

**Update from the Pacific Economic Cooperation Council  
PECC Co-chairs, Donald Campbell and Tang Guoqiang  
APEC SOM 2  
Arequipa, Peru  
14-15 May 2016**

On behalf of the members of the Pacific Economic Cooperation Council, we appreciate this opportunity to share our views and an update on our ongoing work in the form of signature projects, international projects, and member committee projects.

We recently held two meetings in Jakarta that would be of interest to you. We organized a workshop on 24<sup>th</sup> April dedicated to discuss and compile our feedback on the draft of ‘Collective Strategic Study (CSS) for the FTAAP.’ On the next day, we held our PECC conference in partnership with the Jakarta Post, ‘Global Challenges and Regional Solutions: Engaging stakeholders,’ where we welcomed participation of many distinguished speakers from Indonesia including the Trade Minister Mr. Thomas Lembong, former Trade Minister Dr. Mari Pangestu, former Foreign Affairs Minister Mr. Hassan Wirajuda, and former Deputy Minister of Trade and Finance Mr. Mahendra Siregar.

### **Regional Economic Integration**

The conference provided a unique opportunity to gain insights into developments with the ASEAN Economic Community. The Secretary-General of ASEAN, Mr. Le Luong Minh reiterated that the establishment of ASEAN Community in 2015 signaled the start of a new phase for ASEAN towards Vision 2025, that it would rely on rules-based, people-oriented and people-centered approach to ensure that the benefits of ASEAN integration would be enjoyed by many and not just a few. As pointed out by the former trade minister of Indonesia Dr. Mari Pangestu, ASEAN now needs to move “faster, broader, and deeper” to work towards Vision 2025.

Indonesian Trade Minister Mr. Thomas Lembong stressed at our Conference that the benefits of trade should be better communicated to the broader public and that it was important to gain the support of public for regional integration to succeed. These comments underscore a central challenge to APEC’s ongoing work on regional economic integration.

### **Free Trade Area of the Asia-Pacific**

To facilitate comments from the PECC membership on the Collective Strategic Study we organized a workshop on the FTAAP in Jakarta on 24 April. We express our appreciation to Ambassador Raul Salazar, Peru’s Senior Official for APEC, Dr. Denis Hew, Director of the APEC Policy Support Unit and Mr. Joji Koike, APEC Secretariat for joining us at this meeting. We also benefitted from the expertise from the Economic Research Institute for ASEAN and East Asia and the ASEAN+3 Macroeconomic Research Office.

We welcome Peru’s initiative to thinking about APEC agenda beyond 2020 and look forward to contributing to your discussions at SOM 3.

The idea of a Free Trade Area of the Asia-Pacific (FTAAP) has been at the core of APEC’s work for more than a decade. Over that time PECC has organized countless seminars, workshops and conferences to think through how to turn that vision into a reality. We welcomed the opportunity to provide input into APEC’s Collective Strategic Study (CSS) on Issues Related to the Realization of the Free Trade Area of the Asia-Pacific.

### ***The Value of Guiding Principles***

The FTAAP is an important - if not critical - idea that could form the basis for the future evolution of commerce in the region. However, its eventual achievement would benefit from a clear articulation of a set of principles to guide its development. Some of these are already well understood and have been stated in various APEC leaders' declarations.

### ***Addressing Rapidly Evolving Changes in International Commerce***

The design of the FTAAP should take a forward looking view of developments in international commerce. The word commerce is used here deliberately to capture the developments in the scope of business activities within economies and across borders. A forward looking view helps set priorities in the development of international commitments and the design of agreements.

Two important trends in business are particularly relevant to the CSS:

- The growth of options for doing business
- The scope for greater customization of consumer experience.

These key trends are related to the changes in production processes, including the application of digital technology. This technology is also driving down the optimal length of production runs, in some cases to one, thus maximizing the value for individual customers. In this setting, as APEC begins the process of turning the FTAAP vision to a reality, there is value in reviewing how global commerce is being conducted in 2016 and what stakeholders in commerce regard as the most serious impediments.

### **Pathways and Approaches to the Realization of an FTAAP**

We have also made some specific suggestions to the Task Force on the pathways and approaches to the realization of the FTAAP. There are two that we wish to highlight today. First, that the FTAAP avoid being a single undertaking, and recommend step-by-step, sector-by-sector, and bit-by-bit approach. One way forward would be for the FTAAP to consist of components or building blocks that members can join selectively. And secondly, that the FTAAP should be comprehensive in scope, it should be ambitious, and complementary to current tracks, while promoting common development in an inclusive and beneficial-to-all manner.

### **Opportunities in Services**

We welcome the progress being made to develop the APEC Services Competitiveness Roadmap. Starting in 2013, through our Services Network, we have been working with respective APEC host economies and ABAC to organize a series of Public-Private Dialogues (PPDs) to improve our understanding of the challenges that the services sector faces, and the policies that can be adopted to improve their ability to create jobs and economic value. We would like to express our gratitude to Peru for continuing the PPDs this year with the most recent one focused on providing input into your deliberations on the Services Competitiveness Roadmap.

There are two key points we would like to reiterate here. The first is that we remain concerned about the relatively slow pace of regional economic growth. We need to urgently find new growth engines – not growth for growth's sake but to create well-paying jobs in the region. We believe that the services sector has that potential. The reforms required to unleash that potential are difficult to implement; therefore, we welcome the work being done by the Economic Committee through this year's APEC Economic Policy Report to focus on structural reforms and services. Through the sharing of experiences, we will be able to better understand how to most effectively implement reforms. The second is that while we are rightly focusing on the role that services play in enhancing productivity,

they are also a pre-requisite to inclusive growth. Many of the Sustainable Development Goals are related to the provision of basic services – education; healthcare; energy; sanitation to name just a few.

This year, we will be focusing on services in our annual *State of the Region* report and look forward to working with ABAC on developing substantial stakeholder feedback on impediments businesses face in the services sector that we hope would contribute to your work.

### **The Internet Economy as a Driver of Growth**

Another area in which we are working closely with APEC is on the Internet economy. The Internet is revolutionizing the way we do business, the nature of businesses, and changing how global value chains are structured. We recognize the many concerns that governments have on how business is conducted in the Internet/digital economy. These concerns need to be addressed on the basis of a solid understanding of the economic impact that technology can have as a driver of innovation across the whole economy, and the policy options available to governments to meet an array of concerns from taxation to cultural and social norms.

We welcome the ongoing work of the APEC Ad Hoc Steering Group on the Internet Economy, and express our willingness to continue contributing to this process.

### **Ports and Shipping**

We welcome the work being done to implement the APEC Connectivity Blueprint. Efficient management of ports and integrated transport system are at the heart of any domestic or regional infrastructure connectivity agenda, therefore we are undertaking a two-year work program to consider how this critical part of our economies is evolving. Vessels are becoming significantly larger requiring upgrade or relocation of ports and terminal facilities, and new sea routes are being explored while the passageways at major canals are widened. Furthermore, in line with the global commitment to fight climate change, renewed with the recent Paris Agreement, more stringent environmental requirements to reduce carbon footprint and other types of pollutions at sea are being enforced. The concluding seminar of this two-year project will be held in Auckland, New Zealand on 5-6 December to wrap up the results from the two preceding seminars that focused on maritime transport and ports. We will also look at how the TPP and other emerging trade deals could impact the supply chains of certain industries in respect to shipping and handling at ports.

### **Future Meetings**

We will be holding our next meeting in Yangzhou, China on 26-28 September at the invitation of our Chinese committee where a symposium on connectivity will be organized. On this occasion, we will also have a retreat session for our Standing Committee members to allow time for discussions on PECC priorities in light of current developments in the Asia-Pacific region.

Thank you for your attention.