

**CHAIRMAN'S REPORT TO SOM ON THE
APEC ECONOMIC COMMITTEE MEETING**

TOKYO, JAPAN, OCTOBER 6-8 1995

The APEC Economic Committee met from October 6 to 8, 1995, in Tokyo, Japan for its second meeting in the 1995 cycle. The meeting was chaired by Canada and attended by Australia, Brunei Darussalam, Canada, Chile, the People's Republic of China, Hong Kong, Indonesia, Japan, the Republic of Korea, Malaysia, Mexico, New Zealand, Papua New Guinea, the Republic of the Philippines, Singapore, Chinese Taipei, Thailand and the United States of America. Representatives of the APEC Secretariat and an observer from ASEAN also attended.

Adoption of Agenda

The Committee adopted the agenda proposed by the Chair which included consideration of each topic under the Committee's Mid- and Long-term Action Programme that had been agreed to at the Committee's informal session in Sapporo, as well as discussion of recent macro-economic developments in member economies, the Committee's upcoming publications, and links with other bodies within APEC.

Recent Macro-economic Developments in Member Economies

All delegations provided brief updates of recent macro-economic developments in their respective economies, in many cases tabling accompanying papers. A number of themes emerged from these discussions, including a trend towards sustainable, low-inflation growth, and the positive effect of structural reforms and of liberalisation measures on economic growth.

The Mid- and Long-term Action Programme (see also Appendix I.)

I. Economic and Technical Cooperation Projects

I.1 Medium-Term Economic Outlook for the Region

The Chairman of the Economic Outlook Task Force, Mr. Seiji Shimpo of Japan, tabled the final version of the 1995 Economic Outlook paper, subject only to polishing of language and of style. Mr. Jun Saito outlined for delegates the structure and main conclusions of the paper, which distinguished itself by its region-wide outlook and its focus on the medium-term. The Chair and various delegations expressed thanks to the Japanese Economic Planning Agency and to the members of the Economic Outlook Task Force for the very great amount of work they devoted to producing a substantive and wide-ranging report which would serve as the basis of much of the Economic Committee's work over the next several years. The final version of the paper will be published in time for extensive distribution at the Osaka Ministerial Meeting. The Committee discussed distribution and publicising of the Outlook paper in order to ensure maximum impact.

I.2 Infrastructure

Indonesia reported on the outcome of the Public-Private Sector Dialogue on Infrastructure that took place recently in Jakarta, highlighting the specific recommendations that arose from the Dialogue, including the need for continued policy dialogue on this topic both within APEC and between APEC officials and the private

sector. These recommendations provide valuable input for the Action Programme of the Economic Committee, as well as matching closely certain items in the draft Action Agenda prepared by Japan for the Osaka meetings. The Chair and various members noted links between some of the recommendations and work being undertaken within various other APEC bodies and processes, including the Finance, Transportation and Telecommunications Ministerial meetings, the Investment Experts' Group, and the HRD Working Group. It was agreed that one or two of the six recommendations arising from the Dialogue, however, fell within the purview of the Economic Committee. It was decided, therefore, that the Committee propose to the SOM that it take up recommendation d) of the Indonesian report as part of its Action Programme (development of best practice approaches and packaged procedures for public-private sector partnerships and related regulatory processes). It was also proposed that, if the SOM so directs, the Committee act as the coordinating body within APEC for work on cross-cutting issues related to infrastructure. The Committee agreed that, if the SOM were to decide that the Economic Committee should continue work on this issue along the lines set out above, it would establish a task force on infrastructure headed by Indonesia and open to all members, which would develop an issue paper outlining a detailed programme of work by the Economic Committee on this topic.

1.3 Sustainable Development

Following directions earlier in the year from Senior Officials to the Economic Committee to address environment/economy issues, Canada tabled an issue paper on Economic Instruments for Environmental Protection in order to stimulate discussion of options for the Committee to pursue. Members agreed that it would be useful to share their experiences with economic instruments. They supported the tiered approach suggested in the issue paper, beginning with a survey on the use of economic instruments for environmental protection in APEC economies which would build on knowledge gained from a variety of other fora and studies. Once the survey is done, members would discuss the possibility and desirability of subsequent work in this area. Canada will coordinate development and analysis of the survey. The proposed time-line for the survey is approximately 18 months, suggesting that the final report on the project would be before the Economic Committee early in 1997.

1.4 Intra-regional Migration

Hong Kong tabled an issue paper proposing a study on intra-regional migration, the main aim of which would be to look for possible linkages between labour migration and patterns of trade and investment in the APEC region. Member economies agreed that the topic was an important one, but expressed some concern about the availability of adequate data, and again proposed a tiered approach. Hong Kong agreed to undertake an initial data-collection project, which owing to largely financial considerations would begin in April 1997, and to report to the Committee on the results in the autumn of 1997. The Committee will decide at that point whether the data is sufficient to undertake further analytical work on the issues proposed. Hong Kong also undertook to liaise with Japan on possible links with its annual seminar of nine Asian economies on migration in Asia.

1.5 Technology and Economic Development

The Chair informed the Committee that Thailand would not be able to take the lead on a study on this topic at this time. As no member economy wished to undertake to be responsible for this important topic for the moment, it was agreed to keep the subject on the Committee's Action Programme but to set it aside temporarily, for review at the next

plenary meeting of the Economic Committee.

I.6 Information Society

Canada and the Republic of Korea tabled complementary issue papers on possible approaches to this topic. The former suggested an approach to examining the characteristics, evolution and implications of the development of the information society within individual member economies of APEC, while the latter proposed an examination of APEC-wide information flows and related requirements in financing, human resources, technology and infrastructure. Delegates noted the importance of this topic, and asked Canada and the Republic of Korea to work together to integrate and to further refine their proposals. A revised issue paper will be circulated as soon as possible for consideration by member economies and for decision at the next meeting of the Committee at the latest. The Committee noted possible links between this project and work being undertaken by the SME Working Group and the Finance Officials Working Group.

I.7 Cost and Productivity Trends and Patterns of Specialisation in APEC

Hong Kong and Chile tabled a joint issue paper proposing a study to examine possible links over time between cost and productivity trends and evolving patterns of specialisation within the APEC region. The project would start in July of 1996 and take about one year to complete. The Committee agreed that in the interim, Hong Kong and Chile should further refine their paper with regard to both the analytical framework and the ultimate aims of the study, and re-circulate it for comments as soon as possible. The project will proceed on the basis of a revised version of the issue paper.

II. Trade and Investment Liberalisation Projects

II.1. Impact of Trade Liberalisation

Noting how important it was that the work of the Economic Committee contribute directly to trade liberalisation within the region and to the Action Agenda process Japan and Singapore jointly tabled an issue paper proposing a study of the impact of trade liberalisation in the APEC region, based primarily on a general equilibrium trade model. Delegates agreed on the importance of this topic, but expressed reservations about the proposed methodology. It was therefore agreed that the two lead economies for this project would revise and re-circulate their issue paper as quickly as possible, for consideration at the next meeting of the Committee. It was agreed that this important project should proceed as rapidly as possible, in support of work underway in the CTI and the Special SOM.

II.2 Impact of Investment Rule-making and Liberalisation

Chinese Taipei tabled a revised issue paper which proposes a case-study approach, with the experiences of its economy as the main example, to study the impact of investment rule-making and liberalisation on the APEC region. The study would take two years to complete. Chinese Taipei noted in this regard that the just-published Economic Committee paper on FDI and Economic Integration suggests that FDI acts as a force for integration within APEC and calls for further harmonisation and liberalisation of investment flows. Committee members agreed on the importance of this topic and supported a comparative, case-study approach. They also noted the importance of this project for the CTI, as it would provide an important analytical underpinning to the work of that Committee. It was agreed that Chinese Taipei would over the next month seek out member economies interested in contributing case-study data, so that work on this project

could start as soon as possible.

II.3 Foreign Direct Investment Database

Canada noted that, although its paper on FDI has now been published by the Committee, it intends to continue to update the tables accompanying this paper, as requested by members at the first meeting of the Committee in Fukuoka. This could only be done with the cooperation of member economies in supplying data. Canada will circulate shortly a letter formally requesting updated data to cover the period 1990-1994 inclusive. It was agreed that the updated tables would be circulated in electronic form to member economies from the Secretariat, and that the updating process would continue until such time as member economies had put in place IMF recommendations on consistent recording of FDI data and appropriate tracking systems. In the interim, Canada agreed to continue providing updates, subject to cooperation from member economies, to member economies and to the APEC Working Group on Trade and Investment Data.

II.4 Sub-regionalism's Significance and Impact on APEC

Chinese Taipei tabled an issue paper in which it undertook to study sub-regionalism and its impact on APEC, noting the importance of the topic in terms of current developments and of the Bogor Declaration, the fact that other studies on this issue did not have an APEC focus, and the need to look at the impact of informal, market-led sub-regional integration in addition to that of formal regional trading arrangements. The study would take two years to complete. Members cited the many other studies being undertaken on this important topic within other fora, and the need to take these into account in pursuing this project, as well as the importance of distinguishing between informal and formal sub-regionalism. It was agreed that Chinese Taipei would re-circulate a revised issue paper incorporating the comments of member economies in order to proceed with the project as soon as possible.

Other Projects

Canada tabled the final version of its paper entitled "FDI and Market Framework Policies: Reducing Friction in APEC Policies on Competition and Intellectual Property". The Committee agreed that.....

Publications

The Secretariat reported that it plans to print 7,000 copies of the Executive Summary of the Economic Outlook, and 2,000 copies of the complete Economic Outlook, most of which will be distributed at the Osaka Ministerial meeting. The total cost of publication will be about \$22,000. The Secretariat also announced the publication of the paper entitled "FDI and Market Framework Policies: Reducing Frictions in APEC Policies on Competition and Intellectual Property" under the auspices of the Economic Committee. Copies were provided to all delegations, and further copies will be available at the upcoming Senior Officials Meeting. The final cost of publication is estimated at \$5,000. These two projects leave the Committee well within its publications budget of \$40,000.

Timing of 1996 Meetings

Chairman's Report on Links with Other APEC Bodies

The Chair reported that.....

APPENDIX ONE: TIME LINES FOR PROJECTS UNDER THE ACTION PROGRAMME OF THE ECONOMIC COMMITTEE OF APEC

PROJECT NAME AND NUMBER	LEAD ECONOMY	1995		1996				1997			
		Q4		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4

I. ECONOMIC AND TECHNICAL COOPERATION											

I.1 ECONOMIC OUTLOOK	TO BE DETERMINED	---	{ (P)								
		(1995)									
I.2 INFRASTRUCTURE	INDONESIA	(Timetable to be confirmed)									
I.3 SUSTAINABLE DEVELOPMENT	CANADA	{-----} (p) (R)									
		(Survey phase)									
I.4 MIGRATION	HONG KONG	----> (to Q1 1997) (P)									
I.5 TECHNOLOGY & DEVELOPMENT	TO BE DETERMINED	(R)									
I.6 INFORMATION SOCIETY	CANADA & REPUBLIC OF KOREA	(Timetable to be confirmed)									
I.7 PRODUCTIVITY AND SPECIALISATION	CHILE & HONG KONG	{-----} (P)									
II. TRADE AND INVESTMENT LIBERALISATION											

II.1 TRADE LIBERALISATION	JAPAN & SINGAPORE	(Timetable to be confirmed)									
II.2 INVESTMENT LIBERALISATION	CHINESE TAIPEI	{-----} (P)									
II.3 FDI DATA BASE	CANADA	{-----> (ongoing until IMF recommendations implemented) (p)									
II.4 SUB-REGIONALISM	CHINESE TAIPEI	{-----} (P)									

* (P) indicates a formal publication, (p) an informal publication and (R) reconsideration by the Committee