



**Asia-Pacific  
Economic Cooperation**

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**2011/SOM3/005**

Agenda Item: 7

## **Pacific Economic Cooperation Council Update**

Purpose: Information  
Submitted by: PECC



**Third Senior Officials' Meeting  
San Francisco, United States  
25-26 September 2011**

**Update for APEC SOM 3**  
**Dr Charles E. Morrison**  
**Co-Chair, Pacific Economic Cooperation Council (PECC)**

On behalf of the Standing Committee and the members of the Pacific Economic Cooperation Council (PECC) we would like to express our appreciation to APEC for inviting us to update you on our work.

At SOM 1 we reported that our new projects for the year are: trade and investment in services; the protection and management of marine resources, and unemployment. These are in addition to the ongoing projects from previous years on social resilience as well as our annual *State of the Region* report. We consider the reports of these task forces and project groups as reports to the PECC. They are the product of expert groups representative of our membership, we believe this way of operating gives us more flexibility in addressing issues the region needs to address but where thinking remains shallow and requires more in depth background work.

Another part of our mandate is to help build constituencies for Asia-Pacific cooperation. As such, we place emphasis on reaching on out to a broad set of individuals and institutions who are engaged in working on regional issues in various processes.

**PECC 20<sup>th</sup> General Meeting: The State of the Region**

In just a few days PECC will be convening its twentieth General Meeting in Washington DC. The program for the meeting is attached to this update. The theme of the meeting is "The State of the Region", in addition to looking at the macroeconomic situation in the Asia-Pacific we will also be looking at some of the deeper underlying trends that affect impact region cooperation including the structure of the regional trade system, the regional energy equation and structural unemployment. We will three concurrent sessions on issues being addressed by our community: services; the Trans-Pacific Partnership; and Paths to Inclusive Growth.

We will conclude with a general discussion on what regional institutions can and should do to address the issues confronting the Asia-Pacific. We believe this type of conversation needs to take place on a regular basis, there are many issues that need to be addressed and there are also multiple processes and institutions that address them including APEC as well as the East Asia Summit and the ASEAN Plus Three.

We will also be releasing our annual State of the Region report at the General Meeting. Our member committees will be forwarding the report to you and will have an opportunity to update you on our discussions in Washington when you return to your respective economies. This annual report of PECC includes a survey of the region's opinion-leaders from the government, business and non-government communities, one of the purposes of this survey is to help give a sense of priority to the many issues you are addressing.

**Services Trade: New Approaches for the 21<sup>st</sup> Century**

One of our task forces this year has been looking at new approaches to services trade. I would like to express our appreciation to Ms Maria Kwan and Mr Paul Tighe, who took the time to share their views with us at a meeting organized by that task force. A few members of the task force have been attending the Group on Services and the Committee on Trade and Investment on the findings of the task force and they are really experts in the field.

The task force discussed a number of next steps on the regional services agenda, these include:

- experiment with ways of bringing services regulators together with trade officials, both sector-by-sector and at whole-of-services level, to share regulatory experience, raise awareness of regulatory incoherence, consider options for improving regional practice and benchmark progress;
- consideration of regional principles for all-of-services regulation, including with a view to generating global interest in development of such principles;
- design practical regulatory mechanisms, in consultation with the business community, to increase recipient economy confidence regarding mode 4; and
- undertake capacity building exercises oriented at introducing improved techniques for promoting export by services SMEs,

There was a strong sense of impatience from the business community on progress in the Doha Round and whether a standalone services negotiation – possibly initiated by APEC members would help to give momentum to trade growth in this area.

The task force will be presenting their findings at our General Meeting and a formal task force report detailing their findings will be ready shortly after.

### **Social Resilience**

PECC is continuing its work on enhancing social resilience through an international project sponsored by our Japan committee. The project group held its second international workshop on this issue last 12 July. This work is taking a long-term approach to building up our understanding of the complex issues facing the region's social security systems as well as looking at low-carbon growth strategies for the region.

Even as the region and the world struggles with the current uncertainty we believe it is critical to lay the foundations for sustainable growth as part of the process of recovery. We note with concern the demographics of the region and the need for creative solutions to benefits – health, unemployment and pensions to ensure their fiscal sustainability in the future. This is especially important for We note that thus far the regional dialogue on social security reforms has been somewhat limited so our purpose here continues to be to strengthen the exchange of views across the region. As such we will be holding a concurrent session on “Paths on to Inclusive Growth” at our General Meeting.

### **Constituency Building**

Since the last Senior Officials meeting we have held a number of international and domestically oriented events, some of them related to projects our committees are working on together and others to engage in a broad debate about the issues facing our region.

### ***US Asia-Pacific Council: Washington Conference***

The US Asia Pacific Council which acts as the US committee for the PECC held its annual Washington Conference last 23May, immediately after the APEC MRT in Montana. We were fortunate to have three APEC trade ministers attend the event. The discussions included a frank exchange on the future of the world trade system in light of the Doha impasse as well as ideas on how the future of the TPP and pathways to regional economic integration. The conference proceedings are available from the USAPC website.

### ***SINCEPEC-USAPC Conference***

Our Singapore Committee organized an international conference on “Growing APEC Economies: New Challenges & Approaches”. Many of the issues being addressed by PECC projects and task forces were addressed here providing us with a wide variety of views and perspectives on issues we are working on. Included in the agenda for this meeting was an in-depth review of initiatives in services trade in the region as well as a discussion on the effectiveness of capital controls in managing the large flows much of East Asia is grappling with.

### **Conclusion**

We are grateful for this opportunity to update you on our work. All of the background papers and reports from our various projects are available on our website. As this meeting takes place before our General Meeting we have few specific recommendations to make. One of the major items on our agenda is to consider our own work in the coming years, I would appreciate your views on what you would like to see PECC working on to better support your work.



## ***STATE OF THE REGION***

**Thursday, September 29, 2011, The Madison Hotel, Washington, D.C.**

### ***AGENDA***

- 8:00 a.m.            **REGISTRATION AND CONTINENTAL BREAKFAST**
- 8:30 a.m.            **INTRODUCTIONS AND OPENING REMARKS**
- **Charles E. Morrison**, Co-Chair, PECC and President, East-West Center
  - **Jusuf Wanandi**, Co-Chair, PECC and Co-Founder and Vice Chair, Board of Trustees, Centre for Strategic and International Studies (CSIS) Foundation, Jakarta, Indonesia
- 8:45 a.m.            **ASIA PACIFIC REGIONAL OUTLOOK**
- Moderator:*
- **Zou Mingrong**, Executive Vice Chairman, China National Committee for Pacific Economic Cooperation (CNCPEC)
- Speakers:*
- **Overview and Forecast**  
**Roberto Cardarelli**, Senior Economist, IMF Research Department
  - **Risks to Robust Growth**  
**Yuen Pau Woo**, President, Asia Pacific Foundation of Canada
  - **The Western Hemisphere and Asia-Pacific Growth**  
**Mauricio Cardenas**, Senior Fellow, The Brookings Institution
- 10:00 a.m.            **OPENING ADDRESS**
- Introduction:*
- **Charles E. Morrison**, Co-Chair, PECC and President, East-West Center
- HON. KURT CAMPBELL, ASSISTANT SECRETARY OF STATE FOR EAST ASIAN AND PACIFIC AFFAIRS**
- 10:30 a.m.            **CONCURRENT SESSIONS**
1. **Enabling 21<sup>st</sup> Century Services in the Asia Pacific**
  2. **The Trans-Pacific Partnership: Views from the Inside and the Outside**
  3. **Paths to Inclusive Growth**

12:00 p.m.

**LUNCHEON**

*Introduction:*

- **Manfred Wilhelmy**, Director, Chile Pacific Foundation and Chair, Chilean National Committee for Pacific Economic Cooperation (CHILPEC)

**HON. FRANCISCO J. SANCHEZ, UNDER SECRETARY OF COMMERCE FOR INTERNATIONAL TRADE**

2:00 p.m.

**REGIONAL DYNAMICS**

*Moderator:*

- **Tan Khee Giap**, Singapore National Committee for Pacific Economic Cooperation (SINCPEC)

*Speakers:*

- **The Emerging Role of Bilateral Free Trade Deals in the Asia-Pacific**  
**Michael Moore**, Ambassador of New Zealand to the United States, former Secretary General, World Trade Organization (WTO)
- **The New Regional Energy Equation**  
**Kevin Jianjun Tu**, Senior Associate, Carnegie Energy and Climate Program
- **Regional Challenges in Structural Unemployment**  
**David Hong**, President, TIER and Vice Chair, Chinese Taipei Pacific Economic Cooperation Committee (CTPECC)

3:30 p.m.

**THE FUTURE OF REGIONAL ECONOMIC COOPERATION**

*Moderator:*

- **Charles E. Morrison**, Co-Chair, PECC and President, East-West Center

*Speakers:*

- **APEC**  
**Kurt Tong**, US Senior Official for Asia Pacific Economic Cooperation
- **East Asia Summit**  
**Jusuf Wanandi**, Co-Chair, PECC and Co-Founder and Vice Chair, Board of Trustees, Centre for Strategic and International Studies (CSIS) Foundation, Jakarta, Indonesia
- **ASEAN-Plus Three**  
**Narongchai Akrasanee**, former Minister of Commerce and Chair, Thailand National Committee for Pacific Economic Cooperation (TNCPEC)

4:45 p.m.

**CONCLUSION Jusuf  
Wanandi Charles E.  
Morrison**



## ***STATE OF THE REGION***

**Thursday, September 29, 2011, The Madison Hotel, Washington, D.C.**

***CONCURRENT SESSION I:  
ENABLING 21<sup>ST</sup> CENTURY SERVICES IN THE ASIA PACIFIC  
10:30 A.M. TO 11:45 A.M.  
ADAMS MEETING ROOM***

**Overview:** Services are a key driver of regional economic growth and competitiveness. The services industry adds value of more than 50 percent to regional GDP. All APEC economies are successfully exporting services of one kind or another. Governments often claim, nevertheless, to have trouble understanding where their commercial interests in services lie. The data paucity and resulting relative ignorance of the services economy leads to policy defensiveness and widespread reluctance to open up to foreign participation. Meanwhile, new evidence is emerging that shows that the regional services economy suffers from relatively high levels of government intervention, which has had a negative impact on competitiveness. The average services share of total exports for the APEC region is well below the global average.

The determinants of services competitiveness and export performance are relatively poorly understood. Nor has the role of services in global and regional value chains been adequately studied or understood. The benefits of regulatory reform for services have not been widely advocated. And far too little attention has been given to improving the governance arrangements for 21st century trade and investment in services. The inter-governmental agenda lags badly behind the fast-changing business realities in the market place. The task of rebalancing global growth in the aftermath of the recent global financial crisis could be helped by designing more effective strategies for services, both domestically and internationally. This Concurrent Session will examine these issues.

*Concurrent Session Facilitator:*

**Prof. Christopher Findlay**, Vice Chair, Australian Pacific Economic Cooperation Committee (AUSPECC), and Executive Dean of the Faculty of the Professions, University of Adelaide

*Speakers:*

**Mr. Sebastien Saez**, Senior Trade Economist, International Trade Department, World Bank

**Dr. Ben Shepherd**, Principal, Developing Trade Consultants Ltd.

**Dr. Gloria Pasadilla**, Research Fellow, Asian Development Bank

**Mr. Robert Vastine**, Chief Executive, Coalition of Services Industries, United States

**Ms. Jane Drake-Brockman**, Principal, JDBSolutions

*Rapporteur:*

**Ms. Sherry M. Stephenson**, Head, Institutional Relations, Department of International Affairs, Organization of American States



## ***STATE OF THE REGION***

**Thursday, September 29, 2011, The Madison Hotel, Washington, D.C.**

***CONCURRENT SESSION 2:  
THE TRANS-PACIFIC PARTNERSHIP: VIEWS FROM THE INSIDE AND THE OUTSIDE  
10:30 A.M. TO 11:45 A.M.  
MOUNT VERNON SALON A***

**Overview:** The Trans-Pacific Partnership (TPP) is a multilateral free trade agreement that would further liberalize trade among a group of Asia-Pacific economies. The original parties to the agreement, Brunei, Chile, New Zealand and Singapore are negotiating with five additional economies – Australia, Malaysia, Peru, United States, and Vietnam – that wish to join the group. TPP is considered by APEC to be a pathfinder for its proposed Free Trade Area of the Asia Pacific (FTAAP).

While TPP would result in trade benefits to its members, its implications for non-members, whom it may disadvantage, are raising new questions and concerns in the region. These include, for example, the potentially widespread application of newly proposed intellectual property protections for TPP members as well as trade discrimination in sensitive sectors such as agriculture and other areas. At the same time, the economic advantages for nonmembers arising from possible accession to the TPP have stirred strong domestic policy debates in several regional economies.

This session will reflect perspectives from both the “inside,” i.e., the parties to the negotiations, and the “outside,” the non-participants, with a view to developing a more complex and, it is hoped, nuanced understanding of the implications of the TPP for the Asia Pacific region.

*Concurrent Session Chair:*

- **Prof. Peter Petri**, Carl J. Shapiro Professor of International Finance, Brandeis University

*Speakers:*

- **Mr. Cai Penghong**, Director of APEC Research Center, Shanghai Academy of Social Sciences
- **Mr. Takashi Imamura**, Vice President and General Manager, Washington Office, Marubeni America Corporation
- **Prof. Merit Janow**, Professor in the Practice of International Economic Law & International Affairs, Columbia University
- **Mr. Lim Jock Hoi**, Permanent Secretary, Ministry of Foreign Affairs and Trade, Brunei Darussalam



## ***STATE OF THE REGION***

**Thursday, September 29, 2011, The Madison Hotel, Washington, D.C.**

***CONCURRENT SESSION 3:  
PATHS TO INCLUSIVE GROWTH  
10:30 A.M. TO 11:45 A.M.  
MOUNT VERNON SALON B***

**Overview:** At APEC 2010 Yokohama, the leaders agreed to pursue five growth strategies: balanced, inclusive, sustainable, innovative, and secure growth. Under the banner of inclusive growth, APEC economies will strive to ensure that all people of the region have the opportunity to participate in, contribute to, and benefit from global economic growth. “The APEC Leaders’ Growth Strategy” further states that APEC should support policies that increase opportunities for workers to benefit from (1) regional economic integration, (2) an improved business environment for small and medium-sized enterprises (SMEs), and (3) increased access to finance for the most vulnerable sectors such as microenterprises (MEs). In addition, the statement calls on APEC economies to create sufficient opportunities for potentially disadvantaged and marginalized groups, including youth, elderly and women, through better education, training, and employment programs.

In this session, speakers will explore social policy issues and human development measures, such as employment, education, empowerment, and social security. They also will examine the current status of PECC economies and the ways in which they hope to achieve inclusive growth in the future.

*Concurrent Session Chair:*

- **Amb. Yoshiji Nogami**, Chair, Japan National Committee for Pacific Economic Cooperation (JANPEC), and President, Japan Institute of International Affairs

*Speakers:*

- **Mr. Christopher Watson**, Area Advisor for Asia, the Pacific and APEC Affairs, US Department of Labor
- **Prof. Riordan Roett**, Sarita and Don Johnston Professor of Political Science and Director of Western Hemisphere Studies, The Johns Hopkins Paul H. Nitze School of Advanced International Studies (SAIS)
- **Prof. Lu Jianren**, Deputy Director of the APEC Study Center, Chinese Academy of Social Sciences
- **Prof. Charles Yuji Horioka**, Professor of Economics, Institute of Social and Economic Research, Osaka University