

**Statement of the Pacific Economic Cooperation Council
27th APEC Ministerial Meeting
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International Co-Chairs of the Pacific Economic Cooperation Council**

The co-chairs of the 27th APEC Ministerial Meeting:

- Secretary of Foreign Affairs, Mr. Albert Del Rosario; and
- Secretary of Trade and Industry, Mr. Gregory Domingo

On behalf of the members of the Pacific Economic Cooperation Council, we thank you for this opportunity to share our views on issues of critical importance to the Asia-Pacific region.

From the outset, we would like to express our gratitude to the Philippines as this year's APEC chair, for your openness to our ideas and recommendations. Throughout the course of the year, we have worked hand-in-hand with your officials to bring a diverse range of stakeholders including large, small, and micro businesses; academics; and representatives from civil society together to provide their insights on services as well as the Internet economy.

Today we are confronted by the reality that there is an increasing gap between the speed of innovation – in the way goods and services are manufactured and delivered, and their governance. It is only through bringing those at the frontlines of change that we can ensure that the policies and regulations that we adopt facilitate and encourage innovation and promote inclusive growth.

Since APEC's foundation in 1989, it has been the role and privilege of our Council to provide you with our insights and recommendations that are based on our multi-stakeholder approach to the promotion of cooperation in the Asia-Pacific region. We were honored by the presence of President Benigno Aquino III who delivered the keynote address at our General Meeting held in Manila just two months ago, our co-chair today Secretary Domingo, Secretary of Socioeconomic Planning, Dr. Arsenio Balisacan, SOM Chair Ambassador Laura Del Rosario, numerous other officials from the Philippines, as well as APEC Executive Director Dr. Alan Bollard. Our statement today is based on those discussions, our ongoing work program as well as the survey of the regional policy community that we undertook last month.

Priorities for Asia-Pacific Cooperation

We welcome that the focus of this year was inclusive growth. Without a doubt this region has made remarkable strides in economic development, lifting hundreds of millions out of absolute poverty, and providing opportunities for billions to better their lives. This has been achieved through the common resolve, nurtured here in APEC, to provide a stable, inclusive and open regional market. At the same time, we have witnessed increasing income inequality among and within economies.

The Global Economic Crisis was a pivotal moment in the evolution of the regional economy; it has accelerated the transition from old growth models to new ones. We must work to ensure that the fundamental principles that underpinned the previous stage of growth continue to the next stage with a clear focus on inclusive development. At the same time, we are also confronting new challenges brought about by climate change and the seemingly relentless number of catastrophes that beset our region.

According to our annual survey of the regional policy community, the top 5 priorities for APEC Leaders' discussions should be:

- Progress towards the Bogor Goals and the Free Trade Area of the Asia-Pacific (FTAAP)
- The APEC Growth Strategy
- SME participation in regional and global markets

- Corruption
- Climate change cooperation and disaster resilience

These reflect the issues outlined above as well as strong support for the priorities that APEC set for its work this year.

Towards the Free Trade Area of the Asia-Pacific

We welcome the progress made on the ‘Beijing Roadmap for APEC’s Contribution to the Realization of the FTAAP’ and look forward to the opportunity to comment on the work being undertaken by officials next year.

Our community continues to undertake research and organize consultations on the FTAAP. We held two sessions of relevance to your work on the FTAAP during our General Meeting and also organized a special workshop that brought together experienced policy practitioners with the academic community to discuss the best way for PECC to contribute to official work on an FTAAP. This was followed a month after by an international symposium on the FTAAP hosted by our China committee as well as the second of an ongoing series of conferences organized by our Chinese Taipei committee on supply chains and their role in the regional economic integration process.

At this point in time, we would like to underscore three basic ideas for your consideration on the FTAAP:

- While the FTAAP is an important goal for the region we should also consider the impact that it - and indeed other mega-regionals - has on the multilateral trading system;
- The FTAAP should be considered in conjunction with a better understanding of contemporary and future commercial reality – especially the evolution of global value chains and trade over digital platforms; and
- To explore a set of guiding principles for the FTAAP to ensure the above.

The policy imperatives that arise from our better understanding of GVCs remains the focus of the work we are doing to contribute to the FTAAP. There are significant changes taking place in the shape and length of global value chains driven by technological changes and changing comparative advantage, these present new opportunities for businesses, especially those not currently part of global production to benefit from trade. At the same time technological advances, especially the internet, provide opportunities for even micro enterprises to compete in the global market place.

Therefore, we hope that an FTAAP will address not only the trade policy issues of yesterday and today, but those issues that will define our economic opportunities over the next 20 years.

The APEC Growth Strategy

We welcome the review of the APEC Growth Strategy and the efforts made this year to give greater impetus to APEC’s work in this critical area. As shown by the results of our annual survey, the broader policy community places almost as importance on this issue as what has been APEC’s core business of promoting regional economic integration.

Social Safety Nets and Resilient Growth

One element of the growth strategy we would like to highlight is the role of social safety nets in promoting inclusive and resilient growth. In our survey we asked respondents to rank issues on their importance to promoting inclusive growth, the most important was public education followed by reducing corruption and then social safety nets and health quality of health services.

Our work in this area led by our Japan committee has focused on comparative analysis of different social security systems in the region. The findings highlight three key challenges confronting social

safety systems; a huge coverage gap between formal and informal workers, inadequate schemes for overseas workers; and reform needs in response to demographic changes.

We hope that we will be able to contribute our research findings to your efforts especially the through the Human Resource Development Working Group.

Structural Reforms and Growth

Our survey also revealed concerns over the implementation of structural reforms with 58 percent of respondents selecting the failure to implement reforms as a risk to growth. We therefore welcome the hosting the second APEC Structural Reform Ministerial Meeting and hope that work undertaken this year in APEC will give renewed momentum and confidence in domestic efforts to boost growth through structural reforms. Analytical work shows that structural reforms can raise the level of potential GDP per capita by roughly 5 percent with most of the gains stemming from higher productivity.

Our survey results revealed some important differences among the regional policy community on what structural reforms were most important for the future growth of their respective economies. Given these differences, APEC's traditional approach of concerted unilateralism lends itself well to the structural reform agenda – allowing economies to focus on those issues they consider to be of vital importance to promoting inclusive growth for their economies. However, issues on which a common set of goals could be established would be those issues on which there was a shared sense of priority: innovation and entrepreneurship; education and labor; infrastructure and regulation.

The Role of Services as Driver of Comparative Advantage

We welcome the efforts made by the Philippines to bring greater coherence and direction to APEC's efforts to promote the efficient delivery of services in the region through the APEC Services Cooperation Framework.

Analytical work done by the academic community as well as other regional and international institutions show a strong correlation between an efficient and open services sector to an economy's ability to not only capture tasks in the value chain but also their role in facilitating movements up the value chain. Moreover, service sector reforms have been shown to be critical in reducing costs for consumers as well ensuring their more inclusive delivery in our economies.

The Role of APEC in Addressing Emerging Issues

It was clear from our discussions at PECC that we currently stand at an important juncture in the evolution of the Asia-Pacific economic cooperation. APEC has a critical role to play to ensure that the region maintains its vitality and dynamism. As shown by the results of our annual survey, stakeholders believe that APEC has become increasingly relevant in recent years. When we started the survey in 2006, there was a sense of ambivalence about APEC's work, but through your efforts at formulating a broad and inclusive agenda that takes into account the diverse interests of the entire region, views have shifted and there is now a broadly held positive perception of the importance of APEC.

A final comment is that there is an increasing gap between the speed of innovation – in the way goods and services are manufactured and delivered and the governance of the economic system. These include concepts such as the sharing economy that challenge traditional business models. This was made clear during the Public Private Dialogue on Services held at SOM 1 this year. APEC's architecture is well suited to addressing this gap through its openness to input from those at the frontlines of change. By adapting to this reality, we hope that APEC will be able to provide global leadership and ensure that the necessary policies and regulations put in place facilitate and encourage those innovations to nurture high-quality inclusive growth.