

**PECC Statement to the Meeting of APEC Ministers Responsible for Trade (MRT)**  
**May 25-26, 2023**  
**Detroit, Michigan, United States of America**  
**On Behalf of Ambassador Zhan Yongxin and Dr Richard Cantor**  
**International Co-Chairs, Pacific Economic Cooperation Council**

Ambassador Katherine Tai, MRT Chair and United States Trade Representative

On behalf of the members of the Pacific Economic Cooperation Council we thank you for this opportunity to address APEC Ministers Responsible for Trade. Recalling that the Pacific Economic Cooperation Council is not only one of APEC's official observers, but also an organization with a long history, we note that this meeting of APEC Trade Ministers was an outcome of the United States' very first hosting in 1993. In calling for this meeting 30 years ago, Ministers called for a meeting of ministers concerned with trade policy to review the results of the Uruguay Round and its implications for the region as well as next steps. It is therefore heartening that even over these many years, the multilateral system has remained central to APEC's agenda and the role that we can play in supporting it.

**Supporting the Multilateral Trading System**

While support for the multilateral trading system has remained at the core of work undertaken by APEC, stakeholders in the region are deeply concerned about its future trajectory. We have seen multiple forecasts warning of the costs of its breakdown, we add our voices to this chorus noting that three out of the top 5 risks to growth for their economies selected by respondents in our annual survey on the State of the Region were: geo-economic fragmentation; slower world trade; and increased protectionism. Fears over protectionism have come down from the peak in 2019 with 64 percent of respondents selecting it as a risk to 36 percent, this is enough to keep it as a top concern, above rising interest rates and other macro factors.

Moreover, respondents also placed support for the multilateral trading system as the 5<sup>th</sup> top priority for APEC Leaders to address when they meet in November, alongside other major concerns dealing with the geopolitical and trade conflicts in the region and supply chain resilience.

APEC's role as an incubator should not be underestimated. If we go back in history there is the work it did to facilitate consensus on the Information Technology Agreement, and then more recently it is not too far a stretch to say that APEC's work under the Services Competitive Roadmap and the APEC Non-binding Principles for Domestic Regulation of the Services Sector built the pathway for the Joint Statement Initiative on Services Domestic Regulation. While it might be seen as an exercise in box ticking, the text of those non-binding principles trace their development through APEC history, this emphasizes the tremendous amount of work done here by APEC's working groups to build consensus not only among economies but stakeholders as well.

This is one area where the WTO has made great strides – in stakeholder consultation. This is a difficult issue, especially when it comes to negotiations in a binding forum, this is what gives APEC a comparative advantage as a group that can be supportive – consulting with different stakeholders. We encourage greater APEC-WTO dialogue on some of the key issues where stakeholders are fully engaged – whether it is work on the digital economy or on healthcare.

**Fostering Sustainable and Inclusive Trade in the Region, and other issues**

Climate change was considered the 3<sup>rd</sup> highest risk to growth by respondents to our survey. Furthermore, they placed updating the region's ambitions on climate and clean energy as a top 5 priority for APEC Leaders to address when they meet in November. At current forecasts, the region will achieve its goals on reducing energy intensity and use of renewable energy well ahead of schedule, therefore, increasing the level of ambition should not be too much of a stretch. However,

how to accelerate adoption of the use of renewables and increasing energy efficiency not to mention facilitate investments in climate change mitigation and adaptation is another.

We are concerned that even though respondents to our survey overwhelmingly think that more open trade and investment has had a positive impact on their economies, a worrying 25 percent also think that trade with other economies has a major impact on income inequality. There are of course a number of policy tools that can be used to facilitate more inclusive growth, but one aspect we would like to focus on is the relationship with trade policy.

We found that our respondents strongly believe that micro and small and medium enterprises had lagged behind during the recovery from the pandemic. Therefore tools that can assist them – including trade should be leveraged. While being small or even micro should not impede firms from participating in international trade, there are significant barriers to their participation, these include burdensome cross-border rules and regulations that impose a disproportionate cost on smaller firms with lower volumes.

We believe that the digital economy presents an enormous opportunity for inclusion – not only in delivering public goods and services to a wider group of people at a lower cost, but also in allowing greater participation in the market. Our region has been the world's most dynamic, benefiting from the gradual reduction of barriers, however, much of global trade takes place within global supply chains. Getting more firms to participate in trade directly would make trade more inclusive. But there are barriers to this.

However, whether these issues and others are addressed by trade policy depends very much on their concerns being heard. According to our survey, only 21 percent thought that consultations with MSMEs on trade policy was just right, compared to 55 percent with business more generally. When it comes to stakeholders beyond the business community, 25 percent thought that consultations with workers was just right, and those with civil society at just 21 percent. Moreover, there is a strong perception that the mechanisms used for consultations tend to be more exclusive, for example 55 percent think that consultations with trusted advisors are frequently used to gain stakeholder inputs and 47 percent with business chambers. The risk here is that policy is formulated that does not take into account the concerns of a broad group of stakeholders. In terms of affected communities, only 25 percent of respondents think that consultations with local governments is just right.

These are among the issues that need to be addressed as we move forward on trade projects such as the Free Trade Area of the Asia-Pacific. Even as we strongly emphasize the broad economic benefits of integration to both overall welfare and more resilient economies, the distributive impact of change – whether through technological advancement or trade policy need to be addressed. Otherwise we put at risk social cohesion, indeed, close to 23 percent of respondents put the erosion of the social contract as a top risk to growth, this was highest among respondents from Pacific South America at 42 percent.