

PECC Update
APEC Concluding Senior Officials Meeting
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On behalf of the members of the Pacific Economic Cooperation (PECC), we would like to provide you with a report on our recent activities. We thank the government of Peru and the Peru PECC committee for their invaluable support in organizing our General Meeting during SOM 3. This collaboration aligns with our shared goal to increase stakeholder engagement in the APEC process. We have already reported the key messages from that meeting but would like to reiterate the importance of regional cooperation in addressing the challenges that we face.

This update is based on our recently released State of the Region report, and our project on FTAAP: Pathways to Prosperity. The focus of this year's report is on aging populations, productivity, and economic growth in the Asia-Pacific. Forecasts on the outlook for the region are supplemented by our annual survey of stakeholders. We emphasize that it is not a survey of public opinion but rather experts from the business, government, civil society, the academia and research sectors.

As Leaders have set out in the Putrajaya Vision, we have tried to expand our survey to include different types of stakeholders including civil society and media. This work is ongoing and hope that we will improve the balance of respondents among different stakeholder groups. Similarly, the survey includes all the sub-regions of the Asia-Pacific, North America, Northeast Asia, Oceania, Pacific South America and Southeast Asia. While trying to provide the overall views of stakeholders, we recognize significant diversity in the region and identify some areas where there are divergent views. We find this a useful way to identify areas where more work is needed. Given the focus of this year's report on demographics, we have also provided the results of the survey according to different age groups.

Trade and investment for inclusive and interconnected growth.

Our latest report on the state of the region is now online and we hope that officials will find it a useful reference and baseline of how stakeholders see regional developments.

Even though forecasts for economic growth for the Asia-Pacific are slower over the next 2 to 3 years, respondents to our survey are most optimistic with 56 percent expecting stronger growth over this period, and just 15 percent expecting weaker growth. Respondents were also positive about growth prospects for their own economies, with 41 percent expecting stronger growth and 24 percent expecting weaker growth. However, views on the growth prospect for the global economy were evenly split with the pessimists slightly outweighing the optimists.

We are particularly concerned about the perceptions of risks to economic growth with the top 5 all related to trade. At the same time, it is worth noting that while rising costs had been the top risk to growth over the past 2 years, it has dropped to the sixth highest risk. Without going into the details, the frictions that have been mounting in recent years are now seen as the top risk to growth, followed by increased protectionism and trade wars, climate change, global supply chain issues, and geo-economic fragmentation.

While there were differences in views on the extent to which these risks would impact regional economies, APEC's work to find a renewed look at the FTAAP provides an opportunity to

address some of these frictions and provide a venue to encourage greater transparency on issues that have, in many ways, led to reduced support for freer trade.

Instead of increasing, APEC members' share of global exports services has fallen since it peaked in 2016. The latest data suggests that APEC members are unlikely to reach the targets set in 2016. The review in 2025 provides an opportunity to set out new work programs to benefit from services trade. One policy aspect that needs to be addressed is good regulatory practices for services.

Specific areas of work are:

- Capacity-building work to help economies implement the agreed WTO disciplines on services domestic regulation that will be applied both regionally and multilaterally.
- Deepen its work on digital trade to develop a common regulatory framework for the region that can support realization of the FTAAP vision.
- Bringing discussions of artificial intelligence as an integral part of economic and trade policy analysis rather than viewing it only as a technology.
- Identify the type of regulatory framework suitable for the region to deal with services-delivered applications for AI deployment.

We welcome this year's APEC Policy Report on Structural Reform and Financial Inclusion. A quarter of respondents to our survey selected the failure to implement structural reform as a risk to growth. As important addressing trade barriers is, structural policies that promote innovation, transparent, and competitive markets; ensuring access to opportunities, and skills development among others, hold the promise of broad gains for regional economies, especially in adjusting to rapid technological changes.

Innovation and digitalization to promote transition to the formal and global economy.

The work undertaken by APEC to harness innovation and digitalization to promote the transition of informal actors to the formal economy is an important initiative that needs to be carried out over the coming years.

We appreciate the update on the implementation of APEC's Internet and Digital Economy Roadmap (AIDER). As noted, the opportunities exist but barriers persist, at the most basic level, access to affordable, low cost and reliable internet across the way through to the ability to harness artificial intelligence and issues related to intellectual property rights.

Work on good regulatory practices and their application to the digital economy are critical factors to the second driver of the Putrajaya Vision's vision – innovation and digitalization. Over the past few years there has been a steep rise in trade of "digitally deliverable services", many of these are already being delivered with a deep impact on businesses and consumers. The rapid rise in revenues of platforms is one useful proxy for this growth, for example a growth of closer to 23 percent annually for one such company. Many individuals are making use of these platforms to earn supplemental income by providing services through them or selling merchandise online.

These developments underscore the importance of APEC's work on the digital economy and the promise it holds for more inclusive growth. However, while the digital economy provides opportunities, problems exist in terms of liability and consumer protections that need to be

addressed for the creation of new jobs and entrepreneurs to reach larger markets. This creates a unique role for APEC to play in the future.

Sustainable growth for resilient development.

Since the pandemic, there has been an increased perception of risk to economic growth from climate change. Between 2011 to 2019, an average 19 percent of respondents to our survey selected it was a top 5 risk to growth. However, from 2020 to 2024, this increased to 37 per cent. The immediate economic risks include an increased number and intensity of natural disasters, causing significant human and economic losses. We urge regional governments to intensify their focus and financial resources to adaptation. Despite agreement to have balanced financing between adaptation and mitigation, only 28% of climate finance goes to adaptation. APEC members play a crucial role in addressing climate change, with goals to reduce energy intensity by 45% by 2035 and double the share of modern renewables by 2030. Progress has been made, but more efforts are needed.

Thank you.