

Update for APEC Senior Officials
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On behalf of PECC Co-chairs, Jusuf Wanandi and Donald Campbell

On behalf of the members of the Pacific Economic Cooperation Council we thank you for this opportunity to update you on our work and share with you perspectives that arise from our discussions at the second track.

In less than a month's time we will be holding our 22nd General Meeting right here in Beijing. We hope that the outcome of our discussions will contribute useful insights and recommendations into your ongoing work as you prepare for the APEC Leaders' Meeting in November.

We will focus our comments on the themes that APEC has for this year.

APEC's 25th Anniversary: PECC's Role in APEC

As this is the last SOM before APEC Leaders' Week, we would like to take this opportunity to reflect a little on the relationship between PECC and APEC. As APEC's progenitor and observer, PECC has endeavoured to and continues to support APEC's efforts in collectively addressing bottlenecks and stumbling blocks to realizing trade and investment liberalization.

We consider crucial our role as an interface between the government and community. Our member committees organize a variety of events to this end and we welcome the presence and participation of APEC officials at these domestic events. This constituency building process is something that we have emphasized with increasing importance as the integration process now addresses much deeper, behind-the-border issues.

Beyond the work done by our member committees domestically, we hope to continuously contribute to your work by providing policy research and recommendations. Over the past 25 years these have included: Non-Binding Investment Principles; Competition Policy; and Guidelines for RTA/FTAs to mention just three. In the case of the investment principles, these were drafted by PECC's Trade Policy Forum over a three year period and came to the attention of APEC through the members of the PECC who were part of the Eminent Persons Group.

Work on a competition policy began in PECC as early as 1993 but it was only in 1997 that we formally agreed to examine what Asia-Pacific competition principles might be. Over the course of a series of intensive background research and consensus building we were able to produce our version of Competition Principles which were then adopted with some modification as APEC's own principles.

Our work on RTAs/FTAs that resulted in our Proposal for an APEC Common Understanding on RTAs was the culmination of almost 4 years of study and discussion. This is not the place to dwell on the difficulties that this work encountered but we greatly appreciated the recognition from APEC Ministers in 2003.

APEC has achieved a great deal over its 25 year history in building regional understanding across a wide range of issues. We look forward to continuing to contribute to your work as one of your official observers and our shared mission to promote cooperation and integration in the region.

Advancing Regional Economic Integration

We welcome the progress made this year on APEC's commitment to advancing regional economic integration. Throughout our numerous discussions among stakeholder these are the kinds of steps that our community has been recommending. However, there remains a large amount of work that needs to

be done if an FTAAP is to be eventually realized.

To this end, our community has been working to understand both the motivations behind the various pathways, the technical aspects of the agreements and how they could eventually result in an FTAAP. For example, our China and US committees have compiled and edited a series of essays on “*New Directions in Asia-Pacific Economic Integration*” which has been published by the East West Center. These are available at: <http://www.pecc.org/pecc/208-publications/583-new-directions-in-asia-pacific-economic-integration>

Lessons from GVC Literature for FTAAP

Beyond the work that our member committees have been doing, as we alluded to in Qingdao, we have established a task force on the FTAAP. This work responds to developments in the regional trade discussions and builds on the work that a number of PECC task forces and member committee projects have undertaken in recent years. The project will use new literature on global value chains to analyze how an FTAAP can further promote regional economic integration beyond existing modalities including unilateral reforms, bilateral trade agreements, regional trade agreements and the WTO.

The task force will be organizing a high-level roundtable in Beijing just before our General Meeting to further define what work can be done at the second track level to contribute to your work at the CTI Friends of the Chair group and SOM on the FTAAP. The roundtable will consist of four sessions:

- Session 1: Global value chains in the Asia-Pacific: mapping and policy implications
- Session 2: Pathways to an FTAAP: What can be expected
- Session 3: The Economic Impact of an FTAAP
- Session 4: Principles for an FTAAP and Recommendations for Next Steps

Based on these discussions and in relevance to previous agreements such as the TPP Honolulu Statement, the RCEP Guiding Principles, the PA Framework Agreement and the Osaka Action Agenda, we will be preparing our statement to APEC Ministers at the end of the year.

Promoting Innovative Development, Economic Reform and Growth

As we stated in SOM 2, the world economy is entering into a ‘new normal’ in which the characteristics of growth in the major economies of the region are changing. A point that was stressed during our Singapore Conference earlier this year is that there are signs that many economies are currently growing at or near potential growth. For these reasons, we welcome the efforts made under this theme.

A few weeks ago, our China PECC and Hong Kong China PECC committees co-organized a conference, “Cooperation in the Asia-Pacific Region - Maintaining Stable and Sustainable Growth”. The discussion there identified several challenges ahead to facilitate more innovative growth; this includes changing mindsets within the corporate sector, education and incentives to entrepreneurship. In addition, the conference covered several other topical issues, including Hong Kong's contribution to the growth of regional trade; managing supply chain disruptions; and the outlook for SMEs in a changing economic climate. All are related to the three priorities of APEC this year.

Our region is facing several mega-trends that make this set of issues both a huge challenge and opportunity for the region. One is the changing demography of the region¹, another is the opportunity presented by ‘big data’ to understand and adapt to rapidly changing consumer behavior.

These trends, and others, involve a variety of policy challenges. Some of these issues require policy

¹ For more details see: <https://www.pecc.org/resources/1482-aging-and-economic-growth-potentials-in-the-pacific-region> and <http://www.pecc.org/resources/labor/1950-demographic-change-a-international-labor-mobility-in-the-asia-pacific-region-synthesis-report>

coordination and cooperation between economies. This year's *State of the Region* report will focus on the regional growth agenda – it will include feedback on how opinion-leaders think we are doing in implementing the growth strategy as well as their views on what the major drivers of growth over the next few years will be.

Strengthening Comprehensive Connectivity and Infrastructure Development

We welcome the progress thus far on moving from a framework for connectivity to a connectivity blueprint. This work is critical to the achievement of APEC's broader vision of a prosperous and interdependent Asia-Pacific region as laid out in the Seattle Declaration at the first APEC leaders' meeting and then given a specific set of goals in Bogor the following year.

Last year in Bali, we organized with the Boao Forum for Asia a seminar on connectivity in the region.² The central point we would emphasize is the importance of the connectivity agenda to achieving APEC's goals for inclusive growth as well as regional economic integration. Developing economies, in particular, must address persistent supply-side constraints. Without crucial reforms, these economies risk lagging further behind the developed members. Deeper connectivity will mean that economies will be able realize maximum gains from the regional trade and investment integration initiatives that are under negotiation.

Our annual *State of the Region* survey found that opinion-leaders from emerging economies believe that the benefits of the economic integration process to their economies have been limited due to supply side constraints.³ Furthermore, 61 percent of respondents to our survey thought that APEC needed a set of aspirational development goals to make its work on economic and technical cooperation more effective. Our survey suggests that foremost among these goals should be:

- The provision of affordable education to provide workers with the skills required to compete in the a global market place
- Improved physical connectivity
- Provision of basic services

While there were differences in emphasis among economies, it is clear that opinion-leaders in the region believe the setting of specific targets is desirable. This is something APEC has consistently done throughout its history including the Bogor Goals, the Brunei goals on internet access, trade facilitation and so on.

We also highlight the fact that this region is home to the world's largest archipelagos and island economies. They face specific and difficult challenges in benefitting from the integration process.⁴ We commend this work to you as you finalize the Connectivity Blueprint over the coming months.

PECC's Work Program

While we organize many events both as a community effort such as our General Meeting and other events as well as work led by our member committees, much of the work we report to you is that undertaken by our task forces. These are conducted by expert groups commissioned by the PECC with the objective of providing a continuous source of innovative but realistic ideas from Track II into the

² A report from the conference can be downloaded from: <http://www.pecc.org/resources/infrastructure-1/2023-publications-connectivity-inclusive-growth>

³ See: <http://www.pecc.org/research/state-of-the-region>

⁴ PECC organized a series of roundtable discussions on the challenges facing Pacific Islands bringing together the transport industry, international organizations, government officials and researchers. Links to the work can be found here: <http://www.pecc.org/event-calendar/past-events/event/20-pecc-round-table-on-air-transport-in-the-pacific>
<http://www.pecc.org/event-calendar/past-events/event/27-pecc-second-roundtable-air-transport-in-the-pacific>
<http://www.pecc.org/event-calendar/past-events/event/28-pecc-air-transport-in-the-pacific-third-round-table>

Asia-Pacific cooperation process.

At the moment we have the following ongoing signature projects:

- Competition and Cooperation in the Extractive Industry
- *The State of the Region Report*
- Fisheries Trade Facilitation and Sustainable Development: the Post-Bali Agenda

Our member committees also collaborate with each other on ‘international projects,’ and these are:

- Regional Economic Integration Review and Outlook
- Social Resilience
- Global EPAs Research Consortium
- Energy Transition

We are also placing greater emphasis on the networks of experts that we have built up over the course of our history. We aim to provide a platform through which we can hear more from those working on specific issues in different settings. One example of this is our network of services experts who have been providing input to your own discussions on the contribution services make to development and regional integration.

State of the Region Report

One product of ours that we hope you will be familiar with is our annual *State of the Region* report. We are in the process of surveying regional opinion-leaders on a range of issues of relevance to your work. Our focus this year will be on the growth strategy and regional economic integration.

We will release this report during the APEC Leaders’ Week in Beijing and we hope you will find this work a useful tool for understanding the sentiments among the broader Asia-Pacific policy community on the issues you are working on here.

PECC General Meeting “Economic Cooperation in the Asia-Pacific: 2014 and beyond”

The 22nd PECC General Meeting will be held in Beijing on 10-11 September, hosted by our Chinese committee. By bringing together regional experts on these issues from different sectors and perspectives we will be able to think innovatively about many of the issues you are addressing here and provide input that you will find of value in your own discussions.

In keeping with our aim to build and engage the next generation of Asia-Pacific thought-leaders, we also invite selected graduate level or equivalent students from our member economies to participate as delegates. While all of you are busy with your day to day responsibilities, we would be delighted to hear from some of you who are able to attend our upcoming General Meeting.

In considering our agenda we have paid close attention to your priorities as well as the issues that our membership considers of importance to the future of the Asia-Pacific.

- The New Normal: Economic Restructuring in the Asia-Pacific
- Exploring the New Drivers and New Ways for Economic Growth
- Financial Cooperation in Asia Pacific: Status Quo and Prospects
- Regional Economic Integration: Principles, Pathways, and Vision

In addition to the plenary sessions there will also be four specialized sessions on:

- Urbanization and Sustainable Development of Cities: A Ready Engine to Promote Economic Growth and Cooperation
- The Energy Challenge of Sustainable Development and Energy Security
- Global Value Chains (GVCs): A New Perspective on Trade and Investment
- Chinese Entrepreneurs Participating in Regional Economic Cooperation

As you will note from the issues we will be addressing there will be a lot of material from our discussions of relevance to your work. We look forward to sharing the views of regional experts with you at future meetings.

In Beijing we will also be discussing the future work of PECC. We hope you will take the time to communicate with your respective PECC committees on the types of projects you would find of most use to you in your work.

Thank you for your kind attention.