

Achieving Inclusive Economic Growth in the New Normal
Opening Remarks
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On behalf my co-chair, Ambassador Don Campbell and all of us here, let me express our gratitude to our guest of honor Ambassador Laura Del Rosario, APEC SOM Chair 2015 for her presence, as well as that of her colleagues from the Philippines:

- Mr Adrian Cristobal, Undersecretary, Department of Trade and Industry
- Dr Emanuel Esguerra, Deputy Director General, National Economic Development Authority
- Mr Bobby Tan, Treasurer of the Philippines

These are the key people charged with shepherding the APEC process this year, that is an enormous responsibility that you have and we are honored that you have taken the time out of your schedules to be with us here today.

Your presence here is a testament to the enduring relationship between the APEC process and the Pacific Economic Cooperation Council. Many of us here have watched APEC from the very beginnings – both myself and my colleague and friend Ambassador Antonio Basilio attended the first APEC Ministerial Meeting in Canberra a quarter of a century ago.

The Asia-Pacific region is in a period of historic change. To illustrate the enormity and complexity of the transition to a new equilibrium let me list a few punctuated shifts which are going to preoccupy us for an extended period of time.

Our own region, the Asia Pacific is heading, first of all, toward an aging population at different speeds with far-reaching implications on regional and global divisions of labor and the movement of people in their wake.

Secondly, some powerful technologies such as synthetic biology with its tremendous potentials for food and healthcare, big data and its likely huge impacts on almost everything in human life, including robotics, and 3-D manufacturing with its potential for continuous reinvention of all human-made things, are getting closer to commercial stage, mutually reinforcing each other to redefine how we live and work across national and borders.

Third, the games of technology catching up has turned very successful in a few cases but remained elusive to the big majority of economies and people living therein. This

unequal success in catching up is perhaps the deepest root of rising inequality of the recent kind which we are used to referring to whenever we are gathering.

Fourth, super-cities are emerging in the Asia Pacific which are relatively well connected with one another but only poorly so with their respective peripheries. Physical and social infrastructures in these super-cities are strained to the utmost and relief is slow to progress.

Fifth, the elements that we emit as consequence of growth is biting us back in a poorly understood mechanics. Preventing such revenge effects from getting out of hand requires nothing less than global actions, but they too are hard to bring to fruition.

Sixth, while income has risen at an unprecedented pace in some parts of the Asia Pacific and hundreds of millions of people are freed from abject poverty we observe with great concern how the speed of development is decelerating throughout our region despite the recent brightening spot in the United States. Not only is output growth rate falling, green-field foreign investments in the Asia Pacific also suffers from a deep fall. Even trade is losing steam. In other words the engine of economic development in our part of the world is showing signs of fatigue at a time when most of us are yet to cross safely over the middle income trap.

The illustration can extend on and on. We know that such a drama is not new in human history. People who lived before us had dealt successfully with shifts that are even more dramatic than the ones facing us today. The human race is smart enough to find ways of reinventing its culture, though at times with huge learning costs such as wars. Interestingly, a wider and deeper openness is almost invariably part of the reinvention, partly because of the recognition that a retreat from openness usually ends up self-destruction. It is connection with the recent apparent weakening of confidence in open policies that we at PECC need to remind our leaders in APEC of the urgent need to return to the basic open policy architecture which we all have profited a great deal in the last forty years or so.

Let me amplify my message by drawing attention to a few discouraging conditions. The Doha Development Agenda (DDA) has been dragging on and on with little prospect of being re-ignited. Even the Bali Package is yet to turn into a concrete progress with sufficient political support for implementation. Therefore, APEC 2015 under Philippine leadership has to instill a sense of urgency among leaders that a progress in crafting global agreements on trade and investment is indispensable in a world where ideas and technologies move very fast across borders. Without such re-ignition the recent deceleration in our region may exacerbate to our surprise.

Another discouraging trend relates to the proliferation of preferential agreements of which some are bilateral and have nothing to do with regional integration. This trend

has lasted for 20 years since the conclusion of the Uruguay Round and is yet to be reversed. With the preferential agreements of the narrow scope the world economy is fragmented rather than integrated. Therefore, the APEC process of 2015 has to step up beyond the commitment made at APEC 2014 on pursuing the FTAAP as a converging force of Asia-Pacific integration and cooperation.

We at PECC have always been a voice of opening throughout our history. When development was stumbling on the tight limits of import substitution we successfully inspired politicians to switch to open trade and investment policy, unilaterally, regionally and multilaterally. Now that the inward-looking policy is threatening to reincarnate it is our duty to look for ways of arresting arrest drifting and of reversing it as soon as possible.

We do know well that policy opening is never a panacea. It needs complements in form of capacity building and facilitation to be able to a development which is both more inclusive and more sustainable. That the APEC agenda has widened and continues to do so is a simple reflection of the diversity of our region. We appreciate the leadership of the Philippine in choosing the theme: “Building Inclusive Economies, Building a Better World” for APEC 2015. Based on the theme the agenda has clearly taken shape with priorities being attached to enhancement of regional integration, mainstreaming small and medium enterprises (SMEs) in global and regional markets, investing in human capital as it relates to alignment of workforce with future technologies, health and women, and advancement of education, science and technology, and, the fourth priority, building sustainable and resilient economies.

We observe continuity in the APEC agenda of the last few years. We also recognize the very extensive nature of the agenda which may still extend to other issues as the 2015 APEC process evolves. While accepting such scope as fact we do somehow need to agree on a focus. Knowing the human capital development edge that the Philippines has nurtured in our region over the years it does seem sensible to place human capital development as pivot for the 2015 APEC works. By forging effective integration and cooperation in human-capital related services the capacity to benefit from trade and investment liberalization is distributed less unequally between APEC economies and between classes of people in respective economies. A growing stock of human capital and its better distribution are also a condition-sine-qua-non for the adoption sustainable development among politicians and business communities.

Education and vocational training, structural reforms to improve the functioning of markets and trade-related infrastructure are mentioned as priority issues in our State of the Region survey. All three of these are due to be addressed by APEC this year. Today is our opportunity to discuss these issues and suggest ways in which to deliver concrete outcomes for the stakeholders of integration – everyone one of us, but most especially those who are yet to benefit from it.

In closing, I would like to take this opportunity to express our gratitude to Dr Tan Khee Giap and his staff at SINCPEC and Ambassador Basilio and his PPECC team for putting together this event. I also wish to acknowledge and thank the Singapore government for their support of what is now the 7th of our conferences here.

While PECC is an official observer of APEC, we try to look at the region more broadly and to undertake research and make recommendations that we believe important for the future development of the Asia-Pacific. This event enables us to think more specifically about the APEC agenda and to provide ideas and suggestions on how to make progress on the priorities set by the APEC host.

In that vein I hope that all of you will take the time to share your ideas and views on the issues we have put forward today. Between now and the Concluding Ministerial we should be able put together a set of realistic recommendations on making Asia Pacific integration and cooperation a force of greater inclusion and sustainability.

Thank you.