

PECC STATEMENT
MR EDUARDO PEDROSA, SECRETARY GENERAL, PACIFIC ECONOMIC COOPERATION COUNCIL
APEC MINISTERS RESPONSIBLE FOR TRADE (MRT) MEETING
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Cerro Juli, Arequipa, Peru

Ms. Elizabeth Galdo, Minister of Foreign Trade and Tourism, MRT 2024 Chair, APEC Ministers Responsible for Trade. On behalf of the co-chairs of the Pacific Economic Cooperation Council, it is our privilege to submit this statement to you.

This statement is based on the work PECC undertakes in support of regional cooperation. This work includes an annual survey to gauge the views of the regional policy community on issues related to APEC's work. The results of our annual survey indicate deep concerns about progress towards the achievement of the Putrajaya Vision. While most concerned about the immediate risk of the rising cost of living, three of the top five risks are all associated with trade policy:

- the slowdown in world trade growth;
- geo-economic fragmentation, and
- increased protectionism and trade wars

Moreover, respondents believe that APEC can play a positive role in addressing these issues. The top five issues that they selected as priorities for APEC were:

- Strengthening supply chain resilience;
- Structural reforms, good regulatory practices, standards alignment, and anti-corruption efforts;
- Ameliorating geopolitical and trade conflicts in the region;
- Updating the region's ambitions on climate and clean energy; and
- Support for the multilateral trading system and the WTO.

Trade Liberalization: WTO

Over the ten-year period from 2007 to 2017 the percentage of respondents who selected support for the multilateral trading system as a priority for APEC drop from over 50 percent to under 10 percent. From 2018 onwards a continued high percentage of respondents thought that support for the multilateral trading system and the WTO should be a priority for APEC. While some saw the WTO as purely a negotiating forum, the dysfunction of the dispute settlement mechanism was a wake-up call to the importance of not just setting the rules of trade (and updating them) but also their enforcement.

APEC has played a critical role in building consensus on new and often difficult trade policy issues. This includes the Information Technology Agreement (ITA) and more recently to the Non-binding Principles for the Domestic Regulation of the Services Sector. APEC's non-binding framework and diverse membership provides a unique venue to test ideas that can be taken up in more formal settings including the WTO and plurilateral agreements.

However, APEC's ability to meaningfully contribute to the multilateral trading system is increasingly under threat despite its commitment to the pursuit of the Putrajaya Vision. As stakeholders indicated in our survey rising costs are seen as a top risk to growth while strengthening supply chain resilience was the top priority. Trade ministries can address these issues through implementing Phase Three of APEC's Supply-Chain Connectivity Framework.

In its efforts to pursue freer trade as well as sustainable and inclusive growth, stakeholders believe that addressing climate change and supporting the multilateral trading system should both be priorities. The San Francisco Principles on Integrating Inclusivity and Sustainability into Trade and Investment Policy provide a framework to address stakeholder concerns about freer trade while continuing to pursue APEC's long-term vision. APEC's work on these issues can further articulate how the rules-based multilateral trade system can address legitimate public policy objectives at the same time as ensuring that they are the least trade restrictive means to do so. This underscores the need to make progress on the mandate given at MC13 to not only make trade-rules relevant to the modern economy but also lays the foundation for an efficient system to request consultation among WTO members on the application of those rules.

Trade Liberalization: FTAAP

We welcome continued efforts to inject renewed dynamism into APEC's work to achieve a Free Trade Area of the Asia-Pacific (FTAAP). As APEC considers how to re-energize work on FTAAP, we recall that when Leaders committed to taking concrete steps towards its realization, they also adopted a strategy for more balanced, inclusive, sustainable, innovative, and secure growth. In that strategy APEC Leaders made an explicit connection between inclusive growth and public support for free and open trade and investment. Leaders recognized, among others, the need for policies that increase opportunities for workers to benefit from regional economic integration; as well as re-employment programs, training, skill upgrading, education, and strengthened social safety nets that enhance employability, help create high-quality jobs, and ensure long-term economic security. While the macroeconomic benefits of freer trade are clear, rising income inequality and job insecurity create a difficult environment to make progress on an FTAAP.

A renewed look at an FTAAP in the current context offers a blueprint for a rules-based system to resolve outstanding issues that build on elements from APEC's existing work. The entry into force of agreements such as the RCEP, CPTPP and the Pacific Alliance, as well as sector-specific agreements like DEPA provide an opportunity to consider the evolving trade architecture and the role of APEC. In this spirit, we established a task force of regional experts on "FTAAP: Pathways to Prosperity." The discussions among that group highlighted the breakdown in trust and the risk of vicious cycles of non-cooperative policymaking. At the same time there was a recognition of the significant benefits for more inclusive and sustainable growth through the adoption of digital solutions and low-carbon technology.

While there are numerous problems that need to be addressed, our task force is working on issues on which PECC can add the most value on trade and climate change; services and good regulatory practice ; and the mobility of professional services.

The rationale for choosing these issues is the rapid changes in our economies, the challenges that arise from them and the role of trade policy in addressing them. For example, we focused on services and good regulatory practices because economic modelling suggests that the biggest benefits will come from addressing reducing regulatory frictions, especially those on services. The services sector has not only been the fastest growing in regional economies but also creates the most jobs. While APEC has made progress on this issue through the Blueprint for Advancing Good Regulatory Practices among others, more efforts are needed to understand the gaps in current arrangements on good regulatory practice and relevant provisions in regional trade agreements. There are two areas where neither existing frameworks nor common understanding exists at present are also explored. These are the digitalization of services trade, and the role of services in, and the impact on services of, the application of artificial intelligence technologies.

The second issue we are addressing is climate change and trade. While a good start has been made in such areas as environmental goods and services, it finds that in four key areas, trade and investment policies are contributing significantly to climate change rather than helping to alleviate it. These are: carbon leakage; tariff and NTB escalation; subsidies; and the incompatibility of specific trade rules with climate policies. A focus on

the goal of integration in the context of an FTAAP can begin to reduce and eliminate these concerns and create a win-win solution for all regional economies.

Related to the increased digitalization of trade and services, our task force is looking at the role of Mutual Recognition Agreements (MRAs) in provisional services. This work explores new drivers and developments impacting on professional services trade and outlines current pathways and arrangements for recognition, including existing MRAs and provisions in RTAs.

Trade Facilitation and Trade and Inclusion

The risks to growth cited above are those of all respondents. However, there were significant differences among stakeholders on the extent of the threat these issues pose to growth.

Given the focus during these meetings, we highlight the significant differences in views between female and male respondents on risks to growth and priorities for APEC. For example, more female than male respondents were concerned about the risks of climate change and the rising cost of living. Similarly and even more striking were differences between respondents on gender-specific issues, thirty percent of female respondents selected women's economic participation in the economy as a top priority for APEC compared to seventeen percent of male respondents. There were similar differences of views on priorities among different sectors especially on the importance of addressing inclusion in trade.

These differences demonstrate the need for APEC to implement Leaders' instruction to embrace stakeholder engagements. Such engagement will help to bridge differences in views and help identify issues for further work. The holding of a Joint Meeting of Ministers Responsible for Women and Ministers Responsible for Trade provides a valuable opportunity for such an exchange of views.

Stakeholder Engagement with APEC

We appreciate the recognition that APEC Leaders gave to stakeholder engagement last year and look forward to continuing that process. As part of our response to the need to deepen stakeholder engagement, we are once again holding our General Meeting during a Senior Officials cluster of meetings. In addition to providing a venue for an exchange of views among different stakeholders on the challenges facing international cooperation, our General Meeting will address the risks to growth, APEC's priorities for 2024, as well as the priorities for APEC identified in our survey.