

PECC Update
Concluding Senior Officials Meeting
Manila
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Co-Chairs of the Pacific Economic Cooperation Council

On behalf of the members of the Pacific Economic Cooperation Council (PECC), we would like to express our appreciation to you for this opportunity today as well as throughout the year to share our views with you. 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.

Immediately after SOM 3 and the Structural Reform Ministerial Meeting we held our General Meeting in Manila. We were honored by the presence of President Benigno Aquino III who delivered the keynote address at our General Meeting, as well as Secretary Greg Domingo, Secretary Arsenio Balisacan, Deputy Central Bank Governor Nestor Espenilla, former Secretary of Foreign Affairs Ambassador Roberto Romulo and APEC Executive Director Dr. Alan Bollard. We would like to express our appreciation to SOM Chair, Ambassador Del Rosario and her team, as well as ABAC Philippines, and the APEC National Organizing Committee for their participation and support.

We are delighted to inform you that during our recent Standing Committee Meeting, we elected Ambassador Tang Guoqiang, chair of CNCPEC as the international co-chair of PECC. He will be familiar to many of you as he has already attended a number of APEC meetings and his committee helped to organize the symposium for the Informal Senior Officials Meeting two years ago in Beijing.

Our update today is based on the discussions we had during our General and Standing Committee Meetings as well as the activities organized by our various member committees. We had a broad and wide-ranging discussion in Manila but we will confine our comments today to issues of immediate relevance to your meeting today.

Our General Meeting included plenary sessions on:

- Sustainable and Inclusive Growth in the Asia-Pacific Century
- Challenges of Promoting Inclusive Growth
- Mega-Regionals and the Future of the Trade System
- The Role of Regional Financial Cooperation in Promoting Economic Growth
- Connectivity: Challenges for Global Value Chains

In addition to the plenary sessions, there were concurrent sessions on:

- Mining and Natural Resources
- Principles for Promoting Resilient Economies
- The Role of Micro and Social Enterprises in Promoting Inclusive Growth
- The Internet Economy

Apart from these, we had an in-depth discussion on the ASEAN Economic Community, especially on a vision post-2015 as well as on the relationship between ASEAN and APEC.

Progress toward the Free Trade Area of the Asia-Pacific (FTAAP)

We welcome the work done this year to make progress on the Free Trade Area of the Asia-Pacific. As shown in the results of our annual State of the Region survey, this remains the top priority for APEC Leaders to discuss.

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 the FTAAP. This was followed a month after by our

China committee organizing an international symposium on the FTAAP and our Chinese Taipei committee organized a conference 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 remain the focus of the work we are doing to contribute to the FTAAP.

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 much importance on the growth strategy as what has been APEC's core business of promoting regional economic integration.

Structural Reforms and Growth

While we welcome the work done this year on both the Growth Strategy as well as APEC's work on structural reform, our survey results underscored the risk that come with a failure to implement these initiatives. The failure to implement structural reforms was the second highest risk to growth in our survey. We hope that the work undertaken this year in APEC will give impetus and confidence in domestic efforts to boost growth.

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. Since 2009, the PECC community has placed social resilience high on our agenda through the work led by our Japan committee. This project has been undertaking case studies of existing social safety net systems in the region, thus far covering 11 economies, namely: Cambodia; Chile; China; Colombia; Korea; Malaysia; Mongolia; Myanmar; Philippines; Thailand; Chinese Taipei. The next phase will look at systems in Indonesia, Mexico, Singapore and Vietnam.

As indicated by the results of this year's State of the Region survey, 70 percent of respondents thought that social safety nets were important or very important to promoting inclusive growth. We note, however, that there are some important divergences in views among the sub-regions and different stakeholder groups in the Asia-Pacific. By undertaking this work we hope to contribute to greater common understanding on the role of social safety nets in enhancing inclusive growth while creating a network of experts on this issue.

The Internet Economy

We welcome the establishment of the APEC Ad Hoc Steering Committee on the Internet Economy as a follow-up on the mandate given by Leaders last year in Beijing. We thank Senior Officials for the opportunity to contribute to this important and exciting area of policy by holding a symposium on the Internet economy on the sidelines of SOM 2.

The potential for growth, equality and inclusion underpinned by the Internet economy is significant, and the speed at which changes are taking place across every sector of our economies enabled by the Internet poses a profoundly difficult challenge to policy-makers. The risk is that this growth could be curtailed due to jurisdictional regulatory constraints *and* unintended impacts of sector-specific regulations. Therefore we welcome the holistic approach to empowering the Internet economy being taken by APEC through the Ad Hoc Steering Committee. We are finalizing our research in this area and look forward to working with you over the coming months.

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. We thank Senior Officials for your openness to PECC's input on this issue through the organization of a series of public private dialogues on services in the region that began two years ago under Indonesia's leadership in Surabaya.

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.

Work Program

In addition to the activities mentioned above, we have a number of activities that we undertake of possible interest to you, and these include the following:

- Improving Supply Chain Connectivity towards a Seamless Regional Community led by our Chinese Taipei committee. This project has held two conferences that covered the following issues: a) evolving GVC under REI, b) TPP and RCEP on regional connectivity, c) achieving a seamless Asia-Pacific community, d) identifying challenges and opportunities, e) GVCs and trade policies, f) integrating SMEs into GVCs, and g) GVCs towards inclusive growth.
- Ports and Vessels of the Future led by our France (Pacific Territories) committee. This project held its first activity a month ago that addressed the following: the Asia-Pacific maritime trade outlook and possible scenarios for the next decade; challenges and opportunities in maritime transportation; port upgrades; and addressing the gaps through regional cooperation.
- Global EPAs Research Consortium led by our Japan committee brings together technical experts that work on estimating the economic impacts of trade agreements. Their work focuses on: estimating tariff concessions; estimating non-tariff barriers; improving computable general equilibrium (CGE) models.
- Social Resilience Research Project also led by our Japan committee has been undertaking case studies of social safety net systems in the region, thus far covering 11 economies as mentioned earlier.

Through these and many other events and programs we continue to contribute to the building of a broad community of stakeholders in the Asia-Pacific cooperation process. Foremost among these is our General Meeting which gives us an opportunity to discuss different aspects of the regional cooperation agenda. It is clear from discourse taking place at such conferences that we currently stand at an important juncture in the evolution of the Asia-Pacific economic cooperation.

APEC has a critical role to play in these developments. 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 inclusive agenda that takes into account the interests of this diverse region, there is a broadly held view that APEC has become increasingly relevant.

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.