

PECC Statement
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- Secretary Antony Blinken and Ambassador Katherine Tai, Co-Chairs of the 34th APEC Ministerial Meeting.

On behalf of the members of the Pacific Economic Cooperation Council (PECC), we thank you for this opportunity to provide you with an update and our perspective on regional developments and progress towards the Putrajaya Vision.

PECC was created in 1980 and consists of individuals from the academia, business, and government organized into member-committees who share a belief in the critical importance of cooperation in the region to our own as well as global peace and prosperity.

We establish task forces and project groups to consider actions the region can take collectively to further this vision. This year our work has included in our annual report on the State of the Region; reports on Challenges and Opportunities for Regional Economic Cooperation in the Post-Pandemic era, and Opportunities for Supply Chain Decarbonization as well as numerous other projects led by our member committees. Our statement today is based on that work.

In support of APEC's efforts to broaden stakeholder engagement we held our annual General Meeting in Seattle alongside APEC SOM 3 on the theme '*Building a Resilient and Interconnected Region that Advances Broad-Based Economic Prosperity*'. We thank this year's host for facilitating this effort and look forward to further deepening interactions between our members and the APEC officials.

Critical Role of APEC

Since the first APEC Economic Leaders' Meeting 30 years ago, our region has been through 3 major shocks including the recent pandemic. Despite this, APEC member economies have endured, growing at an annualized rate of just over 5 percent. However, the challenges we face today – the polycrises - deepening inequality, climate change, and health security among others, against the backdrop of slowing economic growth and rapid technological change pose a real threat to the region's future prosperity and the achievement of the Putrajaya Vision. Moreover, ongoing conflicts in the world have undermined the ability to forge global consensus and progress on these vital issues but critically also raised prices for consumers adding to already rising inflation and creating a less than favorable global and regional economic environment for finding solutions.

At the same time, placing these challenges in a historical context provides some cause for optimism. In 2011, the last time APEC was hosted by the United States, in our statement to APEC Ministers we underscored the importance of restoring a sense of confidence in global economic cooperation and leadership as well as the key role of the Asia-Pacific. Looking back even further, to the very first time that APEC Leaders met in 1993, our message was clear, APEC is a new model for international cooperation, its non-binding principle allowing it to be flexible, innovative, and adaptable to changing circumstances.

The crises and challenges we have faced and continue to face are common to all of us – every single economy and perhaps every family in our region suffered some loss due to the pandemic. The impacts of climate change are already impacting all our economies. APEC, through its dialogue mechanism provides an

ideal forum for informal exchanges that must be better harnessed to not only identify common areas of interest but also to work through the differences that we have.

Building Resilient Economies

APEC's ability to anticipate issues should not be underestimated. In 2014, at the regional APEC High-Level Meeting on Health and the Economy in Beijing, members adopted the "Healthy Asia Pacific 2020" initiative. With some foresight, this included pandemic preparedness as one of its key themes, and the need to coordinate and collaborate on matters of health security, working with stakeholders to prevent and/or mitigate the impact of outbreaks. Given the impact that the pandemic had on our region, the work done under this initiative should be reviewed and renewed to minimize the impact of future pandemics.

With the formal ending of the public health emergency of international concern earlier this year, attention will move towards other issues. For example, the percentage of respondents who selected a health pandemic as a risk to growth for their economy has fallen from a high of above 70 percent to 16 percent in our most recent survey. While this is natural given the plethora of other risks we are currently facing, we need to be prepared should another pandemic come – learning the lessons from Covid and unite and cooperate to increase our resilience to pandemics and other shocks.

One of the challenges that is front of stakeholders' concerns is climate change. Prior to the pandemic around 20 percent of respondents selected it as a risk to growth, this has now doubled to around 40 percent. Our common vulnerability to climate change – in the form of more extreme heat, and the increased frequency (and cost) of natural disasters is a shared concern among all parts of our region.

To support the theme of inclusive growth, this year's survey and analysis are more granular to better investigate differing views between different stakeholders, sub-regions, and genders. There were some important differences in perspective on climate change, for example, not only were female respondents more likely to select climate change as a risk to growth compared to males, but they also ranked action on it as the top priority for APEC Leaders' discussions while males ranked it fifth highest.

While much of the work on climate change takes place in other fora, there is much that APEC can do. The Bangkok Goals on the Bio-Circular-Green (BCG) Economy which builds on previous initiatives and articulates work ahead. However, there is a sense among stakeholders that more can be done. For example, not only did respondents to our survey selected climate change as the second highest risk to growth for their economies, but also ranked updating the region's ambitions on climate and clean energy as the fourth highest priority for APEC Leaders' discussions. In addition to this, we note that enhancing adaptive capacity, strengthening resilience, and reducing vulnerability to the adverse effects of climate change and associated risks, is one of the action areas for the Bangkok Goals. However, while difficult to track, expenditure on adaptation accounts for only 7.4 percent of total climate finance. This is an important area where APEC can shed light and work together to find solutions.

Furthermore, as far as mitigation is concerned, although the region has significantly increased the use of renewable energy in power generation, just two economies – China and the United States account for 80 percent of the total increase. This further underscores the need for greater cooperation in this area. The IEA finds that investment in renewables is now far larger than other energy sources, rising from 53 percent of total investment in energy pre-pandemic to 62 percent. The levels are far higher for advanced economies at 82 percent compared to 63 percent in emerging markets. Finding win-win solutions to the climate crisis and bringing new technologies to all parts of the region is an issue on which the whole region can cooperate.

Towards an Inclusive Digital Future

A critical part of achieving the Putrajaya Vision is fostering quality growth – bringing benefits to all segments of society. However, that ‘driver’ of the vision suffered an enormous set-back during the pandemic. According to our survey results this year, while 76 percent of respondents think that the recovery from the pandemic has been moderately inclusive, 12 percent think that it has been not at all. Perhaps of greater concern to APEC is that 59 percent of respondents thought that micro, small and medium enterprises (MSMEs) were lagging behind in recovery. Differences in gender perspective were most stark on this issue, with 41 percent of female respondents saying that women had been lagging behind in the recovery, compared to just 26 percent of males.

Our survey also highlighted concerns about the impact of rapid technological change on inequality. The inability of education to prepare people for real jobs and rapid technological change came top of the list of issues that have a major impact on inequality. At 52 percent of respondents this was double the percentage that thought that trade with other economies has had a major impact. There is a warning in the survey results that while 82 percent of respondents think that more open trade and investment has had a positive impact on their economy, a substantial 25 percent think that trade with other economies has had a major impact on inequality and a further 47 percent think that it has had a moderate impact. While views on trade across all sub-regions, genders and sectors were generally aligned, North Americans were the least likely to say that trade has had a major impact on inequality, instead, they were considerably more likely to select rapid technological change as having a major impact. Among sub-regions, North Americans were also the most likely to select discrimination against specific groups on the grounds of gender, ethnicity as having a major impact, we also saw the same differences between females and males on this issue.

The pandemic, in many ways, accelerated the pace of technological change, with more and more people using digital tools. However, there is the perception that we are not ready for this. Therefore, more work needs to be done to implement APEC’s Internet and Digital Economy Roadmap. Even as merchandise trade growth has been slowing, we are seeing faster growth in trade in digital services. This agenda needs to be addressed to ensure that the next phase of globalization and integration is far more inclusive than previously. The digital economy provides the opportunity to reduce information asymmetries that have prevented smaller businesses from engaging in international trade and new payment and other tools help to reduce costs. However, the structural changes that come with this rapid change need to be addressed.

At the same time, there remain significant challenges with the digital divide – in terms of both access to the internet, as well as cost and quality. Even though an estimated 291 million more people in the region use the internet now compared to before the pandemic, there are still some 644 million people not using it.

Respondents’ views on what governments should do to address inequality were almost the mirror image of what they think are its root causes. When asked what governments should do to make growth more inclusive moving forward, the top three were: improve access to education, training, and childcare opportunities; promote equal access to new opportunities and employment; and strengthen human resource development policies for the digital age targeting workers displaced by structural changes.

Connectivity in the Post-Covid Context

Digital connectivity and innovation are critical in achieving an inclusive, resilient, and sustainable recovery. In addition to the hard infrastructure promoting digital skills, encouraging the adoption of innovative working methods to ensure that MSMEs and startups are able to harness new and emerging technologies and digital eco-systems.

Governments can play a significant role in this process by establishing a rules-based, open global system to ensure the free and safe flow of data. This region has been a pioneer in establishing a Privacy Framework as

well as various plurilateral agreements among its members including the Comprehensive and Progressive Agreement for Trans-Pacific Partnership, and Regional Comprehensive Economic Partnership. Ensuring both the balance between the free flow of data and privacy and cybersecurity as well as the interoperability of different systems is a critical issue.

A key pillar of APEC's Connectivity Blueprint is people-to-people connectivity. Over the course of the pandemic these exchanges dropped dramatically. While the use of videoconferencing helped to keep people connected, it cannot fully replace more dynamic in-person interactions. While region is focused on tourism, as well as business and educational mobility underlying these exchanges is the building of a stronger sense of community among our people that will be so vital to the achievement of the Putrajaya Vision. They not only provide a platform for business and knowledge exchange but also deepen mutual understanding, respect, and compassion. With the increase in interdependence we have seen in recent years, these characteristics are even more vital in today's challenging world to rebuilding trust and provide a starting point for resolving the conflicts we are seeing today.

Responding to Stakeholders

In this spirit we welcome the emphasis that has been placed this year on stakeholder engagement. To support this initiative, we held our General Meeting alongside APEC SOM 3. The discussions looked at Digital Solutions to Environmental Challenges and Climate Change; Technology to Broaden Workforce Participation; and Digital Tools to Enable SME Access to Global Markets. We also had a joint session with Senior Officials to look at the evolution of artificial intelligence and the challenges and benefits it poses.

While respondents to our survey remain positive about the importance of trade and integration for growth, it comes with the caveat that more needs to be done to consult with a broader range of stakeholders. For example, above 50 percent of respondents thought that regular consultation with business and legislatures was 'just right', but other stakeholders lagged far behind. Less than 30 percent of respondents thought that consultations with the academia, local governments, organized labor and MSMEs were just right. Given APEC's desire to promote MSME engagement, it should be a concern that there is a view that consultations with them are far less than the business community more generally.

Even fewer thought that regular consultations with civil society and the general public were just right. This perception of a relatively exclusive process was also evident in views on the mechanisms used to gain stakeholder views on trade policy and trade agreements. Around 50 percent of respondents thought that consultations with trusted advisors and chambers of commerce took place frequently, while other more open mechanisms were seen as being used far less such as workshops and seminars, information campaigns, open forums during negotiating rounds, and public submissions.

With more and more trade agreements, economic partnerships, and frameworks as well as other initiatives being developed, and as the region seeks to make growth (and trade in particular) more inclusive, information sharing on not only the modalities of stakeholder engagement but also how to effectively respond to their needs would be extremely valuable.

Priorities for APEC

As we seek to make progress on the Putrajaya Vision and APEC's other goals, respondents remain deeply concerned about geopolitical and trade conflicts in the region. Dealing with them was a top priority for our respondents, along with strengthening supply chain resilience; structural reforms; climate change and supporting the multilateral trading system and WTO. Even though APEC is primarily an economic forum, there is clearly a view that dealing with the ruptures in the community that have emerged in recent years are paramount. On the occasion of the 30th anniversary of the first APEC Leaders' Meeting, it is worth recalling that even back in its formative years there was a strong acknowledgement of both our diversity as

well as our interdependence. But as the spirit of openness and partnership deepens, as a community of Asia-Pacific economies, it will enable the region to find cooperative solutions to the challenges of our rapidly changing regional and global economy.

With the manifold problems facing the world, APEC members should stand as exemplars of a spirit of community, and openness providing practical problem-solving solutions., recognizing that it is in our own best interests to do so. That sense of concerted unilateralism -the identification and sharing of common objective but working towards their achievement needs to be strengthened during these difficult times.