

PECC Statement
Meeting of APEC Ministers Responsible for Trade
Boracay, 23-24 May 2015
Ambassador Antonio Basilio on behalf of the PECC Co-chairs
Jusuf Wanandi and Don Campbell

On behalf of the members of the Pacific Economic Cooperation Council (PECC), we thank you for this opportunity to make a brief statement today. We welcome the emphasis that the Philippines as chair of APEC 2015 has placed on inclusivity through the theme, “*Building Inclusive Economies, Building a Better World.*”

We would like to express our appreciation to: SOM Chair, Laura Del Rosario; Undersecretary of Trade and Industry, Adrian Cristobal; Deputy Director General of NEDA, Emanuel Esguerra; and Treasurer of the Philippines, Roberto Tan; who all took the time to share with us their views at our Singapore Conference held last 27 February. It was a unique opportunity to exchange ideas on how to best make progress towards our shared objectives.

The Broader Context

The global trading system stands at an important juncture; forecasts suggest that for the first time in many years, trade will grow only marginally faster than the broader economy. To better understand the challenges that we are facing, we commissioned a special survey of the regional policy community focused on trade policy issues. This statement is based on those findings as well as our broader work program.

The Critical Role of Services for Quality Growth

We welcome the emphasis being placed by APEC on the role of services in the 21st century economy. Not only were services regulations ranked as the top impediment to trade in our survey but service sector reforms and liberalization were also ranked as the third most important trade issue for APEC to address.

Over the course of past five years, we have been emphasizing the importance of making progress on the services sector. We welcomed the opportunity to co-organize, along with ABAC and the Philippines as APEC Chair, a Public-Private Dialogue on Services here in Boracay.

We hope that through this series of dialogues the region will come to much better understanding of the role that services play in the economy – not only in terms of facilitating trade but also in terms of quality growth.

Towards an FTAAP

More than a decade ago our leaders agreed to pursue the long-term vision of a Free Trade Area of the Asia-Pacific. Since then the vision has largely remained only that – a vision without any form. The progress made last year in agreeing on a roadmap was useful but now needs to be acted upon.

According to our survey, the most important thing that can be done to achieve the FTAAP is the earliest possible completion of its identified pathways. However, we have noted on several occasions that neither of the pathways includes both China and the United States as well as several other APEC economies. Furthermore, a convergence of the pathways will not happen on its own. Therefore, it should come as no surprise that over 60 percent of respondents to our survey thought that a new regional trade agreement that includes all APEC members was needed.

In this time of slower, and more importantly, fragile growth, we again emphasize the enormous potential benefit that would come from freer trade across the entire region. Economic estimates suggest that the benefits of an inclusive agreement outweigh those of either pathway by two fold.

However, there is a certain amount of skepticism of whether these FTAs have been commercially meaningful especially for the region's small and medium enterprises. Complex rules of origin were identified in our survey as the chief reason for low utilization of the agreements.

It is therefore critical for APEC to take a step back and consider how such instruments for integration can be made more effective. In this regard, our survey highlighted the importance of work to ensure that the design of an FTAAP take into account how global value chains operate.

While APEC has made significant progress in thinking about global value chains over the past few years with the adoption of a Strategic Blueprint for Promoting Global Value Chains Development and Cooperation, these efforts remain largely divorced from trade policy thinking. Our work therefore is focused on understanding the policy imperatives of global value chains and translating that into practical measures that APEC economies can implement.

The challenges facing SME participation in GVCs was a major talking point of our conference held in Singapore a few months ago. There is a great deal of analytical work going on in both the academic and business communities to understand this better. We hope that we will have an opportunity to share that work with you as you develop your thinking on the next steps to promote regional economic integration.

The Potential of the Internet Economy

Another area with significant potential to drive growth and jobs is the internet economy. We were pleased to co-organize a symposium on the internet economy as part of the meetings here in Boracay. This was designed to build on last year's work that led to the APEC Initiative of Cooperation to Promote Internet Economy.

The importance of the internet to the broader economy is set to increase in the coming years as more and more firms integrate technology into their operations. We need to work together to ensure that as policy and regulatory frameworks catch up with business developments, they do not constrain the innovations we are seeing. As was highlighted during our Singapore Conference, digital platforms are increasingly being used by individuals, micro enterprises, SMEs and large multinational companies alike and that the internet or digital economy cuts across multiple sectors posing difficulties for effective policy-making domestically let alone internationally. We therefore welcome APEC's innovative approach to dealing with this issue through the ad hoc committee that can bring the relevant stakeholder and policy expertise together depending on the issues to be addressed.

Need to Address Supply Side Issues

While our survey showed broad support for trade integration among the regional policy community, we also note concerns that supply side issues have limited the benefits of the integration process for a number of economies. We hope that APEC through its work on economic and technical cooperation, infrastructure and connectivity will be able to make a meaningful contribution to addressing this problem.

Future Meetings

We will be holding our next General Meeting in the Philippines immediately after SOM 3. This will provide a unique opportunity to exchange views with stakeholders before the APEC leaders' meeting in November.