



**A**LMOST twenty years ago, the leaders of the Asia-Pacific region met in Bogor to "chart the future course of our economic cooperation which will enhance the prospects of an accelerated, balanced and equitable economic growth not only in the Asia-Pacific region, but throughout the world as well". In just a few months, Apec leaders will again meet in Indonesia, South-east Asia's largest economy. How far has the region come in achieving those goals and what more needs to be done?

The headline achievements are impressive, to note just one – incomes in the region have more than doubled since 1994 from an average of US\$10,000 to more than US\$23,000.

The journey to get to where we are today has not been easy. The region has been buffeted by economic crises, first in 1997-1998 and then in 2008-2009. This crisis is not yet over, a number of Apec members recently enacting stimulus measures to kickstart growth, such as QE3 in the United States, Japan's new attempt to reflate its economy, and there is a possibility of new stimulus in China in response to a deteriorating external environment.

These measures, while focused on domestic growth, have some unintended consequences. We are seeing rising capi-

## Bogor to Bali: Building an Asia-Pacific community

Focusing on education, infrastructure and removing barriers to SME participation will help bring about Apec's goals of equitable and inclusive growth. By **Jusuf Wanandi** and **Tan-Khee Giap**

tal flows into Asia which poses challenges including the need to minimise the risks of asset bubbles and excessive credit expansion. There is already talk of "currency wars" and competitive devaluations. While the rhetoric makes for exciting reading, the world is far too complex for simplistic reasoning. At the outset of the crisis, many had feared a descent into beggar-thy-neighbour policies, thus far, through the actions of the G-20 and Apec, we have avoided this. At this critical juncture, when nationalist sentiments are rising, we need more cooperation and understanding. Apec is the embodiment of bridging differences, and must continue to play its role in bringing a diverse community together.

While Apec has done well on freeing up trade and investment, the world which Apec occupies has changed. In 1994, bilateral trade deals were the exception, today

they are the rule. Even this is changing. The Asean Regional Comprehensive Economic Partnership Framework will consolidate the Asean+1 agreements into a single area and the Trans-Pacific Partnership agreement hopes to build on the Pacific 4 agreement. Outside of our region, the US and the EU are talking about a trans-Atlantic trade agreement which would create the single biggest market in the world.

These massive trade groups, while potentially building blocs to multilateralism, can make outsiders feel excluded. This is a dangerous path to go down and this region, through Apec, with its spirit of inclusiveness and openness, should ensure that no economy is left out.

However, strong headline growth has masked a dirty secret – income disparities have been growing both among and within regional economies. Apec leaders have long talked of the need for growth to be eq-

uitable – in Bogor and re-emphasised in recent years such as in 2009 in Singapore with a call for "fostering inclusive growth" and in Yokohama where it was a key dimension of the Apec Growth Strategy.

The Millennium Development Goals set the objective of universal primary education by 2015, in this region, we should move ahead and aim to provide all our citizens with the skills to participate in this competitive global economy. While some economies have done particularly well in increasing tertiary education participation, for example in South Korea where the ratio has increased from 35 per cent to almost universal enrolment since 1994, others lag behind.

However, enrolment rates are not a panacea; one need only look at high unemployment rates among recent graduates in parts of Europe to see this. Emphasis must be on flexibility and resilience.

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Strong headline growth has masked a dirty secret - income disparities have been growing both among and within regional economies. PHOTO: AP

There is a need for educational institutions and businesses to work together to help to develop skills of our peoples to fulfil their potential. This requires a change in culture in both the business and education providers.

Even if our people possess the skills to compete, they cannot do so if they are not connected to the market. We need our people and our businesses - large and small - to be able to connect to where opportunities exist. The ADB (Asian Development Bank) estimates that East Asia alone needs to invest some US\$8 trillion in infrastructure. Much of this would be in transportation but a critical part of the creative economy is access to information. Access to the Internet varies tremendously in the region, from two to 84 in every 100 in Papua New Guinea and South Korea respectively.

Another aspect of the integration process is how do our businesses reap the opportunities that lie ahead? It has been conventional wisdom that multinational corporations account for 70 per cent of global trade, while at the same time, SMEs (small and medium enterprises) account for 90 per cent of all businesses. The idea that products are made in one particular country has given way to the idea of being "made in the world". The emergence of global value chains opens up opportunities for SMEs to participate. But SMEs face a distinct set of problems going global as trade rules and compliance costs disproportionately impact smaller businesses, and their access to finance and information about overseas markets is limited.

A focus on these three areas: education, infrastructure and barriers to SME participation could help to make a major difference to addressing Apec's goals of equitable and inclusive growth in the years ahead. Calls for addressing inequality should not be misconstrued as calls for redistribution of wealth - that has been tried and failed. Making growth equitable and inclusive are essential to the region's goal of community building - that is one in which we share a sense of common destiny and purpose.

These issues will be addressed during a conference organised by the Pacific Economic Cooperation Council (PECC), the Singapore National Committee for Pacific Economic Cooperation (SINCPPEC) and the Indonesian National Committee for Pacific Economic Cooperation (INCPPEC) on Feb 22-23.

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