

PECC Statement
APEC 2021 Ministers Responsible Trade (MRT) Meeting
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PECC Co-Chairs
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Chair of the APEC Ministers Responsible for Trade Meeting

Our Executive Committee met on 12 May to discuss developments in the region, there was an unambiguous message from our members that the economic recovery remains fragile with several economies in our region suffering from 2nd or 3rd waves of infections. While many lessons have been learnt over the past 12 months, the imperative is for us to cooperate on vaccinating as many people as we can as quickly as we can. Which will facilitate the return to the movement of people, so important for business generally but especially the services sectors.

Responding to the Covid-19 Crisis

Over the past 12 months estimated global Covid-19 vaccine manufacturing capacity has increased from 2-4 billion doses to over 10 billion doses. This has been achieved through public and private investment in capacity, and partnerships between vaccine developers and manufacturers across the world.

To date over 1.5 billion doses of vaccines have been administered. However, the situation is far from the vision of equitable and affordable access to vaccines highlighted by APEC leaders last year. There is nothing equitable about the current situation in our region in which vaccination rates are 40 percent in some economies and less than 1 percent in others.

This is leading to a situation in which we are seeing the emergence of new variants of the virus. This in turn is leading to new lockdown measures in several of our economies.

Role of Trade in Boosting Manufacturing Vaccines

While manufacturing capacity for Covid-19 vaccines has increased enormously, it remains potential. For it to be realized, governments need to ensure the free flows not only of finished vaccines but also the raw materials that go into their manufacture. Last year APEC Trade Ministers agreed to a *Declaration on Facilitating the Movement of Essential Goods*, this can be further built on with more specific actions to facilitate the movement of materials needed to produce vaccines. This needs to go beyond simply refraining from the use of export restrictions to actively identifying where problems are and removing them.

Market Information

We call on APEC to initiate or support efforts to improve market information on vaccine supply chains. During this crisis it has become clear that we lack market information on key supplies. In response to food price crises, the G20 established the Agricultural Market Information System (AMIS). Such a system for vaccines would help to provide greater transparency, coordinate policy and provide the basis for cooperation. While such an exercise for vaccines would be more complex than it would be for food, the returns would be enormous providing a huge public good.

A further part of such an exercise could be to facilitate matches between vaccine developers and manufacturing capacity. A paper by the World Bank points out that *“there appears to be no established mechanism that tracks entry and exit from vaccine production, at the firm level or the plant level.”* APEC’s strong tradition of business engagement and emphasis on cooperation and dialogue places it in a strong position to gather a range of views on a technically difficult issue from a diverse range of stakeholders.

Regulatory Issues

While working to increase manufacturing capacity, a potential delay in the delivery of vaccines to people are regulatory approval processes. APEC economies have separately granted full or limited regulatory approvals for the use of 13 different vaccines within the region. While regulators will proceed according to their own standards to ensure the safety of their citizens, cooperation and dialogue at this time of emergency to establish the equivalence of regimes and expedite the more equitable delivery of vaccines.

Essential Services

We hope that APEC members will follow up on last year's Declaration on Facilitating the Movement of Essential Goods with similar declaration on the role of services. As we saw earlier this year with the blockage of the Suez Canal, world trade is extremely vulnerable to disruptions. The World Health Organization estimates that 50 percent of global vaccines are wasted every year due to lack of temperature control and the logistics to support an unbroken supply chain.

One issue of particular concern is the people that make trade happen. Both the International Maritime Organization and International Civil Aviation Organization have worked to develop protocols to keep people safe while keeping goods and services flowing. An outbreak on a ship could stop critical inputs from reaching their destination creating backlogs. One recommendation is to designate those crossing borders, whether by boat or airplane keeping goods moving as essential workers and ensure they are vaccinated.

Regional Economic Integration

Looking beyond the immediate crisis, we welcomed the signing of the Regional Comprehensive Economic Partnership last year which along with the Comprehensive and Progressive Agreement for Trans-Pacific Partnership are considered as pathways to an eventual Free Trade Area of the Asia-Pacific. Estimates by the World Bank suggest that the longer-term impact of the Covid-19 crisis on human capital, investment, and productivity could reduce economic growth for East Asia and the Pacific by 1 percentage point over the next 10 years. These agreements, when implemented, help to mitigate against that impact.

A key challenge is how to move forward towards region-wide integration. One approach to this is to look at ways to facilitate convergence in product coverage and the level of liberalization in the various pathways. We are however conscious of scepticism in some sections of Asia-Pacific societies toward the value of openness and interconnectedness that threatens to undermine political support for regional economic cooperation, therefore to progress on this critical agenda, APEC's regional integration agenda must demonstrate a strong collective commitment to inclusive economic growth. A substantial strength of the APEC process has been its engagement with stakeholders, as it looks to implement the post-2020 vision and make trade more inclusive this dialogue becomes ever more critical.

Multilateral Trading System

Support for a strong and open multilateral trading system has been a cornerstone of APEC's work since its foundation. APEC's non-binding dialogue mechanism among a diverse group of both developed and emerging economies dedicated to open trade has provided a platform for innovation on critical trade issues.

With the 12th Ministerial Conference of the WTO due to take place shortly after the APEC Leaders' Meeting, APEC can once again play a role in helping to build momentum on ongoing initiatives.

For example, APEC members have prioritized the development of the internet and digital economy, with many working together in crafting trade rules in ecommerce chapters in the CPTPP and RCEP. They should work together to participate in the WTO Joint Initiative on Ecommerce. Progress on this

front will help to demonstrate to stakeholders the ability of the WTO to keep up with developments in global trade.

In the same vein, APEC has been a pioneer on bringing diverse views on services together the APEC Services Competitiveness Roadmap and the APEC Non-binding Principles for Domestic Regulation of the Services Sector. Progress on the WTO Joint Initiative on Services Domestic Regulation warrants an APEC commitment to delivering an outcome for the 12th WTO Ministerial Council. This would be the first and only outcome on services since the WTO was created.

APEC pioneered work on investment, firstly agreeing to non-binding principles for investment and then to an Investment Facilitation Action Plan. APEC's work on micro and small and medium enterprises also led the way for thinking about MSME inclusion in international trade.

All of these examples show the strength of APEC as a dialogue mechanism to develop innovative ideas. Where strong interlinkages exist between trade initiatives at APEC level and the WTO, APEC economies should work in concert to help build critical mass for multilateral outcomes.

Essential Role of Services to Broad-based Recovery

The services sector by far employs the most people in the APEC region ranging from 35 to 88 percent of employment in our region. It is also the services sector that has been the hardest hit by the Covid-19 crisis. While merchandise trade fell by 5.3 percent last year, trade in commercial services fell by 20 percent. Some sectors have suffered considerably more, travel services fell by 63 percent. While we are seeing economic growth recover from last year's recession, the services sector will be crucial to a broad-based recovery.

For many economies in the region the travel and tourism sector remain largely closed due to pandemic related measures with knock-on effects on retail and other related sectors. Ending the pandemic with mass vaccination and re-opening borders as quickly as possible is critical.

Beyond this, there are risks of long-term economic scarring that need to be addressed. In this regard, the mid-term review of the APEC Services Competitiveness Roadmap comes at a timely moment. During the crisis, most of the jobs that have been lost have been in the services sector but most of the jobs that have been created have also been in the services sector. We are witnessing extremely rapid structural adjustments in our labor markets. We therefore hope that the next phase of APEC's work on services will emphasize the connections between structural reform and services.

Building the Foundations for Future Growth

APEC Digital Economy and Regional Economic Integration

The digital economy has been a lifeline for millions during this ongoing crisis. However, there remain concerns that we lack appropriate frameworks and rules to maximize its benefits and enormous potential. For the region to maximize the benefits of the digital economy, APEC and individual member economies need to address trade with an aligned or coordinated holistic regional approach—where that is feasible and beneficial. Second, member economies should not develop different *technical* systems which cannot talk to each other.

In this regard we have been working on a Primer on Economic Integration Issues Posed by the Digital Economy to understand the basic issues at the heart of the problem. However, in order for the whole to be greater than the sum of its parts, the work of the primary mechanism charged with the implementation of the APEC Internet and Digital Economy Roadmap needs a far greater sense of urgency. APEC has been a pioneer on digital issues but risks being left behind unless members can work together to implement the Roadmap.

Climate Change and Cooperation

As much as the immediate priority is dealing with the pandemic, we have the opportunity with our work in APEC to lay the foundations for a stronger and more sustainable recovery and meet the expectations of stakeholders. At our General Meeting we discussed how the region can move towards a low-carbon economy. While noting the momentum from the actions from businesses, ambitions from governments and pressures from consumers there remain enormous challenges in meeting the goals we have set.

APEC has taken practical steps to reduce carbon emissions such as the environmental goods list, the challenge ahead is what more can be done? Our task force on the post-2020 vision was clear in recommending that a sustainability framework is built into its programme areas and that APEC members commit to mutual review by its members of their individually determined climate change commitment, its contribution to the global outcome and the ways in which the commitment is linked to policy choices. We will continue to explore these issues in our annual State of the Region report and develop further recommendations for your consideration.

PECC General Meeting

Our General Meeting will be held on 21-22 July on the theme of “Implementing the Putrajaya Vision”. Will bring together a diverse range of expert views on different aspects related to the overall post-2020 vision for the Asia-Pacific region. We look forward to sharing the findings of our discussion with you.