



A Vision for APEC 2040

Report of the PECC Task Force on APEC Beyond 2020

Foreword

In 1994 APEC Leaders committed to the Bogor Goals to achieve free trade and investment in the Asia-Pacific region by 2020. That commitment underpinned substantial efforts over the last 25 years to open up trade, and the higher levels of economic integration and interconnectedness that have provided significant economic benefits across all APEC economies.

Today in the face of considerable new challenges, including rising trade tensions, real threats to the multilateral trading system, the impact of the digital economy and new technologies and the challenges posed by climate change, it is imperative that APEC commit to a Vision for the next twenty years - a Vision that embraces all sectors of society in an inclusive way.

This PECC signature project proposes a Vision for APEC Beyond 2020 and recommends a set of key priorities for APEC. The proposed Vision is deliberately broader than the goal of freer trade and investment. It envisages

“An Asia-Pacific community of open interconnected, and innovative economies cooperating to deliver opportunity, prosperity and a sustainable future to all their peoples.”

As co-leaders of this PECC signature project we consulted widely with stakeholders. A Task Force drawn from PECC member economies was established. A region-wide survey of stakeholders conducted in 2018 provided a clear sense of emerging priorities as did a number of PECC workshops across the region, including in Malaysia, China and Auckland. We also drew on insightful views from ABAC and key APEC and regional experts, including Dr Alan Bollard and Dato Muhamad Noor Yacob, former Executive Directors of APEC.

What became abundantly clear to us throughout the process is that APEC’s role in meeting the new challenges and opportunities, particularly those associated with the digital economy, new technologies, the services sector, and promoting sustainability, is if anything more important today. Its modus operandi and wide reach across the region, and within societies, makes it is uniquely well suited to marshalling support for implementation of the Vision. We commend it to the APEC Vision Group and Senior Officials and look forward to discussing it with them.

Finally we extend our sincere appreciation to all those we have consulted and contributed to this report, including Eduardo Pedrosa, Secretary General of PECC.

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A Vision for APEC 2040

“An Asia-Pacific community of open interconnected, and innovative economies cooperating to deliver opportunity, prosperity and a sustainable future to all their peoples.”

This will be achieved by:

- **Robust dialogue, stakeholder engagement, and effective cooperation that build trust and committed, confident relationships among member economies;**
- **Strategies and initiatives to remove barriers to full economic participation by all segments of society, including women, and people living in poverty, MSMEs, and remote and rural and indigenous communities;**
- **Committed long term policy initiatives that promote sustainability;**
- **Policies to harness the positive potential and address the disruptive impact of the digital economy and other innovative technologies;**
- **Structural reforms that drive growth by increasing productivity and incomes through open, well-functioning, transparent and competitive markets;**
- **Deeper and broader connectivity across borders, facilitated by high-quality, reliable, resilient, sustainable and broadly beneficial infrastructure and well-designed and coherent regulatory approaches, and including also a strong emphasis on supply chain and people-to-people connectivity;**
- **Intensified efforts to fully achieve the Bogor Goals of free and open trade and investment, with particular emphasis on components of the agenda where progress has been lagging;**
- **Strong APEC support for the multilateral trading system based on agreed values and norms reflected in updated multilateral rules, and including more effective settlement of disputes;**
- **High-quality trade, investment and economic partnerships among members, consistent with the values and norms of the multilateral trading system, and supporting dynamic responses to rapidly changing drivers of growth; and**
- **Concerted efforts in support of the eventual realization of a high-quality and comprehensive FTAAP to further advance regional economic integration.**

1 | CHALLENGES AND OPPORTUNITIES

The first thirty years of APEC's existence have seen dramatic increases in prosperity across a more open and interconnected region. Substantial expansions in trade and investment flows have underpinned this. But as 2020 approaches both APEC, as an institution, and its region find themselves at a critical and decisive juncture.

Today deepening conflicts over trade, investment, and technology development run the risk of critically undermining the world trading system and the gains and distributed benefits made over the last fifty years. These fractures are moreover jeopardising further promise of cooperation in the future, cooperation that will be essential if all jurisdictions are to enjoy the benefits from new technologies and collectively manage new risks associated with them. At a still deeper level, the potential unwinding of the mutual economic interdependence developed over decades of increasing trade and investment openness threatens to undermine shared interests in the peaceful and constructive management of international relations.

The present juncture is all the more critical because this existential threat to regional cooperation has arisen at a time when APEC and its members are already facing an unprecedented array of challenges:

- Urgent questions about the quality and sustainability of economic growth across the region;
- The need for intensified efforts to fulfil the Bogor Goals of free and open trade and investment;
- Growing concerns about increasing inequalities in income and wealth distribution;
- Existential challenges of environmental sustainability and climate change;
- Rapid technological change with both the potential to contribute to an acceleration of the spread of prosperity, but the potential also to intensify social strains and current tendencies toward fragmentation;
- Growing scepticism in some sections of Asia-Pacific societies toward the value of openness and interconnectedness, threatening to undermine political support for regional economic cooperation.

APEC's unique and defining characteristic is that it brings together Asia-Pacific leaders, ministers, senior officials, and leading experts from the public and private sectors to work in a spirit of mutual respect on the development of shared understandings on mutually acceptable forward-looking approaches to regional and global economic issues. It is imperative that APEC members fully exploit APEC's

unique potential contribution to identifying ways to move forward from the present critical juncture to the collective commitments required to meet the threats and take advantage of the opportunities now facing the region.

The Asia-Pacific's future will depend on how the economies of the region respond, both individually and collectively. "Business as usual" will not measure up to the challenges the region now faces. APEC requires commitments from its member economies to a renewed and reinvigorated agenda.

Successful fulfilment of a renewed APEC vision depends on trusted, committed and confident relationships among its member economies. This must be built on the basis of

- robust dialogue,
- broad stakeholder engagement,
- effective cooperation.

ADDRESSING INEQUALITY AND INCLUSIVENESS

Despite the undoubted contribution of trade and investment liberalisation over the last three decades to economic growth and the reduction of poverty, support for globalisation has been undermined, in the Asia-Pacific as elsewhere, by the perception, deeply held in some quarters, that its benefits have not been and are not being equitably shared.

This perception is supported in some economies by

- The falling labour share of aggregate income;
- Wages and living standards of low-skilled and lower middle class workers lagging behind productivity increases;
- Stagnant or only modestly rising incomes, especially for lower relative to higher incomes;
- Barriers that remain pervasive across APEC economies to full economic participation by groups such as women, MSMEs, remote and rural and indigenous communities;
- Significant sections of the youth population in some APEC economies believing that their access to economic opportunities and hence their life prospects, are marginalised because of their social origins.

The resulting social and political pressures on governments and consequent political responses are now a serious impediment to the maintenance of open markets in the Asia-Pacific and the wider global economy. Maintenance of political support for openness today requires more embracing policy frameworks to ensure that all

sections of the community regard themselves as beneficiaries. APEC also has a role in better communicating the benefits of openness.

Steps to make growth more inclusive will remain the responsibility of individual governments, reflecting the particular circumstances in each economy. APEC can provide critical support for these steps, by strengthening or adding inclusiveness dimensions to its work programmes.

THE IMPERATIVE TO ADDRESS GROWTH-IMPEDING CONSTRAINTS

Economic growth rates in the Asia-Pacific have begun to decline with some forecasts predicting that rates of growth in APEC could fall below those in the rest of the world in the near future. There are clear signs that there are limits to the capacity of traditional trade liberalization alone to drive growth and dynamism. Other constraints on the region's growth include:

- Relatively small services sectors beset by protectionism, restrictions and red tape;
- Deficiencies in infrastructure, skills, and policy frameworks in the digital sector; and
- Patchy progress on structural reform, including regulatory reform.

If these constraints are not addressed:

- APEC middle-income economies will face significant obstacles to achieving high-income status, and increased risk of being caught in a middle-income trap;
- High-income economies will also fail to realise opportunities;
- The broader benefits of enhanced connectivity will not be achieved.

These constraints are clearly inter-related. A failure to ensure that sound economic principles govern the development of infrastructure and its regulation, for example, risks over or under-provision and significant misallocation of resources with potentially serious consequences for growth.

NEW TECHNOLOGIES

Newly developed technologies (digital, biological, material, artificial intelligence and others) have the potential to greatly improve living standards in APEC economies.

At the same time, there are significant distributional, displacement and ethical implications associated with these technologies.

- Advances in industrial automation and artificial intelligence are projected to displace high numbers employed in manufacturing and services;
- This will potentially add to the further marginalization of large numbers of workers in the region unless adequate policies and institutions are in place to facilitate the required large-scale labour market transitions;
- Data management and privacy implications present serious challenges.

APEC members un-equipped to take advantage of these technologies, and successfully manage their implications for the workplace environment and wider society, will risk falling behind in growth and development.

On the other hand, economies that are able to successfully adjust will benefit over time as an increasing proportion of their populations are absorbed into higher productivity activities.

In the case of the digital economy the sheer pace of change presents a formidable challenge to the development of robust regulatory frameworks across the region, and management of the associated risks, including those related to security, cyber crime and anti-competitive behaviour. Success or failure in meeting these challenges will be vital in determining the extent to which the digital economy contributes to integrating or fragmenting the Asia-Pacific. It is critically important to recognise that fragmentation of the digital economy would potentially come at enormous cost to the region and the world as a whole.

APEC has a unique role to play in:

- Promoting cross-border cooperation in the application of these technologies;
- Supporting collective efforts to mitigate their potential downside impacts and manage associated risks;
- Facilitating the regional and international dissemination of the benefits of new technologies and promoting broad community participation;
- Enhancing capacity to participate in a global digital economy.

THREATS TO APEC'S TRADE AGENDA AND THE GLOBAL RULES-BASED TRADING SYSTEM

Asia-Pacific economies have made impressive progress toward the goal set out in APEC's 1994 Bogor Declaration of "free and open trade and investment in the Asia Pacific region by 2020". At the same time progress has clearly faltered, and unfinished business is accumulating.

- Tariffs on manufactured goods are now generally low, but with peaks in key areas;

- Agricultural tariffs often remain conspicuously high;
- Many services sectors remain heavily restricted, including the key sectors of telecommunications, transport and financial services. Large potential gains from liberalisation of other sectors, such as professional services and non-public health and education services, are also not being realised;
- Significant restrictions remain and are now growing again on foreign direct investment.

Of even greater concern than the slowing of progress are the reversals of progress represented by:

- Increased use of discriminatory tariffs;
- The well-documented trend towards increasing use of non-tariff measures (NTMs); and
- Slowing progress on addressing behind the border barriers such as unnecessary administrative and regulatory constraints.

Moreover, the Bogor goals were always conceived as building on the foundation provided by an effectively functioning rules-based multilateral trading system centred on the WTO. Today, by contrast:

- The rules, processes and embedded norms of the WTO are being challenged as never before in its history, most conspicuously through the increased unilateral use of discriminatory tariffs;
- Disrespect for existing WTO rules is increasingly defended by reference to the inability of WTO members to agree on the updating of those rules to reflect the realities of today's international trade;
- It is increasing likely that the WTO's Appellate Body, the ultimate arbiter of disputes over the application of WTO rules, will soon have to cease operations due to lack of agreement over the replacement of retiring members;
- Despite widespread consensus on the need for updating of the WTO's rules and reform of its processes, including its dispute settlement process, there is still no consensus on the form that the updating and reforms should take.

It is clear, however, that the rules-based order of the future must be capable of dynamically evolving and in particular addressing the requirements of the digital economy, development of the services sectors, rapidly emerging technologies and international value/production chains.

APEC members urgently need to recommit themselves to fully achieving the Bogor goals and to further enhancement of regional economic integration. Moreover, as huge beneficiaries of an open and predictable trade system, they should also embrace the urgent challenge of being leaders of reform and modernisation in the WTO, through:

- Their individual contributions to consultations aimed at securing the continued viability and effectiveness of the multilateral trading system centred on the WTO, including the ongoing viability of its dispute settlement process;
- Using APEC work programmes to develop consensus around regional and potentially multilateral approaches to “21st century” and “next generation” trade issues;
- Development of regional plurilateral initiatives that include provisions with the potential to serve as models for future multilateral rules, such as the CPTPP, RCEP, and, in the longer term, the FTAAP.

2 | IMPLEMENTING THE VISION

APEC's regional integration agenda must demonstrate a strong collective commitment to sustainable and inclusive economic growth.

Sustainability and inclusiveness are already highlighted as necessary features of economic growth in the *APEC Strategy for Strengthening Quality Growth*, endorsed by Leaders in 2015.

Sustainability is arguably the greatest existential challenge facing humanity today. It is an issue that intersects with a wide range of policy areas including social policy, environment, energy, health, food security, oceans, science and innovation, technology development and application, environmental goods and services. APEC already has work programmes in many if not all of these areas, and should build on these by ensuring that a sustainability lens is built into each programme.

Global warming and climate change are widely acknowledged as the greatest challenge to sustainability. A serious commitment to sustainability must imply active support for global efforts to address these issues.

The Pacific Ocean that connects APEC economies is one of the most important repositories of resources that are critical for the sustainability of the planet. Addressing sustainability issues in the Pacific Ocean is becoming urgent and needs to be prioritised. APEC economies should accept a collective responsibility for this as the principal custodians of these resources.

APEC must:

- Ensure that a sustainability framework is built into its programme areas;
- Provide leadership for global climate change and environmental initiatives;
- Ensure that its sustainability initiatives contribute effectively to the Sustainable Development Goals agreed by the United Nations in 2015;
- Commit to mutual review by its members of their individually determined climate change commitments, through a shared individual action plan process; and
- Build on existing APEC work on oceans to develop, support and contribute to work programmes addressing key sustainability issues in the Pacific Ocean.

Inclusive growth has unrestricted access to economic opportunities for all sections of society at its heart.

The inequalities and inequities arising from inadequate attention to inclusiveness generate political and social tensions that can undermine commitments made by APEC economies in pursuit of regional prosperity.

Experience has shown that open, well-functioning, transparent and competitive markets have a strong positive impact on economic growth and can provide a wide range of increased economic opportunities. That is not, however, sufficient to ensure that the benefits of economic growth flow through to all sections of society. This is because barriers exist in all APEC economies that serve to restrict or deny access to these opportunities for substantial groups in society.

These issues should be addressed in APEC by:

- Further developing its structural reform agenda to place increased emphasis on the removal of barriers to participation in the economy by women, youth, MSMEs, indigenous communities, the disabled, and communities in rural and remote areas;
- Incorporating an inclusiveness dimension in APEC work programmes and agendas on policy areas of central importance to achieving full economic participation by all sections of society;
- Identifying and agreeing a suitable range of indicators of inclusiveness, which taken together can provide a useful portrayal of progress in this important area, and can be reported as such on an annual basis for all APEC economies.

APEC's future agenda must give high priority to continued structural reforms

While trade liberalisation has been central to growth in the APEC region to date, the fundamental norms that have historically underpinned liberalisation efforts are no longer sufficient by themselves to drive growth and trade forward. Maintaining future momentum will also be critically dependent on meaningful structural reform in member economies, in order to:

- Boost productivity through operation of open, well-functioning, transparent and competitive markets;
- Encourage the use of economic instruments to support sustainability objectives;
- Identify and remove barriers to full economic participation by all segments of society.

Structural reform embraces the policy and regulatory changes required to ensure that the potential for economic growth is realised. Specifically, the APEC structural

reform agenda includes competition policy, regulatory reform, corporate governance, public sector governance and strengthening economic and legal infrastructure. It can and should extend to ensuring that reforms are consistent with and support inclusiveness and sustainability objectives.

Acceptance of the benefits of structural reform is an essential prerequisite for more effective progress in liberalising cross border flows that have hitherto proved relatively resistant to liberalisation, notably services trade, agricultural trade, and foreign investment.

A strong commitment to deeper regulatory reform cooperation will be central to improving connectivity and infrastructure, and to unlocking significant growth potential in APEC services markets and through the use of digital technologies.

The current mandate of the Renewed APEC Agenda for Structural Reform (RAASR) expires in 2020.

PECC recommends that APEC replace RAASR by a successor agenda that:

- Promotes structural reform to achieve well functioning, transparent and competitive markets;
- Recognises the importance of structural reform for progressing liberalisation, facilitation and expansion of services and agricultural trade, and in facilitating the freer, more efficient flow of foreign investment;
- Embraces a strong commitment to deeper regulatory cooperation and development of compatible standards to improve connectivity and efficient investment in infrastructure;
- Underlines how structural reform can contribute to the achievement of APEC's inclusion and sustainability objectives;
- Enhances the region's capacity to respond to opportunities associated with digital technologies, including by
 - recognising the importance of competition in key sectoral markets such as telecommunications as a prerequisite for capturing the full benefits of the digital technologies.

APEC must prioritise policies and policy frameworks to harness the positive potential and address the disruptive impact of digital and other disruptive technologies.

Newly developed technologies (digital, biological, material and others) have the potential to greatly improve living standards in APEC economies. At the same time,

there are significant distributional and displacement implications associated with these technologies.

APEC members must cooperate in developing frameworks and understandings on best practice to assist member economies in adopting and managing disruptive technologies. Such initiatives should support technological innovation and assist smaller firms to adjust to, and benefit from, changing and expanding markets, while taking full account of the social and ethical implications of the new technologies.

In particular, APEC is now faced by the urgent challenge of developing principles, frameworks and understandings for the utilisation of digital technologies that:

- Recognise the critical role of digital technologies in realising the potential of services to drive future economic growth;
- Recognise the vital contribution of digital technologies to competitiveness in all economic sectors;
- Facilitate interconnectedness and integration rather than fragmentation of markets across APEC economies, and between APEC economies and the rest of the global economy;
- Provide for participation of all sections of society in the opportunities and benefits from the spread of these technologies, so that they reduce disparities in opportunities rather than increasing them; and
- Facilitate cross border data flows consistent with meeting convergent regulatory objectives in such areas as security, privacy and consumer protection.

APEC has already contributed important work in this area, notably its development of a Cross Border Privacy Rules (CBPR) system, the APEC Privacy Framework, and the APEC Framework on Human Resource Development in the Digital Age.

The APEC Internet and Digital Economy Roadmap (2017) sets out an extensive and formidable agenda of issues in APEC, including:

- Development of digital infrastructure;
- Promotion of inter-operability;
- Achievement of universal broadband access;
- Development of holistic government policy frameworks for the Internet and Digital Economy;
- Promoting coherence and cooperation of regulatory approaches affecting the Internet and Digital Economy;
- Promoting innovation and adoption of enabling technologies and services;

- Enhancing trust and security in the use of information and communications technologies (ICTs);
- Facilitating the free flow of information and data for the development of the Internet and Digital Economy, while respecting applicable domestic laws and regulations;
- Enhancing inclusiveness of the Internet and Digital Economy.

APEC must now urgently advance this agenda by:

- Prioritising the urgent development of understandings and consensus leading to development of a unified Asia-Pacific digital market by 2030;
- Fulfilling APEC Leaders' instructions under the APEC Action Agenda for the Digital Economy. This should be given the highest priority;
- Developing understanding of the potentially enormous economic costs of fragmentation of the digital economy, and providing a forum for dialogue aimed at avoiding this outcome;
- Supporting development of common priorities and responses by members on critical issues associated with related technologies such as artificial intelligence (AI), robotics, block-chain, and quantum computing, as well as other path-breaking technologies, including new biotechnologies;
- Facilitating development of members' capacity to appropriately regulate emerging technologies in ways that expand opportunities and minimise distortions on digital trade and data flows while at the same time meeting the legitimate objectives of regulation.
- Recognising that the Roadmap is a living document, needing revisions and adjustments with the continuing advance of technologies as well as further work to develop understandings on key issues such as providing for adequate competition in the digital environment.

APEC's agenda must include a strong emphasis on specific tangible actions to strengthen connectivity in all its dimensions: physical, institutional, regulatory, supply chain- and people-to-people.

The rapid proliferation of supply chains and expansion of the digital economy has been paralleled by an increased focus on physical and regulatory connectivity between APEC economies, complementing the more traditional focus on connectivity through trade in goods and services.

Under the overarching guidance of the *APEC Blueprint on Connectivity 2015-2025*, APEC economies are committed to tangible actions to strengthen physical,

institutional, and people-to-people connectivity, with the objective of achieving a seamless and comprehensively connected and integrated Asia Pacific.

APEC's work on infrastructure should:

- Emphasise the need for regulatory environments to ensure that infrastructure developments are of high quality, cost effective, and broadly beneficial in achieving the desired connectivity objectives;
- Ensure that infrastructure projects among APEC economies give due consideration to the imperative for interconnection across the APEC region, by giving particular attention to issues of standards and inter-operability.

Significant progress has been made within APEC in physical, institutional and people-to-people connectivity for commercial purposes. This progress should be continued and broadened to include initiatives to promote:

- Connectivity between policy-making bodies with responsibility for issues with important region-wide ramifications, such as climate change and the digital economy;
- Connectivity improvements that will facilitate more efficient flows of goods, services, capital and people;
- People-to-people connectivity for cultural, educational and social purposes;
- Cooperative educational programs to help build an Asia-Pacific community;
- Tourism that supports development consistent with sustainability objectives, with particular emphasis on delivering benefits to less developed areas.

APEC must intensify efforts to fully achieve the Bogor Goals of free and open trade and investment, with particular emphasis on components of the agenda where progress has been lagging.

Progress on services trade and investment has lagged behind progress on manufactured goods tariffs. Yet these two areas today offer some of the greatest potential for driving economic growth. Governments need to be convinced not only of the economic benefits of services and investment liberalisation, but also that an acceptable balance can be struck between international commitments and domestic policy autonomy, and that the social and political economy effects can be managed to facilitate broad political acceptability.

In the APEC Services Competitiveness Roadmap (ASCR) member economies have adopted an initiative with the potential to drive a concerted set of actions toward mutually agreed targets to be achieved by 2025. APEC should:

- Complement the Roadmap by programmes, including case studies and exchanges of information and experiences, designed to increase the level of confidence of governments in relation to services trade liberalisation;
- Begin consideration of next steps to follow the projected ending of the ASCR in 2025.

APEC updated its Non-Binding Investment Principles in 2011. Since then a number of controversies have arisen over issues with the potential to inhibit or even derail cross border investment flows. APEC members should:

- Reaffirm commitment to a further updated set of APEC's Investment Principles that address these controversies, including on issues such as investor-state dispute settlement, technology transfer, intellectual property protection, and practical aspects of non-discriminatory treatment of foreign investors.

In relation to goods trade, average tariffs have been successfully reduced to relatively low levels in the APEC region. But substantial tariff peaks remain, most conspicuously in agricultural trade, which has proved particularly resistant to liberalisation. Non-tariff barriers not only remain significant but have actually been increasing in recent years, and an effective overall approach to reducing non-tariff barriers has yet to be developed, despite repeated calls from the business sector.

APEC members should

- Recognise that effective action to address tariff peaks and the continuing impediments to trade posed by non-tariff barriers must form an important part of APEC's on-going agenda for achieving the Bogor goals.
- Explore the potential for its work on structural reform to contribute to achieving the Bogor goals in these areas.

Intellectual property has emerged as a central issue in the current trade conflict, and has been one of the most contentious issues in recent trade negotiations. It has become a highly strategic issue given the rate of technology development.

APEC members should:

- Identify areas of concern in existing intellectual property rules, including areas of special interest to developing economies;
- Build understandings on ways to address the concerns and to appropriately develop these rules for the 21st century in ways that are informed by empirical evidence and that maintain an effective balance between the requirements for current and future innovation. Setting IP rules at levels that are neither too weak nor too strong will ensure that innovators and creators benefit from the provision of optimal incentives for dynamic

innovation and creativity, on the one hand, and that other members of society benefit from early accessible direct economic welfare gains on the other.

In cases where domestic regulation plays a significant role in restricting trade and investment, progress can be facilitated by working toward regulatory coherence based on agreed principles on issues such as competition policy, corporate and public sector governance, and strengthening economic and legal infrastructure, which can then be applied, as appropriate, in individual jurisdictions.

APEC should:

- Utilise the potential of APEC's structural reform agenda to contribute to achievement of the Bogor goals by developing common understandings on steps to enhance regulatory coherence among APEC economies.

APEC must provide strong proactive support for a dynamic multilateral rules based trade and economic system

An open, transparent, inclusive, non-discriminatory and rules-based multilateral trading system provides an essential framework for pursuit of a dynamic regional economic integration agenda and sustained economic growth.

The WTO has underpinned the expansion of global and regional trade by providing an extensive range of market access concessions and trade rules supported by a widely-used and respected dispute settlement system, and an embedded set of norms underpinning a trade environment characterised by absence of discrimination, increasing openness, predictability and transparency, enhanced competition, added benefits for less developed economies, and support for environmental protection.

Today the WTO needs rejuvenating to withstand and transcend the challenges it is currently facing. Multilateral rules need to be updated to reflect the realities of 21st century international trade and the range of legitimate interests of all member economies. Gaps in market access commitments need to be addressed more effectively, the dispute settlement system needs to be preserved and enhanced, and members need to renew their commitments to multilateral trade norms.

APEC can lead the way by:

- Leaders working to develop a common understanding and appreciation of the norms of the system;
- Reaffirming the support of APEC economies for the rules-based multilateral trading system;

- Addressing longstanding issues and new ones as they arise, and responding to the current threats to the multilateral trading system, including by contributing to defining a new WTO work programme;
- APEC members proactively participating in emerging plurilateral groupings in the WTO while also supporting a longer-term goal of eventual multilateralisation of agreements reached in these groupings;
- Supporting on-going technical work in areas where forward momentum exists, for example on fisheries subsidies;
- Contributing to development of proposals for reform of the WTO, consistent with the WTO's fundamental principles;
- Strengthening its own consultative mechanisms and seeking to build common understandings to avoid and resolve trade disputes between members.
- Developing regional and sub-regional trade architectures that serve as benchmarks for the multilateral system.

APEC should be a strong pillar of open, rules-based regional economic arrangements in goods, services, investment, and e-commerce, as well as supporting technical assistance and capacity building.

Trade liberalization, particularly the dramatic reduction in tariffs on manufactured products among APEC economies, has been a powerful driver of the region's economic growth and dynamism to date. Supported by technological developments, this has facilitated the growth of extensive FT based in the region. These value chains continue to evolve.

In the face of new threats to the global trading system, APEC must:

- Remain outward-looking and support the spirit of open regionalism;
- Preserve its achievements to date and ensure that forward momentum continues to achieve the full potential of an open and deeply integrated region;
- Continue to encourage regional initiatives that support this forward momentum, including the Comprehensive and Progressive Trans Pacific Partnership (CPTPP), the Regional Comprehensive Economic Partnership (RCEP), the Pacific Alliance, and other bilateral and plurilateral agreements;
- Continue to work towards a Free Trade Area of the Asia Pacific (FTAAP), as the eventual organising framework for regional integration initiatives;

- Ensure that all elements of this evolving trade architecture support greater transparency, openness, competitiveness and the ultimate fulfilment of the Bogor goals;
- Ensure that all trade initiatives by APEC member economies are fully consistent with and supportive of WTO obligations, understandings and disciplines;
- Maintain and further develop robust work programmes on trade and investment, with a particular emphasis on addressing “21st century” and “next generation” trade issues, aimed at contributing inputs to trade policy development in individual members, the design of provisions in regional trade initiatives including the eventual FTAAP, and the formulation of new or updated multilateral trade rules;
- Collectively encourage well-designed pathfinder initiatives that support deeper connectedness and openness.

3 | SUSTAINING AND ENHANCING APEC'S UNIQUE ROLE

As the only trans-Pacific institution with a broad economic mandate and a regional focus, APEC's contribution to the Asia-Pacific as well as the global economy has been vital, and is today more important than ever.

Over the past quarter century, the Asia-Pacific has become a vital and increasingly interdependent community, economically and socially:

- Average regional tariff barriers have fallen;
- APEC economies are trading intensively among themselves, with intra-APEC trade today accounting for almost 70 percent of exports and imports of APEC economies;
- Enormous flows of people criss-cross the region as a consequence of reduced political and legal barriers and increased infrastructure.

APEC today is a unique and critical part of the region's architecture. It has:

- Embedded across the region values and norms and a modus operandi that support an open rules-based economic order;
- Stimulated unilateral, bilateral and plurilateral actions, that have contributed significantly to economic growth, based on recognising the value of increasing interdependence, connectivity and regional value chains that were largely embryonic in the early 1990s;
- Provided an opportunity for governmental leaders at the highest level to meet to discuss economic and social issues on a regular basis.

The 1994 APEC Bogor Goals have been the organising framework that underpinned this significant progress towards a vision of a more peaceful, prosperous and open Asia-Pacific economy.

Advancing domestic reform under the APEC umbrella has been helpful in legitimizing reform and setting regional norms.

At the same time the APEC region has become progressively more central to the global economy:

- Comprising 60 percent of global GDP;
- Accounting for nearly half of global trade;
- Including the three largest individual economies in the world among its members.

With increased openness and deeper regional economic integration, the health of the global economy today impacts each individual Asia-Pacific economy as never before.

As some developing economies with higher growth rates have risen ahead of others in relative global weight over the past quarter century, the most important trend is that global economic power is becoming increasingly dispersed. In the future, it is likely that there will be no single dominant economy. This will place a high premium on collaboration and cooperation to assure the maintenance of sustained growth across all economies in the region by maximising economic opportunity and managing risks. The ability of APEC economies to work together to successfully address this challenge will be critical to the wellbeing of the global economy as a whole.

In the face of many disrupters and emerging challenges, the opportunity provided by APEC's unique form and modus operandi for robust and constructive dialogue is more, not less, important today to advancing a prosperous, peaceful regional and global order:

- APEC remains the only trans-Pacific institution with a broad economic mandate and region-wide focus supported by broad and high level political commitment;
- To date that expressed political commitment to cooperation and dialogue has been central;
- APEC leaders and ministers must now renew that political commitment to cooperation and dialogue and reaffirm a clear articulation of APEC's value proposition that embraces all member economies;
- Senior officials have a key responsibility for maintaining the relevance, constructiveness and vibrancy of dialogue within APEC.

APEC's norms based on openness, voluntarism, consensus-building, concerted unilateral action, commitment to economic and technical cooperation and support for the multilateral system, and its modus operandi based on dialogue and collective promotion of best practice, are best suited to meeting the challenges beyond 2020.

The voluntary and non-binding modality of APEC recognizes the wide variation among APEC members in terms of size, strength, level of economic development and competencies as well as their readiness to undertake regulatory reform.

But APEC has importantly also provided for flexibility among members to undertake more ambitious arrangements through incubation and pathfinder initiatives. APEC

jurisdictions accordingly recognise the Trans Pacific Partnership (now CPTPP) and Regional Comprehensive Economic Partnership (RCEP) to be legitimate pathways to the realization of an eventual Free Trade Area for the Asia Pacific (FTAAP).

- APEC ministers and senior officials should actively encourage greater use of pathfinder initiatives, relating not only to trade and investment issues but to the full range of APEC's agendas including in particular issues relating to the digital economy.

The discipline imposed by the annual schedule of official meetings, ministerial meetings and leaders' summits has been critical to advancing APEC's agenda and work programme.

Leaders and ministers must continue to:

- Call for regular progress reports to drive results;
- Maintain the extent and quality of personal contact at the highest political levels through annual leaders' and ministerial meetings. This is critical to encouraging respect, understanding and a willingness to cooperate;
- Support the ongoing operation of a network of effective working groups and task forces on particular issues to collaborate and search for consensus among participating economies. While the topics considered are subject to continual refinement, this model has been valuable as regional dynamics have evolved, and will be central in the future for identifying ways to progress work on emerging issues.

The time is opportune to consider refinements of APEC's organizational structure to ensure continued provision of the levels of collaboration and technical expertise that will be needed to advance the post 2020 agenda.

APEC Senior Officials should actively work on developing:

- A closer working relationship between the Committee on Trade and Investment (CTI) and the Economic Committee (EC), the two principal APEC committees, to ensure that cross cutting issues associated with the complex dimensions of the digital economy and technological developments, and the interdependence between trade reform and structural reform, are addressed in a coordinated fashion;

- Improved governance arrangements for APEC's work programmes on digital technology with a view to ensuring that work programmes are coherent and effective. This is now an urgent priority;
- Steps to ensure that work programmes of groups covering key sectoral areas (such as ICT, telecommunications, transport, energy, education and skills) are better integrated into the broader APEC agenda.

In today's fast-changing world, regular reviews of APEC's agendas, working groups, and support services are essential to ensure APEC's continued relevance and effectiveness.

- There should be regular reviews of progress toward meeting the objectives that APEC sets for itself.
- Working groups should be regularly reviewed for their effectiveness and relevance of their agendas. Regular difficulties in attracting quora to meetings should trigger consideration of the need for continued existence of the group in question. APEC has agreed sensible rules to deal with such situations. They should be applied.
- APEC should avoid adding work programmes on issues that other international institutions are better equipped to handle. For example, international economic imbalances and the risks of debt-fuelled growth are issues of serious concern for APEC economies, but the comparative advantage in addressing them lies with institutions such as the G20, IMF, OECD and AMRO. Similarly, international public financing of infrastructure developments is best handled by international financial institutions. The APEC Finance Ministers' process should reflect on the implications of these issues for the region and provide a link between APEC and the international institutions with primary responsibility for them.
- A lean, energetic Secretariat has served APEC well. Members should continue contributing to its effectiveness by making suitably selected and conveniently scheduled secondments.
- The Policy Support Unit (PSU) provides valuable support for the APEC process. Arrangements for financing the PSU should be placed on a more secure, longer term footing.

APEC must continuously strive to ensure effective communication of the importance and value of its agendas and the results of its work programmes, and to develop and maintain lively and constructive relations with its stakeholders.

- APEC should regularly review the effectiveness of its communications strategy.
- Widening the range of media interest in APEC is a challenge that must be continuously addressed.
- The strong working relationship that APEC has developed with ABAC and PECC should be matched by similarly strong working relationships with appropriate civil society groups and with academia.

Annex 1: Task Force Members

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