

**Update for APEC Senior Officials
First Senior Officials Meeting (SOM1)
Clark, Philippines
6-7 February 2015**

**Antonio Basilio, Chair, Philippines Committee for Pacific Economic Cooperation
On behalf of PECC Co-chairs, Jusuf Wanandi and Donald Campbell**

On behalf of the members of the Pacific Economic Cooperation Council (PECC) we thank you for this opportunity to share our views from the second track. The Philippines is chairing APEC at a time of tremendous changes in the regional and international context. In Beijing last November, Leaders took key decisions to make progress on the Free Trade Area of the Asia-Pacific (FTAAP), improving connectivity, and other areas of regional cooperation and integration. The challenge now is how economies can implement these plans to ensure that regional growth is not only sustainable but also inclusive. We thus welcome the overall theme for this year, “Building Inclusive Economies, Building a Better World.”

While the Asia-Pacific region is undoubtedly remains a rapidly growing region, much more needs to be done to address the growing gaps in income, infrastructure and knowledge.

We thank APEC officials for the opportunity we had during ISOM last December to be part of the planning for this year. Our annual Singapore conference later this month will further address key issues related to APEC’s priorities for 2015 under the theme of “Achieving Inclusive Economic Growth in the New Normal.” We look forward to exchanging views with key officials from the Philippine government as well as others from the region and will develop recommendations to you on the basis of those discussions as well as our ongoing work.

Renewed emphasis on structural reform agenda

As many emerging economies in the region are growing at or near their potential, there is thus an urgent need to look at ways to increase the growth potential. This means we cannot afford to lose sight of the structural reform agenda that has repeatedly been emphasized over the years.

While APEC economies have undertaken substantial work through the APEC New Strategy on Structural Reforms (ANSSR), the Structural Reform Ministerial Meeting scheduled for September this year provides an opportunity to gain momentum in this critical area. We note with concern the finding in our *State of the Region* survey that opinion-leaders considered the failure to implement structural reforms as the third highest risk to growth, and expressed low levels of satisfaction on progress on the five dimensions of the Growth Strategy.

One area where we believe progress can be made is on services. We welcomed the opportunity to contribute to this through the Public-Private Dialogue (PPD) on Services. As you will recall, in 2011, a task force report we put together with the ADBI looked highlighted the role of the services sector to the in promotion of innovative development, employment, and high quality economic growth.

The role of services in global value chains is widely recognized. Ensuring smooth and efficient services are key to increasing gains from value chains and the overall services sector reform is clearly an area that deserves much closer look by APEC economies.

Connectivity and Infrastructure Development

We look forward to concrete actions to implement the connectivity blueprint. We emphasize the importance of work on connectivity to the regional economic integration agenda. While dealt with

separately in APEC, connectivity should be seen as providing the ability of more people to reap the benefits of the economic integration process – in other words it is an essential part of the inclusive growth agenda. Far too many are unable to reach the global market – high transportation costs, lack of electricity, lack of internet access and so on prevent them from reaching their full potential. We hope that APEC's connectivity work will be seen through the inclusive growth lens.

Investment in Human Capital Development

The lack or shortage of talent available was ranked as the tenth highest risk to growth in the region in this year's *State of the Region* survey and in 2013, affordable education to provide workers with the skills required to compete in a global marketplace was rated as the most important issue for which APEC Leaders should set an aspirational target.

While we believe that the continued deepening of economic integration and enhanced connectivity are necessary conditions for high quality inclusive growth, they alone are not sufficient. Without the knowledge and skills to adjust to the rapid technological changes, and the awareness of how to take advantage of new opportunities, more will become excluded from the growth story. We welcome the emphasis on cooperation between educational institutions and businesses in the provision of skills and highlight the importance of international cooperation in the education sector. Partnerships among the region's educational institutions will facilitate much faster dissemination of knowledge and skills – we need to remove the impediments that hamper this. Our earlier work on the globalization of tertiary education in cooperation with the Association of Pacific Rim Universities (APRU) highlighted how costly such barriers can be and how detrimental they are to what should be the ultimate objective of education regulation – the broadest provision of education as possible.

PECC's Work Program

As second track to all the work undertaken at APEC level, PECC aims to push our common agenda forward proactively and stay committed to making substantial contributions to your ongoing discussions. We have signature projects, international projects that are smaller in scale but conducted in collaboration among our member committees. We also have member committee projects targeted at engaging domestic audience on various policy issues.

In addition, we are re-engaging and establishing the tripartite networks of experts who have contributed to PECC work in various capacities throughout our 35 years of existence to further strengthen our ability to support regional cooperation on a range of issues.

State of the Region

We believe that many of you are familiar with our annual *State of the Region* report. Over the past several years, we have consistently made each issue a thematic one in addition to publishing results of our annual surveys of region's opinion leaders and our index of regional integration by developing composite figures based on a selection of measurable socio-economic indicators from each of our member economies.

This year, with the objective of heightening the impact of this report for APEC, we plan to conduct our opinion-leader survey twice – one in March-April to release the results at the APEC trade ministerial meeting scheduled for May, and the other around September to release in November to coincide with the APEC Leaders' Week as a full report. As you know, the survey consistently covers the prospects for growth in the region, points out areas needing policy improvement, gathers perceptions of feasibility of various pathways to FTAAP, as well as views on APEC's relevance. This year, we are planning to focus on the structural reform agenda and its many facets in view of its growing importance as mentioned earlier.

FTAAP

In Beijing, Leaders have endorsed and placed great emphasis on pushing ahead with the complex FTAAP agenda and the pathways to reach this end goal. This project will entail identifying and studying in detail a sample of firms with cross-border business to study how the chains are managed, where improvements have been made as best practices, where the drivers are in furthering respective areas of comparative advantage. It will look at goods and services, diverse industries and sectors. The aim is to identify areas and issues for priority treatment in the FTAAP processes, and to discuss how the progress made there can support modern business practices and thereby promote integration.

We already kick-started this project by holding a high-level roundtable discussion on 8th September last year prior to our General Meeting in Beijing. We hope to be able to share our findings on different occasions throughout the year as we progress on this project.

Supply Chain Connectivity

Related to the FTAAP and regional economic integration agenda, our Chinese Taipei committee is leading this international project to explore how REI is inducing changes on global supply chains and vice versa. It will pay close attention to particularly how TPP and RCEP might shift regional supply chains and analyze priority areas that APEC economies should focus on to promote supply chain connectivity.

Social Resilience

This is an ongoing project led by our Japanese member committee since 2009. Having covered Chile, Mongolia, Myanmar, Cambodia, and China, during its next phase, the project will expand its geographic scope by taking case studies from the Philippines, Thailand, Malaysia, Mexico, Korea, and Chinese Taipei. The project takes closer look at pension, healthcare, elderly care, and other labor/ employment related areas in both formal and informal sectors.

Management of Ports and Vessels

Another project we will soon have underway is a study on the development and upgrading of ports. Maritime trade has been consistently growing across the Pacific demanding larger and more efficient ports and larger vessels to operate. A significant part of international trade and management of cost has to do with maritime transport and infrastructure. With this in mind, our France (Pacific Territories) committee will lead the international project consisting of three seminars in various locations throughout this year and next, gathering experts from the relevant industries, policy sector, as well as researchers. Technological and policy innovations from different economies will be brought into the discussions.

Global EPAs Research Consortium

This is an ongoing project that looks at the state of bilateral and multi-regional economic partnership agreements. The research covers: China-Japan-Korea FTA negotiations, TPP, RCEP as well others. The proposed Consortium aims to contribute to improving the estimation of changes in economic welfare, production, trade, investment and job creation by looking at tariff concessions, non-tariff barriers, and ways of improving computable general equilibrium (CGE) models.

PECC General Meeting 2015

Our next Standing Committee meeting and General Meeting will be held in the Philippines in September hosted by our Philippines committee. It will be held back-to-back with your SOM3 in Cebu. Held two month ahead of the APEC Leaders' Week, PECC looks forward to addressing some of the issues that we deem important for our ministers and leaders' consideration and evaluation.