

Update from the Pacific Economic Cooperation Council
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on behalf of the PECC co-chairs Donald Campbell and Su Ge
APEC SOM 1, Santiago
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On behalf of the Pacific Economic Cooperation Council, I would like to express our appreciation for this opportunity to update you on our ongoing work.

We welcome the innovative approach APEC is taking this year to priorities and look forward to better understanding how we might contribute to the Integration 4.0, Women, SMEs, and Inclusive Growth, Digital Society and Sustainable Growth.

We note the efforts by APEC to promote continuity in the work program while responding to the rapid changes taking place both within our economies and as well in the ways in which commerce takes place among us.

Evolution of the Regional Trading System

We note that since the Informal Senior Officials Meeting (ISOM) the Comprehensive and Progressive Partnership for Trans-Pacific Partnership (CPTPP) has entered into force. This marks an important milestone for APEC. Recalling the origins of the CPTPP in the earlier P4 and the explicit desire of its members to provide a pathway for deeper integration among APEC members, we hope that significant work will be undertaken by APEC to discuss the ongoing implementation of the agreement and its implications for non-members among others.

At the same time, we encourage APEC members participating in the ongoing Regional Comprehensive Economic Partnership (RCEP), especially ASEAN members, to play a bridging role between RCEP members and other regional economies. Similarly, we note the progress being made both among Pacific Alliance members as well as with their associate members.

Such efforts are critical to ensure that these next generation trade agreements – whether they are plurilateral or bilateral in nature reduce frictions in the trade system. As APEC seeks to promote more inclusive growth and trade, we underscore the importance of understanding how these agreements address next generation issues and the role of APEC in ensuring coherence among them to reduce the cost of doing business, especially for micro and small and medium enterprises (MSMEs) and the ultimate goal of a Free Trade Area of the Asia-Pacific (FTAAP).

Economic Outlook and Risks of Protectionism

Our annual survey showed a significant decrease in expectations for growth this year. While some of this is a natural result of business cycles, we urge economies to refrain from adopting policy measures that would compound negative sentiment and hold back investment in jobs, innovation and physical infrastructure in all our economies.

We underscore that increased protectionism and trade wars was by far the top risk for growth across the Asia-Pacific with 62 percent of respondents selecting it as a top 5 risks to growth for their economies; an increase from 44 percent last year.

Importantly, rising trade tensions and the future of the WTO and multilateral trading system was the top priority for APEC leaders' discussions in our survey. We draw your attention to the finding that for the first time in many years, the WTO topped the list of priorities for business respondents – a significant turnaround from a previous lack of interest and ambivalence. Moreover, our results show somewhat of a disconnect between priorities for business and government respondents. A significantly higher percentage of business respondents selected the future of the WTO and multilateral trading system as a priority compared to respondents from government. Based on this, we

hope that the APEC process this year will take time to understand the concerns that business stakeholders have on this issue.

For our part, we have established an expert group under the leadership of former WTO Director General Pascal Lamy with the support of our Canadian, Indonesian, New Zealand, and US committees to formulate recommendations from us on the future of the multilateral trading system. This work has three main streams: the state of play in the trading system; the impact that the digital revolution is having on the nature of commerce and the role of international rules to facilitate and manage this process; and how to reduce the cost of undertaking international trade both within and outside the region. The last element is very much in the spirit of the thinking behind this year's priority on Integration 4.0.

Benefits of Trade

ABAC and PECC worked together in 2018 on the question of the benefits of trade. We seek to inject into the public debate on openness the real views of business and their experience of trade.

The first stage report of this project is now available. One of the highlights of the report is the complexity of what might otherwise be expected to be a simple business. Many businesses are working at the same with data flows, people movement, and capital flows while providing both goods and services. The complexity of these business models is both a challenge and an opportunity to policy makers, and trade negotiators, as we explain in the report. The work is also relevant to the APEC agenda on inclusiveness. We are happy to share more details with officials at an appropriate occasion.

Digital Economy

As noted above, business models are rapidly evolving facilitated by technological changes. We welcome the progress made on APEC's work on the digital economy and the establishment of the Digital Economy Steering Group last year. However, we urge APEC to quickly move to not only define a forward-looking work program on these issues but also implement it. We note the announcement at the beginning of the year that nearly half of the WTO's membership including a large number of APEC members have agreed to start negotiating regulations for ecommerce. At the same time several regional groupings have developed new rules in this area – including the ASEAN agreement on ecommerce, the Pacific Alliance, the members of the CPTPP as well in the updated USMCA agreement. APEC has an opportunity to provide a platform to understand the different approaches taken in these agreements as well as provide leadership in the global negotiations.

Therefore we hope that by SOM 2 and MRT this year APEC members will be able to make a strong statement on the WTO ecommerce negotiations, encourage greater participation in the process, and inform the negotiations using the significant work done in these issues by a variety of APEC groups.

Improving Regional Connectivity

We note the emphasis that APEC is placing this year on connectivity through Integration 4.0. We are close to finalizing the first version of our efforts to measure connectivity in the region. Of particular relevance to your discussions on this topic is the attempt we are making at trying to get a headline measure of performance on institutional connectivity.

Our preliminary work on this issue uses a number of internationally available datasets to arrive at sub-indices covering border administration and supply chain performance. The border administration sub-index uses 5 indicators: quality of customs services; transparency of procedures and regulations related to customs clearance; time predictability of import procedures; level of corruption at the borders; and efficiency of the clearance process (i.e., speed, simplicity and predictability of formalities) by border control agencies, including customs. We would be happy to share our findings with you once we are able to finalize our work.

APEC Beyond 2020

We welcome the progress made by APEC in its deliberations on APEC Beyond 2020. We express our appreciation to the APEC Vision Group for their openness to input from us. Our work on the post-2020 vision continues. Led by our Malaysia and New Zealand Committees, a first draft is currently under comment with a substantial discussion due to take place when the group meets in New Zealand towards the end of March.

We look forward to working with APEC once again in organizing the fourth Multi-stakeholder Dialogue on APEC Beyond 2020 during the SOM 2 cluster of meetings in May. Even as we look forward to organizing this event, we reiterate our call to all APEC members to organize events around the region to solicit inputs from as wide-range of stakeholders as possible.

Future Meetings

We will be holding our next Standing Committee in May during the SOM 2 and MRT cluster of meetings.