

Seoul Declaration

The Pacific Economic Cooperation Council (PECC) marks its twenty-fifth anniversary this year in Seoul. PECC revisited and reaffirms its founding vision of a Pacific Community based on deeper economic integration and closer cooperation among members. In the past quarter century there have been significant achievements towards a Pacific Community but there are many risks to this vision.

Renewing the commitment to a Pacific Community

Persistent and growing imbalances in cross-Pacific trade and capital flows and new threats to “open borders” are the most important threats.

The growing deficit in the United States current account and the large current account surpluses and stocks of foreign exchange reserves in the East Asian economies place future world economic growth and stability at risk. Unsustainable domestic policies underlie these trends. This problem is fuelling domestic protectionism.

Concerns about international terrorism are giving rise to new impediments to trade and people movement. An influenza pandemic could present even greater challenges to open borders.

Some of the current problems are consequences of the region’s own success and integration, leading to growth but also pressure for changes in domestic economic structures, as well as resistance to this. There are other implications: increased demand for resources and renewed concerns about supply security and infrastructure bottlenecks.

The proliferation of free trade agreements and regional trade agreements in the region presents another challenge to the Pacific Community based on open regionalism. Bilateral arrangements are proliferating and concentrating around a few select economic hubs. Competition among the hubs is intensifying.



Tackling these risks requires cooperation across the Pacific. At the same time, there is increasing interest in sub-regional institutional arrangements and alternative conceptions of regionalism. Sub-regional institutional arrangements can become “communities within a Pacific community”, provided they remain consistent with the principles of open regionalism.

There are common interests in meeting the risks to integration but political tensions will need to be managed. New economic powers have emerged in the region. Constructive political relationships between the major member economies will be critical to success. Political leaders need to lay historical grievances to rest, recognising their responsibility for developing a shared political future. They should draw on the Atlantic experience.

The stakes in favour of Pacific regional integration are higher than they were twenty-five years ago when PECC was established. Responses are best designed and implemented according to market oriented policies and non-discriminatory practices. Open international trade, investment and financial policies and economic cooperation are the optimal basis for an integrated community of economies in the Pacific.

Call to action

APEC has a key role to play in strengthening trans-Pacific relations, including non-economic related aspects such as human security. PECC calls upon APEC and its member economies to take action, particularly in the lead up to the APEC Leaders meeting in Busan in November, as follows:

- Financial imbalances are spilling over into trade policy problems. APEC Finance ministers and central bank governors should work together to reduce international imbalances. APEC Trade and Finance ministers should work more closely by integrating their respective separate meetings.
- APEC ministers should demonstrate to markets their recognition of the complex origins of imbalances in trans-Pacific trade and capital flows. They should take responsibility for crafting a cooperative solution. The current context of economic growth provides a



unique opportunity to initiate these corrective actions. To be credible to market participants, the United States should move to restore fiscal balance. Asian member economies should expand domestic demand, rely less on export led growth, and allow greater exchange rate flexibility. This overall policy package will dispel growing uncertainty and reduce the risks of instability in global financial markets, and rising protectionism;

- The Bogor Goals are vital to growth and development. APEC members should reaffirm their commitment to these goals, including through the WTO. A priority APEC's work will be to address "behind the border" regulatory issues more comprehensively, backed by substantial capacity-building.
- APEC must step up efforts to ensure the proliferating preferential trade agreements in the region are developed in accordance with APEC principles and best practices guidelines, and that they contribute to Bogor goals;
- It is vital that bold steps be taken now to conclude in 2006 the Doha Development Agenda round of multilateral trade talks. These include completing essential preparatory tasks in time for the Hong Kong WTO Ministerial meeting.

In order to move ahead, urgent institutional reform of APEC is required. PECC is concerned that APEC has operated for too long as simply a "forum". A commitment to further institutional development of APEC could be made by establishing work program priorities and committing enough resources to the Secretariat and the working groups.

PECC has been an opinion-leader forum whose outputs complement and enhance APEC's agenda. To strengthen this role, PECC has enacted a new Charter which strengthens the role of our member committees and expert task forces as mechanisms for opinion leadership in the Pacific. In order to progress action on the above items, PECC will produce a State of the Region report which will be presented to APEC leaders.