

**Pacific Economic Cooperation Council (PECC) Statement and Summary
For the Symposium on 'Asia-Pacific Strategies for the Global Trading System,' held in
Vancouver, BC, Canada, October 28-30, 2019**

The Pacific Economic Cooperation Council organized a dialogue on 'Asia-Pacific Strategies for the Global Trading System' in Vancouver on October 28-30, 2019. The dialogue was co-hosted by Pascal Lamy, chair of the French Pacific Territories Committee on Pacific Economic Cooperation and Don Campbell, Chair of the Canadian National Committee on Pacific Economic Cooperation, with the assistance of the PECC International Secretariat and the Asia Pacific Foundation of Canada.

The meeting included experts from France, Canada, the United States, Japan, New Zealand, Singapore, Thailand, Chinese Taipei, Chile and international representatives from the WTO and International Trade Centre in Geneva, representing government, academe and the private sector. Topics under discussion included "Current Challenges to the International Trading System", "The New Trading Order across the Pacific", "Trade in the Age of the Fourth Industrial Revolution" which included digital trade, data flows and artificial intelligence, and "Gender and Trade".

The symposium also began a dialogue on trade and climate change, a topic that will be discussed in more detail in the next seminar in this series in Auckland, New Zealand in April 2020.

The Global Trading System

The dialogue underscored the immediate urgency of revitalizing the international trade system under threat in the face of multiple challenges and dangers. These challenges include the increased use of protectionist measures by some, populism, trade conflicts, trade actions breaching WTO obligations and disciplines, the possible collapse of the dispute settlement mechanism at the WTO with the lack of quorum of appellate body members, failure to adequately address continuing and new issues, and behind all specific issues, increased economic nationalism all of which risk making the WTO unable to make the rules adjust to the realities.

To underscore this global picture several basic factors were mentioned; the US-China technological rivalry; the Western fatigue with globalization (globalization has more winners than losers but is painful for the losers); and a reversal of recent declines in global trade in

order to ensure continued sustainable economic growth. It was felt that this is necessary because de-globalization would be costly, inefficient and painful.

Medium to longer term challenges relate to the ability of the global trading system to address issues arising from climate change, and to develop agreed rules for digital trade and the data flows associated with it, including addressing competition policy issues. Over the longer term, the global trading system will need to shift from a rules-based system that addresses obstacles to trade that protect producers primarily through tariffs to one that addresses obstacles stemming from the discrepancies of measures necessary to protect consumers, a much more complex ball game.

There was a view that plurilateral and regional trade agreements (RTAs) offer the best current prospects to advance trade and investment liberalization and to expand trade rules to encompass “next generation trade issues”, such as competition policy, e-commerce, intellectual property, subsidization of state owned enterprises, transparency, and cross border trade in services. However, regional and plurilateral agreements should deliver “WTO Plus” rules and market access, and should have an open accession process. They must respond to business needs and global priorities. Participants stressed that RTAs must be compliant with the letter and spirit of WTO rules, and suggested that greater consistency could be achieved through prior engagement with the WTO during negotiations rather than being limited to an ex-post facto review by the organization.

With regard to global trade, the workshop reached the following conclusions;

- Trade is essential to efficient production and rising incomes. In the face of the challenges and darkening world economic outlook, revitalization of the WTO and inclusive international trade is more rather than less needed.
- The world trade system as a whole is anchored in WTO norms and disciplines. Without a strong WTO and rules-based system, trade will not flourish. The WTO is more than a forum for trade negotiations; it also sets and monitors the implementation of agreed rules and norms, including in settling disputes among members. The WTO was viewed as the essential anchor for transparency, non-discrimination and national treatment
- The trading system requires both the global norms, such as non-discrimination, national treatment, and the resolution of disputes, that are the basis of the WTO as well as regional, plurilateral, and bilateral agreements such as CUSMA/USMCA, CPTPP, the Pacific Alliance and the RCEP that allow economies to experiment with deeper cooperation so long as it is consistent with WTO principles.

- Fixing the system requires both urgent action to address the current crisis of the WTO system as well as medium and longer term actions to deal with changing priorities, conditions and technologies. Since the US-China trade dispute negatively affects all economies in the Asia-Pacific as well as around the world, progress in achieving a short-term agreement to halt further damage as well as longer-term work to develop a lasting resolution on broader structural issues is essential.
- Urgent actions are needed to address the weaknesses in the WTO current dispute mechanism, including the lack of Appellate Court judges, and issues related to unfair trade practices such as subsidies and state aids. The proper use of exemptions from trade disciplines for truly national security purposes also need to be enforced.
- Actions that could be taken at the WTO include flexible use of existing rules, changes and new agreements outside of negotiating rounds, greater use of the Secretariat for proposals and strategic planning, and creation of a legal drafting committee. Creative interim solutions to ensure that disputes at the WTO can continue to be arbitrated are essential while a longer-term, permanent solution is sought.
- Other actions are needed over the longer term to address issues such as environment and climate change, which is of existential significance, labor rights and inclusiveness, and new technologies as well as industrial policy and competition issues.
- The trade system needs to adjust to major trends and challenges in the nature of international trade itself including the rise of services industries, the dramatic growth of cross-border data flows and related privacy issues, and the shift in national regulation based upon the protection of industries to the protection of consumers.

Digital Trade and Artificial Intelligence

The workshop also devoted considerable time to examination and discussion of new digital technologies (such as mobile payments) and the importance of data, e-commerce, and artificial intelligence (AI). The workshop noted that artificial intelligence can bring unprecedented economic and social benefits and examined how companies and governments and the public at large can benefit. AI is revolutionizing the ways we live and work but also fueling anxieties and ethical concerns. It was noted that regulation of data flows is an important element of political and economic stability since greater access to data leads to competitive (first mover) advantage.

At the current time there are primarily three models of data regulation, based on practice in the United States (market driven), China (government-managed) and the EU (regulated/government coordinated). With regard to artificial intelligence, workshop

participants considered issues such as “trustworthy AI” principles, including inclusivity, transparency, fairness, equity, security and safety from both a private sector and government approach. It was recognized that international cooperation in such areas goes beyond trade policy, and includes collaboration on regulatory issues as well as finance in fora such as the OECD and G20. Paths towards AI Governance were noted in four ways: the existing Canada-France statement on AI of March 2018, the OECD Principles on AI adopted by 42 countries in May 2019, the European Commission Ethics Guidelines for AI produced in 2018 and finally the G20 Leaders’ Summit in Tokyo . It was felt that there is a need for setting international standards. Further work is being done by the PECC networks in both services trade and the digital economy, and PECC could help governments to promote inter-operability

Gender and Trade

The workshop gave attention to gender as well as indigenous and other human rights issues in trade. While recognizing that considerable progress has been made in the area of gender equality through national and local legislation, corporate best practices, and some free trade arrangements, these areas are not yet sufficiently incorporated into international level norms and standards. The participants noted that gender equality is an economic and competitiveness issue and changing economic and demographic conditions make it essential to employ the most productive human resources regardless of gender, ethnicity, and disability. A great deal of progress has been made to understand that policy settings are not gender neutral and some may be discriminatory. Better data and work on gender-based analysis of proposed trade measures are important to this work. Much more progress and work in this area needs to be done in order to move from gender chapters in RTAs to mainstreaming and embedding of gender equality in trade rules generally.

Conclusion

The forum concluded by noting that further work is required to ensure the multilateral rules-based system is maintained, strengthened and adapted for the post-2020 period. A key element will be to examine the impact of climate change and the groundswell of support for environmental action on the international trading system. The digital economy and its impact on intellectual property and competition policy issues will also be important. APEC and PECC have a role to play in highlighting and advancing proposals for global action. PECC will be further pursuing these objectives through its research and international work program, including its next international seminar to be held in Auckland next April.