

**Update from the Pacific Economic Cooperation Council  
PECC Co-chairs, Donald Campbell and Tang Guoqiang  
APEC SOM 2 | May 17-18, 2017  
Hanoi, Vietnam**

On behalf of the members of the Pacific Economic Cooperation Council, we would like to express appreciation for this opportunity to update you on our ongoing work. We thank the Deputy Prime Minister and Foreign Minister, H.E Mr. Pham Binh Minh, and SOM Chair, Deputy Minister Bui Thanh Son, the APEC 2017 team, and the Vietnam National Committee for Pacific Economic Cooperation for their hosting of the 24<sup>th</sup> PECC General Meeting.

We would like to highlight the innovation that Vietnam has taken to hold the PECC meetings back-to-back during the SOM2 cluster of meetings allowing an unprecedented amount of interaction between the PECC community and APEC officials. We believe that bringing stakeholders together to share views and articulate different perspectives of issues will be critical to taking the APEC agenda forward as we confront a multiplicity of challenges.

Our General Meeting addressed a series of issues we think of importance to the growth of the region.

**The Prospects for the Asia-Pacific**

Despite the progress that has been made in the pursuit of APEC's vision, we recognize that there remain enormous challenges to achieving our shared goals of accelerated, balanced and equitable economic growth. While our economies continue their recovery from the Global Financial Crisis, its longer-term impact on employment and wages linger. Our discussions pointed to the need for the Asia-Pacific to pick up the pace of reforms to ensure that our businesses, especially micro, small and medium enterprises (MSMEs) can benefit from global trade.

We are concerned that the pace of reform and liberalization has slowed and that economies around the region and the world are adopting measures that distort markets and make it harder for businesses to create value and jobs. We welcome the work that APEC is doing under the Services Competitiveness Roadmap to create an enabling environment for business to thrive. A pro-competitive environment will reduce costs while continuing to protect consumers and promote a level playing field.

A critical part of the future growth of the region is investment. APEC has been a pioneer in encouraging economies to adopt investment regimes compatible with the modern trading system. There are steps being taken to reform international rules for investment flows and suggest that APEC economies should again demonstrate the leadership it did in the early 1990s through the adoption of the Non-Binding Investment Principles and find ways to ensure that the objectives of both investors and receiving economies be met.

As important as trade, investment and regulatory policy are to the future of growth they need to be seen as part of broader macroeconomic policy.

**New Drivers for Growth and Economic Integration**

The integration that has taken place so far has brought about benefits to our communities but business models are rapidly changing and this requires a policy response. Today, businesses are built on speed, sustainability and flexibility and not simply using low-cost models. Increasingly the value of manufacturing, services and even agriculture depend on other services, especially data flows.

To ensure the continued competitiveness of our business and people we need to address the supply-side constraints. In the first stage of APEC's work, we had taken for granted that the supply side will catch up as economies grow. However, it is clear that some parts of our economies have suffered from chronic underinvestment in infrastructure that has hampered the ability of local communities to benefit from opportunities in the expanding global market leading to higher levels of income inequality.

Apart from infrastructure concerns, there are domestic regulations and customs reforms that are needed in order to better harness the potential for growth. Beyond movement of goods and services across borders, mobility of students and workers, flow of data and knowledge all require enhancement of connectivity within and between economies. Building on the three key pillars – physical, institutional, and people-to-people set forth in the APEC Connectivity Blueprint, PECC has embarked on a signature project that would produce an Asia-Pacific Connectivity Index that would first take a snapshot of the current state of connectivity using a set of selected indicators. The plan is to continue monitoring these indicators over time and measure how each economy or connectivity between economies has improved in each area of connectivity, in order to inform policy recommendations. In addition to APEC's work, we note the many initiatives pursued in the region such as the One Belt One Road, the ASEAN Masterplan for Connectivity and the Pacific Alliance (PA) – there is a need to find ways to promote synergy among them.

### **An Asia-Pacific Agenda for the Digital/Internet Economy**

Technology is having a profound impact on business models, through enhanced connectivity and the digitalization of value. These developments open up opportunities for more inclusive growth but benefitting from these changes requires a mindset shift.

Furthermore, the ability of people to benefit from this process depends on both physical and institutional connectivity – absent the digital infrastructure and regulatory equivalence, the risk is that new digital divides will open up. The issues confronting businesses are decreasingly at the border issues and increasingly behind the border issues – regulations. Economies have different approaches to regulations derived from historical, cultural and institutional settings but there is a need to shift thinking from one solely based on risk management to one of enabling opportunity. The speed of technological change requires policy makers and regulators to move equally fast. APEC's relatively open architecture and flexibility in engaging stakeholders places it in a prime position to facilitate the kind of dialogue required to understand the impact of the various policy options that governments are considering in response to these changes. But policy makers require evidence – numbers – and we need to ensure that, to the best of our knowledge in such a fast-changing world, we are presenting you with objective analysis of the various policy options being put forward.

### **The Asia-Pacific Partnership: Ways Forward**

Our final session addressed ways forward for the Asia-Pacific partnership. This session focused on the changes that have taken place in the region in recent years and ways in which different processes are working towards their end goals their relations to the broader region. We were reminded of the large potential economic gains that can be had through further liberalization – however, the biggest gains come from domestic reforms.

The Free Trade Area of the Asia-Pacific (FTAAP) is a critical long-term vision that can serve to remove some of the remaining barriers to trade. APEC's role as an incubator can help to explore ways in which FTAAP can level the playing field especially for SMEs that have yet to benefit from access to global markets due to their disadvantaged positions.

We learnt how ASEAN and the PA are moving to remove those existing barriers as part of their own member economies' growth strategies to ensure that they can continue to leverage the opportunities of trade. The current structures, however, do not take into account the challenges of the Industrial Revolution 4.0 – unless we adjust our vision and the work that flows from it - the work of all regional processes risks becoming obsolete.

Looking ahead, the focus of work for APEC lies in ensuring that all our economies and people can benefit from the enormous opportunities that lie in the rapid growth of the Asia-Pacific region. APEC and Asia-Pacific cooperation has been built on a partnership – a recognition that while we can survive in isolation, we can thrive through cooperation and integration.

### **APEC Towards 2020 and Beyond**

We thank the SOM Chair and all officials for the opportunity to work with you all to organize the Multi-Stakeholder Dialogue on APEC Towards 2020 and Beyond. We highlight the importance that Vietnam has attached to this process through the presence of the President of Vietnam at this event. Indeed, it is heartening to see that one of the late-comers to APEC has embraced the vision toward a more stable, prosperous and equitable region. We are continuing our work through our task force led by our Malaysian and New Zealand committees. The first step in this work is to undertake a survey of our membership to gauge stakeholder views on the changed context for Asia-Pacific cooperation and the APEC process itself.

We are fully supportive of the idea that SOM establish an APEC Vision Group (AVG) to provide input on the next phase of APEC's evolution. In such a fast-changing world, it will require the expertise, knowledge and wisdom of a wide array of people to think through the pillars, priorities and guiding vision for this region. APEC is not the same as it was when it established an Eminent Persons Group; it is now much more institutionalized. However, as we stand on the brink of Industrial Revolution 4.0 against the background of increased questioning of the impact of trade on our communities, APEC would benefit from an external perspective prepared to ask hard questions and offer honest insights as to how APEC can do better to fulfil its goals.

### **PECC-APEC Cooperation**

In addition to holding our Standing Committee and General Meeting together with the SOM 2 and MRT meetings, we continue to work closely with APEC on several other issues.

We welcomed the opportunity to continue to work with APEC on services by organizing the workshop on environmental services with the APEC Policy Support Unit and the Japan delegation. This event brought together experts from the WTO and the OECD, businesses operating environmental services as well as industry experts to explain the policy environment in which they operate. It was made clear that the current changes in business models and expansions in the range of services require an examination of the existing policy regimes to ascertain whether or not existing frameworks are sufficient to allow APEC economies meet their sustainable development goals.

We thank Ambassador Ivan Pomaleu, Papua New Guinea's Senior official for APEC, for taking the time out of his very busy schedule here to meet with the PECC Standing Committee. Even though Papua New Guinea is not a member of PECC, in the spirit of Asia-Pacific, it is critical for the broader Asia-Pacific to work together to ensure that everyone be part of the success story, and we reiterate our commitment to working closely with you in the coming years.