

# **Whither PECC in the Evolving Global Economic Architecture?**

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# Introduction

1. PECC's Accomplishments: Its Role in and Relevance to Asia-Pacific Regionalism
2. Has the Asia-Pacific Outgrown PECC?
3. Has PECC Outlived Its Usefulness?
4. Keeping PECC Relevant in the 21<sup>st</sup> Century: Some Recommendations

1.

## **PECC's Accomplishments: Its Role in and Relevance to Asia-Pacific Regionalism**

# 1. Exemplar of Asia-Pacific Regionalism

- One of the earliest institutional expressions of cross-Pacific tripartite regionalism: Canberra Seminar (PECC I), Sept 15-17, 1980. Leveraged on PAFTAD and PBEC
- Furnished a ready model for APEC's creation in 1989, in terms of structure, conventions, agenda, participants, even limitations
- Innovated peer review for corporate governance. Supported and promoted construction of regional financial architecture (including short-term liquidity finance mechanism, an effective regional surveillance mechanism, an exchange rate policy, coordination mechanism, and development of an Asian Bond Market)
- Prior to APEC's formation, PECC was the Asia-Pacific region's principal forum on trade, investment and related economic affairs

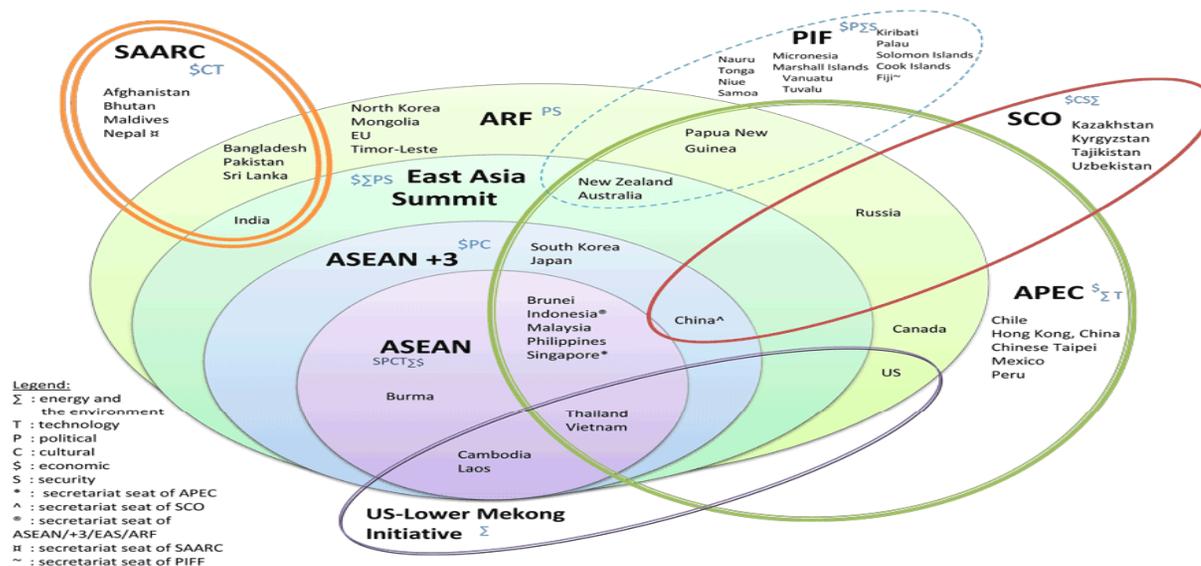
## 2. Progenitor of Open Regionalism

- Aim to foster an open Pacific region and strengthen the global multilateral trading system
- Advocated open regionalism against worrying trend towards regional trade blocs, e.g. NAFTA, AFTA immediately after the Cold War. GATT director Arthur Dunkel at PECC IX in 1992: *“multilateralism and regionalism will either live together or die together!”*
- Promoted a regional financial architecture that is consistent and consonant with, not competitive against, the global architecture
- Arguably furnished a fungible concept to rationalize the outward and inclusive orientation of regional security institutions (ARF in 1994, EAS in 2005, ADMM+8 in 2010)

2.

**Has the Asia-Pacific Outgrown PECC?**

- Regional architecture's evolving variable geometry and concentric circles make service solely to one institution (APEC) questionable
- Neither "Canberra School" command regionalism nor "Washington School" functional regionalism likely to trump "Singapore/ASEAN School" status-quo regionalism
- Incremental streamlining possible, but no clear division of labour
- Can and should PECC facilitate other regional arrangements? Should PECC's agenda have a specific or comprehensive focus?



3.

**Has PECC Outlived Its Usefulness?**

- PECC's very success in nurturing intergovernmental cooperation is also its bane: competition from APEC and other arrangements, including Track 2, for the interest and involvement of senior policymakers
- PECC has grown large and cumbersome. Its size prevents meaningful discussions, threatening to make it irrelevant to policymakers
- Failure of PECC Financial Market Development (FMD) Task Force to anticipate 1997-98 financial crisis: lack of focus on regional financial cooperation? Can its Finance Forum do better?
- Charles Morrison's 2004 call for greater symbiosis between Tracks 1 and 2 remains a key challenge

4.

**Keeping PECC Relevant in the 21<sup>st</sup> Century:  
Some Recommendations**

# 1. Make PECC Relevant to APEC

- Need to enhance PECC's research and advocacy capacities and increase its resources, as incremental enlargement of its agenda is unlikely to stop.
- Need to go beyond areas of immediate interest to APEC in order to stay ahead of the curve in anticipating emerging economic and other challenges, and consider alternative cooperative initiatives currently neglected by APEC countries
- At the same time, it may be necessary to restructure and streamline PECC to rid it of inefficient and incoherent elements

## 2. Make PECC Relevant to Other Institutions

- Need to engage G20, the key global framework. FMDTF's lack of focus on developing economies' views led to rebalancing of perspectives and, with Korea in the lead, forming the PECC Finance Forum in 2001. Did Korea's PECC experience help it to formulate its G20 agenda (e.g., on development issues) in 2010? Address rebalancing of global growth, likely the most difficult challenge facing the G20
- Given PECC's sensitivity to developing/emerging economies' concerns, it would make good sense to engage the Global Governance Group (3G) and facilitate its efforts towards better coordination and cooperation between G20 and non-G20 countries
- Engage both ASEAN+3 and the Trans-Pacific Partnership (TPP), given the East Asia Free Trade Area (EAFTA) and TPP arguably comprise the 2 building blocks for forming the Free Trade Area of the Asia-Pacific (FTAAP). Helping spur EAFTA, the slower pillar, would be critical
- Despite encouraging feasibility studies on CEPEA, the EAS is unlikely to focus on economics so long as China isn't keen

# Conclusion

- No doubt regarding PECC's relevance to Asia-Pacific. But can and will it stay relevant to both the region and even to the world?
- Getting the region to stay committed to open and inclusive regionalism, amidst the growing short- to medium-term preference for bilateral and plurilateral trade agreements, is a key challenge for the foreseeable future
- Getting the region to focus on growth rather than fixate on bond markets could to be another key challenge