

# CHAPTER 4

## Setting the Agenda: **Achieving Relevance**

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## SETTING THE AGENDA: ACHIEVING RELEVANCE

As discussed in the preceding chapters, it was agreed at PECC I (1980) that “a prime responsibility of the Standing Committee would be to establish task forces in agreed areas to explore substantive issues for regional economic cooperation, to review their reports and transmit them to governments, with such comments as they may wish to make”.<sup>1</sup>

According to this recommendation, setting the agenda for regional economic cooperation was to be basically the work of task forces. Task forces were first created by the Pacific Economic Cooperation Conference (PECC II) 1982, launching work to explore and set the agenda for Pacific economic cooperation. This chapter will review how the work of PECC task forces has evolved since the Bangkok Conference through what Soesastro (Chapter 3, this volume) called PECC’s formative years – that is, the period up to PECC V, held in Vancouver in November 1986.

### From Bangkok to Bali: Open Regionalism Takes Root

The Canberra Seminar listed the following areas as possible subjects for task force work:<sup>2</sup>

- trade, including market access problems and structural adjustment associated with industrialization in developing countries;
- direct investment, including guidelines for investors and harmonization of foreign investment policies;
- energy, including access to markets, assurance of continued supply, alternative forms, conservation and research exchanges;
- Pacific marine resources; and
- international services such as transportation, communication, and educational exchanges.

The Bangkok Conference agreed to set up four task forces to address all of these issue areas except the last one, “international services”.<sup>3</sup> The Bangkok Conference, however, perceived “trade and investment”, and especially trade, as a major theme that ran through all four areas. As a result, three trade-related task forces and one investment-related task force were set up, and four institutions were identified to coordinate those task forces, as follows:<sup>4</sup>

- Task Force on Trade in Agricultural and Renewable Resource Goods, coordinated by Gordon Munro, University of British Columbia;
- Task Force on Trade in Minerals and Energy, coordinated by Stuart Harris, Australian National University;

<sup>1</sup> See “Report of PECC I: Pacific Community Seminar, Canberra, September 15–18, 1980”, in “Chapter C. Background Materials”, KDI (1985).

<sup>2</sup> “Report of the Pacific Economic Cooperation Conference II, Bangkok, June 3–5, 1982”, *ibid.*

<sup>3</sup> Approved by the Sixth PECC held in Osaka in May 1988, the Japan National Committee for PEC undertook the Triple T Project during 1988–89 to study the role of transportation, telecommunications (including computers), and tourism in the 21st century. The interest in educational exchanges was subsumed by the topic of education and training, and subsequently by that of human resource development, which the Standing Committee discussed occasionally.

<sup>4</sup> The exact names of the individual task forces were determined at the task force coordinators meeting that was held subsequently.

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- Task Force on Trade in Manufactured Goods, coordinated by Soogil Young, the Korea Development Institute; and
- Task Force on Investment and Technology Transfer, coordinated by Sueo Sekiguchi, Japan Special Committee for Pacific Cooperation.

It may be noted that the coordinating institution for each task force represented a Pacific country with a strong interest in the subject matter as a major supplier. Accordingly, the coordinating institutions were strongly motivated to promote their respective task force work, also finding it easy to mobilize financial and political support for their work.

During the inter-conference period, each task force held a workshop to discuss background papers and to prepare the summary report. The task force coordinators met twice to coordinate their activities as well as prepare the summary report on the basis of the individual task force reports, while also making other preparations for the next conference. There was close interaction between the task force coordinators and the Standing Committee in preparing the task force reports as well as the summary report. The Standing Committee met twice during the inter-conference period in order to discuss the draft reports prepared by the task forces. The members of the Standing Committee thus exercised a significant influence on the substance of the task force reports, and especially on the summary report integrating the findings of the individual task forces.

The second meeting of the task force

coordinators was held in Seoul, in September 1983, in order to prepare the summary report in preparation for PECC III, to be held in Bali in November that year. At this time, they also adopted a report on institutional arrangements for PECC.<sup>5</sup> This report proposed to add two new components to the then three-tier format of conferences, standing committees and task forces: the Coordinating Group and national Pacific cooperation committees. The Coordinating Group was to formalize the meeting of task force coordinators, its important mission being to integrate task force findings and develop an action program to advance the interests of Pacific economic cooperation on behalf of the Standing Committee. Formalizing the arrangement which already existed in some member countries, national committees were to serve as a focal point within each country pertaining to the activities of PECC. They were also expected to nominate the country's Standing Committee member as well as participants in the PEC Conference. These proposed institutional arrangements were approved by the subsequent conference.

It is worth noting here that the proposal for each institutional arrangement was preceded by an experiment with it. All the experiments arose out of the effort to develop the agenda for regional cooperation during each conference cycle, as well as through the conference series. The aim was to develop the agenda in a way that would most effectively bring experts from academia, the business community and government together in search of the relevant issues and practical policy solutions, and to develop the agenda for regional cooperation that would reflect the perspectives and interests

<sup>5</sup> "Report on Institutional Aspects", in CSIS (1983).

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of all member countries of the region in the most balanced way possible.

There were two tangible outcomes from this search for an effective process and a focused agenda for Pacific economic cooperation. One was task force reports; the other was the Summary of the Conference that was issued by the Standing Committee at the end of each conference. The Summary of the Conference was significant as the official and succinct summary of key findings and policy recommendations from the conference discussions on the work of task forces during the preceding inter-conference period. The main body of this summary drew its substance from task force reports.

The above assessment underlines the important role that task forces played in the PECC process during the formative years. And, as explained below, there is a reason why the assessment above has been made in the past tense.

If the Standing Committee led the PECC's substantive work program in the early years, then task forces drove it during those years. In contrast, under current PECC practices, there seems to be a considerable distance between the task forces and the Standing Committee. There is no longer much substantive feedback from the Standing Committee to task forces.

The General Meeting, which is what used to be the conference, now consists of concurrent workshops where task force reports are discussed and plenary sessions in which different issues are debated among panellists on the platform. A problem is that there is no

formal, or built-in, feedback mechanism between the two. Workshops are programmed by task force coordinators or the coordinators of the umbrella forums.<sup>6</sup> Plenary sessions are programmed by the host committee. This creates an undue separation between task force discussions and plenary session discussions. Members of the Standing Committee do not participate in either of these discussions in a systematic way. Moreover, they are not always actively involved in the selection of the issues for task force work, which is led by forum coordinators. If we liken the location of task force-level or forum-level discussions to a lower house of parliament and the location of the Standing Committee discussions to an upper house, then we may say that these two houses in PECC have been separated and that discussions in the upper house are somewhat hollow. This separation of the two houses is very unfortunate, because it has led to considerable loss of coherence in the PECC process. Specifically, it seems to be resulting in the underutilization of task force reports, as well as blurring of focus in PECC's policy recommendations. This set of issues is taken up again in the concluding section of this chapter.

An issue that PECC has had to grapple with from the outset has been whether Pacific countries should consider discriminatory arrangements for cooperation of their own – arrangements of the kind in which the Europeans were engaged. In their summary report to the Bali Conference on the outcome of the work done since the Bangkok Conference, the task force coordinators ruled this out firmly in two ways. First, they argued

<sup>6</sup> Since 2001, PECC has consisted of three forums: Trade, Finance, and Community-Building. Each forum has set up two or more task forces to study specific issues in each work cycle.

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that Pacific economic cooperation is, and should be, consistent with broader-based multilateralism, by stating:

Pacific economies have a greater commitment to outward looking development strategies than is common to the international community generally and they have a substantial neighbourly interest in cooperation. The interest of Pacific countries in regional action is nonetheless consistent with, and may well improve the potential for, action on a broader multilateral basis especially given the rapid growth of the importance of these countries in the world economy.<sup>7</sup>

Second, in identifying policy issues and priorities for regional cooperation, they assigned primacy to trade policy cooperation. The first-ever substantive report of PECC on the agenda for Pacific economic cooperation stated:

Task Forces stressed the importance of freer trade in the GATT framework to the interests of Pacific countries and specified an agenda for trade negotiations which Pacific countries could consider over the longer term".<sup>8</sup>

This, in effect, amounted to ruling out support of any discriminatory regional trade agreement. In this way, the task forces firmly embedded the spirit of what came to be known as "open regionalism" in the subsequent work of PECC.

There were skeptics among participants in the PECC process, including at least one member of the Standing Committee. David SyCip, member of the committee from the Philippines, used to criticize such single-minded commitment to multilateralism, arguing that the task force recommendations on trade policy lacked thrust, since they had more of a global focus than a regional one. He argued that an objective of Pacific economic cooperation should be to promote intra-Pacific regional trade in manufactures and other products, and proposed a Pacific Economic Cooperation Initiative, which he later renamed the "Pacific Basin Initiative (PBI)", after the Caribbean Basin Initiative (CBI) which President Reagan announced in February 1982.<sup>9</sup> The PBI was to allow duty-free entry into the Pacific OECD countries by the products of any ASEAN-based enterprise, with the possible exclusion of some sensitive products, provided that at least 50 per cent of the production was sold within "the ASEAN Economic Association".<sup>10</sup> Like the CBI, the PBI was to apply for 12 years.

Such dissent was, however, very much a minority position. Task forces, the Standing Committee and PECC as a whole continued their firm support of the GATT-sponsored multilateral trading system throughout those formative years and beyond. The primacy of the GATT system as a PECC principle was first advocated and articulated in the context of the PECC process by the Task Force on Trade in

<sup>7</sup> "Summary Report", CSIS (1983).

<sup>8</sup> "Summary Report", CSIS (1983).

<sup>9</sup> President Reagan announced the CBI in a speech to the Organization of American States to offer "free trade for Caribbean Basin products exported to the United States" in every area except textiles and apparel, for a period of 12 years.

<sup>10</sup> See "Comments" on task force reports submitted by David SyCip, CSIS (1983) and KDI (1985).

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Manufactured Goods, which, in its report, proposed:

... that the Pacific countries become a force within GATT for global trade liberalization. The ultimate goal for countries in the Pacific Basin should be free trade.<sup>11</sup>

In this way, from its early years, PECC had already anticipated the Bogor goals of APEC, and served as a major force contributing to their birth a decade or so later.

How do we explain PECC's allegiance to the principle of multilateral trade liberalization as well as the utmost importance that PECC assigned to the principle? The explanation seems to be that the PECC process was launched at a time when the global trading environment was deteriorating, especially in the form of the so-called "New Protectionism". Indeed, it seems that PECC was launched primarily in response to this perceived threat to the continued trade-led dynamic growth of the regional economies, especially those in East Asia, which began to emerge as a new growth pole for the Pacific economies as a whole. Many of those who came to participate in the PECC process seemed to do so primarily out of the concern that:

The 1980s are bringing greater protectionist pressures in many countries, increased competition in international trade, a trend towards regionalism elsewhere in the world and heightened problems of access to resources.<sup>12</sup>

At the time of writing, the allegiance of the Pacific economies to multilateralism had been very much dissipated, as can be seen in the ongoing proliferation of preferential trade agreements more commonly known as free trade agreements. It will be an interesting exercise to analyze the factors which have changed the outlook of the regional economies on their trading environments to the extent of undermining their adherence to the multilateral trading system, but that is beyond the scope of this chapter.

Nevertheless, two contributing factors may be noted in passing. One seems to be that the fear of intensifying protectionism subsided after the successful conclusion of the Uruguay Round. Another important contributing factor seems to be that the United States, the most important market for most other Pacific economies, broke ranks with these others and began to pursue preferential trade agreements of its own, undermining the regional countries' confidence in the efficacy of Pacific economic cooperation for multilateral trade liberalization.

Returning to PECC III, held in November 1983, participants in the Bali Conference considered reports from the task forces, then produced the recommendation that:

Pacific countries participate and take a leading role in a new round of multilateral trade negotiations and in the interim collectively make a commitment to a moratorium on further protectionist measures.

<sup>11</sup> See the report of the Task Force on Trade in Manufactured Goods (CSIS 1983).

<sup>12</sup> "Report of the PECC I: Pacific Community Seminar, Canberra, September 15–18, 1980", in KDI (1985).

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Furthermore, PECC task forces produced an agenda for multilateral trade negotiations which Pacific countries should consider for the proposed new round. This consisted of 10 sets of issues which were intended to encompass a sufficiently wide range of interests. This breadth of analysis was intended to ensure that the benefits of cooperation would be shared by all countries; the task forces thought that this was an important condition for making progress in the next GATT round.<sup>13</sup> Significantly, the Uruguay Round that was launched in the fall of 1986 in fact agreed to the standstill on non-tariff trade barriers and adopted a comprehensive agenda for negotiation that very much resembled the agenda that PECC task forces proposed at this time.

In exploring ways of promoting trade liberalization, task forces came to the realization that there were various domestic political constraints on trade liberalization and that pushing for this policy alone was unlikely to be effective unless there were parallel efforts to alleviate these constraints. They thus reported that:

... success in encouraging a process of trade negotiation over time would require important domestic and other policy initiatives. These included the need for industrial adjustment assistance, the development of policies which enhanced food security, and the redirection of industrial policies more broadly. Arrangements for consultation, information exchange, and policy review were seen helpful to facilitating changes in the direction

of domestic policy in ways that would be helpful to trade policy cooperation over the longer term.<sup>14</sup>

The last point in the above quotation was a common theme of the work of all four task forces. That, in turn, gave rise to the realization that an important form of regional cooperation that Pacific countries could undertake at that stage was to undertake consultation, information exchange and policy review in various areas. PECC itself could contribute by organizing such consultations.

The institutional arrangements which the task forces proposed for PECC at that time were meant to be steps toward the implementation of this role. Consultative arrangements of this nature in the fields targeted by the task forces were considered important in developing the practice of cooperation and encouraging a policy climate favourable to Pacific trade and economic growth. Thus, the report of PECC III, held in Bali, agreed that:

... consultation, involving private sector, research institutions, and governments, be pursued in the areas covered by the four Task Forces to increase mutual understanding of national policies and market conditions.

The task forces considered the developmental gap existing among regional countries to be a major obstacle in moving towards a Pacific economic community. They proposed that, in order to overcome these gaps, the developed countries should help promote the economic

<sup>13</sup> For details, including the 10 items mentioned here, see the section under "Policy Issues and Priorities", in the Summary Report in CSIS (1983).

<sup>14</sup> See CSIS (1983).

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growth and development of the relatively poorer countries in the region, such as ASEAN countries and members of the South Pacific Forum. For this purpose, in all four areas of their work, the task forces could identify the special needs which regional cooperation could help those countries to meet:<sup>15</sup>

- the need to improve the climate for foreign investment as well as the need to promote regional discussion of issues affecting this climate;
- the special need for new aid and technical cooperation programs to foster agricultural development, and the proper husbanding of renewable resources such as forests and fisheries;
- the need to recognize minerals and energy trade and production as being of special importance to those countries and the need for improved availability of international or regional funds for compensatory financing for this purpose;
- the need for substantial new commitments to financing development in the those countries, via institutions such as the Asian Development Bank; and
- the need for trade measures to aim to serve the interests of the developing countries in the region, particularly the expansion of markets for agricultural and labor-intensive goods.

The Bali Conference recommended that the governments concerned give full consideration to a set of specific measures identified by the task forces to address these needs and that these needs be addressed by the PECC-sponsored consultative arrangements.

The Standing Committee asked its individual members to convey key recommendations from the conference to their governments at home. In addition, its chairman was asked to write to the Chairman of the ASEAN Standing Committee to explain the work of the Bali Conference and to express interest in raising the question of Pacific cooperation at the forthcoming ASEAN Foreign Ministers Meeting with its dialogue partners. The record shows that the Standing Committee later expressed appreciation to ASEAN for having discussed this question. The record also shows that the Standing Committee expressed its appreciation to the Australian government for having hosted a major informal conference of senior trade officials from western Pacific countries on multilateral trade liberalization.<sup>16</sup> These records indicate that the members of the Standing Committee were communicating with regional governments in order to propagate PECC's messages.

### **From Bali to Seoul: Pacific Economic Cooperation Conferences Shape Up for Tripartite Dialogue**

At the Bali Conference in 1983, the Standing

<sup>15</sup> See CSIS (1983).

<sup>16</sup> As noted in Chapter 5, PECC deliberations on trade policy helped to initiate a series of meetings of western Pacific trade ministers. Formally initiated by Australian Prime Minister Hawke in Bangkok, in 1983, these meetings had helped to encourage western Pacific economies to define and pursue a shared interest in launching the Uruguay Round of GATT negotiations.

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Committee made a firm decision that PECC's mission was to explore specific opportunities for Pacific economic cooperation. The five task forces established were as follows:

- Trade, to study trade negotiations, coordinated by Soogil Young, Korea Development Institute, Korea;
- Agriculture and Renewable Resources, to study fisheries development and management, coordinated by Gordon Munro, University of British Columbia, Canada;
- Minerals and Energy, to study possible consultative arrangements, coordinated by Ben Smith, Australian National University, Australia;
- Foreign Investment and Technology Transfer, to study technology transfer through foreign direct investment, coordinated by Mark Borthwick, Pan-Pacific Community Association, Inc., USA;
- Capital Flows, to study how to facilitate financial flows in the region, coordinated by Hadi Soesastro, Center for Strategic and International Studies, Indonesia.

This reconfiguration brought trade policy issues together to be studied by a single task force, a new task force was added and each task force was assigned a very specific issue for study.

The Standing Committee also emphasized that Pacific economic cooperation should benefit the developing countries in the region; hence the task forces emphasized issues of particular interest to developing economies in their work. The topics of "fisheries development and management", "technology transfer through foreign direct investment", and "how to facilitate capital flows in the region" were considered to be among special concerns of developing countries in the region.

As a consequence of what was commonly referred to as "Extended Fisheries Jurisdiction", coastal states around the Pacific Ocean, including the island nations, in particular, collectively had received an immense transfer of fisheries resources. However, many developing coastal and island states in the region needed to strengthen their capacity to develop and manage those new fisheries resources. The project on fisheries was intended to help them meet this formidable challenge by enhancing their limited economic and technical resources.

The purpose of the project on technology transfer and foreign direct investment was to examine the relationship between them, from the standpoint of the developing countries in the region which wished to upgrade their technologies through foreign direct investment. The objective was to propose ways of helping maximize the flow of technology through the medium of foreign investment.

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The project on capital flows was to examine the main policy issues to the developing economies in the region in regard to their need to secure sufficient financial resources for their continued growth and development.

PECC IV was to be held in Seoul in April/May, 1985, coordinated by the Korea Development Institute.<sup>17</sup> Preparations for the Seoul Conference followed the same inter-conference process that was developed during the Bali–Bangkok period. And, most importantly, the Standing Committee again made extensive and substantive input into finalizing the report of the five task forces and then integrating them.

The program prepared for PECC IV demonstrated a further refinement of the conference program structure, sustaining the evolution which had taken place since the first PECC conference in 1980. As a result, the Seoul Conference was highly successful.

The Seoul conference program had the following structure:<sup>18</sup>

- The Opening Session featured a congratulatory address by Hon. Lho Shinyong, Prime Minister of Korea, the host country.
- There was a keynote presentation and a discussion on prospects for the Pacific

economies to establish the backdrop for the subsequent discussions.

- There was an Overview Session in which the Chairman of the Standing Committee reported on the activities of PECC during the previous inter-conference period, presenting a summary of the task force reports, in particular.
- This was followed by plenary sessions in which the individual task forces presented their findings, followed by general discussions of Pacific cooperation based on those reports.
- The final Plenary Session was reserved for an open discussion of all other issues.
- The Concluding Session heard and discussed the Summary of the Conference as presented by the incoming Chair of the Standing Committee.

This program facilitated effective and meaningful interaction among members of the task forces, the members of the Standing Committee, and the tripartite delegations from the member economies. These delegations included many business people as well as senior government officials. This mix of background and expertise led to highly effective and very meaningful tripartite consultation on Pacific economic cooperation.

<sup>17</sup> During this inter-conference period, the Coordinating Group was chaired by Dr Ahn Seung-Chul, President of KDI. As a Senior Fellow of KDI at that time, the author of the present chapter had to perform four roles for PECC at the same time in addition to his personal research on Korea's trade policy reform for the government: assist Dr Ahn in chairing the Coordinating Group, coordinate the Task Force on Trade, organize the upcoming PECC IV on behalf of the Korean host committee, and plan and execute this committee's domestic activities. He recalls those days as the most challenging time of his professional career. His role as the task force coordinator on trade issues began right after PECC II and lasted until the launching of the First Trade Policy Forum in March 1986. His role as Executive Director of the Korea National Committee began after PECC II and lasted until PECC IV.

<sup>18</sup> See "Appendix 1. Conference Program", in KDI (1985), pp. 36–38.

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The senior government officials who participated in the Seoul Conference included the following:

- Hon. John Sydney Dawkins, Minister for Trade, Australia
- Stuart Harris, Secretary, Department of Foreign Affairs, Australia
- Haji Mohd. Salleh Bin Haji Hidup, Permanent Secretary, Ministry of Development, Brunei
- Andul Rahim Bin Abdul Latif, Senior Administrative Officer, Ministry of Finance, Brunei
- Earl G. Drake, Assistant Deputy Minister, Asia-Pacific Branch, Department of External Affairs, Canada
- Amb. Ferdy Salim, Advisor to the Foreign Minister, Indonesia
- Atmono Suryo, Director-General for Foreign Economic Relations, Department of Foreign Affairs, Indonesia
- Suhadi Mangkusuwondo, Director-General for Research and development, Ministry of Trade, Indonesia
- Mrs Mayumi Moriyama, Parliamentary Vice-Minister, Ministry of Foreign Affairs, Japan
- Amb. Michio Mizoguchi, Special Advisor to the Minister, Ministry of Foreign Affairs, Japan
- Hon. Choi Dong-Kyu, Minister of Energy and Resources, Korea
- Kihwan Kim, Secretary-General, International Economic Policy Council, Economic Planning Board, Korea
- Han Woo-Suk, Assistant Minister for Political Affairs, Ministry of Foreign Affairs, Korea
- Kim Chul-Su, Assistant Minister for Trade, Ministry of Trade and Industry, Korea
- Hon. Koru T. Wetere, Minister of Forests, New Zealand
- E. A. Woodsfield, Deputy Secretary, Department of Trade and Industry, New Zealand
- Hon. Jose P. Leviste, Jr, Deputy Minister, Ministry of Trade and Industry, Philippines
- Amb. Pracha Guna-Kasem, Director-General, Department of Economic Affairs, Ministry of Foreign Affairs, Thailand
- Amb. Richard Fairbanks, Ambassador-at-Large, Department of State, USA
- Geza Feketekuty, Senior Assistant USTR, USA
- Alexander H. Good, Deputy Assistant Secretary, International Economic Policy, Department of Commerce, USA
- Edward Derwinski, Counsellor, Department of State, USA
- Dennis Renton, Counsellor, Embassy of Papua New Guinea, Tokyo
- Hon. Paul Tovua, Minister of Foreign Affairs, Solomon Islands

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The conference was chaired by Dr. Nam Duck-Woo, Chair of the Standing Committee, who had served as Prime Minister of Korea. Other participants included Dr Burnham O. Campbell, Chief Economist, Asian Development Bank, Prof. Kiyoshi Kojima, Pacific Trade and Development, and Dr Mark Earle Jr, International Director-General, Pacific Basin Economic Council. Altogether, there were 162 attendees consisting of 74 participants, 64 non-Korean observers and 24 Korean observers.<sup>19</sup> Observers included many government officials and senior staff of major business firms. The total number of participants, 74, with 88 observers, was neither too small nor too large to allow meaningful and substantive discussions among all relevant stakeholders.

The work done by task forces between the Bali and Seoul Conferences led the Standing Committee to conclude that there was, indeed, a broad basis for concrete and substantial Pacific economic cooperation.<sup>20</sup> The increasingly regional focus of external relations of the regional economies, together with the common outward orientation of those economies, constituted the basis for cooperation. Moreover, the case for such cooperation was growing more compelling over time.

The Standing Committee was convinced that PECC, with its tripartite mechanism, could be an extremely valuable and effective method for promoting regional cooperation, by developing an anticipatory approach to problems and by providing a useful forum for mutual consultation among the various parties involved. The

Standing Committee also reaffirmed the unique value of the task forces: their work had helped to establish a practice of regional consultation and foster a climate in which specific issues of common interest could be discussed.

Based on the task force reports, the Standing Committee identified for the conference two major issues of common concern to be taken up the Seoul Conference: (1) trade policy and trade negotiation; and (2) cooperation in fisheries resource development and management in the Pacific.

The task forces' concern with trade policy and trade negotiation had grown more serious since the Bali Conference because of the observed continuing trend towards protectionism. Thus, the commonly shared concern about the deteriorating trading environment continued to provide the most powerful driving force for the PECC process. And the need for Pacific countries to press for trade liberalization within the framework of the GATT had become more compelling. These perceptions had given rise to three specific recommendations; two for governments and one for PECC itself:

- that regional governments propose a comprehensive agenda and objectives for a new round of multilateral trade negotiations;
- that governments pursue unilateral trade liberalization within the region in order to set an example of good trade policy behavior for the rest of the world;

<sup>19</sup> At that time, and only at the Seoul Conference, there was a cumbersome distinction made between "participants" and "attendees". The latter included "observers".

<sup>20</sup> See KDI (1985).

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- that PECC seek to help create the political will among Pacific countries to work toward a successful new multilateral trade negotiating round; for which purpose it should transform the Task Force on Trade into a Trade Policy Forum in order to facilitate tripartite discussions on trade-related issues and for developing consensus positions.

PECC's interest in fisheries resource development and management reflected the recognition that Pacific cooperation on the issue would be truly a region-wide cooperation project which could set a constructive example of cooperation among developing and developed countries in the region. Task forces advanced specific recommendations on this issue, two for governments and one for PECC, as follows:

- that, given the critical need of the developing coastal states for trained manpower, their governments undertake surveys both of their training needs and of the training facilities available in their countries;
- that governments of Pacific developed coastal states also conduct surveys to determine their own training resources and establish basic training programs for the benefit of the developing coastal states;
- that PECC create an appropriate mechanism to receive and disseminate the information obtained from the aforementioned training requirements and resource surveys, and replace the present task force with a new Task Force on Fisheries Cooperation for this purpose.

In other areas, the recommendations of the task forces were as follows:

### *Minerals and Energy*

- PECC should establish a Pacific Minerals and Energy Forum as a new venue for discussion and consultation among officials, industry leaders, and independent researchers on minerals and energy issues of regional interest.

### *Foreign Investment and Technology Transfer*

- Regional governments should provide a favourable policy environment for the flow of foreign investment and technology such as open, stable, and transparent policies and policies which ensure adequate access to the recipient countries and economic return to investors.
- Regional governments should develop regional "ground rules" on foreign investment in consultation with the business sector.
- PECC should direct the present task force to facilitate consultations on those "ground rules" and to consider the potential for regional training programs to improve the capacity of developing countries to absorb technology.

### *Capital Flows*

- Governments should promote further liberalization of their financial systems.
- PECC should create a study group in place of the present task force, in order to study the nature of emerging financial problems in the region.

The recommendations of the task forces, as summarized above, indicated the need for

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further strengthening the institutional arrangement of PECC as a regional consultative process. Thus, a forum could be established as a relatively formal and semi-permanent consultation group. A study group could be established to undertake explorative studies and operate in the same manner as task forces but be organized on a smaller and more informal basis.

The Seoul Conference heard and discussed these task force reports and, in the end, endorsed most of their recommendations. The conference participants, however, went even beyond those reports in expressing concern over the deterioration in the global trade environment. They called for immediate actions by governments, unilateral, regional, and global, to stop and reverse this trend. They requested the Standing Committee to express this view to heads of government, and supported the proposal of the Task Force on Trade for the launching of the Trade Policy Forum to respond to these challenges.

The conference participants endorsed proposals made by the Task Force on Fisheries. In the course of the conference discussion on the task force's report, participants from South Pacific islands were motivated to propose to organize a "training tour" to ASEAN fisheries development centers. New Zealand specialists voluntarily prepared and submitted a paper on livestock trade and development in the region. The discussion of this paper led to agreement to set up a study group on livestock and feed grain issues. Japanese specialists voluntarily prepared and submitted a paper on Japan's

trade in forest products. The conference also discussed this paper and advised the Standing Committee to consider undertaking a study of forest product trade and development in the region. The conference endorsed the proposal to launch a Forum on Minerals and Energy. The conference also agreed to the need for a direct dialogue between business and governments on investment issues and, accordingly, supported the task force's proposal to organize an Investment Conference for this dialogue.

On the other hand, the conference did not endorse the proposal of the Task Force on Capital Flows to undertake a study of emerging financial problems in the region. With hindsight, this was a very unfortunate response to the proposal. It failed to anticipate the devastating financial crisis that swept through East Asia in the late 1990s, exposing the woeful state of underdevelopment of the financial systems in Asia as discussed by Kim (Chapter 7, this volume). That failure in turn seems to reflect that, in those days, PECC served mainly as a venue for the gathering of trade and trade-related experts, businessmen and officials. The conference as a whole thus suffered from lack of what may be called "finance mind". This rather fateful weakness of PECC came to be rectified more than a decade later, with the launching of the Finance Forum in late 2001.<sup>21</sup>

Despite the unfortunate neglect of the importance of financial issues, the tripartite dialogue at PECC IV held in Seoul was substantive, dynamic, and fruitful. Success in those terms reflected the efficacy of the evolutionary "learning-by-doing" process that

<sup>21</sup> Thus, one and a half decades after the launching of the Trade Policy Forum, the author of the present chapter was asked by the Standing Committee to organize the launching of the Finance Forum as its coordinator.

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was launched in Canberra in 1980. At least three factors contributed to the success of the Seoul Conference. Two of them were the organization of the program and the nature and size of the audience. These two have already been mentioned. A third factor was that the conference dealt with specific issues. And the task forces had brought specific policy recommendations to the conference.

### Beyond 1985: PECC as a Major Vehicle for Regional Cooperation

Following the Seoul Conference, the Standing Committee retained three task forces, on fisheries development and cooperation, minerals and energy, and trade. The Fisheries Task Force was asked to study fisheries relationships as well as training projects for fisheries development and management. The Task Forces on Minerals and Energy and on Trade were asked to relaunch themselves as forums. The Task Force on Foreign Investment and Technology Transfer was replaced by the Task Force on Foreign Investment. This task force was asked to hold a conference on foreign investment. Finally, in order to explore issues associated with livestock and feed grains, the Standing Committee approved the proposal to launch a study group on those issues.

The Trade Policy Forum was launched successfully, in San Francisco, in March 1986, followed by the launching of the Minerals and Energy Forum in Jakarta, in July the same year. The PECC Investment Conference was held in Bangkok in April 1986.

The reports on these activities were heard and discussed at PECC V, which was held in Vancouver in November 1986. At this meeting, the Chinese National Committee and the Chinese Taipei Committee were represented for the first time.<sup>22</sup> The task force reports were even more specific in terms of their focus and issues they raised than the earlier ones. Some of the noteworthy features of the Vancouver Conference were as follows.

- First, following the precedent set in Seoul, there was a keynote session in which the prospects for the regional economies were presented. The discussion of these prospects raised a number of interrelated issues, including the issue of the dollar–yen exchange rate and other macroeconomic issues which had not been discussed before.
- Second, the session on trade policy brought out the importance of exchange rates, monetary and fiscal policy, and structural adjustments and the conduct of trade policy.
- Third, discussions on livestock and feedgrains pointed to the need to look into various domestic factors shaping agricultural policies.
- Fourth, the discussions on minerals and energy raised concern over the long-term impact of China on energy and minerals trade in the region.

The evolution of the PECC process and agenda continued beyond the Vancouver Conference. PECC VI was held in Osaka in May 1988.<sup>23</sup> For the first time, the conference began with the

<sup>22</sup> See PECC (1986).

<sup>23</sup> See PECC (1988).

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discussion of the report by the Pacific Economic Outlook Working Group, which had been launched in Vancouver. Subsequently, under the outstanding leadership provided by Larry Krause, the discussion and release of the Pacific Economic Outlook report became one of PECC's prominent activities for many years.

The discussions at the Osaka Conference addressed a broad range of issues. As a result, the PECC work program that was adopted at the end of the conference came to have a rather complex structure consisting of two task forces, two forums, one working group,<sup>24</sup> and three study groups. The broadening of the work program reflected that member committees had become eager to put forward issues of special interest to their economies for study and discussion by PECC. This seems to indicate that the PECC had now earned recognition among regional economies as a uniquely valuable forum where issues for Pacific economic cooperation could be fruitfully brought and discussed and that the regional economies were increasingly willing to participate in this tripartite process as well as contribute to its development quite actively. PECC had evolved successfully to become a major vehicle of Pacific economic cooperation.

### Concluding Words: Lessons for PECC Today

As discussed by Soesastro (Chapter 3, this volume), PECC needs to reform itself in order to sustain its ability to influence, if not set, the Pacific cooperation agenda. As explained above, in PECC's early years, strenuous efforts were made to ensure the coherence of PECC

activities. Some of this coherence now seems to have been lost and needs to be restored.

The organization of recent PECC general meetings contrasts sharply with the early conferences, such as PECC IV, in Seoul in 1985. To begin with, attendance at recent general meetings has varied from a few to several hundred participants, but has included only a very limited number of officials. The intention of host committees seems to be one of maximizing the size of the attendance. However, the presence of more than 200 people does not allow meaningful consultation among participants.

The recent general meetings consist of concurrent task force workshops held on one day and plenary sessions held on two other days. Attended mostly by experts, workshops discuss task force reports and produce policy recommendations. Discussions and recommendations both focus on highly technical issues. Plenary sessions discuss broader, high-profile issues. This causes some problems. One is that these issues are not necessarily related to those discussed at workshops. Another one is that plenary discussions take place among a few panellists on the platform. Delegates from member committees are there essentially as an applauding audience. Members of the Standing Committee generally do not seek active participation in the workshop discussions or the plenary discussions. As has been said already, there is the upper house and the lower house and there is not much substantive discussion in the upper house.

This recent trend has departed from the earlier

<sup>24</sup> See PECC (1988).

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systematic approach to generating relevant policy recommendations. In the 1980s, research outputs from the task forces were subjected to detailed assessment by the Standing Committee for relevance and quality as well as for consistency with the overall objective of PECC and the values and principles that member committees upheld. In particular, the very purpose of conferences was to subject task force reports to in-depth review and evaluation by tripartite delegations from member committees. Members of the Standing Committee played a very active role in the discussions. This enabled the Standing Committee members to distil useful policy messages and deliver them to their own member committees and governments in order to influence policies. This early pattern of analysis and discussion, integrally involving experts, businessmen, and officials, revolving around the work of task forces, made it possible for PECC to set the Pacific economic cooperation agenda and catalyse the formation of APEC.

The current PECC has somehow lost this very productive pattern of study and discussion. The general meetings seem to be in search of their lost purpose. The issues and policy recommendations are not shared by the task forces and the Standing Committee. Accordingly, the Standing Committee, or its members, is no longer the bearer of the policy recommendations produced by the task forces. This is a critically important issue. Members of the Standing Committee should be re-integrated into PECC's "production process" in the sense of being engaged in interaction with the task forces on substantive issues. They should also be, once again, the owner as well as the bearer of the resulting messages to governments.

In Chapter 3 of this volume, Soesastro notes that, in the early years, the Standing Committee consisted of individuals with high standing who were respected in their capitals and could transmit the recommendations emerging from PECC conferences to their governments at the highest level. Perhaps even more importantly, they were interested in the subject matter of the task force work, because they used to intervene in order to ensure that the task forces worked on issues which they, the Standing Committee members, considered relevant and interesting. And certainly most importantly, they were genuine believers in Pacific economic cooperation and were strongly motivated to promote it. To put all these succinctly, they had what may be called "Pacific statesmanship".

It thus seems that PECC should now confront two specific internal challenges in order to revitalize and re-galvanize itself. First, the PECC process has to be reformed and redesigned. Second, the Pacific statesmanship should be restored at the highest level of PECC's governance. On the occasion of its 25th anniversary, PECC should make a resolution to rise to meet these two challenges.

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