

Agenda Item VIII B: Update from Official Observers
PECC Statement to the SOM I
Beijing, China
12-13 February 2001

PECC wishes to congratulate China on the excellent preparatory work for hosting APEC this year. PECC looks forward to collaborating with and contributing to APEC. We welcome the plans for APEC to promote further work on trade and investment liberalization and facilitation, to strengthen the multilateral trading system and the financial markets, and to help spread the benefits of globalization in the new economy, especially by enhancing economic and technical cooperation amongst other issues. We fully support these themes since there are many areas of common interest with the PECC's work program. With its tripartite leadership, PECC is well placed to address policy concerns and to make recommendations on economic and trade issues in the region. We therefore look forward to providing input to APEC and continuing our close collaboration in the year of China's APEC chairmanship.

Last year PECC celebrated its twentieth anniversary. Those twenty years bore witness to rapid globalization, radical changes in the regional and global trading system, the formation of APEC and the WTO to mention just two, and the financial crisis which attests to vulnerabilities which need to be addressed. In the new millennium the region will clearly face new challenges, foremost of which will be managing and forging confidence to continue globalization. Thus we have reorganized our work under the main theme of Managing Globalization in the 21st Century. Under this theme, PECC fora and task forces are working on four sub-themes: Charting the Millennium Trade Agenda; Strengthening Financial Markets and Corporate Governance; Seizing the E-opportunities and Community Building.

(1) Charting the Millennium Trade Agenda

PECC recognizes the importance of launching a new round of multilateral trade talks within the World Trade Organization framework and the role that APEC can play in helping to set an agenda that is acceptable to all. We believe that APEC's approach has much to offer the world and we should continue in this vein. We urge APEC members to continue their commitment to meet the Bogor goals of free trade and investment through concerted unilateral processes. We note the recent proliferation of sub-regional trading arrangements and urge that these remain consistent with the free and open multilateral trading system and open regionalism.

Under the sub-theme of Charting the Millennium Trade Agenda, the PECC Trade Policy Forum (TPF) has worked on the review of the Individual Action Plans (IAPs) and we are keen on providing APEC with further analysis and recommendations on policy implementation of its IAPs and Collective Action Plans. Other TPF policy research programs include :

- (1.1) Menu of Options for Voluntary Liberalization, Facilitation and Promotion of Economic and Technical Cooperation in Services Trade and Investment:

This project, which is being undertaken by TPF experts for the APEC GOS, aims to advance the core GOS' objective of fostering liberalization and facilitation of services trade and investment among APEC economies, along with the promotion of capacity building in the services area. It is now well into Phase II, and several TPF experts will be here to brief the GOS in the next few days.

(1.2) Treatment of Market Power in East Asia:

To take forward the PECC Competition Principles adopted in 1999, TPF launched this project last year which deals with understanding the sources and changes in market power, and how to prevent its misuse in a number of East Asian economies. These papers will provide analysis useful in furthering work in the competition principles and capacity building measures especially for member economies which are progressing in deregulation and privatization. This project will be completed in 2002 and a seminar will be held in June to develop inputs to the research.

(1.3) Survey on Impediments to Trade and Investment in the APEC Region:

TPF is currently working on an update of the Survey on Impediments that was originally undertaken on behalf of APEC in 1995. This update, to be completed in electronic form, will include tariffs, NTMs, investment and services.

(1.4) Regional Trading Arrangements

TPF is conducting a survey and analysis of existing regional trading arrangements (RTAs) in the Asia-Pacific, as well as evaluating the newly announced ones. TPF experts are collaborating with the World Bank and UNCTAD on this research, and a seminar on RTAs is being planned for June.

PECC is also encouraged to note the strong emphasis that China is giving to trade facilitation issues. PECC members have been involved in a variety of trade facilitation research initiatives, including a recent conference in Singapore on the developmental dimensions of APEC's trade facilitation agenda.

In addition, we note from the Brunei Leaders' Declaration and from the agenda that APEC is developing Chemical and Automotive Dialogues, we would like to inform SOM that PECC has done substantial work on the state of the automotive industry in ASEAN and will continue to do so. We are keen to contribute our findings, now on the internet at www.asean-auto.org, to the Automotive Dialogue and look forward to providing input from our ongoing research.

(2) Strengthening Financial Markets and Corporate Governance

The crisis that started in 1997 taught us important lessons on vulnerabilities to external shocks from a weak financial system and lack of corporate governance. One

other main theme guiding PECC's work this year is thus strengthening financial markets and corporate governance. While trade has increased significantly over the last twenty years, the most startling change has been in the area of finance. In May we will be inaugurating an important joint project between the PECC Financial Markets Development Project Group and the World Bank which is aimed at involving the private sector in East Asia's efforts to enhance regional integration. We believe that there is greater need and support for regional financial cooperation, as indicated by the Manila Framework, the Chiang Mai Initiative, and the consensus for regional cooperation reported from the recent ASEM meeting of 25 Finance Ministers from East Asia and Europe. PECC, the IMF and World Bank have recognized that insufficient private sector involvement may have contributed to the difficulties experienced by international financial institutions and governments in dealing with contagion. PECC's work in this area seeks to address this deficiency.

Furthermore, we extend our thanks to APEC for the recognition on PECC's work in the area of corporate governance. Our Peer Assistance and Review Network has been working towards answering APEC Ministers' call for PECC to develop ideas which APEC may further consider its work on improving economic and corporate governance in the region. We also note the Ministers' concern that further proposals should take into account ongoing work in the APEC Finance Ministers' Initiative on Corporate Governance.

Part of our corporate governance initiative has been the establishment of a network of Institutes of Directors that train corporate directors. We view this as essential to the sustainable development of the Asia-Pacific, especially in the fact that liberalization must be accompanied by a training program for the caretakers of corporate health and in the interests of the stakeholders. We are also conducting a survey on member economies' experiences, with a view to compiling codes of best practices in corporate governance which accommodate the individual variations among them. Through good corporate governance, especially in the financial sector, we believe that many of the problems that came to light during the Asian crisis can be avoided. Our last PARNET meeting demonstrated PECC's particular strength in attracting more than 130 participants from the government, business, the academia and multilateral funding agencies.

(3) Seizing the E-opportunities

PECC has also been contributing to cross-cutting policy work in the communication and information technology fields. 2000 was a busy year for the PECC Telecommunication and Information Industry Forum (TIIF). The Forum developed a number of programmes and organized regular industry-government dialogues both at the APEC Telecommunications Working Group (Tel), the Electronic Commerce Steering Group (ECSG), and the Tel Ministerial. The Telecommunication and Information policy work of the PECC is focused on a number of fundamental objectives. They are as follows: advancing all member economies access, at affordable rates, to the internet for social, business, and educational purposes; increasing IT literacy and skills development so as to empower all people to benefit from the e-powered economy; creating partnerships between government, industry, and academic organizations to enable new business opportunities for small and medium sized enterprises; and providing APEC officials with examples of market

based solutions to the digital inclusion objectives they have set forth in the hopes that such efforts can be further encouraged. To this end the TIIF is engaged in a number of programs, including interconnection training initiatives; wireless issue workshops; active partnerships for internet connectivity (APIC); e-security advisement, and development of an alliance for IT literacy and skills development (EduPACT). Details of the program can be found at the TIIF web-site: www.pecc.org/ptiif. The PECC work program in these areas offers a significant contribution to the 2001 APEC theme of creating benefits to all from the digital opportunities.

(4) Community-Building

We believe that the vision of trade and investment liberalization must be matched by institution-building and technical assistance that can help economies manage the risks and costs of globalization process so that tangible benefits are enjoyed by most people. In that light PECC held an open forum in Jakarta last October. The objective of the forum was to share PECC members' experiences of managing globalization with Indonesia, an economy which was the hardest hit by the Asian financial crisis. At the meeting, we also announced specific pilot projects in capacity building to help Indonesia. The results of the forum can be found at: <http://www.pecc.net/2000-state/Jakarta%20Statement.doc>

PECC has been working with APEC in this regard. The Regional Integration for Sustainable Economies (RISE) project has had remarkable success in trying to bridge the urban-rural gap, promote rural and small-town development and improve the living condition of the rural areas. We are happy to note that this project has been very successful in Jiangmen City, China, where the private sector has already signed an agreement or expressed a strong interest in investing. RISE is an excellent example of how PECC's tripartite composition can contribute to development in a concrete manner.

We recognize the rising importance of food and agricultural trade in the region. As in previous years, PECC will issue a report on the Pacific Food System in 2001. Our report will analyze the outlook for agricultural production, the macroeconomic outlook, food prices and consumption, food processing and marketing, and food and agricultural policy. Our work will provide the essential information and analysis for decision-making on food policy in the public and private sectors.

PECC has recently revived the Pacific Island Nations (PIN) Task Force. With programs geared in the areas of Information Technology (IT) capacity building, tourism, and environmental protection. This would be part of our community building efforts as well.

In all the PECC fora and task forces which undertake the various issue-specific analysis and discussions, PECC has continuously strived to achieve synergy among PECC's members from business, government and academia. Given the complexities of issues and thus their solutions in managing globalization in the 21st century, we believe that such a coordinated and rational approach to trade and development is imperative. In this regard, we hope that APEC will continue to make use of the resources that PECC has developed over the last twenty years. We also

look forward to sharing our results with APEC and continuing the fruitful cooperation between our two organizations.

Finally, at the beginning of the new century and the new millennium, we wish APEC great success in the year 2001 under the chairmanship of China.

Thank you.