC places a high priority on contributing to the APEC process and plans to do so in four main areas in the coming APEC year.

First, PECC's Trade Forum will examine quite intensively the area of RTAs to look at their developments and implications, their impact on business costs and areas of possible conflict. It will aim to develop a set of Principles for APEC-Consistent RTAs.

Second, we will examine the so-called Singapore Issues in the WTO and make recommendations on how the region could move forward on these issues. We are also particularly interested to make a contribution toward APEC's own initiative on reducing transactions costs to business and consider some of the sectoral issues starting with the automotive and chemical sectors.

Third, we will step up our work on financial and monetary cooperation, on the one hand, and financial institutions development, on the other hand, making policy-relevant recommendations in cooperation with the key international organisations and the business sector, with whom we have developed strong working relationships. For this purpose, we will examine progress in promotion of financial reforms and integration in the region, assess the international financial architecture for financial stability and development in the region, and develop recommendations to APEC for financial and monetary cooperation.

Fourth, we will continue our work in human resource development and in many of the areas covered by the e-APEC strategy including the Brunei vision on internet access.

Fifth, PECC has a strong background in monitoring and assessment and we will continue our assessments of selected areas of APEC implementation drawing on the diverse expertise of PECC's tripartite constituency as APEC moves toward its mid-term review in 2005.

Finally, at this time of uncertainty PECC will endeavour to both strengthen and broaden the non-government constituency for APEC goals. We have been working closely with ABAC over a several years complementing its work with analytical capacity and we look to broaden our outreach with business generally. PECC is also in close consultation with PBEC with a view to working in much closer cooperation and sharing resources.