

PECC Statement
Co-chairs Ambassador Don Campbell and Ambassador Tang Guoqiang
29th APEC Ministerial Meeting
Da Nang, Viet Nam | November 8, 2017

- His Excellency, Deputy Prime Minister and Minister of Foreign Affairs, Mr. Pham Binh Minh
- His Excellency, Minister of Industry and Trade, Mr. Tran Tuan Anh

On behalf of the members of the Pacific Economic Cooperation Council (PECC), we thank you for this opportunity to address the 29th APEC Ministerial Meeting. We have a long tradition of working with APEC and have been present at every one of APEC's ministerial meetings. We recall the Chair's summary of the very first APEC Ministerial Meeting which stated that APEC's evolution "will take place on the basis of further careful consensus building, drawing constructively on existing mechanisms, such as the valuable institutions and processes of ASEAN as well as the analytical capacity of the PECC." In this regard, we extend our warmest congratulations to our fellow observer, ASEAN, on the occasion of its 50th anniversary.

Our relationship with APEC extends well beyond the ministerial meeting and includes cooperation with Senior Officials, Committees and Working Groups. At Vietnam's initiative, we held our General Meeting back-to-back with the APEC Senior Officials for the very first time in May this year. Our statement today will reflect those discussions; the findings of our annual report on the state of the region; as well the work of our Council's various task forces and projects.

Economic Outlook

Over the course of the last 12 months, there has been a remarkable turnaround in expectations for growth. As part of our work we undertake an annual survey of the regional policy community. At this point in time last year, only 16 percent of respondents expected growth to be stronger; today, 41 percent expect growth to be stronger. This turnaround in prospects is confirmed by most economic forecasts for the Asia-Pacific.

Risk to Growth

While we are at an inflection point in the recovery from the Global Financial Crisis with growth momentum on the rise, we remain concerned about the nature of growth in the region for the following reasons:

- the extent to which aggregate demand has been boosted by increased levels of debt and the impact of rising interest rates
- the slowing of trade growth and its future as a driver of growth for the region's economies;
- the impact of the digital revolution and the capacity of economies to adapt to and benefit from rapid technological changes; and
- rising levels of income inequality – both in terms of the overall income share of labor in our economies as well as the concentrated loss of jobs in specific geographic areas.

Rising Protectionism

We are greatly alarmed that over 44 percent of respondents to our survey picked rising protectionism as a top risk to growth for their economies making it the highest risk to growth. This concern was shared across all economies in the region, and by business, government and non-government respondents alike.

Importantly, 10 percent more business respondents selected rising protectionism as a risk to growth compared to those from the government sector. This perception will have real consequences on economic activity through the increase in policy uncertainty that businesses face – leading to

postponed investment and hiring decisions. We therefore urge Ministers to continue their efforts to fight against all forms of protectionism – not just those that violate WTO rules but also those measures that impede trade and distort markets. There needs to be an acknowledgement that barriers to trade have been on the increase and that efforts need to be made to level the playing field. Absent an honest and forthright appraisal, we risk tit-for-tat retaliations that undermine the rules-based trading system.

The nature of protectionism today is substantially different from yesteryear. While tariffs have been progressively reduced, we are now seeing an increase in the use of non-tariff measures that distort trade, lessen competition, and increase prices for consumers. Many of these behind-the-border measures are adopted to achieve legitimate public policy goals but nonetheless have the impact of becoming a barrier to trade. We therefore urge APEC to continue its work as an incubator for a Free Trade Area of the Asia-Pacific (FTAAP) and focus on cooperation to experiment with ways to design regulations that achieve public policy goals without acting as a barrier to trade.

Need for Focus on Structural Reforms

We note that the failure to implement structural reforms remains a top-5 risk to growth in our survey. This is now a matter of urgency as authorities around the world begin to end stimulus policies. The rapid increase in debt – especially in the business sector – is not per se a problem – it will become so if, as interest rates rise, revenue growth is stymied by low overall macroeconomic growth. Structural reforms are critical to unleashing the vast potential for better, more inclusive growth within our economies.

While policy prescriptions depend on each economy's circumstances, in our deeply connected world, how that rebalancing takes place in each of our economies will impact others. We therefore hope that APEC will put even greater focus on its structural reform agenda and encourage a genuine dialogue to minimize the emergence of regional and global imbalances arising from the profound shifts taking place within our economies.

The Internet/Digital Economy

Given the growing importance of the digital economy to growth, we have decided to make this the main focus of our *State of the Region* report this year. As mentioned in the Report, “the digital economy, if successful, can promote efficiency, innovation, and inclusion.” Technological changes are now leading to hyper-connectivity that is in turn changing business models leading to new jobs and new forms of businesses. This presents not only tremendous opportunities but also challenges for policy-makers to implement regulations to manage it. According to our annual survey, the top three most important issues for the growth of the digital economy were:

- data protection;
- digital infrastructure; and
- data privacy.

Clearly, there are significant concerns amongst the regional policy community on how data is protected. The risk for the inclusive growth agenda is that there are significant compliance costs for anyone dealing with data but, as with all regulations, these costs will disproportionately impact micro, small and medium enterprises (MSMEs). We urge APEC to leverage the excellent work it has already done in this area and to take a proactive position and lead initiatives to find common understandings on the treatment of data.

Across our region, governments are adopting regulations to deal with different aspects of the digital economy – from privacy to sharing economy applications, to foreign ecommerce consumption taxes. As we begin to address the impact of the fourth industrial revolution and craft rules to manage our interactions in the digital economy, we urge APEC members to focus on building trust among our policymakers and regulators, understanding the unique circumstances in each of our respective

economies to arrive at standards and norms that facilitate growth, innovation and job creation such as the work that have been done on cross border privacy rules. This process needs to put front and center the impact that such rules have on our MSMEs, bearing in mind that compliance with regulations inevitably falls disproportionately on them. We hope that APEC, with its non-binding, flexible nature, will emphasize whole-of-government approaches and emphasize the need for a shift in the regulatory mindset from solely one of risk management to include that of enabling innovation.

Need to Improve Connectivity in the Asia-Pacific

While addressing 21st century trade issues such as the digital economy, inclusive growth can only be realized if the analogue elements of our economies are also addressed. APEC Leaders have set out to establish “a seamlessly and comprehensively connected and integrated Asia-Pacific” by 2025. We have established a taskforce on connectivity that is constructing a composite index to identify obstacles existed and formulate recommendations as to how certain areas of connectivity might be improved. We emphasize that connectivity is not an end in itself but rather a means to the end of promoting inclusive and sustainable economic growth.

An Asia-Pacific Century

At the PECC General Meeting held in Hanoi last May, Deputy Prime Minister and Minister of Foreign Affairs as well as co-chair of this meeting, Mr. Pham Binh Minh, said that this “region is a testament to the shared prosperity that can be gained through deeper economic integration and cooperation and more open trade and investment. So it would not be an exaggeration to project that the 21st century is an “Asia-Pacific century.”

For the 21st century to truly be an “Asia-Pacific century,” this region needs to take a leading role in formulating the norms and rules that underpin global commerce. But unless we reach a common understanding on the digital economy that is sensitive to the unique circumstances in each of our economies, we risk a disarray of rules that, far from creating new opportunities and facilitating innovation, dampens the entrepreneurial spirit, retards growth and detracts from our ultimate objective of creating better lives for all of our citizens.

Following our General Meeting, as co-chairs of PECC we submitted to APEC Trade Ministers a statement in which we urged governments renew their commitment to free and open trade and investment while addressing the problems of rising inequality, working towards meeting Sustainable Development Goals (SDGs), and investing further in human capital development. In short, to forge an Asia-Pacific Partnership for the 21st Century.

Over the course of the past few decades enormous resources have been spent on establishing and continuously improving the current architecture of an open world economy. The endeavors have also delivered substantial growth and development dividends that have underpinned a period of stability in this region. This is evidence of the successful functioning of the architecture of an open world economy, and its benefits. If we fail to appreciate the positive values of openness, we risk regressing into an unpredictable system that will only reduce the willingness of the business community to invest in new factories, new products and new jobs.

We are conscious that in some of our economies there has been a sense of dissatisfaction with the impact that globalization and rapid technological change has had on people’s livelihoods. The results of our annual survey are a testament to that, with the policy community selecting the following as the top priorities for APEC Leaders’ discussions this week:

- Promoting sustainable, innovative and inclusive growth through the APEC Growth Strategy
- The emergence of anti-globalization & anti-trade sentiments
- Progress towards the Bogor Goals and the Free Trade Area of the Asia-Pacific (FTAAP)

We take this survey finding as a call to all decision-makers to focus on ensuring that future growth is more inclusive – this does not mean abandoning established wisdom on the benefits of trade nor raising barriers to protect those impacted by change. PECC continues to work on these issues to provide objective, fact-based analysis on the way forward on this agenda. For example, we convened a regional group of experts to discuss “Building an FTAAP and Promoting Global Economic Governance” earlier this year that focused on its potential benefits, the challenges in achieving it and the trade-off of interests between various stakeholder groups that it would impact. While we emphasize the need for APEC economies to remain committed to the achievement of the Bogor Goals and the realization of the FTAAP, we have also established a task force led by our Malaysian and New Zealand committees to consider other elements of that vision and the modalities for their achievement.

While there is broad consensus on the overall economic benefits of greater integration to economic growth, we recognize that there some groups within our societies that have disproportionately benefited from the process which in turn has led to a questioning of the overall process of openness. APEC can address the emergence of doubts about the benefits of globalization by complementing its work on trade with equally robust work on other aspects of macroeconomic policies, especially structural reforms and social policies such as education, social safety nets and labor markets. In short, there needs to be a much greater coherence between trade and broader macroeconomic policy.

In this hyperconnected world, we are not only challenged by the nature of interdependence and the complexities of collective action, but we also need to be accountable, seemingly on a daily if not more frequent basis, to impatient publics that demand actions to address their concerns. How individual governments respond to those demands has ever greater consequences across the world. In this region, we do not seek overarching bureaucracies and supranational institutions to enforce rules but trust that it is in the best self-interest of each of our member economies to do so. This is the nature of the community building that has taken place in the Asia-Pacific over the past few decades – building that trust. We hope that this spirit will continue as APEC moves into the next phase of its evolution and PECC stands ready to continue working with APEC officials to bring a diverse range of views based on rigorous objective analysis to the table.

Thank you once again.