

Conference on
Growing
APEC Economies:
New Challenges
& Approaches

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Foreword

The recovery from the economic crisis of 2008-2009 is now into its second year, however, uncertainties about the sustainability of the recovery are increasing, and not decreasing. When we met in Singapore in 2009 for a similar conference entitled “Enhanced Resilience, Structural Reform, and Freer Trade in the Asia-Pacific Region” we discussed the policy framework the region could adopt to ensure the sustainability of the recovery as and when stimulus is withdrawn.

We believe that the structural reforms the PECC task force recommended must be adopted, even as clouds of uncertainty remain on the horizon. APEC is an apt institution for adopting such structural reforms. Although often a criticism of APEC, it is not a binding institution; it depends on the voluntary implementation of these measures by its member economies. APEC also places equal emphasis on economic and technical cooperation - critical as emerging markets consider untried policy mixes to make the adjustments they need to respond to the changing economic environment.

This conference provided the perfect venue discussing the structural changes taking place within our region and the approaches being adopted by various economies. The major economies of the region and some of the fast growing emerging economies are facing very different challenges. Unemployment remains high in some economies while others are facing inflationary pressures. This implies a need for a multi-pronged coherent and coordinated approach. At the height of the crisis, all economies adopted accommodative monetary policy stances, clearly rising inflation is going to force some economies to tighten. At the same time, this may induce disruptive capital flows – already challenging policy makers in the region.

Traditional policy tools such as capital controls are available and no longer carry the same stigma they did in the 1990s. However, experiences with capital controls are mixed, with practitioners challenging their efficacy. There is no simple answer, nor do we seek one. We provide a neutral venue for experts from different walks of life – government, business, academia and elsewhere to exchange views on common concerns. Although the purpose was not to drive toward a consensus, we believe that the exchange helped narrow gaps and that the presentations will be informative for decision-makers.

We would like to express our appreciation to the many people and institutions that made this event possible. First of all, Dr Tan Khee Giap has been the driving force behind what has become an annual event on the PECC calendar. Singapore’s Minister of Trade Lim Hng Kiang who took time out of his busy schedule to share his views with us on the challenges our region faces, and Mr Ho Meng Kit, Chief Executive Officer of the Singapore Business Federation gave his time and his support. We would also like to thank all of the speakers and participants for engaging in a serious discussion on the issues we are confronting, and of course, the staff behind the scenes.

Charles E. Morrison
PECC Co-Chair

Jusuf Wanandi
PECC Co-Chair

Executive Summary

Rapid structural changes and challenges are currently taking place within the growing APEC economies. As such, this conference gathered thought-leaders and decision-makers from across the region to discuss various critical issues including the creation of employment, technology, upgrading, relative economic growth and sustainability.

This conference had four primary objectives: (i) to take stock of the latest development amongst APEC economies in terms of sustainable and inclusive growth; (ii) to share experiences in exploring how services can also be a pillar of growth for emerging economies; (iii) to evaluate how APEC economies can better cope with volatile capital flows; and (iv) to reexamine the effectiveness of APEC amidst the growing complexity in regional institutional architecture.

Discussions from the conference are expected to contribute to the 2011 State of the Region (SOTR) report published by PECC which serves as a key medium to inform the policy makers directly involved in the APEC official process.

This conference was co-organized by the Pacific Economic Cooperation Council (PECC), the United States Asia Pacific Council (USAPC) and the Singapore National Committee for Pacific Economic Cooperation (SINCPEC), and facilitated by the Institute of Policy Studies (IPS).

Acknowledgements

The PECC, USAPC, SINCPEC and the IPS are grateful to all who have contributed in one way or another towards the successful publication of this report.

In particular, the organizers would like to thank all contributors and participants of the event who have helped make the event a huge success.

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Conference Programme

PECC-USAPC-SINCPEC CONFERENCE ON “GROWING APEC ECONOMIES: NEW CHALLENGES AND APPROACHES” 29-30 June 2011

Tuesday, 28 June 2011	
All Day	Arrival of conference participants
1830 – 2000	Working dinner for conference speakers and PECC Chairs and Representatives

Wednesday, 29 June 2011	
0800 – 0845	Conference Registration
0900 – 0950	Opening Session
0900 – 0910	Welcome Remarks Mr Ho Meng Kit <i>Chief Executive Officer, Singapore Business Federation</i> Singapore
0910 – 0930	Opening Remarks by Dr Charles Morrison <i>Co-Chair, Pacific Economic Cooperation Council (PECC), Chair, United States Asia Pacific Council (USAPC) & President, East West Center</i> United States of America
0930 – 0950	Keynote Address by Mr Lim Hng Kiang <i>Minister, Ministry of Trade and Industry</i> Singapore
0950 - 1015	Coffee Break

<p>Wednesday, 29 June 2011 (cont'd)</p>	
<p>1015 – 1215</p>	<p>Plenary Session 1 Growing Economies in APEC <i>This session will discuss the issues relating to rapid structural changes and challenges currently taking place within APEC economies with regards to employment creation, technology upgrading, relative economic compliment and sustainabilities.</i></p> <p>Plenary Session Moderator: Dr Charles Morrison <i>Co-Chair, Pacific Economic Cooperation Council (PECC), Chair, United States Asia Pacific Council (USAPC) & President, East West Center United States of America</i></p>
<p>1020 – 1045</p>	<p>Keynote speaker Professor Woo Wing Thye <i>Professor, Department of Economics University of California, Davis United States of America</i></p>
<p>1045 – 1145</p>	<p>Panel Speakers:</p> <ol style="list-style-type: none"> 1. Ambassador Yoshiji Nogami <i>Chair, Japan National Committee for Pacific Economic Cooperation (JANCPEC) & President, Japan Institute of International Affairs Japan</i> 2. Professor Chen Kang <i>Director, Master in Public Administration and Management Program, Lee Kuan Yew School of Public Policy, National University of Singapore Singapore</i> 3. Dr Vu Minh Khuong <i>Assistant Professor, Lee Kuan Yew School of Public Policy, National University of Singapore Singapore</i> 4. Dr Arianto Patunru <i>Head, Institute for Economic and Social Research, Faculty of Economics, University of Indonesia Indonesia</i>
<p>1145 – 1215</p>	<p>Discussion Session</p>
<p>1215 – 1400</p>	<p>Distinguished Luncheon Speaker: Professor Bernard Yeung <i>Dean, NUS Business School, National University of Singapore Singapore</i></p> <p>Lunch</p>

Wednesday, 29 June 2011 (cont'd)	
1400 – 1600	<p>Plenary Session 2 Growing Trading in Services in APEC Economies <i>This session will discuss the issues relating to how to expand trading in services and enhancement on productivity for the APEC economies.</i></p> <p>Plenary Session Moderator: Mr Ian Buchanan <i>Chair, Australian Pacific Economic Cooperation Committee (AUSPECC) & Senior Executive Advisor, Booz & Company</i> Australia</p>
1405 – 1430	<p>Keynote speaker: Professor Christopher Findlay <i>Vice-Chair, Australian Pacific Economic Cooperation Committee (AUSPECC) & Executive Dean (Acting), Faculty of the Professions, University of Adelaide</i> Australia</p>
1430 – 1530	<p>Panel Speakers:</p> <ol style="list-style-type: none"> 1. Dato' Dr Mahani Zainal Abidin <i>Chair, Malaysia National Committee for Pacific Economic Cooperation (MANCPEC) & Chief Executive, Institute of Strategic and International Studies</i> Malaysia 2. Ms Subrina Chow <i>Director, Hong Kong Economic and Trade Office in Singapore</i> Hong Kong 3. Dr Narongchai Akrasanee <i>Chair, Thailand National Committee for Pacific Economic Cooperation (TNCPEC) & Chairman, Seranee Holdings</i> Thailand 4. Mrs Tatiana Palatova <i>Deputy Chief, Service and Investment Division, Trade Negotiations Department, Ministry of Economic Development of the Russian Federation</i> Russia
1530 – 1600	Discussion Session
1600 – 1615	Coffee Break

<p>Wednesday, 29 June 2011 (cont'd)</p>	
<p>1615 – 1830</p>	<p>Plenary Session 3 APEC's Growth: State of the Region Report Presentation</p> <p>Plenary Session Moderator: Mr Denis McNamara <i>Deputy Chair, New Zealand Committee of the Pacific Economic Cooperation Council (NZPECC) & Consultant, Lowndes Associates</i> New Zealand</p>
<p>1620 – 1700</p>	<p>Keynote Speaker: Mr Woo Yuen Pau <i>Coordinator, PECC State-of-the-Region Task Force & President and Chief Executive Officer, Asia Pacific Foundation of Canada</i> Canada</p>
<p>1700 – 1800</p>	<p>Presentation Session: Members of State-of-the-Region Editorial Committee</p> <ol style="list-style-type: none"> 1. Australia: Mr Ian Buchanan <i>Chair, Australian Pacific Economic Cooperation Committee (AUSPECC) & Senior Executive Advisor, Booz & Company</i> 2. China: Ambassador Zou Mingrong <i>Executive Vice-Chair, China National Committee for Pacific Economic Cooperation (CNCPEC)</i> Dr Yang Zerui <i>Researcher, China National Committee for Pacific Economic Cooperation (CNCPEC)</i> 3. Japan: Ambassador Yoshiji Nogami <i>Chair, Japan National Committee for Pacific Economic Cooperation (JANCPEC) & President, Japan Institute of International Affairs</i> 4. Korea: Dr Sangkyom Kim <i>Executive Director, Korea National Committee for Pacific Economic Cooperation (KOPEC)</i> 5. Singapore: Associate Professor Tan Khee Giap <i>Chair, Singapore National Committee for Pacific Economic Cooperation (SINCPEC) & Co-Director, Asia Competitiveness Institute, Lee Kuan Yew School of Public Policy, National University of Singapore</i> 6. Chinese Taipei: Dr Gee San <i>Deputy Minister, Council for Economic Planning & Development</i> Executive Yuan

Wednesday, 29 June 2011 (cont'd)	
	7. United States of America: Dr Charles Morrison <i>Co-Chair, Pacific Economic Cooperation Council (PECC), Chair, United States Asia Pacific Council (USAPC) & President, East West Center</i>
1800 – 1830	Discussion Session
1845 – 2045	Conference Dinner Distinguished Speaker Dr Charles Morrison <i>Co-Chair, Pacific Economic Cooperation Council (PECC), Chair, United States Asia Pacific Council (USAPC) & President, East West Center United States of America</i>
End of Conference Day One	
Thursday, 30 June 2011	
0845 – 1045	Plenary Session 4 Managing Capital Flows <i>This session will discuss how APEC economies can cope with the rapid capital flows within APEC economies with regards to macroeconomic stability and external shocks.</i> Plenary Session Moderator: Dr Ko Kwan Wai <i>Assistant Professor, Department of Economics, The Chinese University of Hong Kong Special Assistant to Professor Sung Yun-wing, Chair, Hong Kong Committee for Pacific Economic Cooperation (HKCPEC) Hong Kong, China</i>
0850 – 0915	Keynote speaker: Professor Kawai Masahiro <i>Dean & Chief Executive Officer, Asian Development Bank Institute Japan</i>
0915 – 1015	Panel Speakers: 1. Dr Kobsak Pootrakool <i>Executive Vice President, International Banking Group, Bangkok Bank Public Company Limited Thailand</i> 2. Associate Professor Chow Hwee Kwan <i>Associate Professor of Economics and Statistics (Practice), School of Economics, Singapore Management University Singapore</i>

Thursday, 30 June 2011 (cont'd)	
	3. Dr Chen Miao <i>Director, Macroeconomic Forecasting Centre, Taiwan Institute of Economic Research Chinese Taipei</i>
1015 – 1045	Discussion Session
1045 – 1100	Coffee Break
1100 – 1300	Plenary Session 5 Strategic Importance of Regional Economic Integration and Cooperation vis-a-vis Asia-Pacific Economic Cooperation (APEC), East Asian Summit (EAS) and Group of Twenty (G-20) Plenary Session Moderator: Mr Jusuf Wanandi <i>Co-Chair, Pacific Economic Cooperation Council (PECC), Chair, Indonesian National Committee for Pacific Economic Cooperation (INCPEC) & Vice-Chair, Board of Trustees, Centre for Strategic and International Studies Indonesia</i>
1105 – 1130	Keynote Speaker: Associate Professor Simon Tay <i>Chairman, Singapore Institute of International Affairs & Associate Professor, Faculty of Law, National University of Singapore Singapore</i>
1130 – 1230	Panel Speakers: 1. Ambassador Yoshiji Nogami <i>Chair, Japan National Committee for Pacific Economic Cooperation (JANCPEC) & President, Japan Institute of International Affairs Japan</i> 2. Ambassador Zou Mingrong <i>Executive Vice-Chair, China National Committee for Pacific Economic Cooperation (CNCPEC) China</i> 3. Dato Timothy Ong <i>Chairman, Asia Inc Forum Brunei Darussalam</i> 4. Dr Sangkyom Kim <i>Executive Director, Korea National Committee for Pacific Economic Cooperation (KOPEC) Korea</i>
1230 – 1300	Discussion Session

Thursday, 30 June 2011 (cont'd)	
1300 – 1430	<p>Distinguished Luncheon Speaker: Mr Louis Mazel <i>Deputy Chief of Mission, United States Embassy in Singapore</i> United States of America</p> <p>Closing Remarks: Can APEC Economies Deliver? Ambassador Muhamad Noor <i>Executive Director, Asia-Pacific Economic Cooperation (APEC) Secretariat</i></p> <p>Lunch</p>
1400 – 1430	<p>Media Briefing</p> <ol style="list-style-type: none"> 1. Dr Charles Morrison <i>Co-Chair, Pacific Economic Cooperation Council (PECC), Chair, United States Asia Pacific Council (USAPC) & President, East West Center</i> United States of America 2. Mr Jusuf Wanandi <i>Co-Chair, Pacific Economic Cooperation Council (PECC), Chair, Indonesian National Committee for Pacific Economic Cooperation (INCPEC) & Vice-Chair, Board of Trustees, Centre for Strategic and International Studies Indonesia</i> 3. Associate Professor Tan Khee Giap <i>Chair, Singapore National Committee for Pacific Economic Cooperation (SINCPEC) & Co-Director, Asia Competitiveness Institute, Lee Kuan Yew School of Public Policy, National University of Singapore</i> Singapore
1430	End of Conference
1930 – 2100	Dinner Meeting for PECC Chairs and Representatives

1. Welcome Remarks

Mr Ho Meng Kit
Chief Executive Officer, Singapore Business Federation
Singapore

This conference is one of the few events that allow business people, government officials and academia to interact, brainstorm and share ideas on major issues affecting the Asia-Pacific region today. Participants of the conference will be able to gain fresh insights on how businesses, government and academia can work together to build an Asia-Pacific Economic Cooperation (APEC) community for the 21st century.

The theme of the conference reflects the situation of many growing APEC economies today. The regional economies have come a long way following the global financial crisis in 2008. Most of the regional economies have recovered well in 2010, but continue to face challenges that still persist. Rising commodity prices, uncertain demand from developed markets and the recent occurrences of natural disasters are real issues which can threaten our economies and roll back gains made in the last two years. The shift in the global dynamics and in particular, an increased focus on Asia, represents a need to examine the way we approach the relationship between APEC and the rest of the world, and indeed, within APEC itself.

With more than half of APEC's membership residing in Asia, APEC looks set to be the regional economic growth centre for the years to come. The Singapore Business Federation (SBF) too has been an active participant in the APEC process. The SBF collaborates with various other business chambers and trade associations to advocate greater business and government interaction within the APEC economies. For example, the SBF and the American, Australian and New Zealand Chambers of Commerce in Singapore carried out joint activities to raise awareness and promote the Trans-Pacific Partnership (TPP) free trade agreement that is currently being negotiated between nine member economies.

SBF is also Singapore's national secretariat for the APEC Business Advisory Council (ABAC) which is made up of a panel of senior business people appointed by APEC leaders. ABAC provides advice and recommendations to APEC government on some of the most pertinent issues and concerns faced by the business community in the region. Under the theme of '21 Economies for 21st Century Prosperity', the 2011 ABAC work program is focused on three issues:

- First, to work towards the ultimate goal of establishing a Free Trade Area of the Asia Pacific (FTAAP), as a means of achieving APEC's Bogor Goals of free and open trade and investment in the region. ABAC believes that it is important that the APEC government examine possible pathways (one of which is the TPP) and identify a timeframe towards the conclusion of FTAAP.
- Second, to create an environment that facilitates the creation, growth and sustainability of small, medium and micro enterprises (SMMEs), as a means of fostering more inclusive growth within the region.
- Third, to promote the wider use of environmental goods and services in order to enhance food, energy and water security as a means to pursue sustainable development.

These issues addressed by ABAC are also aligned with APEC's priorities for the year.

The business community should make use of opportunities similar to that provided by this conference, and platforms like ABAC to make their voices heard and contribute to the APEC process in a meaningful way. Collectively, present challenges can be met, and new approaches can be developed to drive and sustain growth in the region.

2. Opening Remarks

Dr Charles Morrison
Co-Chair, Pacific Economic Cooperation Council (PECC),
Chair, United States Asia Pacific Council (USAPC) &
President, East West Center
United States of America

About PECC

PECC is a network of individuals from academia, business and government (in private capacity) based on 26 member committees. The mission is to enhance Asia-Pacific regional economic cooperation for mutual benefit. PECC seeks to support the governmental processes, particularly APEC, in various ways, through

- The generation of ideas for regional cooperation
- Analytical work that helps in the understanding of issues and which shows desirable cooperative approaches
- Public information activities about the value of regional cooperation in the member economies

Each year, task forces are established to address issues deemed to be important to the people, governments, regional organizations, and businesses in the Asia-Pacific region. In addition, a 'State of the Region Report' is issued annually. This signature effort, led by Mr Woo Yuen Pau of the Canadian chapter, is now in its fifth year. At present, there is another signature task force looking at 21st century approaches to enhance trade in services. Two other international task forces are examining social resilience and environmental sustainability in urban services. Incidentally, the task force reports are reports 'to the PECC', and they are solely the product of task force members.

PECC has its small secretariat in Singapore, led by Eduardo Pedrosa, conveniently located near the APEC Secretariat. By virtue of its early history as the principal forum for Asia-Pacific regional cooperation (before governments were prepared to establish an inter-governmental organization), PECC has official observer status in APEC. The most remarkable aspect of PECC is that virtually all of the time and effort put into the work is entirely voluntary, donated by individual members, who are dedicated to building an Asia-Pacific community because they believe this cooperation is so important to the world and to future generations.

Impact of the Economic Crisis

In 2010, the regional and global economy came out of the recession that came with the financial crisis. Undoubtedly, this was a remarkable achievement. At the height of the crisis, exports from the APEC region to the United States (US) and the European Union dropped by close to US\$300 billion dollars – a fall of about 25%. For a short while, the world economy appeared to be almost in free fall.

However, the international community came together and took two essential steps:

- They disavowed the adoption of protectionist measures as a response to the crisis
- They adopted stimulus packages to staunch the slide

In addition to these actions, the international community, through the G-20, APEC and other vehicles, laid out a path for the recovery and new growth in the future.

Just ahead of the APEC meeting held in Singapore in 2009, PECC released the findings of the task force on 'Inclusive, Balanced and Sustainable Growth'. Shortly after, the APEC leaders adopted a new growth strategy that echoed many of the recommendations of the report. There appeared to be a strong consensus within the knowledgeable international community about what needed to be done at that time.

While the world, and certainly Asia's dynamic economies, have reason to be proud of the record of recovery, today's economy is still problematic. The immediate measures needed to address the crisis were politically more acceptable than the longer term measures required once the urgency seemed to lessen. The trans-Pacific imbalances have been quite persistent, and the longer-term goals of inclusivity and sustainability can be achieved only through resolute and sustained action. The tasks remain of strengthening the quality of the recovery and of pursuing new growth paths that allows for imbalances to be reduced, social dimensions of economic policy to be enhanced and newly emerging inflationary pressures to be contained. The group of very distinguished speakers from different fields in this conference will aid in thinking through the various dimensions of a balanced, inclusive and sustainable regional growth strategy.

Global Responsibility

Economic cooperation and growth in the Asia-Pacific region is of significance, not just for the region itself, but for the world. It can be argued that for two or more centuries, there has been a global economy, at least to some degree. In fact, from its modern founding in 1819, Singapore was a product of, and actor in this global economy: Singapore was one of the important world hubs of international commerce and finance.

As long as there has been a global economy, there has also been a core area, which had a disproportionate share of the wealth as well as influence in the setting of the global norms and rules. The core area also typically dominated global geopolitics. In the 19th and early 20th century, the nations of Europe formed the core of both the world's economic and political system. At the end of World War II, this core had clearly moved to the Atlantic world. By the end of the Cold War and for a brief moment in human history, there was much talk of the US as the world's sole superpower.

It is quite evident today that economic power and influence is increasingly diffused, with East Asia, North America and the European Union all having about equal shares of the global economy. However, the core is now the trans-Pacific rather than the trans-Atlantic region, with the East Asian share of the global economy continually on the rise. The recent economic crisis and subsequent recovery have only accelerated and confirmed this trend.

Being a core area carries responsibilities. In promoting Asia-Pacific cooperation, there is a need to think beyond just what is good for the region, but rather, on how to sustain the global system as a whole. Increasingly, the Asia-Pacific region will need to show global leadership for progress on global issues such as international finance, world trade, climate change and other environmental areas.

There are also political and security responsibilities. Historically when Europe was at the core, the breakdown in security relationships among the largest powers at the core was reflected in worldwide tensions and conflict. One of the tasks of Asia-Pacific cooperation, therefore, is not simply to develop the economic tools of cooperation, but also to ensure political cooperation, which is so vital to the economy and to human welfare. There are indeed some worrisome trends in political relations within the Asia-Pacific region, especially in the maritime sphere. The East Asia Summit (EAS), now expanded with the new participation of Russia and the US, is one important multilateral vehicle for this task.

Regional Architecture

The PECC has long examined, and in fact been part of, the regional and global architecture of multilateral cooperation. When APEC was established in 1989, this architecture was pretty simple: APEC was the only game in town for broad-gauged trans-Pacific cooperation.

PECC, as the forerunner to APEC, has long focused on, and supported the APEC process. APEC has played a very significant role in providing a vision of free trade and investment for the region and in developing a set of norms. It has generated a great deal of understanding and cooperation at the sector level. However, APEC often does not get the credit as it is not a negotiating body, and few people understand how institutionalized, how comprehensive, and how important APEC has become.

In 2011, with American leadership, there is a strong effort to better focus and coordinate APEC as well as to make progress in three critical areas:

- Trade and investment liberalization and facilitation
- Regulatory convergence or cooperation
- Green growth strategies

In all areas, there is strong emphasis on meaningful results, and help is needed by all.

Today, APEC is no longer the only game in town for significant trans-Pacific relationships. There is also the EAS led by the Association of Southeast Asian Nations (ASEAN) group and the global G-20 (a product of the global economic crisis and involving many Asia-Pacific economies). The most significant trans-Pacific relationship is probably the one between China and the US: the annual bilateral China-US Strategic and Economic Dialogue is a high-level dialogue between the two most populous and largest economies of the region. In Southeast Asia, the ASEAN group continues to build its communities and to be a busy hub of multilateralism, while in Northeast Asia, there are signs of institutionalization of the once 'plus three' relationships. How all these processes relate to each other and whether all can be sustained are open questions.

It is likely that there will be a continuing and evolving process of sorting out both institutional structures as well as the functions of different groups. In the foreseeable future, it is unlikely that there would be one over-arching group. However, it is also unlikely that so many groups will be able to compete effectively for the limited time and attention of the leaders.

There are two things that are almost certain about the evolving architecture. First, PECC will be needed. Successful intergovernmental or Track One processes need supportive nongovernmental

institutions. PECC as well as APEC's Business Advisory Council (ABAC) have been important sources of inputs into APEC as stakeholders. As an example, the APEC vision of a Free Trade Area of the Asia-Pacific (FTAAP) adopted in the 2007 APEC Leaders' Meeting in Sydney, was foreshadowed in the 2006 ABAC-PECC joint study of the FTAAP proposal. It is acknowledged that some of PECC's suggestions are too difficult for governments to address, whether in APEC or in other venues. However, in many instances, the PECC task forces have laid the intellectual foundations for robust, honest and useful official discussions that hopefully lead to positive policy outcomes for the region.

Second, Singapore will be, and continue to be, at the forefront of Asia-Pacific regional cooperation due to its national interests and remarkable leadership. The role that Singapore has played, and is playing, in building the architecture is little short of amazing. Singapore has long been a hub in the global economy, much longer than it has been an independent country. It will continue to be the hub in both the economic sense and in the organizational sense. Singapore, of course, is the home of the APEC Secretariat. As a key ASEAN member, Singapore has played a crucial role in the building of the ASEAN institutions and networks, including the EAS. Singapore is the home of the PECC.

3. Keynote Address

Mr Lim Hng Kiang
Minister, Ministry of Trade and Industry
Singapore

In recent years, the global economy has become increasingly integrated. In this environment, we can no longer carry on in a 'business-as-usual' manner. The way companies conduct their businesses must change. In this vein, the way governments formulate economic policies also needs to be reviewed.

As markets become more interconnected and interdependent, companies will be impacted in two broad ways. Firstly, they will need to know how to harness the skills and resources of different markets in order to compete efficiently. Secondly, the traditional approach to risk management by diversifying across markets will no longer work as developments in one market will quickly affect another.

Many were affected by the global economic impact of Japan's triple-crisis caused by the earthquake, tsunami and the resulting nuclear tragedy. More than three months on, the global supply chain is still affected by the aftershocks of the crisis. Today, such shocks have become increasingly global, challenging regional and national stability at a greater frequency. In this regard, the need for robust and sound economic strategies is more pressing than ever before.

This increased interconnectedness, however, also brings with it economic benefits. We have already seen many new opportunities brought about by the increased ability to move goods across borders. Less has been said about trade in services.

Tapping on Growth in Services

The services sector has been an important source of growth, especially in the APEC region. Indeed, in recent years, we have seen tremendous growth in the services trade. As a share of APEC's GDP, the services sector accounted for 68% of GDP in 2007, an increase from 65% in 1995. The services sector also accounted for 61% of total employment in APEC economies in 2007, demonstrating the importance of the sector as a source of jobs. More importantly, services exports are also growing at a faster pace, compared to merchandise exports. With globalization, rapid advances in information and telecommunications technologies are constantly expanding the boundaries of tradability of services. This means that the potential of the services as a source of growth is constantly growing.

In order to tap on such growth, it is important for economies to liberalize their trade in services. Services trade liberalization will lead to an increase in the ability of companies to transfer expertise across borders, generate new knowledge and develop new types of service offerings. At the company level, this translates into greater efficiency and effectiveness in the provision of services; at the economy level, this means that greater productivity gains can be achieved. In fact, while the services sector has often been thought of as the 'graveyard for productivity', research has demonstrated a link between services trade liberalization and dynamic productivity gains arising from increased competition and transfer of technology and know-how. While it is difficult to isolate and quantify the exact impact of services trade liberalization to GDP growth,

the positive correlation between the two is irrefutable. Research has shown that the global liberalization of services trade is projected to bring about up to 2.3% of real GDP gains by 2025.

Nonetheless, services trade liberalization alone will not drive economic growth and development. To achieve robust growth and increased employment within an economy, it is essential to build a balanced and diversified economic structure. It is therefore crucial for economies to continue growing key economic sectors, such as the manufacturing sector, even as they ride on the burgeoning growth in the services sector. Synergies and linkages between key sectors like manufacturing and services will allow them to reinforce each other's growth over the longer term. Spillover effects from manufacturing activities also serve to generate business, enhance value-add and promote jobs for the services sector.

Conversely, growth in the services sector can bring about positive synergies in the form of stronger manufacturing growth. Economies traditionally focused on trade in services are now also seeking to raise the contribution of their manufacturing sector in recognition of the importance of a balanced economic structure. In the case of Singapore, our efforts to grow our manufacturing sector has had the added benefit of making the Republic a more attractive location for companies to locate their corporate headquarters, and to conduct design and Research & Development functions here. This in turn is supporting the growth of a range of services sector, including financial, legal and other professional services.

An integrated and balanced growth strategy between key sectors like manufacturing and services is important. The key is in identifying the ideal mix of economic activities that would generate the most amount of growth in any particular economy.

Relevance of APEC in Addressing New Challenges

The emergence of a global community has intensified the 'butterfly effect'. Through recent events, we are seeing how decisions and actions of one economy can, and will potentially influence the decisions and actions of another. It is now more important than ever to stand together and develop coordinated approaches in addressing issues of such a global scale and impact. The challenges we face today are increasingly complex and international and hence call for even greater regional and global cooperation.

APEC is an excellent platform to conduct such efforts for regional cooperation. This is a forum that has been widely known to be the forerunner in tackling new and emerging trade and investment issues, beyond those addressed in WTO and conventional FTAs. APEC's non-binding nature has enabled it to become an effective platform to discuss many of the current issues the global community faces today.

For example, the ongoing work to address Next Generation Trade and Investment issues demonstrates APEC's ability in bringing economies together for frank and open discussions on some of the newer global economic issues. In addition, APEC members recognize that small and medium enterprises (SMEs) need to internationalize to stay relevant in the global economy. As such, APEC economies have committed to examine ways to increase the participation of SMEs in the global production and value chain.

APEC has also demonstrated itself to be responsive and adaptable to the changing needs of the businesses. The APEC Supply Chain Connectivity Initiative is such an example. With supply chains evolving and their interconnectedness growing, APEC has expanded its focus to address behind-the-border issues, in addition to looking at at-the-border issues (such as Customs procedures).

Conclusion

Increased interconnectedness and integration of the global economy offer boundless potential for growth in trade and investment, as long as we ensure that our markets are open and are able to trade freely. Global challenges call for global solutions, and underscore the need for regional cooperation. APEC's diverse membership positions the grouping well to explore new ideas that encompass and address concerns from both developed and developing economies. We should continue to leverage on APEC to socialize, incubate and develop new ideas and solutions, and to face the complex challenges we have today. In turn, such cooperation and collaboration will contribute to liberalizing trade, towards greater economic growth for all.