Background Paper: Harnessing Inclusive Opportunities, Embracing the Digital Future

Purpose: Information
Submitted by: Papua New Guinea

APEC 2018 PAPUA NEW GUINEA

**Informal Senior Officials' Meeting
Port Moresby, Papua New Guinea
6 December 2017**

"Harnessing Inclusive Opportunities, Embracing the Digital Future"

1. Introduction

Papua New Guinea's theme for its APEC host year in 2018 is titled, ***"Harnessing Inclusive Opportunities, Embracing the Digital Future."***

1.1 Introducing the Theme

The theme takes into account the current global economic conditions and regional undertakings, including the post-Bogor discussions, and Papua New Guinea's intra-regional and domestic development challenges and priorities.

In a nutshell, Papua New Guinea (PNG), through this theme, is providing APEC with an opportunity to strategically work on growth, inclusivity, and sustainability, while at the same time, embrace critical opportunities in the digital economy. It is saying that in order for PNG to remain open for business, we need to think and embrace technology and the internet.

The theme encompasses the advancement of APEC's collective work on the Leaders' Growth Strategy (2010) and the Connectivity Blueprint (2014). This brings to the fore, discussions on the digital age, and APEC beyond 2020 can work towards embracing it, while ensuring that the opportunities in the region are balanced, equal, and inclusive, for all who live in it.

1.2. Embracing the Digital Age

The 21st century presents new challenges and opportunities. The global and regional environment is being transformed by rapidly unfolding fourth Industrial Revolution through the rapid adoption of new information and communication technologies. It brings the world even closer by the minute. APEC Leaders understood that when they instructed APEC officials in 2014 to recognize the role of the Internet Economy in promoting innovative development and empowering economic participation of member economies.

The Internet and Digital economy agenda relates very closely to APEC's trade and investment facilitation initiatives. It can contribute to driving growth in productivity, promote innovation and structural reform, empower the economic participation of MSMEs and vulnerable groups, and support human resources development in the region. It contributes to increasing market access. Moreover, it can play a pivotal role in promoting inclusive and sustainable growth. As we approach the final years of the Bogor Goals, discussions should now start on what form APEC should take beyond 2020, and how the digital economy could have an impact.

There continues to be significant diversity among APEC's 21 member economies; from the large developed economies in APEC such as the US, Japan and Korea to those developing economies such as PNG on their capabilities to adapt to the newly emerging technologies in the rapidly changing world of the digital age. These differences include information infrastructure, hardware and internet capability and coverage; education levels; HRD; or even language barriers. These are the challenges that PNG must address to keep up in the digital age.

PNG must overcome the challenges of the "digital divide" by harnessing opportunities in APEC to bridge this divide through its 2010 Growth Strategy, and casting the spotlight on these challenges.

(a)   PNG and the Digital Age

According to the Business Call to Action - Bridging the digital divide[1] PNG the largest developing economy in the Pacific region, has relatively low penetration rates in the region. Its challenging terrain and limited internet coverage isolates its 85 per cent rural-based population. In 2005, this changed for the better when the government reformed the IT sector. It opened up mobile telephony to competition.

In 2016, only approximately ten per cent of the total PNG households were connected to the national electricity grid. Access to solar power, while currently limited, could facilitate greater connectivity, providing to millions cost-effective and efficient energy to their homes to promote economic development. Solar power is environment-friendly and safe. It promotes greater access to communication and information through voice, SMS, or data services. Access to safe, reliable and sustainable energy enables greater access to communication technology leading to economic development.

Structural reform in the PNG ICT sector can contribute to addressing some of the challenges faced by the rural communities in terms of energy distribution and consumption accessibility to communication and information services; addressing issues relating to inequality and opportunities; and boosting productivity.

1.3   PNG and the APEC growth strategies

Since 2010, Leaders have called for growth that is Balance, Inclusive, Sustainable, Secured, and Innovative in order to contribute to APEC's overall objectives of trade liberalization and investment facilitation in the region. These desired regional growth attributes, which are deeply connected, include:

(a)	**Balanced Growth:**	Growth across and within APEC through macroeconomic policies and structural reforms that will gradually unwind imbalances and raise potential outputs;
(b)	**Inclusive Growth:**	All APEC citizens to have the opportunity to participate in, contribute to, and benefit from global economic growth;
(c)	**Sustainable Growth:**	Growth to be compatible with global efforts for protection of the environment and transition to green economies;
(d)	**Innovative Growth:**	To create an economic environment that promotes innovation and emerging economic sectors; and
(e)	**Secured Growth:**	To protect the APEC region's citizens' economic and physical wellbeing and to provide the secure environment necessary for economic activity.[2]

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[1] Businesscalltoaction.org/news/bridging-digital-divide-papua-new-guinea <<10 April 2017; 21:53>>
[2] http://www.apec.org/Meeting-Papers/Leaders-Declaration/2010/2010_aelm/growth-strategy.aspx <<23 Oct, 2017: 12:55pm>>

Leaders have called for direct APEC support to global initiatives by contributing to the attainment of the UN Sustainable Development Goals (SDGs) by reaffirming their commitment to implementing the 2030 Agenda for Sustainable Development (2030 Agenda) to complement the Addis Ababa Action Agenda, and the need to progress and implement initiatives in the 2013 mandate of exploring trade in products that contribute to sustainable and inclusive growth through Rural Development and Poverty Alleviation (RDPA).

Leaders have also continued to encourage the advancement of innovative growth by promoting broadband infrastructure development, enhancing ICT utilization, and adopting policies and regulations to foster innovation and the use of ICT. Apart from the potential of ICTs to achieve the SDGs, the internet and digital economy should be properly harnessed to contribute to better inclusiveness, through capacity building in the region so that "no one is left behind". It must provide opportunities in trade, development, and social interactions for all. This includes bridging the digital divide between and within economies, regions and the different demographics by promoting universal broadband access.

The 2010 Leaders' Growth strategy is entwined with APEC's internet economy initiatives. Since 2011, Leaders have continued to instruct officials to address ICT issues related to advancing trade and investment in the region. It must include, not limiting, next generation trade and investment issues, strengthening macro-economic policies to maintain financial stability and prevent negative spill-over effects, create better quality and more productive jobs, and increase the productivity of our industries. Broader private sector participation has been continuously expounded as the key driver.

In 2014, Leaders called for the strengthening of the multilateral trading system by expanding the product-coverage of the Information Technology Agreement (ITA), endorsed the APEC Cross-border e-Commerce Innovation and Development Initiative, and endorsed the *"APEC Accord on Innovation development, Economic Reform and Growth",* to promote experience sharing, policy dialogue, capacity building, and practical cooperation. This included their endorsement of the *"Towards Innovation-Driven Development"* initiative to foster better partnership on science, technology and innovation, and the *"Nanjing Declaration on Promoting SMEs Innovation Development"* to strengthen and provide an enabling environment for SMEs in innovation activities, production and supply chains, ethical business practices, and the capacity to operate in an international market.

In 2015, Officials were instructed to advance the work to facilitate the internet and digital economy, by implementing the *"Work Plan for Facilitating Digital Trade for Inclusive Growth as a potential Next Generation Trade and Investment Issue (NGTI)".*

Leaders' adoption of the *"APEC Strategy for Strengthening Quality Growth"* was to prioritize institution building, social cohesion, and environmental impact and build upon the commitments in the 2010 APEC Growth Strategy, and the 2014 Accord. But this time, structural reform was seen as critical to improving economic efficiency and increasing productivity at all levels of the communities. As such, officials were instructed to further strengthen the services sector by fostering creativity and innovation through an enhanced regulatory environment.

The EoDB Action Plan (2016-2018) has a new aspirational target of 10 per cent by 2018, in the existing five (5) priority areas on: Starting a business; dealing with construction permits; trading across borders; getting credit; and enforcing contracts. The aspirational target was emphasized and welcomed with an implementation plan to guide APEC's efforts in achieving this target by 2018.

In 2016, Leaders reaffirmed APEC's growth aspirations by stressing the importance of achieving quality growth to raise peoples' quality of life and enhance social equity in the region. This included continuing work towards an inclusive education agenda that will enable all people to meet the challenges of a globalized world through equitable access to high-quality education and training for full and productive employment for all.

1.4 PNG and Connectivity

Connectivity has been highly placed on this agenda to integrate the region, which embraces Physical, Institutional, and People-to-people to connect seamlessly. Leaders in 2013, aspired for a region that should be seamlessly and comprehensively interconnected, and thereby, deepening Regional Economic Integration (REI). The 2015-2025 APEC Connectivity Blueprint (ACB) sets the pathway to advance efforts to connecting the region through building on past initiatives, complementing current activities and progressing future initiatives to allow for a seamless and interconnected Asia-Pacific. A number of activities are already being undertaken on this agenda.

Despite these efforts, many challenges still remain for APEC economies to fully integrate. In 2016, Peru in its Tasking Statement, listed Connectivity as one of the activities for Vietnam to pursue and highlighted that additional targets be set in 2017 to implement the Leaders' instructions.

The ACB is a living document and provides the opportunities for APEC to look at potential ideas that emerging issues may impose on trends that will dictate on the smooth implementation of the ACB. The aspirational targets under the ACB are:

Physical	Promote Private Public Partnerships (PPPs); increase the quality of infrastructure; enhance people-centered investment and Good Practices and Principles; increase the quality of Transportation Network; increase Broadband Internet Access; and ensure Quality Electrical supply.
Institutional	Modernize customs and border agencies; improve Supply Chain Performance; enable Whole-of-Government-Approach in the Development of Regulations; foster Transparency, Safety, Competition and better Functioning markets; and enhance Trade Facilitations.
People-to-People	Meet pre-clearance processing time as established in the ABTC Operation Framework; increase the number of Intra-APEC International Students; organize cultural exchange events; advance work on cross-border science, technology, and innovation exchanges; increase the number of total tourist arrivals; reduce travelers costs and uncertainties for tourism; establish an APEC-wide mechanism to monitor and respond to skills gap; and increase the number of APEC-wide Mutual Recognition Agreements for skilled and technical Workers (where appropriate)

Source: Report to Implement the APEC Connectivity Blueprint (2014)

APEC has made progress under institutional connectivity in trade facilitation and many behind-the-border issues, and those dealing with Non-Trade Barriers (NTBs). Efforts including customs modernization, the Single Window Initiative, and structural reforms, fall under this category. Recently, transport and logistical facilitation have been included. However, critical gaps remain. For example, the Single Window system faces challenges through high development costs, lack of political support and coordination among stakeholder agencies, and a varied level of IT readiness among economies.

Under physical connectivity, six (6) member economies occupied the top six positions in 2012, according to the UNCTAD Liver Shipping Connectivity Index (LSC), an indicator which captures how well an economy is connected to global shipping networks. There still remains room for more improvement on competence and quality of maritime transportation services in the region.

On People-to-People connectivity, 91 per cent of ABTC holders enjoyed a positive experience with the program in 2012, which currently consists of 120,000 travelers. There remains substantial room for the expansion of the tourism industry, making air transport infrastructure a critical part of enhancing people-to-people connectivity in the tourism sector. Also included in these challenges is the need for enhanced PPP in infrastructure investment and visa facilitation.

In 2018, PNG will play its role in contributing to this work. One of the biggest challenges APEC faces is in delivering infrastructure projects to support sustainable growth. Even in the advanced economies, economic slowdown and hypersensitivity to fiscal debt have meant that infrastructure maintenance and new projects are not delivered. In emerging and less developed economies, infrastructure investment is crucial to service delivery, growth in decent employment, and for admitting established firms and new players into the regional and global supply chains by reducing trade costs. This means investor confidence in the infrastructure sector is crucial to build productivity and support economic growth.

PNG is the only country in the world that physically connects the Pacific to Asia through its 400km land border with Indonesia. We have a significant role to play in substantially contributing to APEC's connectivity initiatives. This can be done through improved institutional connectivity measures such as better customs cooperation, strengthened transport linkages, including improvements in physical connectivity, such as through better air transport infrastructure to facilitate the movement of business people and tourists and enhance people-to-people connectivity to counter its challenging geographic landscape.

To ensure strong progress in the ACB and to address the remaining challenges under the three pillars of connectivity, PNG in 2017 proposed a Diagnostic study to be conducted by PSU to identify areas where APEC may need to focus and strengthen its efforts. The study will take stock of the aspirational targets established under the ACB, compare them with work being done by APEC fora and economies on various aspects of the ACB, and identify areas that may not be on track. The Study will then provide recommendations on areas for focus and monitoring of progress in achieving the ACB before its mid-term review in 2020. The outcome of the Study should be expected to point out areas under the three Pillars that are still lacking progress, which APEC will need to build the momentum in their efforts towards implementation.

1.5   PNG and the post-Bogor discussions

PNG joined APEC in 1993, a year before the Bogor Goals were endorsed by APEC Leaders. The Bogor Goals, since its inception in 1994, has injected strong momentum into the APEC's trade and economic growth, and provided strategic directions on APEC's continuing cooperation. In 2020, the Bogor Goals will come to an end.   In light of this impending deadline, Peru as host in 2016, commenced discussions on the Way Forward for APEC – how APEC envisaged itself after 2020. This initiative was advanced by Vietnam as host of APEC 2017, through the convening of the "Multi-Stakeholder Dialogue (MSD) on APEC Towards 2020 and Beyond" on the margins of SOM2 in Hanoi.

The MSD was aimed at implementing the APEC Leaders' decision in 2016 to *"start a series of high-level dialogues on APEC towards 2020 and Beyond"*; and, harness inputs of APEC member economies, stakeholders and international institutions on ways to advance progress towards the Bogor Goals and develop APEC's post-2020 vision.

Member economies are now debating possible initiatives on *"APEC towards 2020 and beyond"*. The key issues in this debate/discussion are: How APEC can speed up efforts to achieve the Bogor Goals; the parameters of a post-2020 vision for APEC; Its timeframe; the types of stakeholders' contributions towards developing such a vision; the types of goals, pillars of cooperation; APEC's role beyond 2020; and, the Next Steps to shaping a post-2020 APEC vision.

PNG will play a part in facilitating future discussions once Vietnam has firmed up a consensus on how to proceed. Our views have been conveyed regarding a number of key issues hereunder.

(a) Bogor Goals

On the Bogor Goals, member economies will need to focus efforts on services, investment and NTMs. It was suggested that the Bogor Goals could be completed through possible pathways to FTAAP, such as the TPP and RCEP.

(b) Post-2020 Vision for APEC

A post-2020 vision for APEC should be strategic and aspirational enough to formulate an agenda for APEC to respond more effectively to challenges and to assert its responsive and responsible global leadership. APEC needs to play a pivotal role in building a stable, dynamic, resilient, inclusive and seamless Asia-Pacific community. APEC's voluntary, consensus and non-binding principles are emphasized as its strength in that process.

(c) Possible timeframe

The year 2030 emerges as an attractive proposition by many to help ensure the future goals to be measurable and achievable. Having a longer timeframe may not be relevant in the face of a fast changing environment and in the age of disruptive technology. The years 2025, 2035, and 2050 were also suggested by some. Others shared views that setting timeframes might pose challenges amidst development and changes.

(d) Possible Goals

APEC should develop a new set of goals, given its profound transformation and fundamental shifts in the global and regional landscape. It could include Bogor Goals Plus, as an important start. Further, that APEC's post-2020 trade and growth agenda should be linked to sustainable, innovative and inclusive development, economic, financial and social inclusion, SDGs and APEC's ongoing strategies and new areas of cooperation. Emphasis could be placed on the following, among others: connectivity, quality and secure growth, structural reforms, services, NTMs, digital/internet economy, MSMEs, quality human capital, education, and women's participation.

It could include some SDG Goals for APEC's championship, such as universal healthcare and reduced inequality. Other core areas of cooperation may include free and open trade, investment and services, connectivity and business facilitation, ECOTECH and capacity building; inclusive and resilient community; and global leadership.

(e)   Contribution of stakeholders

It is important that APEC engage and take on inputs from stakeholders. These would include, among others, the business, academia, social organizations, the media, and women in developing a vision. Some viewed Bottom-up and top-down approaches may be considered in this process. Channels of contacts and communication should be established and broadened with ASEAN, OECD, G20, the Pacific Alliance, and other relevant groups, so that work already done should not be duplicated.

(f)   Next steps

APEC Leaders must have in-depth deliberations on APEC's post-2020 vision. Vietnam is working to establish an APEC Vision Group (AVG) to develop a vision. The forming of the AVG could be endorsed by Leaders this year for the group to come into operation from 2018 to 2020. It is important that Senior Officials continue to give clear guidance on potential AVG members, and its work going forward.

The AVG must be inclusive, SOM-led and if possible, SOM Troika-plus-driven. It must involve qualified and visionary individuals from the public sector, academic and business circles, and IT experts, among others, to represent member economies. The PSU, ABAC, and PECC are important players in helping to develop the vision.

PNG in 2018 will support and continue this process by incorporating some recommendations on seeking political directions, before the 2018 AMM to advance this process due to timing constraints. A formal Concept Paper on this proposal will be tabled on or before ISOM 2017.