

**PECC Statement**  
**PECC Co-chairs, Donald Campbell and Tang Guoqiang**  
**Meeting of APEC Ministers Responsible for Trade**  
**Arequipa, Peru**  
**17-18 May 2016**

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 Peru, as chair of APEC 2016 has placed on the theme, “*Quality Growth and Human Development*.”

Less than a month ago, PECC, in cooperation with the Jakarta Post, convened a conference in Jakarta to discuss “*Global Challenges and Regional Solutions: Engaging Stakeholders*.” The central principle behind organizing this conference was that the challenges that we face require a much deeper level of engagement and understanding of international public policy than in the past. In today’s world, with a public increasingly engaged in policy debates, governments are held increasingly accountable for their decisions. But there is an inherent risk of public policy becoming driven not by what is right but by what is popular. Our efforts need to focus on explaining both the benefits and the costs of decisions that we make. The challenge ahead is to make what is right also popular.

This will be a long road ahead. Trade issues and trade negotiations in particular are complex with multiple stakeholders with often conflicting interests at the table. However, the overall vision of an Asia-Pacific community is not a zero-sum game but a positive-sum game in which “the realization of the full potential of the Pacific region depends on enhanced economic cooperation based on free and open economic exchange and in a spirit of partnership, fairness and mutual respect.” These words are not new, but are the cornerstone of PECC’s founding charter. This sense of the mutual benefits that can be gained through our cooperation here in APEC and beyond should be the guiding principle behind our continuing efforts.

This statement is based on our most recent discussions in Jakarta as well as other elements of our work program.

### **The Broader Global Economic Context**

Over the next five years, the Asia-Pacific economy is forecast to grow at an average rate of 3.2 percent, with exports expected to grow at 3.4 percent and imports at 3.8 percent. For this year, exports and imports are expected to grow at rates slower than the broader economy. Since APEC was founded, this has happened only on four occasions: in 2001, 2009, 2012, and 2015. While 2001 may be an exceptional year, there are important structural factors in play that require a policy response.

A sober analysis of the trade policy might lead to the conclusion that the boom in trade during the late 1990s came with the implementation of the Uruguay Round commitments and the Information Technology Agreement, but since then, genuine liberalization has been slow and undertaken on a bilateral or regional basis. The large mega-regionals in the Asia-Pacific contain the promise of some genuine opening. However, they are not enough on their own to re-energize the regional trading system. We therefore urge APEC to take the initiative to push forward to remove the remaining barriers to trade in the region.

### **Restating the Case for Free Trade**

While recognizing further liberalization as a way to boost economic growth, it has become increasingly clear through our discussions at PECC that much more needs to be done to not only communicate the importance of continuing the integration process but also ensuring that all stakeholders have the

opportunity to benefit from it. While there should be no doubt that over the past few decades we have seen the largest ever reduction of absolute poverty, millions are yet to feel the benefits of economic integration; the income of many have remained stagnant, with income inequality on the rise in most Asia-Pacific economies. However, against this, the benefits of trade should not be doubted. The costs of what are now everyday consumer items such as mobile phones, televisions and laptops have come down significantly – making what was once the exclusive reserve of the few almost ubiquitous. These developments would not be possible without the global production made possible by globalization and integration.

### **Is It Time to Rethink ‘Trade’?**

As you consider the findings of the Collective Strategic Study (CSS) on the FTAAP, one question that we have been considering is the extent to which the practice of trade has evolved over the last few decades and whether the word ‘trade’ itself captures the complex web of relationship that exist in the global economy. In our submission to the APEC Task Force on the Collective Strategic Study, we suggested using the word ‘commerce’ as an alternative to capture the developments in the scope of business activities within economies and across borders. Furthermore, the rapid evolution of technology is increasingly making the distinction that we make between goods and services increasingly irrelevant if not detrimental to the rules that govern international commerce.

At one extreme, the distinction that we make between a DVD and a download (or even cloud-based streaming) can lead to different treatments in terms of trade and tax policy for what is essentially the same end ‘product’ to a consumer.

### **APEC Services Competitiveness Roadmap**

While growth in trade in goods has been slowing, growth in services trade has been far more resilient. However, the potential for trade in services is far from being reached. As assessment of progress on the Bogor Goals show, there is a lot of work that needs to be done to fully unleash the potential that exists in services trade. We therefore welcome the work that APEC is doing to promote services competitiveness. Over the course of the past four years, we have worked hand-in-hand with the respective APEC chairing economies and ABAC to organize a series of public-private dialogues on services. These dialogues have helped to increase our understanding of contemporary business practices and the impediments that they face.

### **Promoting Free Trade in the Asia-Pacific**

The idea of a Free Trade Area of the Asia-Pacific (FTAAP) has been at the core of APEC’s work for more than a decade. Over that time PECC has organized countless seminars, workshops and conferences to think through how to turn that vision into a reality. We welcomed the opportunity to provide input into APEC’s Collective Strategic Study (CSS) on Issues Related to the Realization of the Free Trade Area of the Asia-Pacific.

### ***The Value of Guiding Principles***

The FTAAP is an important - if not critical - idea that could form the basis for the future evolution of commerce in the region. However, its eventual achievement would benefit from a clear articulation of a set of principles to guide its development. Some of these are already well understood and have been stated in various APEC leaders’ declarations.

### ***Addressing Rapidly Evolving Changes in International Commerce***

The design of the FTAAP should take a forward looking view of developments in international commerce. The word commerce is used here deliberately to capture the developments in the scope of business activities within economies and across borders. A forward looking view helps set priorities in the development of international commitments and the design of agreements.

Two important trends in business are particularly relevant to the CSS:

- The growth of options for doing business
- The scope for greater customization of consumer experience.

These key trends are related to the changes in production processes, including the application of digital technology. This technology is also driving down the optimal length of production runs, in some cases to one, thus maximizing the value for individual customers. In this setting, as APEC begins the process of turning the FTAAP vision to a reality, there is value in reviewing how global commerce is being conducted in 2016 and what stakeholders in commerce regard as the most serious impediments.

### **Pathways and Approaches to the Realization of an FTAAP**

We have also made some specific suggestions to the Task Force on the pathways and approaches to the realization of the FTAAP. There are two that we wish to highlight today. First, that the FTAAP avoid being a single undertaking, and recommend step-by-step, sector-by-sector, and bit-by-bit approach. One way forward would be for the FTAAP to consist of components or building blocks that members can join selectively. And secondly, that the FTAAP should be comprehensive in scope, it should be ambitious, and complementary to current tracks, while promoting common development in an inclusive and beneficial-to-all manner.

### **Future Meetings**

We will be holding our next meeting in Yangzhou, China on 26-28 September at the invitation of our Chinese committee where a symposium on connectivity will be organized. On this occasion, we will also have a retreat session for our Standing Committee members to allow time for discussions on PECC priorities in light of current developments in the Asia-Pacific region.

Thank you for your attention.