

PECC Statement
Co-chairs Ambassador Don Campbell and Ambassador Su Ge
30th APEC Ministerial Meeting
Port Moresby, November 15, 2018

- APEC 2018 AMM Chair, Minister of Foreign Affairs Honorable Rimbink Pato

On behalf of the members of the Pacific Economic Cooperation Council (PECC), we thank you for this opportunity to address the 30th 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 welcome the opportunity to share with you the views from the broader stakeholder community on issues of common concern. In this regard, we express our appreciation to Ambassador Ivan Pomaleu and his team for their openness to working with us to organize the Multistakeholder Dialogue on APEC Beyond 2020 last May.

Our statement today is based on 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

The Asia-Pacific region is expected to grow by 3.9 percent in 2018, its highest level since the 2010 bounce back from Global Financial Crisis. However, this is slower than previously forecast due to downward revisions as a result of the realization of significant risks. The results of our annual survey of the regional policy community echo current economic forecasts with the general expectation that growth will be at around the same level in 2019 as 2018. Of concern, however, is that the buoyancy at this time last year has dissipated.

The unprecedented stimulus policies that supported growth in the aftermath of the GFC are now in their last stages. The risks coming from a disorderly transition into the next phase of the new normal are being seen in increased volatility in financial markets. Part of that is driven by divergences in monetary policy but also by the uncertainty arising from trade policy. According to our survey, increased protectionism and trade wars was the top risk to growth.

We underscore the need for restraint and urge APEC members to commit to refrain from undertaking protectionist measures that undermine the growth we are seeing and forestall a potential pick up in private sector investment. We underscore the risk that could come from a negative reaction from financial markets to trade conflicts and the impact this will have on people's livelihoods – especially those whose life time of work and savings could so easily be wiped out as they were in previous financial crises.

Priorities for APEC

According to our survey, the top 5 priorities for APEC to discuss this week were:

- Rising trade tensions and the future of the WTO and multilateral trading system
- The emergence of anti-globalization & anti-trade sentiments
- Progress on the APEC growth strategy to promote balanced, inclusive, sustainable, innovative and secure growth
- Progress towards the Bogor Goals and the Free Trade Area of the Asia-Pacific (FTAAP)
- Investing in human capital development in the digital age

We believe that these reflect the general concerns of stakeholders and urge you to use the opportunity you have here to work together on these issues through a genuine exchange of views on future policy directions.

Support for the Multilateral Trading System

Over 51 percent of respondents to our survey selected rising trade tensions and the future of the WTO and the multilateral trading system as a top 5 priority for APEC discussions making it the highest

priority. This is a remarkable turnaround of attitude toward the WTO and the multilateral trading system from last year when it was only the 22nd out of a list of 25 possible issues for APEC leaders to discuss.

Recent events have clearly had an impact. Before this year, we had seen a steady decline in interest in APEC members discussing developments at the WTO. It is more than likely that this occurred because stakeholders equated the value of the WTO with its negotiating function and took for granted the existence of the rules, disciplines, and dispute resolution mechanisms associated with the institution. We urge APEC members therefore to make progress on the commitment made last year in Danang to “*work together to improve the functioning of the WTO, including its negotiating, monitoring, and dispute settlement functions, to adequately address challenges facing the system, bringing benefits to all of our people and businesses.*”

As APEC leaders outlined last year there are many dimensions to this problem. One systemic concern is the future of the rules-based WTO dispute settlement mechanism. There is a short window for all concerned to constructively engage in discussions on this issue. For our part we will be convening experts from across the region to discuss the future of the trading system and develop ideas and suggestions to contribute to your own efforts.

Impact of Trade Conflict on Growth

Noting rising concerns among stakeholders on the risks arising from trade conflicts we have reviewed various estimates on their possible impact on growth. These estimates suggest a reduction in annualized growth from a baseline of 3.2 percent a year to between 1 to 2.4 percent. More importantly, they indicate that the distributive impact of trade conflicts will disproportionately impact low to middle income earners the hardest increasing income inequality within our economies.

Need for a Broader Approach to Economic Integration

Underlying the tensions in trade are deeper structural issues within economies. While much attention is focused on trade policy, significantly less has been paid to structural reforms. These reforms have significantly changed the internal structure of growth within regional economies, reducing the current account surpluses and deficits in the region as a percentage of our economies. Over 56 percent of respondents to PECC’s annual survey agreed with the proposition that ‘*APEC should put less emphasis on free trade and more on broad economic growth, infrastructure, and jobs.*’

Before the Global Financial Crisis, PECC had discussed at length whether the imbalances we had seen then were ‘*a disaster in the making*’. In trying to forestall such a disaster we emphasized that the problem lies in structural policies. Moreover, we warned that focusing on only one dimension of the issue would prejudice policy recommendations and suggested that what is needed is simultaneous and coordinated policy adjustments. This puts a large onus on dialogue mechanisms like APEC to identify priority areas for structural policy cooperation. These recommendations are ever more salient today given recent policy developments.

The Future of Work

The imperative for cooperation is made even more urgent by the very rapid way in which technology is changing the nature of work. Overall, the regional policy community expects technological development to reduce the number of jobs in the economy. However, some sectors such as manufacturing will be more severely impacted, while others such as information and communication, Human health and social work activities, and arts, entertainment and recreation will see strong job creation.

Just as technology is likely to have a varied impact on different sectors, its impact will also vary by occupation. Those occupations that are most likely to see strong negative impacts are clerical support workers; personal services and sales workers and those working on food processing. These are all occupations with a high proportion of repetitive tasks in them that make each one of them in their own way susceptible to automation.

Our survey results also demonstrate a very strong perception that institutions and policies are far from ready for the change in work that is already taking place. Almost 30 percent of respondents said that they

thought that the education system in their economy was not at all prepared for the disruption that will occur, 32 percent and 40 percent gave the same rating to labor markets social security systems.

While we note that APEC has done substantial work on these issues through the Economic Committee and the Human Resource Development Working Group and related activities, the magnitude of the expected changes as well the poor evaluation of our preparedness are cause for great concern. We emphasize that there are enormous opportunities for better, higher paying jobs as well as healthier and more meaningful lives provided by technological change, these will not accrue automatically. Therefore, we hope that APEC will build on the work it has done through the Framework on Human Resources Development in the Digital Age, implement the APEC Education Strategy amongst others to ensure that the people of this region are fully equipped and ready for the changes that are coming.

Progress Towards the Bogor Goals and the FTAAP

Stakeholders continue to place a high priority on progress on the Bogor Goals and the eventual realization of the Free Trade Area of the Asia-Pacific. There is only a short time remaining till the 2020 milestone is reached. Given recent policy actions, the achievement of free and open trade in the region may seem ever distant. However, ongoing initiatives give rise to some optimism, especially the ratification by several members of the Comprehensive and Progressive Agreement on TransPacific Partnership, the progress made in the negotiations for a Regional Comprehensive Economic Partnership, as well as the negotiations of Pacific Alliance members with their associate members.

These agreements have become the preferred mechanism for reaching agreement on the rules for commerce in the 21st century given the lack of progress in the WTO. However, there is a concern that these initiatives will increase the lack of coherence on rules adding another layer to an already complex trade environment. We therefore stress the need for APEC to not only work ensure compatibility between the different agreements but seek avenues to discuss how these rules could be adopted more broadly, that is through the WTO and the multilateral trading system that it underpins.

The Digital Economy

One area in which the need for coherence is critical is in the digital economy. We welcome the progress made under Papua New Guinea's leadership on the APEC Roadmap on the Internet and Digital Economy. We believe APEC's values of openness and stakeholder engagement are ideal for facilitating a better understanding of the rules being adopted for the digital economy and working to avoid overly prescriptive and burdensome regulations that stifle innovation and trade. We underscore the importance of understanding that we are all faced with different domestic circumstances and imperatives that drive policy but need to find solutions that promote greater integration and competition while protecting consumers.

APEC Beyond 2020

Looking further ahead, we continue our work to provide suggestions on the vision for APEC beyond 2020. While APEC's foundational objectives and goals remain valid beyond the 2020 deadline for the achievement of the Bogor Goals, the exercise provides an opportunity to consider how changes within our economies and the ways in which we interact with each other. While we can be pleased with the success that has come over time in the steady reduction in the barriers to trade, new barriers – especially non-tariff measures continue to impose costs to consumers and give rise to concerns about the lack of openness and a level playing field. We underscore the importance of a broader approach to international economic policy cooperation and the need for constructive dialogue on the suite of policies adopted across the region and the interactions they have with each other.

This underscores the importance of thinking not only about the region but the role it can play in determining the future of the global economy.

Thank you very much for your time.