

Update from the Pacific Economic Cooperation Council
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On behalf of the members of the Pacific Economic Cooperation Council, we appreciate this opportunity to share our views with you as you begin a new APEC cycle.

Our update today is based on the work of our task forces, project groups and member committees.

Priorities for Asia-Pacific Cooperation

We welcome the central theme of APEC 2016, “Quality Growth and Human Development.” According to the results of our annual survey conducted in 2015, views on the economic outlook have turned negative with 39 percent of respondents expecting weaker growth for the next 12 months. In this vein, there is an urgent need for the region to focus on achieving quality growth – growth that is not only strong but sustainable and inclusive. Innovative approaches are needed to allow economies to effectively reap the benefits of regional economic integration. In that, it is timely and appropriate to address Quality Growth and Human Development as a priority.

According to our survey the top 3 priorities for APEC Leaders’ discussions were: 1) Progress towards the Bogor Goals and the FTAAP; 2) The APEC Growth Strategy; and 3) SME participation in regional and global markets. We see considerable alignment between the priorities you have selected and the concerns of the broader stakeholder community. While we must maintain our course to promoting economic growth through free and open trade and investment, we must also address the supply side constraints that hamper our people’s ability to benefit from trade and undermine the political support for the vision of an integrated Asia-Pacific region.

Critical Importance of Structural Reform to Growth

While maintaining focus on the trade agenda, we also wish to highlight to you that concerns are rising over the failure to implement structural reforms. In 2014, close to 40 percent of respondents to our survey selected the failure to implement structural reforms as a top risk to growth; in 2015, this had risen to close to 60 percent, making it the second highest risk to growth. We hope that this year APEC will follow up from the successful second meeting of APEC Structural Reform Ministers. As also shown by the results of our survey, work on structural reform should include a high degree of focus on human capital with education and labor seen as the most important area of structural reform to the future growth of regional economies.

Regional Integration and FTAAP

Recently, regional integration has been making notable progress. The TPP has been signed by 12 participating economies on 4 February 2016 in Auckland, New Zealand after 7 years of negotiations. Furthermore, officials from 16 economies have held the eleventh round of negotiations for five days in Brunei for RCEP. While these are significant and important developments, more must be done to achieve the vision of a Free Trade Area of the Asia-Pacific. At the end of last year, PECC submitted to the APEC CTI FTAAP FoTC an executive summary on an international symposium on FTAAP held in Beijing, which was a collection of ideas on how to promote FTAAP by experts from the region. We look forward to commenting on the draft collective strategic study and we are also continuing our work on how the design of trade agreements could respond to the changing nature of commercial reality.

Services as Key Driver for Quality Growth

We welcome APEC Leaders' endorsement of the APEC Services Cooperation Framework last year and stand ready to contribute to the formulation of the APEC Services Competitiveness Roadmap. As indicated throughout our survey findings, levels of satisfaction with services in the region are low – whether in electricity, transport, healthcare or education, to mention just a few. According to a study by APEC Policy Support Unit, structural reforms in services bring almost 200 percent of the gains in productivity compared with further merchandise liberalization of trade. We hope that you will continue the process of Public Private Dialogues to engage both providers and users of services as you work on the roadmap.

The Internet Economy as a Driver of Growth

We welcome the holding of the second meeting of the APEC Ad Hoc Steering Group on the Internet Economy, and express our appreciation to the group for their openness to our suggestions and the opportunity to co-organize a stakeholder engagement session on the Internet/digital economy on the sidelines of ABAC 1 in San Francisco. We are continuing our work to look at the potential benefits to inclusive growth from the use of the internet across the economy with a focus on the policy frameworks that the region can adopt to facilitate this process. We emphasize in particular the rapid changes taking place in technology and the ability its adoption has to transform our economies. We must continue to find ways to not only encourage innovation but at the same time ensure that the regulatory environment also reflects the changes taking place. There is a need here to find optimal policy solutions that encourage innovation while keeping the interests of consumers and the broader economy in mind.

Services and SMEs Participation in GVC

Our annual survey of the regional policy community conducted emphasizes the importance of taking into account GVCs into the design of regional integration. Services offer opportunities for SMEs to participate in GVC. Over 97 percent of enterprises in APEC member economies are SMEs, and 75 percent of all businesses in each APEC economy are service SMEs. Services provide SMEs with advantages due to their less capital-intensive nature compared to manufacturing activities. Therefore, our efforts in helping SMEs 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.

Future Meetings

We will be holding a conference in Jakarta on 25 April, organized in collaboration with the Jakarta Post. At this critical juncture in the evolution of regional cooperation, much more needs to be done to reach out to stakeholders in the process. To this end, our partners will be inviting editors from regional newspapers to engage in a discussion on community building in the region. We will hold our formal Standing Committee in China later in the year including a retreat session to allow for more in-depth discussions on the challenges facing the Asia-Pacific and our role in the process.

As an organization that has played an active role in shaping the forward agenda of the Asia-Pacific region we continue to evolve with the environment that we are attempting to shape. One key challenge moving ahead is to build constituencies for regional and international cooperation. We therefore hope that all APEC officials will continue to engage and help their PECC committees in this process.