

**Update from the Pacific Economic Cooperation Council
PECC co-chairs Donald Campbell and Su Ge
APEC SOM 2, Vina Del Mar
15-16 May 2019**

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

We welcome the progress made thus far on APEC's priorities and thank the 2019 APEC SOM Chair and all Senior Officials for the opportunity to work with you organizing the Multistakeholder Dialogue on APEC Beyond 2020. This follows our cooperation with successive APEC chairs, Peru, Vietnam, and Papua New Guinea on this effort.

APEC Beyond 2020

This year's dialogue allowed a deeper exploration on three key themes likely to be central to APEC's work after 2020: the evolving trade system and the role of APEC; the region's approach to digital issues; and how to make APEC's work more people-centric. We hope that these dialogues will prove useful as APEC Senior Officials begin to grapple on the post-2020 vision. In addition to these dialogues we have had a task force led by our Malaysian and New Zealand committees on a post-2020 vision for the region. This task force has met twice, in Kuala Lumpur last year and most recently in Auckland last March. In Auckland, the task force discussed what APEC's future vision should be; the supporting conditions and implementation of the vision; APEC's previous and future value proposition; as well as threats and challenges to the achievement of that vision. On the basis of those discussions, the task force has finalized its report which will be sharing with the APEC Vision Group and undertaking further consultations around the region.

Evolution of the Regional Trading System

The reform and updating of the international rules based trading system is a priority for PECC, and to that end we will be organizing a conference in Vancouver in October, to be followed by another in Auckland, under the Chairmanship of former WTO Director General Pascal Lamy, to discuss the rules based system, the role of regional trade agreements, proposed solutions, new directions in dispute settlement, digital trade, dealing with NTMs and creating opportunities for SMEs. We hope to share the findings of that work with you at an appropriate occasion.

Improving Regional Connectivity

We note the emphasis that APEC is placing this year on connectivity through Integration 4.0. As part of our contribution to efforts to improve connectivity, PECC has developed a Connectivity Index to assess progress being made toward APEC's goals in this area. This work on the connectivity index is almost finalized. The initial analysis supports the priority that you have placed on institutional connectivity going forward from this year through 'integration 4.0'. We will be publicly releasing the result of our Index shortly.

Benefits of Trade

Last year we worked with our colleagues in ABAC to better understand the benefits of trade at the firm level. The first stage report of this project is now available. One of the highlights of the report is the complexity of what might otherwise be expected to be a simple business. Many businesses are working at the same with data flows, people movement, and capital flows while providing both goods and services. The work involved in-depth discussions with businesses in 9 APEC economies that explored why they engage in trade as well as what were the main constraints that they faced.

This work adds important examples of value to APEC's work on inclusiveness, for example, why and how compliance issues impact smaller firms, how new technologies are providing firms with new opportunities and channels for engaging in trade as well as the challenges they face in that process.

We are looking to extend that work focusing potentially on services firms and/or business not yet engaged in international trade.

Global EPA Consortium

To improve the data available for the objective analysis of trade agreements, PECC established a global economic partnership agreement consortium under the leadership of Dr Ken Kawasaki from Japan. The Consortium undertakes projects directly and also coordinates and funds work in other organization. The Consortium's highest initial priority is to expand information on non-tariff measures (NTMs) in international trade, especially among economies involved in major negotiations.

Services

Many PECC members recently participated in the Public Private Dialogue on Services held in Jakarta alongside the recent ABAC meetings there. We strongly encourage the continued and structured engagement with the business community especially the Asia-Pacific Services Coalition. The APSC membership is expanding to include more services associations from APEC economies reflecting the importance of the services sector to all regional economies. We note the effort APEC is making on the 'unfinished business' of the Bogor Goals, including the implementation of the services roadmap. We hope that senior officials will remain engaged in this process given the cross-cutting nature of policies impacting the services sector.

Digital Economy

We welcome the focus APEC on the digital economy. Our community's interest in the digital economy is longstanding. From our work in the 1990s through our Telecommunication and Information Industry Forum, our subsequent undertaking of the Assessment of the e-APEC strategy, and recent support of the work of the Ad Hoc Steering Group on the Internet Economy.

We have organized numerous stakeholder consultations to understand how business models are changing, the opportunities emerging for new ways of driving sustainable and inclusive growth, enabling innovation, and the policy responses that need to accompany each of these. We remain concerned that absent a concerted APEC-wide effort with the full support of all members, the global rules for the digital economy and digital trade will emerge with little or no consistent and constructive input from this region. There are several policy priorities emerging from our and other discussions – privacy is a key issue requiring a region wide alternative framework that is practical, and upon which APEC has already done significant work but without yet seeing practical outputs; measurement (and digital indicators) is another key issue we hope that APEC could work together on, while yet another is finding solutions to the underlying policy concerns behind the increasing of measures restricting data flows. Finally, we note the almost complete absence of policy discussion around Artificial Intelligence in the APEC sub-fora at a time when other regional groupings are developing regulatory regimes with global trade implications.

Impact of Evolving Technology on the Economy

With this in mind, our Indonesian committee will be holding its second Global Dialogue focused on How Digital Transformation and Artificial Intelligence Will Shape the Future Global Economy with four underlying themes (i) the current and future implementation of AI and related technology in business, economy and public sector, (ii) implications to economic productivity, nature of jobs and socio-economic inclusion, (iii) new approaches toward economic policy and governance, and (iv) how regional collaboration and regional economic integration can facilitate policy formulation for the future technology. We look forward to sharing the results of those discussions with you.

Future Meetings

We welcomed the opportunity to meet here in Chile for the first time since 1997. We note that this year represents several important milestones for APEC. It is through the in-depth formal and informal exchanges we have at these meetings that we are able to work towards shared understandings that will underpin our future prosperity. These exchanges are critical at both the track 1 level, amongst government officials, but also track 2 – non-government. We would like to express our deep

appreciation to the SOM Chair and his team for their cooperation. We also want to acknowledge the critical role of our Chilean PECC committee and its host institution the Chile Pacific Foundation and all their staff for their support and efforts during this period. We look forward to our next Standing Committee and General Meetings in Malaysia next year.