

VISIONS AND BLUEPRINTS : THE EPG AND PBF REPORTS

Comments by Senator Gareth Evans, Minister for Foreign Affairs, at the Sixth APEC Ministerial Meeting, Jakarta, 11 November 1994

The EPG has done us all a great service with its second Report. It is exactly the kind of visionary, but at the same time sharply practical, blueprint we had in mind when we - this Ministerial Meeting - commissioned it in Seattle last year.

We also owe a debt of gratitude to the Pacific Business Forum, established by our Leaders last year, for its recommendations, which cover much of the same ground, but in an even more adventurously demanding spirit.

It's up to us whether we follow the paths that have now been mapped - and we certainly will need a lot more discussion and preparation before we go down some of them - but we can't pretend we haven't been shown the way.

Most of the attention in the discussion of the EPG Report to date has been, as we all know, on its Trade Liberalisation recommendations: in particular the proposal for a commitment to "free and open trade and investment in the Asia Pacific by 2020" that our Leaders will be addressing in Bogor.

Similarly, most of the attention given to the PBF Report so far has been devoted to its extremely adventurous recommendation that the target dates for free trade and investment liberalisation in the region should this year be adopted as 2002 for developed economies, and 2010 for the rest.

But this is not the only issue these Reports are about; they also give strong recognition and support to the reality that there are many other tasks and roles for APEC that are at least as important as moving forward on tariffs and quotas, and on which - as a practical matter - we are likely to find agreement easier to reach.

Although neither Report itself does this, I think it is helpful, both conceptually and presentationally, to group APEC economic cooperation activities into three broad categories, each building on the foundations laid by the first - rather like a three-tiered wedding cake.

I. The foundation-layer of APEC activity is, and will remain, Policy Dialogue, Technical Cooperation and Business Support.

- This is what we talked about initially in Canberra in 1989 and this is the area in which all our Working Groups have been operating, with their focus on harmonised data compilation, energy and telecommunications cooperation, trade promotion and so on.
- And this is the area which the EPG has recommended that we further develop with
 - : continued ministerial dialogue on financial and macro-economic issues;
 - : further joint policy development on environmental issues; and
 - : a high priority focus on technical cooperation in areas such as infrastructure, Small and Medium Enterprises, education and other Human Resources Development.
- The PBF places a similar emphasis on infrastructure, HRD and SMEs; argues also for policy dialogue on structural adjustment; and places particular emphasis on the desirability of governments giving further support to business, particularly in the form of assistance for business networking activity.

These Policy Dialogue, Technical Cooperation and Business Support issues will occupy a large part of our agenda in this Ministerial meeting, and so they should. They are all immensely important in their own right; they are issues on which we all find it reasonably easy to develop shared perspectives and common positions; and they are the solid foundation on which any other APEC activity has to be built.

II. Trade and Investment Facilitation is what I would describe as the second tier of the APEC wedding cake - the new agenda of issues on which we and our Leaders agreed in Seattle last year, and on which we have made much progress in the past twelve months. The EPG and PBF Reports both attach great significance to Trade and Investment Facilitation, and we are dealing with a number of different items in this category elsewhere in our agenda.

There are two particularly important areas under this heading where work has been taken a long way in the last year

- the development of a set of non-binding Investment Principles (which the EPG Report suggests we describe as the "APEC Concord on Investment Principles", and the PBF Report the "Asia Pacific Investment Code);
- a cost-effective approach to Standards and Conformance (where the EPG Report, again very usefully, emphasises the very significant benefits that will flow to business, and consumers in the region if we can move quickly on harmonisation of national product

standards and testing procedures, or at least mutual recognition of standards and procedures on the principle of "tested once, accepted everywhere").

Other important EPG recommendations which fit under this Trade and Investment Facilitation heading are

- the development of common environmental standards as part of the broader harmonisation of product standards;
- the creation of a task force on anti-dumping and restrictive business practices, with the objects of ultimately harmonising competition policy generally (in the way, e.g., that Australia and New Zealand have been able to do);
- very importantly, creating an APEC Dispute Mediation Service, that will assist in resolving - and hopefully avoiding - a wide range of economic disputes (not just about border-related issues) between APEC members

: Australia believes that this is clearly an idea whose time has come, and which we should be prepared to embrace given the maturity our organisation has already developed, and a level of comfort that exists among us

: development of some practical options for a dispute resolution mechanism should be a priority for APEC's work in 1995.

The PBF Report also argues for the establishment of a dispute settlement mechanism within the APEC framework, which would aim to settle not only inter-governmental but inter-company disputes

- the latter being a worthy objective, but perhaps rather beyond the reasonable scope of APEC's own activity.

Another useful trade facilitation measure emphasised in the PBF Report is harmonisation of customs procedures through a common APEC Customs Code.

There is a significance about each of these Trade and Investment Facilitation issues in terms of APEC process which goes beyond their actual content: to produce any practically useful result we have to move forward from mere consultation to actual negotiation.

- For those who might wish to suggest that APEC is a mere dialogue forum, which is not and should not become a negotiating forum, it is worth pointing out that, in adopting the Trade and Investment Facilitation agenda as we did in Seattle last year, we have already passed that watershed.

This point is, of course, particularly relevant when we come to the third category of APEC economic cooperation activity - and the top tier of the wedding cake - Trade Liberalisation.

III. On Trade Liberalisation, the EPG Report usefully reminds us at the outset that there is much APEC can, and should, usefully do to advance these objectives within a Uruguay Round context, before we focus on what might be achievable on a so-called "GATT-plus" basis. It is proposed in particular

- not only that domestic ratification of the Uruguay Round be completed so as to enable the WTO to commence on time

- and not only that APEC members who are not presently GATT Contracting Parties remedy that status as soon as possible, but that

- APEC member economies, as a group, accelerate implementation of the commitments they have undertaken in the Round

: this is a question which Australia certainly believes deserves further consideration.

The question which both the EPG and PBF Reports then addresses - of going beyond the Uruguay Round, and making a wholly new commitment to free trade in the region by a given date - is of course the central question to be debated and resolved by our Leaders in Bogor next week

- and it is neither necessary nor desirable for us to reach any concluded view on it now.

It is nonetheless appropriate, I think, for us to spend a little time discussing this issue, examining its implications, and in particular focusing on what might be involved in the detailed negotiation phase that lies ahead if our Leaders do agree on the proposed Declaration.

Although the case for free trade is a formidably strong one, we all know that making a commitment to it, and setting a target date for final completion - as Australia very much hopes the Leaders will do - is only the beginning of the story. At least three distinct sets of substantive issues will remain to be negotiated in detail

- first, the question of coverage

- second, the question of timing

- third, the question of treatment of non-APEC members.

There is, in addition, a process issue to which we will need to rapidly turn our minds if any Bogor Declaration is not to simply hang in the air

- viz. the organisational mechanisms and processes we would need in place to advance the detailed negotiations

: even in meeting the extremely leisurely start up timetable proposed by the EPG, we may need some more strongly focussed response than simply a reference of the whole question to our officials for consideration and report back

: a particular concern here is obviously the very limited resources available to our Secretariat at the moment to support this kind of negotiation.

Neither the EPG nor PBF Reports gives us the last word on any of the substantive issues, but I think the EPG Report in particular does very helpfully indicate to us how they might be addressed.

On coverage, one question raised by the EPG Report is whether a negotiated APEC free trade regime should reach beyond strictly border measures, to address rules-based issues like competition policy (including anti-dumping), intellectual property and government procurement

: Australia is positively inclined to such an expansion but it is a matter of judgment as to how much could be accommodated without overloading our negotiating capacity.

- A question which also arises is the extent to which there should be differential treatment, including as to timing, for particular sectors - although in certain circumstances GATT-consistency of any liberalisation program, could be prejudiced unless barriers were dismantled across the board.

- There is also, of course, the fundamental question to be addressed as to whether free trade, in the context we have in mind, means (at the end of the process) zero tariffs, or something a little less than that

: again this is an issue on which Australia has an open mind.

On Timing, it will obviously be necessary to address several issues:

- First, there is the question of a final target date for the completion of the whole process

: the 2020 date proposed by the EPG seems to Australia to be rather more realistic than the 2010 proposed by the PBF

: but whatever the date may be, it is essential in our view that there be a specific date identified if any commitment made as to be seen as real

: Band it also, in our judgment, is crucial to the actual, and perceived, success of the APEC Summit that there be a particular completion date identified in the Bogor Declaration.

- Secondly, it is necessary to address the question of different target completion dates for economies in different stages of development

: Australia is comfortable with the concept of phasing commitments in this way, and with the suggestion that has been made that 2010 may be an appropriate target for APEC's developed economies.

: Given the extent to which most of the developed APEC economies have already embraced free trade, and will further reduce tariffs over the years ahead, we don't see the problem of differential access of the developed and developing economies to each other as being a very significant one in reality - although politically this issue will require some careful management in some of the developed countries.

- Thirdly, there is the question of a start-up date

: Here we would hope that an earlier start-up than the year 2000 suggested by the EPG would be possible, but we have to be realistic about the size of the negotiating task ahead.

: As an immediate sign that we are, however, serious about the whole process, we would favour agreeing now on a standstill on the introduction of new trade barriers, as proposed in the PBF Report - in particular an agreement not to raise any tariff or lower any quota beyond the present actual levels

- a 'best endeavours' formula might be a useful start in this respect, but ideally Australia would like to go further than that.

- A further, more complex question relating to timing, is whether there is room (as the EPG suggests there should be) for flexibility in meeting completion dates - where the member economy falling behind in a particular sector not receiving reciprocal benefits from other APEC members in that sector until it had caught up.

On the Treatment of Outsiders, this is the most complex and difficult question of all, on which there are clearly many options and a range of views around the region.

- While there is certainly no need at this stage to endorse the specific approach suggested by the EPG, I think the main thing we can take from this Report is that it may not be necessary to think of the issue as involving a stark, and perhaps unpalatable, choice between "non-discriminatory MFN" and "discriminatory preferentialism"

: in other words, it may, in a sense, prove possible on this one to have our cake and eat it too.

- The elements of this approach are mapped by the EPG when it advocates a liberalisation program built around four elements

: first, continued commitment by individual economies to unilateral liberalisation to the maximum possible extent

: second, continued freedom for individual members (since there would not be a customs union requiring identical treatment of outsiders) to extend benefits to outsiders

either on an unconditional basis (to all others, or just to developing countries, as GATT allows) or on a conditional basis (via specific Free Trade Agreements that are in conformity with GATT)

: third, a commitment by APEC members as a group to accompany any new free trade regime within APEC with further reduction of their barriers toward outsiders (something not now required by GATT, but which would demonstrate the reality of our belief in open regionalism)

: fourth, a clear offer by APEC as a group to extend its own liberalisation to outsiders on a mutually reciprocal basis (the logical extension of which, the EPG argues, would be in effect a new global trade round).

- In all of this, the EPG has given us a great deal of food for thought. Australian certainly finds these ideas intriguing, and looks forward to further thrashing them out as negotiations proceed over the next year - as we hope they will do - on the framework for APEC trade liberalisation.

Conclusion

While it is a question to be resolved by the Leaders as to whether the EPG will continue as a formal group, we should certainly at least continue to draw on the expertise and creative

ideas of its individual members, who have done - as I said at the outset - an excellent job in expanding our vision, and showing us how some really quite extraordinarily far-reaching changes might eventually be implemented.

We also look forward to continuing to draw on the storehouse of practical business wisdom embedded in the members of the PBF - in whatever form this group might continue.

One final word. While, as I said at the outset, we don't have to make a decision at this Ministerial Meeting on any of the issues discussed in the EPG and PBF Reports - and particularly not on the Trade Liberalisation issue - it is extremely important that any signals we send out from this meeting are not negative signals.

I am not quite sure that any of us have yet fully grasped the magnitude of the positive changes we may be able to achieve through APEC - and in particular through the Trade Liberalisation process - for the people of all our countries. But the stakes in getting it right are potentially huge. If we and our Leaders miss the opportunity, here in Indonesia, to grasp the issue of free and open trade in the region and really move it forward, we may never get another chance.

JAKARTA

11 November 1994