

**PECC Update to SOM 3**  
**30-31 August 2022, Chiang Mai**  
**On behalf of Ambassador Zhan Yongxin and Dr Richard Cantor**  
**International Co-Chairs, Pacific Economic Cooperation Council**

On behalf of the members of the Pacific Economic Cooperation Council we thank you for this opportunity to update you on our ongoing work as well as the opportunity several representatives of our members have had to contribute to various discussions over the SOM 3 cluster. The deepened cooperation we have seen on a variety of issues is evidence of our continued commitment to provide stakeholder inputs to your work.

This update is organized into 2 parts: the current economic outlook and its implications for APEC's work; our observations on developments since SOM 2 and the MRT in relation to Thailand's priorities of Open to all Opportunities; Connect in all Dimensions; and Balance in Every Aspect.

### **Economic Outlook**

The deterioration in the economic outlook for the region and the world is of great concern. Not only have growth forecasts for this year been significantly downgraded but expectations for inflation have also increased precipitating a much tighter monetary stance. The supply-demand imbalances and logistics problems over the past 24 months as a result of the pandemic have been exacerbated as a result of the prolonged conflict in Ukraine. These times call for urgent cooperation on a range of issues and the rebuilding of trust among regional economies.

The achievement of the APEC 2040 Vision requires robust dialogue, stakeholder engagement, as well as effective cooperation to build trust and committed, confident relationships among member economies. The gains in income growth, poverty reduction, and technological development are at risk from the geopolitical conflicts as well as trade, investment, and technology development disputes we are currently witnessing. APEC's unique characteristics place it in a position to deal constructively and cooperatively with the challenges we face. However, a 'business as usual' approach during a time that requires renewed commitment from its members will not suffice. The foundation of that new approach has been built with the Aotearoa Plan of Action but implementation of that plan needs to begin especially given the problems that exist today.

### **Open to all Opportunities**

The positive outcomes from the 12<sup>th</sup> WTO Ministerial Conference not only demonstrate the value of cooperation and different approaches but that agreements can be achieved even under the current circumstances. To continue to be relevant APEC members need to demonstrate their willingness to cooperate in accordance with its core principles.

### ***Multilateral Trading System***

It would be of great value for APEC to consider the agreements made at the WTO and how to further deepen those understandings and move forward on key issues. There is considerable overlap between the agreement WTO members made to review and build on the lessons learned during the pandemic at MC12 with the work done at the CTI, its sub-fora, as well as other committees. The language used on 'learning lessons from the pandemic' echoes our chair's guidance on how and why we should have a refreshed conversation on the FTAAP. APEC work should inform multilateral discussions and can help demonstrate APEC's support for the WTO.

### ***Work on the Free Trade Area of the Asia-Pacific***

The discussions at SOM 2 and the MRT on the FTAAP form a strong basis to move forward on our work on regional economic integration and we look forward to further contributing to that effort. Our annual State of the Region report will focus on the FTAAP, providing some in-depth analysis as well as surveying our members on their views on different aspects of this agenda. We hope that this will provide you with useful ideas on how we can proceed.

APEC members need to recognize the risk of vicious cycles of non-cooperative policy-making and the cost that this will impose on regional businesses in terms of jobs and the prices that consumers pay. Technical work on multi-year plans on areas of common concern to members will provide an opportunity to step back from the negative cycle and focus on how to move towards common understandings on these issues. We hope that members will take full advantage of APEC's dialogue mechanism to understand the implications of the different approaches to regional economic integration taken in the various pathways such as the RCEP, CPTPP and Pacific Alliance.

### ***Food Security***

The WTO Ministerial Declaration on the Emergency Response to Food Security as well as the Black Sea Initiative are important efforts to alleviate food security concerns. However, the latest forecasts for wheat harvests this year have been downgraded highlighting the need for longer term solutions to these problems. We reiterate our call at SOM 2 to proactively identify elements of the Food Security Roadmap that would contribute to alleviating pressures on food security in the region and the world. The priority given this year by our hosts to developing a quality implementation plan for the Food Security Roadmap presents an opportunity for the region to address an issue of common concern across the region.

We welcome the resolve of WTO members to ensure that any emergency measures to address food security be temporary, targeted, and transparent. We also note the encouragement given by the WTO to members to release surplus stocks on the international markets consistent with WTO rules, amongst other recommendations.

We urge members to stand-by the UN brokered deal to facilitate the shipment of grains from the conflict-ridden region and protect the ships making those voyages noting the danger that the crew onboard those ships face. APEC's definition of logistics related services this year provides a valuable starting point for further work to make progress on the 2020 Statement on Services to Support the Movement of Essential Goods as well as key aspects of the APEC Food Security Roadmap and the Food Security Digital Plan which will include actions to modernize food storage facilities and logistics capacity, through increased exchange and cooperation among government agencies, businesses and institutes focusing on post-harvest management and technologies.

### **Connect in all Dimensions**

While travel restrictions in many regional economies, essential to the recovery of the tourism sector, have eased, there remains the risk of a fragmented travel regime emerging from the aftermath of the pandemic. This region accounts for 32 percent of tourism arrivals globally and an even larger 37 percent of outbound tourists. The actions taken by the economies around this table will have a lasting impact on the global travel regime. Examples of these include the frictions include the ways in which we recognize vaccination status but also other issues that have emerged such as whether PCR or ART tests are required pre-departure or on arrival, or requirements for travel insurance.

Therefore, the Voluntary Principles for the Interoperability of Vaccination Certificates in the APEC Region are a welcome initiative and urge economies to consider these principles in their domestic procedures. We urge APEC Officials to consider other factors that would impede the sustainable and inclusive recovery of the tourism sector. We note the considerable variation in the cost of PCR tests around the world, with tests costing over US\$200 and as low as US\$20 in different economies in the region. We urge APEC Officials to consider that the cost of insurance and test make travel less affordable at a time when families are already facing rising food and energy bills.

### **Sustainable and Inclusive Tourism**

In support of this year's priority to safely and seamlessly reconnect our region while staying focused on the objective to promote more sustainable and inclusive growth we organized a seminar to address these issues. While the pandemic has devastated the tourism sector, it is also an opportunity to

regenerate the sector in accordance with the principles laid out by APEC Tourism Ministers when they last met 4 years ago. Several recommendations emerged from our discussions., these include:

- Making economic support for the sector conditional on clear sustainability commitments from businesses;
- Deepening interaction with cultural leaders and local communities to enrich both the business leaders' understanding of their responsibility as well as travelers' experience;
- Engaging the youth in preservation programs ; and
- Encouraging tourism packages to include carbon offset schemes.

With the growth of the middle class around the world and especially this region, we believe that consumer preferences are changing from 'mass tourism' to more individualized experiences. The adoption of digital technology further facilitates this. This messages strongly echo the concept of 'happy tourism' outlined by the Thai Chamber of Commerce at the Policy Dialogue on the Bio-Circular-Green Economy at SOM 1.

### **Structural Reforms**

We welcomed the opportunity to work with our colleagues in ABAC to organize roundtables on the importance of structural reforms in the current challenging global economic context. We thank those who took the time to share with us their views on how structural reforms can contribute to the region's goals for more inclusive and sustainable growth. While these were very broad-ranging discussions we would like to highlight just 3 themes:

- The need to undertake policy, regulatory and capacity-building initiatives leveraging the APEC platform and regional public-private collaboration to provide an enabling ecosystem for the private sector to increase its contributions to economic growth, with focus on infrastructure investment, sustainable transition, inclusive digitalization and enhanced resilience;
- Developing and implementing a strategy to reverse growing digital fragmentation in the region; and
- Promoting standardized disclosures that provide credible, comprehensive and consistent information to multiple stakeholders to facilitate investment in sustainability

Work in these areas is critical to facilitating and encouraging private sector investment in new areas of growth for the economy,

### **Balance in all Aspects**

We are greatly encouraged by the progress made thus far on the Bangkok Goals on the Bio-Circular Green Economy. As part of our work on sustainable growth we recently held a seminar on "Managing the Blue Economy: What measures for a better governance and a sustainable use of natural resources?" A key question that was asked is whether policy is enough to move from science to action? One point was the need for a 'Blue Pacific' at the heart of future work. Therefore, we welcome enhancing conservation and sustainable use and management of coastal and marine resources as well as sustainable fisheries and aquaculture, including preventing and combatting illegal, unreported and unregulated (IUU) fishing; and work to prevent and reduce marine debris including plastic pollution as part of the Bangkok Goals.

We are continuing our work on supply chain decarbonization. One point we would like to emphasize is the importance of educating all stakeholders but especially consumers on these issues. At the same time, we note the practical difficulties of a just and realistic transition in supply chain decarbonization.

We hope to have a draft report by the end of September. The report will cover several important aspects of supply chain decarbonization including raw materials and input; logistics and design and manufacturing. It will also cover cross-cutting issues of a supporting a just and realistic transition and financial issues. Of the issues that have arisen from this work are the need to explore developing

common metrics, definitions and terminology and promoting private-public capacity building initiatives and collaboration.

**Future Meetings**

We will hold our General Meeting in Bangkok on 3-4 November on the theme “Asia Pacific Economy Beyond Thailand APEC 2022”. During our meeting we hope to have a frank and open discussion on: trade and investment; connectivity; and the BCG Economy. Our aim is to consider the changes that have taken place in recent years including the increase in geopolitical tensions as well as well the pandemic and the role regional cooperation should play in addressing these issues beyond 2022.

Thank you.