

Major Challenges to Economic Growth

Josef T. Yap

11 September 2015

Endogenous Growth Framework

Economic growth depends on the quantity
as well as quality of inputs

Note: Some of the ideas were culled from the 7th
Meeting of the International Policy Advisory Group of
the Asian Development Bank.

Factors of Production

- **Investment in physical infrastructure**
 - Developing Asia: USD8 trillion requirement between 2010 and 2020
 - Chronic fiscal crisis, especially advanced economies
 - Public private partnerships (Cebu Action Plan)
 - Will AIIB provide a significant boost?

Factors of Production

- **Innovation**

- Main long-term driver of economic growth
- Need to balance IPR protection and access for developing countries

- **Skills upgrading**

- Job-skills mismatch
- Closer coordination among academe, government, and private sector
- Promote TVET

- **Quality of Education**

- Nurturing innovative thinkers and managers who can address complex issues and develop creative solutions.

Macroeconomic Stability

- **Financial Sector stability**
 - Disruptive asset price shifts in financial markets
 - Volatile capital flows
 - Tendency for boom-bust cycles
 - Further strengthen financial regulation and supervision
 - Clearer role for capital account regulations
 - Sovereign debt workout mechanisms
 - Promote regional cooperation, e.g. CMIM

Macroeconomic Stability

- **Narrow fiscal space**

- Impact of ageing populations
- Need to maintain macroeconomic stability
- Lack of public goods (e.g. undercapitalization of World Bank)

- **Policy Coordination**

- Global macroeconomic imbalances
- Reduce reliance on accumulation of foreign exchange reserves
- Address financial sector instability

Sustainability

- **Environmental Management**

- Climate change: mitigation and adaptation

- **Inequality and Social Cohesion**

- Inclusive growth

Sustainability

- **Rebalancing and product diversification**
 - Leads to new sources of economic growth. E.g. Philippines → modest shift towards investment and manufacturing
- **Demographic winter in many countries**
 - Migration policy

APEC Growth Strategy Attributes

- **Balanced growth**
- **Inclusive growth**
- **Sustainable growth**
- **Innovative growth**
- **Secure growth**

APEC Related Initiatives

- **APEC New Strategy for Structural Reform (ANSSR) I and II**
- **2014 Accord on Innovative Development, Economic Reform and Growth**
- **The 5 attributes and related initiatives squarely address the major challenges to economic growth**

APEC Strategy for Strengthening Quality Growth: Key Accountability Areas

- **Institution building**
 - Multi-track, multi-speed in APEC given the disparity in economic development
- **Social Cohesion**
 - Broader concept than inclusive growth; ensure alignment with the SDGs
- **Environmental Management**
 - Disaster risk reduction and management

APEC Strategy for Strengthening Quality Growth Key Accountability Areas

Intended to give more traction to the five attributes and align the Growth Strategy with the SDGs.

Use KAAs as conceptual tools to focus attention on the qualitative side of development

Draft APEC Leaders' statement: "Without institution building, social cohesion, and addressing environmental impacts, we will not be able to sustain quality growth"

감사합니다

Maraming Salamat!!!

Terima Kasih banyak!

ขอบคุณครับ

ありがとう

Cảm ơn rất nhiều

謝謝你。

សូមអរគុណ

Muchas Gracias!

THANK YOU !!!