

PECC 99 STATEMENT

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23 October 1999

As we look to the 21st century and to PECC's 20 years of growing Asia Pacific cooperation, it is time to reflect on the region's development and to ensure that our bearings are clearly set for the future.

Over the last two decades, PECC has emerged as the leading independent policy and advocacy group for economic cooperation and market-driven integration in the Asia Pacific. Its tripartite nature, which combines knowledge of the government policy-making framework with hard-nosed business priorities and rigorous research and analysis, gives PECC a unique edge in identifying and developing policy recommendations. Furthermore, the informality and openness of the PECC process helps build regional consensus to bring these issues onto the official agenda for action.

The official APEC process, established in 1989, grew out of confidence building from the broad-based interaction provided by the PECC process. As the only non-governmental observer organization of APEC, PECC is able to channel its business and intellectual input to APEC in a timely manner. We remain committed to our role as APEC's critical collaborator in promoting regional economic cooperation as a means to achieving greater prosperity for people in the Asia-Pacific region.

The economic crisis, which raged over Asia in the last two years, has left indelible and painful marks on the region. The worst appears to be over, but the path to recovery is difficult and fraught with risks.

A crucial lesson learnt from the crisis is the importance of well-functioning markets and effective regulatory institutions to healthy economic development. PECC has made this a central theme in formulating its response to the crisis, which includes:

Developing a framework for a coherent response to the crisis central to which is bringing economic and technical cooperation or capacity building into the heart of the APEC process, and promoting merit based competition as a guiding principle

Helping to invigorate the momentum for trade and investment liberalization

Addressing the constraints on growth presented by resource limitations and the need to meet the infrastructure requirements of a modern economy

Broadening links with other organizations that also have a stake in the sustained growth in the region.

But in order to move from recovery to the path of sustainable growth, we have to take into consideration the remarkable transformation on the economic landscape. Technology is changing how wealth is created, and business is conducted. Better communication and transport, and more open markets have moved our economies closer. Larger and more mobile capital flows can speed up the development process but can also imperil national development efforts. Our course of action for the future will have to grapple with these changing circumstances.

THE WAY WE INTERACT

Finance

The recent events have highlighted the interdependence of economies in the global financial system. It is very clear that our collective futures depend on a healthy and stable global financial system. Mechanisms have to be found to prevent the destructive effects, if any, of unhampered mobility of short-term capital. It is important to underscore that the foundation for a new global financial architecture rests largely on domestic efforts to restructure and develop sound financial institutions.

For its part, PECC will continue to bring together government and market players to work on issues of financial markets development and reform in the Asia Pacific region, with a focus on:

Macroeconomic risk management

Restructuring banks and corporations in the crisis economies

Creating a transparent and stable regime among the financial institutions in the Asia Pacific

Developing social safety nets to cushion the pain of adjustments

PECC therefore welcomes the APEC effort to more closely integrate the Finance Ministers process into the APEC mainstream. PECC will continue to support innovative efforts at building a more responsive regional financial order that is an integral part of a global financial architecture.

Trade

The Asian crisis had prompted fears of reversals to the process of opening up or increased protectionism. The reality is that considerable progress has been made on trade and investment liberalization as part of reforms driven by the crisis, and encouraged by international institutions. However, protectionist pressures and potential for slowdown or reversals of reforms remain. Thus, we cannot afford to lose the liberalization momentum and efforts to sustain reforms must not let up.

APEC Leaders at their Summit in Auckland strongly supported the launch of a sufficiently broad-based round of trade negotiations at the WTO Ministerial in Seattle. PECC agrees that this is the direction to proceed. It is important for such a Millennium Round to involve a comprehensive membership in the WTO; and that its agenda encompass the interests of both developing and developed economies to give meaning to the call for the round to be a Development Round.

WTO should seek to develop its role in market strengthening as well as market opening. Where rules exist, they can be strengthened. Where they do not, PECC and APEC can lead the way to develop principles, such as in the competition and deregulation area.

Regional Cooperation

APEC has been pivotal in moving regional trade and investment liberalization and facilitation forward in the years since the conclusion of the Uruguay Round. But the dawning of a Millennium Round has put the spotlight on the future of APEC's liberalization agenda. APEC, born out of good times, has also been severely challenged to come up with adequate responses to the regional crisis.

PECC believes that APEC remains a crucial anchor for regional cooperation in the

21st century. In order to play this role, APEC should give greater definition and clarity to its individual and collective action plans for trade and investment liberalization. This should be complemented by enhanced efforts on economic and technical cooperation, as an inherent component to regional cooperation and bring tangible benefits for the people.

Regional and bilateral trading arrangements are on the rise, but this need not be inconsistent with multilateralism and globalization. They can pave the way to greater globalization. The key is adherence to the principle of open regionalism. The WTO can provide the essential global framework within which such entities interact and remain positive, not destructively competitive and discriminatory.

Despite the undoubted importance of the WTO, PECC sees a continuing role for APEC to make progress in areas where immediate WTO commitments are unlikely. APEC economies can take the lead in ensuring that their bilateral and sub-regional trading arrangements complement APEC's goals and support WTO's objectives. PECC also notes that while APEC concerted unilateralism is likely to stay ahead of WTO rules and commitments, APEC economies should continue to pay attention to the eventual need in WTO negotiations for consistency between APEC development and the processes of the EU and of non-APEC developing economies. European participation in PECC 99 represents PECC's initiative to engage Europe in dialogue on Asia Pacific developments.

THE WAY WE LIVE

People are becoming urbanized at a startling rate, and how we develop our environment is now a crucial part of our way of life for more and more people of the region.

The provision of quality infrastructure services and clean urban environments are dilemmas for cities in member economies. The breakthrough will come from the

application of market solutions in the context of public-private partnerships. Getting to that position is not easy. It requires an effort to build a consensus on the role of markets and efforts to build the capacity to choose the right policy regime then implement it. APEC can help. Its economic and technical cooperation program is a vehicle for progress, and PECC is committed to driving it forward.

Enhancing living standards in Asia Pacific economies, and reducing urban and rural income disparities, depend crucially on improving the economic opportunities available to rural people. Essentially what is required is to extend the institutional and economic framework of an efficient market economy into rural areas, and to ensure that these areas can be efficiently linked to domestic urban and global markets. Only if they can participate competitively in those markets will rural producers become the beneficiaries rather than the victims of globalization. Farmers who are successfully integrated into the regional or global food system can then benefit from the freeing up of trade.

PECC 99 provided an opportunity to showcase the leading role that PECC has played in providing the top regional forum for constructive, on-going dialogue between energy government leaders and the region's top energy industries. A special government-private sector dialogue focussing on natural gas as a clean fuel option for the ASEAN region demonstrated the growing importance of public-private cooperation in this sector. A second important theme to emerge was that energy is rapidly evolving into a sector of more open, competitive markets in the drive to produce and deliver more efficient, affordable and dependable energy. The results of efforts to manage these changes will have enormous implications for sustainable economic growth, productivity, and creating and maintaining better living standards throughout the region.

Information Technology holds the promise of bringing together the people of the region, creating an e-community. However, realizing the potential of IT means overcoming the 'digital divide' which presently separates developed and developing economies of the region and sectors within societies. Underdeveloped information infrastructure, uneven access to information networks, and shortages

of IT-skilled workers continue to provide challenges for the region. Combined with the rapid pace of technological change, the gulf between the ‘knows’ and the ‘know-nots’ of the information economy may continue to widen.

Governments must work closely with business and the academic community to ensure that the benefits of technology of the information age are accessible to all. Liberalization of the information sector is necessary as it can help build capacity. Given its tripartite membership, PECC is well placed to contribute to tackling the challenges of the information economy through policy development, the sharing of best practices, identifying impediments to network development and by providing a forum for broader input to the policy process.

RESPONDING TO THE CHALLENGE OF THE NEW CENTURY

PECC has borne witness to the region’s first steps in informally reaching out to each other, its market-driven integration, and its evolution to a formal process of cooperation. In its lifetime, the Asia Pacific has ridden the crest of prosperity and experienced the depth of an economic crisis.

Our experience indicates that an independent, tripartite organization is an important element in achieving the vision of ‘a community of Asia Pacific economies in which the spirit of openness and partnership deepens’. We also recognize that regional development and stability is a key factor for global prosperity.

The 21st century’s regional and global structures must be based on a new relationship between developed and developing economies. Our future cannot be based on relationships that existed in the past. And in building these new structures, we have to get the process right.

We believe that processes that are involved in driving the regional and global economy have to be inclusive and representative. We need a process where all major stakeholders – and not just traditional players – are involved.

PECC's own experience has shown that when we get the process right, we will also have a better chance to get the substance right.

Into the new century, PECC will continue as a forward-looking process drawing on the innovation and creativity of the people of the region to ensure their well-being.

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