

**PECC Chair Statement to APEC Ministers Responsible for Trade
An Asia-Pacific Partnership for the 21st Century**

**Ambassador Don Campbell and Ambassador Tang Guoqiang
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On behalf of the members of the Pacific Economic Cooperation Council (PECC) we would like to express our appreciation for the opportunity to address you today.

On the occasion of 24th PECC General Meeting held on May 15th 2017, the members of PECC and invited guests gathered in Hanoi to discuss *“The Vision for An Asia-Pacific Partnership for the 21st Century.”* We express our appreciation to Deputy Prime Minister and Foreign Minister of Vietnam, H.E. Mr. Pham Binh Minh who delivered the keynote address and reiterated the importance of building a “seamless Asia-Pacific community.” We draw your attention to those remarks which outlined the broader context in which APEC’s work takes place.

As APEC takes forward its discussions on progress towards the Bogor Goals and beyond, we consider it opportune and urgent to express concerns about recent developments in the world economy and the Asia-Pacific as its growth center. Moreover, future growth should be sustainable, innovative and inclusive, deepening connectivity and economic integration. Major drivers should include structural reform, new technologies, especially digital advances, e-commerce, digital trade, quality human capital, competitive and innovative MSMEs, economic, financial and social inclusion.

The Prospects for the Asia-Pacific

We note the signs of recovery of our economies but remained concerned about the slower growth projected for the emerging economies of East and Southeast Asia. The ongoing recovery should not divert attention from the structural forces associated with growth deceleration in the recent past and the need to respond to them cooperatively. Nor should the recovery lead to complacency about the urgent need for inclusive and sustainable initiatives at all levels of government.

Policy Initiatives to Address Rising Inequality

Inequalities, factual and perceived, have divided citizens, communities, regions and the world at large lately. Immediate policy actions are needed and some have in fact been put in place. Many of the known social policy measures such as access to basic health, sanitation, basic education, social assistance and social insurance are being scaled up and implemented at a rapid speed. However, innovative measures of a more structural nature that are linked with economic policy measures are needed. A key challenge will be modernizing and transitioning the traditional sectors and jobs with the divisive, complex and disruptive impact of the upcoming explosion of technology.

We urge governments to renew their commitment to free and open trade and investment. Working to promote efficient, open markets is a continuous endeavor but ironically, in many cases, it is the unfinished business of free trade and reform that impedes the ability of businesses – especially micro, small and medium enterprises (MSMEs) to compete on a level playing field. Many of these

barriers are non-tariff measures that require a shift in how we undertake discussions at the regional level. We need to rebuild the confidence of our people that trade liberalization ultimately enables them to prosper and demonstrate in real terms how our work positively impacts their ability to compete.

Liberalization has lowered tariffs to historical lows. However, shifting consumer preferences for higher standards and quality products and variance among them, including those related to sustainability, have prevented many businesses from taking part in international trade and the global value chain. These barriers disproportionately impact the biggest employers and creators of jobs – our MSMEs. Economic and technical cooperation (Ecotech) to develop capacity of those firms should be intensified and be made more effective.

Meeting the Sustainable Development Goals (SDGs)

The enormity of the challenges facing the world today and the Asia-Pacific therein is reflected very well in the SDG 2030. PECC considers an open world economy a necessary, if not sufficient, condition for the attainment of the SDG goals. Recognizing the realities of the world today, the attainment of zero poverty, zero hunger, good health and well-being and quality education, to mention only a few of the Goals, is inconceivable without the flows of material and intellectual resources across the different parts of the world

Rediscover Openness

Immeasurable human and financial resources have been spent on establishing and continuously improving the current architecture of an open world economy. The endeavors have also delivered growth and development dividends. Humanity has a higher standard of living, with the near doubling of per capita GNI from \$5,681 in constant 2010 US\$ in 1970 to \$9,931 in 2015. Furthermore, 1.1 billion people were lifted out of absolute poverty in the period of 1990-2013 and rate of absolute poverty fell to 10.8 percent in 2013.

These numbers clearly testify to the successful functioning of the architecture of an open world economy, and its benefits. The mechanism in which openness raises prosperity is well understood. Therefore, we at PECC are deeply concerned about threats to openness. If we fail to appreciate the positive values of openness, we risk regressing into an unpredictable system that will only reduce the willingness of the business community to invest in new factories, new products and new jobs. Even threats to openness create an unpredictable business environment.

Raising barriers will increase costs and reduce choice for consumers. Instead we need to understand the root causes of inequality and stagnating incomes, have adequate policies to address these and ensure broad based growth and development continue in an enabling world economic order. Given the relatively benign economic conditions of the Asia-Pacific, the region should lead in a collaborative way on initiatives on openness. It can capitalize on lessons from the long experiences of concerted initiatives on liberalization, facilitation and technical cooperation.

As technology progresses and policy initiatives open borders more widely and deeply, issues of fair trade gains in importance. This is a century-long issue that has led to lengthy debates throughout the last three decades. Some global firms have voluntarily launched fair-trade initiatives. Leaning on lessons learned from these initiatives a more general system of fair trade

is possible to design. A more competitive market structure is the more reliable path to distribute the benefits from trade, complemented with other policies to address the sources of inequality.

Of all the measures to promote equality of opportunity, improvements in human capital are perhaps the most durable in terms of impact and the least controversial politically. This is especially crucial given the rapid and wide-ranging advancement of new technologies – in short, the 4th industrial revolution - and its impact on the way goods and services are produced, trade and new ways of work and business model. PECC has long recognized the importance of an increase in the stock of human capital as the dominant source of economic growth. Narrowing the prosperity gap between citizens, communities within and among our requires the narrowing of the human capital gap.

Development of human capital addresses issues of health, literacy, skills and entrepreneurship, which is critical in the use of knowledge. PECC and APEC have engaged in numerous initiatives to enhance human capital. Yet, the human capital gap remains very deep as diverse measurements such as the OECD's PISA and the UNDP's Human Development Index suggest. Compared to trade in goods, trade in services and investments in education of all levels are far less internationalized. Despite the explosive growth of higher education, the number of internationally mobile students, teachers and lecturers remain negligibly small.

Despite reverses, leaders in the Asia-Pacific should keep up the momentum for free trade agreements, and provide confidence for continuation of regional initiatives as well as complementarity among those regional arrangements that involve APEC members such as completion of the negotiations on RCEP, implementation of connectivities including the Belt and Road Initiative, deepening of ASEAN integration, various forms of TPP, and implementation of the Pacific Alliance toward an eventual Free Trade Area for the Asia-Pacific (FTAAP). We need a thorough and deep examination of work done so far in these agreements to improve the functioning of international markets and enable business and workers to benefit from trade.

APEC Beyond 2020

As APEC begins the process of reflection on a post-2020 vision, we urge APEC to consider the suggestions contained here. While maintaining our commitment to an open world economy, and recognizing the enormous gains that have been made, we need to acknowledge that there are those who feel that they have not benefitted and deal with the anxiety and uncertainty over their future well-being. APEC can play a role in ensuring that trade liberalization leads to a level playing field and that people have the wherewithal to effectively compete in an increasingly competitive global market. This includes social policies to cope with the transition and stress when inevitable changes happen and old industries are replaced with new ones requiring different skills and mindsets. APEC, in its role as an incubator of ideas, should also continue to show its leadership in tackling emerging regional and global challenges.

As the first step to ensure that future APEC work take into account these shifts, we suggest that APEC have a frank exchange of views at this year's retreat on the challenges all economies are confronting and leverage APEC's long-established informal and non-binding atmosphere to find ways the region can work together to address them. While renewing our commitment to free and open trade and resisting protectionism, with just three years to go till the 2020 milestone, it would

be timely to establish an APEC Vision Group to take forward the ideas from the Multi-Stakeholder Dialogue. Such a process should have sufficient distance from the official track and help to galvanize stakeholder support for APEC's work. There has been a very long tradition of cooperation between the PECC and APEC since the creation of APEC. The commitment of the PECC to an integrated, connected and cooperative region of the Asia-Pacific is reflected in its alignment with APEC's agenda as well as providing forward looking ideas. The PECC restates the commitment to Asia-Pacific integration and cooperation based on the principles of open regionalism, and its willingness to bring together stakeholders to provide ideas on the challenges that you are addressing.