

Asia Pacific Economic Cooperation Ministerial-Level Meeting

Summary Statement by the Chairman,

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Minister for Foreign Affairs and Trade
of Australia

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INTRODUCTION

1. This meeting has brought together in an unprecedented way key decision-makers from 12 dynamic economies in the Asia Pacific Region: Brunei Darussalam, Canada, Indonesia, Japan, the Republic of Korea, Malaysia, New Zealand, Philippines, Singapore, Thailand, the United States and Australia. The presence here of Ministers from across this vast region, addressing constructively and with great goodwill and commitment our common economic concerns, has shown that the time is indeed right to advance the process of Asia Pacific Economic Cooperation.

2. The stimulus for this meeting was Australian Prime Minister Hawke's call, in January 1989, for more effective Asia Pacific Economic Cooperation. That proposal stemmed from a recognition that the increasing interdependence of regional economies indicated a need for effective consultations among regional decision-makers to:

- help strengthen the multilateral trading system and enhance the prospects for success in the Uruguay Round;
- provide an opportunity to assess prospects for, and obstacles to, increased trade and investment flows within the Asia Pacific region; and
- identify the range of practical common economic interests.

3. In making and following up this proposal Australia, working closely with ASEAN and other participants, sought to give a sense of direction to a range of earlier proposals for closer regional economic cooperation. The intense process of consultation which has taken place since January, and culminated in this meeting, has succeeded in those terms: for the first time we have had the opportunity to assess collectively, and in some depth, the economic prospects of the region, the factors which can help us to maintain the impressive momentum of growth of recent years as well as the problems which, if not anticipated, could impede future development.

4. A key theme which has run through all our deliberations in the last two days is that the continuing economic success of the region, with all its implications for improved living standards for our people,

depends on preserving and improving the multilateral trading system through progressive enhancement of, and adherence to, the GATT framework. By contributing to that effort through the Uruguay Round and beyond, this region can not only help assure its own economic future but improve economic prospects globally. We are all agreed that an open multilateral trading system has been, and remains, critical to rapid regional growth. None of us support the creation of trading blocs.

WORLD AND REGIONAL ECONOMIC DEVELOPMENTS

5. Our exchanges on world and regional economic developments have underlined the extent to which the economic prospects of regional economies are interconnected. Our discussions have highlighted the pace of structural change which has occurred in the region in recent years, and to the opportunities provided by emerging new patterns of regional and international specialisation. They have also underlined the strong contribution which sound macro and micro-economic policies and market oriented reforms have played in the region's growth, and provided a useful opportunity for us to compare experiences on these matters.

6. Participants noted the changing relative strengths and the growing interdependence of regional economies. Participants noted that the non-inflationary economic expansion of the United States, now nearly 7 years in duration, has played a key role in the economic performance of the region. They also welcomed the extent to which Japan and other Western Pacific economies are acting increasingly as engines of growth for the region as a whole. The increase in living standards in all parts of the region in recent decades was particularly welcome. It was agreed that an important aspect of Asia Pacific Economic Cooperation is to maintain conditions which will lead to accelerated development in the currently less developed parts of the region, including the Pacific Island countries, and that open access to developed country markets is essential for such development.

7. Ministers also noted some potential threats to further growth and to the further productive interdependence of Asia Pacific economies. The positive trends of recent years could be disrupted if, instead of continued willingness to undertake structural change, there were to be increased resort to protectionism and if instead of positive joint international action to further liberalise trade, there were to be increased resort to retaliatory or defensive measures.

TRADE LIBERALISATION — THE ROLE OF THE ASIA PACIFIC REGION

8. There was general recognition that the Uruguay Round represents the principal, and most immediate and practical, opportunity before us to strengthen and further liberalise the multilateral trading system. All Ministers emphasised the importance, both for the region and for the world economy, of a timely and successful outcome to the Uruguay Round. In this regard, Ministers agreed that continued close consultation, and where possible, support for each others' Uruguay Round objectives could contribute significantly to achieving such an outcome.

9. In this respect, it was agreed that Ministers concerned with trade policy should meet in early September 1990 to discuss the emerging results and consider how to unblock any obstacles to a comprehensive and ambitious MTN result. Ministers would then meet again in Brussels in early December on the eve of the concluding session. In the meantime, senior officials should consult regularly in Geneva to exchange views on MTN progress.

10. Ministers expressed strong support for the timely and successful completion of the GATT

Round. Minister's noted that much remained to be done if the December 1990 conclusion was to be achieved. They called on all Contracting Parties to work with them more vigorously to that end.

11. Ministers agreed that the Asia Pacific region has a long-term common interest in promoting world-wide trade liberalisation. By working together, the region can inject positive views into a range of important international economic forums, including not only the GATT but the OECD, and sectoral bodies (eg the International Telecommunications Union). It was acknowledged that our regional economies would be better placed to show such leadership if we can continue the recent trend of reducing impediments to trade among ourselves, without discriminating against others. It was further agreed that the prospects for such further liberalisation of trade in the region would need to be based on better information about emerging regional trade patterns and developments, as well as the economic impact of such developments.

REGIONAL COOPERATION IN SPECIFIC AREAS

12. Rapid growth and increasing interdependence in the Asia Pacific are giving rise to both challenges and opportunities at the sectoral level.

13. It was agreed that it would be useful to focus further on the scope for cooperation in the area of investment, technology transfer and associated areas of human resources development. Areas which warrant consideration include:

- cooperative programs for human resource development;
- the scope to enhance exchange of information on scientific, technological and industrial indicators, policies and developments;
- the scope to enhance the comparability of foreign direct investment statistics; and
- the scope for collaborative research and development projects.

14. In discussing the adequacy of regional infrastructure, Ministers concluded that there would be merit in seeking to develop techniques which might help countries in the region to better anticipate the kind of bottlenecks which might occur as a result of rapid growth. There was general support for work to explore further cooperation in specific areas relating to infrastructure, including telecommunications, maritime transport and aviation.

15. Ministers also noted the need to identify more clearly the scope to extend cooperation in other areas, including energy, resources, fisheries, the environment, trade promotion and tourism and it was agreed that officials should carry forward preliminary work in other areas for consideration at future meetings.

GENERAL PRINCIPLES ON ASIA PACIFIC ECONOMIC COOPERATION

16. The discussion of all these areas has served to underline the broad areas of economic interest participants have in common. In particular, a consensus emerged on the following principles of Asia Pacific Economic Cooperation:

- the objective of enhanced Asia Pacific Economic Cooperation is to sustain the growth and development of the region, and in this way, to contribute to the growth and development of the world economy;
- cooperation should recognise the diversity of the region, including differing social and economic systems and current levels of development;

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- cooperation should involve a commitment to open dialogue and consensus, with equal respect for the views of all participants;
 - cooperation should be based on non-formal consultative exchanges of views among Asia Pacific economies;
 - cooperation should focus on those economic areas where there is scope to advance common interests and achieve mutual benefits;
 - consistent with the interests of Asia Pacific economies, cooperation should be directed at strengthening the open multilateral trading system: it should not involve the formation of a trading bloc;
 - cooperation should aim to strengthen the gains from interdependence, both for the region and the world economy, including by encouraging the flow of goods, services, capital and technology;
 - cooperation should complement and draw upon, rather than detract from, existing organisations in the region, including formal intergovernmental bodies such as ASEAN and less formal consultative bodies like the Pacific Economic Cooperation Conference (PECC); and
 - participation by Asia Pacific economies should be assessed in the light of the strength of economic linkages with the region, and may be extended in future on the basis of consensus on the part of all participants.

CARRYING FORWARD REGIONAL ECONOMIC COOPERATION

17. *Further Consultative Meetings.* It is evident that there is a large range of significant issues confronting the region, and affecting each participant's fundamental economic interests. Ministers agreed that it was premature at this stage to decide upon any particular structure for a Ministerial-level forum (or its necessary support mechanism), but that — while ideas were evolving — it was both appropriate and valuable for further consultative meetings to take place and for work to be undertaken on matters of common interest and concern. Accordingly, Ministers welcomed the invitation of Singapore to host a second Ministerial-level Consultative meeting in mid 1990, and they also welcomed the Republic of Korea's offer to host a third such meeting during 1991. It was further agreed that it would be appropriate, in the case of any future such meetings, for at least every other such meeting to be held in an ASEAN member country.

18. *Work Program.* Ministers agreed that if cooperation is to lead to increasingly tangible benefits, the process of cooperation needs to progress beyond agreements on general principles. This will involve the identification and implementation of specific projects as well as enhancing the capacity for objective professional analysis to allow a more systematic identification of our common interests. In this context, Ministers identified the following broad areas as the basis for the development of a work program:

- *Economic studies:* including the review and analysis of the economic outlook for the region and its implications for policy, and the improvement of regional economic and trade data;
- *Trade liberalisation:* with an initial focus on consultations among participants at Ministerial as well as official level to pursue a timely and comprehensive outcome for the Uruguay Round of multilateral trade negotiations;
- *Investment, technology transfer and human resource development:* including programs for information exchange and training; and
- *Sectoral cooperation:* in fields such as tourism, energy, trade promotion, environmental matters and infrastructure development.

19. Within these categories, Ministers further identified a wide range of specific activities or projects which has significant potential for enhancing the process of regional economic cooperation: these are listed in the *Attachment* to this Summary Statement. It was agreed that these subjects should be closely considered by senior officials, together with any other proposals that may be made by participants, with a view to setting in train a viable short to medium-term work program. Progress in the implementation of that work program would be reviewed at the next Ministerial-level meeting.

20. Ministers agreed that two particular projects should proceed as soon as possible, viz:

- (a) Review of data on regional trade flows and developments (covering trade in goods and services) and on capital flows (including direct investment) in order to:
 - identify areas where there is a need to improve the comparability of regional data;
 - the identify gaps in data and improve country and industry sector coverage; and
 - develop new data bases as necessary.
- (b) Examination of mechanisms to facilitate the identification of trade, investment and technology transfer opportunities in regional countries, which might include:
 - the establishment of joint sectoral industry groups to identify specific projects; particularly the small and medium scale industry;
 - a data base on commercial opportunities;
 - the promotion of regional confederations of chambers of industry;
 - specific joint project investment studies; and
 - enterprise to enterprise linkages.

It was agreed that senior officials would settle the detailed arrangements for implementation of these projects at their next meeting.

21. *Support Mechanism.* While some Ministers expressed a preference for moving as soon as possible to servicing the future needs of the APEC process through specifically identified structural arrangements of one kind or another, it was agreed that consideration of the structure of a support mechanism would benefit from a further period of reflection and evolution of the cooperation process. Accordingly, Ministers agreed that arrangements for the next one or two Ministerial-level Meetings should be overseen by senior officials from participating economies, joined by representation from the ASEAN Secretariat.

22. It was agreed that this group of Senior Officials should convene at an early date, preferably no later than January 1990, in the first instance to advance a work program in the way outlined above.

23. It was agreed that follow-up work should draw on existing resources for analysis in the Asia Pacific region, including the work of PECC task forces. The Chairman of the Standing Committee of PECC indicated PECC's willingness to assist in this regard.

24. *Participation.* Ministers have noted the importance of the People's Republic of China and the economies of Hong Kong and Taiwan to future prosperity of the Asia Pacific region. Taking into account the general principles of cooperation identified above, and recognising that APEC is a non-formal forum for consultations among high-level representatives of significant economies in the Asia Pacific region, it has been agreed that it would be desirable to consider further the involvement of these three economies in the processes of Asia Pacific Economic Cooperation.

25. It has been agreed that it would be appropriate for senior officials to undertake further

consultations and consider issues related to future participation in the APEC process by these and other economies, including those of the Pacific Islands, and to report back to the next APEC Ministerial-level Meeting.

CONCLUSION

26. I believe we have made very worthwhile progress during our two days of discussions. We have been able to build on the efforts of those who have sought to promote Asia Pacific Economic Cooperation in the past and are able to look forward to a further positive process of evolution. Such evolution will take place on the basis of further careful consensus building, drawing constructively on existing mechanisms, such as the valuable institutions and processes of ASEAN as well as the analytical capacity of the PECC.

27. We have all been pleased with the way in which leaders from this diverse and dynamic region have been able to reach consensus on a range of important issues. There is good reason for confidence that, by sustaining the spirit of goodwill and flexibility which has been shown at this meeting, we can develop Asia Pacific Economic Cooperation to benefit not only the region, but to enhance world wide economic prospects.

Attachment

SPECIFIC ELEMENTS OF A WORK PROGRAM

A) ECONOMIC STUDIES

- Convene regular consultations on the economic outlook for the region and factors influencing economic prospects, drawing on, for example, the work of the Pacific Economic Outlook work of the PECC.
- Review data on regional trade flows and developments (covering trade in goods and services) and on capital flows (including direct investment) in order to
 - identify areas where there is a need to improve the comparability of regional data
 - identify gaps in data and improve country and industry sector coverage
 - develop new data bases as necessary.
- Feasibility study as to what kind of analytical capacity might be desirable and affordable in order to project regional growth, investment patterns and trade flows, including for the purpose of anticipating potential infrastructure bottlenecks.

B) TRADE

- Intensify regional consultations at appropriate levels (both Ministerial and official) to pursue a timely and comprehensive outcome to the Uruguay Round negotiations;
 - this would be usefully complemented by a working group of regional officials to support these consultations and other trade matters of regional interest.
- Review the differences in regional customs practices and procedures and the possibilities for harmonisation, including the liberalisation of business visa requirements.
- Form a regional association of trade promotion organisations to promote intra regional trade

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- Explore the scope for developing greater intra-industry trade including the establishment of a regional program of sub-contracting and multi-sourcing for finished products and industrial intermediates.

C) INVESTMENT, TECHNOLOGY TRANSFER AND RELATED ASPECTS OF HUMAN RESOURCES DEVELOPMENT

- Examine mechanisms to facilitate the identification of trade, investment and technology transfer opportunities in regional countries, which might include
 - the establishment of joint sectoral industry groups to identify specific projects; particularly the small and medium scale industry;
 - a data base on commercial opportunities;
 - the promotion of regional confederations of chambers of industry;
 - specific joint project investment studies; and
 - enterprise to enterprise linkages.
- Coordinate regional trade promotion events and regional business seminars including consideration of an Asia Pacific Fair to promote regional trade, investment flows, technology transfer and human resources development.
- Examine the feasibility of establishing a “clearing house” mechanism (e.g. an Asia Pacific Information Centre for Science and Technology) for the exchange of information on scientific, technological and industrial indicators, policies and developments, including the implications for new skills in the region;
- Establish a comprehensive program for Human Resources development including the identification of critical skills and gaps in know how; and the establishment of a data base on education and human resources planning and an informal information exchange network to share the expertise of regional countries
 - consider programs to establish networks among educational and related institutions, the exchange of managers, scientific and technical personnel throughout the region and the establishment of regional training programs including fellowships and scholarships
 - particular attention might be given to the needs of small and medium scale enterprises.
- Consider the concept of industrial/technology parks (centres of technical excellence), their possible contribution to infrastructural development in the Asia Pacific region and associated training programs.
- Undertake a survey of research and development activities and policies of each country in the region and assess the potential for regional R&D cooperation
 - areas for cooperative R&D might include micro electronics, information technology, genetic engineering, biotechnology, resources, biosphere, ecology and the environment.

D) SECTORAL COOPERATION

- Formation of groups of experts in each of the major infrastructure sectors (electric power, telecommunications) to assess national needs in the region, including technical studies of existing facilities and their development needs, the nature and extent of current bilateral assistance

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- programs, the adequacy of bilateral and multilateral financing facilities to support infrastructure development and the scope for harmonising telecommunications standards in the region;
- Consider cooperative efforts in regional transportation links, including consultations and improved data collection, designed to provide cost effective capacity to meet anticipated growth in demand;
 - Examine how to manage fisheries resources in the region in a way which maintains their long term economic viability and ensures a proper economic return to the owners of the resource
 - recognising the scope for using existing organisations, such as the South Pacific Commission or the Forum Fisheries Agency, to build a framework for enhanced fisheries cooperation.
 - Consider the scope for cooperative regional efforts to improve the long term economic viability of tropical forests, including research, and improved harvesting and management techniques.
 - Examine the scope to improve regional exchanges in relation to the basic energy resource supply and demand outlook, and energy policies and priorities, including the environmental implications of growing energy use.
 - Examine regional tourism trends and prospects, including the potential for cooperative measures to facilitate regional tourism.
 - Improve remote sensing on a global scale, inter alia to provide early warnings of natural disasters and improved climatic change studies.
 - Examine the interaction between environmental considerations and economic decision-making, initially in the area of ocean pollutants and other threats to the Pacific environment with a view to strengthening marine resource conservation.

SOURCE: Conference Secretariat, Department of Foreign Affairs and Trade, Canberra.