

PECC Update for APEC SOM 2
Agenda Item 8: Other Business
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On behalf of Mr. Jusuf Wanandi and Ambassador Donald Campbell
Co-Chairs of the Standing Committee of the PECC

We thank you for this opportunity to update you on the work we are doing in the PECC to further promote cooperation in the Asia-Pacific region. As we had mentioned in our update to you at SOM 1, we held a conference in Singapore on some of the issues you have selected as priorities for this year's APEC work. We were pleased to have the strong input of several high-ranking government officials from Indonesia, the ABAC Chair, the APEC Executive Director, as well as officials from other APEC economies. We also express our appreciation to Minister Lim Hng Kiang of Singapore for taking the time to share his views with us. Their contributions helped shape our discussions and focus on ideas we could contribute to APEC.

Report on Singapore Conference

Under the overall theme of Asia-Pacific Economic Integration and Connectivity: Pathways for Resilient and Inclusive Growth" the conference had six sessions:

- An Asia-Pacific Agenda for Financial Cooperation
- The New Environment for Trade Policy
- Infrastructure Development: Connectivity, Integration and Structural Reform
- Aligning Economic and Technical Cooperation and Regional Economic Integration Goals
- Engaging Stakeholders in Ecotech: Towards Inclusive Growth
- Regional and Global Cooperation: APEC, ASEAN, East Asia Summit and the G20

We will be producing a summary of the discussions which we will share with you at APEC SOM 3. One issue we would wish to highlight from the outset is the need for strong cooperation between successive chairs of APEC to facilitate greater continuity in the agenda and deliver concrete outcomes

An Asia-Pacific Agenda for Financial Cooperation

This region has been swept by two major crises whose origins were in the financial sector. While there are a number of processes and institutions that have been established to address financial sector issues in the region, our discussions highlighted the need to better integrate them into the overall strategies being pursued to promote regional cooperation and development. We welcome Indonesia's initiative to bring the SOM and SFOM tracks together to address the urgent need to find ways to overcome the infrastructure gaps within and among our economies. We also discussed the potential of the Asia Pacific Financial Forum to provide a useful platform to aid in the development of regional financial markets as well as to provide a venue through which policy makers and market players can share views on developments in global regulations.

A number of economies are undertaking measures to stimulate growth which are having unintended international impacts that they are having. As we discussed in our State of the Region report last year, these impacts are complex and require calibrated and measured responses to ensure that the capital flows we are seeing into emerging economies do not lead to excess credit expansion and asset bubbles.

The New Environment for Trade Policy

The forthcoming WTO Ministerial in Bali comes at a critical point in the evolution of the global trading system. Many expressed concerns that failure to get momentum in global negotiations this year will leave the WTO as an important judicial institution and a generator of information. We hope that APEC, under Indonesia's leadership, can help to break the impasse in the Doha Round negotiations as it had done in the past with the conclusion of the Uruguay Round. At the same time, there is a need to look ahead and consider how trade negotiations will take place in the future, whether through continued RTAs and FTAs or through plurilaterals and their relationship to the multilateral trading system

Given the changes that have taken place in the ways in which businesses trade, there is a need to ensure that trade policy enables stakeholders to fully benefit from the integration process. The emergence of complex regional and global supply chains provides an opportunity for small and medium enterprises to engage in trade but note that they are disproportionately affected by customs and other regulatory procedures pointing to a different set of issues than those traditionally dealt with by trade policy. APEC has been a leader in addressing these issues through its supply chain initiatives and work on structural reform.

We also discussed how the TPP and RCEP are developing and can contribute to the eventual achievement of the Bogor Goals. We urge APEC members to not only have an update on negotiations but to positively contribute to their technical development to help facilitate their eventual convergence. We wish to re-emphasize three actions that APEC could take to ensure that these initiatives lead to the achievement of the Bogor Goals:

- Reconcile high standards with the capacities and needs of diverse economies. One operational goal might be to limit agreements to provisions that “lead by a decade”—that is, to standards that are high, but no higher than could be accepted by a reform-minded economy in 10 years.
- Include innovative provisions for outcome-based cooperation
- Establish a high-level dialogue that would guide the technical development of the different agreements. Such a dialogue could encourage substantive overlap between the tracks and also reduce political frictions. Formats might include technical exchanges, discussions among senior officials, or an Eminent Persons Group

Rethinking Economic and Technical Cooperation

We discussed in depth the role that economic and technical cooperation can play in furthering the region’s objective of deepening regional economic integration. While APEC has undertaken many projects over the course of its history there seems to be a disconnect between the projects and APEC’s core objectives. We hope that attempts this year to review APEC’s Ecotech work will result in a focused and outcome –based program that can catalyse more equitable and sustainable development. Our annual *State of the Region* report will focus on this issue and we hope to share with you our findings later this year.

Engaging Stakeholders in Ecotech: Towards Inclusive Growth

We also discussed the importance of the business community as well as other stakeholders in both the design and implementation of capacity building projects. For example, the development of human capital is critical to future competitiveness and increasing the value-add our businesses add in the production of goods and services, to do this effectively there is a need to find ways to have businesses and educational institutions work together to enable people to fulfil their potential.

Infrastructure Development: Connectivity, Integration and Structural Reform

Investing in infrastructure is critical to overcome the supply side constraints that our economies face in benefiting from the integration process. There are several initiatives being pursued by a number of institutions in the region, including the Master Plan for ASEAN Connectivity and work in the Greater Mekong Sub-Region. In addition to the cross-border projects, addressing the ‘last mile of infrastructure’ that connects people to the market place should also be a high priority. The task ahead is daunting especially given the fiscal constraints many economies face and will require the involvement of the private sector to fund many of these projects. This is a multi-year project that would benefit from an overarching vision of how we want the region to look in the years ahead.

Regional and Global Cooperation: APEC, ASEAN, East Asia Summit and the G20

Since the Bogor Goals were set, the institutions and processes of the region and the world have multiplied. These processes help to foster a greater sense of community among the economies of the region but they also need to find ways to leverage each other’s work to provide tangible benefits. This region in particular has benefited from an increasing open and rules-based international economic system; it would be in our interests to ensure that we continue to provide regional and global leadership to solve the many problems we are facing.

PECC’s Work Program

In addition to the conference just held, we have a number of ongoing and recently concluded projects of relevance to your agenda. PECC's work is undertaken by small task forces approved by our Standing Committee. The conclusions of these experts will, of course, be their own, but the task forces will be commissioned by the PECC and the intent is to provide a continuous source of innovative but realistic ideas from the second track into the Asia-Pacific cooperation process. In addition to our signature projects, our member committees collaborate on international projects which are a continual source of interaction among policy experts from the region.

Sustainable Management of Marine Resources

Of relevance to your work on the Blue Economy, from 2011 to 2012 we undertook a project on the Sustainable Management of Marine Resources. This work is led by our France (Pacific Territories) Committee. This work has three dimensions: protecting the oceans and sharing marine resources; oceans as a source of renewable energy; and the management of oceans' natural resources/oceans as a means of communications.

The Asia-Pacific Education Market

We welcome APEC's work this year on people-to-people connectivity and the focus on the education sector. Along with the Association of Pacific Rim Universities (APRU) we undertook a major study on developments in the education sector. As we noted earlier, to compete in the modern economy, people need to have world-class skills. The process of skills upgrading could be greatly facilitated by addressing the many barriers that exist to the movements of students, educators and educational institutions. The project examined trends in the various modes of supply of education services across international borders and identify impediments to efficient international cooperation in this sector.

Social Resilience

In 2009, PECC launched a project on social resilience led by our Japan committee. This is a first attempt to discuss social safety nets in the Asia-Pacific region in depth. This work now includes experts from a number of non-APEC member economies who are in the process of either constructing or reforming their social security systems.

Cooperation and Competition in the Extractive Industry

This project seeks to address the following concerns associated with developments in the minerals and energy sector including the demand and supply shifts, the consequences of the rents that occur during periods of high prices, and the environmental impacts of activities in these sectors at local and global levels, especially in the presence of faults or gaps in environmental policy.

Monetary Regimes in the Pacific Region

Our Pacific Economic Outlook Structure team continues to look at some of the deeper structural changes taking place in the regional economy and the policy responses to them. The current work program is addressing how policies used to achieve the *macroeconomic policy trilemma*, i.e. exchange rate stability, free capital mobility, and monetary autonomy. Specifically the research will look at the relationship between macroeconomic policy (stabilization) objectives and the transmission mechanisms in individual members' contexts.

Strategies to Enhance Competitiveness and Facilitate Regional Trade and Investment in Services

We thank Senior Officials for the opportunity to contribute to, along with our colleagues from ABAC, the Policy Dialogue on Services. Our work on this issue was undertaken by a task force we established in cooperation with the Asian Development Bank Institute. Our services network is continuing to consider the next set of issues it could address.

Reforms to PECC

Over the past year we have been reviewing our priorities and the modalities through which we seek to achieve them. We thank colleagues in APEC for your input and suggestions. Through this reform process we hope we will be able to better contribute to the work that APEC is undertaking.

PECC General Meeting

We would like to inform Senior Officials that we will be holding our General Meeting in Vancouver from 3 to 5 June. During this meeting we will be ratifying the recommendations of the group tasked to look at reforms to PECC as well as future priorities. We ask APEC members to approach us or to contact your respective PECC committees if you should have any suggestions for issues you would like PECC to address.