

PECC Statement
APEC Ministers Responsible for Trade
Port Moresby
25-26 May 2018

On behalf of the co-chairs and members of the Pacific Economic Cooperation Council (PECC), we thank you for this opportunity to address you today. Our Council and members have a long and deep association with APEC, having helped to lay the intellectual foundations for APEC's establishment in 1989 as well as through our contributions through your numerous working groups and committees.

Our members gathered in Jakarta 3 weeks ago for the 25th PECC General Meeting under the theme "*Global Disorder: The Need for New Regional Architecture and Business Model?*" This statement is based on those discussions as well our ongoing work program.

A New Global Order?

While the global economy is recovering well from the worst crisis since the Great Depression, we continue to be affected by both its direct impact as well as the risks arising from the policies adopted to prevent an outright collapse of global demand. As we transition towards a new normal, our economies are being buffeted by both bottom-up and top-down forces.

From the top, we are increasingly entering into a multipolar world which makes global governance complex and difficult. From the bottom, ever more rapid technological developments are changing the way in which production, economies and societies are organized.

However, the challenges we face, whether responding to new technologies or coping with climate change require collective action. One message coming from our discussions in Jakarta was the increased need for dialogue in this changed setting.

Importance of Multilateral Solutions to Disputes

As we noted in our State of the Region report last year, rising protectionism was the top risk to growth in our annual survey. We therefore underscore the importance of the role of the WTO dispute settlement mechanism in resolving disagreements and urge regional Ministers to fully use informal dialogue bodies like APEC to discuss how move ahead on new issues and improving existing mechanisms.

A Call for Concerted and Progressive Unilateral Action

We welcomed the opportunity to have a frank and open exchange amongst our members on the repercussions of rising protectionist rhetoric and actions. According to some estimates, the percentage of G20 exports exposed to some form of trade distortion has risen from 42 to over 72 percent. What had been deemed as creeping protectionism now risks being a tit for tat descent into disorder.

Such an outcome would hurt all our economies. It increases uncertainty for businesses and delays investment and hiring decisions – in short resulting in lower growth with the added risk of spilling over into financial markets.

We therefore urge economies to take unilateral actions to continue the forward momentum on trade integration. These included continued opening to achieve the Bogor Goals, implementing existing commitments under the WTO and completed bilateral and plurilateral trade agreements, and to hasten progress on deals currently under negotiation. While emphasizing the need for continued unilateral reforms and actions, these need to be underpinned by shared norms and principles but most of all a

common direction. This underscores the value of APEC as a non-binding dialogue process founded on the principle of concerted unilateral action.

We underscore the need for restraint and the need to avoid an escalation of policies that endanger the still fragile economic recovery. If negative policy actions are met with symmetric responses we face a spiraling descent to higher costs, lower growth and fewer jobs.

Regional Economic Integration and Cooperation in a New Normal

In recent years we have seen a plethora of regional cooperation and integration initiatives in responses to the evolution of the economic order. Some such as the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), the Regional Comprehensive Economic Partnership (RCEP), the Pacific Alliance and the ASEAN Economic Community address market opening while others have slightly different mandates such as the Belt and Road Initiative and now the Indo-Pacific Strategy as articulated by Minister Retno Marsudi at our meetings in Jakarta. These initiatives have their own internal dynamics and rationale, arising at different times and in response to specific needs. Again, we underscore the need for a set of shared principles or norms for these initiatives. These principles or norms should not be specific to any one initiative or agreement but should underpin all of them.

Need to Rebuild Trust and Value of APEC

A central theme that ran through our discussions in Jakarta was on the need to rebuild trust. This need exists both internationally and domestically. The rising levels of income inequality in many economies around the region have undermined the consensus on freer trade. We warn of potentially dire consequences if we fail in this mission. However, because of APEC's focus on non-binding commitments and dialogue, it is an extraordinarily valuable platform to build this trust and formulate principles and exchange of views on how such principles can be applied across different sectors of our economies as well as their socialization across the region.

We welcomed the opportunity to learn about developments in ASEAN and recalled the central role that ASEAN has played in the building of Asia-Pacific architectures including PECC and APEC.

Policy Coordination in the Digital Age

While we had dedicated sessions on the digital economy, as has become common, the issue of the impact of technological change came up in every session. Our discussions stretched from data analytics and the tension between innovation and regulation, through cross border data flows and the increasing array of challenges that is throwing at regulators, to a focus on payments and competition and new business models. Experts emphasized the importance of innovation and the need to let new ideas and opportunities flourish, and there was broad agreement that much of the digital dynamism was now emanating from this region but there were starkly different opinions on how regulators should be approaching these challenges. Privacy, security and competition frameworks were seen to be the big issues. There was general agreement that the current regulatory tools were not fit for purpose and that we were likely moving into an era of regulatory overreach as a result. Questions however ranged as to what this should mean for new models of data governance, data ownership and data access. The panel concluded on a generally optimistic note, but with recognition that trade tensions resulting from digital frictions were only likely to increase for some time to come.

Ongoing Work

Lastly, I would like to take this opportunity to update you on some ongoing work that you may find of interest. We are fully cognizant of the need to continually make the case for freer trade. To this end, we

are working with our colleagues from ABAC on the benefits of trade. While the macroeconomic case remains strong, the argument needs to be made on how trade impacts individual firms and whether it leads to more innovation and its impact on wages.

We are now beginning a new international project on “New roads for trade: is multilateralism in danger? How to alleviate the cost of doing business in the Asia Pacific Region”. This is led by former WTO Director General Mr Pascal Lamy with the support of the Canadian, New Zealand and US PECC committees. It will consist of three seminars; The State of the International Trading System; Asia-Pacific Strategies for the Global Trading System; and Cross-Cutting Issues and Governance Challenges in International Trade.

Ministers, we reiterate our call not only for restraint but for continued positive, concerted and progressive unilateral actions to promote the global competitiveness of our economies. We underscore the value of APEC as a platform for informal and open dialogue to promote a better understanding of the structural shifts taking place within our economies, the impacts that these have across the region and world, and most importantly as generator of shared principles and norms in this dynamically shifting environment.