

PRESS RELEASE
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APEC urged to improve connectivity and address infrastructure gaps

11 February 2014 (Singapore) – The global economy and in particular the advanced economies are recovering from the impact of global financial crisis in spite of the turbulence currently rocking in emerging markets. This ‘new normal’ as it emerges will be characterized by different patterns of growth especially in the US, China, and Japan. These developments will have direct impact on the rest of the region. Structural policy adjustments are urgently needed to make the best out of the given circumstances. Infrastructure development enabled by sustainable funding mechanism and improved physical connectivity are indispensable to ensure that the benefits of trade liberalization and regional integration be inclusive, equitable, and sustainable.

These are some of the topics that were covered at the annual PECC Singapore conference that aims to set the scene and offer recommendations in support of respective host of APEC – this year, China. Bert Hofman, the chief economist of East Asia and the Pacific at the World Bank, noted that the composition of the sources of growth has changed over the years and that China has significantly contributed to APEC now occupying a much larger share of the global output including the service sector.

Ambassador Tang Guoqiang, the Chair of China National Committee for Pacific Economic Cooperation (CNCPEC), commented in his concluding remarks, “APEC has been and will continue to be an important institution for regional cooperation; it needs to adjust to the new realities we are facing.” “When it began there were few regional trade agreements, now there are many. Cross-border flows of capital, people, and goods are increasing - we have become ever more interconnected and vulnerable to each other,” he added.

As APEC celebrates 25 years, many recognize that APEC has succeeded in removing various trade barriers and reducing cross-border inefficiencies. However, the next task is to build and strengthen connectivity domestically and regionally to ensure high-quality, inclusive growth. Indonesian Minister of Tourism and Creative Economy, Dr. Mari Pangestu said, “increasing connectivity is a matter of efficiency and also a matter of reducing imbalances,” through video streaming. She also reiterated that “APEC is a good framework to share best practices in dealing with connectivity.”

Professor Bambang Brodjonegoro, the Indonesian Vice Minister of Finance, underscored the importance of structural reforms given the multitude of economic uncertainties and financial volatility in the region. Noting the effects of shale boom in the US, he said that Indonesia, which has relied much on high commodity prices in the past, should anticipate days of lower energy costs and would need to invest more in other areas such as manufacturing.

“Strengthening infrastructure in the region can generate more jobs, promote inclusive growth, and provide basis for structural reforms,” said Mr. Jusuf Wanandi, PECC Co-chair. “While capital is available, a large part of it is idle and we need a region-wide platform where we can share information and connect potential investors with those in need of capital injection to get the needed infrastructure projects going,” he added. The infrastructure deficit in the region is well recognized and the Asian Infrastructure Investment Bank (AIIB) proposed by the Chinese President Xi Jinping last October in Indonesia, offers the potential solution to address this urgent gap. “The challenge for China and its partners is now to make this initiative real and pragmatic. We should look forward to see more details closer to the 2014 APEC Leaders’ Meeting in Beijing,” said Dr. Tan Khee Giap, the Chair of Singapore National Committee for Pacific Economic Cooperation (SINCPPEC), which co-organized the conference with CNCPEC.

In efforts to improve connectivity, much needs to be done to improve the financial cooperation in the region. Professor Xiang Songzuo, the chief economist of Agricultural Bank of China pointed out that without financial stability, trade liberalization efforts and current growth will not pay off in the long run. Two

possible ways in which to strengthen financial stability and prevent crisis in Asia, he said, could be by upgrading the Chiang Mai Initiative Multilateralisation (CMIM) into a form of “Asia Monetary Fund” and by implementing the China-proposed AIIB that could function as an open platform to facilitate financing of infrastructure investments in the region spurring growth and connectivity.

In terms of the various pathways being pursued to realize a free trade area of the Asia-Pacific (FTAAP), along with the ongoing regional and plurilateral initiatives, “it is crucial that our top priority remains the multilateral trading system,” reiterated Singapore’s Minister for Trade and Industry, Mr. Lim Hng Kiang in his opening remarks at the PECC conference. “In parallel with APEC’s own integration agenda, APEC economies can help further the WTO’s agenda by playing a leadership role in implementing multilateral commitments; bringing market access initiatives to the WTO; and exploring new trade-related issues,” he added. This was shared by Mr. La Yifan, the Vice Chair of APEC SOM (Senior Official Meeting), Ministry of Foreign Affairs of China, and Under Secretary-General for the organizing committee of APEC 2014, who said that expectations for APEC remain high, that it enables tackling traditional and non-traditional threats collectively for mutual benefits and emphasized on its potential for contributing to building “an inclusive multilateral trade system centered on the WTO.”

“Substantive discussions held during the PECC conference on connectivity and pathways towards realizing FTAAP will provide important input to this year’s APEC leaders and ministers in their deliberations going forward,” said Ambassador Don Campbell, Co-chair of PECC.

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