

PECC Update
Concluding Senior Officials Meeting
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Lima, Peru
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International 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 to share our views. Throughout the year we have worked hand-in-hand with you to help promote our shared goal of building an Asia-Pacific community.

As we indicated during SOM 3, we held our Standing Committee meeting in Yangzhou alongside a major conference to discuss ‘Connecting the Connectivities’ organized by the China National Committee for Pacific Economic Cooperation (CNCPEC). We also held a retreat to discuss PECC’s strategic priorities for the coming years. We would like to express our appreciation to the people of Yangzhou for their hospitality as well China’s Senior Official for APEC, Mr. Tan Jian and Dr. Akhmad Bayhaqi from the Policy Support Unit of the APEC Secretariat, who, along with many others, shared their views on the opportunities and challenges of connectivity faced by the region.

Our update today is based on the discussions we held in Yangzhou, our annual *State of the Region* report as well as other elements of our work.

The State of the Region

We will be releasing this year’s *State of the Region* report here in Lima this week. This report includes the results of a survey of the regional policy community on key developments and challenges that the region is facing.

Implementation of Structural Reforms Imperative

Of great concern to us is the continued negative perception of the trajectory of growth for the region’s economies. Over the past 3 years, a clear view has developed within the Asia-Pacific policy community that the implementation of structural reforms constitutes a make-or-break issue for the future of growth. An increasing percentage of respondents has been selecting the failure to implement structural reforms as a top 5 risk to growth for their economies. Moreover, this year the continued slowdown in trade growth has become a top risk to growth.

The underlying point here is that there are shifts in the structures of our economies that require a policy response. One of the key shifts is the increased importance of the services sector within our economies.

Services as a Driver of Growth

We were pleased to work with the APEC Business Advisory Council, the Asia-Pacific Services Coalition and the APEC Policy Support Unit to develop this year’s survey which had a special focus on services. Our objective with the survey was to identify differences within the region on perceptions of the benefits of services as well to highlight areas where significant gaps exist between government and business views on the key impediments to services trade.

There was a clear consensus that services liberalization and reforms are beneficial – in terms of growth, employment and innovation. However, of concern is the perception among those from emerging economies that their business sector is not yet ready to compete with international firms. This suggests that a critical agenda ahead is to address the competitiveness of these local firms. Another concern is the perception that services are not as important for inclusive growth. However, it is difficult to imagine achieving our goals for more inclusive economies in the absence of a competitive services sector – critical for empowering people to benefit from the opportunities that lie

ahead. These services range from basic sanitation and education to e-commerce that allows even micro enterprises access to the global market.

We therefore welcome the progress APEC has made this year with the Services Competitiveness Roadmap and look forward to working with you on its implementation to ensure that all our economies can fully benefit from the development of services in the region.

Towards a Free Trade Area of the Asia-Pacific

We would like to express our gratitude to the co-chairs of the APEC Task Force on the Collective Strategic Study on Issues Related to the Realization of the Free Trade Area of the Asia-Pacific for their receptiveness to our comments on earlier drafts of the report. While the results of our annual survey show a broad consensus on the positive benefits of the FTAAP, they also reveal concerns on the political environment for freer trade in the region, particularly within the region's more advanced economies. Those concerns are mirrored by increased concerns within those economies on the impact of rising protectionism on future growth. To better understand this trend, we also asked the policy community what they thought were the most important factors influencing attitudes towards trade.

While respondents did think that issues such as rising income inequality and job insecurity had a serious impact on attitudes towards trade, more important, in their view, was the failure to effectively communicate the benefits of trade and investment as well sustained political leadership. We hope, therefore, that APEC leaders will take the opportunity of this meeting to not only reiterate their commitment to the goal of free trade but also consider future work to reach out more to the wider public in the process.

Ongoing Work

Social Resilience

After the onset of the Global Financial Crisis, we established an expert group led by our Japan committee to look into social safety net systems in the region. The objective of this work was to provide a platform for experts on social security to share experiences as well as formulate specific recommendation for their reform. We look forward to sharing the results of this work with you at the appropriate forum.

Managing the Blue Economy

On 5-7 December we will hold the final seminar of a two-year project looking at the maritime dimensions of intra-regional connectivity, sustainability and drivers of growth. The focus of this work has been on the emergence of new maritime trade flow patterns, the associated sea routes and inland connectivity, optimization of port operation capabilities to cope with the fluctuations in trade volumes and tourism throughout the region. The concluding seminar will take place in Auckland on "Coping with Uncertainties in Ports and Shipping" with a special focus on the potential impact of new trade agreements on trade flows and the implications they might have on ports.

Global Economic Partnership Agreement Consortium

The Global EPA Consortium's initial focus has been to expand information on non-tariff measures (NTMs) in international trade, especially among economies involved in major negotiations. The consortium will be holding its next conference in Tokyo on 16-17 January on "The Economic Impacts of New Generation Trade Agreements."

Future Work

APEC Beyond 2020

We thank the APEC SOM Chair for the opportunity to cooperate with you on the organization of the SOM Dialogue on APEC Toward 2020 and Beyond. During our retreat on strategic priorities for future work program, we agreed to establish a task force to think more deeply about the vision for the region beyond 2020. This work will be led by our Malaysian and New Zealand committees and will

include representatives from across the region. We look forward to contributing to future discussions on the post-2020 vision for APEC.

Connectivity

We also agreed to undertake a substantial work program to measure progress being made to improve connectivity in the region. Connectivity is not only the prerequisite for realizing the regional economic integration, but also indispensable to revitalizing our economies and promoting inclusive and sustainable growth and development. There are several significant connectivity initiatives in the region but none that provides a coherent picture of how various connectivity projects are progressing and what the policy community needs to do. Our discussions in Yangzhou focused on the need for a coherent approach to connectivity. While it is useful to make the distinction between the different pillars of connectivity, they cannot be looked at in isolation. Increased people-to-people connectivity will require improved transportation systems and improved digital access. Moreover, we recognize that there is a need to understand how various sub-regional initiatives impact broader Asia-Pacific connectivity. Our work in this area will be led by Indonesia and Canada along with a team of experts to be nominated by their respective member committees.

Next Generation Engagement

One of our strategic priorities over the past few years has been engaging the next generation of regional thought-leaders. Our discussions in Yangzhou, especially those held with the youth delegates point to an urgent need to address climate change issues. Indeed, every dialogue we have held with youth delegates over the past few years has highlighted their concerns about climate change and the environment.

Other Work

We also approved two other new projects: one on the quest for economic growth engines led by our Chinese Taipei committee; and the other on the circular economy and sustainable development led by our France (Pacific Territories) committee.

It has been our pleasure to work with you over the past 12 months and hope that we have fulfilled our mandate to provide you with multi-stakeholder insights from the broader Asia-Pacific community.