

**Update for APEC Senior Officials
Third Senior Officials' Meeting (SOM3)
Cebu, Philippines
5-6 September 2015
Donald Campbell
Co-Chair, Pacific Economic Cooperation Council**

On behalf of the members of the Pacific Economic Cooperation Council (PECC), we would like to express our thanks for this opportunity to share our views on the issues that need to be addressed to achieve our shared goals of promoting cooperation and development in the region. We would like to extend our special appreciation to 2015 SOM Chair, Undersecretary Laura Del Rosario for your openness to our ideas and suggestions as well as for your active participation in our work that has provided a vital connection between the official process and the regional policy community.

Identifying New Drivers of Growth

The region's economies are continuing to grow at steady but unexceptional rates with uncertainties over the future looming large. One concern has been the reduction in the ability of trade to drive growth. A key feature of recent discussions in PECC has been the role of new drivers of growth. All sectors of the economy – manufacturing, services and agriculture are leveraging new technologies and developing new business models to enhance their productivity and identify new markets. The challenge is to ensure that the policy environment facilitates rather than unnecessarily deters, encourages rather than discourages businesses – especially micro and small businesses in their efforts to grow beyond their borders.

To better understand the challenges that we are facing, we commissioned a special survey in April focusing on trade the results of which were released during the week of APEC MRT in Boracay. The survey highlighted the following key policy concerns for APEC:

- The facilitation of participation of SMEs in global value chains (GVCs)
- The achievement of the Bogor Goals and the Free Trade Area of the Asia-Pacific (FTAAP)
- Services sector reforms and liberalization
- The design of trade policy in response to GVCs
- How economies can move to upgrade their participation in GVCs

During the last SOM, PECC co-organized the Public-Private Dialogue on Services and the Symposium on the Internet Economy. We believe that these are two increasingly critical areas through which we should continue to cooperate region-wide to achieve inclusive and sustainable economic growth.

We welcomed the progress on the formation of the Ad Hoc Steering Group on the Internet Economy with the election of the Chair and Vice-Chair. Having co-organized with the APEC Philippine Office a symposium on the Internet economy in Boracay during SOM 2 we would like to reiterate that PECC remains very much committed and stand ready to further support the ongoing work of this Ad Hoc Steering Group.

Services regulations ranked as the top impediment to trade in our survey while service sector reforms and liberalization were also ranked as the third most important trade issue for APEC to address. We hope that through this series of dialogues we would further highlight the increasingly important role that services play in the economy – as ways of facilitating trade of manufactured goods as well as in the form of cross-border services industries.

Structural Reform Agenda

We look forward to the outcome of the Structural Reform Ministerial Meeting taking place immediately after the SOM3. The future of growth in the region was the focus of our *State of the Region* report last year.

Of concern should be the fact that opinion-leaders selected a lack of political leadership as the second highest risk to growth. Moreover, 46 percent of business respondents selected the lack of political leadership compared to just 30 percent of those from the government. The third highest risk, possible failure to implement structural reforms, also suggests considerable anxiety about the political ability of leaders to address an important regional agenda. As many economies of the region have run out of fiscal space to maneuver and monetary policy is already considered unconventional, getting growth on a higher trajectory will require structural reforms that come with significant adjustment costs in vulnerable sectors.

We hope that the Ministerial Meeting will help to put momentum behind the reform process and provide valuable lessons on dealing with the political economy aspects of the implementation of reform policies.

Our focused on trade issues point out that regulatory measures in telecommunications, finance, and transport are seen as top impediments to trade and considered third highest trade issue priority for APEC to address. This underscores the connection between work on services and structural reforms. We highlight the findings that highly restrictive services regimes are directly correlated with low penetration rates and high cost in key service sectors that are critical for promoting inclusive growth.

FTAAP and Inclusive Growth

Working towards regional economic integration has long been APEC's main approach to promote collective economic growth and community-building in the Asia-Pacific. Our survey of the regional policy community conducted last April also highlighted the importance of taking into account GVCs into the design of an FTAAP. Simplifying the complex rules of origin and helping, in particular, MSMEs to make optimal use of existing FTAs should continue to be emphasized in order to integrate them into GVCs and empowering them to grow through competition in bigger markets.

We appreciate your invitation extended to PECC to contribute to your seminar held here in Cebu in conjunction with SOM3 on "Collective Strategic Study on Issues related to the Realization of the FTAAP." PECC was also invited by SOM Chair to participate in the APEC SOM Dialogue on RTAs and FTAs held earlier this week.

On 12th September, in conjunction with our upcoming PECC General Meeting, we will be holding a workshop dedicated to FTAAP to solicit views from policy makers and policy analysts on the implications of GVCs on the design of trade policy and in particular to the proposed FTAAP. The outcome of this workshop will define our one-year work program on FTAAP.

Other PECC Projects in Progress

Global EPAs Research Consortium

Our research on global EPAs looks at the state of bilateral and multi-regional economic partnership agreements. The scope of the study includes: China-Japan-Korea FTA negotiations, TPP, RCEP and others. The 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.

Management of Ports and Vessels

Linked closely to APEC's 'connectivity' and 'blue economy' agenda, we have a two-year international project in progress on the management of ports and vessels, shipping routes. Maritime trade has been growing consistently across the Pacific demanding larger and more efficient ports and larger vessels to operate. Upgrading the port infrastructure, improving the technology and logistics, enhancing the quality of services in shipping are of great importance for most of our members. Our France (Pacific Territories) committee will lead the project consisting of three seminars in various locations starting with the first one in Papeete, Tahiti on 19-20 October, gathering experts from the relevant industries, policy sector, as well as researchers. We are working to bring into our discussions best practices of technological and policy innovations from different economies.

Social Resilience

Our Japanese member committee has been leading our project on social resilience since 2009. Having covered Chile, Mongolia, Myanmar, Cambodia, and China, the project is expanding 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.

PECC General Meeting 2015

Our next Standing Committee meeting and General Meeting will be held in a week's time in Manila on 10-12 September hosted by our Philippines committee. Through plenary and concurrent sessions, we will be addressing various topics including: challenges to inclusive growth, mega-regionals and the future of trade system, financial cooperation, GVCs, micro and social enterprises, as well as the Internet economy. As mentioned earlier, we will also be holding our half-day workshop on FTAAP back-to-back with our upcoming GM. We are pleased to note that about sixty youth delegates have been selected by our member committees and are expected to attend our General Meeting as part of our Next Generation Program. We are looking forward to your continued support and participation as our issues covered through the plenary and concurrent sessions will be of high relevance to your own agenda at APEC.