

PECC Statement

to Meeting of APEC Ministers Responsible for Trade (MRT)

Darwin, Northern Territory, Australia
6-7 June 2000

by
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The Pacific Economic Cooperation Council (PECC) will celebrate its 20th anniversary this September. I believe PECC is quite familiar to APEC. Our membership and APEC's are essentially overlapping. With its broad-based network of experts from 25 Asia Pacific economies, PECC is a forerunner as well as an official observer of APEC. Moreover, I think PECC has a good track record in terms of identifying practical options for realizing the APEC vision of free and open trade and investment.

The unique strengths of PECC, as an organization, are its tripartite structure of academia, business and government combined with its independent status in policy analysis and recommendations. PECC operates by peer consultation and mutual cross-fertilization of ideas. We stress the importance of identifying policy options which reflect the shared view of all Asia Pacific economies, developing as well as developed. In the trade arena, our overriding interest is in an open rules-based multilateral trading system.

As the new PECC Chair, I have stressed the particular importance of intellectual input, from the academic side. This complements ABAC's reports to APEC. Of course, within our tripartite system, academic input needs to withstand the test of practical business experience prior to policy advice to governments.

Such advice has proven productive in the past. For example, when the Osaka Action Agenda was adopted, PECC task forces and researchers helped define the extent of the impediments to trade and investment that we need to address. Successive studies have since provided an independent assessment of the progress being made in the Individual Action Plans (IAPs) of APEC governments. PECC also laid the foundations for the APEC Non-binding Investment Code and, more recently, APEC Principles on Competition and Deregulation.

PECC is also engaged in research on new issues arising from globalization. One example of current work is to look for better ways to measure trade flows themselves. With the explosive growth of borderless manufacturing and e-commerce, rules of origin are becoming obsolete and current trade statistics are hardly adequate to reflect true patterns of international transactions and changes in comparative advantage. The ability to measure the economic benefits of trade accurately in this changing world is fundamental to APEC's mission of trade liberalization. We hope that our work in this area will contribute to this endeavour.

That is a longer-term project; there are also several ways in which PECC can make itself useful to APEC in the short-term.

Assessing progress

One of these will be to continue objective evaluation of progress towards the Bogor goal as reflected in IAPs and CAPs. We commend APEC's efforts to improve the IAPs in terms of format, content, transparency and independent assessment. They are rising to the challenge of changing perceptions and expectations of business about APEC economies and the APEC process.

As we move towards the new knowledge-based economy, we should pay more attention to the wider, facilitation dimensions of the Osaka Action Agenda. APEC governments have made commendable progress in terms of reducing some significant costs and risks of trade and investment. The business sector continues to tell us that such co-operative arrangements for facilitation mean more to them than anything else. They are more concerned with the speed, ease and costs of customs processing than with tariffs rates themselves.

There is a widely shared interest in pursuing further opportunities for facilitation. These are correctly perceived as win-win options. There is no need for negotiations, so voluntary co-operation is very well suited to promoting facilitation. This is APEC's revealed comparative advantage. APEC should specialise accordingly and take greater pride in what is being achieved in terms of facilitation.

Early assessments suggest that well over half of the welfare gains to date from TILF have been due to facilitation measures, but we need to do more research to monitor and quantify these benefits.

Capacity-building

It has long been recognized that the real constraint to progress on facilitation is the capacity for implementation. Recent experience has shown that we also need to build greater confidence and capacity for liberalisation. Capacity-building is also the key to stronger corporate governance - another set of issues we are working on in PECC.

It is good to see the new consensus which has emerged about the vital role of capacity-building. ECOTECH is not an alternative for TILF; it is the lifeblood which nourishes the capacity of APEC governments for practical co-operation on all fronts. The PECC network is continuing its efforts to turn ECOTECH ideas into real capacity-building.

APEC and the WTO

During the past two days, you have discussed the issues facing the WTO and how APEC can best contribute to the next Round. I do not intend to try to list the key issues yet again, but would like to point to a potential contribution from PECC.

We are all well aware that any new round will need to balance the interests of both developed and developing economies more carefully than ever before. We certainly need to find a way to address legitimate concerns about labour standards and the environment. However, continued insistence on linking these to the right to trade may well mean stalemate. We need a more acceptable way of approaching these matters.

Given the sensitivities involved, PECC may be able to make a balanced contribution. Given adequate resources, we can come up with a framework to consider the issues and provide data on the links between trade, growth and

labour market conditions. Solid empirical data is also needed on the links between trade and the environment. We could contribute to gathering it and may be able to suggest policy options on labour and environment that reflect a balance of Asia Pacific interests.

New economic partnerships

PECC may also be helpful in thinking about the implications of the sudden resurgence of RTA-type arrangements among some APEC economies. In view of the diversity of APEC economies, we should not be surprised by this development. Such initiatives may prove a way to overcome some obstacles to progress towards the Bogor vision.

The new initiatives are expected to deal with much more than the traditional issues of trade in goods and services. Therefore, while we are confident that all these new initiatives will be fully consistent with the relevant provisions of the WTO, that is not sufficient to ensure that they will also be consistent with APEC's commitment to open regionalism.

In most cases, these new initiatives are at an early stage of design. This may be the right time to consider some simple and concise guidelines, not rules, that will give us confidence that proposed arrangements will advance our shared interests. Such guiding principles could cover:

- ✓ consistency with existing commitments, including in APEC as well as the WTO;
- ✓ transparency;
- ✓ avoiding new barriers to other economies;
- ✓ opportunities for accession by other interested economies;
- ✓ provisions for peer review.

During its first ten years, APEC has found it useful first to forge consensus, then to agree on principles for co-operation. As we have focused on specific issues we have found it useful to elaborate and complement the principles of the Osaka Action Agenda on matters such as investment, competition and deregulation. PECC has been able to play a constructive role in shaping consensus around new principles for new aspects of co-operation. We may be able to do so once again.

These are just some of the ways we may be able to contribute to APEC. We hope you will continue to welcome our ideas on how we can help promote mutually beneficial economic co-operation in the Asia Pacific region. You can count on our rigorous and unbiased analysis to help develop and implement a practical and balanced trade policy agenda for the 21st century.

Charting the Asia Pacific Trade Agenda: building confidence and credibility

*PECC Trade Policy Forum Statement to the
Meeting of APEC Ministers Responsible for Trade
Darwin, June 2000*

Confidence Building is Crucial

APEC is all about building confidence in our shared economic interests, including in free and open trade and investment. Despite its efforts over the last decade, the challenge remains. The serious financial crises of recent years have led to new concerns about globalisation. APEC now has a role to play in rebuilding the confidence to make more progress towards free and open trade and investment, whether in the WTO or by its own member economies.

There is abundant evidence that 'opening to the outside world' is essential for sustained improvements in living standards and reducing poverty. It need not weaken workers' rights or damage the environment. APEC governments can contribute to restoring the capacity for further market-opening and deregulation. They can share information about their own experience of preparing for and adjusting to the many reforms which have already taken place.

APEC's leaders will need to face some hard realities. There have been some disappointments which reflect the absence of a sufficient sense of shared interests. APEC economies were not able to deliver sufficient collective leadership to launch a new round of WTO negotiations; the consensus reached in Auckland did not make it to Seattle. Now APEC can build on its experience to deepen its relationship with the WTO process and extend its direct contribution to the negotiating agenda.

We also need to think through the issues raised by the suddenly renewed interest in closer economic partnerships involving some pairs or groups of APEC economies. We need to be confident that these developments are indeed a means of achieving our commitments and will complement progress in APEC and in the WTO, not a retreat from them.

In its first decade the APEC process has demonstrated its capacity to deliver. There is a need for renewed confidence with a focus on APEC's strengths.

Progress in APEC: focusing on strengths

APEC should continue to make headway in liberalisation, without raising unduly high expectations for major early breakthroughs. We need to work hard to raise confidence in liberalising for our own interests and in APEC's potential to develop the agenda in the global institutions. As we move towards the new knowledge-based economy, we should also pay more attention to the wider dimensions of the Osaka Action Agenda.

IAPs and CAPS are core elements of the APEC process. As PECC highlighted in its assessment of the IAPs last year, more can be done to highlight the essential linkage between the CAPs and the IAPs.

Peer reviews are also important. APEC should be commended for the efforts to improve the IAP in terms of format, content, transparency and independent assessment. We want IAPs and CAPs which are good enough to change perceptions and expectations so that businesses will use them to make informed decisions.

The focus of reporting APEC's achievement should go beyond progress in TILF and include the efforts and the extent to which capacity building, and competition principles have been incorporated in the policy changes and associated institutions and systems. That is necessary to raise and fulfill expectations about the APEC process.

APEC economies have made commendable progress in terms of reducing some significant costs and risks of trade and investment. What tops the business sector's wish list for APEC? The business sector continues to tell us that such co-operative arrangements for facilitation mean more to them than most anything else.

Facilitation projects are correctly perceived as win-win options. There is no need for negotiations, so voluntary co-operation is very well suited to promoting facilitation. This is APEC's revealed comparative advantage. We should specialise accordingly and take greater pride in what is being achieved in terms of facilitation.

It has long been recognised that the real constraint to progress on facilitation is the capacity for implementation. Only more recently, have we learned from hard experience and realised the need for strengthening capacity for further liberalisation. Capacity building does not only mean acquiring capacity to run specialist institutions, like testing labs or competition regulators. Capacity building also means managing policy development in a new political and more open environment. This effort will increase everyone's capacity to move towards, and obtain the benefits of, free and open trade and investment.

PECC sees a new commitment within APEC to capacity building. We see some members' growing understanding of the wider scope of capacity building. PECC also sees a clearer view that ECOTECH is not an alternative to TILF; it is the lifeblood which nourishes the capacity of APEC governments for practical co-operation on all fronts, including

- ✓ Trade and investment liberalisation
- ✓ Facilitation arrangements
- ✓ Financial sector development
- ✓ Plugging in to the knowledge-based economy.

Galvanising the WTO

It will be some time before we can expect a new round of WTO negotiations.

APEC can make good use of this time to regroup and plan, not only for a launch, but also for a meaningful and widely acceptable next round.

Any new round will deal with far more than border barriers to trade. The way APEC is learning to deal with new issues such as competition policy, investment and many aspects of facilitation are already proving useful precedents for potential multilateral principles and co-operative arrangements.

Any new round would need to balance the interests of both developed and developing economies. Once again, this is an opportunity for APEC. APEC can agree on shared objectives and strategies for WTO negotiations among its diverse members. If APEC cannot do so, then there is no prospect for progress in the wider WTO forum, where an even more diverse set of interests needs to be reconciled.

For example, APEC can work on ways to address legitimate concerns about labour standards and the environment. Continued insistence on linking these to the right to trade means stalemate. At the same time, there will be no progress until we can find an alternative way to assure the international community that developing as well as developed economies are committed to decent living standards, reducing poverty and a sustainable environment.

The developed economies must also show their willingness to address hard issues. There will be no new round without firm commitment to :

- a) implement the phase-out of import restraints by 2005 under the WTO Agreement on Textiles and Clothing;
- b) reduce peak tariffs substantially; and
- c) develop more sensible rules to minimise economic damage of anti-dumping tactics.

Managing diversity

Within APEC members' enormous diversity in economic profiles, not all of our 21 governments would wish to do the same things at the same time. Close neighbours and close trading partners are likely to co-operate more closely. So we need not be surprised about new initiatives for intensifying economic links, whether among sub-groups of APEC economies or between APEC economies and their non-APEC neighbours.

These initiatives are all expected to be consistent with the relevant provisions of the WTO. However, these provisions are too ambiguous and are scarcely relevant to many new aspects of co-operation which deal with much more than free trade in either goods or services.

Understanding and coping with the practical issues raised by new types of economic co-operation will be a continuous learning process. New issues will continue to arise as different groups of governments look for innovative ways to facilitate different types and different means of international economic transactions.

In most cases, these new initiatives are at an early stage of design. This may be the right time to consider some simple and concise guidelines, not rules, that will give us confidence that proposed arrangements will advance our shared interests. Such guiding principles could cover:

- consistency with existing commitments, including in APEC as well as the WTO;
- transparency;
- avoiding new barriers to other economies;
- provisions for accession by other economies;
- provisions for peer review.

During its first decade, APEC has grown to appreciate consensus building followed by agreements on principles for co-operation. PECC has played a constructive and instrumental role in shaping consensus around new principles for new aspects of cooperation, such as the APEC Non-Binding Investment Code and APEC Principles on Competition and Deregulation. We can assist in forging consensus on guiding principles for new initiatives for co-operation involving APEC economies, which will lead to confidence that they are fully consistent with our shared, overriding interest in an open rules-based multilateral trading system.