

PECC Trade Forum: Meeting in Lima, Peru

May 17-19, 2002

The PECC Trade Forum was launched in 2002 as one of the three Forums established under the new PECC structure. Its mandate covers trade and investment issues in the APEC region. PECC is the only non-government institution with official observer status recognized by Asia Pacific Economic Cooperation. PECC plays a crucial role as an analytical resource drawing on scholars, government officials, and other public and private institutions in the APEC region.

The Trade Forum benefits from a network of trade policy specialists from around the region to provide in-depth analysis of key trade policy issues. PECC's tripartite character facilitates the establishment of dialogue with business and government on these issues and enables the Trade Forum to act as a catalyst in the regional policy making process by helping to build a consensus around new policy initiatives.

The Pacific region accounts for more than 60 percent of world trade and includes a number of important members of the multilateral trading system. PECC members are by far each other's most important trading partners. Exports and imports to other PECC members as a percentage of total exports and imports, was, on average 66% in 2000.

The Trade Forum has established two Task Forces for 2002-2003:

- 1) Trade and Investment Issues in the WTO and APEC; and
- 2) Regional Trading Arrangements.

The Trade Forum Coordinator is Mr. Robert Scollay, Director of the APEC Study Center at the University of Auckland, New Zealand.

[Trade and Investment Issues in the WTO and APEC](#)

The launch of new round of trade negotiations covering a number of new and controversial issues represents an enormous challenge to the region and the world. PECC has built up expertise in many of the most difficult areas that will be covered by this round including services; investment; competition; and facilitation. The period leading up to this decision will be taken up with preparatory work, during which many difficult and challenging issues will have to be faced to ensure that growth in the region can be revitalized and match the spectacular growth of the Pacific Rim before 1997.

[Regional Trading Arrangements](#)

The Trade Forum is also addressing the issue of regional trading arrangements. The proliferation of these arrangements may have long-term consequences for Pacific trade. The Forum's work on this issue will concentrate two areas: the design of the

arrangements and how they fit into the larger trading regimes; and how they may affect the long-term sustainable development of the entire region.

The Lima Trade Forum meeting dealt with three principal issue areas:

- 1) The Doha Development Agenda:
Market access is a crucial issue under this heading, as well as the four “Singapore issues” discussed below;
- 2) The Shanghai Accord:
Trade facilitation and the benefits of an industry based approach in reducing international business transaction costs;
- 3) Concern over the spread of regional trading arrangements, and the effects of these on APEC.

These topics and others have been well summarized in a PECC Statement to Ministers Responsible for Trade, at Puerto Vallarta, Mexico on May 30, 2002.

PECC Statement to Ministers Responsible for Trade

PECC applauds Ministers Responsible for Trade for the resolve they have shown in addressing the Doha Development Agenda and the implementation of APEC’s own Shanghai Accord, as these are processes that will crucially influence momentum towards the realisation of APEC’s goals in the immediate future.

We believe it is also important to highlight a third issue which Ministers have not addressed, namely the proliferation of proposals for preferential trading arrangements in the region and the consequences this may have for APEC.

The Doha Development Agenda

APEC has a huge stake in the Doha Development Agenda. At the scheduled conclusion of the negotiations, APEC will be only five years away from the 2010 target date for developed economies to achieve the Bogor goals.

Success in the “development round” will instil much needed confidence among developed and developing economy APEC members that both are serious about the Bogor goals. Success will show APEC members from developing economies that the developed economies are committed to their APEC goals. Just as importantly, a successful round will lay the foundation for developing economies to move forward more vigorously on their 2020 commitments.

APEC contributions in WTO capacity-building will reinforce both this sense of confidence and the potential for real success.

Market Access: An Imperative for APEC

Market access is an area where the Doha Development Agenda must deliver major improvements if APEC's developed member economies are to remain on course for the 2010 target date, especially in sensitive areas such as agriculture and textiles and clothing where the remaining distance to be travelled to reach the Bogor targets is greatest.

Substantial commitments by APEC developed member economies in particular are important both for the eventual attainment of the 2010 targets and for the success of the Doha Development Agenda itself. It is clear that the willingness of developing economies to support the decisions that will be sought at next year's WTO ministerial will depend heavily on their perception of the performance of developed economies in the area of market access as well as in dealing constructively with implementation issues.

As a contribution to the effort that is required the PECC Trade Forum is developing its own analysis of key market access issues in the negotiations.

The "Singapore Issues": Building on APEC's Achievement

APEC has worked long and hard to make progress on each of the four "Singapore issues". Its "principles approach" on investment, competition and regulatory reform, government procurement and trade facilitation has uniquely drawn together developed and developing economies. APEC can use its comparative advantage by working within WTO to build upon the consensus within APEC on each of these issues and bring greater coherence to what may otherwise become an unsatisfactory compromise between competing positions.

When APEC developed its principles on investment and competition and regulatory reform it drew heavily on the work of PECC in these areas. We believe that PECC's Draft Asia Pacific Investment Code and the PECC Competition Principles still provide considerable insights into how APEC can build on its own initiatives. To assist in this process, PECC plans to develop concrete proposals for linking the APEC and PECC approaches to the WTO agenda.

The Shanghai Accord

Trade Facilitation: A Clear APEC Comparative Advantage

Trade facilitation is another area where APEC has a clear comparative advantage. The emphasis on cooperation and technical assistance rather than negotiation means that this is an area especially suited to APEC's approach and capabilities. Importantly, APEC can focus on business concerns in a way that WTO is unable to do.

Benefits of an Industry-Based Approach

Engagement with the business sector will be critical to the success of APEC achieving its 5 % reduction in transactions costs for international business. Transactions costs differ greatly between industry sectors. PECC believes that if APEC is to make a substantial difference over the medium and longer term it is vital to understand particular industry problems and to develop specific policy responses. PECC therefore sees considerable merit in the development of business transaction cost measures based on specific industry sectors, and using these multiple measures as baselines against which the 5% target may be assessed.

There already exists a body of work undertaken in APEC on transactions costs in the automobiles, chemicals, transportation, fisheries and telecommunications sectors. PECC is now developing proposals for industry-based measurement and monitoring of progress towards the Shanghai Accord and believes it would be practical to build on the existing work.

The Spread of Regional Trading Arrangements (RTAs) and the Future of APEC

Threat to the Trans-Pacific Character of Asia-Pacific Integration

APEC's vision is based on the concept of the Asia-Pacific as an economically-integrated region embracing both sides of the Pacific. While some trans-Pacific RTA proposals continue to be pursued, generally RTA initiatives are increasingly proceeding along separate tracks in East Asia and the Americas. The possible establishment of the Free Trade Area of the Americas and emergence of an East Asian trade bloc has the worrying potential to divide the Asia-Pacific region into two competing mega-blocs. Such a threat to the trans-Pacific dimension of APEC would challenge the very concept of APEC itself. There will be an air of unreality about APEC deliberations if this issue is not squarely addressed.

More dialogue between analysts and policy makers on both sides of the Pacific aimed at safeguarding APEC's trans-Pacific character is urgently needed. PECC will use its networks to foster this dialogue.

Keeping an Eye on the Main Prize: the Benefits of Region-Wide Integration

Individual economies naturally reserve the right to pursue their own interests with RTA initiatives in the way they deem most appropriate. However, APEC economies will derive greater benefits if APEC's objectives are pursued and achieved on a region-wide basis. This is the APEC vision. There is a risk that the larger benefits may be compromised by individual initiatives. They may also increase business costs arising from the development of a "spaghetti bowl" of overlapping agreements with inconsistent provisions,

It is important therefore that analysis of individual initiatives should be undertaken from the perspective of other APEC members and of the region as a whole as well as from

the perspective of the members of the proposed arrangement. This will assist in identifying both potential threats to region-wide cooperation and ways in which those threats may be avoided.

The PECC Trade Forum has been applying its own analytical capacity in this area, and will continue to do so.

A Proposal: Principles for APEC-Consistent RTAs

At Shanghai last October, APEC leaders stated that “regional and bilateral trade agreements...should be in line with APEC architecture and supportive of APEC’s goals and principles.” PECC believes there is a considerable amount of work still to be done to identify the characteristics of RTAs that will satisfy this requirement. The PECC Trade Forum has therefore started work on the development of a set of Principles for APEC-Consistent RTAs.

Services Trade

Sherry Stephenson, Deputy Director for Trade Policy, OAS, organized the services session for the TPF session held in Lima, Peru, May 17th-19th. The session built on the work that PECC has done in services in support of APEC over the past few years through the ongoing project on the "Menu of Options for Voluntary Liberalization, Facilitation and Promotion of Economic and Technical Cooperation in Services Trade and Investment" (now in Phase III). Two issues that were the main focus under the "Menu of Options" project for the APEC Group on Services (GOS) this year were issues of transparency and domestic regulation. In this context Sherry Stephenson organized a workshop “Towards Improving Regulation in the Services Sector” that took place during the GOS meeting of February 2002.