Opening Speech

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The Asia Pacific still serves as the strongest contributor to world economic growth, particularly the developing part of it. Yet, we are currently witnessing some symptoms that Asia Pacific growth is falling and that policy initiatives are urgently needed to arrest and reverse the trend. The developing part of the Asia Pacific in particular is in need of a lasting recovery that would help prevent it from falling into the middle income trap which has proven in many countries to be extremely difficult to escape from.

Paradoxically policy repertoire is narrowed during difficult times. Fiscal stimulus is stumbling on tight limits that stem from high public debts accumulated in the past. Monetary maneuver is increasingly uncertain in terms of effectiveness given the probability that the United States can resort to a tight profile any time. As a result, structural policy initiatives rise in importance, however difficult it is to orchestrate such initiatives in the vast Asia Pacific.

While weighing structural policy options we in the Asia Pacific have to realize how deep our economies have integrated, following the liberalization, facilitation and capacity building of the last four decades or so. Production and distribution are increasingly evolving under the global value change (GVC) and global supply chain (GSC) or the global production network in short. Future growth in the Asia Pacific is bound to depend on our ability to deepen this production network and to extend its coverage to economies and industries which currently participate only marginally in it. Both steps are difficult, undoubtedly, but they are indispensable to generate new sources of growth.

Scaling up GVC and GSC requires first of all greater freedom for information, goods, services, capital and people to move across borders. Further liberalization determines to a certain extent how far such scaling up can progress. It is needed despite the inconveniences that it may cause in domestic politics. We also realize that progress is not likely to come from multilateral efforts in the near future. The WTO has in fact failed to agree on the protocol that is needed to implement the 2013 Bali Package on facilitation. Therefore, governments in the Asia Pacific will have to find ways of making negotiations on TPP, RCEP, post 2015 ASEAN Economic Community (AEC) and other unilateral and sub-regional initiatives effective and to assure that the sub-regional and regional initiatives are comply with the WTO. People expect from leaders workable policy compromises rather than insistence on idealized designs or refusal to depart from a narrowly nationalistic stance that may even end up in disintegration at mutual peril.

The second determinant of progress in the expansion of GVC and GSC to new economies and sectors in the Asia Pacific is facilitation. A comprehensive facilitation program that addresses simultaneously trade in goods, trade in services and investment, including connectivity infrastructure, is considered much more powerful than traditional liberalization in pushing production and distribution costs down and, thereby, to produce growth. Let me repeat, the lack of progress in the implementation of the 2013 Bali Package on facilitation is very discouraging as far as the future of multilateralism is concerned. Asia Pacific growth may not survive such failure. Senior officials, ministers and leaders must find ways, however incremental, to reduce supply-chain barriers such as administrative restrictions, poor infrastructure or both. Only then will it be possible for the GVC and GSC to expand to new economies and sectors and serve as a sustainable and more inclusive source of growth.

The infrastructure bottlenecks plaguing many economies in the Asia Pacific are public knowledge. Governments have discussed them incessantly with a view among others to mobilize the private sector in a big way to invest in infrastructure. The establishment of a PPP Centre in Indonesia was agreed during the Leaders Meeting in 2013. But result remains meager. This is an enigma. It may not be an issue of saving scarcity. Some economies in the Asia Pacific Part are awash with saving. Some others must struggle with poor infrastructure for lack of saving. Financial innovations by existing institutions or new ones such as the Asia Infrastructure Bank are urgently to bridge the meeting between saving and investment.

One of the weak sides of global production network is related to the limited capacity of some economies to address issues that are critical to a meaningful participation in the GVC and GSC. Admittedly, raising this capacity is primarily a domestic issue. However, we at PECC have committed ourselves to a triangular architecture of Asia Pacific integration and cooperation that attaches the same importance to liberalization, facilitation and capacity building. Our policy initiatives on structural change have to deal with the three dimensions in a balanced manner.

With this short message I have outlined my thought about the Asia Pacific integration and cooperation agenda for this year and the near future, fully realizing that other issues such as technology progress, food security, energy security, resilience to pandemics and natural disasters are also waiting to be addressed effectively. Mindful of the complexity we at PECC aim to make positive contribution by focusing on the economic dimensions as I attempted to outline.