

**PECC Statement
APEC Ministerial Meeting
Thursday 17 November 2022
Ambassador Zhan Yongxin and Dr Richard Cantor
International Co-Chairs, Pacific Economic Cooperation Council**

- H.E. Mr. Don Pramudwinai, Deputy Prime Minister and Minister of Foreign Affairs, and
- H.E. Mr. Jurin Laksanawisit, Deputy Prime Minister and Minister of Commerce.

On behalf of the members of the Pacific Economic Cooperation Council (PECC), we thank you for this opportunity to address your meeting. Just two weeks ago we held the PECC General Meeting here in Bangkok, we express our great appreciation to His Excellency Mr. Don Pramudwinai, Deputy Prime Minister and Minister of Foreign Affairs for taking the time to address our members and the International Studies Center of the Thai Ministry of Foreign Affairs for hosting our meetings. At our meeting we adopted the forward-looking theme of ‘The Asia-Pacific Economy Beyond 2022’. This statement is based on those discussions as well as our ongoing work program.

Just 12 months ago the results of our annual survey showed a sense of optimism over the prospects for economic growth with 55 percent expecting stronger economic growth for the world. Now, 54 percent of respondents to this year’s survey expect weaker growth for the world economy. Forecasts for the region’s economic growth have also been downgraded from 5.1 percent for this year down to 2.6 percent. That downgrade extends well-beyond this year with growth not expected to return to baselines until 2026. This dour forecast is not written in stone and with this region accounting for 62 percent of global output in current US\$ terms and 48 percent of global trade in goods and services, much depends on the actions by APEC member economies.

Balanced, Inclusive, and Sustainable Growth

We selected the theme of our General Meeting to consider how recent events were impacting the long-held vision of the region. In our annual survey on the State of the Region, climate change was ranked as the third highest risk to growth by respondents from business, government and the non-government sectors. This reaffirms the view expressed by Minister Don Pramudwinai at our meeting on the need to look beyond short-term recovery and towards longer-term goals such as the Sustainable Development Goals (SDGs) and the Putrajaya Vision. For many years around 25 percent of respondent to our survey selected climate change as a risk to growth for their economies, last year there was a dramatic increase to 43 percent and that level of concern was maintained this year at 38 percent.

We had a robust discussion on how APEC can enhance the development of the Bio-Circular Green Economy at our meeting. We found strong support for this approach, emphasizing its value as a single coherent framework to achieve sustainable and inclusive growth. The recognition of climate change as a risk to growth reflects the increasing view from both the business community and consumers on the need to prioritize sustainability. Businesses have been incorporating environmental, social and governance issues into their reporting and used to screen investments, which is then reflected in the cost of production. Consumers are increasingly willing to pay for this as part of their subjective value – we discussed whether this ‘sustainability theory of value’ would apply more broadly across sectors of our economies. We therefore welcome the initiative taken by Thailand and APEC with the Bio-Circular Green Economy which provides a systematic and coordinated approach to issues that are critical to all our economies and underscore the value of the interface between these three dimensions.

We are, however, concerned over the potential cost of the various policy options especially to emerging economies and micro and small and medium enterprises. In this context, regional cooperation is an invaluable tool to create larger markets for instruments like carbon credits and ensure compatibility between the various policies we adopt. We note that whether governments seek to achieve their carbon reduction aims through explicit pricing mechanisms or regulatory approaches they will impact prices and relative competitiveness. There is a trade dimension to this that

necessitates cooperation. Through cooperation we can work together regionally and globally to develop mutually agreed definitions of what is 'green' and help to mobilize finance to develop new technologies at scale and fund mitigation and adaptation projects.

We are faced with choices but careful and deliberate study of our options and how they interact with different systems is required. The BCG model is an approach that allows us to do this together.

Reconnecting the Region

We welcome the work done by APEC this year to reconnect the region. However, concerns over the possible fragmentation of the global economy expressed in our survey indicate that a lot more work needs to be done. For example, 62 percent of respondents believe that capacity limitations on port operations and related logistics constraints had a major effect on global supply chain disruptions over the course of the pandemic. Furthermore, progress on the region's goals on connectivity was considered as the fifth most important issue for APEC Leaders' to address at their meeting. However, in spite of the serious temporary disruptions to connectivity over the pandemic, it has been more in form and pattern than volume. International production networks proved to be relatively resilient albeit with the higher transaction costs.

At the APEC Trade Ministers' Meeting this year, APEC endorsed a definition of logistics-related services as part of the follow up to the statement last year on Services to Support the Movement of Essential Goods. While improving the quality of regulation of all essential services was considered as important, the top three were transport services; free flows of data and distribution services. Indeed, stakeholders believe that the implementation of new digital technologies can play a significant role in improving supply chain performance. Policy certainty, regulatory predictability and stability of business and investment environment are among the most important decision-making factors for businesses, therefore as part of the effort to reconnect the region and build back better, APEC members should work to remove as many sources of uncertainty as possible. In the context of logistics-related services and other essential services, this refers to making more serious efforts towards reducing regulatory differences between economies.

Those regulatory differences in logistics also threaten to impede the growth of the digital economy. Since the pandemic, governments have been implementing regulations for the digital economy especially in areas of data governance; online content moderation and competition law. While motivations for digital sector measures are often common across economies, solutions differ and the heterogeneity adds to trade costs.

As mentioned, issues in value chain operations related to resilience and robustness are not going to be resolved without the application of digital technology. The enablers are regulatory reform and standards alignment. It is also possible to adopt digital technology at a single point in the chain but change will occur if it is at the ecosystem level. The benefits for SMEs in particular of getting this right are very large. An important cross cutting item is the application of standards – these could be technical standards applied to goods, professional standards in services, or various standards applied to data. Finally, a policy area of emerging interest with international dimensions was the application of competition policy to cross border operations, in particular, digital intermediate platforms, where there are issues of market power and consumer protection. There are divergent views on how to proceed, or in some cases, there is simply uncertainty about how to proceed, a situation which is familiar when new technologies make possible new forms of international business.

Overall, then, there is a challenging situation in the region associated with an increase in the application of restrictions generally, but at the same time an important driver of those changes is the presence of geo-political tensions. Here APEC as a dialogue mechanism make a substantial difference encouraging exchange of views in a non-binding setting.

We heard calls for the need to measure progress on connectivity in light of the Covid-19. Recalling that in 2013 APEC regional leaders recognized that the achievement of the vision of an Asia-Pacific

community required seamless physical, institutional, and people-to-people connectivity and adopted an APEC Connectivity Blueprint in 2014, we established a task force to develop a Connectivity Index. The first version was published in 2019. There were three main conclusions from this work:

- The three pillars are self-reinforcing and inter-related;
- No one size fits all – no matter how one looks at the data – economies in the region for a variety of reasons are pursuing different models and approaches.
- The region-wide priorities for improvement were: physical – transport and infrastructure; institutional – trade facilitation and intellectual property; and people-to-people: educational mobility and labor exchange.

These differ from economy-to-economy and are likely to have changed significantly since the index was published. We will be looking into this as part of our work over the coming months.

Open and Sustainable Trade and Investment

During our General Meeting we examined the trends in trade policy in our region and what can be done considering the reality of the impacts of possible new pandemics and changing geo-politics on the economies, down to production level, particularly taking into account the prolonged conflicts of Russia and Ukraine, and their impacts on global energy trade and global finance.

Comparing pre and post-Covid data, there have been shifts in both composition of trade measures – both liberalizing and restricting. Pre-Covid a very high share of measures applied to goods limited trade, but that share fell post-Covid. The opposite was the case with more services restrictions during the Covid era.

In spite of, or maybe because of, concerns over a fragmenting global economy, we find that regional stakeholders remain favorable towards the vision of a Free Trade Area of the Asia-Pacific. This is reflected in ‘a refreshed conversation on the Free Trade Area of the Asia-Pacific’ being the second highest priority among respondents to our survey, at the same time they were not oblivious to the difficulties of making progress on this issue with the top issue to ameliorate geopolitical and trade conflicts in the region. We see two ways of interpreting these findings: stakeholders believe that working together on an FTAAP can be a way to help to resolve long-standing trade issues; and also that APEC, provides an opportunity for informal discussions and side meetings that help to establish a better, more predictable atmosphere.

There was a sense that we will not return to the status quo ex ante, but we recognize that as we move forward, future patterns of trade and investment require cooperation. We remain deeply concerned over the growing trust deficit in our region and beyond, to overcome these we need to develop creative solutions. This includes working on FTAAP, especially because we have the CPTPP and RCEP now in place, but we need to ensure their implementation and ultimately all of these need to support multilateralism under the WTO. A conscious effort needs to be made by domestic policy processes to take into account the international trade dimensions of policy. Often domestic agencies lack a mandate to do so but the trade effects can be significant, differences in approaches to data privacy and security were raised as an example. We believe that there is a shared interest in finding ways to discuss these issues of common concern.

As APEC embarks on the process of achieving the Putrajaya Vision through the Aotearoa Plan of Action, it was suggested that a peer review mechanism be adopted as it was for the Osaka Action Agenda. The emphasis and objective of such a process is to share experience on policy design as well as information on reform programs and clarify expectations about their impact. In the process, they add to domestic support for the achievement of APEC’s long-term goals.