Almost twenty years ago, the leaders of the Asia-Pacific region met in Bogor to “chart the future course of our economic cooperation which will enhance the prospects of an accelerated, balanced and equitable economic growth not only in the Asia-Pacific region, but throughout the world as well.” In just a few months, Apec leaders will again meet in Indonesia, South-East Asia’s largest economy. How far has the region come in achieving these goals and what more needs to be done?

The headline achievements are impressive, to note just one — incomes in the region have more than doubled since 1994 from an average of US$10,000 to more than US$23,000.

The journey to get to where we are today has not been easy. The region has been buffeted by economic crises, first in 1997-1998 and then in 2008-2009. This crisis is not yet over, a number of Apec members recently enacting stimulus measures to kick-start growth, such as QEs in the United States, Japan’s new attempt to stimulate its economy, and there is a possibility of new stimulus in China in response to a deteriorating external environment.

These measures, while focused on domestic growth, have some unintended consequences. We are seeing rising capital flows into Asia which poses challenges, including the need to minimise the risks of asset bubbles and excessive credit expansion. There is already talk of “currency wars” and competitive devaluations. While the rhetoric makes for exciting reading, the world is far too complex for simplistic reasoning. At the outset of the crisis, many had feared a descent into beggar-thy-neighbour policies, thus far, through the actions of the G-20 and Apec, we have avoided this. At this critical juncture, when nationalist sentiments are rising, we need more cooperation and understanding. Apec is the embodiment of bridging differences, and must continue to play its role in bringing a diverse community together.

While Apec has done well on freeing up trade and investment, the world which Apec occupies has changed. In 1994, bilateral trade deals were the exception, today they are the rule. Even this is changing. The Asian Regional Comprehensive Economic Partnership Framework will consolidate the Asean+6 agreements into a single area and the Trans-Pacific Partnership agreement hopes to build on the Pacific 4 agreement. Outside of our region, the US and the EU are talking about a trans-Atlantic trade agreement which would create the single biggest market in the world.

These massive trade groups, while potentially building blocs to multilateralism, can make outsiders feel excluded. This is a dangerous path to go down, and this region, through Apec, with its spirit of inclusiveness and openness, should ensure that no economy is left out.

However, strong headline growth has masked a dirty secret — income disparities have been growing both among and within regional economies. Apec leaders have long talked of the need for growth to be equitable — in Bogor and re-emphasised in recent years such as in 2005 in Singapore with a call for “fostering inclusive growth” and in Yokohama where it was a key dimension of the Apec Growth Strategy.

The Millennium Development Goals set the objective of universal primary education by 2015. In this region, we should move ahead and aim to provide all our citizens with the skills to participate in this competitive global economy. While some economies have done particularly well in increasing tertiary education participation, for example in South Korea where the ratio has increased from 25 per cent to almost universal enrolment since 1994, others lag behind.

However, enrolment rates are not a panacea; one need only look at high unemployment rates among recent graduates in parts of Europe to see this. Emphasis must be on flexibility and resilience.

Bogor to Bali: Building an Asia-Pacific community

Focusing on education, infrastructure and removing barriers to SME participation will help bring about Apec’s goals of equitable and inclusive growth. By Jusuf Wanandi and Tan Khee Giat
LEFT OUT

Strong macroeconomic growth has created a fast-growing export-oriented industrial sector in most APEC economies. APEC countries now account for 40% of world GDP, 25% of world exports and 25% of world exports of manufactured goods.

There is a need for educational institutions and industries to work together to help develop skills of our people to fulfill their potential. This requires a change in culture in both the business and education sectors.

Even if our people possess the skills to compete, they cannot do so if they are not connected to the market. We need our people and our businesses—large and small—to be able to connect to where opportunities lie. The ADB's Asian Development Outlook 2004/2005 estimates that the region alone needs to invest some $US trillion in infrastructure. Much of this would be in transportation but a critical part of the infrastructure is access to information. Access to the Internet underpins productivity in the region, from two to three times 100 in Pusan, South Korea and Jakarta, Indonesia to three times 100 in Singapore and Jakarta.

Another aspect of the integration process is how to encourage the opening up of our businesses to the world in a manner that is not so constraining. Not one-half of the total world population has access to the Internet. The APEC is the only regional grouping whose member countries have agreed to ensure that 10% of global trade under the name of SMEs (small and medium enterprises) is accounted for by the small and medium enterprises. The idea that products made in a particular country have gone too far from ideas of basking in the sun to the world. The convergence of the world's major economies opens up opportunities for SMEs to participate. But SMEs face a distinct set of problems. Going global will require new trade rules and compliance costs disproportionally impact smaller businesses, and their access to finance and information about overseas markets is limited.

A focus on those three areas: education, infrastructure and barriers to SME participation could help to make a major difference in addressing APEC's goal of equitable and inclusive growth in the years ahead. Calls for addressing inequality should not be misconstrued as calls for redistribution of wealth. There has been much progress and failed. Making growth equitable and inclusive are essential to the region's goal of community building - that is one in which we share a sense of common destiny and purpose.

These issues will be addressed during a conference organized by the Pacific Economic Cooperation Council (PECC), the Singapore National Committee for Pacific Economic Cooperation (SNCPESC) and the Indonesia National Committee for Pacific Economic Cooperation (INCPEC) on Feb 27-28.

Is the Annual Meeting of the Pacific Economic Cooperation Council and co-chair of the Board of Trustees of the Centre for Strategic and International Studies (Jakarta). Dr. Yung Khoi Gao is the chair of the Singapore National Committee for Pacific Economic Cooperation and co-director of the Asian Competitiveness Institute (Singapore) at the Lee Kuan Yew School of Public Policy, NUS.