

Update from the Pacific Economic Cooperation Council
Eduardo Pedrosa, Secretary General
on behalf of the PECC chair Donald Campbell
APEC SOM 1, Port Moresby
8-9 March 2018

On behalf of the Pacific Economic Cooperation Council, I would like to express our appreciation for this opportunity to update you on our ongoing work which may be of interest to you.

Economic Outlook

The outlook for the regional economy is very positive with the highest degree of optimism for growth over the next year since the immediate bounce back from the Global Financial Crisis according to our annual survey on the state of the region. However, of particular concern is that rising protectionism was cited the most frequently as a top 5 risk to growth as well as having the most serious impact. Estimates suggest that should there be an escalation of tariffs, it could reduce global GDP by around 0.5 percentage points. This level of uncertainty will likely reduce the appetite of the business community to undertake significant capital expenditure dampening the positive growth momentum we had been seeing.

Priorities for 2018

We welcome the priorities that APEC has set this year under Papua New Guinea's leadership. The digital economy is transforming almost every aspect of our lives. We draw your attention to our annual report on the State of the Region which focused on this issue. As our region seeks to deepen integration, we must ensure that all people can benefit from the opportunities presented by the digital economy.

As highlighted by the results of our annual survey contained in the report, as we move into a data-driven economy, we need to get the policy settings on data privacy and data protection right. Almost two thirds of survey respondents said that data protection was 'very important' making it the most important issue for the growth of the digital economy, followed by digital infrastructure, and then data privacy. We have a diverse region with differing levels of internet penetration, speed and cost. We clearly have a long way to go to ensure that people are not excluded from the digital economy.

The policy regime for managing the data-driven economy is nascent but governments around the region are swiftly moving to adjust to this reality – whether it is big data or sharing economy applications, to mention just two aspects. Given the size of our region we need to be at the forefront of the establishment of norms for the development of the digital economy. The emerging international regime needs to find solutions to problems that encourage both innovation and inclusion. We hope that APEC will take up the challenge of not only thinking about the practices we follow with respect to trade within the region but also developing a model that can be emulated across the world. This is critical as the internet by its very nature has no borders – it has, after all, evolved as the world wide web.

Improving Connectivity, Deepening Regional Economic Integration

We welcome the focus on connectivity and regional economic integration. In 2016 we established a task force to create an index of connectivity. The index will take 44 existing indicators on physical connectivity institutional connectivity and people-to-people connectivity. The index will provide a baseline measuring the connectivity of regional economies are and provide guidance on priority areas for improvement. We look forward to sharing the results of this work with you at an appropriate occasion in the near future.

We look forward to the results of your work on promoting regional economic integration and progress on the Bogor Goals and the realization of the Free Trade Area of the Asia-Pacific. It was clear from our survey results that although the political environment for freer trade was negative, there remains a strong belief that the pathways to the FTAAP – namely the TransPacific Partnership and the Regional

Comprehensive Economic Partnership (RCEP) will be completed within the near future. Since then the TPP11 or now Comprehensive and Progressive Agreement for TransPacific Partnership has been completed ahead of most respondents' expectations. In spite of this positive move, given the negative assessment of the political environment, there is a need to better explain how trade impacts peoples' lives. For this reason, we have initiated with ABAC a project to better articulate why and how trade benefits economies and individuals/firms, and why economic integration should remain a core priority for the Asia Pacific region and to give policy-makers better tools to inform APEC priorities, particularly with regard to structural reform and the design of trade agreements.

Under the PECC umbrella we also have a specialist network working on improving the data available for policy analysis of trade agreements – the Global Economic Partnership Agreement Consortium. The priority of this network is to improve the data on which we base our estimates of the various trade agreements currently being discussed. This is of particular importance given increased concerns over non-tariff measures.

Strengthening Inclusive Growth through Structural Reform

We welcome the emphasis that APEC is placing this year on strengthening inclusive growth through structural reform. We draw your attention to our 2016 State of the Region report that focused on structural reforms as drivers of growth and inclusion. In spite of the adoption of the Renewed APEC Agenda for Structural Reform, the failure to implement structural reforms was the third highest risk to growth in our survey – pointing to a continued concern that not enough has been done on the policy front to future proof our economies against the withdrawal of stimulus and tightening of central bank balance sheets.

The areas in which reforms were seen to be most important varied across the region depending on the level of development and structure of the economy, but the top three overall were: education and labor; innovation and entrepreneurship; and infrastructure. We note that by the end of this year all three areas would have been addressed in detail in the Economic Committee's APEC Economic Policy Report. More specifically on labor and education, our survey results point to the need for greater public-private interaction with low levels of satisfaction on the match between education training and economic needs; cooperation between education providers and employers and the ability to secure skilled staff.

Promoting Sustainable and Inclusive Growth

At our meeting in Hanoi last year we agreed to establish a task force on corporate sustainability. The group will address what the concept means across the region, the form and extent to which corporations have adopted sustainability practice, how much the sustainability manifests in value chains by looking at several examples from around the region, and how to enhance international cooperation on this issue.

In addition to this task force, we have an ongoing seminar series on sustainable development and the circular economy. The next seminar will be held in Taipei on 28-29 March that will address two aspects of sustainability: at the city level including transportation systems and smart cities; and the trade regime looking at technical codes and standards.

APEC Post-2020

As we have mentioned at previous meetings, we established a task force led by our Malaysian and New Zealand committees to formulate PECC's input into your discussions on a post-2020 vision for APEC. The first phase of that work has been to undertake a survey of stakeholders on their views. The survey is divided into two sections: the first part is focused on APEC's current and potential future goals and policies and the second on APEC's institutional development.

We are conscious that it will be important for you to receive timely feedback from stakeholders. Our task force will hold its meeting in Kuala Lumpur on 25-27 March. This will be the first opportunity for our expert group to review the survey findings and discuss the content and structure of our report

and recommendations to you. Our aim is to have a final report to you by the time of the APEC Economic Leaders' Meeting in November. We emphasize that the survey findings are just one part of our work, to provide a baseline of feedback on some key issues.

One point that we have made in seeking responses is to try to generate innovative suggestions on issues from beyond the immediate circle of people who deal directly with APEC. We will be taking time to work through the very valuable qualitative responses we have received to think through how some of those suggestions can be incorporated into our recommendations to you.

Future Meetings

We will be holding our next Standing Committee and General Meetings in Jakarta in early May. The focus of our discussions will be on technological transformation and sustainability.