

PECC Statement
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Lima, Peru
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International Co-Chairs of the Pacific Economic Cooperation Council

The co-chairs of the 28th APEC Ministerial Meeting:

- Mr. Ricardo Luna, Minister of Foreign Affairs
- Mr. Eduardo Ferreyros, Minister of Foreign Trade and Tourism

Honorable Ministers and delegates, on behalf of the members of the Pacific Economic Cooperation Council, we thank you for this opportunity to share our views on issues of critical importance for the continued stability, prosperity and progress of the Asia-Pacific.

We would like to express our appreciation to Peru and all APEC members for your openness to our ideas and recommendations over the course of the year. In particular, we welcomed the opportunity to work with you on the first dialogue to discuss a post-2020 vision for APEC as well as the Public Private Dialogue on Services.

Our update today is based on the discussions we held in Yangzhou just two months ago and our annual *State of the Region* report that includes a survey of the regional policy community – including a diverse range of views from stakeholders representing large and micro businesses, the academia and civil society.

Priorities for APEC

One question that we ask every year in the survey is which issues the regional policy community believes should be priorities for the APEC leaders' discussions. This year the top 5 were:

- Progress towards the Bogor Goals and the Free Trade Area of the Asia-Pacific (FTAAP)
- The APEC Growth Strategy
- Structural reforms
- The emergence of anti-globalization & anti-trade sentiments
- Improvement in regional logistics & transport connectivity

These issues are best not seen in silos but as part of broader picture of the challenges facing the Asia-Pacific and possible responses to them.

1) Slowing Growth and the Need for Reforms

As indicated by the high priority placed on the APEC Growth Strategy in our survey, there continues to be widespread concern that current growth rates are too slow and moreover, these rates of growth continue to be supported by stimulus measures that cannot be sustained over the longer or even the medium term. Over a third of respondents to our survey expect global growth to be slower over the next 12 months while just 16 percent who expect stronger growth. This negative perception on growth in turn leads to a vicious cycle in which consumption and investment decisions are postponed that then feeds into actual lower growth. Steps must be taken beyond existing measures to restore confidence in future economic growth. The APEC Growth Strategy provides an important framework for doing this but it is only a framework – what is required is strong actions from governments focused on ensuring high quality inclusive growth.

2) The Imperative of Implementing Structural Reforms

At the risk of being repetitive, we reiterate the importance of implementing badly needed structural reforms to boost growth in the region. We note, however, that over 40 percent of respondents to our survey considered the failure to implement structural reforms as risk to growth for their economies. While this is a smaller percentage than last year, the policy community remains greatly concerned about the reform process.

3) The emergence of anti-globalization & anti-trade sentiments and APEC's Response

Of even greater concern is the increased risk that the policy community sees to growth from increased protectionism as well as slower overall trade growth. Over half of respondents to our survey considered the continued slowdown in trade growth as a top 5 risk to growth for their economies and a third said the same for increased protectionism. These two points represent a worrying trend. Somewhat worryingly, respondents from advanced economies were much significantly more pessimistic in their assessment of the prospects for freer trade in the region compared to those from emerging economies.

These sentiments have potentially profound impacts on the vision we share of a deeply integrated and prosperous Asia-Pacific economy. We welcome the work that has been undertaken by the APEC Task Force on the Collective Strategic Study on Issues Related to the Realization of the Free Trade Area of the Asia-Pacific. We hope that the next steps APEC takes will be a truly forward-looking approach that tackles not only the barriers to trade today but set a framework that ensures that this region will define the rules of modern 21st century commerce. We reiterate our view that the vision of a free and open trade and investment in the region is but a means to an end –of '*accelerated, balanced and equitable economic growth not only in the Asia-Pacific region, but throughout the world as well.*'

4) The importance of the new engines of growth

While there are both cyclical and structural factors influencing the slowdown in trade growth, it should be clear to all that the export-driven growth of yesteryear will not return. This makes work on APEC's Growth Strategy all the more urgent. Some of these new engines of growth could be investments to achieve the sustainable development goals – but these need to be accompanied by policy reforms to ensure the most efficient use of resources.

Another driver of future growth is the services sector reforms. Estimates suggest that the gains for services liberalization far outweigh those of removing the remaining barriers to trade in goods. We therefore welcome the progress made this year on an APEC Services Competitiveness Roadmap that can help economies to formulate strategies for reforms as part of their own drive for competitiveness. There was a clear consensus in our survey that services liberalization and reforms are beneficial to growth, employment and innovation. However, of concern is the perception among those from emerging economies that their business sector is not yet ready to compete with international firms. This suggests that a critical agenda ahead is to address the competitiveness of local firms. Another broader concern is the perception that services are not as important for inclusive growth. However, it is difficult to imagine achieving our goals for more inclusive economies in the absence of a competitive services sector – critical for empowering people to benefit from the opportunities that lie ahead. These services range from basic sanitation and education to e-commerce that allows even micro enterprises access to the global market.

5) The importance of the connectivity agenda in addressing supply side constraints

It has now been 3 years since APEC began taking a coherent approach to connectivity through the adoption of the APEC Framework on Connectivity and then the APEC Connectivity Blueprint. This work is critical to addressing the supply-side constraints that limit our ability to fully reap the gains from increased trade liberalization and integration. Frontloading infrastructure investment projects at this time would not only provide a much needed boost to aggregate demand but if targeted in specific areas and localities suffering from poor connectivity, would also help to resolve some of the supply-side issues that contribute to skepticism on the benefits of trade integration.

At our meetings in Yangzhou we approved two new projects: given the importance our community places on improving connectivity in the region we are establishing a task force to measure progress being made in the region on addressing these supply side constraints; and looking ahead another high-level task force on the vision for the region beyond 2020. We look forward to sharing the results with you next year.

The last time APEC met in Peru, the Global Financial Crisis was just beginning to unfold. Its impacts have been deep but if not for concerted cooperation among the regional and international communities it could have been much worse. Today, eight years on, some of the fears we had of protectionism are resurfacing. We hope that APEC as a community with the shared interest of promoting equitable development will not only unequivocally reject protectionist policies but commit to a set of policies to restore momentum to the integration process.