

International Symposium on Ways of Asia-Pacific Regional Integration for the Post-2020 Era Executive Summary

From October 17 to 19, 2019, China National Committee for Pacific Economic Cooperation (CNCPEC), co-sponsored by Hainan China Golden Eagle Peace Development Foundation (CGE), APEC Study Center of Nankai University, and Shenzhen Polytechnic, organized an International Symposium on “Ways of Asia-Pacific Regional Integration for the Post-2020 Era”. The conference is a continuation of the discussions at the symposium held last year. It aims to further explore issues related to Asia-Pacific regional cooperation in the post-2020 era and explore effective ways to build an open and interconnected Asia-Pacific community.

Experts from various PECC member economies and beyond, including Australia, Canada, China, Japan, Korea, Malaysia, New Zealand, Singapore, Thailand, the United States, Vietnam, the APEC Secretariat and the PECC International Secretariat, attended the symposium. The participants discussed a number of issues, including: 1. APEC and the necessary reform of the multilateral trading system; 2. The new progress in Asia-Pacific regional integration; 3. The APEC agenda for the post-2020 era - connectivity, innovative development such as digital economy/trade and people – centered development; 4. APEC at the crossroad: past, present and future.

After extensive and in-depth discussions on these issues, the experts put forward a series of recommendations. Their ideas and views are summarized as follows:

I. The current globalization and the multilateral trading system represented by the WTO have suffered major setbacks. The main reason is that the international political and economic environment has undergone tremendous changes. Although APEC also faces a more complex external environment, it should continue to support the global multilateral trading system while promoting Asia-Pacific cooperation.

The WTO itself has been in difficulties for a long time. Furthermore, trend towards protectionism and unilateralism has seriously undermined the current multilateral trading system and the uncertainties of the economic globalization and the multilateral trading system have led to a decline in global trade and a slowdown in

economic growth.

In face of the above situation, APEC needs to play its due role to support the necessary reform of the global multilateral trading system and ensure the smooth operation of global value chains under the non-binding principle. APEC has acted as an incubator of ideas since its establishment, put forward many useful initiatives and agendas, and taken some actions in support of the necessary reform of the global multilateral trading system represented by the WTO such as the discussions of WTO+ issues, women's empowerment, support for small and medium-sized enterprises and indigenous peoples.

The necessary reform of WTO should preserve the existing rules-based multilateral trading system while seeking new tools, and take the trade in services, digital trade and e-commerce into account. Some scholars believe that both the WTO and APEC secretariat should be empowered in order to enhance their function including setting the concerned mechanism ASAP. Some participants held the view that the necessary reform of WTO should truly reflect the status quo of the emerging market economies in the global value chains because tremendous changes have incurred during the last two decades. Only if the GVCs issue is taken into account seriously, could the demands of member economies be better met.

II. The Asia-Pacific regional economic integration process is facing multiple difficulties and there are needs to reshape the regional economic development priorities of the region. At present, the Asia-Pacific regional cooperation has maintained its momentum, and many regional trade agreements such as CPTPP, RCEP and PA are making progress. The comparative advantages and prospects of each RTAs/Mega-regional FTAs mechanism are still being explored.

The participants considered that the main challenges currently facing the integration of the Asia-Pacific region include the slowing down of global and regional economic growth, the slow progress in reducing trade frictions, and so on. It is recommended that APEC need to actively address these challenges by means of maintaining dialogue and participation, encouraging various regional integration processes, and strengthening global dialogue. APEC should also reshape the priority objectives of regional economic development through deepening the integration process in a comprehensive and coordinated manner and accelerating balanced development.

The recent gains of regional economic integration in Asia-Pacific are mainly reflected in the increasing number of free trade agreements (FTAs) in the region. Negotiations on CPTPP, RCEP and PA have made progress in various ways, including the expansion of members. Some scholars analyzed the possible approaches to CPTPP expansion and RCEP negotiation. It was agreed that currently, the negotiation of FTAs such as FTAAP, RCEP and CPTPP in the region is the main means to curb protectionism and unilateralism and to maintain the rules-based multilateral trading system.

Through analyzing the impact of cumulative rules of origin on trade costs, some scholars drew the following two conclusions: 1. The worrisome spaghetti bowl phenomenon of complicated ROOs incurred by overlapping regional trade agreements may not be solved by simply expanding them into region-wide FTAs; 2. Argument holds that “the larger the size of the FTA, the larger the gains” considering the overall positive effects on the world economy of the increasing numbers of FTA, be it RCEP or CPTPP or FTAAP. In this sense, FTAAP as one of the optical and ultimate goals for Asia-Pacific regional economic integration should receive full endorsement by APEC member economies and should be advanced.

III. The post-2020 APEC agenda needs to attach importance to new people-oriented development concepts such as connectivity, innovative development and digital economy. Connectivity is the driving force for economic integration in the Asia-Pacific region, conducive to long-term sustainable development and inclusive growth, and is one of the important directions of future APEC efforts. With the rapid development of digital technology and digital economy, APEC’s economic and social development agendas and practices should be properly guided to ensure inclusive economic growth.

It was recognized that connectivity was a significant contributor to trade and investment facilitation and a driving force for economic integration in the Asia-Pacific region. In order to make progress in the mid-term review of *APEC Connectivity Blueprint*, PECC has recently finished the signature project on it. The project has introduced a connectivity index system in Asia-Pacific region with three pillars: physical, institutional and people to people index. It argues that within physical pillar, transport and infrastructure are the areas that require the most efforts; within institutional pillar, trade facilitation and intellectual property receipts are the areas that

require the most work; within people to people pillar, educational mobility and labor exchange deserve the greatest attention. It is perceived critical to help policy-makers get a sense of priority for the key issues– improving people’s quality of life and increasing opportunities.

Apart from connectivity initiatives raised by multilateral economic forum such as APEC, there are also ones at state level such as BRI. Compared to other initiatives, the BRI has been substantively advanced and its ideas and cooperation fields are in line with APEC’s. Since the proper implementation of those initiatives would provide public goods for the region, the connectivity initiatives should be project based, market oriented and value the importance of sharing best practice. Moreover, these initiatives should be promoted both among governments and among companies simultaneously.

Some participants expressed their concerns about the risk of duplication created by the continued roll-out of different connectivity initiatives. Some participants perceived that the main constraints on connectivity are weak institutional capacity, inadequate skills and inadequate financing and that these problems cannot be solved by trade negotiations. In order to attract enough investments on human resources, institutional upgrading and economic infrastructure, APEC should take a step-by-step strategy: first, to agree on a small number of high priority connectivity objectives; second, to set realistic and measurable medium-term targets for progress; and then to agree on a final strategy to attract financing and manage the necessary investments.

The participants considered that the globalization of the digital economy was an increasingly important issue and digital economy was the key to the economic transformation and structural adjustment. Digital economy should be a priority area for the future APEC discussion. Digital technology changes the contents and forms of business in which digital goods, digital services, platform-based trade and intellectual products play an increasingly important role. APEC should actively support the establishment of a regulatory system for promoting the development of new business model, push forward more case sharing of enterprise innovation, and promote the exchange of experience in related personnel training.

The participants considered that inclusive growth was already on the agenda of APEC, such as women’s participation in economic affairs, the development of small and medium-sized enterprises, and indigenous issues. Connectivity plays an important role in promoting inclusive growth and realizing the people-centered concept of

APEC. Participants also made recommendations for implementing people-centered work, including expanding the issuance of APEC Business Travel Cards, promoting cross-border education and travel facilitation, special arrangements for MSMEs, vulnerable groups, establishment of APEC Technology Centers and technology transfer funds, etc. .

IV. APEC has played an important historical role in promoting the economic integration in the Asia-Pacific region. The increasing challenges to APEC and its members does not mean the end of the “golden age”; instead, the future of the regional cooperation will surely be brighter. We should remain optimistic about APEC’s future, despite the new challenges it faces and the complicated situation. APEC should remain open, strengthen communication, encourage innovative development and promote economic globalization in a more open, inclusive, mutually beneficial and win-win manner.

With regard to the changing global and regional cooperation environment, participants expressed the view that, after three decades of development, the global and economic situation has changed dramatically, including the global and regional economic downturn. Supply chains and trade paradigm have shifted since the international financial crisis. APEC should continue to promote dialogue and participation, support the stability of the global supply chain, and encourage the exploration of new channels for regional cooperation, including some next generation issues such as intellectual property protection rules, investment rules and market access rules, etc..

The participants put forward suggestions on the guiding principles, priority areas and effective implementation measures for the next 20 years of APEC. The two main guiding principles are as follows: first, APEC’s unique approach featured by non-binding, voluntary, collaborative and consensus-based cooperation should be maintained; second, pathfinder initiatives could be employed to explore new areas of collaboration in the future. Prospect of Asia-Pacific economic cooperation includes: 1. The vision will become more pragmatic and people-oriented. APEC should continue to uphold its mission of supporting multilateral trading system, promoting free and open trade and investment, and enhancing regional economic integration; 2. In respect of difficulties in further promoting TILF under a non-binding framework, APEC should continue to serve as an active incubator or coordinator; 3. Digital economy, inclusive growth, connectivity and sustainable development would be the most promising areas for APEC in the future; 4. The APEC cooperation process will play a

more important role in global economic governance, and will have spillover effect on other international cooperation mechanisms.