

Sharpening APEC's Economic Focus

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Some background

- APEC was formed essentially to underpin economic integration and growth in the Asia Pacific region through trade and investment liberalisation and facilitation and technical cooperation.
- Over time, APEC has broadened to cover the plethora of policy issues that arise from increasing economic integration from freer movement of trade, capital and people.
- There have been many positives, yet APEC has struggled to retain coherence.



Modest aims

- Some advocate that APEC now needs to reform and renew its agenda, others suggest that APEC needs only some practical and incremental steps towards renewal.
- There are some big questions that need to be asked and answered about APEC's future, but the aim here is modest:
 - *To elaborate on some of the modest and incremental reform that is already occurring to sharpen the economic focus of APEC.*



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The region's economic forums

There has been a lot of talk recently about the expansion of regional economic architecture, particularly in East Asia (ASEAN and APEC, but also ASEAN+3 and the EAS):

- It is natural that our region wants to expand to address the issues that arise from interdependence.
- There are a number of economic forums but they should be seen as complementary and self-reinforcing not as competitors.
- These forums provide an opportunity to strengthen the adoption of rules-based international engagement based on economic principles in the Asia-Pacific.



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Rules- and market-based mechanisms

'Rules-based mechanisms provide countries, especially small- and mid-sized ones, with some certainty in cross-border interaction and some protection from the capricious action of others'

- Martin Parkinson, The Treasury

- Reliance on rules- and market-based frameworks is crucial in the Asia Pacific.
- The drivers and foundations across the region are:
 - Openness; Outward-orientation; Competitive markets; Stable policy frameworks.



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APEC's contribution to Asia

- APEC brings together the major industrialised, emerging and transition economies of the Asia-Pacific region.
- APEC embodies a deep commitment to market-oriented policies in *all* member economies.
- APEC provides mechanisms for ministers and officials to engage closely with the private sector.
- APEC has a consistent focus on capacity building and strong international links to deliver useful practical targeted assistance for economic development and poverty reduction.
- And because APEC is first and foremost a ministerial process, it facilitates political conversations by leaders and ministers on the enablers for economic growth and development in the Asia Pacific.



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APEC's economic agenda

- APEC already has a broad economic agenda:
 - Trade and investment liberalisation;
 - Business facilitation; and
 - Economic and technical cooperation.
- APEC's structural and reform agenda focuses on:
 - Domestic regulatory systems;
 - Competition frameworks; and
 - Governance.
- The first part of sharpening to the economic focus is to strengthen the current agenda and to make it more relevant.



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The economic reform of APEC

- The trade and investment reform agenda is far from finished and is a challenge that Asia-Pacific economies still need to address.
- Much has been done to develop a more systematic and focused agenda and to improve the way meetings are held, though there is more to do.
- A new part of the economic agenda was the realisation that many of the barriers to reform lie in the way markets are structured and regulated, so a lot has been done to redesign this process.



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APEC is perfectly positioned

Some reform is easier said than done.

- Although APEC is not a negotiating forum, it allows countries to:
 - talk about the key objectives and principles of regulatory systems, competition, and governance;
 - sort out how these principles can be prioritised for different kinds of economies at different stages of development;
 - share insights about effective ways to implement principles and to strengthen domestic institutions to make domestic markets work better; and
 - provide technical assistance and facilitate support to build local capacity.



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APEC's Economic Committee

- The Economic Committee of APEC meets twice a year to discuss many of these issues.
- It has recently undergone reform that has given it a consistent agenda and a focus on practical policy.
- It is unique in that its members come from central government agencies responsible for structural reform (ie: Treasury, Finance, Planning, etc).
- Despite all this, much of the structural reform is in its infancy and there is scope to further strengthen the reform agenda in APEC.



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Sharpening APEC's economic focus

- It is timely to consider ways to strengthen institutional and in-house support for APEC in addressing the microeconomic agenda.
- It is useful to engage more widely with 'experts' in the field of markets and structural reform, including the private sector, through ABAC, and international institutions with technical capability, like the World Bank and OECD.
- It is necessary to have greater political control of, and direction to, the structural reform agenda if it is ultimately to be realised.



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The future

- In early 2007 a seminar titled 'Priorities in Structural Reform in APEC Economies' will take place to better understand the national and common regional priorities in structural reform.
- APEC remains a vital forum in the Asia-Pacific economic architecture with significant potential.
- We are working towards economic stability and prosperity in our region with practical possibilities.



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