



**PECC Statement to the APEC Ministers
Thirteenth APEC Ministerial Meeting
Shanghai, China
17 – 18 October, 2001
Agenda Item 17.1: Observers Statements**

Excellencies,

On behalf of PECC, I would like to express our deepest condolences to the victims, their families and loved ones of the 11 September terrorist attacks in the U.S. Terrorism is a global problem that requires a global response. Here in our region, PECC and APEC can address some key issues relevant to this response within the context of the respective mandate of our organizations. These include improving safety in transportation, information exchange, and the denying the use of financial assets for terrorism. In the long term, our shared mission of promoting economic cooperation among the economies in the region to bring about greater economic and social benefits and well-being has the ultimate goal of contributing to the stability, prosperity and progress in the region. The events of September 11 has given this mission even greater urgency given the fact that it highlighted how mutually intertwined economic security and political security are.

Since PECC's mission began more than twenty years ago, we have witnessed the creation of APEC, the WTO and many other significant events. Yet, we must remain true to a vision that was formally enunciated in 1986, in our Vancouver Statement. Fifteen years ago, we stated that "We are mindful of the shared interest in promoting economic cooperation among the economies in the region to bring about greater economic and social benefits and well-being for our respective peoples and contribute to the stability, prosperity and progress of the entire region."

The greatest challenge we face today is the same challenge we faced then: to bring about the stability, prosperity and progress of the entire region-- no more and no less. However, the setting of the world we are in has changed dramatically. The buzzword is globalization. The 1997 Asian Financial Crisis was a setback for the whole region and the whole world. Since then, we have seen more and more vocal, and sometimes even violent demonstrations against some aspects of globalization. However, globalization is an inevitable process; it is not driven by meetings in Seattle, Genoa, or here in Shanghai, it is driven by developments in technology and markets. In these meetings we can address the concerns of those negatively affected by globalization and find ways to make sure that the policies we put in place will lead to the sustainable development of the region and the alleviation of poverty.



PECC's chairmanship revolves on a two-year basis, Hong Kong, China, has the Chairmanship during 2000-2001. PECC's fourteenth general meeting will be held in a month's time in Hong Kong. The central theme of our meeting will be "Managing Globalization in the Twenty-First Century". Our work over the past two years has been guided by this theme.

During the past twenty one years, our work program has expanded considerably to encompass seventeen different task forces engaged in research on subjects as diverse as trade, energy, tourism, transportation, corporate governance and science and technology. Our resources have become strained and our delivery of outcomes challenged. Therefore, we have rationalized our work program under three main fora: trade; finance; and community-building. I would like to spend the remainder of my time updating your Excellencies on the work achieved to date and present my views on the relevance of PECC in this emerging new world order.

Trade

Trade continues to be the main focus of our work. Over the past two years, we have been working on the proliferation of regional trading arrangements and its implications for the region. Last May, we held a meeting in Bangkok on Regional Trade Arrangements, I would like to take this opportunity to share with you some of the findings from that meeting. Firstly, the motivations and forms that the RTAs take vary from agreement to agreement. Secondly, we need to be mindful of the time and energy that goes into the RTAs and whether this detracts from the work that goes on in regional fora such as APEC, and global fora such as WTO. Lastly, we need to be very careful in avoiding a spaghetti bowl of rules of origin, and ensure that RTAs are building blocks not stumbling blocks for the multilateral system. General principles and guidelines ought to be developed in both the multilateral fora as well as in a regional forum such as APEC which can ensure that the RTAs are consistent with the spirit of open regionalism. Within APEC, efforts could be made pursuant to the principle of concerted unilateralism by charting guidelines under the Collective Action Plan and reporting RTA agreements under Individual Action Plan.

From the business perspective, open regionalism is of paramount importance. We no longer live in David Ricardo's world of wine and cloth where the product line begins and ends in one economy. Many finished goods contain components from all corners of the world; in the search for efficiency and competitive pricing, we look to places where the factors of production are cheapest. We should not create distorting rules of origin that penalize efficient global sharing of production. If APEC and PECC can work together



on this issue, PECC with our research capability, tempered and focused by the needs of business, can contribute significantly to creating a rational frame work for rules of origin that fits this new world.

Importantly, PECC has been working closely with the APEC CTI sub-fora, Group on Services (GOS) over the past two years. PECC has coordinated a project, entitled the *Menu of Options for Voluntary Liberalization, Facilitation and Promotion of Economic and Technical Cooperation in Services Trade and Investment* and designed for the GOS. The outcome of the Menu of Options, a GOS deliverable for the year 2001, was highly recognized and praised by the group and acknowledged as an important contribution to the on-going WTO services negotiations. Notably, Ministers have noted in their statement the recent APEC work on services and have "... agreed to continue drawing upon APEC's expertise to maintain the momentum of the WTO negotiations on services". We expect that the common ground that has been consolidated this year on services in APEC, with the assistance of the PECC, will facilitate the on-going services negotiations under the WTO. We were delighted to see how APEC took the lead in shaping the conclusion to the Uruguay Round, and believe that APEC could continue to play a catalyst role in promoting a new round of trade negotiations under the WTO and in helping to progress the on-going services negotiations.

We also note that APEC is looking into ways of making the IAP Review Process more effective, which would enhance APEC's credibility in a major way. In the past, PECC developed methodologies for APEC to assess IAPs, and we will be happy to support the effort again.

Finance

The interaction and integration of financial markets has become ever more important in the Asia Pacific. Shortly after the APEC Finance Ministers meeting in September this year, PECC, in cooperation with the World Bank and the Monetary Authority of Hong Kong organized a public-private sector dialogue on "Financial Cooperation and Regionalism in East Asia". The meeting laid the groundwork for ongoing work to better understand and shape the evolving integration of regional financial markets. We believe that the issues taken up during the meeting will form the basis for a continuing dialogue between officials and the private sector in the future.

This is a critical period as many economies in the region are clearly slowing down, while a few are dipping into recession. We note the words of encouragement that came from the APEC Finance Ministers and the hope that



the region will recover next year.

PECC representatives also took part in the dialogue with APEC Finance Ministers, along with ABAC and the APEC Financiers Group. We believe that this was a very useful innovation from the Chair and hope that it will be continued into the future. One of the issues that should be addressed is private sector input at the working group and Deputies level. In the past, PECC has been invited to attend Deputies meetings, and we believe that we can further improve on this relationship and create greater synergy between the private and public sectors.

There are some issues that PECC has been addressing that we would like to reiterate. Firstly, there is a need for a coordinated approach to prevent and reduce instability in the international financial markets. Secondly, the structural reforms that many APEC economies have undertaken will prove to be insufficient unless greater attention is paid to strengthening the global financial architecture.

It is now the time for APEC economies to undertake joint coordinated expansionary macroeconomic policies in view of the worsening economic downturn in the region. However, over the past two years, our PEO Structure group has been studying fiscal policy issues in the Pacific region. Some of the general findings are that, while a few economies had successful periods of fiscal consolidation during the 1990s, others fell into weak fiscal balances mainly as a result of stimulus packages after the 1997 financial crisis. If the current slowdown continues, we fear that more imprudent government-led spending to stimulate economies may only lead to fiscal crisis shortly after.

We have identified some issues which we believe need to be addressed in the near future: further development of regional capital markets; progress and prospects for financial liberalization, the development of bank and non-bank financial systems at the economy level; and issues in regional integration, including currency arrangements, and the regional financial architecture.

From the macro picture, please allow me to move to the micro. At the base of all our economies lies the corporate sector. The economic crisis that affected the region from 1997-1998 reminded us that while macro-economic reforms are very important, the macro-economy depends on strong and robust micro-economic fundamentals. Even as primary focus is trained on macro-economic risk management, the long-term sustainability of growth can be secured only if priority attention is given to two closely inter-related areas of concern: namely, strengthening the financial sector and reforming corporate governance.

Over the past two years, PECC has been working towards the improvement of



corporate governance in the region. Our target group is the Directors of corporations responsible for the long-term operations of our private sector. We have established a network of Institutes of Directors in the region, which, in collaboration with the World Bank are undertaking a series of training programs in order to inform and educate Directors about their responsibilities to the corporation and the society in which they operate.

If we wish to have investment return to the region, we must have some kind of guarantee that these dollars will not be spent on the whims of managers or families that control the companies. As a businessman, when I meet with investors, they ask me about regional corporate governance practices. Many speak of cultural differences in how corporations are managed. Perhaps some do exist. However, common to all cultures and absolutely essential for corporations looking for investments, the fundamental realization is that “theft” in whatever subtle form is not an acceptable practice. Theft is a strong word to use, perhaps “misappropriation” or “conflict of interest” is more acceptable. However, it is clear that we need greater transparency and accountability in our region. We must ensure that fiduciary duty is exerted by management and board of directors diligently and conscientiously. Therefore, we urge APEC Ministers to endorse the Guidelines for Good Corporate Governance Practice that PECC has produced. Last year, APEC Economic Leaders' endorsed the approaches many APEC fora are making to interact with the business sector in their programs and encouraged the business sector itself to be proactive in helping to shape the policy environment in which it works. Our guidelines have been formulated by the Network of Institutes of Directors in the region, I can think of no better way to give encouragement to the private sector by taking heed of their input and endorsing the guidelines they have helped PECC produce.

Community Building

When PECC was established, our ideas were really quite simple. As we said in our Vancouver Statement issued some fifteen years ago:

"Participation in the PECC process will depend upon a commitment to economic cooperation in the Pacific. PECC participants, who have extensive economic activities in the Pacific, will seek to achieve increased regional economic cooperation and interaction, while recognizing both the realities of and the benefits accruing from global inter-dependence and continuing to encourage increased economic cooperation and interaction with other nations and regions."

The spirit of an Asia Pacific community is still alive in this challenging time, and we hope that the Shanghai Accord will strengthen APEC's credibility in



forging economic prosperity for all. There is, however, much more to do. Enormous differences in economic development persist between economies and within economies. We need to look to projects such as the RISE initiative where APEC and PECC have collaborated as models for economic and technical cooperation.

Each year PECC examines the dynamic interactions within the Pacific Food System and prepares a forecast of production and consumption trends while also focusing on particular issues. This year, our attention has been given to the growing challenge of water scarcity in the region and its role in food production. Since agriculture is the biggest user of water in many of the region's economies, farm policies can contribute to unsustainable water use. We find that some APEC economies are exporting water-intensive commodities even though their land and water resources are in short supply, while other, resource-rich economies are unable to exploit their food production potential. Six economies in the region have the potential for serious water shortages unless water control facilities are expanded and/or greater efficiencies in water use are achieved.

PECC also believes that civilization has taken root in large cities. One of PECC's community building efforts is to focus on urban services through the new Sustainable City Task Force. The service entitlements of the city dwellers, such as affordable economic infrastructure, harmonious integration and cultural activities, have become the focus of our work. We will soon propose some guidelines on best practices and recommend effective public-private partnership based on various development paths of the cities in the Pacific Rim.

Seizing the e-opportunities

Along with the Shanghai Accord, there is another aspect of APEC's work this year that PECC takes great encouragement from - the Beijing Initiative on Human Capacity Building. We view this a real wind of change in the region, and we congratulate Brunei and China on the approach that they took to this issue. In spite of the dot-com bust, there are enormous opportunities available for development from information and communications technologies. It is up to us to take them. We hope that APEC will continue to integrate the recommendations made by the Beijing Initiative into the work program of APEC. We believe that the tripartite approach of the High Level Meeting on Human Capacity Building was enormously successful in identifying the concerns of the private sector in a way that focused on the need for long-term sustainable development policies from the public sector. The commitment of APEC Economic Leaders to triple the number of people within the region with individual and community-based access by 2005 received a tremendous boost



from the Beijing Initiative. However, work needs to continue in this vein, especially the public-private partnership that the High Level Meeting showed was possible. We would like to see the recommendations from the Beijing Meeting implemented and we are willing to help by taking advantage of our wide network to achieve this goal.

During the recent APEC Telecommunications Meeting, the PECC representatives highlighted the potential of Information and communication technology as a tool for building Asia Pacific communities and enabling their participation globally. It can enable human potential and facilitate the generation of knowledge through interaction between individuals, between institutions and between communities. But in order to make good on the promise, policies must be inclusive and there must be equitable access. Bridging the digital divide and ensuring security of infrastructure and information networks were two main threads that appeared in the course of discussion at APEC TEL 24, and PECC will continue to contribute in the context of a public-private dialogue.

The contribution by the private sector in articulating the practical problems and potential solutions in addressing issues indicates the increasing importance of private sector involvement in the APEC process. It indicates that we can make a difference.

Let me conclude by congratulating our hosts, the People's Republic of China, on their efficiency and warm hospitality. We hope that the camaraderie and level of understanding that has been so painstakingly built up around these tables will be sustained in the region and beyond.

Presented by Mr. Roberto Romulo, Head of the PECC Observers' Delegation to the APEC Ministerial Meeting, on Thursday, 18 October 2001.

The Pacific Economic Cooperation Council (PECC) is an independent, policy-oriented organization of high-level business, academic, and government representatives from 25 Asia-Pacific economies. It aims to foster economic development in the region by providing a forum for discussion and cooperation in a wide range of areas. These include Energy, Financial Markets Development, Fisheries, Food and Agriculture, Human Resource Development, Minerals, Pacific Economic Outlook (PEO) – Forecast, Pacific Economic Outlook (PEO) – Structure, Pacific Island Nations, Peer Assistance Review Network, Science and Technology, Sustainable Cities, Telecommunications and Information Industry, Tourism, Trade Policy Forum, and Transportation. PECC is also the only non-governmental body among the three official observers in APEC.



PACIFIC ECONOMIC COOPERATION COUNCIL

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