

APEC Summit will speed up economic integration

Vincent Lingga, Singapore | Opinion | Tue, February 26 2013, 9:01 AM

Paper Edition | Page: 6

Economic and technical cooperation (Ecotech) and connectivity were predictably the most vigorously debated topics during the two-day conference of the Pacific Economic Cooperation Council (PECC) that ended here on Saturday.

The first Pacific community seminar was held in September 1980 in Canberra, Australia, on the initiative of Masayoshi Ohira and Malcolm Fraser, then prime ministers of Japan and Australia. PECC is a unique organization which embraces and respects diversity. The group actively pursues and promotes a sense of common purpose in a peaceful and prosperous Pacific community based on diversity. PECC has consistently advocated strategies which will help regional economies to reduce the wide gulf in standards of living between members.

PECC has demonstrated a sustained commitment to open regionalism. It works to reduce obstructions to the economic integration of Pacific economies, without trying to divert economic activity away from other economies outside the region.

Leaders of the Asia-Pacific Economic Cooperation (APEC) agreed at their 1994 summit in Bogor to launch what has since become known as the Bogor goals: free, open trade and investment in the region by 2020. Ecotech was set as the third pillar of the agreement, to ensure the goals were politically acceptable in developing members.

Ecotech programs provide APEC's developing economies with technical assistance to gear them up for free, open trade and investment with the more developed members.

Almost 18 years after the roadmap for Ecotech was drawn up in Osaka, Japan, in 1995 and strengthened at the 1996 summit in Manila, most developing members are disillusioned over the very slow pace of Ecotech activities. They complain about an acute lack of focus and accuse the developed economies of too much emphasis on trade and investment liberalization.

Indonesia's Tourism and Creative Economy Minister Mari Elka Pangestu warned participants at the conference on Saturday that Ecotech programs in capacity building should be stepped up.

The rationale, according to Jusuf Wanandi, cochair of the conference, is that since the levels of development in the 21 members are not equal, it is impossible to enforce the same rules and timetables with equanimity for all members.

PECC, which was set up in 1980, is a tripartite partnership of senior individuals from business and industry, government, academic and other intellectual circles from more than 23 countries in the Asia Pacific.

Thousands of Ecotech projects have been launched to gather and share information, for training and development of best practices. Ecotech projects, however, are thinly spread out across many areas, lack cohesion and often overlap with similar bilateral activities.

Given the non-binding nature of APEC and in view of the limited funding available, APEC needs to redesign these projects and develop models of best practices in capacity building. Members need to focus on areas which will provide the greatest contribution to economic integration.

One area which caught the attention of conference participants is small

and medium enterprises (SMEs). In some APEC countries SMEs account for 90 percent of all businesses and employ as much as 60 percent of the workforce but generate only about 30 percent of exports.

Governments need to improve the business environments to help SME networking and develop strong export-driven companies.

Teng Theng Dar, the director of Business Compass Consultancy in Singapore, wants closer cooperation between SME development centers and higher learning institutions as one of the most effective ways of transferring business competence to SMEs.

The APEC ministerial meeting on SME development in Bali in September in the run up to the Bali summit in October should review capacity-building Ecotech programs and focus them on the business environment and networking.

Improved connectivity was set by an APEC meeting in Jakarta last month as one of the three top priorities, along with free trade and sustainable growth, and became a key theme of discussions at the PECC conference.

But while developing the basic infrastructure for physical connectivity is challenging enough, especially in Indonesia, physical infrastructure is not enough to guarantee economic integration.

Minister Mari, citing the bitter experiences of African countries, noted that regulatory reform, or what she termed as “behind-the-border” rules such as customs clearance and port capacity, is equally important.

ASEAN countries have experienced how non-tariff barriers to trade, notably in the areas of technical standards and customs services, have hindered progress toward economic integration.

Free trade is not only a matter of cutting or removing tariffs. Different standards and assessment practices; different product registration and labeling rules; duplicate testing for quality certification, all increases costs.

As is a regional transit system that requires repeated export, import and transshipment of goods at national borders.

The bulk of the work in developing institutional connectivity lies in regulatory reform which is the domain of governments, not Ecotech programs.

The writer is senior editor of The Jakarta Post.

Post comment

[Click here to post comment](#)