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Statement from Pacific Economic Cooperation Council International Co-Chairs

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**Ministers Responsible for Trade Meeting
Viña del Mar, Chile
17-18 May 2019**

**Statement from
PECC International Co-Chairs
Ambassador Don Campbell and Su Ge
Meeting of APEC Ministers Responsible for Trade
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- H.E. Roberto Ampuero
Chair, Meeting of APEC Ministers Responsible for Trade

On behalf of the members of the Pacific Economic Cooperation Council (PECC), we thank you for this opportunity to address the meeting today. Our Council has had a long and deep association with APEC, having helped to lay the intellectual foundations for APEC's establishment in 1989 as well as through our contributions to APEC's numerous working groups and committees.

We welcomed the opportunity for the PECC Standing Committee to meet in Chile for the first time since 1997. We note with some satisfaction that the title of that meeting 'Transpacific Partnership' has joined the lexicon of Asia-Pacific cooperation with the entry into force of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP). This is an important milestone for the Asia-Pacific but we remain far from our ultimate goal.

The Importance of the Multilateral Trading System

Last year in PECC's annual survey of the regional policy community, the top priority for APEC discussions was rising trade tensions and the future of the WTO and multilateral trading system. More importantly, there was a sharp uptick in the percentage of business respondents who selected the WTO and the trade system as a top 5 priority rising from just 11 percent in 2017 to 51 percent in 2018.

Why has this changed? Since the Global Financial Crisis 'creeping protectionism' has been on the rise, usually domestic regulations that restricted opportunities for trade. In recent months this has threatened to become outright trade wars. This uncertainty in the policy environment is spilling over into investment decisions as well as capital markets impacting the prospects for accelerated growth across all our economies.

We therefore urge APEC Ministers Responsible for Trade to direct your officials to make maximum use of this forum to discuss differences in approaches to trade policy as well as overall economic governance and implement the mandate given by our leaders in 2017 when they committed to "*work together to improve the functioning of the WTO, including its negotiating, monitoring, and dispute settlement functions, to adequately address challenges facing the system, bringing benefits to all of our people and businesses.*"

While noting that there are a number of initiatives under way to discuss the reform of the trade system, we hope that APEC will remain true to its original objective to promote global solutions and make use of its non-binding nature as well as its strong tradition of stakeholder engagement to promote dialogue on how to best move forward on these difficult issues.

Advancing Regional Economic Integration

While we welcome the entry into force of the CPTPP and the progress being made with the Regional Comprehensive Economic Partnership, we are conscious that these agreements would leave a substantial amount of Asia-Pacific trade uncovered by modern trade rules.

Being here in Chile, we cannot help but mention the important work being done to develop 21st century trade rules in the Pacific Alliance. Again, while these efforts are worthy of praise, they will not help the region to meet its goal of regional economic integration. APEC has a considerable advantage as a non-binding dialogue forum to work through the different approaches being undertaken and consider ways for these approaches to ultimately come together.

This has become known as the "Free Trade Area of the Asia-Pacific" (FTAAP). PECC has a long association with that concept, but our analysis of the situation led us to make several recommendations worth reiterating at this point:

- a) traditional approaches to trade agreements and new business trends suggest that the FTAAP avoid being a single undertaking. We recommend step-by-step, sector-by-sector, and bit-by-bit approach. One way forward would be for the FTAAP to consist of components or building blocks that members can join selectively.
- b) The FTAAP will require capacity building initiatives prior to, during, and after any negotiated agreement. Emphasis should also be placed on efforts to promote the utilization of the FTAAP.
- c) The process of designing the FTAAP should involve as many stakeholders as possible, including non-business sectors which have real interests in international commerce.

One specific mechanism that APEC has developed that could play a more influential role in determining the future direction of commercial policies is the annual SOM FTA/RTA Dialogue. We hope that a stronger connection will be made between the findings of that work on 'WTO-Plus' elements in trade agreements and multilateral trade rules.

Digital Society

We welcome the continued focus APEC has on the digital economy. We have worked closely with your officials through jointly organizing a variety of dialogues with stakeholder groups. We note that not all APEC members have joined the negotiations for a WTO ecommerce agreement, we encourage all members to join that effort to ensure that APEC will not miss the opportunity to play a leading role as it did in helping to get agreement on the Information Technology Agreement in the 1990s. Perhaps even more urgently, we hope that that APEC play a more active role in fostering understanding around the future of the WTO moratorium on electronic transmissions.

Unless APEC plays a constructive role on these two issues, there is a real risk that APEC will jeopardize its ability to help define future global rules on issues that lie in the near and even further future.

Promoting Regional Connectivity

We note the emphasis that APEC is placing this year on connectivity through Integration 4.0. Regional integration without regional connectivity is like placing the cart before the horse. In the absence of ports, efficient customs procedures and the lack of the overall infrastructure needed to promote trade, we risk creating more inequalities rather than resolving them.

To assist policy makers, and to identify areas where Connectivity could be strengthened, PECC has developed a Connectivity Index to assess progress being made toward APEC's goals in this area. This work on the connectivity index is almost finalized. The initial analysis supports the priority that you have placed on institutional connectivity going forward from this year through 'integration 4.0'. We will be publicly releasing the result of our Index shortly.

APEC Beyond 2020

It was our pleasure to work with APEC Senior Officials to organize the 4th Multistakeholder Dialogue on APEC Beyond 2020. Our own task force has submitted its report to our Standing Committee on APEC Beyond 2020. The next phase of this work will be to discuss our recommendations with the APEC Vision Group and Senior Officials. At the same time, we believe it is important to conduct broader consultations beyond our own members. We will keep you informed of that process as we move ahead.

Future Meetings

Our membership remains significantly concerned about the direction of both regional and global cooperation. We look forward to the possibility of convening a meeting of our Executive Committee in Jakarta alongside the annual CSIS Global Dialogue later this year. We will hold our annual Standing Committee in Kuala Lumpur in 2020.