

**PECC Statement**  
**25<sup>th</sup> APEC Ministerial Meeting**  
**Nusa Dua, Bali**  
**4-5 October, 2013**  
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**Co-Chairs of PECC**

On behalf of the members of the Pacific Economic Cooperation Council (PECC) we thank you for this opportunity to share our views from the second track. We have had a busy year starting with a symposium we co-organized in Jakarta almost 12 months ago; to a follow up meeting in Singapore addressing the key themes of this year's APEC meetings; our General Meeting in Vancouver; and finally we co-organized with the Boao Forum for Asia a symposium on connectivity held here in Bali just before this meeting.

We provided a similar set of suggestions at the Concluding Senior Officials Meeting, we highlight just 5 key points arising from our work.

- We call on APEC Ministers to recognize the current challenges presented by the current economic environment to the region but especially emerging economies and to send out a clear message that this region is ready to implement the reforms needed through the new growth strategy to continue to be the engine of global growth.
- We welcome the work on connectivity and look forward to seeing the results of this year's efforts. We hope that this emphasis on supply side constraints will better enable economies to benefit from integration and facilitate the process of structural change that will take place. We held a seminar here in Bali just before this meeting, we will highlight a few key points from those discussions separately.
- While we welcome the progress made on the TPP, RCEP and other regional trade agreements, not enough is being done to facilitate their convergence. The economic rationale is clear – the benefits of an FTAAP far outweigh those of the single tracks, a TPP around \$223 billion and the RCEP \$644 billion but an FTAAP around US\$1.9 trillion globally. While the TPP and RCEP have their own rationale, stakeholders are concerned that each excludes key regional economies. We urge APEC Ministers to instruct officials to undertake regular dialogues on how specific trade issues are being addressed in various trade agreements with outside experts from other regional and global institutions as well as the business community.
- If such an approach is adopted, we hope that APEC will use the opportunity to respond to the recommendation of the Panel on “Defining the Future of Trade” and include a discussion on how the principles and rules adopted in FTA/RTAs can be brought into the global system.
- Our discussions throughout the year and our survey results indicate a need to rethink economic and technical cooperation in APEC. Our survey results show strong support for the idea that setting specific development targets would help to drive ecotech work. A focus on education is critical as part of drive to ensure that the benefits of economic integration are open to all. Such an approach would ensure that the work on connectivity delivers tangible benefits to stakeholders. This is critical if the Bogor Goals are to be met and all economies are ready to participate and gain the benefits from an eventual FTAAP.

### **Economic Context**

While the global economy continues its recovery from the worst crisis since the Great Depression, the balance of concerns is shifting from advanced to emerging economies. The risk is that given this volatility, unforeseen events or policy actions have a greater potential to induce disorderly adjustments which force governments to take actions that might temporarily restore confidence but ultimately detract from the medium to long-term actions needed to boost growth.

Given this situation, we hope that through this series of meetings in Bali, APEC will demonstrate its ability to take on difficult issues and lead through example. APEC has already articulated a strategy for inclusive,

balanced, sustainable, innovative, and secure growth. Making progress on all of the elements of the growth strategy is the best way to ensure continued confidence in the region's markets. While the last few years have been hard for many, they would have been much worse if not for the concerted actions taken by governments, especially in this region. Given the volatility we have seen affecting a number of regional economies, concerted actions are also needed in exiting from stimulus. We hope that through these meetings as well as the G20 process there will be some common agreement that a disorderly adjustment is something that must be avoided.

### **Need to move on Growth Strategy**

Despite the current volatility affecting the region, the medium to long-term prospects for the region are very positive. However, this growth is contingent on the ability of regional economies to adapt to the changing global environment in which we operate. As we discuss in our annual *State of the Region* report, the pattern of aggregate demand is changing in the region, but it is not significant enough to drive growth at the same pace prior to the crisis. While investment has been increasing, some of this is due to the very cheap cost of capital during this extraordinary period. As long-term interest rates return to normal, more needs to be done to improve the investment climates in our respective economies.

For this reason, we welcome the focus Indonesia has placed on connectivity, especially on the physical infrastructure needs of the region. We believe this focus can provide greater coherence and impetus to the existing work of APEC on structural and regulatory reforms.

### **Regional Economic Integration**

Much progress is being made on the two major regional integration initiatives, the Trans-Pacific Partnership and the Regional Comprehensive Economic Partnership. As we stated at the APEC MRT earlier this year as well as on other occasions, the economic logic of an FTAAP is compelling; the TPP and RCEP would result in increases to global GDP by US\$223 billion and US\$644 billion respectively. The importance of these initiatives should not be understated. Economic growth is weak, and emerging economies are under pressure. These agreements have the potential to put regional economies, especially the emerging ones, onto a higher growth trajectory – not only through improving the efficiency of allocation of resources in our economies but the rules within them can provide the certainty and clarity of policy that businesses need to make long-term investments.

While each track has the potential to boost growth, by far the biggest gains would come from a convergence of the tracks into an FTAAP – at US\$1.9 trillion. This convergence will not happen on its own. It will require political support at the highest level. We urge Ministers to instruct Senior Officials to engage in a genuine dialogue on specific aspects of the various agreements. This could build on previous work such as the study on convergences and divergences in FTA/RTAs.

### **Rethinking Capacity Building in APEC**

We welcome progress made to consider future steps to attain the Bogor Goals, noting that while a specific target was set for free and open trade and investment, the goals are best understood as a means to an end. That end is “equitable economic growth not only in the Asia-Pacific region, but throughout the world as well.” This is one area where this region has not done well. While APEC has long recognized the need for capacity building that would facilitate the rapid integration of emerging economies into the regional economy, there is a perception that APEC's work on economic and technical cooperation has not been as effective as it needs to be.

We are deeply concerned about the rising levels of inequality both within and among APEC economies. This trend threatens to undermine the success of the past few decades, unless specific actions are taken to address the problems. While there are many projects under the ecotech, as indicated in various reviews, there is a lot that can be done to improve coherence among projects and in identifying beneficiaries of projects. More than this, our survey indicates strong support for the idea that APEC should set some specific developmental goals to make its work on ecotech more effective.

The most important areas for such targets are: education; physical connectivity; and basic services including water, sanitation and electricity. All of these areas are covered by the connectivity agenda. While

recognizing that APEC is not a development organization, the specific targets on the TILF agenda have kept APEC's work on trade liberalization focused - the same cannot be said for its ecotech track. We hope that as you consider future work especially on connectivity that you will set specific targets to drive progress on these critical issues.

### **The Global System**

We welcome efforts made this year to better align and coordinate work that takes place at the global level through the G20 and work at the regional level through APEC and other processes. This is a theme that has been high on the second track agenda for many years. One example of an area where APEC can make a positive contribution to the global system is in trade rules. Numerous calls from APEC and others to bring a swift conclusion to the WTO Doha Round have fallen on deaf ears. It is time for a real conversation and discussion on this.

The panel on "Defining the Future of Trade" established by then WTO Director General, Pascal Lamy called for 'WTO members [to] engage explicitly in an exploration of ways in which preferential trade agreements and the principles underlying them could increasingly converge with the multilateral system, perhaps starting with the elaboration of best practices.' In this regard, APEC can demonstrate by taking up this call and contributing its own thinking on these issues developed over the past decade. Such a discourse might also prove useful in ensuring that the regional economic integration tracks including the TPP and RCEP ultimately lead to a Free Trade Area of the Asia-Pacific. We call on APEC Ministers to instruct officials to initiate such a dialogue and to report to them on their findings on an annual basis.

### **Future Meetings**

We thank the Indonesian host committee and APEC officials for their openness to our ideas as well as their support for the numerous events we have held throughout the year, especially the recently concluded seminar on connectivity held here in Bali.

Our next Standing Committee and General Meeting will be hosted by our China National Committee for Pacific Economic Cooperation. We will inform you of the topics we will be addressing as we develop our agenda, and in the meantime we welcome your suggestions and inputs on topics where a second track perspective would be useful.

We will also hold a conference in Singapore in early 2014 to consider our inputs into next year's APEC process.