

**2017 PECC Singapore Conference on**

**“APEC’s Post 2020 Agenda:  
Rising Protectionism,  
Economic Rebalancing and  
Diversified Growth”**

Co-organized by Vietnam National Committee for  
Pacific Economic Cooperation & Singapore National  
Committee for Pacific Economic Cooperation

13 February 2017  
Grand Copthorne Waterfront Hotel Singapore

Edited By  
**Tan Khee Giap**  
**Eduardo Pedrosa**  
**Sasidaran Gopalan**



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**Co-organized by Vietnam National Committee for Pacific  
Economic Cooperation (VNCPEC) & Singapore National  
Committee for Pacific Economic Cooperation (SINCPEC)**

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## **Foreword**

### **APEC's Post 2020 Agenda: Rising Protectionism, Economic Rebalancing and Diversified Growth**

***Don Campbell and Tang Guoqiang***

Almost 25 years ago APEC leaders set out an ambitious goal of achieving free and open trade and investment in the Asia-Pacific by 2020. This ambition has become known as the Bogor Goals. But this target was not an end in and of itself, it was a means to an end. As APEC leaders stated in the first paragraph of their Bogor declaration in 1994 the objective was to achieve, 'accelerated, balanced and equitable economic growth not only in the Asia-Pacific region, but throughout the world as well.' This vision has driven an agenda for the region for a quarter of century.

The target date of 2020 is now just three years away. These goals were the product of a very specific time and context. The context today is rather different, does that mean the prescription too will be different? What should the vision be to drive economic cooperation in the Asia-Pacific region? These are the questions that we grappled with at this conference.

Today, we are challenged by the reality that while growth in the region may have been accelerated, it has been beset by crises brought about through unbalanced growth that has not been sufficiently equitable. In the aftermath of the Global Financial Crisis, APEC emphasized the need for future growth to be more balanced, inclusive, sustainable, innovative and secure to be achieved through a new growth strategy.

In the immediate aftermath of the Global Financial Crisis there was a determined effort to avoid a descent into tit-for-tat protectionist policies with the G20 and APEC leading the way. Since then, despite leaders' commitment "to fight against all forms of protectionism by reaffirming our pledge against protectionism through a standstill commitment that we agree to extend until the end of 2020 and to roll back protectionist and trade-distorting measures" evidence suggests that there has been creeping protectionism. This has not been an outright escalation of tariffs as occurred during the Great Depression but rather more subtle measures.

As evidenced by the results of PECC's annual survey of the regional policy community, concerns over protectionism have been rising. In 2014, just 16 percent of respondents picked rising protectionism as a risk to growth for their economies, by 2016 this had doubled to 32 percent.

In spite of almost a decade of agreement to pursue a long-term vision of a Free Trade Area of the Asia-Pacific (FTAAP) – seen by some as a way to remove the remaining barriers to trade –the political support for such an agreement in some economies has waned. While most estimates of the potential benefits of an FTAAP are for a significant boost to economic welfare, little analysis has been done on the distributive impacts of deals nor on the adjustment required to manage transitional shocks to the economy. That said, as policy makers' understanding of the barriers to trade has improved so too have the instruments – these now include chapters to improve micro and small and medium enterprises access to markets as well as more controversial chapters on environment and labour standards.

The discourse on the nature of trade system and the critique that it has favoured only the larger firms is an important one. The way in which trade takes place has changed with much trade now undertaken through global value chains. Today, however, there is a discussion on whether improvements to trade policy combined with ecommerce and other digital platforms are making it easier for small firms to enter directly into the global market. This would come with significant improvements to productivity as well as better margins for smaller firms as was discussed in this conference.

There is substantial evidence to suggest that economies in the region are rebalancing with growth in emerging Asia-Pacific driven by domestic demand rather than the external sector. That process comes with adjustment costs as well as opportunities. This does not mean that trade has become irrelevant – far from it. The external sector is a critical provider of jobs, consumer benefits and technological upgrading. But it needs to be put in its proper context and cannot be a panacea for all the myriad of social and economic challenges that inevitably come with change.

One fundamental difference between the transformation we are seeing today and that of the earlier periods is the pace of change. Whereas new technologies like the telephone and electricity took generations to adopt allowing governments to put in adjustment policies over time, today, new technologies are reaching a critical mass sometimes within months rather than generations.

The focal point of much of that change and transformation is the Asia-Pacific. With the Bogor target date of 2020 just 3 years away, the region is presented with an opportunity to define a

forward looking vision that can help to drive sets of policies and rules to ensure that people are sufficiently empowered to benefit from these changes.

Since PECC's foundation in 1980 we have striven to address issues of fundamental importance to the development of the Asia-Pacific. Our ability to bring together the best and brightest depends on the support of many – especially our member committees and their supporters. We would like to express our deep appreciation to them for their continued work. We would especially like to thank our Singapore and Vietnam Committees, their respective chairs – Dr Tan Khee Giap and Dr Vo Tri Thanh and their staff, as well as the APEC 2017 Vietnam Secretariat for putting together this timely conference.



**Don Campbell**  
**Co-Chair**



**Tang Guoqiang**  
**Co-Chair**

## **Executive Summary**

During their meeting in Lima in 2016, leaders of Asia-Pacific Economic Cooperation (APEC) commended efforts to start a series of high level dialogues on 'APEC Towards 2020 and Beyond' and instructed officials to continue this process on a yearly basis. With this mandate in mind, the Singapore and Vietnam committees of the Pacific Economic Cooperation Council (PECC) co-organized the annual Singapore Conference on the theme "APEC's Post-2020 Agenda: Rising Protectionism, Economic Rebalancing and Diversified Growth" on 13 February 2017.

The conference opened with keynote speeches by Guest of Honour, Mr Lim Hng Kiang, Singapore's Minister of Trade and Industry, and the 2017 chair of the APEC Senior Officials' Meeting (SOM), Mr Bui Thanh Son, standing Deputy Minister of Foreign Affairs of Vietnam. The opening sessions set the tone for the day's discussions with Minister Lim noting that "as we approach the deadline for the Bogor Goals, APEC is at an inflection point... Amidst a backdrop of sluggish growth and concerns about employment, income inequality and immigration, anti-trade sentiments have been on the rise. While the benefits of globalization may not have been distributed evenly, we should not make globalization the scapegoat for slowing growth and unemployment." Given the context for Vietnam's hosting of APEC, Mr Bui anticipated that 2017 was likely to be an "unpredictable and critical year for APEC and the region."

The first session addressed the current context of international economic cooperation noting rising concerns about the impact of globalization, rising income inequality and the rapid changes taking place within economies due to the technological changes. It was noted that the political environment for multilateral and plurilateral trade deals has deteriorated with parties expressing concern that some of the deals had been not been favourable to their economies. In response to these concerns, some economies have been looking at new concepts such as Canada's 'progressive trade' that attempts to ensure that the trade architecture promotes inclusivity. Moreover, while acknowledging that there are concerns about income inequality, there is an urgent need to demonstrate that turning inwards and adopting protectionist measures is not the route to prosperity.

Looking more deeply at why income inequality has increased in a number of regional economies, three 'biases' stand out:

- Skilled over unskilled labour
- Capital over labour
- Urban and coastal areas over rural and inland

To rebalance growth, there is an urgent need to improve infrastructure, especially in areas that cannot easily access the international market, and to pay much more attention to the role of small and medium enterprises (SMEs) in the economy.

It was noted that concluding international agreements has become increasingly hard with the diffusion of power in the international system as well as changes in domestic consensus as evidenced by the difficulties in negotiating deals like the Trans-Pacific Partnership (TPP), the Regional Comprehensive Economic Partnership (RCEP) and the Doha Round. APEC's non-binding, voluntary approach could be a more effective model for cooperation. However, APEC is challenged by a perception that it is just a 'globalization and integration' experiment.

For APEC to maintain its relevance it needs to have a more balanced agenda. While APEC has had some success in its trade and integration agenda it needs to strengthen its work to realize its vision for more inclusive economic growth. This should include a focus on improving connectivity; helping SMEs; and education. In addition to a programmatic focus, APEC could also consider establishing an advisory body focused on social issues as a counterpart to the APEC Business Advisory Council as well as considering more effective engagement of legislative bodies in its work.

In order for APEC to maintain its global leadership role it could chose to focus on specific areas that the international community is working on, for example:

- Work to coordinate the domestically determined climate change commitments
- Review of the Sustainable Development Goals (SDGs) from an Asia-Pacific perspective and taking leadership in specific areas
- Undertake sectoral trade liberalization and facilitation

To continue the growth witnessed over the past few decades, there is a need for technological upgrading and innovation which can be explored through partnerships between economies. For example, Singapore has been working hand in hand with Vietnam, and other regional economies in developing industrial parks. In the case of Vietnam, these parks account for close to 200,000 jobs and US\$9.4 billion of investment.

A central challenge for growth in the years ahead is productivity. Analysis of firm level data, mostly from Europe, shows that a very few firms are at the frontier with high productivity rates while most firms, especially smaller firms suffer from significantly lower productivity. Those firms with higher levels of productivity are also, generally speaking, more profitable. Levels of productivity show strong correlations with the firm's access to credit, with the least productive

also being the most financially stressed. A key factor in determining higher productivity amongst firms is whether or not they are exporters. While the exporter premium tends to vary across economies and firms, on average it is a premium of around 20 percent.

This points to an important role for the future of globalization in helping firms especially those not currently engaged in international trade. However, these initial conclusions are primarily based on the European experience and in order for the Asia-Pacific to improve productivity for SMEs there is a need for more comprehensive data collection and analysis at the firm level. The Asia Competitiveness Institute's SME Productivity Tracking and Efficiency Monitoring Project seeks to address the deficit.

From 2017-2020, the APEC SME Working Group has identified 4 strategic priorities that address some of these concerns: entrepreneurship; innovation; and the internet/digital economy; financing for business expansion and capability development; inclusive business eco-systems that support SME growth; and market access for SMEs. Underlying these strategic pillars are a number of initiatives such as such as Chinese Taipei's O2O (Online to Offline) to enhance SME Digital Competitiveness.

Part of the backlash being witnessed against globalization and trade deals has resulted from unrealistic assumptions about the efficacy of labour markets to move workers from uncompetitive sectors into new growth areas. On top of this, there has been a complacency about the challenges that very rapid technological change poses for economies. Therefore, there needs to be a consideration of the resources needed for economic restructuring and rebalancing across sectors. Some of the focus for those resources should be devoted towards better understanding of the drivers of productivity and competitiveness at the sub-national and firm levels.

In the case of Vietnam, a number of programs have been rolled out to enhance SME competitiveness that include specific laws to improve the business environment and legal framework for SMEs, a support fund as well as training programs. In spite of these efforts a myriad challenges remain. One area of work in which APEC could contribute to SME development would be through facilitating partnerships between multi-national corporations (MNCs) and SMEs.

While the region has experienced rapid growth over the past few decades, in many parts of the region, infrastructure investment has not kept pace with growth leading to bottlenecks and congestion. According to PWC, global transport infrastructure spending is expected to total over US\$14 trillion from 2016 to 2025. However, spending alone will not be sufficient, planners need



to leverage technology to find smart solutions and emphasizing more diversified and distributed systems.

Many regional economies are ramping up infrastructure investment plans, for example, Indonesia's 2015-2019 mid-term infrastructure development plan envisages about US\$400 billion in spending with about 41 percent of that coming from state and provincial budgets and the rest from private sources. However, economies around the region need to make improvements to the business environment at both the national and local levels to reduce the cost of capital, given the higher risks involved with operating in less predictable jurisdictions. More broadly, the One Belt One Road initiative will cover over 60 economies with plans to mobilize US\$1.6 trillion in infrastructure spending and stimulate US\$2.5 trillion in trade.

Another pillar that needs further work is facilitating people to people connectivity. Some of the challenges include: complex and unpredictable procedures for obtaining work permits and the lack of language abilities. However, in recent years, there has been some opening up of domestic education to foreign players especially at the tertiary level; as well as a significant increase in air passenger traffic. In order to further facilitate people to people movement especially in key growth sectors, APEC could consider having some form of mutual recognition of professional qualifications such as in accounting and tourism.

The food security landscape is rapidly changing and by 2050 food demand is expected to increase by 60 percent but meeting that demand will be difficult given the diminishing amount of land available for food production due to urbanization and climate change. Efforts in this area should focus on: improving the regional market and trade; sustainability; innovation and technology; balancing rural-urban development; infrastructure; investment and services for food security.

## **Bogor Goals**

Almost 25 years ago, APEC leaders set out to achieve trade and investment liberalization in the region by 2020. This goal was pursued through a number of modalities: unilateral measures and actions; regional and bilateral agreements; and multilateral agreements. The Osaka Action Agenda set out 15 specific areas for achieving these goals.

There is little doubt that significant progress has been achieved. For example, on average, it now takes two days less to trade than it did in 2006; average Most Favoured Nation (MFN) tariff rates have sharply decreased, and the number of bilateral and regional trade agreements covering regional trade has exploded.

In spite of this progress, there are many challenges ahead. Trade growth has been slowing, the use of non-tariff measures has been increasing, and significant barriers remain to services and investment trade. Critically, the socio-economic results have been mixed. While average incomes have risen, we have also seen increasing unemployment especially during the post-global financial crisis (GFC) period and carbon dioxide emissions continue to rise.

Critically, resentment towards trade agreements has also risen with the accusation that free trade agreements (FTAs) have favoured big companies over SMEs.

Over the next few decades, the rapid evolution and dissemination of technology will have a profound impact on the regional economy – from rapid digital adoption and its embedding into all types of equipment from watches to fridges and cars – the internet of things; to 3-d printing and artificial intelligence. These trends are changing the nature of work and production. The future agenda will need to consider the implications of this for economies and societies at large.

While the world has changed in fundamental ways since the Bogor Goals were set, the changes that have taken place may seem miniscule if we were to look back at this point in time in another quarter of a century. For APEC to remain relevant it will need to address not only current challenges but take a forward-looking approach to help shape the policies that will help economies and societies manage the fundamental shifts that are about to take place.

## **Acknowledgements**

At the outset, the Pacific Economic Cooperation Council (PECC) would like to place on record its highest appreciation to the Vietnam National Committee for Pacific Economic Cooperation (VNCPEC), Singapore National Committee for Pacific Economic Cooperation (SINCPEC), the APEC 2017 Vietnam Secretariat as well as their staff members for successfully hosting the 2017 PECC Singapore Conference on “APEC’s Post 2020 Agenda: Rising Protectionism, Economic Rebalancing and Diversified Growth.”

The PECC along with SINCPEC and VNCPEC are also grateful to those who have contributed in one way or another towards the successful publication of this report. In particular, the organizers would like to express their deep gratitude to all the contributors and participants of the 2017 PECC Singapore Conference who helped make the event a huge success.

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## Conference Programme

### **2017 PECC Singapore Conference on “APEC’s Post 2020 Agenda: Rising Protectionism, Economic Rebalancing and Diversified Growth”**

Co-organized by Vietnam National Committee for Pacific Economic Cooperation  
(VNCPEC) & Singapore National Committee for Pacific Economic Cooperation  
(SINCPEC)

13 February 2017, Grand Copthorne Waterfront Hotel Singapore

Sunday, 12 February 2017 @ Veranda Room 3, Level 2, Grand Copthorne Waterfront Hotel	
1900 – 2100	Welcome Dinner for speakers, moderators, panelists and representatives of PECC economies

Monday, 13 February 2017 @ Grand Ballroom 1, Level 4, Grand Copthorne Waterfront Hotel	
0830 – 0900	Registration of participants
0900 – 0920	<b>Welcome Remarks:</b> <ul style="list-style-type: none"> <li>Dr Tan Khee Giap, <i>Chairman</i>, Singapore National Committee for Pacific Economic Cooperation (SINCPEC)</li> <li>Dr Vo Tri Thanh, <i>Chairman</i>, Vietnam National Committee for Pacific Economic Cooperation (VNCPEC)</li> </ul>
0920 – 0935	<b>Opening Speech by Guest of Honour: “The Importance of Globalisation and Inclusive Growth: Opportunities and Challenges Ahead”</b> <ul style="list-style-type: none"> <li>Mr Lim Hng Kiang, <i>Minister (Trade)</i>, Ministry of Trade and Industry, Singapore</li> </ul>
0935 – 0955	<b>Keynote Speech</b> <ul style="list-style-type: none"> <li>H.E. Bui Thanh Son, <i>Standing Deputy Minister of Foreign Affairs</i>, Vietnam</li> </ul> <b>Moderator:</b> <ul style="list-style-type: none"> <li>Mr Ian Buchanan, <i>Chairman</i>, Australian Pacific Economic Cooperation Committee (AUSPECC)</li> </ul>
0955 – 1005	<b>Q&amp;A Session</b>
1005 – 1050	<b>Coffee Break</b>
1050 – 1135	<b>Session 1: Asia-Pacific Economic Cooperation in a Changing Global Context: Globalization and its Discontents, Protectionism and Coherent Approach Towards External Economic Relations</b>

1050 – 1055	<p>APEC 2017 will take place in a rapidly changing regional and global context. Several mega-trends are changing not only the shape of the global economy but also the way in which economic interactions take place. Protectionism is on the rise as economies facing challenges turned inward looking, energy prices have slumped increasing uncertainty in international markets. Given imbalance regional development, income inequality is widening both between and within developing and developed economies. While middle class consumption and services activities in the region's emerging economies are picking up but not fast enough to cope with the on-going restructuring of the manufacturing cluster and production value chain. Rapid technological advances and proliferation of E-commerce present both opportunities and risks for future economic growth.</p>
1055 – 1125	<p><b>Moderator:</b></p> <ul style="list-style-type: none"> <li>• Dr Chul Chung, <i>Vice Chairman</i>, Korea National Committee for Pacific Economic Cooperation (KOPEC)</li> </ul>
1125 – 1135	<p><b>Panel Discussion:</b></p> <ul style="list-style-type: none"> <li>• Mr Hugh Stephens, <i>Vice Chairman</i>, Canadian National Committee for Pacific Economic Cooperation (CANCPEC) &amp; <i>Distinguished Fellow</i>, Asia Pacific Foundation of Canada</li> <li>• Dr Josef T. Yap, <i>Professorial Lecturer</i>, UP School of Economics, Philippines</li> <li>• Dr Charles E. Morrison, <i>Distinguished Senior Fellow</i>, East-West Center</li> </ul> <p><b>Q&amp;A Session</b></p>
1135 – 1300	<p><b>Lunch @ Galleria Ballroom, Level 3, Grand Copthorne Waterfront Hotel</b></p>
1200 – 1220	<p><b>Conference Luncheon Talk: “Vietnam’s Prospect as a Manufacturing Hub and Manpower Development”</b></p>
1220 – 1230	<p><b>Distinguished Luncheon Speaker</b></p> <ul style="list-style-type: none"> <li>• Mr Philip Yeo, <i>Chairman</i>, Economic Development Innovations Singapore Pte Ltd &amp; SPRING Singapore</li> </ul> <p><b>Q&amp;A Session</b></p> <p><b>Moderator:</b></p> <ul style="list-style-type: none"> <li>• Dr Chien-Fu Lin, <i>Chairman</i>, Chinese Taipei Pacific Economic Cooperation Committee (CTPECC)</li> </ul>
1300 – 1405	<p><b>Session 2: Micro Competitiveness, Inclusive and Quality Growth: Potential Synergy and Competitiveness Profile of Regional Small and Medium Enterprises, E-Commerce and Digital Financial Inclusion</b></p> <p>In 2010 APEC leaders adopted a growth strategy to provide a comprehensive long-term framework for promoting high-quality growth in the region. The Growth Strategy focused on the five desired attributes of balanced, inclusive, sustainable, innovative, and secure growth. How much progress has been made, what limitations and constraints faced by such strategy within the five desired attributes? Roadmap and Actionable Plans for SMEs in terms of potential synergies with Multinational Corporations (MNCs), Digital Financial Inclusion and E-Commerce are paramount in delivering inclusive, sustainable, innovative and secure growth.</p>
1300 – 1305	<p><b>Moderator:</b></p> <ul style="list-style-type: none"> <li>• Ambassador Antonio I. Basilio, <i>Chairman</i>, Philippine Pacific Economic Cooperation Committee (PPECC)</li> </ul>
1305 – 1320	<p><b>Lead Panelist:</b></p> <ul style="list-style-type: none"> <li>• Dr Filippo di Mauro, <i>Visiting Fellow</i>, Business School, National University of Singapore &amp; European Central Bank</li> </ul>

1320 – 1350	<b>Panel Discussion:</b> <ul style="list-style-type: none"> <li>• Dr Chen-Sheng Ho, <i>Director</i>, International Affairs Department, Taiwan Institute of Economic Research</li> <li>• Dr Tan Khee Giap, <i>Co-Director</i>, Asia Competitiveness Institute, Lee Kuan Yew School of Public Policy, National University of Singapore &amp; <i>Chairman</i>, Singapore National Committee for Pacific Economic Cooperation (SINCPEC)</li> <li>• Dr Can Van Luc, <i>Senior Advisor to the Chairman, Senior Executive Vice President &amp; Director</i>, Bank for Investment and Development of Vietnam JSC Training School</li> </ul>
1350 – 1405	<b>Q&amp;A Session</b>
1405 – 1510	<b>Session 3: Infrastructure Connectivity and Equitable Economic Development: Regional versus Sub-regional and Sub-National Economic Integration and Responsive Regulatory Regimes</b> <p>In 2014, APEC leaders endorsed a detailed Blueprint for Connectivity. In terms of infrastructure connectivity by air, sea, road, rail, utilities and ICT. Comprehensive regional efforts are required to establish areas of urgent needs, which priority gaps to be addressed and what constraints are currently faced by sub-regions and sub-national economies, including remote area connectivity. Equally important are responsiveness of the regulatory regimes in facilitating policy initiatives including harmonious industrial relation, global value chains, harmonization of technical codes and standards.</p>
1405 – 1410	<b>Moderator:</b> <ul style="list-style-type: none"> <li>• Dr Vo Tri Thanh, <i>Chairman</i>, Vietnam National Committee for Pacific Economic Cooperation (VNCPEC)</li> </ul>
1410 – 1425	<b>Lead Panelist:</b> <ul style="list-style-type: none"> <li>• Mr Jordan Z Schwartz, <i>Director</i>, Singapore Infrastructure &amp; Urban Development Hub, The World Bank Group</li> </ul>
1425 – 1455	<b>Panel Discussion:</b> <ul style="list-style-type: none"> <li>• Mr Edward Clayton, <i>Senior Executive Director</i>, PwC Strategy&amp; (M) Sdn Bhd</li> <li>• Ms Felia Salim, <i>Director</i>, Kemitraan, Indonesia</li> <li>• Mr Tan Puay Hin, <i>Senior Advisor (Group Port Design &amp; Connectivity)</i>, PSA International Pte Ltd, Singapore</li> </ul>
1455 – 1510	<b>Q&amp;A Session</b>
1510 – 1525	<b>Coffee Break</b>
1525 – 1630	<b>Session 4: Enhancing People-to-People Connectivity by Promoting Common Technical Standards and Specifications, Tourism and Education Services, Improving Ease-of-Doing Business Index and Agenda for Ensuring Food Security</b> <p>In 2013 APEC leaders stated that people-to-people connectivity and industrial harmonization through common standards and specifications for cross border connectivity and investment. These are critical prerequisites in attending APEC community vision by connecting the region's developed and emerging growth hubs around and across the Pacific Ocean within APEC's archipelago and continental regions. As economic integration intensifies and facing the need of bridging the digital divide in the Asia Pacific region, further improvement of cross-border education and tourism facilitation cooperation should be pursued, and greater attention must be paid to indigenous socio-cultural sensitivity if people-to-people connectivity were to be deepened before enticing more inward looking against international trade and services. Climate change is exacerbating the risks of hunger and greater inequality in our region, APEC works on promoting food security and sustainable agriculture should be enhanced to respond to this new reality.</p>

1525 – 1530	<b>Moderator:</b> <ul style="list-style-type: none"> <li>Dr Djisman Simandjuntak, <i>Chairman</i>, Indonesia National Committee for Pacific Economic Cooperation (INCPEC)</li> </ul>
1530 – 1545	<b>Lead Panelist:</b> <ul style="list-style-type: none"> <li>Madam Pham Thi Thu Hang, <i>Secretary-General</i>, Vietnam Chamber of Commerce and Industry</li> </ul>
1545 – 1615	<b>Panel Discussion:</b> <ul style="list-style-type: none"> <li>Mr Kwek Hian Chuan Henry, <i>Member of Parliament &amp; Member</i>, Government Parliamentary Committee for Trade and Finance, Singapore</li> <li>Dr Nguyen Do Anh Tuan, <i>Director</i>, Institute of Policy and Strategy for Agriculture and Rural Development, Vietnam</li> <li>Mr Melvin Soh, <i>Executive Director</i>, Continental Steel Pte Ltd &amp; Dr Jimmy Koh, <i>Managing Director</i>, Antara Koh Pte Ltd</li> </ul>
1615 – 1630	<b>Q&amp;A Session</b>
1630 – 1735	<b>Session 5: Re-evaluating and Reshaping the Common Resolve to Bogor Goals</b>  <p>The Bogor Goals, set by APEC members in 1994, is the result of consensus that takes into account members' different levels of socio-economic development, set 2010 for developed members and 2020 for developing members to achieve free trade and investment. As of today, progress have been achieved in all areas but some members are struggling to cope, and new challenges have emerged. The world economic landscape have been vastly different since, with global protectionism on the rise, recovery of major engines of growth remained elusive, and export-oriented economies are finding it painful in coping with economic restructuring. Going forward, Bogor Goals must be reevaluated and reshaped to reflect changing conditions.</p>
1630 – 1635	<b>Moderator:</b> <ul style="list-style-type: none"> <li>Mr Denis McNamara, <i>Chairman</i>, New Zealand Committee of the Pacific Economic Cooperation Council (NZPECC)</li> </ul>
1635 – 1650	<b>Lead Panelist:</b> <ul style="list-style-type: none"> <li>Tan Sri Rastam Mohd Isa, <i>Chairman &amp; Chief Executive</i>, Institute of Strategic &amp; International Studies (ISIS) Malaysia &amp; <i>Chairman</i>, Malaysia National Committee for Pacific Economic Cooperation (MANCPEC)</li> </ul>
1650 – 1720	<b>Panel Discussion:</b> <ul style="list-style-type: none"> <li>Dr Erlinda M. Medalla, <i>Senior Research Fellow</i>, Philippine Institute for Development Studies</li> <li>Dr Sungil Kwak, <i>Director</i>, Korea National Center for APEC Studies, Korea Institute for International Economic Policy</li> <li>Mr Jusuf Wanandi, <i>President Director</i>, The Jakarta Post Daily &amp; <i>Senior Fellow and Co-founder</i>, Centre for Strategic and International Studies, Indonesia &amp; Dr Djisman Simandjuntak, <i>Chairman</i>, Indonesia National Committee for Pacific Economic Cooperation (INCPEC)</li> </ul>
1720 – 1735	<b>Q&amp;A Session</b>
1735 – 1745	<b>Conference Closing Remarks:</b> <ul style="list-style-type: none"> <li>Ambassador Donald Campbell, <i>Co-Chairman</i>, Pacific Economic Cooperation Council (PECC)</li> </ul>
1745 – 2030	<b>Conference Dinner @ Galleria Ballroom, Level 3, Grand Copthorne Waterfront Hotel</b>



1745 – 1830	<b>Cocktail Reception</b>
1915 – 1935	<b>Conference Dinner Talk: “Globalization, Inclusivity &amp; Implications to ASEAN”</b>  <b>Distinguished Dinner Speaker</b> <ul style="list-style-type: none"> <li>• Professor Kishore Mahbubani, <i>Dean</i>, Lee Kuan Yew School of Public Policy, National University of Singapore</li> </ul>
1935 – 1945	<b>Q&amp;A Session</b>  <b>Moderator:</b> <ul style="list-style-type: none"> <li>• Dr Narongchai Akrasanee, <i>Chairman</i>, Thailand National Committee for Pacific Economic Cooperation (TNCPEC)</li> </ul>
1945 – 2030	<b>Concert Performance by “Jiangsu National Orchestra”</b>
<b>END OF CONFERENCE</b>	

## **Welcome Remarks**

- ✧ **Dr Tan Khee Giap**, *Chairman*, Singapore National Committee for Pacific Economic Cooperation (SINCPEC)
- ✧ **Dr Vo Tri Thanh**, *Chairman*, Vietnam National Committee for Pacific Economic Cooperation (VNCPEC)

### **Welcome Remarks by Dr Tan Khee Giap**

Mr Lim Hng Kiang, Singapore's Minister for Trade and Industry, Mr Bui Thanh Son, Vietnam's Standing Deputy Minister of Foreign Affairs, Your Excellency, Distinguished Speakers, Ladies and Gentlemen, Good Morning!

May I first welcome you to the 2017 Pacific Economic Cooperation Council (PECC) Conference on shaping "APEC's Post 2020 Agenda: Rising Protectionism, Economic Rebalancing and Diversified Growth". As you know, Vietnam is the host for the 2017 Asia-Pacific Economic Cooperation (APEC) Meeting, hence Singapore National Committee for Pacific Economic Cooperation (SINCPEC) is most happy to partner with the Vietnam National Committee for Pacific Economic Cooperation (VNCPEC) alongside strong support from the PECC Secretariat which has made the conference today possible.

In fact almost every year since 2009, SINCPEC has co-organized the Annual PECC Singapore Conference with the respective hosts of APEC Meetings. The purpose of such collaborations is to gather thought leaders to discuss and debate on policy issues pertaining to trade, investment and economic integration amongst APEC economies. In the process, such valuable efforts would help shape the agenda and provide roadmaps with actionable plans for the annual APEC Meetings. Such an important and significant initiative would not have been made possible without the total financial support from our Government of Singapore, especially by our Ministry of Foreign Affairs (MFA) and Ministry of Trade and Industry (MTI).

Indeed, we have a fully packed, and I have no doubt, an exciting program today with five main sessions consisting of distinguished panels from the private sector industry captains, senior government officials, and the academia, who are experts in their respective fields to share with us today their assessment of the latest global developments and trends including both opportunities and challenges ahead.

In consultation with Vietnam APEC Secretariat 2017 and member economies of PECC, we have therefore identified five main themes including first and foremost the potentially disruptive and rapid changes in the global context and its discontents; secondly, we deal with issues pertaining to micro competitiveness, inclusive and quality growth through Small and Medium Enterprises (SMEs); the third session is on infrastructure connectivity and equitable economic development at the sub-national level with responsive regulatory regimes; the fourth session is on enhancing people-to-people connectivity via common industry standards, greater social interactions and promoting further ease of doing business (EDB) to ensure a level playing field, not just for multinational corporations (MNCs) but more importantly for SMEs. The final session deals with re-evaluating and reshaping common resolve to Bogor Goals.

We also have an exciting luncheon session with Mr Philip Yeo, one of Singapore's major economic architects as the Distinguished Luncheon Speaker. He would speak on Singapore's effort in the massive building of the Vietnamese Industrial Parks since 1996 worth nearly US\$10 billion in providing nearly 200,000 jobs including manpower empowerment through A\*Star Scholarship Program for Vietnamese.

We shall have an exciting Distinguished Dinner Speaker to speak on "Globalization, Inclusivity and Implications to ASEAN" by Professor Kishore Mahbubani, the Dean of Lee Kuan Yew School of Public Policy (LKYSPP) who is also amongst the world's 100 most influential speakers.

Last but not least, we shall end the conference with a highlight of the evening - a concert performance by China National Orchestra from the Jiangsu Province, courtesy of Mr Ji Changqun, Chairman of the Hong Kong-listed Fullshare Group, made possible by Mr Liew Mun Leong, Chairman of Surbana-Jurong and Changi Airport Group, and Mr Sam Goi, Chairman of Tee Yih Jia.

Thank you!

### **Welcome Remarks by Dr Vo Tri Thanh**

Warm thanks again to Mr Lim Hng Kiang, Minister of Trade, Ministry of Trade and Industry (MTI), Singapore, and Mr Bui Thanh Son, Deputy Minister of the Ministry of Foreign Affairs of Vietnam. While I do not have a prepared speech like my friend Tan Khee Giap, on behalf of VNCPEC, I would like to welcome all of you in the audience and thank you for coming today. I would like to thank SINCPEC for preparing everything so that this conference could happen. Special thanks to Professor Tan Khee Giap, as I think that without his effort, we could not have had this conference today. I would just like to share some of my thoughts.

We are living now in a changing world. The change is very fast and significant, and the change comes with many trade-offs, and conflicting dimensions. To deal with this, we should deepen regional integration but at the same time make sure that integration is inclusive. We know about the fourth industrial revolution. Thanks to that, we can easily improve productivity and efficiency, but we are concerned about employment as unemployment can keep rising.

We also emphasize on connectivity. APEC has a blueprint on connectivity. ASEAN also has a blueprint on connectivity. So, the facilitation of connectivity, together with trade liberalization and tariff reduction, are quite important. But we should also make sure that connectivity somehow is not just about a transport corridor but an economic corridor that can bring benefits to all the countries.

We are also now living in a world with many uncertainties. I remember a saying, “We cannot control what happens in the future but what we can control is the way we deal with it.” I think that with many problems, we cannot just rely on orthodox theories and approaches. We need fresh and new ideas to deal with all the problems we are facing now and for that purpose, our brainstorming conference could be very useful and helpful for all of us. In particular, it will provide helpful inputs for Vietnam as it prepares for the upcoming APEC meeting. I hope our deputy minister who will later deliver a speech will have something to say about those preparations. With those remarks, I will stop here, thank you very much.

## **Opening Speech by Guest of Honour**

### **“The Importance of Globalisation and Inclusive Growth Opportunities and Challenges Ahead”**

#### **Speaker:**

✧ **Mr Lim Hng Kiang**, *Minister (Trade)*, Ministry of Trade and Industry, Singapore

HE Bui Thanh Son, Distinguished Guests, Ladies and Gentlemen,

I am glad to join you today at the 2017 Pacific Economic Cooperation Council (PECC)-Singapore Conference.

We are meeting at a time when globalisation and free trade are in question. It is therefore timely to remind ourselves why APEC was set up and why we joined it – to promote trade and economic integration across the Asia-Pacific.

#### **Revisiting the Bogor Goals: Pursuing Free and Open Trade**

In 1994, APEC Leaders gathered in Bogor, Indonesia, and committed to 'free and open trade and investment' by 2020. APEC leaders believed that growth could be achieved through greater economic cooperation and integration; by lowering barriers and promoting a greater flow of people, businesses and trade, across the far reaches of Asia and the Pacific, where few cross-regional trade and business links had existed.

Over the last two decades, APEC has worked hard to achieve the Bogor Goals, with tariffs falling considerably and some of the services restrictions lifted. Between 1994 and 2014, APEC's real GDP grew at 3 percent per annum, outpacing the rest of the world, which grew by 2.5 percent per annum. Poverty has also fallen significantly. The number of people living under poverty conditions within APEC fell by more than 800 million between 1993 and 2012.

#### **Making Globalisation Work Better**

As we approach the deadline for the Bogor Goals, APEC is at an inflection point. Amidst a backdrop of sluggish growth and concerns about unemployment, income inequality and immigration, anti-trade sentiments have been on the rise. There is also a growing notion that globalisation has failed.

Indeed, globalisation is not a panacea for all economic woes nor does it come without costs. While globalisation has lifted hundreds of millions of people out of poverty, and brought immense benefits to consumers, we have to acknowledge the growing discontent. Benefits from globalisation have not been distributed evenly. We also have to recognize the impact of disruptive technologies, which can result in skills becoming obsolete and being displaced.

However, we should not make globalization the scapegoat for slowing growth and unemployment. Closing borders and turning inward is not the answer. Economies are so interdependent nowadays that it would be very difficult to disconnect from the global value-chain. If we do so, our businesses and communities will lose out. Markets will shrink, fewer jobs will be created and consumers will have to bear higher costs and will have fewer choices. We should avoid actions which will only hurt ourselves and lead to retaliatory measures, undoing the good progress that we have achieved so far.

Let us focus instead on ensuring the growth we achieve is inclusive. We should endeavour to put in place domestic policies that will enable benefits and growth to trickle down to all levels, including through equipping our workers with the skills required to adapt to new challenges.

### **Post 2020 Vision**

These are conversations we have been having in APEC in the past few years. I am also glad to see that APEC has started to look at the role it can play post 2020.

Greater cooperation amongst economies and keeping markets open are the best ways to boost growth and create jobs. Thus, economic integration should continue to remain APEC's priority. We are still a distance away from achieving APEC's goal of free and open trade. While average tariffs have fallen, tariffs still remain high in certain sectors and services restrictions vary across sectors.

The realisation of the Free Trade Area of the Asia-Pacific (FTAAP) should continue to be key to APEC's agenda as the FTAAP embodies APEC's original vision for regional economic integration and contributes to the realisation of free and open trade.

We must also continue to place emphasis on inclusive growth. This is vital if we want to have sustained support for our economic integration agenda from our domestic constituencies. Governments must restructure their economies and find new growth and opportunities for their businesses and citizens. They need to equip their people with the right skill sets and invest in

education and training. APEC has made good headway on initiatives to help Micro, Small, and Medium Enterprises (MSMEs), improve inclusion of women and vulnerable communities and boost education, training and human resource development. APEC should continue to advance such initiatives, promote the sharing of experiences and offer capacity building.

The focus on MSMEs will be particularly critical. MSMEs are the engines of growth and innovation in the APEC region, accounting for over 97 percent of enterprises and 50 percent of the workforce across APEC economies. APEC can continue to help improve their access to information, credit and provide technical assistance to help MSMEs adopt new technologies and to embrace the digital economy. The digital economy offers new opportunities to MSMEs. It can allow MSMEs to internationalize and participate in Global Value Chains in a more cost effective way.

This brings me to two other areas I think the APEC post 2020 agenda should also focus on to support sustainable economic growth and prosperity- digital economy and services. The digital economy will play a greater role in our economies and in the creation of jobs. APEC has made progress in certain areas such as data privacy rules, promoting digital platforms through paperless trading. But more can be done to facilitate e-commerce goods and services and address gaps in areas from customs and tariffs to data flows and cybersecurity.

The Services sector is becoming a substantial and rising component of our economies. It is the biggest contributor to GDP in many APEC economies. I am glad that APEC economies will embark on the APEC Services Competitiveness Roadmap in the coming years to help each other assess and improve their services sectors, in terms of transparency, inter-connectivity and reducing structural barriers.

## **Conclusion**

Ladies and gentlemen, the current global economic landscape is a very challenging one. APEC's leadership is more important than ever to stem the tide of protectionism and anti-globalisation. APEC economies need to work together, focus on collaborative wins and continue the dialogue on how we can balance open trade with domestic considerations and make globalisation work better for all.

I would like to thank SINCPEC and PECC Vietnam for organizing the conference and wish you a fruitful session ahead.

## **Keynote Speech**

### **Speaker:**

- ✧ **H.E. Bui Thanh Son**, *Standing Deputy Minister of Foreign Affairs, Vietnam*

### **Moderator:**

- ✧ **Mr Ian Buchanan**, *Chairman, Australian Pacific Economic Cooperation Committee (AUSPECC)*

### **Moderator: Mr Ian Buchanan**

Thank you, and welcome, everybody. It is good to be back and it is a great honour to welcome our keynote speaker, His Excellency Bui Thanh Son, Standing Deputy Minister of the Vietnam Ministry of Foreign Affairs.

It is now 23 years since I was last in Vietnam in 1994. It was part of a Stanford mission to talk to the cabinet about the advantages of free trade and opening up the economy. I will only say now that I had a very sceptical reception – I spent a week in the Ministry of Defence rest house and it was an uphill struggle. Look what can happen in 23 years.

Today, in 2017, is a world we are shifting from a culture where people like myself, and everyone here, believed the growth out of poverty, of not just the region, but the whole world could continue. Many of you will know that last year was the first year, I believe in recorded human history that not only the percentage of people in poverty but the absolute numbers of people in poverty fell for the first time in history.

I think also that most of you believe this growth was due to economic integration, free trade and the global value chains and supply chains the Minister talked about. Despite the evidence at hand, I think we have gotten used to this issue of false news, and to a President who has been elected in the world's largest economy and the world's so-far greatest champion of free trade that appears to be a mercantilist.

I think the Minister is in an unusual position to have a crack at shifting that belief. I have not asked him yet this morning if he plays golf - but if not it is a good time to learn. But what I do know is that he has just had the opportunity to host a representative of one administration, and in November in Da Nang will have the opportunity to host another. The Minister's past experience puts him in a good position to make a difference.



The Minister hosted John Kerry on the 13<sup>th</sup> of January this year in November at APEC. We hope he will host the Mercantilist President and shift his mind set, for he has some experience dealing with the administration. A few years ago in 2015, the Minister had to resolve some issues of then-billionaire businessman Wilbur Ross and his garment production partner in Vietnam. Hopefully in November he will have the opportunity to change the views of the now billionaire US Commerce Secretary Wilbur Ross. So the Minister is immensely well qualified to give us a perspective on the outlook of what may be one of the most turbulent years in my forty-five years in the region. Minister, over to you.

**Keynote Speaker: H.E. Minister Bui Thanh Son**

Excellency Lim Hng Kiang, Minister for Trade of the Ministry of Trade and Industry (MTI) of Singapore, Dr Tan Khee Giap, Chairman of Singapore National Committee for Pacific Economic Cooperation (SINCPEC) and Mr Ian Buchanan, thank you very much for your kind introduction.

I would like to thank SINCPEC for inviting me to this conference to exchange views with leading regional specialists and experts about APEC. Many of you have and will continue to contribute many valuable ideas and initiatives for APEC 2017. I thank you for that precious support.

Our discussion today on APEC's agenda is very timely. 2017 promises to be an unpredictable but critical year for the region and for APEC. As we are only a few years away from the 2020 milestone to meet the Bogor Goals of free and open trade, and investment, APEC is facing numerous challenges:

- Global economic growth is weak and fragile. In its Global Economic Outlook last month, the World Bank highlighted: "stagnant global trade, subdued investment and heightened policy uncertainty marked another difficult year for the world economy".
- While trade, investment and integration have brought many people out of poverty, challenges such as rising inequality and unemployment remain, and have contributed to rising globalization scepticism and protectionism in different corners of the globe.
- The digital age that we are living in has brought about tremendous opportunities but has also created challenges for disadvantaged groups. Many are neither prepared nor equipped to be part of the digital or internet economy and we stand to have more "digital refugees" in the years to come.
- Climate change manifestations and scarcity of water sources are having great impacts on vulnerable economic sectors, including agricultural production, fishery and tourism.

In this context, the ideas raised today will be useful to inform the discussion on how to maintain APEC's ongoing relevance but also to set the scene for the coming APEC Senior Officials' Meeting (SOM) 1 in Nha Trang, Vietnam, in a few days' time.

Colleagues and friends, Vietnam is privileged to be the host of APEC 2017. Following over 3 decades of reform and robust integration, Vietnam today is in a strong position to contribute effectively to APEC cooperation. Our experience in joining a region-wide network of FTAs with most APEC members and successes in promoting inclusive growth, sustainable and comprehensive development are useful stories to be shared at this forum. The commitments that the Vietnamese government has made to build an action-oriented government of integrity, working to serve people and businesses will add to APEC's common efforts to facilitate a more open business environment for people and businesses. Vietnam's efforts in conducting structural reforms, improving market economy mechanisms, policies and regulations, and administrative reforms are the same goals that APEC is pursuing.

Vietnam has worked closely with APEC member economies and stakeholders to steer the APEC boat towards our shared goal of prosperity for all. Allow me to share with you the direction and priorities of APEC 2017.

In the face of a changing regional landscape, it is crucial that APEC demonstrates its vitality, dynamism and responsiveness; that it assumes global leadership in addressing the challenges of today; and that it remains an incubator of ideas, an engine for innovation, and a driver for regional economic growth and integration. In the aftermath of the Asian financial crisis and most recently the 2008 global financial crisis, APEC has changed, adapted and pioneered change in the region.

We have a firm belief in the potential of the APEC region, which accounts for 39 percent of the world population, 57 percent of the world GDP and 49 percent of global trade. From 2000 to 2015, APEC's total trade volume increased 2.5 times, from US\$6.4 trillion to US\$16.5 trillion. According to an APEC Policy Support Unit report last year, the average Most-Favoured Nation (MFN) tariff in the APEC region has declined by almost half – from 11 percent in 1996 to 5.5 percent in 2014. APEC's achievements over the last 28 years in terms of promoting trade and investment and reducing trade barriers speak for itself. With the rise of middle class and dynamism and innovation of the businesses in our region, there is no doubt that the future of the 21st century will continue to be in this very region.

As such, APEC needs to build on its foundation as the premier regional economic forum and lead the change. The presence of APEC leaders in November this year in Danang, the host city of the

2017 APEC Leaders' Week, to jointly send a message of continued commitment to promote trade and investment and open markets has great significance. APEC will need to work to create new dynamism for a responsible APEC in the new context.

"Creating new dynamism, fostering a shared future" is the theme for APEC 2017. Building on outcomes and deliverables from past years and taking into account the new global and regional landscape, Vietnam has proposed 4 priorities to create new dynamism and promoting APEC's long-term strategies on growth, connectivity, structural reform, competition in services and global supply chains.

The first priority relates to promoting sustainable, innovative and inclusive growth. Structural reform will continue to play a significant role, creating new dynamism and momentum for growth and improving labour productivity. At the same time, APEC will need to pay more attention to the interests of people and businesses in the context of rising regional and global economic inequalities. In 2015, APEC set forth a quality growth strategy, which stressed the importance of inclusive growth. To realize this goal, APEC will need to place people and businesses at the centre of development. Education, lifelong learning and reskilling in particular, will be crucial to ensure all segments of our societies can actively participate in the workforce and benefit from the technological revolution. APEC must better inform people and businesses of its successes and the positive impacts that this very forum has made to their lives and work over the years. In this context, sharing experiences in ensuring social welfare, training and creating employment, and assisting MSMEs in transitioning to new areas of operation are also of great importance.

The second priority is on regional economic integration and connectivity. Trade and investment has proven to be a key source of dynamic growth over the years. In particular, trade and investment in services is playing an increasingly important role in promoting integration and assisting traditional industries to grow and create jobs. In its State of the Region Report, PECC pointed out that the services sector, which includes e-commerce, internet economy, digital trade, ICT, education, finance and health are 5 key sectors for future growth.

It is important for APEC to accelerate the realization of the Bogor Goals of free and open trade and investment in Asia-Pacific with a new sense of urgency. Vietnam's experience following 30 years of reform has shown that the pros of integration far exceed the cons. Meanwhile, protectionism stands to erode our regional prosperity. More than ever, APEC needs to send a strong message to affirm its continued commitment to maintaining open markets and pursuing economic integration. At the same time, APEC will need to better demonstrate the benefits of globalization, free trade and investment to the public.

Our third priority is to help create dynamism for a key driver of our region's growth, namely micro, small and medium enterprises (MSMEs), which account for 97 percent of the total number of APEC businesses. We seek ways to make value chains more inclusive, with greater participation of MSMEs. We will also focus on creating a more facilitative business environment for MSMEs in the digital age. Vietnam saw over 100 thousand newly registered enterprises in 2016. That means, on average, 12 new businesses are registered every hour, the majority of which are MSMEs. Their growth will also translate into growth for the whole economy. We should encourage and support the entrepreneurship of the MSMEs community with concrete policy measures.

In recent years, APEC has increased its focus on the speed and negative effect that climate change has had on efforts to improve food security and achieve sustainable agriculture. This is also the fourth priority for APEC 2017. Ensuring food security and promoting sustainable agriculture is the second goal of the Sustainable Development Goals (SDGs). We will need to pursue continued cooperation in this regard. In particular, technological application and transfer will be needed to improve agricultural productivity and resilience to climate change. APEC members will need to work closely together to sustainably manage resources, particularly water, while pursuing existing efforts related to the food market and sustainable and inclusive development of rural areas.

In addressing an uncertain future, as the premier economic forum, APEC will need to assume greater responsibility in leading global growth, maintaining open markets, trade and investment liberalization and ensuring an inclusive future for all.

On the one hand, we need to fulfil the unfinished businesses to achieve the Bogor Goals. On the other hand, we need to envision APEC's future and role in the region, and the world. It is not too soon to start developing an APEC post-2020 vision. We should start by thinking about establishing a mechanism towards this process.

Last year, in Lima, APEC Leaders affirmed that "four years before the target of the Bogor Goals and with major developments taking place both within and outside APEC, we consider it pertinent to start a process of reflection on an APEC post-2020 vision". It is important that APEC continues with high-level dialogues on APEC Toward 2020 and beyond. As such, Vietnam will host a Dialogue at SOM level on this particular topic tentatively around SOM 2.

I look forward to the insights and recommendations of our experts at this Conference. They will be important contributions not only for APEC in 2017 but also for APEC's future.

May I wish everyone and APEC Community new dynamism and vitality in the New Year. I thank you all.

### **Question & Answer (Q&A) Session**

#### **Moderator: Mr Ian Buchanan**

Thank you, Minister. We will stay up here, as we have got some time. What we found in the past meetings is that we had much broader participation in the Q&A session and we have got about 25 minutes.

#### **John West**

Minister, congratulations on an excellent speech, and very inspirational about the ambitions of your country. You, of course, saw Vietnam as an important component of the Trans-Pacific Partnership (TPP). Now you must be disappointed about the fact that the TPP seems to be dead for the moment, at least. Do you have plans, post-TPP, to maybe negotiate a free trade agreement with America or try and motivate other TPP countries to try and keep TPP alive without the US?

#### **Djisman Simandjuntak**

Thank you, Minister, for the excellent discussion of the coming agenda of APEC, but we live in the real world. Assuming there is a strong reversal of policy direction in the US, what are the options for us to countervail that reversal? There are some possibilities. One, ASEAN getting deeper, and for that I think Vietnam will have to play a more important role than it has done all along. Another option is the Regional Comprehensive Economic Partnership (RCEP), but in RCEP we have problems relating partly to the lack of institutionalised free trade relations between three major players, those being Japan, China and India. Number three of course, is the possibility of TPP going forward with 11, but maybe that is not very practical, listening to Minister Lim Hng Kiang this morning in the waiting room.

So, what is your view about these options? We need options. The world cannot afford to reverse openness. We have had this in history, when the gold standard collapsed in the early 20<sup>th</sup> century, followed by two wars and then trade wars in the 1930s. We paid a great cost for those mistakes, and I think we have to avoid that pattern of reversal happening again, thank you.

#### **Attendee**

Just now, John and Pak Djisman talked about the TPP and I would like to talk about the Free Trade Area of Asia-Pacific (FTAAP). In the year 2006, Vietnam hosted APEC and FTAAP was first floated

in APEC, and now we come back to Vietnam again. Just now Minister Lim Hng Kiang talked about the FTAAP as the most important item on the agenda and days ago, I think Professor Tan also talked about FTAAP as the most ambitious agenda of APEC. So, Minister, what is the plan of Vietnam as the host this year, about FTAAP? Thank you.

**Moderator: Mr Ian Buchanan**

What we have got is a question about the endgame, the vision, and what we aspire to. The endgame is built on values and people in this room believe in the values of free trade, although in Washington, some may not anymore. The second one is how do we get there, and I am sure you all remember that TPP was not always seen as the right path for us to get there, so the Minister is being given a menu of different noodle bowls and what they look like - flat noodles, round noodles and slippery noodles. I will hand it over to him as the expert.

**H.E. Minister Bui Thanh Son**

Thank you for the questions, as well as for the suggestions, on how Vietnam should go, and how TPP should go. There are two sets of questions, but again, there is one final objective, which is how to realise the FTAAP. TPP, RCEP and other free trade arrangements in the region are not new, and actually within the ASEAN we have the ASEAN economic community starting from 1<sup>st</sup> of January 2016 already. For Vietnam, we have also been negotiating 8 New-Generation FTAs, including TPP. We also at the same time conducted and concluded negotiations on New-Generation FTAs with several members such as South Korea, the Eurasian Economic Union and the TPP. Last year, we concluded negotiations with the European Union already.

At the same time, I think when we conducted our international integration, by joining the WTO in 2006, we at the same time set the road map for ourselves for further integration with countries in the region. So, what now happens with TPP, given the decision of the US to withdraw from it? For our part in Vietnam, it would impact us because we have put a lot of efforts together with Singapore and other members, into the conclusion of the negotiations for the agreement. When we came to TPP, all of us saw that it was one of the pathways for us to push further regional integration, further trade liberalization and investments, for the prosperity and balanced interests of all member economies. That is why we participated in this.

I remember that ten years ago, before the US started to join the TPP and lead the negotiations, the US came to Vietnam to persuade us to participate in the TPP. Barbara Weisel met me at that time, highlighting all the strategic, economic and other interests for Vietnam if we join the TPP. Finally, Vietnam decided, to be among the first set of countries in the negotiations. During the negotiations, we always said that despite the fact that Vietnam's level of economic development

was still very low, we still participated in TPP for two reasons – one, we see regional economic integration as beneficial for all. Two, at the same time, we also see that international integration is an instrument to push reforms in Vietnam. That is why we participated in negotiations and insisted that other TPP members should also consider the different levels of economic development in the negotiations while concluding the TPP. That was achieved, finally, in our negotiations.

So now with the withdrawal of the US, Vietnam is open to all possibilities, including all the possibilities that have been suggested. Whether we go bilaterally, or have a TPP with 11 members or accelerate RCEP (in fact, Vietnam was one of the first to join RCEP with the other ASEAN countries as well) or pursue other FTA arrangements in the region -- whatever be the path we take, we have to make sure that we have worked out the costs and benefits carefully before we go down that route.

We will take into account all considerations and ideas that you would suggest to us. The decision has not been made yet as each option has its own benefit and cost calculus. However, one thing that is quite certain to happen is for Vietnam to continue on its path to economic integration and participate in other FTA arrangements, including RCEP. In fact, this year we just started more FTAs with Hong Kong and Israel among others, despite the TPP.

Finally, how we would move towards the FTAAP – I have heard the pros and cons, different ideas from different economists on whether we would push FTAAP as much as possible this year. We see FTAAP as a long journey and since different pathways would help build up the FTAAP in the future, Vietnam will continue to be part of this process and provide input as to how to move it forward. We have also received the mandate from Lima last year and in addition, would provide a venue for the dialogue on how we would move forward with FTAAP. Especially at SOM 2, we will solicit ideas from member economies on how to proceed in the future. But for now, I think the decision is still open. APEC's processes and achievements this year and whether they can be successful or not depends very much on the cooperation and the contributions of all member economies. We have to work together to set up a caucus group within APEC in order to pursue it and move, and at least maintain the momentum and the role of APEC that we have done in the past years.

**Moderator: Mr Ian Buchanan**

That was a very comprehensive response. We still have 15 minutes left, which is very rare, in these events and if the Minister is willing, we can take the next cluster of questions. While we wait for that, in terms of what the Minister said, it reminds me of an Indonesian expression,

“Mesyuarat,” which means discussion until a consensus is reached. In post-war English it implies jaw-to-jaw, not war-to-war. So I think continuing multiple dialogues and exhausting the White House is possibly not a bad thing to do. So more questions, please.

**Edward Clayton**

Minister, thank you very much for your speech. I was struck by one phrase tucked away in the middle of it, on “digital refugees”, which is a new one for me, and I have been googling it. There are challenges that are being faced at the moment by countries where those who are well educated and mobile welcome the new world because there are also those who are struggling with the new world. Here in APEC, how do you think that we should be working to include those who are struggling?

**Charles Morrison**

Thank you very much. Both your presentation and the previous one emphasized education as part of addressing an inclusive agenda, but in my economy, higher education is a very big industry and never once has an educator, or university president, been put on the APEC. That is pretty true of most economies, so I am wondering if it is not time we have an APEC social advisory council that would stand aside the business advisory council to represent the social sectors that are critical for the inclusiveness agenda.

**Moderator: Mr Ian Buchanan**

Great thought. The Minister is clearly the right person to carry that forward. So we will take those with an educational theme and a very specific recommendation from Charles and then a very tough question from Edward about how to get that inclusiveness in the internet economy. Over to you, Minister.

**H.E. Minister Bui Thanh Son**

These are, I think, really good questions and good suggestions on how we would move APEC processes this year, and especially on how to come up with concrete deliverables for each of the priorities that member economies have agreed upon to conduct this year.

One of the ideas regarding APEC has been whether we can move forward on the new industrial revolution, also called the fourth industrial revolution. The sense we got is that in different sectors of the economies, there would be people who would be disadvantaged, in taking up the opportunities that the industrial revolution would bring about. In Vietnam too this is the case. So what we can come up with is the same thing as what Charles has suggested, and is something I



discussed with the PECC of the Philippines as well -- education would of course be the training and re-skilling education would be very important too.

From the experiences of Vietnam, education is important. However, for us, training and upgrading skills for workers are even more important. I think that they are quite important for most APEC economies as well. This is one of the reasons why I would like, at this conference, for you all to suggest or propose ideas for us on how to move to tackle the issues brought up by the people who are disadvantaged in the face of the fourth industrial revolution. That is also an integral element of inclusive growth. If we cannot address this, then the benefits to the people cannot be spread through all parts of the economy, which will then make the process of pursuing APEC goals quite difficult. This is a common effort that we all need to put in and work on.

The second issue, as rightly pointed out, is the social issues within APEC. So far, economic interests have been emphasized but now, in the face of the new challenges, especially with the anti-globalization sentiments let loose, if we do not have good social elements within APEC then it would also be difficult for us to move the process forward. One of the ideas that we discussed at the Informal Senior Officials Meeting (ISOM) is that we should also focus on different people channels, or think of different ties for linking people together, including in accelerating tourism, and exchange of people within APEC. After this conference, I would work together with our Vietnam PECC and Dr Thanh on how to concretize the ideas that Charles suggested. I urge you here to assist him in developing ideas to address the social elements within inclusive growth and come up with concrete proposals within APEC. That can be a successful theme for this year.

**Moderator: Mr Ian Buchanan**

So what I am going to do, since we seem to have worn out the audience in questions, is that I am going to use the moderator's privilege to just put a perspective on that, which is just slightly different.

Rather than moving people, which is problematic, within a country and across borders, moving digital data is easy if the enablers are there. The enablers are towers and wireless satellites and so what can governments do? I am just going to use Indonesia as an example. I think Singapore has got a concentrated group of very smart people, with very good enabling technology. Indonesia with 17,000 islands has a lot of people disadvantaged at the far end of that. Going back to the 1990s, Indonesia's tariff policies and state enterprise policies meant that the government controlled the telcos and government appointees ran them. It was not the best technologists or thinkers that ran them and instead it was government bureaucrats.

In 1998, President Suharto set up the Ministry of State-Owned Enterprises and in 1999 when there was a setup for reform and transformation, the Telcos were the first to be targeted. In 2000, their national cellular phone company was about to go bankrupt. I was a consultant then and helped to structure it and they ran towers to almost every populated island in Indonesia. Those towers, if you sail across the archipelago, have got wireless all the way.

What has that done for “uneducated” farmers out there? My three sons did not need education to pick up a smartphone to use. You have one of the highest penetrations of smartphones throughout the Indonesian archipelago, enabled by a shift in ownership policies and tariff policies on phones. Lower tariffs on phones for cellular has integrated people into a marketplace.

So that is something governments can do at APEC. You can share those lessons and that is what we have in the difficult behind-the-border reform which often gets parked. So on that note, I will just ask the Minister if he has any concluding remarks and we will close the session. Minister, do you wish to say anything in conclusion or are you happy?

**H.E. Minister Bui Thanh Son**

I would just say in conclusion a thanks to Ian and Dr Tan Khee Giap for the opportunity to attend today. The second is that we would like you to also join hands in helping Vietnam maintain APEC’s role and momentum this year. It is not easy, but we have to join hands and work together and this particular forum, bringing together many distinguished specialists and experts is, as I said, a beginning. Please come up with new ideas and suggestions as APEC has done in the past years as an incubator of initiatives and ideas. Coming up with concrete deliverable ideas will help us include them for discussion at SOM 1, SOM 2, SOM 3, and APEC leaders week this year. If we can do something, then that is the common success of all APEC member economies, including you.

## **Session 1**

### **“Asia-Pacific Economic Cooperation in a Changing Global Context: Globalization and its Discontents, Protectionism and Coherent Approach Towards External Economic Relations”**

#### **Moderator:**

- ✧ **Dr Chul Chung**, *Vice Chairman*, Korea National Committee for Pacific Economic Cooperation (KOPEC)

#### **Panel Discussion:**

- ✧ **Mr Hugh Stephens**, *Vice Chairman*, Canadian National Committee for Pacific Economic Cooperation (CANCPEC) & *Distinguished Fellow*, Asia Pacific Foundation of Canada
- ✧ **Dr Josef T. Yap**, *Professorial Lecturer*, UP School of Economics, Philippines
- ✧ **Dr Charles E. Morrison**, *Distinguished Senior Fellow*, East-West Center

#### **Moderator: Dr Chul Chung**

Good morning everyone. We have several distinguished panelists for this session.

First, we have Hugh Stephens, Vice-Chair of the Canadian Committee for Pacific Economic Cooperation, who is also a distinguished fellow at the Asia-Pacific foundation of Canada. He is also associated with the University of Calgary and the Business School at the Royal Roads University. He has also worked at Time-Warner in Hong Kong, and has been posted to Taiwan, Korea, and Pakistan before.

Our second panelist, from the Philippines, is Dr Josef T. Yap, who was the President of the Philippines Institute for Development Studies and worked there for 26 years until his retirement four years ago. He is an expert in macroeconomic policy and applied econometrics, so we will probably be able to hear a great deal about the empirical analyses and macroeconomic perspectives regarding the topic of this panel.

Our last panelist is Charles Morrison from the United States, who is the distinguished senior fellow at the East-West Center in Honolulu, and who has served as the centre's President for an extremely long time – maybe twenty or so years. He has also served as the co-chair and international chair of the Pacific Economic Cooperation Council. Please first welcome Mr Hugh Stephens for his thoughts on this issue.

**Panelist 1: Mr Hugh Stephens**

Thank you, Dr Chul. I am going to talk about the Canadian approach to meeting the challenge of protectionism, and from what you have already heard this morning, clearly we live in challenging times.

There has always been a gap between the rhetoric and the reality of trade liberalization, but at least in the past our leaders have always made a commitment to open borders and have striven to achieve that goal. Our regular APEC summits are a testament to that – to the regular issuance of statements to exhort us all to move forward. PECC in fact has played a very important part in this too. But as we all know, at this particular juncture all that is changing.

When the President of the world's largest and most open economy says in his inaugural address and I quote: "protection will lead to great prosperity and strength – there are two simple rules, buy American and hire American", then we know we have a challenge. We now have a United States (US) President whose rhetoric makes no concession to the liberalization of trade that as we know has lifted millions out of poverty and transformed the global economy.

To date, at least, Mr Trump seems to defy and deny the premise upon which global trade is based – that is to say, mutual benefit – his approach seems to be a win-lose. Will this spread? Can it be contained? How much damage will be done in the meantime? And will we descend into a tit-for-tat trade war? We all hope that is not what is going to happen and we need to look at what PECC can do. I would like to talk about what I think Canada's role can be in this as well.

So, let us have a look at some of the specific targets Mr Trump has talked about, the first of which is North American Free Trade Agreement (NAFTA), which involves three members of PECC and is, according to Mr Trump, "probably the worst trade deal ever". NAFTA is not perfect and it is a twenty-year old trade agreement. However, to describe it as Mr Trump has done, to blame it for every negative in the US economy is frankly not very helpful.


We do not know what is likely to be impacted by NAFTA but he certainly put both Mexico and Canada on notice that it needs to be renegotiated. The most likely changes that have been signalled already will be in the rules of origin, particularly related to the automotive trade, to the dispute settlement process, and probably to some other areas specific to Mexico or Canada. When NAFTA first came into force, the rules of origin for North American content in autos was 50 percent and it has now been raised to 62.5 percent. One school of thought (although it is speculation) is that Mr Trump would like to raise this to 75 percent and within that, he would set a minimum percentage for US production in North America.

I did a little bit of research on this – approximately 40 percent of the value of a car assembled in Mexico now comes from US-made parts and in Canada the figure is approximately 25 percent. We have an integrated industry in North America, and there will have to be a very careful negotiation not to disrupt the existing supply chains. Various studies have been done on this and one automotive research think tank indicated that pulling out of NAFTA could cost the US economy more than 30,000 jobs in the auto sector alone, because the cars that are assembled, as I said, contain parts from all three partners and there is movement back and forth across the border (Exhibit 1).

**Exhibit 1:**

### **Significance of NAFTA Changes**

- Focus of Possible Changes: Rules of Origin; Dispute Settlement
- Impact on Canada and Mexico (Integrated Supply Chains)
- Supply Management in Canada and Softwood Lumber likely targets
- Impact on US Economy
- Impact on other US trading partners



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So we need to be very careful where we go on the issue of NAFTA, and both Canada and Mexico have to consider how they are going to deal with the Trump administration on this. Mr Trudeau, the Canadian Prime Minister, is in fact going to be in Washington today having lunch with Mr Trump. The so called original three amigos summit is not going to be very friendly. The Mexican President of course cancelled his visit and so it is going to be one on one between Canada and the US at this stage.

NAFTA of course is not the only trade agreement that is under threat. The Trans-Pacific Partnership (TPP), which Mr Trump described as “a potential disaster for our country” has now been put on indefinite hold or life support. Certainly with the announcement that the US will not ratify, there is a scrambling to pick up the pieces. Perhaps it is not dead and there is this thin reed that people are grasping at. The TPP (minus one or possibly plus two) may be renegotiated in some form which might still keep it alive, but it is uncertain. There is going to be a meeting in Chile next month. Canada has indicated that it will attend. This will be a meeting of the TPP


partners, plus I understand, China and Korea who have been invited. Where that will go is a little bit difficult to say, but I do think we need to consider what the impact is of the US withdrawal from the TPP. Will there in fact be a negative knock on impact on other trade agreements, what will the impact be on the RCEP, and frankly what impact will it have on US engagement with this region (Exhibit 2).

**Exhibit 2:**

### **Impact of TPP “Demise”**

- Knock on effect on trade liberalization initiatives in the region (what happens to TPP consensus on a range of issues?)
- TPP Minus One-a realistic possibility?
- Positive or negative impact on RCEP?
- What happens to US engagement in Region?

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Then of course there is the issue of US-China trade. Mr Trump has accused China of “the greatest job theft in the history of our country”. So clearly we see the blame game being played here. And frankly blame and retaliation is not the way to build growth. There are clearly some issues in US-China trade and it is actually quite interesting to see China now playing a lead role with President Xi Jinping’s talk in Davos about China picking up the mantle of trade leadership. I think we will have to see what happens in this area as well (Exhibit 3).

**Exhibit 3:**

### **US-China Trade (& Political) Relations: Potential Impact**

- Imposition of border measures (the infamous 45% tariff), leading to retaliation?
- Investment and currency issues (Impact on FDI both ways)
- China as a leader of globalization? (Xi Jinping ‘s Davos Speech)
- Strategic/political fallout of a “trade war”

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While I have certainly placed emphasis on Mr Trump's negative comments, we do have to recognize that this particular phenomenon did not come out of the blue. He tapped into a wellspring of discontent to be elected. That was talked about a little bit this morning, about the challenges that globalization faces. We know that there is a problem with the distribution of the benefits of liberalized trade, whether in developed or developing economies, and this discontent has been translated into anti-globalization movements throughout the world (Exhibit 4). There is no simple answer but the message I think is that, now more than ever, it is time for those of us who support keeping markets open, to speak up.

**Exhibit 4:**

### **The Realities Behind the Trump Rhetoric**

- Slowing growth globally
- Uneven distribution of benefits of trade within economies
- Automation; changing nature of jobs and the workforce
- Lack of open trade champions



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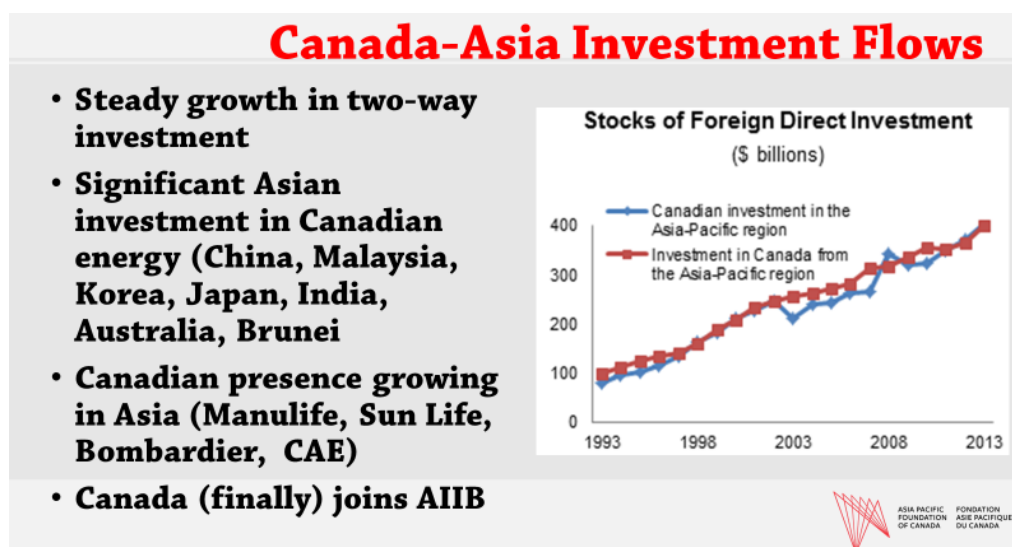
Finally, I would like to talk a bit about Canada's potential role. Clearly, Canada is in a bit of a difficult position because of its high dependence on trade as part of its economy and also because of the deep integration with the US. About 75 percent of Canadian exports go to the US. We are also the largest export market of the US and that border has to stay open. That said, Canada recognizes the need to diversify and champion open markets and this year will see the Canada-EU trade agreement come into effect after eight long years of negotiation. With regard to NAFTA, we signalled to the US early on that we are willing to come to the table to discuss improvements, and those improvements will have a Canadian agenda as well as a US agenda behind them.

It is not just in the area of trade with Europe; Canada is also pushing to bring down trade barriers with its partners in Asia. I will just highlight four areas.

One of course was the TPP. Canada has been a strong supporter of the TPP although it came on board a bit late. There is still the possibility that the TPP may be kept alive. If not, we would very much like to engage with Japan in a bilateral negotiation. It is not clear that the Japanese are

interested but we will have to see what comes of the meetings between Mr Abe and Mr Trump in Washington. Canada and China have agreed to explore FTA negotiations, or possibly a sectoral economic partnership. Canada is also interested in a closer economic relationship with ASEAN, and officials have been preparing a pre-FTA feasibility study. Finally, there are ongoing discussions with India. There are very good reasons for Canada to engage more closely with Asia. Our stock of two-way investment is growing rapidly (Exhibit 5).

**Exhibit 5:**



After the predominance of US trade with Canada, and after the EU, the next four top trading partners with Canada are China, Mexico, Japan and Korea – all members of PECC and all members of APEC. In fact, trade with China, Japan and Korea equals the bilateral trade with the EU (Exhibit 6).

**Exhibit 6:**

### Canada's Bilateral Trade in Goods, 2015

Of Canada's top 6 trading partners, 5 are in Asia-Pacific  
(with lots of room to grow!)

	Canadian Exports/Canadian Imports/Total Trade (Billions CAD)		
1. United States	397.0	363.0	760.1
2. EU	39.4	53.0	92.4
3. China	21.4	38.9	60.3
4. Mexico	7.9	18.3	26.2
5. Japan	10.1	10.9	21.0
6. Republic of Korea	4.2	6.1	10.3

EU Breakdown: (Two-way trade)- UK (25.2); Germany (18.8); Netherlands (8.0); France (7.8) and Italy (7.7)

Source: Statistics Canada

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We have a bilateral agreement with Korea which took a long time to negotiate. We would like to have one with others as well. We have also joined, at long last, the Asia Infrastructure Investment Bank (AIIB).

Another point I would like to emphasize is Canada's diversity and openness to people-to-people linkages. Canada actively promotes connectivity with Asia. In fact our three largest sources of immigration are all from Asia – China, the Philippines and India, in that order.

So whether it is in terms of people to people connectivity, the secure supply of energy, two way investment, open markets or provision of services, Canada wants to counter the current trends espoused by the other great North American economy. The message I want to give you is that there is a welcoming open market economy in North America.

Finally, PECC has a very important role to play. We all must be champions of open markets and work with the champions of open markets in all economies including in the US. We must do what we can to ensure that, along with trade liberalization, also comes inclusivity and sustainability. Canada will do its part and the Canadian PECC committee is happy to be part of that team effort.

Thank you very much.

**Moderator: Dr Chul Chung**

Thank you. Mr Hugh Stephens provided the Canadian view on this global context and he brought attention to some of the concerns on NAFTA from the Canadian perspective while discussing TPP and the APEC, emphasizing connectivity as well as highlighting some challenges moving forward. Let me now invite Dr Josef Yap for his perspective.

**Panelist 2: Dr Josef Yap**

Thank you very much Mr. Chairman. Excellencies, distinguished participants, ladies and gentlemen, good morning. I would like first to express my gratitude and appreciation to the organizers of this conference for their kind hospitality.

I prepared a short policy brief that is the basis for my remarks this morning, which I understand is part of the conference kit. In that policy brief, I argue that countries in the Asia-Pacific region

have to take advantage of the ongoing rebalancing in China. It will surely provide a buffer to the changes that will take place in the region.

The rebalancing in the Chinese economy is partly in response to the 2008 global financial and economic crisis and it has two major components. The first component of this rebalancing is the shift towards consumption, away from investment, a shift towards imports, away from exports and a shift towards the service industry, away from manufacturing and general industry. The shift towards greater domestic demand and higher-value added production has contributed to an economic deceleration. It has also added pressure to wages which is already affected by tightness in labour markets caused by rapid economic expansion and declining population growth. Internationally, China's minimum wage (in coastal cities at least) is now in the mid-range of Asian countries (Exhibit 7).

**Exhibit 7:**



Source: <http://www.clb.org.hk/en/content/wageschina>

Although wage levels are in general still far below those in Japan, Korea, and Singapore, wages for Chinese factory workers are now significantly higher than for factory workers in Bangladesh, Vietnam and Cambodia.

The second component of this rebalancing is related to the diversification and the way China manages its foreign exchange reserves. This has led to the establishment of the AIIB and the pursuit of the One Belt One Road strategy.

Developing countries like the Philippines have to undergo their own version of rebalancing to take advantage of the rebalancing in China. In general, developing countries have to align their domestic rebalancing with regional rebalancing. This will allow them to address some of the inequities that were spawned by globalization.

For instance, the faster expansion of imports, consumption and the service sectors in China will shift the centre of gravity of regional production networks away from China and towards developing countries, particularly in ASEAN member countries. We anticipate that they will expand in China's neighbouring countries and also the western region of China, so policies can be implemented in the Philippines in order to encourage and enable Small and Medium Enterprises (SMEs) to participate in these regional production networks.

Minister Lim alluded to the role of SMEs in globalization. These policies include enhancing access of SMEs to finance, enhancing access of SMEs to technology, and enhancing access of SMEs to markets. The greater role of SMEs will lead to higher employment, as they have a greater employment elasticity, and it will help reduce income inequality, which is one of the issues which is raised in this particular session.

Meanwhile, the establishment of the Asian Infrastructure Investment Bank (AIIB) will provide the Philippines access to resources to help address its gap in physical infrastructure. This is an integral part of rebalancing in the Philippines economy. So the Philippines is somewhat the opposite of China. We have a larger share of consumption vis-à-vis investment and one of the reasons we have a low investment rate is due to the gaps in our physical infrastructure. So the rebalancing in China will help address our resource gap, in terms of building our infrastructure.

My last point relates to an observation where I really do not have the comparative advantage. But my argument is this – the Asia-Pacific region is not only undergoing an economic rebalancing but is also experiencing significant political rebalancing, and APEC can and should be a forum that ensures that political and economic rebalancing support each other, and that no conflict will arise in this transition that we are experiencing right now.

I do not want to go into specifics because as I said, it is not my area, but it is an observation that should be of interest to everyone. If there is a convergence between this economic and political rebalancing, the outcome will definitely be beneficial to all economies in the region. Thank you very much for your kind attention.

**Moderator: Dr Chul Chung**

Thank you, Dr Yap. He has pointed out that there is ongoing rebalancing both in the economic and political sides in the Asia-Pacific region, which must support each other. Now, let me invite Dr Charles Morrison to proceed.

### **Panelist 3: Dr Charles Morrison**

Thank you very much and I want to thank those who invited us and organized this, and particularly Prof Tan Khee Giap and SINCPEC. This session is on globalization and its discontents and focuses mainly on trade. Much of what I will say repeats things that have already been said this morning, but perhaps I will be a little less diplomatic than our Ministers.

I have several points – the first is that trade is very important but is not existential to human existence. The things that are existential are nuclear weapons, climate change, resources including food, potentially pandemics and diseases. So we have very important things that, except for nuclear weapons, are APEC and economic cooperation issues. But we focus a lot in APEC on trade but not on many of these other issues.

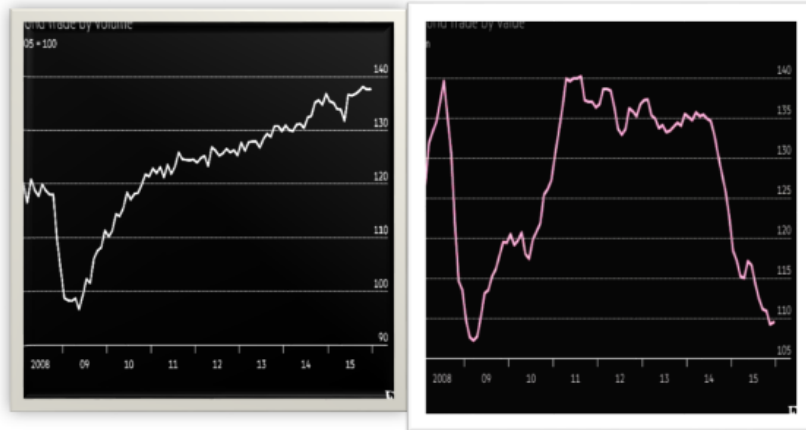
Secondly, government policy and government trade policy does not drive globalization. Globalization is driven by technology, and so if you think of trade, for example – changes in information systems, in communications and transportation and automation, those are the things that have really changed trade flows, and if you think about the next ten or twenty years, something like 3D printing may be much more important than protectionist pressures. So the other thing we need to recognize about globalization is that it is not really about borders. It is a universal process which used to be called modernization. It affects us all and so it is going to continue to happen whether we like it or not.

Third, globalization does put our political systems under stress. It creates a lot more demands on the political systems. Political systems are probably the least able of our systems to cope with globalization. That is why we have a lot of pressure both from the left and from the right that are anti-establishment.

Fourth, we talk about rising protectionism but nothing much has happened. It has been relatively marginal and a lot of it has been rhetoric. If you look at trade volumes, they have continued to rise since the global financial crisis (Exhibit 8).

**Exhibit 8:**

## World Trade by Volume and Value



Trade values have gone down because of resource prices, but trade volumes have been growing. Interests drive trade and that is why it is very hard to change things. One can talk about protectionism a lot but if interests -- as in the Canadian-US case -- are such that real protectionism will hurt people substantially, it will not happen very much.

Fifth, because of the existential threats in particular, international cooperation is going to be needed more than ever. It is harder now than ever because global power is more fragmented than it was. There is no great power today in the way that the US was twenty or thirty years ago and also because domestic authority is pretty fragmented in many of our systems. So that is why we have really big goals such as Bogor, the Free Trade Area of Asia-Pacific (FTAAP), which by the way to me is the same as Bogor, the Paris climate change agreement, the Sustainable Development Goals (SDGs) etc. which are all voluntary. They depend on national action but they do not have concrete objectives that governments are forced to support. That is because we cannot come to a consensus on several issues.

Sixth, APEC is a globalization project and that is one reason we have to continue to support it. Post-2020, the big agenda for APEC will be achieving the Bogor goals because they would not have been achieved by then. The difficulty in achieving them arises because APEC does not have a mechanism to do so. If they did, we would not need FTAAP. So our big goal on the trade side will be to achieve the Bogor goals.

But APEC is like a professional tennis player with one very strong arm and one very weak arm. The strong arm has been globalization, trade and liberalization while the weak arm has been inclusiveness. What we heard this morning is that we need a much more balanced APEC.

In trade, there are two bicycle theories. The first is that you keep riding on a bike as fast as you can or you fall off. The other is that you get tired after a while and so you stop, then walk the bike or you rest and then get started again. Maybe we are at a time when we need to consolidate what we have. I think there is a big agenda there, but the new free trade agreements may be off the agenda for a while.

However, the inclusivity side is what I think we really have to focus on, and where we need to take a much more serious effort to really walk the walk and not just talk the talk. We have heard the agenda which I think is very good – the agenda on fostering connectivity is an integral part of that goal of achieving inclusivity; so is education which is critical to all SMEs.

My own proposal to contribute to this inclusivity agenda is to try and involve more social advisory groups which implies extending our reach beyond just the business community. I think that is quite important. We also need to get the parliaments involved. Politicians are not involved in APEC and it has largely been a bureaucratic affair which is why we must get out of the bubble that we are in and move beyond to other groups by connecting with different sectors of our society (Exhibit 9).

**Exhibit 9:**

<b>Increased Emphasis on Inclusion</b>	
<ul style="list-style-type: none"><li>■ Connectivity</li><li>■ SMEs (firm level)</li><li>■ Education (individual level)</li><li>■ Social advisory group (ASAC) as counterpart to ABAC</li><li>■ Parliamentary body</li></ul>	<p>"We recognize the vital importance of continuing work towards an inclusive education agenda that will enable people of all ages to meet the challenges of a globalized world." APEC Leaders Declaration 2016</p>

The eighth point I would make is that in a fragmented system facing existential challenges, we need to not only deal with our own issues but also ensure that global leadership comes from this region because this is where the power is. For an issue like climate change which depends on nationally determined actions, we need to try to pressurize each other to take leadership and appropriate follow-up actions. It is not going to happen without us. I think on the SDGs and other global goals, once again we need to pick out two or three of those and use APEC's platform to push those, not just in a regional context but as a part of our global agenda.

In trade, we need sectoral and fiscal rotation efforts and I think there are a lot of things we can do to strengthen the WTO system. It is really about raising awareness of that system – the disciplines are there – but they are often not well-enforced. We also have to move forward in areas that unfortunately the Trans-Pacific Partnership (TPP) would have set great benchmarks which included digitization and intellectual property, among many others.

Finally, since I have not said anything about the new President of the US because so many other people have, I will end by sharing some thoughts about him. First of all, I want you to know that he was not the only candidate in the US who was questioning the TPP. Second, we can protest and vilify him all we want but he may turn out to be a very healthy antidote. We have got to step up our game. It is not about protesting but rather about saying what we are for, and really having someone to question us. For someone to get us out of our bubble – and we in APEC have lived in a bubble – is something which I think is extremely critical. So who knows how it may end, but you know that you have got to have hope. Thank you.

### **Question & Answer (Q&A) Session**

#### **Moderator: Dr Chul Chung**

Thank you, Dr Charles Morrison. He gave us eight points on the current status and future direction of the Asia-Pacific region. Now I will open the floor for questions and answers.

#### **Allan Bollard**

Thank you, I am Allan Bollard. I am the director of the APEC secretariat, which is headquartered here in Singapore. Perhaps just a quick response to Charles --we do have already a lot of input on the social and economic side. Let us bear in mind that we have eighty technical working groups already in APEC and I think if anything, there is a feeling around the room that in APEC we have to be careful about spreading out and pretending that we can go too far in all of those.

Apart from that, I am wondering whether the panel would have any advice for APEC economies who are naturally looking at what is happening with the US administration and trying to work out what it means for them. In addition, they are also looking at one another at the moment and some of them are worrying that we could see a bilateralization led by the US administration.

Then there is the question about what is the technical response from other APEC economies, and in principle, can multilateralism continue with strong bilateralization at the same time? What advice would you have if, for example, the new US administration, was picking off particular trade partners and seeking to do bilateral deals of one sort or another? Should they be hoping for a phone call themselves, or dreading one, and how should they be getting together and dealing with that? Thank you.

**Narongchai Akrasanee**

Thank you. I have questions for Hugh Stephens and Charles Morrison, starting with globalization. Charles said globalization is driven by technology and interests. We know that Mr Donald Trump is basically a businessman with a business empire; and also a TV actor. Being a businessman, the business interest is to maximize margins -- to maximize profits. In my business, if any of my gross margins are less than 35 percent, I have no interest. So it has to be 35 percent at the bare minimum. As an actor, you know that actors always maximize fiction, rather than doing the real thing.

So my question to Hugh Stephens is, is he acting rather than governing? You have many pictures in your presentation. It looks like he is acting rather than governing. So please explain to us. As you are so close to them geographically, you have the burden of proximity.

My question to Charles -- would Mr Trump's business interests (including his in-laws, his daughter etc.) ultimately determine what he is going to do and what he can do? Thank you very much.

**Vo Tri Thanh**

I have just one question to Dr Josef Yap. You mentioned that economic and political rebalancing can bring many benefits to countries in the region, as I understand. Economic rebalancing is quite understandable, but what do you mean by political rebalancing? Can you elaborate a little bit and also how can Donald Trump's policies affect political rebalancing in East Asia and in the region?

**Moderator: Dr Chul Chung**

Maybe we can start with Dr Josef Yap in answering the last question asked?



**Panelist: Dr Josef Yap**

Thank you very much. Regarding political rebalancing, I will give a specific example in the case of the Philippines. There was a shift, even before the election of President Trump, in our policies towards warmer diplomatic relations with China compared to the administration of President Aquino. President Duterte decided to break the ice and establish closer ties with China compared to the last administration. So that is a rebalancing that will benefit the Philippines. In many ways, including minor aspects, such as allowing fishermen now to return to their fishing grounds in the Scarborough shoal, and giving us access to AIIB. So in the context of the Philippines, that is the example.

But regionally, because of the decision of the US to pursue more protectionist paths, China gains more political leverage. So that is the political rebalancing that is happening in the region, and that coincides also with China's economic rebalancing. So if you have greater strength in terms of political and economic areas, then, there has to be some mechanism in order for other countries to benefit from that. APEC, I believe, will be forum where policies can be enacted that respond to these shifts in both political and economic power in the region.

I am a little vague on that, but as I mentioned it is not my area. I am still grappling with how the economic rebalancing can support this political rebalancing and vice versa.

**Panelist: Mr Hugh Stephens**

Let me first address Narongchai's question about whether Mr Trump is acting or governing. I think we can all agree that there has been a lot of hyperbole in the US election. He has said what appears to us to be some pretty outrageous things and so the hope, perhaps, is that this is part of a tactic to throw people off-balance and when it comes down to it, the actions will not necessarily follow the words and that the US system has checks and balances in it through Congress and – as we have already seen with the travel ban – the exercise of authority by the courts.

That said, I do not think we should lull ourselves into any false sense of security. Mr Trump moved very quickly on the TPP, to do what he said he would do. He has moved on NAFTA, given indication that he now wants to reopen NAFTA. He is moving on that score.

So I think you have to assume the worse and hope for the best. What I think one needs to do and certainly what Canada has done and what Mr Abe has done is very interesting, that is to try and get in front of the curve and deal with these issues and deploy other interest groups in the US to ensure that the advice that is given to the President reflects a broad range of issues.

Quickly on Allan Bollard's question on advice, whether ASEAN countries will succumb to the siren call of bilateralism or if they will try to stick together, is a difficult one, of course. Every country will have to analyse this from its own perspective. If you look at the Canadian perspective on NAFTA, do we form a common cause with the Mexicans or do we deal bilaterally with the US? There is a big debate on that in Canada, and Mexico certainly has issues with the US that Canada does now. On the other hand I think we all need to be very wary of a hub and spoke system where there is only one hub and many spokes. So ideally a form of multilateralism would be preferable but at the end of the day each country will have to make its own decision based on its own self-evaluation.

**Moderator: Dr Chul Chung**

Thank you. Charles?

**Panelist: Dr Charles Morrison**

Well first, on Allan's comments on the 84 working groups and so on, I think that is exactly the problem and what I was not doing was proposing that there be many more of those. Instead, I was trying to prioritize. You need some mechanism to prioritize, and it is difficult, I know. But that was the thought.

On whether Trump is a businessman and how that will impact him, he is a very unsuccessful businessman. He has gone bankrupt and I do not know how many times. His business practices are ones that plenty of people do not like very much and that is why I see him mainly as a celebrity. But he perceives himself as a great dealmaker and what he thinks he is doing is that he is going to tear up these deals and make better deals for the American people. That is what he perceives himself to be doing.

What will happen when he gets down to it is that he will find that those deals are the way they are because of the interests involved – because other negotiating partners have their own red lines and limits on what they can do. So he is going to find it very difficult. But if he is able to update something like the Canadian agreement and the American and Canadian governments are happy with it in the end, he is going to say it was the best deal ever, and I think he will be the best marketer of those deals we have probably had in a long time. So I think that is what he will focus on.

Now, that gets us back to Allan's really good point about what if the major economy in the world is just doing bilaterals which is of course the history. We start out doing bilaterals – Bob Zoellick

was a very avid proponent of bilaterals. But Bob Zoellick's idea was that bilaterals were to set a model for the global system. He was not very strategic about it. He went to places like Jordan and Morocco because they were Islamic countries and that is important. But you need big players like Japan, and Europe, and those are difficult. So you are starting small. Now, I think the way the world has gone is that countries like Mexico, Singapore and many others have gotten bilaterals but having a big player going bilateral is important. The question is what the content of those bilaterals is. Is it going to be a bilateral that really sets good models for the international system, or are they bilaterals that add to a spaghetti bowl? That is where I think APEC and all of our negotiating partners not just here but around the world, can be a very important influence.

**Moderator: Dr Chul Chung**

Thank you. I think this session has been very interesting because the panelists are from countries where there are strong and star leaders like Mr Duterte and Trudeau, but the chair is from Korea where there is no leader!

Anyway, we are entering into a new era with lots of unpredictability and uncertainty. I think Dr Bollard mentioned bilateralism. I think bilateralism is dictated by power and that is why we value multilateralism and also cooperation in the Asia-Pacific region. I would like to end this session by thanking the panelists. Let us give them a round of applause.

## **Lunch and Luncheon Talk**

### **“Vietnam’s Prospect as a Manufacturing Hub and Manpower Development”**

#### **Distinguished Luncheon Speaker**

- ✧ **Mr Philip Yeo**, *Chairman*, Economic Development Innovations Singapore Pte Ltd & SPRING Singapore

#### **Moderator:**

- ✧ **Dr Chien-Fu Lin**, *Chairman*, Chinese Taipei Pacific Economic Cooperation Committee (CTPECC)

#### **Moderator: Dr Chien-Fu Lin**

Welcome to the lunch session, we have time for a twenty-minute talk and ten minutes of questions and answers (Q&A). It is my honour to moderate this session. Today’s Luncheon Speaker is Mr Phillip Yeo. Mr Yeo is the chairman of Economic Development Innovations (EDIS), Singapore. It is an economic development management company. EDIS provides strategic advice and undertakes the development and management of integrated industrial and urban areas, with an emphasis on job creation and industrial customer development. Mr Yeo is also the chairman of Accuron technologies, a global technology group with core competitiveness in precision manufacturing, material processing and system design and integration that services the aerospace, electronics and medical industries. Mr Yeo is also an independent director on the board of directors of Hitachi, City Developments, and Kerry Logistics.

Mr Yeo is also the chairman of SPRING, which stands for Standards, Productivity and Innovation for Growth – the Singapore government’s enterprise development agency, whose mission is to enable and grow local enterprise, focusing on Small and Medium Enterprises. He was former chairman of the Agency for Science, Technology and Research (A\*STAR), and the Economic Development Board (EDB), and the senior advisor for science and technology in the Ministry of Trade and Industry. He was also special advisor for economic development in the Prime Minister’s Office.

Mr Yeo holds a bachelor’s of applied sciences in industrial engineering, and an honorary doctorate in engineering from the University of Toronto in Canada. He holds a Master of Sciences from the National University of Singapore, a Master of Business Administration from Harvard University.

He also holds an honorary doctorate in medicine from Karolinska Institutet in Sweden, an honorary doctorate of science from Imperial College London in the United Kingdom, an honorary doctorate in letters from the National University of Singapore, and an honorary doctorate in law from Monash University in Australia. Today, he is going to speak on his work in Vietnam, in building manufacturing hubs and facilitating manpower development. Let us welcome Mr Philip Yeo.

### **Distinguished Luncheon Speaker: Mr Philip Yeo**

Good Morning, ladies and gentlemen. I will do two promotional presentations on behalf of Asia Competitiveness Institute (ACI). The first will be on my work with Vietnam and the second comes back to Singapore and focuses on what we are trying to do in the next phase of economic growth, which also has relevance to Vietnam.

I will start with Vietnam first. In 1994, over breakfast, the Party Secretary of Ho Chi Minh (whose name I forgot) along with the Vietnamese Ambassador asked me to help develop an industrial park in Vietnam because I have done industrial parks in Indonesia – in Batam between 1990 and 1994. In 1996, we thus launched the industrial park in Vietnam (Exhibit 10).

#### **Exhibit 10:**

**VSIP Binh Duong (park I)  
Tuan An District**



**COMMENCED: 1996  
SIZE: 500 HA  
COMPANIES: 234  
TIC: US\$ 3.1 billion  
LABOUR: 93,878**

This is the first park we did. We chose a piece of land that was picked by the Party Secretary outside Ho Chi Minh City that spanned about 500 hectares and then assigned a Vietnamese company named Becamex IDC to work with. My rule of thumb is, with 500 hectares, we should be able to generate 50,000 jobs. It took us 8 to 9 years to get it done, as it was a rubber estate and not an empty land. Today we have 93,000 workers which exceeds my rule of thumb of 50,000 employees.

Then, we moved on in 2006. Bình Dương province asked us if we could go beyond just industrial parks creating jobs and build a park that encompasses housing. So we came up with the idea of a township which was launched in 2006, ten years after we built the first industrial park in Ho Chi Minh City (Exhibit 11). We currently have about 40,000 people there and it is still work in progress.

#### Exhibit 11:

**VSIP Binh Duong (park II)  
Binh Duong New Township**



**COMMENCED: 2006  
SIZE: 2,045 HA  
COMPANIES: 299  
TIC: US\$ 2.8 billion  
LABOUR: 40,953**

Then we moved to the North. Hanoi proposed that we build an industrial park in the North of Vietnam. So we launched one in Bắc Ninh province in 2007 which was purely industrial, with no housing. This is also work in progress and employs about 17,000 workers (Exhibit 12).

## Exhibit 12:

### VSIP Bac Ninh Bac Ninh Province



**COMMENCED: 2007**  
**SIZE: 700 HA**  
**COMPANIES: 79**  
**TIC: US\$ 1.6 billion**  
**LABOUR: 17,883**

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Then we were asked to do a township akin to the one we did in Bình Dương province, for which they gave us about 1600 hectares of land. Again, it remains work in progress but we have about 22,000 workers employed there which is quite a significant number (Exhibit 13).

## Exhibit 13:

### VSIP Hai Phong Hai Phong City



**COMMENCED: 2010**  
**SIZE: 1,600 HA**  
**COMPANIES: 36**  
**TIC: US\$ 1.5 billion**  
**LABOUR: 22,722**

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Moving on, another province in the Northern part of Vietnam -- Quảng Ngãi -- asked us to help build a township along with an industrial and service park. So, we diversified with this new site and launched it in 2013 (Exhibit 14). It is important to highlight how structured we are in terms of our engagement. We take their land, lay all the roads and get the water reservoirs in place within the industrial park. Anything outside the boundary of the industrial park will be taken care of by the government, while we take responsibility for anything within the industrial park. Also, all through our engagements in Vietnam, we have worked with the same partner (Becamex IDC) and we did not change friends.

**Exhibit 14:**



Then we went up to Hải Dương and started an industrial park in 2015. The roads are now being cleared and so is the land. Since it is relatively new, there are only about 5000 workers so far (Exhibit 15). Following this, Nghệ An province wanted us to build a township by offering us a piece of land that was about fifty hectares, a picture of which can be seen in Exhibit 16.



#### Exhibit 15:

##### VSIP Hai Duong Hai Duong Province



**COMMENCED: 2015**  
**SIZE: 150 HA**  
**COMPANIES: 3**  
**TIC: US\$ 0.2 billion**  
**LABOUR: 4,900**

#### Exhibit 16:

##### VSIP Nghe An Nghe An Province



**COMMENCED: 2015**  
**SIZE: 750 HA**  
**COMPANIES: 5**  
**TIC: US\$ 0.012 billion**  
**LABOUR: 400**

To summarize, it has been about two decades from 1996 to 2016 since we started building industrial parks and townships in Vietnam. Our most important contribution was VSIP 2 which we finished in 2006 that created 183,000 jobs comprising local people. The total capital attracted so far from the investors is about US\$9 billion which is a respectable number (Exhibit 17).

## Exhibit 17:



### 7 VIETNAM-SINGAPORE INDUSTRIAL PARKS (VSIP) - 1996-2016

1996	-	VSIP 1 IN Tuan An district, Binh Duong province. 500 hectares
2006	-	VSIP 2 in Binh Duong New Township, Binh Duong province. 2,045 hectares
2007	-	VSIP Bac Ninh, Bac Ninh province. 700 hectares
2010	-	VSIP Hai Phong, Hai Phong City. 1,600 hectares
2013	-	VSIP Quang Ngai, Quang Ngai province. 915 hectares
2015	-	VSIP Hai Duong, Hai Duong province. 150 hectares
2016	-	VSIP Nghe An, Nghe An province. 750 hectares
Total	:	6,600 hectares

#### 7 VSIP Parks (as at End 2016)

No. of tenants	:	670
Total investment capital attracted	:	US\$9.4 billion
Jobs created	:	183,000



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I would say from my experience that Vietnam has been a very safe partner for the past 20 years. We have always worked with them on a joint venture basis and today our presence cuts through all the regions in Vietnam – North, South and Central.

I would also say that amongst my most successful projects outside of Singapore besides Batam is actually Vietnam. In India, I did information technology (IT) Parks in Bangalore, Chennai and Hyderabad which were about 10 million square feet. In China, I worked in Wuxi and Suzhou but of all my experiences outside Singapore, I would say my most successful has been Vietnam.

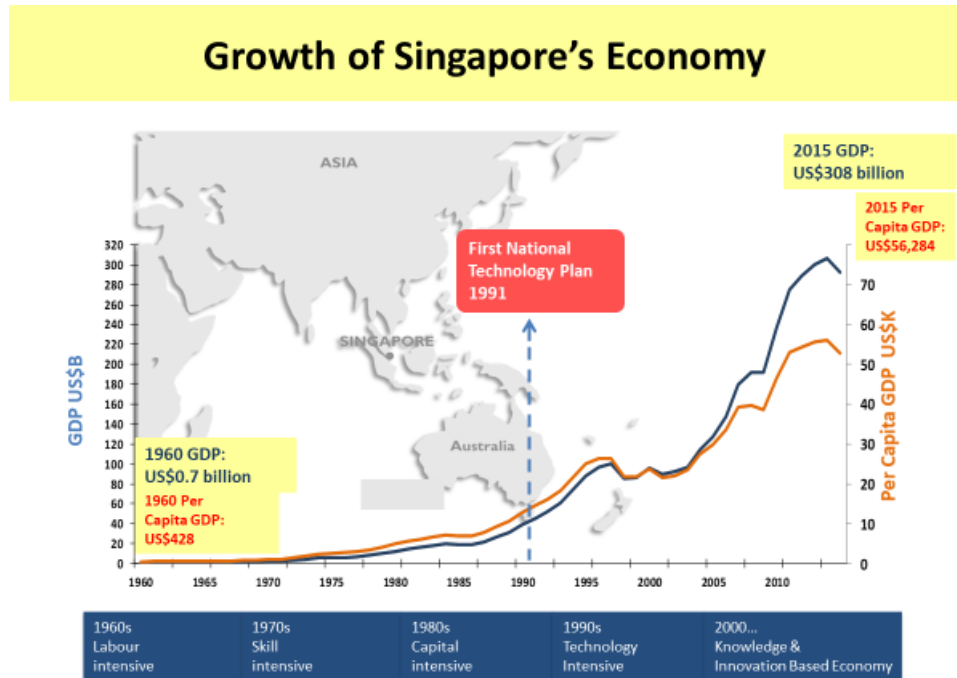
Let us move to my second part of the presentation on Singapore.

The most important question is what Singapore is going to do given that we are helping other countries create jobs. It is useful to remember that we are a very small nation and we have gone through several phases of economic development. Today, our per capita gross domestic product (GDP) is very high and so are our labour costs. Our land is also quite limited. So what do we do?

When I was chairman of Agency for Science, Technology and Research (A\*STAR), I came up with the idea that we have to focus on knowledge building – how to be a successful economy when we

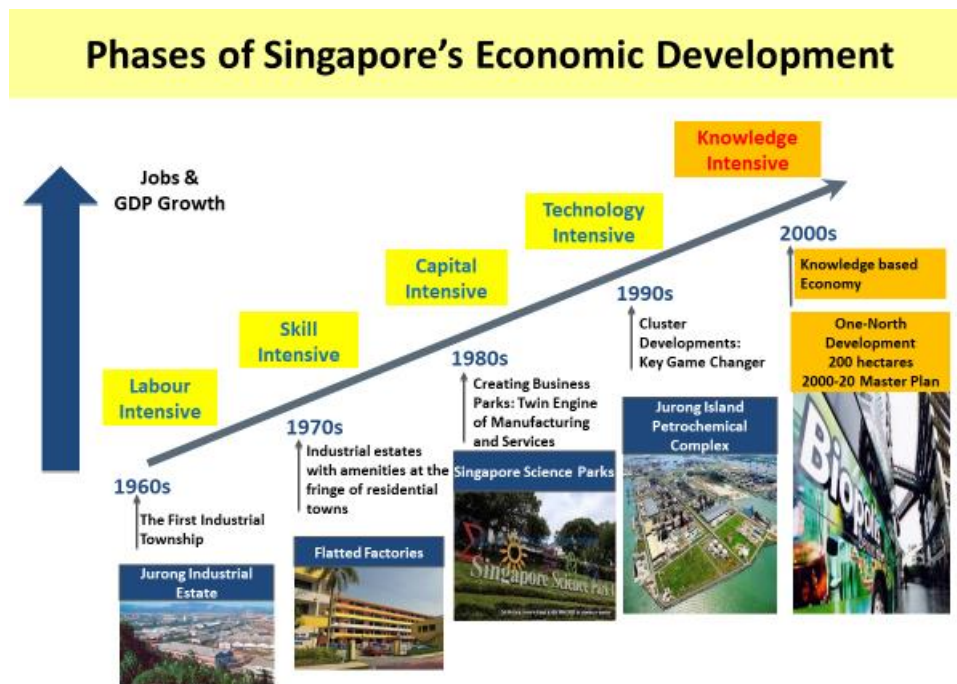
have a relatively small population? The phases of growth for Singapore are captured in Exhibits 18 and 19.

**Exhibit 18:**



2

**Exhibit 19:**



3

Of importance in knowledge building is getting the requisite infrastructure in place which includes research labs, and universities (Exhibit 20). Biopolis and Fusionopolis in Singapore are two examples of such knowledge creating infrastructure.

**Exhibit 20:**



The most important part of the knowledge economy is the people and we need knowledgeable people. When I was the chairman for A\*STAR, I went around to bring in knowledgeable people, who I refer to as Whales (the very big fish) who could help build the knowledge base we need (Exhibit 21).

**Exhibit 21:**

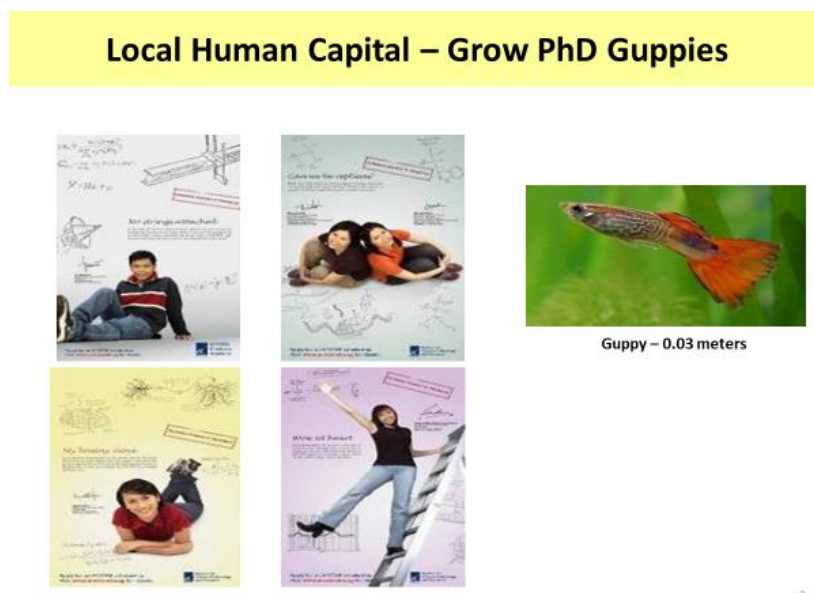




The key is also to develop our own talent. So we took our young people and encouraged them to pursue their doctoral studies. Singaporeans in general prefer to have a job right after they graduate from college which is why I encouraged youngsters to study a PhD in the fields of science, medicine, engineering and technology.

Some examples of local talent who started a program in 2002 when they were very young are shown in Exhibit 22. I call them guppies. On a side note, as you all know, Singapore exports guppies and earn about 30 billion dollars a year on guppies.

**Exhibit 22:**



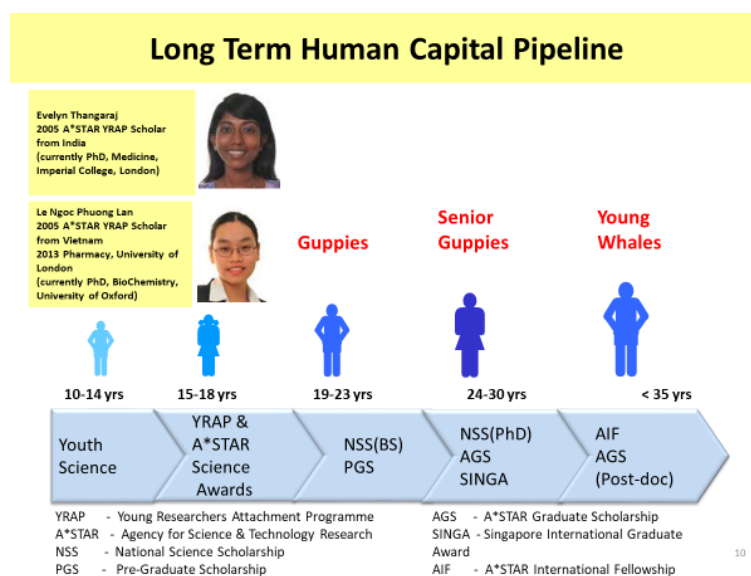
When I am short of guppies in the local population, I borrow from other countries. Examples include Malaysia (Student from MIT), Shanghai (student from Stanford University), Hong Kong (a bio-engineering student), India (a computer engineering student from Stanford University), and from Vietnam (our first scholar who now works in our research lab as a chemical engineer). See Exhibit 23.

Exhibit 23:



So the key for Singapore is to recognize its limitations to building a knowledge-based economy which is to cultivate talent. To develop such talent in the science and technology area is a long-term effort. I start at the age of 15. In Singapore, a student who is 15 years old is in Grade 9. In some countries it is called Secondary 3. An example can be seen in Exhibit 24 -- two girls of the batch of 2005 when I launched the A\*STAR Young Researchers Attachment Programme. They come into Singapore at Secondary 3 at age 15. They got free education but the requirement is that they get an A grade every year in every subject. If they fail to secure an A, they are sent back.

Exhibit 24:



The first girl in the picture (Exhibit 24) is now in London doing medicine. She will do a PhD eventually. The other girl is Vietnamese and is based in Oxford, pursuing her PhD. She did a Bachelor's in Pharmacy at University College London (UCL). She also found herself a match in a fellow Singapore classmate. Both of them are based in Oxford doing their PhDs.

To put things in perspective, they are 22 years old when they finish their Bachelor's degrees after which they spend a year in my lab before going to do their PhDs. When they graduate, they would be 30 years old by which time they become guppies. We have about 1400 to 1500 such young people today all over the world, stationed in research labs and universities. Almost 50 percent of this population are girls with some being entrepreneurs, some running their own small companies and some contributing to industries. In sum, they are a mixed lot (Exhibit 25).

#### Exhibit 25:

### A Human Capital Pipeline of 1,400 Singaporean PhDs

Since 2001, A\*STAR has developed a pipeline **over 1,400 Singaporean PhD talent** through various scholarships & fellowships  
**Over 500 scholars** have completed their PhD/postdoctoral training and are contributing to various sectors of the Research, Innovation and Enterprise (RIE) environment

Assoc Prof Karen Crasta  
 Lee Kong Chian School of  
 Medicine, Nanyang  
 Technological University (NTU)  
 A\*STAR International Fellow  
 NRF Fellow 2013



Dr Yar Kar Peo  
 Principal Engineer, ST  
 Electronics  
 National Science Scholarship  
 (PhD)

Dr Jonathan Loh Yui Hen  
 Principal Investigator,  
 Institute of Molecular &  
 Cell Biology (IMCB)  
 A\*STAR Graduate Scholar

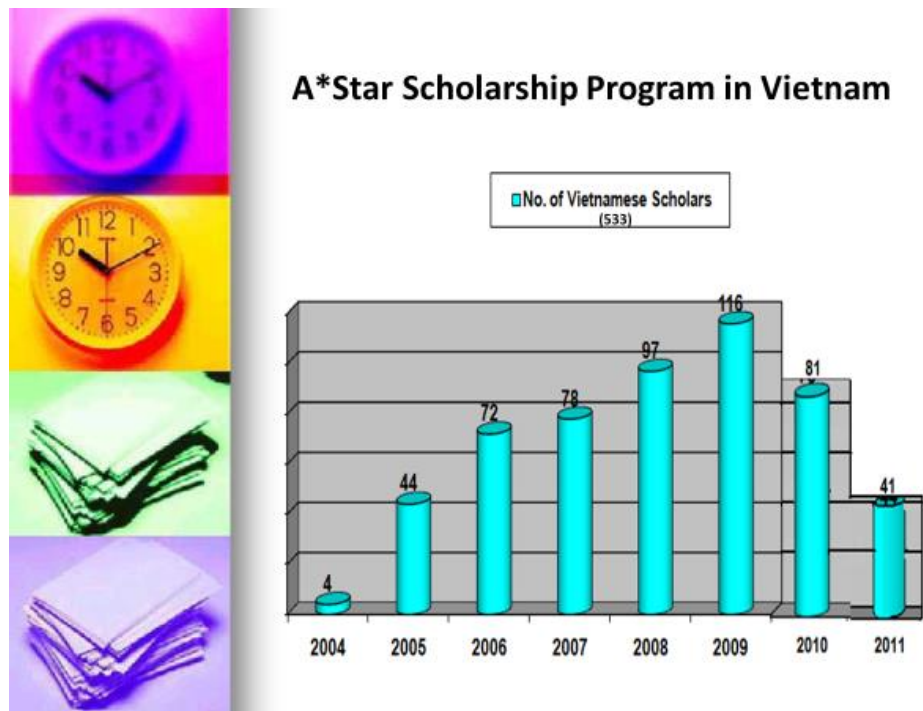


Dr Seah Kwang Hwee  
 Patent Examiner,  
 Intellectual Property Office  
 of Singapore (IPOS)  
 A\*STAR Graduate Scholar

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Finally, given my successful experience in Vietnam between 1996 to 2006, I thought of borrowing young people from Vietnam who are 15 years old in addition to the ones I already had who were studying in Singapore. I launched a program in 2005 where every year, I bring about 30 or 40 Vietnamese depending on the year (numbers could vary). They come to Singapore to go to high school and again the requirement is that they secure an A grade in every subject, failing which they are sent back home (Exhibit 26).

## Exhibit 26:



We brought in about 533 such 15-year old youngsters to Singapore after which I left it to my colleagues to continue that practice. I do not know if they continued that or not but it must be noted that for Vietnamese students, it is much harder as they only know Vietnamese. They are constrained by the fact that they neither know English nor Mandarin. So we send them to the British Council for help with their English language skills. Unlike Chinese students who have learned Mandarin or Indian students who have learned English, Vietnamese students have a relatively more difficult time. Yet they have done well and I have a lot of Vietnamese PhD students.

So that sums up my experience in Vietnam, where I have not only built successful industrial parks but also contributed to the human talent in Vietnam. Thank you.

### Question & Answer (Q&A) Session

**Moderator: Dr Chien-Fu Lin**

Thank you. We have 15 minutes for Q&A.

**Ian Buchanan**

Congratulations on a phenomenal story. I am particularly interested in the role of government as an entrepreneur helping less developed countries in ASEAN develop. So my question is, in your mind, and you do not have to say it if you do not want to, which is your least successful attempt



to do that form of development and can you give me some insight into what you think are the critical differentiation between the successful and the less successful? I ask because government-driven entrepreneurship for development is something I think we need to figure out how to get more of around the region as the US backs away from internationalism. Thank you.

**Distinguished Luncheon Speaker: Mr Philip Yeo**

Well, let me explain. All those projects were not done by the government. When I did the Vietnam project, I was the chair of SembCorp. I have one job and many hobbies but only one pay. So when I was chairman of SembCorp, I did it in the capacity of its chairman because I used the company's money to develop those projects. When I developed the Batam industrial park, I was the chairman of Singapore Technologies Group. So wherever I go, I do not use the government. The most important thing to success or failure in all these instances is the local partner. In the case of Indonesia, I worked with the Salim Group. In the case of Vietnam, I worked with Becamex IDC for 20 years. In the case of India, I worked with the Tata group, which has also done well. In the case of Wuxi, I worked with the Wuxi government, and in Suzhou, I worked with the Suzhou government. So the key here is the local partner.

Now, it might appear that we are involved as the Singapore government but we are not. We are actually companies. Now, the advantage I have is that I help the Singapore government in a soft way -- the way you manage the park, the way you do infrastructure, the code of conduct of doing things and the values -- all these have a Singapore government imprint and are brought to the location I develop the projects but not the actual money from Singapore's government.

**Narongchai Akrasanee**

Mr Yeo, I greatly appreciated your speech, and the presentation and model you showcased, but one thing you mentioned troubled me which was the gender issue. You mentioned that more than 50 percent of who you have hired are girls (I have counted, and it seems more than 60 percent). My concern is that, would that lead to family problems in the long-term? If you have this imbalance of too many girls relative to men -- and we have this problem in Thailand at the moment -- if you have too many successful girls relative to men, would that cause family problems? If there are family problems, then would that cause social problems? From social problems, would there be political problems? From political problems, would you have trouble with long term development? Thank you.

**Distinguished Luncheon Speaker: Mr Philip Yeo**

That is a very dangerous question. To be fair, you will actually notice that my scholars are composed of two groups. The biomedical group are 60 percent girls and they like biology,

chemistry etc. In my engineering group, two-thirds of the scholarship holders are boys. The good thing is that when they go out, they go out as a group, so they go out to different universities for three years as undergraduates – they must finish undergrad in three years and not four. They get in because of their high school grades; they jump in and do well and they come home for one year; work in a lab together and then they go on for their PhDs. By and large what I am doing is social engineering. They meet each other and get married. So I am not worried about that, and in fact many of them are now parents of one child, or even two children. From the Singapore experience, you cannot leave it to chance – you have to arrange things.

### **Pham Thi Tu Hang**

I am from Vietnam and very much appreciate your support in helping Vietnam to become a manufacturing hub. I have a question regarding the industrial park in Bắc Ninh. There is a very large factory belonging to Microsoft. It is so large that Vietnam is now the world's second largest source of Microsoft employees. We are worried, however, that the rising tide of protectionism in the US may motivate Microsoft to leave Vietnam. This is obviously something we are all concerned about. What are your predictions with regards to this issue? Can Vietnam remain a manufacturing hub despite rising protectionism?

### **Distinguished Luncheon Speaker: Mr Philip Yeo**

Well, when I first went to Vietnam in 1994, I was invited by the Economic Ministry. I visited local companies and I saw industries, but most of the local industries were domestic industries. What I wanted to do in 1996 was to bring in investors. What the investors bring to Vietnam is their technology, their management skills and their markets for exports. What we do for Vietnam is the creation of jobs. But what I have told my Vietnamese partner Becamex IDC is that we need to upgrade the education level of the local Vietnamese. It cannot just be production. So that is why I started a program in 2006 to bring Vietnamese boys and girls when they were 15 years old to study in our schools. But they are selected by our teachers – they go to Vietnam and visit the schools, test their maths. Maths and science are language free. They are not worried about English, so they come here and they attend high school. We have over 533. In fact the first few batches, besides being in Singapore after their high schools, also got scholarships to Harvard and MIT on their own, without having to come to me.

So my own view is that, the advantage of Vietnam is its young population and that they are very keen to learn. Lots of young people in Vietnam study in Vietnamese schools and then they study English in the afternoon. The hunger in Vietnam is an advantage. So I think in Vietnam you have to upgrade. So you can notice that on my roster that I do not just have scientists and engineers but I also have a young doctor. She is now a paediatrician. In all, I would say that Vietnam will

benefit more if they invest more in education. Whether Microsoft in Vietnam will have problems due to the US or not, I do not know. Everybody is following the Twitter feeds of Mr Trump.

**Djisman Simandjuntak**

I would like to pursue Ian's question a little further. What is that you have found in Vietnam, but not in Batam, and vice-versa?

**Distinguished Luncheon Speaker: Mr Philip Yeo**

Well, in Vietnam, we stuck with the same partner who was willing to expand. I think in Batam, I started in 1990 and by 1994 the industrial park of Batam had 100,000 workers. At that time we had very successful growth – in fact it was very fast – in less than two or three years. However, after that there was the financial crisis of 1996-1997 which changed the whole union system. So what happened in the industrial park in Batam was that every 50 workers could form a union. Can you imagine, if I were an employer of 500 workers, to have 10 unions to deal with? So that was very discouraging.

One of the problems of working in Indonesia is that it is very difficult to deal with these local situations. Now, whether this has improved, I do not know, because my only experience is Batam and also Bintan, although I built a shipyard in Karimun when I was chairman of SembCorp. Beyond Batam and Bintan, we have not gone very far. Recently, SembCorp has gone to Surabaya, and they are building an industrial park there. I do not know if things have changed but we will wait and see.

I think what is most important in Vietnam's industrial parks is that we have labour stability. We do not have the problem of the unions to deal with. We do not mind a house union or a company union, but when there are ten unions or more, the company is very difficult to manage. So my experience in Batam has been that unionization makes things very hard to accomplish. I hope they succeed in Surabaya. They briefed me that they launched it last year. So I hope we will achieve the same success because the market in Indonesia is quite big. What we have done is closer to Singapore and not next to Jakarta. In the case of Vietnam, it is all in Vietnam. So they are all different models.

**Vo Tri Thanh**

I know that you now have seven industrial parks in Vietnam, and I know that the first one in Bình Dương was the most difficult, because at that time Vietnam was just at an early stage of its reform. I also know about the roles played by your former Prime Minister Mr Lee Kuan Yew and our former Prime Minister, Mr Vo Van Kiet. Some people say that without their decision, Bình Dương

as the first, could not have been. So how do you assess the role of “big men” like politicians and similar people, and how do you convince them? My second question then relates to your park in Nghệ An. According to many people and researchers, Nghệ An is not good for investments and has attracted very little FDI. Also, it is in Vietnam’s central part -- its interior -- and is very far from Hanoi and Ho Chi Minh City and thus has no easy access to infrastructure. Why did you decide to have a park in Nghệ An, and was the decision politically driven?

**Distinguished Luncheon Speaker: Mr Philip Yeo**

When I went to Ho Chi Minh, it was at the invitation of the local government. So the local government chose the location. So in a sense it is political. When I go to Hanoi, it is also political. In the case of Hanoi and Ho Chi Minh, it is easier because there is a sizeable population. In the case of central Vietnam it is tough, so therefore it takes a longer time but it was at the invitation of the local government. So in that sense, yes, we are in your country at the invitation of local leaders. So I am in no position to say if I prefer the North or the South or I have to give some support to the Centre. Remember, in any country, the local government plays a vital role because we are there at their invitation and it is only with their help that we can succeed. So I would say that the central part of Vietnam will take a bit of time but hopefully there will soon be some good transportation between the North and South – maybe a train?

**Tan Khee Giap**

Chairman, can you share with us your Triple-Five secret, which I think many people want to know?

**Distinguished Luncheon Speaker: Mr Philip Yeo**

Triple-Five. He is trying to market my book! I always believe that with any technology, whether it is the internet, robotics, automation, for every industry, the first five years after coming out from research is a struggle – it takes a while. Hopefully, after the first five years, it will start growing and by the third five year span it will stabilize. After that, you have to look for new industries to continue growing because if you do not it will stagnate. This is common sense, but unfortunately not many people apply that and they think industries last forever.

I will give you an example. In 1986, I was promoting the disk drive. I was working very hard to bring all the disk drive companies to Singapore because all the components were here. At the peak of the disk drive, producers were employing 40,000 employees in Singapore. But I already warned my people it would not last forever, and true enough today the disk drive industry is no longer hard disk and it is all flash. So when I first promoted the disk drive industry there were about twenty companies and I knew all their names. Now there are only two – Western Digital and Seagate. I was actually in California last month, and had dinner with the chairman of Seagate.

Every industry will grow slowly, take off, and then stabilize. At the end of it, very few will be left behind. In Software, for example, there is only Microsoft and Apple. So in a sense, if you are in a government looking to develop, no industry lasts forever, so it is very important for you to diversify, and very important for you to look ahead beyond today and tomorrow to see where the future industries are. Whatever is successful today may not be there tomorrow. So that is my own experience.

I also had another experience at Kodak which my friend George Fisher took over as chairman. He left Motorola and I sat down with him. I told him that his industry cannot last forever with just photos as the future is imaging and he agreed. He could not convince the people of Kodak to go over to imaging and today Kodak has disappeared. In the same way, with Motorola, and I knew the Motorola people very well, they worked on the phone with the philosophy that a phone is a phone. In 2007, Apple launched the iPhone, which was not just a phone but a web-surfing device, a communication device and a music player -- all in one. It is now 2017 and there is no more Motorola or Ericsson or Sony. It all happened in a span of just ten years. So the 5-5-5 is really worrying for any government planner. For any industry, nothing lasts forever. So if you are successful today, worry about the next industry, the next business, the next product. That is my own experience. Thank you.

### **Hugh Stephens**

Mr Yeo, regarding your human development capital scheme, these young people who are encouraged or helped to get their doctorates, particularly the Vietnamese, I am wondering, what percentage of them go back to Vietnam? Is this human capital development for Singapore, or Vietnam, or for the region?

### **Distinguished Luncheon Speaker: Mr Philip Yeo**

Yes, there are two components there. Those I bring to Singapore for the high school at grade 9 who are free to stay or leave. If they want to study in Singaporean universities, they get a scholarship from us and they are free to stay or go. Those that are funded by us from Bachelors to PhD overseas, from MIT to Stanford, they have obligations to work in Singapore for five years. After five years, whether they want to stay here or go home does not bother me. Even if they go home, I will have friends in Vietnam. So my own view is that while they are in Singapore, they contribute to my diversity, my talent and my pool. Will they all stay here? I do not know but will take my chances. If they marry a Singaporean boy, that is maybe a better outcome!

### **Moderator: Dr Chien-Fu Lin**

It is about time, thank you Philip!

## **Session 2**

### **“Micro Competitiveness, Inclusive and Quality Growth: Potential Synergy and Competitiveness Profile of Regional Small and Medium Enterprises, E-Commerce and Digital Financial Inclusion”**

#### **Moderator:**

- ✧ **Ambassador Antonio I. Basilio**, *Chairman*, Philippine Pacific Economic Cooperation Committee (PPECC)

#### **Lead Panelist:**

- ✧ **Dr Filippo di Mauro**, *Visiting Fellow*, Business School, National University of Singapore & European Central Bank

#### **Panel Discussion:**

- ✧ **Dr Chen-Sheng Ho**, *Director*, International Affairs Department, Taiwan Institute of Economic Research
- ✧ **Dr Tan Khee Giap**, *Co-Director*, Asia Competitiveness Institute, Lee Kuan Yew School of Public Policy, National University of Singapore & *Chairman*, Singapore National Committee for Pacific Economic Cooperation (SINCPEC)
- ✧ **Dr Can Van Luc**, *Senior Advisor to the Chairman, Senior Executive Vice President & Director*, Bank for Investment and Development of Vietnam JSC Training School

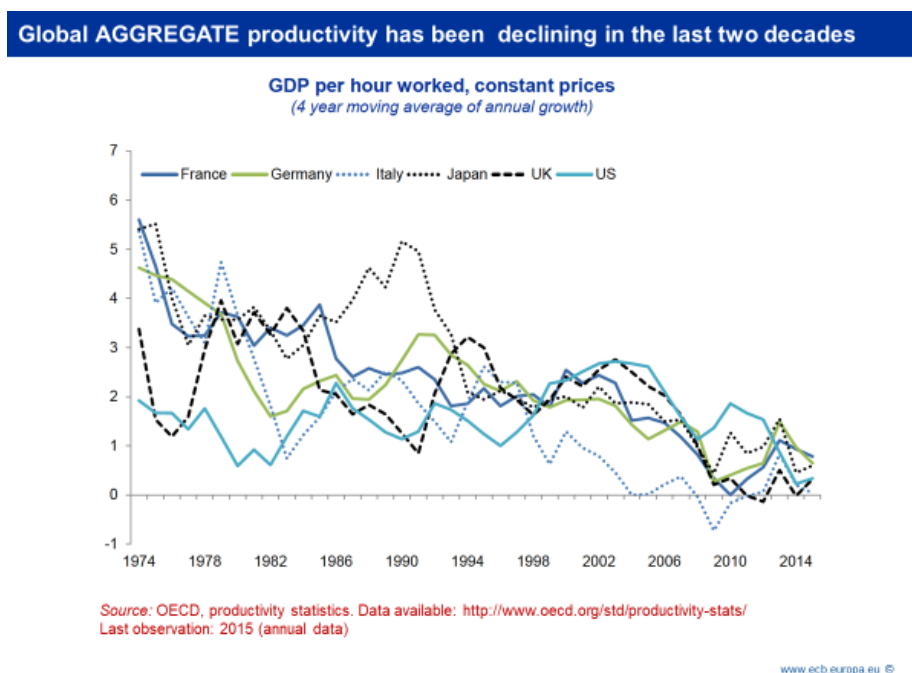
#### **Moderator: Ambassador Antonio Basilio**

Welcome to Session 2. We have an illustrious list of panelists with us in this session to discuss several important issues pertaining to firm-level competitiveness, inclusive and quality growth. The presentations will have a dedicated focus on the competitiveness profile of small and medium enterprises (SMEs) in the region. Let me first invite the lead panelist Dr Filippo di Mauro to deliver his presentation on “Productivity Declines and Inter-Firm Diffusion: A Firm Level Analysis and Policy Implications.”

### **Lead Panelist: Dr Filippo di Mauro**

Global productivity growth has been declining over the years. The prospects for further productivity growth (including with the election of US President Donald Trump) are lacklustre, which is a global cause for concern (Exhibit 27).

#### **Exhibit 27:**



Why has productivity declined? There is a growing academic literature at the firm-level that has attempted to disentangle the underlying factors that can be identified as the reasons behind the productivity decline. This literature reveals an important insight: that there is a strong and increasing difference between the largest and most productive firms – also referred to as the “frontier firms” -- and the rest. This heterogeneity can be observed from an empirical analysis using CompNet data -- a firm-level project of European firms by the European Central Bank.

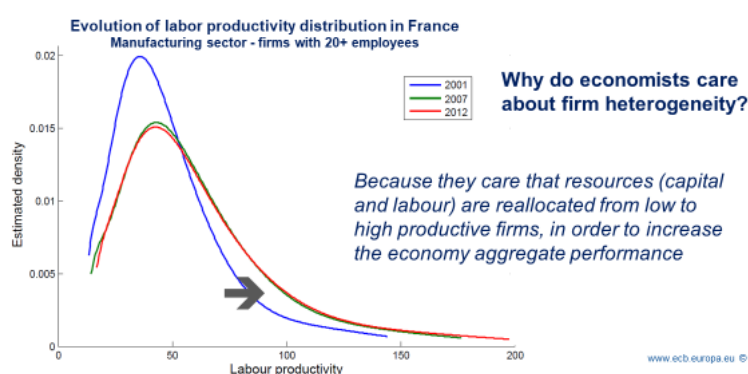
Further we also find that that these observed trends are country-specific and so much more research is needed to understand the country-specific drivers of productivity declines. While evidence for Asia-Pacific countries is still limited, there are some preliminary firm-level results for New Zealand. So the main message here is that we have to keep working to collect better data and engage in cross-country comparisons with no delay in order to get a better picture of the reasons for productivity declines across countries and come up with appropriate policy conclusions.

Having said that, it is useful to first clarify why a firm level perspective becomes important to understand productivity. It is important to recognize that the distribution of firm performance is very disperse and asymmetric. We do not find that most firms are clustered around an “average” performance. Instead, data suggests that there are lots of firms that have low productivity and only a few which are very productive towards the “right-tail” of the distribution (the so called “happy few”). These are also the very same firms where exports are concentrated (Exhibit 28).

## Exhibit 28:

### The rational of firm-level perspective

- Firm performance distribution is **very disperse** and **asymmetric**
- Rather than most firms around an “average” performance, there are lots of firms which have low productivity and **only a few** which are **very productive** in the “**right-tail**” of the distribution (the so called “happy few”), **where exports are concentrated**



Considering that such heterogeneity exists in terms of firm performance, it is important to understand how resources can be reallocated from low to high productive firms which will help enhance the aggregate performance of the economy.

To get to this point, we need to use firm-level data as it provides a more reliable picture of the performance of the economy. For instance, using aggregate indicators alone (labour costs for example) can be risky and lead to incorrect policy messages because the typical interpretation will be that aggregate data for specific indicators reflect the behaviour of a representative firm, which may not be true when we examine the firm-level data.

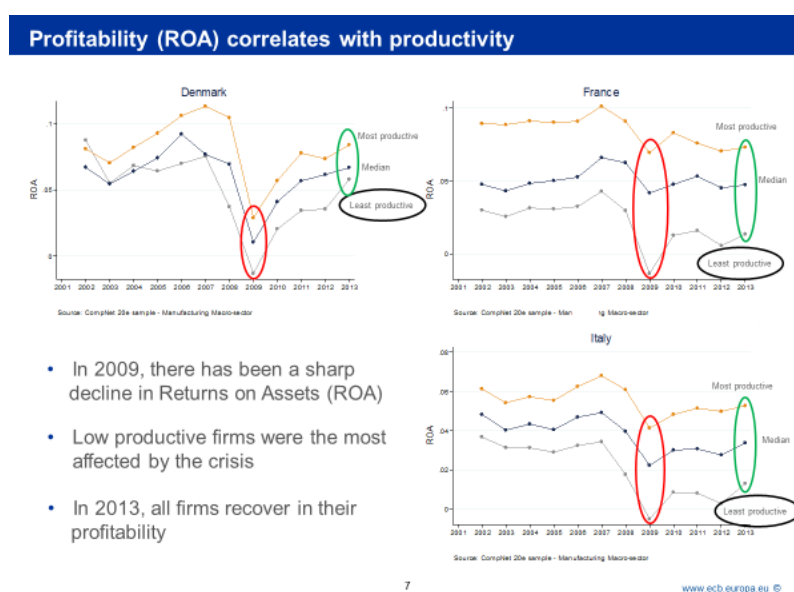
In reality, firms are very different from each other and it is the specific structure/configuration of such firms that matters for the overall performance of the economy. For example, is the economy mostly characterised by small firms or exporting firms? How can we understand their financial constraints, i.e. are these firms financially solid? Are their labour costs under control? This is the kind of information we need to understand the behaviour of firms' at the micro level that provides



us insights about their competitiveness. But do we have such information from existing studies? The answer is no which is why there is a need to go down to the firm level to evaluate the productivity performance of firms of differing characteristics.

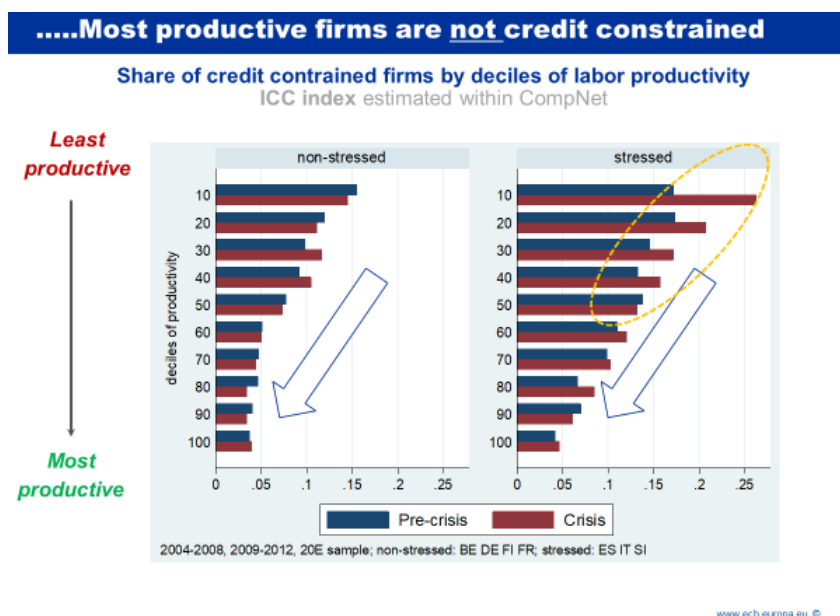
An illustration of some such stylized facts that emanate from such a rich firm-level database covering European countries is shown in Exhibit 29. It shows how profitability of firms as measured by returns on assets (ROA) are highly correlated with productivity of firms. A clear pattern of how the firms with the lowest productivity were the worst affected during the global financial crisis is visible and we can also see how all firms improve their ROA by 2013.

**Exhibit 29:**



Further, we can also see that the more productive firms are not those which are credit constrained per se, which is an important insight that may not be all that clear when we deal with aggregate data (Exhibit 30).

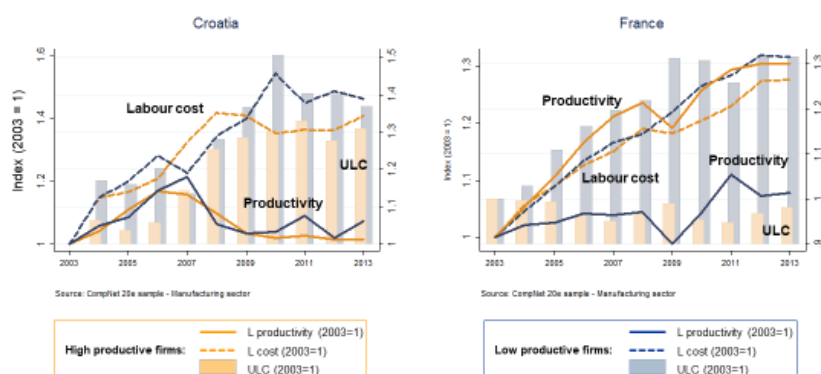
## Exhibit 30:



We can also observe that data shows how firms with higher labour costs do not always exhibit divergent patterns in their productivity performance. Especially in the last decade or so, there has been a growing gap between labour productivity and labour cost but for different reasons. In countries like Croatia for instance, we find that overall labour productivity stagnated or declined after the crisis but in France, costs were diverging but only for the least productive firms (Exhibit 31).

## Exhibit 31:

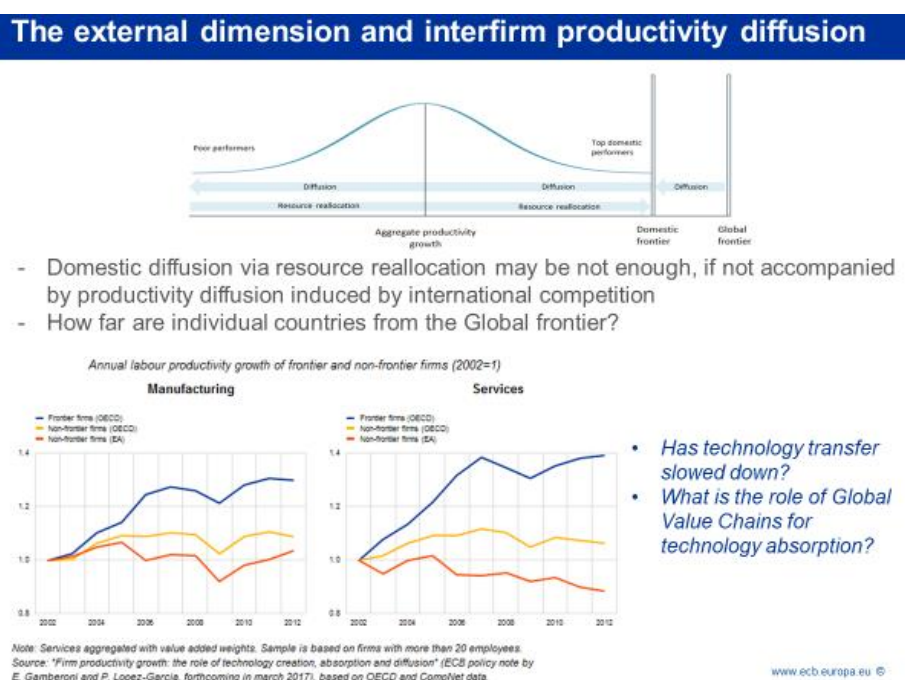
### Labour cost and productivity divergence is not always generalised



- In the last decade, there has been a growing gap between labour productivity and labour cost ... but for different reasons:
  - In Croatia, overall labour productivity stagnated or declined after the crisis  
→ see ULC of all firms increasing
  - In France, costs were diverging, but only for the least productive firms (see histograms)  
→ see ULC of most productive firms remaining subdued<sup>9</sup>

It is also important to pay attention to the fact that domestic diffusion via resource reallocation may be not sufficient if it is not accompanied by productivity diffusion induced by international competition. In fact the euro area is experiencing a slowdown in the absorption capacity from *frontier* to *laggard* firms, particularly for firms operating in the service sectors. It can be shown that those *frontier* firms are also the ones most participating in global value chains (Exhibit 32).

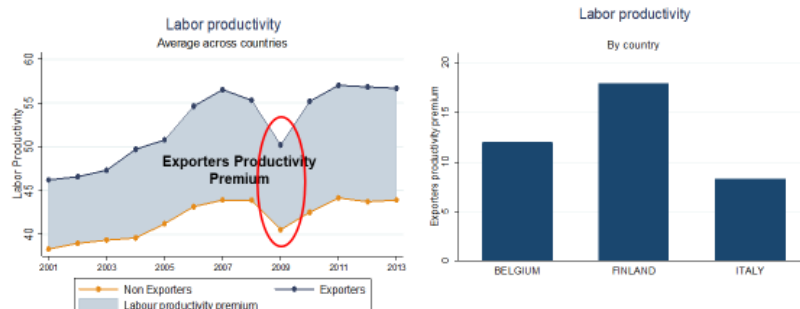
**Exhibit 32:**



In this context, the next obvious question that is of interest to policymakers is if firms that are exporting in nature are associated with higher levels of productivity. We find some evidence to support that and we can say about exporting firms tend to be associated with higher levels of productivity (about 20 percent). However, as is always the case with most things in economics, there is considerable variation between countries in terms of export productivity premium. In fact, we find that during the global financial crisis, the drop in productivity has been more pronounced for exporters which appeared to be more vulnerable to macroeconomic shocks (Exhibit 33).

### Exhibit 33:

#### How much is important the external dimension?



- Being an exporter is associated with higher levels of productivity (about 20%)
- Export productivity premium is highly heterogeneous, it varies sharply across countries
- During the crisis, the drop in productivity has been more pronounced for exporters

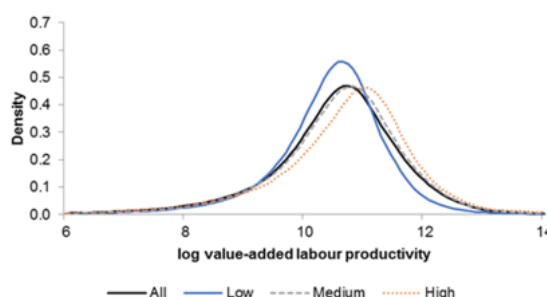
*They seem to be more vulnerable to macro-economic shocks*

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Finally, as I had mentioned during the beginning of my presentation, I will end by sharing with you some of the results that we have compiled based on firm level data from New Zealand. This is still unpublished research and the data has just been collected. We collect data similar to that of CompNet from New Zealand's firms and find that the productivity distributions largely reflect a tailed distribution, with a slight left skew. The preliminary results are suggestive that there is high differentiation among firms in terms of productivity, as has been the case in several European countries (Exhibit 34).

### Exhibit 34:

#### New Zealand data: Labour productivity by Productivity classes



- Consistent with EU evidence, productivity distributions in NZ are heavily tailed, slightly skewed on the left.
- High differentiation across firms, low-medium-high productive

Access to the data presented was managed by Statistics New Zealand under strict micro-data access protocols and in accordance with the security and confidentiality provisions of the Statistic Act 1975. There/Our findings are not Official Statistics. The opinions, findings, recommendations, and conclusions expressed are those of the author(s)/researchers, not Statistics NZ.

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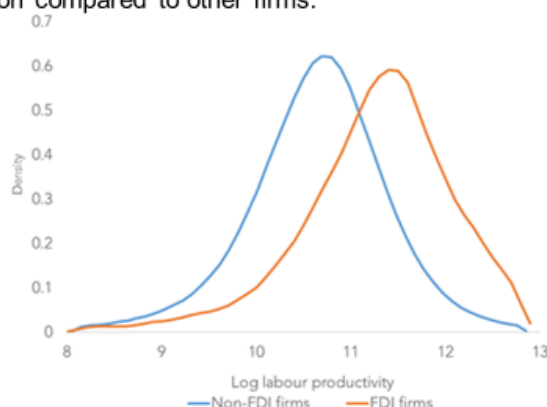
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Our preliminary results also suggest that firms that can trade over distance in New Zealand or have substantial foreign activity or are foreign owned tend to have higher average labour productivity and less productivity dispersion compared to other firms (Exhibit 35).

#### Exhibit 35:

##### New Zealand data: Foreign activity matters a lot

- Firms which can trade over distance in NZ or have substantial foreign activity or are foreign owned
- tend to have higher average labor productivity and less productivity dispersion compared to other firms.



Access to the data presented was managed by Statistics New Zealand under strict micro-data access protocols and in accordance with the security and confidentiality provisions of the Statistic Act 1975. There/Our findings are not Official Statistics. The opinions, findings, recommendations, and conclusions expressed are those of the author(s)/researchers, not Statistics NZ.

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To conclude, I would like to emphasize some key points. The academic literature is very comprehensive in terms of establishing the determinants of higher firm productivity. This includes financial health, labour costs, size of the firm, as well as its export status.

Considering that several of these indicators tend to be heterogeneous and exhibit significant variation, we need firm-level data to deal with that heterogeneity. Consistent with such expectations, firm-level data shows that the relative importance of such determinants varies tremendously across countries and sectors. So any effort to formulate and prescribe policies must incorporate such information rather than rely on aggregate data. Much more needs to be done to improve the cross-country comparability of the data. It is possible to tap into such data and Asian economists must work harder to get the data and use them. Thank you.

**Moderator: Ambassador Antonio Basilio**

Thank you Dr di Mauro for a lucid presentation. You have highlighted the importance of considering firm-level evidence to understand the variations in productivity at the firm level. You have also demonstrated the correlation between productivity and access to credit and financial health. In fact in the context of the actions that APEC governments are undertaking to improve and strengthen SMEs, it is crucial to recognize the importance of being part of the global value chain for transfer of technology and export participation by globalizing SMEs. So thank you very much.

I am going to change the sequence of speakers, only because Prof Tan's presentation follows the presentation of Dr di Mauro, from the perspective of Singapore.

**Panelist 2: Dr Tan Khee Giap**

Thank you, Ambassador. You are right in that the research that we are doing follows the theoretical foundations of Prof Filippo's research from the European Central Bank (ECB) and we have also signed a Memorandum of Understanding (MOU) to work together with the ECB.

Let me summarize the rationale for undertaking this piece of research. In my reading, I have observed that traditionally, Small and Medium Enterprises (SMEs) have always gone to the governments to ask for tax incentives or seek assistance to help with financial grants, but I reckon that the biggest problem confronting SMEs today is information gaps. Generally, SMEs are not doing so well not just because APEC has paid asymmetric attention to multi-national corporations (MNCs) and SMEs, but more it is because we have not paid sufficient attention to the information gaps facing the latter, and the fact that many of them are not publicly listed.

Most MNCs, regardless of their origin, be it from Europe, the US, Mainland China, Taiwan, Korea or Japan, do like to work with SMEs in Asia and are invariably interested in having a comprehensive understanding of the company profile pertaining to strengths and weaknesses of SMEs which appears to be missing.

Low productivity, inefficient management and lack of competitiveness for most SMEs are generally acknowledged, but firm-level data constraints have led to difficulty in undertaking systematic analysis on them. Further, the non-level playing field from MNCs is exacerbated by adverse financial environments which in turn can restrain business innovation, capacity expansion and internationalization of SMEs.

In this context, understanding the strengths and weaknesses of SMEs across economies are paramount to formulating business strategies and evaluate synergies amongst companies at both macro and micro level. I would like to emphasize that this information gap I just talked about is far more important than the traditional requests from the SMEs to governments for assistance, for such assistance was not sustainable, whether it was tax incentives or financial grants.

But again, this is a difficult task. To fill this information gap is a very expensive process because we need a lot of work for company surveys and data collection has to be done at the firm-level. In this context, the Asia Competitiveness Institute (ACI) at the Lee Kuan Yew School of Public Policy (LKYSPP), thanks to the Ministry of Trade and Industry (MTI) which funds the institute 100 percent, has been able to undertake such a program for 16 Asian economies, with Singapore as the prototype trial (Exhibit 36).

#### Exhibit 36:



In view of the intrinsic importance of firm-level competitiveness in terms of productivity, efficiency, governance and internationalization, the prime objective of the proposed research program is to develop a micro-based firm level competitiveness analysis. In the context of globalisation, mobility of economic activities and blurring of borders, an evidence-based assessment of determinants and dynamics of firm-level competitiveness is paramount for building a solid foundation for policy makers to make adjustments and prepare their industries for an increasingly competitive regional economic landscape. There are a series of pertinent

policy issues or implications which could be examined under the proposed evidence-based assessment of firms' behaviors and performances in the Asian CompNet.

Areas of policy-relevant research would include the impact of exchange rate devaluation to firm size, firm-level total factor productivity and export performances. It is useful to identify reasons between labor cost and productivity dynamics as well as nexus of profitability and productivity distribution amongst firms. It is also critical to understand how productivity is related to credit constraints.

It is paramount to verify vulnerability of productivity amongst export-oriented firms in face of macroeconomic shocks and firms' size dynamics in the period of crisis and recovery. It is most useful to understand possible impacts and determinants of capital and labor misallocation and factor reallocation. It is also interesting to identify key differences in ability to adopt or invent new technology amongst firms. It is also very important to appreciate also the role of intra-industry and inter-industry global value chain integration for climbing up the income ladder as their impact differ in manufacturing versus services sectors.

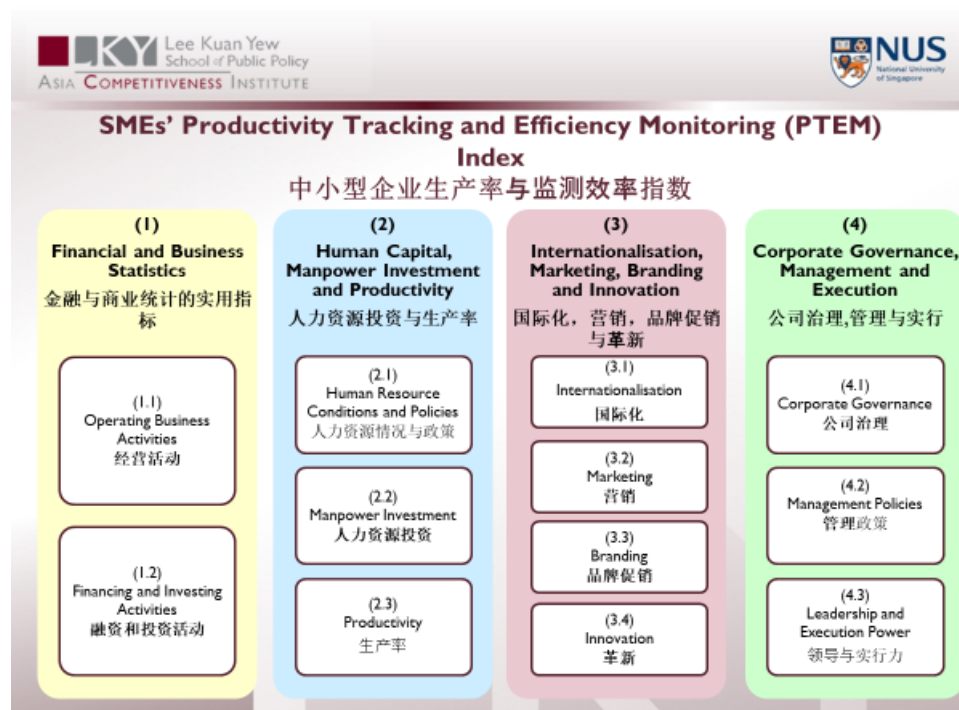
In summary, what we are trying to do here is the following: If we can systematically identify strengths and weaknesses of SMEs in Asia, we can also probably go to industry captains for advice. From those industry captains, we can seek for their views as to what kinds of skills they need. Then we can go to our Workforce Development Agency (WDA) and SPRING Singapore to determine what kind of subsidies would help improve their weaknesses, and the training that they might receive which will be beneficial for them. Then they could look for professional instructors to address those weaknesses.

So that is the comprehensive model that we hope to establish in Singapore as the first step. We do bear in mind that in other economies where we would like to conduct similar analysis, the environmental structure may not be the same. Nevertheless, we have kick-started this process in Singapore and we have signed an MOU last year with the Vietnamese Chamber of Commerce and Industry (VCCI) to conduct a similar exercise for Vietnam which we hope to present the findings at the end of the year during the 2017 Vietnam APEC Meeting on SMEs. It is important to note that we have also signed MOUs with the Taiwan's national think-tank Chung-Hua Institute of Academic Research through which we are going to analyse the SMEs in Taiwan. We also want to expand our research effort to undertake a similar analysis in East Java province of Indonesia, as well as in Guangdong province of China. In all these cases, we have signed MOUs as well in order to conduct similar research. These are five of the 16 Asian economies that we shall be kick-starting the project first.



By undertaking such a comprehensive exercise which features vital data collection, we shall in principle have a lot of rich firm-level data that will allow us to analyse and track the performance, productivity and efficiency of firms, which Prof Filippo also alluded to in his presentation. However, we would go beyond the ECB approach by being able to construct an index and our ACI paper on this study will be circulated later on. We will create an index that will have four environments (Exhibit 37).

**Exhibit 37:**



The first environment is the more conventional one consisting of sub-environments with indicators pertaining to financial performance for SMEs which are not easily available as they are not publicly listed. So we are getting hold of those vital financial and business statistics of the firms by purchasing data from DP Information which is a private sector company. The second environment is about human capital, manpower investment and productivity of firms. The third environment is about internationalization of SMEs including their efforts in marketing, branding and innovation. I recalled in Lima last year, 2016 APEC Leaders meeting concluded that APEC economies are committed to modernizing and internationalizing SMEs, and this is essentially the third environment where we have indicators to track the internationalization, the marketing and branding activities of SMEs. Then of course in the final environment, we focus on corporate governance, management leadership and execution of SMEs. We have in fact managed to get some hard data on these aspects which will be complemented by soft data from our survey.

Thus we believe that having such information in place on these four distinct yet inter-related environments which would enable us to do a comparative study on the performance of SMEs across five Asian economies in the first stage of the research.

Who would be the end user of such a study? We have MNCs approaching us to tell us that if they can have access to the insights from our cross-country comparisons of SMEs, then they would be willing to further support our project which will enable us to kick-start this project for the rest of the 16 Asian economies. So MNCs need that information for the purpose of outsourcing some of their economic activities. They would want to outsource to SMEs which are not likely to go bankrupt in the next three months. They would want to outsource to those SMEs that have core competence in some of the things they want to do, and perhaps which they might want to acquire. So this is where we are providing a service, a platform, to fill that information gap.

My understanding is that institutions like the ECB and other Western research institutions are plugging the information gaps in terms of their analysis on the financial performance of SMEs, but not much policy analysis on their internationalization aspects. This is where we can add value to this literature and if we can finish our project on Vietnam by the end of the year, this information could potentially be used by our chairman Mr Philip Yeo – who is also on the international advisory panel of ACI – as the basis for driving investments into Vietnam. So I look forward to working very closely with the VCCI. In fact, as you can clearly see, Singapore is getting quite close to Vietnam, not only in terms of manpower empowerment through our A\*STAR scholarships, but also through working closely with the Vietnamese government and VCCI. Incidentally, we also have several Vietnamese scholars researching in our own institute as well. So this is how we want to go forward and I think I will stop here, thank you very much!

**Moderator: Ambassador Antonio Basilio**

Thank you, Khee Giap. Your research is trying to take care of filling the information gap faced by the SMEs as well as an analysis on their financial performance with a view to promote linkages between MNCs and SMEs. We wish you well and look forward to your presentation on the completed results. Now let us move to Taiwan's experience, which has been a model for many Asian countries in terms of SME development. We are pleased to have Dr Chen-Sheng Ho, director of the international affairs department at the Taiwan Institute of Economic Research, to make his presentation.

### **Panelist 3: Dr Chen-Sheng Ho**

Thank you so much, Ambassador Basilio.

At the outset, I would like to extend my thanks to the VNCPEC, and also to SINCPEC for inviting me here, and most importantly what Professor Tan has done in terms of arrangement, because this is the beginning of the year, and in APEC it is recognised that PECC plays an important role in advancing all kinds of APEC issues. It indeed is a great start because soon the APEC Senior Officials' Meeting (SOM) will take place in Nha Trang, and later on in Bangkok the first APEC business advisory meeting will happen as well. In that sense, I think this is perfect timing, so thank you for the arrangements.

I have personally been working on APEC issues for more than 10 years, since 1999 and hence my approach would be from the point of view of what APEC has done and also from the perspective of Chinese Taipei's participation in APEC.

I think that Professor di Mauro earlier made an excellent presentation on the importance of SME development and productivity, and how it is able to assist with the advancement of inclusive growth. From a research perspective, this is certainly the case and more important not only for PECC but also for APEC to show that we need to do more in APEC for advancing SMEs.

I am thus very glad that Professor Tan mentioned that Singapore will also be doing similar research, and that he also mentioned Chinese Taipei's participation in this process. I must quickly add that I am from the Taiwan Institute of Economic Research, and we also have done good research on SMEs, both from the perspective of industry as well as policy. In fact, our SME administration has set up the SME research centre. But certainly Chung-Hua Institute is also very good with econometrics which is what the study is all about. So perhaps to enable greater synergy, all the stakeholders can work together.

To move to my current presentation, I would like to note that my perspective is from the APEC because I have also participated in the SME ministerial and SME working group. In that context, I would like to just draw your attention to the fact that APEC has actually already come up with excellent plans during 2015 and it actually started, as Ambassador Basilio has stated, true actions for advancing SME development.

At the same time, the APEC SME working group in particular has consistently put forward strategic plans – and actually the latest strategic plan is starting this year and will proceed until

2020. But I just would like to share with the audience that APEC has actually accomplished many things and that all the things they have done actually focus on the latest issues.

So for example, the priority between now and 2020 would be entrepreneurship, but certainly the focus is on the internet and the digital economy, and Minister Bui from Vietnam mentioned the importance of the digital economy. But most importantly, the plan also mentions financing, and this is also part of the agenda for this session. It is about financing for business expansion and it is a very important issue. I will briefly describe Chinese Taipei's experience on this front later.

The third priority, which is closely related to inclusive growth is enhancing the inclusiveness of business ecosystems. This is about working towards a more transparent, pro-business environment. Finally, priority 4 – extremely important for SMEs -- is that about integrating SMEs into the global value chain.

Amongst all these priorities, the most important point to note here is that APEC is trying to come up with more quantitative assessments which leads them to draft Key Performance Indicators (KPIs), such as the APEC working group initiatives, APEC supported activities, sharing of best practices and dialogue with partners.

However, in terms of assessing these KPIs, I think there is still great room for improvement which is where PECC can come in. When it comes to KPIs for APEC economies, we all know it is very important but the question is how to have effective KPIs and how to ensure effective assessment of those. In this context, Professor di Mauro's research certainly falls within this area. But I think that from the PECC perspective, there is still a lot of scope for PECC to play an important role. Several years ago, when the APEC studies centre had the APEC international assessment network, the focus was on greater quantitative and qualitative assessment, rather than just focusing on the APEC process and APEC's organizational development. So in similar vein, we need the kind of hard data that Professor di Mauro and Professor Tan are collecting. This is also where PECC can play a role because there are so many excellent experts based out of PECC. I would suggest that the state of the region could incorporate these kind of ideas into the assessment.

Let me now turn to Chinese Taipei's experience, as I am sure most people will know that Chinese Taipei has extensive experience on this front, especially through Chinese Taipei's Small and Medium Enterprise Administration (SMEA). I think the fundamental reason why Chinese Taipei has been doing excellent work in this area is because we have the so-called credit guarantee fund, which has been in place since 1974. About US\$3 billion has been spent here. It is not just about the funding because I am sure every economy has similar funding help for SMEs. It is more about

the process, and the process now is so good that any SME could just walk into a bank and directly to the offices of the SMEA and get one-stop assistance (Exhibit 38).

**Exhibit 38:**

**Chinese Taipei's SMEA Programs to Assist SMEs (1)**

***SME Credit Guarantee Fund***

- Established in 1974.
- Help SMEs overcome difficulties when trying to provide the collateral needed to secure loans.
- Make financial institutions more willing to provide loans to SMEs.
- As of the end of June 2014, cumulative government subsidy amounted to NT\$92.47 billion or 78.41% of the total subsidy.

Source: SMEA Website

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Most importantly, the ability to have the problems immediately fixed is an integral feature of this process. The banks are helping the SMEs with the type of credit rating reports they need which will enable them to assess them when they need a loan. So it is indeed all about the efficiency of the process, which makes the Chinese Taipei experience a model (Exhibit 39).

**Exhibit 39:**

**Chinese Taipei's SMEA Programs to Assist SMEs (2)**

***SME Instant Solution Service Center***

- Consulting services
- Financing diagnostics
- Financing and loans related referral

***SME Financing Services Platform***

- About 26 banks have joined the Platform, which offers 24 hour service (<https://loansp.moeasmea.gov.tw>).
- Assist SMEs to secure bank loans
- Provide financial diagnosis
- Provide clear and transparent details about SME operations that banks can use.

Source: SMEA Website

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In APEC itself, going forward, it is about start-ups and so the government has the so-called entrepreneurship and start-up programmes for college graduates now. So college graduates can now obtain funding while they are still in college, provided by the Ministry of Education.

As a matter of fact, several weeks ago, the Office of Small and Medium Enterprise Development (OSMED), which is the counterpart to SPRING Singapore in Chinese Taipei, met the OSMED from Thailand. They had a delegation to visit our SMEA. The meeting did not take place at the office of the SMEA. Instead, it took place at the Prime Minister's residence, showing the keenness of the government to truly assist SMEs.

I am sure this is an experience they can adopt in Vietnam and other Asia-Pacific economies where they have large investments. Perhaps PECC can suggest that Vietnam could become a leading laboratory to help and demonstrate to the Asia-Pacific economies that it is not only in words but also in actions that are being promoted by APEC. On that note, I end my presentation. Thank you for your attention.

**Moderator: Ambassador Antonio Basilio**

Thank you, Dr Chen-Sheng Ho, for your presentation. I think we have three takeaways from that, one of course is Chinese Taipei's assistance in terms of bringing SMEs to the digital economy, encouraging start-ups and the program to provide them access to financing. I now call on Dr Can Van Luc, Senior Advisor to the Chairman, Senior Executive Vice President and Director at the Bank for Investment and Development of Vietnam JSC Training School, to share with us Vietnam's experience.

**Panelist 4: Dr Can Van Luc**

Good afternoon, everyone. I would like to talk today about four main points, following up from where our wonderful speakers left.

The first main point will be to provide a summary of the state of SMEs in Vietnam. Second, I will talk about some of the key initiatives undertaken by the Vietnamese government and Vietnamese associations in developing SMEs in Vietnam. Third, I will highlight some of the key issues to be resolved and finally, I would like to make some recommendations for APEC in general, and Vietnam in particular.

To start with, in Vietnam, we now have about 600,000 SMEs, which account for about 97 percent of the total number of companies in Vietnam and 77 percent of total employment in Vietnam,

which is much higher than the average in APEC, which is 50 percent. SMEs also contribute to about 41 percent of GDP in Vietnam. SMEs in Vietnam thus play a very important role for the economy, for other firms in Vietnam and in the region (Exhibit 40).

**Exhibit 40:**

## I. Overview of Vietnamese SMEs

**- Role of MSMEs in Vietnam:**

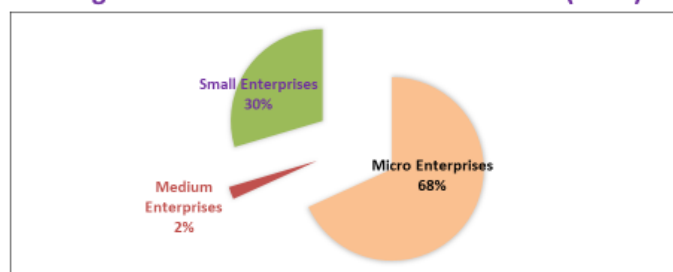
✓ **About 97% of total number of businesses**

✓ **77% of total employment**

✓ **Contribute 41% of GDP.**

- **590,000 active MSMEs** (10/2016), of which **68%** are micro.

**Fig.1: Breakdown of MSMEs in Vietnam (2016)**



Source: Vietnam Association of SMEs.

Feb 13th 2017

Dr. C.V.Luc/ APEC Conference

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Vietnam's government has come up with some very important initiatives in the past, in three main areas. The first area is in trying to improve the business environment with very specific targets and goals. For example, we are trying to be at the same level as the ASEAN-4 (Indonesia, Malaysia, Philippines, and Thailand) by next year in many different indicators. We are trying to have about one million firms by 2020 and we are also going to pass a law supporting SMEs in Vietnam this year.

The second initiative is that we are also trying to help enhance SME competitiveness by helping them to gain access to financing, by facilitating capacity building and also in terms of fostering innovation and encouraging entrepreneurial spirit, as Dr Chen noted earlier.

The third area which the Vietnamese government has looked into is that they have tried to strengthen the synergy of cooperation between SMEs and big firms in Vietnam, and I think we have been successful in doing so. Additionally, attempts to coordinate between SMEs and the FDI sectors in Vietnam have also been successful thus far.

However, there remain some key issues to be resolved (Exhibit 41).

## Exhibit 41:

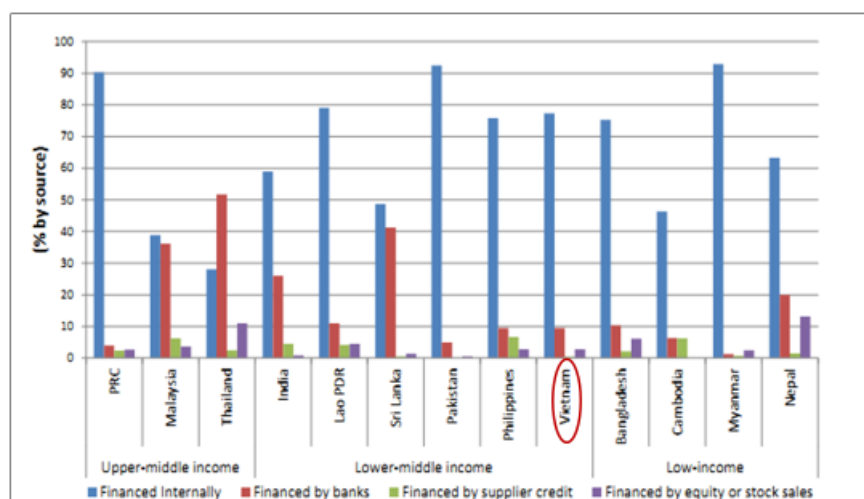
# Limitations

- **Limited access to finance (Fig.7)**
- **Difficulty in accessing other resources** such as land, registering assets , information, etc.
- **Still un-leveled playing fields among FDI, SOE and private enterprises**
- **Limited participation in global value chains (Fig.8).**

The first one to top the list is that there is lack of finance (Exhibit 42). Lack of information as well is a challenge for Vietnam, which Professor Tan had also highlighted earlier.

## Exhibit 42:

**Fig.7: Finance for SMEs in Asia**



Source: Yoshino và Wignaraja – ADBI (2015).

The second issue is that there is still a non-level playing field between the State-Owned Enterprise sector, FDI sector and the SME sector in Vietnam, which we are trying to resolve over time.

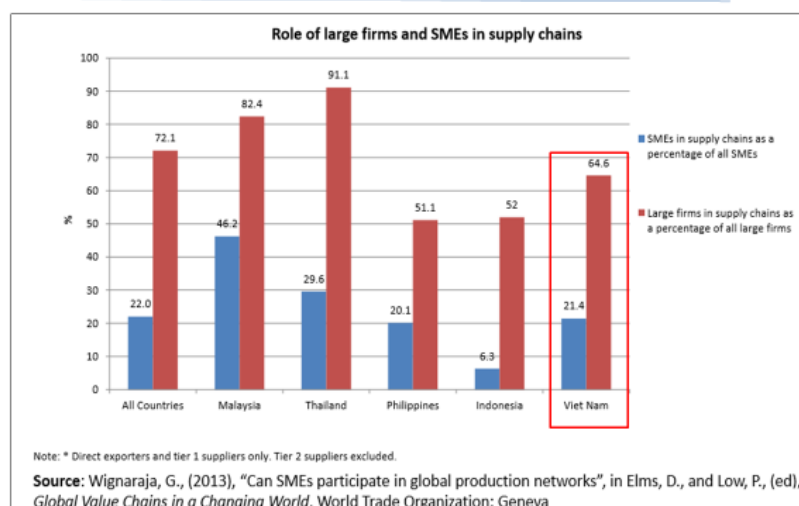
The third issue has to do with the limitations of SMEs in Vietnam, regarding their participation in the wider supply chain (Exhibit 43), both regionally and globally. We are trying to fill in these



gaps by identifying the reasons why these limitations exist so that they can be ironed out with better policy.

#### Exhibit 43:

**Fig.8: Large firms and SMEs in supply chain**



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Having said that, I would like to make four recommendations to APEC and Vietnam.

The first one is that I think it might be a good time to establish some agencies to support SMEs in the APEC region, to help them in innovation, productivity enhancement and creativity. This is especially the case given that we are living in the digital economy, and also need to help them in market access and supply chain participation.

The second recommendation is that there should also be some initiatives to promote SME entrepreneurship and start-up spirit. Having said that, Vietnam was very successful in this regard last year, that's why we had more than 110,000 new companies set up last year. Indeed, last year was called the entrepreneurship year for Vietnam.

The third recommendation has to do with promoting dialogues, to facilitate experience sharing and information sharing between the SMEs and also other firms. I think that is also very important, as Professor Tan had emphasized. This would also enhance the role of different industry associations, for example Vietnam Chamber of Commerce and Industry (VCCI), and also Economic Development Board (EDB) in Singapore and so on.

Finally, we should also think about building up the SME database or warehouse in our region. Professor Tan has been talking about research, but I think research cannot be done without some kind of data warehouse. So I look forward to having a very consolidated and useful data warehouse for SMEs in the region. As for Vietnam, we are trying our best to work with all of you, and also with Professor Tan's institute, with which we are collaborating on the SME project. And we hope that this year will also be the year of SMEs in APEC. Thank you all.

### **Question & Answer (Q&A) Session**

#### **Moderator: Ambassador Antonio Basilio**

The organizers have kindly give us ten minutes for an open forum, so I will go straight to that. The floor is now open for any questions or comments. Yes please, from the lady from the VCCI.

#### **Pham Thi Thu Hang**

Thank you very much to the speakers for their thoughts on the rising issue of SMEs. I have one question to the panelists. One of the things that we have seen in Vietnam and Mexico is the phenomenon that is often called 'two economies in one country'. This is when the FDI sector improves separately from the domestic sector. There is the issue of linkages between SMEs in the global supply chain. I think that this is a very important issue, in the context of APEC and most of the OECD countries, whether our economies and SMEs, which are exposed to FDI, act as suppliers of the third or fourth tier. So I think it is very critical now for us to think about whether we need to market for SMEs, whether SMEs should be better integrated into local and regional markets. That is why I would like to know the panelists views on this topic, and whether or not Vietnam and Mexico stand to gain from the integration of their SMEs into the market.

#### **Panelist: Dr Can Van Luc**

I think this is a very important question for SMEs in the region. Market access and market information are of course very important for many SMEs. I want to tell you one thing. Dr Tan and I visited a Samsung factory in Thai Nguyen province in Vietnam. They are employing 80,000 workers now in Vietnam. The envoy asked the question where the SMEs were in Vietnam. The response was that in Vietnam there are only about 70 or 60 SMEs which could be involved in Samsung's supply chain. The reason cited for that was that SMEs lack information. We were informed that the SMEs lack support from the government in connecting the FDI sector and local sector because they also lack standards for SMEs in Vietnam to follow and adopt. This is why this year there will be some growth in efforts on the parts of local government and research institutes like us, and also industrial associations, to help them. In VCCI, for example – we should say that

market access and information is a very key constraint and also key factor for them, that we need support them in time to come. Thank you.

**Moderator: Ambassador Antonio Basilio**

Thank You. Dr Chen-Sheng Ho, is there anything you would like to share from Chinese Taipei's experience?

**Panelist: Dr Chen-Sheng Ho**

Yes, thank you chair. Now, I think in Chinese Taipei's experience and what I mentioned before, I think it is very important for the government and the private sector to work together. This is not something that can be done easily, overnight. But if you want to have the SMEs linked with the GVCs (Global Value Chains), then certainly the programme that I mentioned in Chinese Taipei with banks providing better credit rating reports help not only the banking sector but also the major companies. They are able to see that you are integrated from the start, at the same time with government assistance, then that would be a good step to ensure that they are able to be seen as good partners with the major firms. I guess we can say that we are extremely fortunate in Chinese Taipei because 97 percent of our companies are SMEs, and even the bigger companies started as SMEs, such as Chinese Taipei Semiconductor. So they understand the importance of using SMEs. I will stop there.

**Moderator: Ambassador Antonio Basilio**

Thank you. We have time for two more questions.

**Panelist: Dr Tan Khee Giap**

I just wanted to respond to the question about foreign direct investment (FDI), presumably by the MNC and how to link them to SMEs. I think it is precisely the type of information we mentioned earlier that we want to know. As you say, many agencies and chambers do all kinds of studies on SMEs but they should have a consistent type of information matrix which MNCs need. I think this is why, when we found out that the ECB did it for 16 European countries, we also wanted to do a consistent information matrix for 16 Asian economies. For example, credit ratings can be a problematic because very often many SMEs are not credit rated. The government and the civil servants would not have the kind of time and effort to conduct those studies on SMEs. Furthermore, SMEs in Singapore are very often not even conversant in English, and speak exclusively in Mandarin. Think tanks have to therefore come to fill in these gaps and be willing to painstakingly build up this kind of close relationship with them.

However, why should SMEs cooperate with us? You must tell them how they will benefit from our proposed research project! For example, we will get the government to subsidize their training, get professionals to diagnose their problems, and potentially help them to sell their company away, or be invested in by MNCs. So I think it is this sort of comprehensive approach that we need to organize, not just in Singapore but across the Asian economies as well. Thank you.

**Moderator: Ambassador Antonio Basilio**

Can we take a couple more questions? First the lady over there and last question to Narongchai.

**Minh Hue Nguyen**

Thanks a lot, all speakers, for your very informative and useful sharing. My name is Minh Hue and I am from the Asian Trade Centre. My question is for Dr Can Van Luc from Vietnam. In your presentation you mentioned about the capacity building for SMEs in Vietnam. I believe that other APEC countries are also very interested to know what Vietnam has been doing in particular to provide capacity building for SMEs, how successful it has been so far, and what the barriers and challenges you have been facing thus far have been. Thank you.

**Panelist: Dr Can Van Luc**

Thank you, I think this is a wonderful question, at this time of the day. I think Vietnam has been trying to do this, but to be honest, not very successfully. We want to do more. So, why? Number one, there is no information about the skill gap of the SMEs. So no one has been doing very serious research about this. Number two, who will be providing this capacity building? We have not decided it yet. I think that will be the role of the SME associations. Then we have also got the so-called SME support fund in Vietnam. But the fund is also not very effectively used. So I do hope that in the future we can use that fund for supporting the capacity building for SMEs. Finally, the banks and research institutes have not been utilised very well in Vietnam. Banks should be providing more information, such as in workshops and forums, because they know the customers. They know their needs and they know the demand and they know the suppliers. They should connect them. I think we are trying to do so and hopefully we can get you involved in the future.

**Moderator: Ambassador Antonio Basilio**

Narongchai, last question.

**Narongchai Akrasanee**

Thank you, Chairman, I thought a lot about whether I should speak, as I have been talking too much. But I must. I think when you talk about SMEs, and this is a comment, not a question, so do not answer my question. There are two sides, one is promotion and one is regulation. These are

the two sides of SMEs. The panel has talked about the promotion side. On the promotion side, I think I agree. All assistance available, I think almost everything has been provided to SMEs, which continue to improve and evolve.

But on the regulations side, there is a real problem. The things that really cause problems for SMEs, are getting government permits and approvals. In fact, I have been involved in SMEs for almost 30 years. I helped companies, big ones and small ones. We used to do questionnaires, when I was with the government and development banks. We list all the things that you talked about, finance, marketing etc., and then we had one empty space at the end, asking them, what else would you like government to do. The ones who filled in that line the majority noted “please leave us alone”. I emphasize, “Please leave us alone.” It is trouble. During the time I was in the government we tried to solve this problem and we came up with the legislation, that things must be answered or given or allowed within 30 days, otherwise it would be considered an illegal practice by government officers. The government officers also have a way, how they count those thirty days. They count the days when they think the documents are complete. So they will prolong it until they want to count the days. So there are clever people around the room. If you can come up with efficient regulations, SMEs would appreciate it very much. Thank you.

**Moderator: Ambassador Antonio Basilio**

Thank you, Dr Narongchai for bringing that very important point. Having family members who are also small business owners, I am quite familiar with the kind of difficulties they have to undergo. I would like to thank our panelists for sharing with us their thoughts on how we can modernize MSMEs, and bring them to the global markets. Please join me in giving them a round of applause.

### **Session 3**

## **“Infrastructure Connectivity and Equitable Economic Development: Regional versus Sub-regional and Sub-National Economic Integration and Responsive Regulatory Regimes”**

### **Moderator:**

- ✧ **Dr Vo Tri Thanh**, *Chairman*, Vietnam National Committee for Pacific Economic Cooperation (VNCPEC)

### **Lead Panelist:**

- ✧ **Mr Jordan Z Schwartz**, *Director*, Singapore Infrastructure & Urban Development Hub, The World Bank Group

### **Panel Discussion:**

- ✧ **Mr Edward Clayton**, *Senior Executive Director*, PwC Strategy& (M) Sdn Bhd
- ✧ **Ms Felia Salim**, *Director*, Kemitraan, Indonesia
- ✧ **Mr Tan Puay Hin**, *Senior Advisor (Group Port Design & Connectivity)*, PSA International Pte Ltd, Singapore

### **Moderator: Dr Vo Tri Thanh**

This session is about connectivity. You may know that in the year 2014, APEC leaders already endorsed the blueprint for connectivity. When you talk about connectivity, you mean people to people connectivity, institution to institution connectivity and infrastructure connectivity. But this session just focuses on infrastructure connectivity, and equipment development or how the development gap can be narrowed. We have 4 distinguished speakers.

Our lead panelist is Mr Jordan M Schwartz. He is the director of the Singapore Infrastructure and Urban Development Hub at the World Bank, and by the way, he is the author of the book, “Uncovering the Drivers of Utility Performance: The role of Private Sector Regulation and Guidance”.

Our second panel discussant is Mr Edward Clayton, who is the senior executive director of PwC strategy, and is very experienced with infrastructure development.

The third panelist is Ms Felia Salim, the director of Kemitraan Indonesia. Recently, she was Vice President of one of the largest State-Owned commercial banks in Asia.

Last but not least, we have Mr Tan Puay Hin who is the senior advisor, group for the design of connectivity, PSA International Limited Singapore.

I would like to now invite you one by one to deliver your presentations. You have no more than 15 minutes.

**Lead Panelist: Mr Jordan Z Schwartz**

Thank you very much Dr Vo Tri Thanh. Special thanks to my good friend Professor Tan, to PECC and to SINCPEC for giving me the opportunity to represent the World Bank's view on infrastructure connectivity in APEC and beyond.

I do get asked sometimes why a development institution cares specifically about connectivity, because we devote a lot of energy, resources and time to this topic. Given that institutions like ours and other multilateral development banks were built around a structure that focuses on lending and advisory work to sovereign governments first and foremost, connectivity by definition is cross-border or regional or integrative. I guess that the most obvious reason is that we understand and recognize that connectivity means opportunity for larger markets, for productivity gains and for macroeconomic growth, generated largely from higher trade volumes. Beyond that, it is also because we have come to recognize something that came up a lot this morning -- that integration is closely related to the kinds of economic activity that generate shared prosperity. That is the kind of the equity aspect of our mission to alleviate poverty and achieve growth through shared prosperity.

We all acknowledge the importance of addressing relative poverty and inequality and not just in absolute terms. This can be achieved through better connectivity as it implies lower cost of goods for the poor, as well as lower cost of inputs to production and more competitive exports. Beyond the prospects of global regional and bilateral trade agreements, recognizing that tariffs and non-tariff barriers are generally lower now than other barriers to integration gives us an opportunity to focus on other constraints -- constraints of physical infrastructure crossing borders, as well as the related customs and border management and facilitation measures, trucking logistics services, the policies, rules and regulations that govern the interface of neighbouring countries and trading economies.

To highlight one of the impacts on poverty that would come from better connectivity -- poor households expend the vast majority of their disposable income on food, up to 80 percent of household income, in many cases. In largely rural societies, the poor might subsist on what they grow (or at least they used to) but basic foodstuff are increasingly a traded good rather than the output of subsistence farming. The agriculture economists in my group tell me that it is now referred to as a super-marketization of tastes, part of globalization in its subtlest forms. This is particularly true of countries in APEC, which have a higher urbanization rate here in Asia, but as well in the Pacific coastal countries of Latin America and the Caribbean.

Our work on supply chains for perishable goods such as tomatoes, as an example, show that for a small agricultural producer, connectivity costs represent about a quarter of the delivered cost of the product – especially for small producers. For larger producers for the same products, it is about 8 percent of the delivered cost. So as the poor increasingly eat long distance shipped starches, the connectivity cost of their food can rise to more than half of the delivered cost of that food. When the poor eat, they basically eat logistic costs, not just the bunch of fruits, bowl of rice or the packet of ramen that is in front of them.

Thus when we reduce the cost of connectivity, we in fact free up resources for the poorest of the poor, just as we are improving the competitiveness of smallholders, farms and economies. Another way of stating this is that the costs of connectivity are regressive – large integrated firms find ways of moving their own goods from production to market relatively easily. Either they own their own port terminals or lease vessels, deploy the right kind of trucks, and invest in excess inventory capacity and warehousing to offset the risks of unpredictable delivery.

But that is not the case with small holders and small firms which pay higher prices. From our survey, firms with an annual turnover of less than \$5 million spend upwards of 45 percent on logistic costs including warehousing and inventory management, transport, and that number comes down again to 8 percent as firms get larger. Similarly, it is poorly connected islands or communities that pay a distance tax even when they are not really further way in absolute distance and actual kilometres. For example, it is currently cheaper to ship a container of Chinese oranges from Shanghai to Jakarta than to send a similar freight from within Indonesia from Padang in Western Sumatra to Jakarta, even if the Chinese oranges would have to travel six times further. So addressing such obstacles can open up a world of new opportunities for residents of more remote areas as well.

This leads to the question of what we at the World Bank are doing as an institution. I think that you will find similar initiatives from the regional development banks as well. Connectivity is a



core area of engagement as I mentioned earlier for the World Bank in the Asia-Pacific region and across the APEC countries. A part of the integration theme presented in our regional strategy is built around the pillars of planning for scale economies, increasing sustainable investments and infrastructure, improving service efficiency, and ensuring economic inclusion.

So, for connectivity to improve, an overall vision is essential at the local, national and regional level. Our teams engage in advisory work, for example, working with the government of Malaysia on the logistic master plan import investment program and Indonesia as well, outlining connectivity master plan and connectivity PPP plan for ASEAN. We are also working with China to analyse the impact of the belt and road initiative. Such planning is critical to ensure sufficient economic concentration as well as making sure that it will emerge from the planned investments. To single out the Indonesian archipelago, maritime economy and connectivity engagement spans from analytical work to identifying bottlenecks in logistics to development for policy lending to support the implementation of key reforms like the rollout of the Indonesian national single window or to set up more conducive conditions for port investments. So from such work, programmes and projects can emerge, including investment programmes to develop the transport corridors, such as our program in the Mekong waterway; improved communication networks like the South Pacific undersea cable; border management and trade facilitation efforts to accelerate the implementation of the WTO trade facilitation agreement and provide support to ASEAN and trade monitoring; and of course power integration and cross-border energy sales like Nam Tung or Laos-Vietnam inter-connector for surplus power trade.

Decades of experience have demonstrated the need for an integrated approach. We heard a little bit about it this morning, for example the central highland connectivity project we have been preparing with the Vietnamese government. I think an interesting question that maybe will come out in the panel discussion a bit is how does the connectivity agenda fit with the goal of sustainability and climate-smart investment that is also weighing on our clients and on institutions such as ourselves as we try and keep the world from raising its average temperatures above one and a half or two percent.

The question of how cross border investments and sustainability are related can be approached from several angles. By definition, we are talking about large investments, which have the potential for high levels of social and environmental impacts -- whether it is the effects of building dams for large hydro facilities, or dredging of waterways that cross borders, or long distance rail and road networks that require land acquisition, resettlement and other social impacts.

On the other hand, we are also talking about economies of scale and the means of production, and in service delivery, that concentration of investment can reduce impact on natural resources, land and the related social dislocations that smaller, multiple smaller investments might have. That is if they are planned and implemented well, which is highly uncertain. The clearest example of this is in energy trading, in which demand curves are flattened from where they would be with separate systems so less generation capacity is required to provide the same amount of electricity. This means less fuel, fewer dams, lower emissions and a smaller overall environmental footprint, though I think it is worth mentioning that something I hope we will also talk about – even as we have tried to separate out physical infrastructure from the other aspects of integration, when we only focus on physical integration such as with power transmission development, we do not focus on the rules and regulations, the contractual arrangements or the policies that would drive integration. We just think of building the assets and also end up overinvesting, mis-investing and missing the opportunity.

In Central America, we have seen that over many years. We have transmission lines cutting across six countries in Central America, but we have never seen an increase in the amount of energy being traded beyond 5-7 percent of the total trade of the region, and that is really because the rules of purchasing and selling energy have never really been agreed upon among the countries. There is no established process of long-term contract arrangements that are recognized on both sides of the border. So it is the soft stuff which turns out to be as important as the hard stuff.

Finally, I will jump to my last example, which came to mind just as I was putting together my thoughts. Here is my quick observation about Singapore and connectivity. I took a poll of 14 or 15 people that are on my management team based here in Singapore and I asked each member to write down on a piece of paper how many minutes they set aside before the departure time of a flight, from when they leave home. When do they leave home, how many minutes pass before that departure time during rush hour, now that they are living in Singapore, I also asked them how long it takes to arrive back at home from the minute their planes touch down. The most conservative, risk averse member of my team leaves 120 minutes before her flight, even during rush hour and the biggest risk takers give themselves 80 minutes before their flight. It was never more than 2 hours, in other words, from the time of leaving your home to the time of getting out of Changi airport. On getting home from the time of landing, the answers ranged from 50 minutes to 70 minutes – it is worth reflecting on this obvious measurement of efficiency which is one of the defining characteristic traits of living and working in Singapore.

Most of the 170 or 180 staff in our office take taxis, some take the train to go to Changi. On the physical infrastructure side, this is an analysis that involves roads, passenger rail and airports.

The success of this output that we can monitor is ease, speed and predictability of travel time. It is not only about this built infrastructure, though. It also requires a functioning and predictable provision, some public and some private, of services including taxis, the mass rapid transit systems, airlines, immigration, customs and air traffic control. But the functioning of those services and their relationship to the infrastructure over which they provide services also involves policies and regulations which is a reflection of the point I was trying to make about Central American countries. For example, rules and regulations on the licencing of automobiles, the pricing of access, ensuing competition for social network driven service providers, like Grab taxi or Uber, policing, traffic management, security inspections etc. matter.

I guess my point is that infrastructure connectivity requires constant integration with service provision and policymaking. A breakdown in any of those three can create a bottleneck for the free-flow of passengers, cargo or data. As we focus on the need for more investment, let us remember that the economic dividends require all three aspects of effort and that the efficiency of the built assets is as important, or more important, than the nominal capacity of those assets.

So it is a hard thing for somebody who lives in the space of infrastructure always looking for ways to increase the financing to admit that it is also about the services over the infrastructure and the rules and regulations that bind the infrastructure to the assets matter equally if not more. But that is really what we all know to be true when we think about it.

Finally, success in integrating those policies creates substantive economic gains that can be monitored, which is very important. This is perhaps one of the reasons why an institution like ours would place the hub for infrastructure and urban development in a country where we no longer have a lending program. We have not lent to Singapore for infrastructure since 1975 and they have not needed our money. This efficiency contributes to our own productivity and I would argue that productivity in turn has economic dividends for the host countries where firms or organizations or institutions choose to hub. So we can travel more for the same cost, this is something our spouses have noticed , and as a result spend more on airline tickets, take more taxis, make more deals or do whatever it is that we are supposed to be doing. Those are my reflections on the integration of infrastructure across borders but even more so the integration of infrastructure with service delivery and with the regulations that bind it. Thank you.

**Moderator: Dr Vo Tri Thanh**

Thank you very much. Yes, of course physical infrastructure cannot solve all problems, even if they play a very important role in improving efficiency and reducing the transaction cost for business. We need to look at different angles, services, regulation, policies and several other

things you mentioned. I would just like to add that if you look at the ASEAN Economic Community (AEC), it is based on three pillars: liberalization, connectivity and cooperation. So liberalization is about opportunity, connectivity is about access to opportunity and how we can reduce the cost of doing business. Cooperation is about how you can build capacity so you can explore new opportunities. Now we turn to Mr Edward Clayton to continue our panel discussion.

### **Panelist 2: Mr Edward Clayton**

Thank you very much Jordan, I really liked some of the nuggets that came out of your presentation, particularly the one about poor people having to eat logistic costs. I thought that was a very interesting image there.

I have been thinking about this topic of inclusivity and sustainability and transport for a number of years. I have been involved in infrastructure development for transport since the early 1990s, but towards the end of 2015, I was involved in the Cebu APEC ministerial CEO dialogue, when we were talking about this specific issue and another one of the things that Jordan mentioned also became very apparent to me then, which is the enormous penalty that people outside the major cities pay in terms of the cost of transportation. A number of years ago, I did a study for Brunei, and they asked me why it was so expensive for containers to be shipped to Brunei from Singapore. They were puzzled that it costs just as much to ship a container here as it does to Rotterdam, and we simply said it is because it does.

The small ships that travel around the coast of Borneo are just so much more expensive relative to the megaships that travel between Singapore and Europe and hence you end up in a situation where the few concentrated hub cities do better and better in terms of very cheap transportation costs but the rest of the world just has to get by. Or in practice, what happens is that we get increasing urbanization because people feel that living in a small rural community just is not working for them. In fact yesterday I was in Kota Kinabalu as my wife is a Sabahan and we were spending a weekend there visiting her family. We observed the way that the people of Sabah face difficult choices about where to develop their lives and careers given the same kind of difficulty of transportation the people of Brunei face just down the coast.

So this is an interesting topic and one which is compounded at the moment by the fact that in this part of the world we are reaching a point where diseconomies of scale are starting to become quite apparent. My original career interest was in aviation. I spent a long time working in and around airports, operating, buying and selling, and most recently as a consultant advising airports. It has become very apparent to me that the mega airports that are currently being planned are

actually very, very bad in terms of operating costs. We have probably reached the maximum reasonable size with the kind of size that we now have in Changi or in Bangkok or Jakarta, where you are looking at something between something between 60 and 80 million passengers.

The first airport in the world, Atlanta, has just crossed the 100 million passenger-per -year threshold with Beijing up close behind it. But several airports that we are planning now are likely to exceed that number. My fear is that it is a bit like an enormous elephant, that these pieces of infrastructure will start to collapse under their own weight.

I did a study last year where I looked at the relative size of airports and tried to work out, from the perspective of an airport as a machine, the optimal size and optimal cost -- the point at which the cost of a passenger and handling an aircraft landing is the lowest. I was expecting the answer to be something in the order of maybe 15 to 25 million passengers per year. To my great surprise I found that actually it is more like 5-6 million passengers per year which is the optimal size of an airport as a machine. Obviously there are other factors in terms of connectivity, which mean that probably actually 25-30 million passengers or so is a better size, but certainly the Dubai plan for a 250 million passenger airport is taking us to a very different space and the additional runway and terminal here in Changi is planning to take us to 120-150 million, which again is going to take us to a very different place.

Now I recognize that Singapore has very little choice – there is no room for another airport – but generally looking around the world, it would seem that where we have the option it would be better to plan for a bit more distribution of transport infrastructure rather than trying to concentrate, as the natural forces of economics seem to bring us to do.

In the conference pack, I have actually placed a draft paper which has a few of these thoughts but as we are thinking through this, we thought that there are a few recommendations we would like to make.

One of those recommendations is indeed to build distributed and diversified transport systems so that we do not have everything going through just few nodes. There are lots of reasons for this, one of which is the diseconomies of scale, as we reach very large sizes. Another is the redundancy, the fact that if something goes wrong in one of the key nodes, and there are no alternatives, then we actually have major problems which can be avoided if we have a much more distributed system. In my mid-career, I lived in Germany for eight years and that was a very interesting experience, because they have a much more distributed country than any other that I have experienced in terms of large numbers of cities of a few hundred thousand people rather than a

few multi-million person cities. That seemed to actually work very well for the country in terms of lifestyle for the inhabitants and also in terms of sustainability and diversity.

The second -- a new issue -- is real time data. Just over the past couple of years, we have seen the explosion of data driven crowd sourced information which we use almost every day now. When I set off to drive around Kuala Lumpur where I live, I will start google maps and just see where the traffic is so that I can avoid the worst of the traffic. I know where I am going, but I want to know where the traffic is too, and we use Grab and Uber and many other tools which were not available to us even just a couple of years ago in order to move around and drive transportation. This is very exciting but I think also from a regulatory perspective, something which governments are really struggling with as to how to handle these new developments and in particular what to do about the data and whose data is it if it is crowd sourced. Whether the data belongs to Grab or Uber or Google? Or does it belong to the people who produced the data in the first place? One of our recommendations is that governments should think hard about how to ensure that such information is shared so that it is available and accessible to different people who are building ways to, I suppose, crowd source and drive better transport around the cities and around the countryside.

The final recommendation is on the regulatory side. We think that we need new regulatory paradigms moving forward. As a response to very different set of requirements and needs moving forward than what we have had in the past, we are on the cusp of a very significant revolution.

I have not really spoken about (though it is mentioned in the paper) autonomous vehicles, for example, and how we must design our cities and our transport systems around them as well. The larger point is that they are going to have an enormous effect on the way we move around, and the way in which our products and our goods move around in cities. So with that, I will stop and hand it back to the session chair.

**Moderator: Dr Vo Tri Thanh**

I picked up three words from your presentation – economies of scale, optimal size and diversification. We know airports are important but it is also crucial to achieve economies of scale. At the same time, we also need to have an optimal size. Last but not least, there is diversification. So how to combine economies of scale, optimal size and diversification? We need more research on that to get the answer. You suggest some policy recommendations and in fact one of the ideas that many people for example in Vietnam talk about is smart transportation, diversification and regulation. Now may I ask Ms Felia to proceed?

### **Panelist 3: Ms Felia Salim**

Thank you for having me. Well, my background is in banking and finance and so my perspective of this presentation touches on the financing aspect and in particular how a banker or an investor would look at this opportunity to develop infrastructure connectivity. The risk analysis is at the core of much of this process.

Before I do that, first of all as a banker, and also as a good governance activist in Kemitraan, initially I think we really need to look at the macroeconomic context and the microeconomic context. Much of what the previous speakers have done already covers some ground and there have been several good insights shared here. What I will do is to give you some ideas of how Indonesia is faring in the scheme of things.

You only have to come to Jakarta for you to have a good idea of our challenges. Perhaps what Edward was alluding to is that a lot of the planning involved in developing infrastructure connectivity is always a challenge. It is simply because it seems like a moving target as the mobility of people is somehow not controllable.

To start with, we all know that there is a lot of discussion on economic integration in APEC forums and PECC, also in ASEAN and other regional cooperation forums. As analysts, investors and bankers, obviously we continue to observe the developments closely. Multilateral agreements seem to be facing a challenging time, with TPP now probably in the backburner. We also have the RCEP and several other discussions happening in the region. In general, we talk a lot about tariffs but I think they are no longer a problem. Especially in ASEAN, I think they are almost close to zero in most sectors.

The discussion must really be about non-tariff barriers. Perhaps one of the questions is the willingness or the challenge that each government faces and how it reconciles it with its own domestic priorities. A lot of governments in the region (especially Indonesia) commit to including economic integration as a reform agenda, as well as to accelerate the access and mobility of products, services and finance. Further, there is also this agenda of creating a platform to become part of the global supply chains.

Is this now being challenged? We do not know yet, but it is important for us to closely monitor how the global rebalancing is taking shape today. Definitely the US narrative might be changing focus and Europe is about to head that way as well. In our backyard, what the Chinese slowdown means to the region and what it means to Indonesia is something we have to analyse. If China

focuses on domestic markets, there will eventually be an opportunity for this region, particularly Indonesia and its neighbours. If the global supply chain platform can be strengthened, perhaps Indonesia will become a destination of supplying finished goods to China. We just have to have that ambition to look into.

Given this background, let us look at Indonesia's three dimensions of economic development (Exhibit 44).

**Exhibit 44:**



President Jokowi's three dimensions on economic development deals with human development, priority sector development, and equitable development. Human development obviously addresses the challenges facing the larger population. Rising incomes, education, health, and housing are an integral part of human development. Among the priority sectors for development feature food security, energy and electrical security, tourism, maritime and marine as well as water security. President Jokowi's ambitious global maritime fulcrum initiative is a distinct highlight of the efforts towards enhancing maritime and marine connectivity. As a banker of course, we always have to assess the necessary condition, the legal certainty, security, and the politics of governance both at national and local levels.

We know for sure that Indonesia is now focusing on redeveloping or reigniting the focus of the value-added manufacturing sector. Perhaps we have been a bit out of focus because of high commodity prices. However, there is a need to refocus not only towards the manufacturing sector but also the service sector as it is a high employment generator. It is important to note that both value-added manufacturing sector and services sector require infrastructure investments. A very



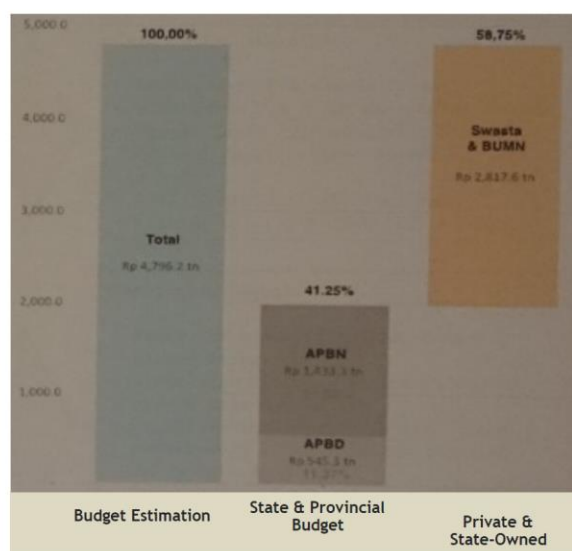
reform minded administration still faces challenges of alignment in terms of initiatives between the national and local level. With all its risks and challenges involved, we are happy to see that the government has a comprehensive plan to boost connectivity which includes the sea toll road programme, port development across the archipelago, a rail infrastructure plan, the aviation infrastructure plan and the internet connectivity plan. All these plans are commendable but if we look at it, 59 percent of the financing needs to come from somewhere and the government budget cannot finance all that. It needs to come from a combination of both the private sector and to an extent from the state-owned banks (Exhibit 45).

#### Exhibit 45:

### INFRASTRUCTURE PLAN, BUT HOW TO FINANCE...?

#### Amount of Indonesia's Infrastructure Mid Term Development Plan 2015-2019 (IDR Trillion)

SECTORS	STATE BUDGET	PROVINCIAL BUDGET	STATE-OWNED	PRIVATE	TOTAL
Road	268	200	65	200	733
Train	93	-	11	122	226
Sea Transportation	260	-	238.2	93	591.2
Aviation	64	5.0	50	25	144
Land	37	-	10	-	47
Urban Transportation	61	15.0	5	5	86
Electricity	120	-	445	435	1,000
Energy	4.3	-	151.5	351.5	507.3
Information Technology	15	15.3	27	223	280.3
Water Resources	196	68	7	179.9	450.9
Drinking Water & Waste	131	198	44	30	403
Housing	184	44	12.5	87	327.5
<b>Total</b>	<b>1,433.3</b>	<b>545.3</b>	<b>1066.2</b>	<b>1751.4</b>	<b>4,796.2</b>
Prosentase	29.88%	11.37%	22.23%	36.52%	100%



Some of the investment risks include the challenges in aligning of planning and policy formulation and policy implementation at the local level. There is also the classic land issue problem that is causing significant delays in the implementation of various projects. In terms of domestic financing sources, the banking sector, especially the state-owned banks take up a large chunk of the risk. A regional financing source from within the ASEAN for example would be the Qualified ASEAN Banks (QAB). While there has been a lot of discussion regarding that, nothing has really come to fruition. It is important if we are serious about creating a regional supply chain platform. It necessarily has to go in parallel with the financial sector although I think these discussions are still done separately. Some of the long-term strategies to finance such projects are summarised in Exhibit 46.

Exhibit 46:

## HOW TO FINANCE: THE LONG TERM STRATEGIES



A key risk relates to the social and environmental safeguards. Mobility and import of labour for large projects has been an issue, in particular with regard to the plan of attracting foreign direct investments from China. However, that said, where does most of the foreign direct investment come from? Most visible of late has been investments coming from China or Japan to support the infrastructure projects. Obviously, the Indonesian perspective now is not just attracting foreign direct investments but also focus on the transfer of technology and know-how which must be prioritized.

Sticky negotiations need to take place, hopefully linked less to labour related issues but this is an ongoing domestic political challenge for us. So the diversification of industries as we mentioned needs to also be discussed within the region, along with mobility of resources and the standardization of industries. Harmonization and standardization process can speed up the strengthening of the economic integration. Thank you.

**Moderator: Dr Vo Tri Thanh**

Thank you. I only know that infrastructure even with the Master Plan for ASEAN connectivity (MPAC) still has many problems. The Trans-Pacific Partnership (TPP) was not successful and public-private-partnerships did not take off significantly. The financing is still heavily reliant on the banking sector as the bond markets have not developed. In the case of Vietnam, over the last five years, all the financing for Build, Operate, and Transfer (BOT) projects, comes from commercial banks. The risk is of a so-called maturity mismatch because the banks mobilize short-term deposit and give long-term lending for infrastructure development. So that is one of the risks that we need to address and also prevent the banks to continue to lend money for the BOT projects in a risky fashion. I do not know how to overcome that issue. We have very many development banks and multilateral banks including World Bank, Asian Development Bank, Asian Infrastructure Investment Bank (AIIB), but it appears as if the trust, collaboration and transparency are still missing. So we have the action plan on the table but most of the standard regulatory issues are still present. I do not know how to move forward, but thank you anyway. Finally, now may I ask Mr Tan Puay Hin to proceed please?

**Panelist 4: Mr Tan Puay Hin**

Chairman, distinguished guests and fellow speakers, a very good afternoon to you. Firstly some of you may not be very familiar with PSA international. Let me just give you a very brief introduction. I am from PSA International. PSA International is a global terminal operator. We are present in sixteen countries and forty locations, operating container and cargo terminals. More than half of these terminals that we operate are in the Asia-Pacific region. But of course I think you will probably recognize that our headquarters is based in Singapore.

We have been in Singapore for the past twenty years or so and have focused our efforts on trying to expand our business overseas. Today I notice that I am an odd one out, because I am really a private operator. So I will give you some inputs and share some views regarding these topics, from our perspective.

I trust all will agree that transport infrastructure supports trade growth and economic development. Singapore is a clear case. To ensure that we as a transport infrastructure operator perform our role well, we constantly review the changing environment and variables, and make adjustments to our operating strategies.

So please permit me to share three of the key areas or key concerns that we are working on as of now.

Firstly I think all of us recognize that the geopolitical developments and the macroeconomic developments are quite challenging. But greater connectivity is both an enabler and the outcome of globalization and regional cooperation. This is what we learned in the past forty-over years. With rising protectionism, we of course have great concerns over its impact on connectivity and trade flows. It is not just affecting our business but affecting the world community at large.

Well, the chairman this morning mentioned transport corridors as well as economic corridors. We endorse that. In fact, we as a terminal operator, do not want to confine ourselves within our parameters. It is quite easy after setting out a parameter to just operate what you are given. But we think very carefully and pay special attention to what role we should play now as we are operating globally in forty locations and of course eventually will be even more. On this aspect, we pay attention to working with the relevant authorities, looking at how transport economic corridors should be developed, and give our constructive input and also hopefully we hope to help achieve better connectivity that will eventually benefit everybody.

As a transport infrastructure operator, our effectiveness is fairly influenced by country policies, be it government policy or country or regional masterplans. In order to operate effectively, we count on the support of good policy as well as play our part in the whole master plan. So from this perspective, we are very willing to contribute and hope to play a part, given input from our operating experience and perspective.

The second point I would like to touch on would be technology changes. I have been with PSA for 38.5 years. I have never seen such drastic technological change in such a short time as has happened in the past few years. I think everybody can feel it. The rapid changes in technology are now referred to “disruptors” since they disrupt the way we do things. However, from our perspective, we see them as game-changers.

Can we stop that? We have great debates and we think that we are never going to do so. The best thing for us to do is to see these game changers and to embrace the changes. From there, we learn and we find new ways of operating our business enhancing our efficiency and reach a benefit to the larger community. So on that aspect, for those who are in Singapore, you read enough of those technology labs and innovation projects that we are doing. We work very hard on that because we know that there’s no U turn to this.

The third point I want to share here is that, given the above two points, the other aspect that as a company we think is that knowledge and human development are very important. Given this changing environment, we have to see the needs of rescaling, because when technology changes, you do things differently. You have to upgrade the skills because with the introduction of better technology you must have the skill of managing it. So over here we want to prepare our workforce and help them to perform their role well so that they can support our ambitions to be an effective business entity. So, skill upgrading, productivity, innovation are all our key priorities.

Of course we do not do it just on our own. We took advantage of the Singaporean environment, and the Singapore government's constructive initiatives as well as the higher degree of participation of institutes of higher learning as well as the research institutes, even in the logistic and transport community. On this aspect we learn, and then we want to find in this process, achieve and find good solutions, and our aim is not just to do it in Singapore. We have the advantage, in Singapore, of economies of scale, which a previous speaker talked about. But economies of scale per se, give you the resources to test and stretch. But more importantly for us as a business entity operating in other countries, especially in the Asia-Pacific region, we would want to take advantage of what we have in Singapore to create good solutions and all these good solutions, we are planning to bring it over to other outfits to share with the wider community at large. So we welcome ideas and suggestions on how things can be done better. Thank you very much.

### **Question & Answer (Q&A) Session**

#### **Moderator: Dr Vo Tri Thanh**

Thank you very much for giving your very insightful information. I learned from your presentation that you would like to have efficiency and good externalities which spill over, so that everyone can benefit from infrastructure development. So, four things we need to take note of – operating activities, technology change, human resources and advantage, taking advantage of government policy. Thank you. I think we have ten minutes for Q&A?

#### **John West**

Thank you, I am John West from Australia PECC. I would like to thank all the participants for their excellent presentations, but I have a question for my friend Felia. You discussed a little bit the financing of infrastructure but if I recall correctly you did not mention improved taxation as well, on the means of financing infrastructure. I think that Indonesia, like many Asian countries, has very low tax receipts as a share of GDP, so I would be interested in any views you have on that. In that regard, I think that Indonesia had a repatriation scheme whereby businessmen who had their

money offshore could bring back money and have a tax waiver on that. So maybe you can give us an update on how that scheme is going?

**Wai Onn**

Hi, good afternoon and thank you very much for your very interesting talk there. I am Wai Onn from Rolls Royce, and I have got a question regarding what your thoughts are regarding the one belt one road initiative, and the greatest impact that could bring to the region and how you see that playing out in terms of Trump's policies on America First, Made in America. In terms of the infrastructure financing, trade, what do you see in terms of the pattern going forward, say in four or five years' time? What are the kind of structures that could come out of this? How would the two superpowers compete in this?

**Panelist: Ms Felia Salim**

Our Minister of Finance, Sri Mulyani Indrawati, who was brought back in by President Jokowi is now fixing our budget trying to make it more efficient. There is a lot of focus on fiscal management and with the ambitious infrastructure plans in the next five years, we need to finance some 120 billion dollars. Less than 20 percent comes from the budget. That said, obviously our tax revenues have to increase.

With regard to the tax amnesty, Indonesia has been somewhat successful although it has been disrupted a bit because of our Jakarta Governor's elections. People are again waiting to see how it pans out. But in the first push, there has been a relatively successful story on the tax amnesty. This is a challenge and that is why there has to be a financial deepening that needs to be developed within Indonesia. We are not alone in terms of our financial base, which is more short-term in nature. The banks are having short-term financing. We need to develop longer-term liquidity, so it is not just about the tax revenue increase but also financial deepening. In addition, the insurance market has to deliver. The pension funds have to be developed so we are juggling. But that being said, it has been a relatively stable government. Indonesia has had stability over the past twenty years, post the Asian financial crisis. People should just know that, with a young democracy, ups and downs are the order of the day. This is what we need to talk about, in terms of understanding how Indonesia works. Of course, people are also criticizing that there are too many local governments and the country is too decentralised. But that is just not the case. If you look at the growth areas, it is not just Jakarta. The higher growth rates are also happening elsewhere in the region. We have second-tier cities, if you look at the port planning, Jakarta is now developing its ports, its airports, its mass rapid transits (MRTs) etc. as well as water management. This is not only Jakarta, the second tier cities are also replicating all of this.

Obviously at the moment the state owned banks are initiating and opening the project financing for most of the strategic infrastructure projects. Obviously within the next three, four years, the structure is going to be to issue bonds, going to the capital markets and we are trying of course to attract foreign direct investments.

With regards to China, there is the Asian Infrastructure Investment Bank (AIIB), and the One Belt One Road (OBOR) fund, which is another promising source. In fact there is quite a robust push on the part of China for Indonesia to align with the twenty-first century Silk Road. It so happens that our administration is also doing the global maritime access. But obviously with or without that planning, Indonesia would have to have its own connectivity planning, and that is also to rebalance the sub-national governments. Japanese infrastructure support is also visible and there is a bit financing as well. So if you like there is a balancing act between China and Japan, and we know what is the US narrative on both China vis-à-vis US and Japan vis-à-vis US. We are all carefully observing what is happening, but definitely Indonesia within ASEAN has a strategic position and I think it can play a better role if it can have a stronger financing structure.

**Moderator: Dr Vo Tri Thanh**

Any views on OBOR or long term policy on infrastructure?

**Panelist: Mr Tan Puay Hin**

Well, I will probably give a very brief comment on the OBOR. I think from a technical point of view, if you look at the OBOR, you are really creating riches, creating connectivity. I think given the option, it is good. Our experience is that we are always looking for options, more pipelines, always looking at the greater network. On the whole, those networks that you create at the appropriate places will certainly benefit and build and increase the pie. The transport economy will take its place. If you believe that you cannot get a balance on certain routes that will disappear over time. That is how we see it. But really if you were to look at it today, our topics on connectivity, if you look it from a technical perspective, that is a good thing. But personally I think it is not easy for all countries to come to an agreement on whether this is the plan to implement.

**Panelist: Mr Edward Clayton**

Just last week, PWC published its updated view of the size of the various economies in the world in 2050, and by then we are expecting China to be the largest economy, US to be the second, India to be the third, Japan the fourth. Indonesia is the fifth. ASEAN grouped together with Indonesia would actually be fourth. So from the OBOR perspective and from the TPP perspective, I think the whole economic centre of gravity is shifting so that sitting here we are going to be pretty much in the middle of it. Whether or not China has a strategy, I think it is going to be happening anyway,

and the big question we are going to be facing is now should we do it, but how much, how far should we go and how we are going to finance all of this.

**Lead Panelist: Mr Jordan M Schwartz**

I would like to invite everybody to a beer after this so we can discuss the Belt and Road, AIIB, the Trump administration, TPP, financing of infrastructure. But maybe we should wait for more questions?

**Moderator: Dr Vo Tri Thanh**

We only have one minute left. So just one more question, anybody?

**Eduardo Pedrosa**

I am Eduardo Pedrosa from the PECC secretariat. Edward, you raised something really interesting on the data side. I was wondering if Jordan was actually going to come back on the World Bank open traffic initiative. I do not know if you have any technical details on who actually owns the deal within the open traffic initiative, but I think that is something that is worth a bit of discussion. The second thing I picked out of Edward's presentation was on the importance of distributed networks and transportation systems and I think that is something that could really help with the earlier discussions we had on the backlash against globalization, and the resistance. As we see, some of these movements, they tend to be in areas that are either untouched, or do not see themselves as benefit from the globalization process. So I was wondering if I could get a little bit from the panel on the prospects of that distributed approach on transportation, and are there any risks in that because while I was listening to Felia, it sounds like everyone wants to be a hub, nobody wants to be the spoke in this system, but who is going to make that choice, and can we afford to make those mistakes? I will stop there.

**Panelist: Mr Edward Clayton**

Being British, and watching what happened in Brexit, the Brexit voters are those who do not live in the big hubs in the UK. The Trump voters to a large extent are those who do not live near the big hubs, and it is very interesting that these people are getting political power now and exercising it. Even the Philippines are completely stuffed, because Manila airport is full and that means that the regional airports cannot get slots, which means the regions cannot grow either. So I think there seem to be some huge political risks, and also some huge economic risks in having too many hubs and not enough distribution between the hubs.

**Moderator: Dr Vo Tri Thanh**

With those remarks, we will close the session. Please join me in giving a big hand to the speakers.



## **Session 4**

### **“Enhancing People-to-People Connectivity by Promoting Common Technical Standards and Specifications, Tourism and Education Services, Improving Ease-of-Doing Business Index and Agenda for Ensuring Food Security”**

#### **Moderator:**

- ✧ **Dr Djisman Simandjuntak**, *Chairman*, Indonesia National Committee for Pacific Economic Cooperation (INCPEC)

#### **Lead Panelist:**

- ✧ **Madam Pham Thi Thu Hang**, *Secretary-General*, Vietnam Chamber of Commerce and Industry

#### **Panel Discussion:**

- ✧ **Mr Kwek Hian Chuan Henry**, *Member of Parliament & Member*, Government Parliamentary Committee for Trade and Finance, Singapore
- ✧ **Dr Nguyen Do Anh Tuan**, *Director*, Institute of Policy and Strategy for Agriculture and Rural Development, Vietnam
- ✧ **Mr Melvin Soh**, *Executive Director*, Continental Steel Pte Ltd & **Dr Jimmy Koh**, *Managing Director*, Antara Koh Pte Ltd

#### **Moderator: Djisman Simandjuntak**

I would like to thank SINCPEC for bringing me over to this meeting. This afternoon, we are going to discuss people to people connectivity, maybe the hardest part of connectivity. Connecting the source is easy, but connecting people to people is much more difficult. Let me quote a few numbers. When our ancestors were still hunter gatherers, they only worked 7 hours a week. But technology forced us to work longer after the industrial revolution, our leisure time is cut a significant deal to only 1.8 hours a day. But in 2040, it is going to be 7.3 hours a day, meaning life is increasingly taking the form of leisure, and to make that productive I think we will have to engage in long life education. Education and training is an issue of connectivity.

For this panel, we have four speakers for such a session, so I am going to introduce them only very briefly. First of all, we have Pak Jimmy Koh, a long time contractor in construction,

particularly in marine related projects. He has been involved in a number of projects in all ASEAN economies.

Secondly, we have Pak Henry Kwek, Minister of Parliament (MP) in Singapore on the committee of trade and finance, also important when it comes to the issues of connectivity.

Then we have Madam Pham from Vietnam, Secretary General of the Vietnam Chamber of Commerce and Industry.

Last but not least on our list is Dr Nguyen Do Anh Tuan, who has been involved in a lot of research projects in Vietnam and in the Netherlands, and I think that can also present to us a number of perspectives on connectivity, particularly between agriculture and the rural, and the rest of the economy.

Now without further ado, let me first invite Madam Pham to begin her presentation. If you can please limit to ten minutes, we will be very grateful.

**Lead Panelist: Madam Pham Thi Thu Hang**

Thank you very much, Chairman. First, I would like to thank VNCPEC and SINCPEC for inviting me to give a speech in this very important section. Actually, as Mr. Chair has said, people to people connectivity is often difficult to talk about, but I will try to make some points.

We are actually attempting to promote tourism and education, as well as improving ease of doing business, and pursuing an agenda for ensuring food security. We are evidently trying to make some contributions to rebalancing and engendering diversity and inclusion, in terms of gender equality, as I am the second woman since the beginning of the conference to give a speech. So, by enhancing people to people connectivity, we need to identify the challenges which appear in the context of the rising protectionism, and the most important is to initiate the solutions to overcome these challenges. We need especially to suggest concrete mechanisms for operating and implementing initiatives within APEC.

Firstly, about the ease of movement of people across borders and the provision of services and education tourism, we have seen some challenges. For example, limits to working opportunities abroad, procedures for obtaining work permits or immigration procedures for tourism, proficiency in English as a technical language, and difficulties in opening foreign owned universities or vocational training schools in other countries. We have additionally noted that the

airport is crowded now and movement by airplanes have increased sharply. We are also facing some environmental problems.

So what can we do to overcome these challenges? Some efforts have already been made, but still there is a long way to go and we need to undertake new initiatives to address the various challenges listed earlier.

I think that the section before mentioned infrastructure connectivity but with greater tourism, what we now need is to facilitate better movement by airplanes. For instance, we need to open new air routes. This is very critical for Vietnam, so for example we still do not have a direct route from Vietnam to the United States, just as an example.

Second, we can use the ASEAN model to accelerate common labour markets in the APEC market for some professions. In the ASEAN common market, the labour market already opened partly for some professions, like tourism or consultancy or auditing and accounting services. So we can expand that to APEC by applying ASEAN's model, for example.

Thirdly, we must improve APEC's immigration procedures and extend the stay duration for tourist visas, for APEC countries. That is an initiative to think about. Alternatively, we can also have a common regional tourist promotion program. From the experience of Vietnam with public private partnerships, we have established national tourism advisory boards including private sector FDI and other actors and players in the tourism global value chain.

In terms of Ease of Doing Business (EDB) index published by the World Bank, there are lots of areas that the index does not cover such as macroeconomic stability, development of financial systems, quality of labour force, incidence of bribery and corruption, market side and lack of security and other indicators. So the APEC economies can think of a more specialized EDB index to address the shortfalls of the World Bank's EDB index (Exhibit 47).

## Exhibit 47:

### Ease of doing business 2017 index by World Bank

#### Characteristics:

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- ❖ **Index cover:** Starting a business; Dealing with construction permits; Getting electricity; Registering property; Getting credit; Protecting minority investors; Paying taxes; Trading across borders; Enforcing contracts; Resolving insolvency
- ❖ **The Index does not cover:** Macroeconomic Stability; Development of Financial System; Quality of labor Force; Incidence of Bribery and Corruption; Market Size; Lack of Security; and other.
- ❖ Economies in Europe and Central Asia ( not APEC) have the highest share of reformers . The index of South East Asia and Pacific is far from OECD countries.
- ❖ In Top ten economies of Easy doing Business Index, there are 5 only from APEC Region: New Zealand; Singapore; Hongkong SAR China; Korea Rep; USA

We also see that in the World Bank's EDB index, economies in Europe and Central Asia feature as better reformers than the APEC economies. The index also suggests that the distance to frontier scores of Southeast Asia and the Pacific countries are far off from the Organisation for Economic Co-operation and Development (OECD) country group. Furthermore, we also see that among the Top-10 economies in the world for doing business, only five hail from the APEC region, which is why we want the EDB index to better reflect the reality of the doing business of APEC economies, which will then subsequently boost reforms in these countries.

In this context, what efforts can be made to improve APEC's ease of doing business conditions? Definitely, APEC's entrepreneurship ecosystem can be improved and fortunately, Vietnam will host the APEC entrepreneurship forum in September. I would like to encourage all of you to go to Vietnam, specifically to Ho Chi Minh City on September 10<sup>th</sup>. If we have a good entrepreneurship ecosystem, people find it easy to do start-ups and do business. We can work on the APEC online business registration in one system, just akin to what we have in Vietnam. If every economy can apply these kinds of systems, we can improve the customs and other kinds of procedures, change the customs and explicitly set a trade agenda for APEC. Examples include the system of ATA Carnet schemes for products and temporary export/import scheme for products by road transportation (Exhibit 48).

## Exhibit 48:

### Ease of doing business

#### Challenges:

- ❖- Complicate business registration; Slowing down Trade Facilitation Agenda; Custom procedures; Procedure of paying tax
- ❖ Technical Trade Barriers;

#### Efforts

- ❖ Improving APEC entrepreneurship Eco-System
- ❖ APEC business registration
- ❖ Streamline customs and other procedures- single window Custom data exchange/ Special Trade Facilitation Agenda for APEC ( ATA carnet scheme for APEC; TIR Carnet scheme ... )
- ❖ Empowerment of private sector, supporting SME, MSEs ( Law on Supporting SME).
- ❖ Creation of some hub to connect SMEs in Global Value Chain.
- ❖ - Covering the dimension not having been measure by Easy of doing business index of WB, for instance: Measure official and unofficial cost of doing business ( Vietnam case by Resolution 35)

We have already talked about laws for SME development. In the APEC region, a number of countries have implemented some supporting laws, but not Vietnam. We are looking to have this law approved in the next couple of months. But Asian countries generally can also look into this. We were also talking today during lunch about manufacturing hub and maybe some countries can be hubs for SMEs in the global value chain.

Finally, maybe, as I have mentioned already, we need to cover the dimensions which have not as yet been measured by the EDB index of the World Bank. On this note, I have seen that Asia Competitiveness Institute (ACI) has taken some initiatives in that direction by developing their own EDB index and I hope that we can see more of that.

Now I will move on to the APEC agenda for food security. In September last year, in Peru, APEC already made a declaration on the food security agenda. What I have listed is actually taken from this declaration. I just want to emphasize on the issue of climate change, because in the case of Vietnam last year, the Mekong delta suffered greatly from the effects of climate change. Of particular significance to APEC economies is how we can become more resilient in the face of climate change, in controlling our food security. In terms of food security control, there is the issue of trading food among APEC economies, which is related to the issue of food harmonization.

We have seen that with regard to the challenge of food harmonization, there are a number of issues

For example, inconsistent, or arbitrary or discriminatory implementation of food regulation standards, or very cumbersome or burdensome administrative procedures, lack of commonly observed regulation and standards, all of which consequently create uncertainty for all stakeholders. We can offer some solutions, but I want to emphasize our commitment not only to supporting food value chains but also the private sector and associated industries, especially the food business associations, in the development and harmonization of food.

In the context of ASEAN, there are already some efforts being made, and I think that we can do that with APEC as well. In the case of APEC, last year, we initiated the food working group, and invited all the foreign companies and private companies to work on that, and to be more serious about food standards and food safety, which I think will be beneficial to all people and industries, while at the same time allowing us to leverage our networks with stakeholders with regards to food harmonization.

To end, all of the dimensions we have mentioned in terms of people-to-people connectivity lead us to the conclusion that we need to involve more private players in these fields. Even for example, with vocational training, we also need to start it from the needs of the industry, from the business associations. Even for food harmonization, we need to work more closely with the industry and make our investors understand that when they are involved in the discussions, they are being connected to various people. Investing into that market assists in contributing to diversified growth. Thank you.

**Moderator: Djisman Simandjuntak**

Thank you Madam Pham. I understand it is very difficult to cover the entire area of connectivity related to the many issues listed on the agenda. Let us move to Mr Henry Kwek, who is a MP in Singapore as well as a member of the committee for trade and finance.

**Panelist 2: Mr Kwek Hian Chuan Henry**

Hi, good afternoon everybody. I am really privileged to speak for the first time in PECC but it is one family and hence am happy to be a part of it. Now, earlier this morning, there was a question about whether there would be sufficient parliamentary support for the APEC endeavour. There is actually a parliamentary track to APEC, for some of you who are not aware of that, it is called APPF. I just got back from the recent APPF at Fiji, and I am glad to share the observation that, based on the parliamentarians I met from across APEC countries, at the gut level, they all understood the importance of free trade. Of course the need for inclusiveness is important but at

the gut level they understand. So hopefully that would mean that most of APEC will continue to move forward on that.

Today I would like to talk about two topics: first, using information to push for people to people connectivity; and the second which I will mention briefly is to update you all on what Singapore has been doing to build the conduits for people to people connectivity, including in the area of food security.

Back to the first part, we are living in an age where businesses have to relocate very quickly. As regional competitiveness profiles change, the main challenge is the lack of information. It happens both for MNCs as well as SMEs (which I also run). I am a business owner myself. For SMEs, they may have a well-established network in a given region, but the challenge is that they need to move to the next location, after the factors change. Now for SMEs, it is even more complicated a decision. They make decisions based on networks. But that is just one important dimension. There are other important dimensions and today I would like to share maybe two models on what I have seen so far which seems to work through information.

The first one is of course what my fellow panelists spoke about in terms of the World Bank's ease of doing business (EDB) index. There are three stages of enterprise that firms go through – enterprise formation, enterprise functioning and enterprise exit. So I think the World Bank's EDB index is very effective in tracking the first part, entering into the area. It is not just helpful for businesses but also helpful to the government because it gives them a clear mirror to reflect on where they are and where they need to be. So if I am not wrong, India, under Prime Minister Modi, has as part of his reformation efforts has looked into the ten indicators pointed out by the World Bank as a target to motivate and rally his bureaucracy around, to move in that direction. So that is the first model.

The second model is done by Asia Competitiveness Institute (ACI). It is also called the ease of doing business index. Now, it seeks to build upon what the World Bank's index has done. ACI's EDB index has five sets of indicators, infrastructure, resilience and market potential which captures how big the market is and how resilient the market and infrastructure is. That is one indicator. The second one is profitability and cost effectiveness capturing the levels of profit, the labour costs, the ease of obtaining land, property, taxes etc. The third set of indicators is about how easy it is to get businesses going, including labour availability, financial availability, reliable local suppliers. The fourth set of indicators is responsiveness to business which is also interesting because they survey local businesses on how supportive the government is. The fifth set of

indicators is on competitive policies which tries to measure how easy is it for a firm to get permits and working directly with the government for key transactions.

So, ACI has a slightly different approach to the World Bank in terms of its geographical coverage. For the World Bank's coverage, for each country they have a few proxy cities, as representatives of ease of doing business, so for example in Indonesia they have Jakarta and Surabaya. Now, ACI's approach is to (and done so successfully it seems, in Indonesia and India) carve up the country into specific regions, so every part of the region is included. So in that sense, that is a useful way of measuring not just the key cities but how each individual region is also varying. Indonesia for example, is quite big and Jakarta is and can be completely different from another part hundreds of miles away. So that kind of information is very important to businesses that are trying to make a decision on where to go. So this I would say is how information can be used to facilitate business.

Now, let me move on to the second part, about what has Singapore been doing. Let me talk about food security first. Singapore is not a large agriculture producing country, but it might be interesting for you all to note that food security is something we have given a fair bit of thought to. We have an agency called AVA, and they have been adopting by-and-large European standards of food security and they have been quite at the forefront of trying to certify food quality.

Just to give you three examples of all the things they have done: they send our food inspectors to go everywhere in the world to key areas that we get food from, to certify at source. Second, for key areas like poultry and vegetables, which we get from Malaysia, we even go over there and work out a whole series of sets of farms from Malaysia that supplies primarily to Singapore, to ensure that they meet certain standards.

The third thing is that we have a collaboration with Jilin province in China, where AVA even set up an office there. We advise them on food security, but even set up a government office there to help them certify the food. Just like my fellow panelist mentioned, the possibilities of food security as a common theme to tie all of us together is tremendous. Even in Singapore, PWC is already exploring providing advisory services on this.

Now, let me also touch briefly on things other than food security. Singapore just came up with a roadmap for economic development. It was launched just a few days ago. It is called the Committee for Future Economy (CFE). The number one recommendation actually in that report is to strengthen international connectivity. So we are doing a few things other than what we used to do. We are setting up a global innovation alliance among all the universities and we hope that



these universities will be launch pads for our businesses to interact with one another. So that will be a very important conduit.

The second part is we are also realising that understanding market knowledge is quite important. So at different levels of our leadership training that the government co-funds to help the people improve themselves, we will also be focusing more on understanding different markets, even at the senior leadership level.

So, in a nutshell, just to sum up, people to people connectivity is critical. That is the reason why we are here at APEC. We can have all the trade negotiation infrastructure but in the end it must translate to people, to inclusive growth, and I think that is a key thing that we all have to work hard on. With objective information, we can really not just motivate the businesses to go to the right places but also get the local governments to understand how to improve themselves. The other part is that Singapore has always been very keen to promote people to people connectivity. We have done so in the past and we will continue to move forward on that, including on areas like food security. Thank you very much.

**Moderator: Djisman Simandjuntak**

Thank you very much, Pak Henry. Your points on SMEs' need for information about partners overseas is very pertinent and needs to be pushed forward. Let us continue with Mr Nguyen Do Anh Tuan.

**Panelist 3: Nguyen Do Anh Tuan**

Thank you Mr. Chairman. I just want to talk about the issue of food security and the role of agricultural development in APEC. I try to conceptualize what Madam Pham already said in a more systematic manner.

I will start by telling you two pieces of news, one good and one bad, about food security and agricultural development. The good news is that, with the help of good policies and investment by the government coupled with innovation, we have better food supply, better income for the farmers'. The latest estimations by the FAO for the APEC economies suggest that the number of undernourished people reduced dramatically from 420 million in 1922 to only 209 million people in 1940 but now is expected to reduce to just 94 million people by 2030. It is a very dramatic trend in terms of reducing the proportion of under-nourished population. In non-APEC economies, the problem is still grave however. To be sure, though the number of undernourished people have decreased, it has happened at a much slower rate compared to the APEC economies.

For instance, in 1992, 590 million people were undernourished in non-APEC economies. In 2014, it has reduced by only a little bit to 586 million people, and estimates suggest that it will go down only to 450 million people. That is as far as the good news goes.

The bad news comes in two forms - one is that the food market and food business has become more risky, with more uncertainty and price volatility, especially after the high price spike of 2008. We still see the prices increasing but with unexpected fluctuations. This creates difficulties for businesses and consumers alike, not just in urban areas but also the smallholding farmers, who do not have sufficient food to eat.

The second piece of bad news is that we are having to cope with more and more pressure on both the supply and demand sides of food. Some of this pressure is created by external forces, but some pressure is created by ourselves. Problems abound. On the external side, climate change is leading to more extreme weather events; more diseases, less water, less land, increasing temperatures and environmental degradation in terms of the plains, the forests, water, biodiversity and pollution contributing to more food insecurity. Further, competition among countries for resources is an issue today, especially as in the case of the Mekong river water or marine resources, in the sea among ASEAN countries and China.

Industrial development and biofuel compete for resources. Low farmer incomes mean that they will either exploit the natural resources more or they will try to move out of the country, which is something to consider for the long-term. Dietary preferences change and with higher incomes, with greater urbanization, people will try and look for more nutritious food, but with the existing level of technology, usually more nutritious food means people will use more resources, resulting in more emissions.

There is also the issue of price volatility which I mentioned earlier. This is largely our own creation and not by external forces. Either the government tries to subsidize other countries' exports, or tries to apply some kind of price stabilization scheme, but the more each country tries to do something like that, the more unstable our food market becomes.

Adding to that is speculation in the food market, through some financial instruments, through commodity exchange. Faced with those kinds of challenges, the APEC economies have put a lot of effort and I have observed that governments have strong commitments and are sharing information with some kind of platforms.

However, I do not think that we have very clear strategies or action plans or real investment to handle the problem. For instance, take the example of the environment and climate change. I have already said that especially in developing economies in APEC, normally there is a commitment. However, we see no clear strategy to cope with climate change, or real investments by the government. Even if the government was willing to do it, they have very limited capacity to handle the problem, and more importantly the government efforts are not enough. We must mobilize the efforts of the private sector to work together to handle the problem of climate change and environmental degradation.

In terms of trade, we see the emerging tendency towards protectionism in food, especially in non-tariff barriers and technical barriers. With the market like this, it creates very high risk for investors. So without private investment in our countries, it becomes very difficult to come up with new technology, to set up very good value chains for not only the business but also for the farmers.

Under price volatility, my observations of Vietnam are that it is normally the farmers who suffer. Either they get used to low prices, or they have to go out of business. So I have a number of suggestions or implications for APEC collaboration in the coming years. We will discuss them in greater detail in Song Han in Vietnam in the coming week in Da Nang city.

Regarding the long term supply of food, we must think of how to apply the no-regrets strategy, to cope with climate change, to cope with environmental regression, more information sharing, especially in terms of policy making, in terms of improving capacity for the government staff, for scientists, and also for farmers and businesses. We must have some mechanism for collaboration in managing common resources among countries, like the Mekong river water and the marine resources between China and the ASEAN countries. Governments must think seriously about investments to cope with climate change in terms of infrastructure and risk management. It is also quite important to create the public private partnerships to develop the green value chain, both at the domestic level and the regional level. Further, we must develop codes of conduct for private business to apply the green value chain approach and develop a mechanism to promote common trade in each country. In terms of trade, I think information sharing among food exporting and importing countries are very important, and the example of emergency food reserves, rice reserves among ASEAN and other countries is a very good policy instrument relevant in this context.

From trade agreements, we should move further towards investment partnerships, to avoid food speculation and price volatility in food markets. Normally we have agreements bilaterally

between the governments of Vietnam and Indonesia or Vietnam and Philippines but I think a better alternative would be an Indonesian company or a Philippines company making investments into the Vietnamese rice sector, which would be a better mechanism to cope with price volatility.

Madam Pham also talked about harmonization of food standards and food safety. In terms of connectivity, rural-urban integration and development is the area where we have done very little and we need to do much more. More research needs to be done. How to support smallholding farmers for example, and how to create more entrepreneurship in the countryside are questions to think about. We need to think more about cooperative development, about the one commune, one product initiative, which is very applicable to developing countries. In terms of rural-urban integration, we must not just stop short of supporting smallholding farmers because they do not have enough capacity to develop further or to integrate into the value chain. Instead, we must think about connectivity for enhancing competitiveness and not just connectivity for social inclusion. This implies provision of the appropriate infrastructure and getting private investors to invest in agro-power and agro-industrial infrastructure and set up agro-innovation incubators. We also need to think about the rural sustainable landscape approach.

Last but not least is the rural labour transformation. Employment, vocational training, social safety net and support and protection for migration are all areas I think we can collaborate on further in APEC for the year 2017. Thank you very much.

**Moderator: Djisman Simandjuntak**

Thank you, Mr Nguyen Do Anh Tuan. By improving connectivity, we can alleviate a number of big problems including food shortages in a number of places, but investing in connectivity is not exactly an easy job to do. Finally, I would like to invite Pak Jimmy Koh to share with us his experiences dealing with maritime connectivity in our part of the world.

**Panelist 4: Dr Jimmy Koh**

Thank you. Good afternoon everyone.

I have the good fortune to work in almost all ASEAN countries in the last 50 odd years. I have had the privilege to travel the journey in which Singapore developed from a third world infrastructure to first world infrastructure in the last half a century, with Malaysia, Thailand, and Indonesia following closely behind. Vietnam, Cambodia and Myanmar are all picking up speed and gaining pace. Very soon, the continental region of ASEAN nations, Laos, Vietnam, Cambodia, Vietnam,

Myanmar, Malaysia and Singapore will be connected by roads and high speed railways. The real physical integration of ASEAN countries is happening.

The mega view is that in the next 10 years, the cross border development in the ASEAN region will accelerate. The technical background of all ASEAN countries are diverse with the exception of Singapore, Malaysia, Brunei and Myanmar which were based on British standards. Other countries due to historical backgrounds were based on Dutch, French, Russian and American standards. Commercially, due to Japan's rapid and successful development in the last 50 years, Japanese standards (JIS) is also commonly used. For all ASEAN countries to have cross border infrastructures, such as roads, railways, airports and seaports, it is imperative that the industrial standards for manufacturing of material and code of practice for design of buildings and infrastructure become harmonized. This will be helpful to the developers and beneficial to the users.

Before the formation of the European Union, Europe had many Industrial Standards for manufacturing of materials such as Steel, Cement, Glass Sheets, etc. A factory had to produce these materials complying with British Standards to sell to England, French Standards to sell to France, DIN Standards to sell to Germany, etc. Now, all factories produce products which comply with only the Euro Norm (EN) in order to sell to all European countries.

The factories became more efficient and productive because they can concentrate their production to comply with only one industrial standard. This resulted in lesser investments in the factories and more productive in the manufacturing process and as the factories become more productive and competitive, the final result of cheaper products are enjoyed by the consumers. Europe has become more productive and competitive.

All the buildings and infrastructures in Europe are now designed and built under one standard, the EN. The planners, the architects and engineers are now more efficient in their work as they comply with only EN. This hastens the integration of the infrastructure in Europe, and Europe as a community.

In ASEAN countries, the material manufactured and used in buildings and the infrastructure projects, such as cement and steel etc. should ideally comply with a common standard and specifications and therefore have common qualities and sizes, so that they are available across borders and can be used safely and productively. For example, just the basic construction material of steel, the specifications employed now in ASEAN countries are SS, EN, ASTM, JIS, SNI (Indonesian), TIS (Thai), SIRIM (Malaysian) and now Q (Chinese), etc. This is to nobody's

advantage and benefit. Even for the stock list of steel material, the varieties of the same material tie down the storage space and capital, and push up costs of business which have no benefit and therefore is not helpful in the integration of ASEAN as a group.

The standards and codes of practice for design of roads, bridges, railways, airports and seaports have to be standardised for safety and convenience of the operator and users. For instance, ASEAN countries have a very different geology. For earthquakes, different ASEAN nations have different requirements and allowance for design of buildings and infrastructure. Some countries like Japan, the Code of Practice in this area is well developed. For each member of ASEAN country to carry research to write their own Code of Practice for Seismic consideration would be a waste of resource. We can agree to adopt a well-established code of practice.

Other matters, such as standards and code of practice in Environmental Management and Safety Practice should also be examined and harmonized at the same time. These matters are of great importance to ASEAN countries, especially those who are in development stages to avoid pollution which will cost billions to get rid of the pollutants and revert the environment to its origin unpolluted conditions.

The ASEAN Secretariat should consider to have a technical unit to look into these areas. I have singled out the ASEAN Region as an example for discussion. The same reasoning and argument can also apply to the APEC grouping. We must remember APEC is a diverse group of 21 nations covering more than half the world. When APEC is discussed under the same subject of industrial standards for Material and Code of Practice for design in building and infrastructure, the new driving force of China must be considered. China is now the factory of the world. The capability of China's factories to produce different varieties for the same material is remarkable. The steel factories can produce products to comply with almost any specification and sizes for different customers in different countries is admirable and beyond imagination.

However, if all these countries can buy steel from China which comply with only one specification, the investment in plant and saving in the process will make Chinese factories even more efficient and productive and at the same time cut down pollution. This will also increase the competitive edge and result in lower prices which will benefit all the customers.

If ASEAN countries can come together to harmonise all industrial standards for production of material and code of practice for design of buildings and infrastructure, the benefits will be real and it will immediately cut costs, and make ASEAN as a group to produce real benefits to all its member countries.

Likewise, if APEC can also follow ASEAN's initiative and come together to work on the harmonisation of industrial standards and code of practices for design of buildings and infrastructure, this will make APEC very meaningful. As capitalisation of factories can be reduced, the process can be more productive and wastage in material and energy used can be reduced. This will make globalization bear fruits which everyone will enjoy and there will be no losing party. As we cut wastage in the use of natural resources and reduce the use of energy in production, the world will also be greener. Thank you.

### **Question & Answer (Q&A) Session**

#### **Moderator: Djisman Simandjuntak**

Thank you, Pak Jimmy Koh. So even ASEAN, the smaller part of the Asia-Pacific, is still faced with technical disconnect in terms of standards. I think this is a very important area to deliberate upon in the years to come. Whatever we do in trade liberalization, things are not going to move forward unless we also agree on standards. We are very late, and I suggest to allow only three comments or questions from the floor, despite the very extensive coverage of issues of this session. May I invite comments or questions from the floor, please?

#### **Attendee**

Thank you sir, for the floor. This is just to say that in terms of food security, there is actually a multi-year APEC project on food security, which is not in the area of food safety, but more in the area of food waste and food loss, which is very important, in mentioning connectivity. And sometimes connectivity issues affect the food waste and food loss at the same time in terms of rural development. This year fortunately, Vietnam will also host the APEC food security week. I am from Chinese Taipei and we will also be holding a workshop as part of the APEC multi-year food loss project during the food security week in Can Tho. So if anyone is interested in this workshop please contact me. Thank you.

#### **Tan Khee Giap**

My question is to Dr Jimmy Koh. You mentioned that ASEAN has so many standards. But someone has to initiate proceedings to introduce a common standard. So what is your proposal? Should it be Singapore, China, APEC or Vietnam? Vietnam does not even have a standard, right? We have Singapore standards, Malaysian standards, Q standards, which is China's standard -- so what are you proposing?

**Panelist: Dr Jimmy Koh**

Well, ASEAN has an ASEAN secretariat, right? I think the ASEAN secretariat should initiate an action plan.

**Tan Khee Giap**

Well how about APEC? Can it be an APEC standard? No?

**Panelist: Dr Jimmy Koh**

I start small, manageable, and then APEC is up to you!

**Moderator: Djisman Simandjuntak**

When it comes to standards, it is really a tower of babel? In Malaysia and Indonesia, we also have halal standards which is one more!

**Attendee**

Thank you. I think people to people connectivity is very important, and they are the decisive factors, but we have not been discussing much about the mutual capacity building among APEC members. We all know that there are some very huge gaps among our members. So, I just wonder whether the panel can address that issue in a very general way, while discussing some specific measures, so that we can continue this discussion afterwards.

**Moderator: Djisman Simandjuntak**

Thank you. So I suggest that the speakers conclude with a minute each, starting with Pak Koh.

**Panelist: Dr Jimmy Koh**

I will give you an example. The sum of the specifications of the world is driven by industry. For example, the oil industries. All the oil carriers, their design and operations are all under one standard – the Oil Company Marine Forum. Another industry, air transport, the aerobridge, runways and all of these are controlled by the big industry players like Boeing and Airbus. I believe that all the steel factories in the world can come together to discuss for one common code of practices, or specifications.

**Panelist: Mr Henry Kwek**

I will talk about another aspect of P2P or people to people connectivity, which is students. I think that among APEC communities even within ASEAN, the understanding of each other's culture is quite rudimentary. It is a very diverse place, so I think it really must start with our universities



and tertiary education system. Just to make a plug, even in Singapore we are trying to do more of that, but we are realising that we are only scratching the surface. But once you have those kind of understandings and those kinds of relationships, everything will flow. So student exchanges must happen.

**Moderator: Djisman Simandjuntak**

In the thousands, rather than in the hundreds...

**Panelist: Madam Pham**

I think that one of the critical agendas in APEC when talking about people to people connectivity is education. If you consider education as a kind of service, which is addressing not only the university but also vocational training, and even primary school, to formulate a scheme for worker and for pupils to live and to grow, I think that is very important.

**Moderator: Djisman Simandjuntak**

Both are important. People to people connectivity is important. In our mechanized world, people to machine connectivity is also very important. I was looking for good coffee this morning in the coffee shop, and I could only communicate with the machine. No people to people connectivity anymore. This is going to increase in importance in the future. All airports will be equipped with machines rather than people. I think maybe education needs to be considered very important when dealing with these issues of connectivity. Europeans have the Erasmus programme. Something similar, I think, needs to be invented for our part of the world. Perhaps we will start with ASEAN and then East Asia, and then the entire Asia-Pacific, but we are not going to go far unless we have a systematic programme of that kind. Now let us thank our speakers with a big hand.

## **Session 5**

### **“Re-Evaluating and Reshaping the Common Resolve to Bogor Goals”**

#### **Moderator:**

- ✧ **Mr Denis McNamara**, *Chairman*, New Zealand Committee of the Pacific Economic Cooperation Council (NZPECC)

#### **Lead Panelist:**

- ✧ **Tan Sri Rastam Mohd Isa**, *Chairman & Chief Executive*, Institute of Strategic & International Studies (ISIS) Malaysia & *Chairman*, Malaysia National Committee for Pacific Economic Cooperation (MANCPEC)

#### **Panel Discussion:**

- ✧ **Dr Erlinda M. Medalla**, *Senior Research Fellow*, Philippine Institute for Development Studies
- ✧ **Dr Sungil Kwak**, *Director*, Korea National Center for APEC Studies, Korea Institute for International Economic Policy
- ✧ **Mr Jusuf Wanandi**, *President Director*, The Jakarta Post Daily & *Senior Fellow and Co-founder*, Centre for Strategic and International Studies, Indonesia & **Dr Djisman Simandjuntak**, *Chairman*, Indonesia National Committee for Pacific Economic Cooperation (INCPEC)

#### **Moderator: Denis MacNamara**

Now, this is a very important session as far as PECC is concerned. PECC has commissioned Malaysian PECC and New Zealand PECC to lead a project on re-evaluating the Bogor Goals as to where we go after 2020. This is the first part of getting that project underway. As I explained earlier, it is baby steps.

I am delighted to introduce our lead panelist Tan Sri Mohd Rastam, who is the chairman of Malaysia PECC. He is a former Secretary General of Foreign Affairs of Malaysia and has served as an ambassador in various countries and at the United Nations. Bearing in mind that we are running over time, I will keep the introductions very brief and ask you to kick off.

### Lead Panelist: Tan Sri Mohd Rastam

Thank you very much, Denis. I would like to express my sincere thanks to Tan Khée Giap and SINCPEC as well as VNCPEC for inviting me to be here, as well as to speak. I was supposed to be a moderator earlier on, but somehow or other, I have been asked to speak on this.

Now, the Bogor goals. As some or many people would say, by the year 2020, the Bogor goals would expire and something else would need to take its place (Exhibit 49).

#### Exhibit 49:

### Bogor Goals in brief

The Bogor Declaration (Bogor 15 November 1994) presented targets of **free and open trade and investment by 2020** through reducing trade barriers and promoting the free flow of goods, services and capital among APEC economies.

*"...with the industrialized economies achieving the goal of free and open trade and investment no later than the year 2010 and developing economies no later than the year 2020."*

*"pursued promptly by further reducing barriers to trade and investment and by promoting the free flow of goods, services and capital (...) in a GATT-consistent manner (...)"*

*The declaration provided only **guidance**, not a prescription for how economies should act*

3 ways

APEC Economies can reduce barriers through:

Unilateral measures and action

Regional/ bilateral negotiations (RTA/FTAs, BITs)

Multilateral negotiations (WTO)

The Osaka Action Agenda in 1995: individual and collective action guidelines in 15 specific areas towards achieving the Goals



So as we can see, the Bogor declaration was made in 1994, on the 15<sup>th</sup> of November, to be exact. It had targets for free and open trade, and investment by 2020 through the reduction of trade barriers and the promotion of the free flow of goods through the APEC economies. So the implication here is that by the year 2020, the hope was that the Bogor goals would have been achieved or that the Bogor goals need to be reviewed and modified or adjusted in 2020 itself. Malaysia is slated to be the host for APEC in 2020, and I can tell you that the government machinery in Malaysia is already churning towards preparing for APEC 2020. The Malaysia National Committee of PECC which I chair, as well as APEC Business Advisory Council (ABAC) Malaysia, is now working closely with the government in this regard.

The Bogor goals say, among other things, that the industrialised economies should achieve the goal of free and open trade and investment no later than the year 2010, and the developing economies no later than the year 2020. Of course, as we can see, it should be through the

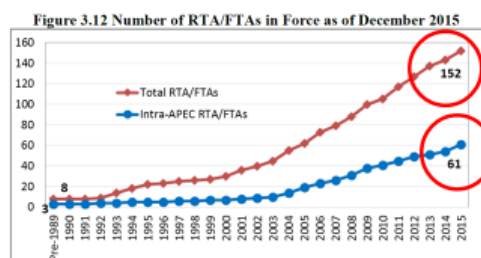
reduction of barriers to trade and investment, promotion of free flow of goods, services and capital. Following that, you have the Osaka action agenda, developed in 1995 or adopted in 1995, where individual or collective action guidelines in 15 specific areas towards achieving the goals were identified. You can see those in the boxes.

What have the goals achieved so far? (Exhibit 50).

## Exhibit 50:

# What the Goals have achieved so far...

1. MFN tariff rates are much lower relative to that in the 1990s
2. Increasing number of RTA/FTAs since early 2000s



Source: APEC economies' government websites and APEC Policy Support Unit calculations

*Not much of a causality between the Bogor Goals and the progress achieved by APEC, BUT the Goals have inspired initiatives to reduce barriers to trade and investment*

3. Many sectors are more accessible to foreign investment and open for services trade
4. Trade and investment facilitation indicators have improved

It took 13 days to trade in 2013, two days faster than in 2006.

Yet, 2006-2013: Cost of export and import went up (17% and 22%) but still more benign than average inflation (30%)

World Bank's Logistics Performance Index (LPI) shows perceptions on the quality of infrastructure in APEC economies have improved between 2007 and 2014. Yet, gap between quality of APEC industrialised vs. developing economies remains.

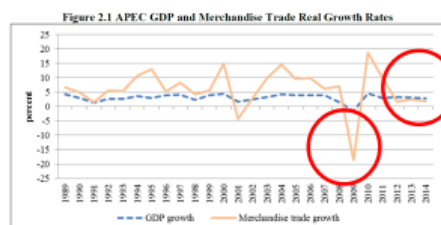
This is just a brief run-through of the achievements of the Bogor goals: if you look at MFN tariff rates, they are now much lower relative to that in the 1990s. There has also been an increasing number of regional trade arrangements as well as FTAs since the early 2000s. You can see the increase there, in RTAs and FTAs, total as well as intra-APEC. Thirdly, many sectors are more accessible to foreign investment and open for trade services. Fourth, trade and investment facilitation indicators have improved. For example, it took 13 days to trade in 2013, two days faster than in 2006. Yet, between 2006 and 2013, the cost of exports and imports went up 17 percent and 22 percent. But this is still more benign than the average inflation rate of 30 percent. According to the World Bank's logistic performance index, perceptions on the quality of infrastructure in APEC economies have improved between 2007 and 2014, yet the gap between the quality of APEC industrialised and developing economies remains.

However, there are still some challenges (Exhibit 51).

## Exhibit 51:

### Challenges remain...

#### 1. Trade has slowed down since the 2008 financial crisis

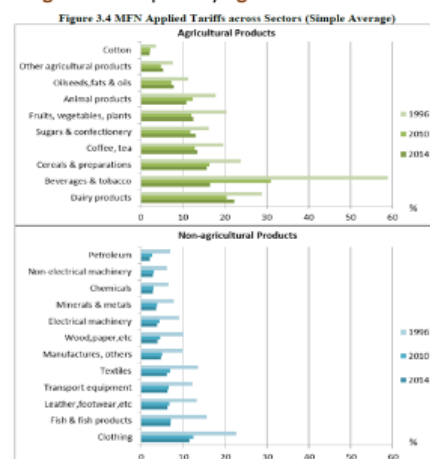


#### 2. Services restrictions have been falling though varying across economies and sectors.

- Energy, telecoms and transport appear to be less restrictive; health and social services remain as the most restrictive

#### 3. Government procurement still favours local suppliers in some countries (e.g. Malaysia, Indonesia).

#### 4. Tariffs have fallen significantly but some sectors still face high tariffs especially agricultural sectors



Source: APEC PSU (2016) Second-Term Review of APEC's Progress towards the Bogor Goals

First, if you look at trade, it has slowed down since the 2008 financial crisis. You can see the trough there, in 2009 in particular. Second, services restrictions have been falling, though varying through economies and sectors. For example, while energy, telecoms and transport appear to be less restrictive, health and social services remain as the most restrictive. Third, government procurement, for example, still favours local suppliers in some countries. Some examples are given - Malaysia, Indonesia, and the Trans-Pacific Partnership (TPP) had sought to address these issues, among others. Fourth, tariffs had fallen significantly but some sectors still face high tariffs, especially the agricultural sector. There are those statistics that attest to that.

Next, I continue with the challenges. Very interestingly, a lot has been said about non-tariff barriers and non-tariff measures. There seems to be an increasing trend in the application of non-tariff measures (NTMs). Now according to APEC itself, you can see from Table 3.14 (Exhibit 52) that among the NTMs implemented in the APEC region by economy, the highest is the United States with 585, circled, there. Of course, this new border adjustment tax that is coming up is something that will be very interesting, whether this is a NTM, or whether it is a new form of tariff. We can see that it is the larger economies that have been imposing NTMs. You have countries like Brunei, for example there, with zero (Exhibit 52).

## Exhibit 52:

# Challenges remain... (cont. )

## 5. Increasing trend in the application of non-tariff measures

Table 3.3 Frequency of NTMs in Force Implemented by APEC Members (End of Calendar Year)

Implemented by APEC Economies	2010	2011	2012	2013	2014	2015	Change (2010-2015)
Antidumping	607	580	601	638	667	675	11.2%
Countervailing Duties	65	70	75	82	90	90	38.5%
Safeguards	24	33	36	40	44	49	104.2%
Special Safeguards	262	277	288	292	295	296	13.0%
SPS – Specific Trade Concerns	99	110	118	106	112	115	16.2%
TBT – Specific Trade Concerns	149	173	188	210	226	233	56.4%

Table 3.14 NTMs Implemented in the APEC Region – By Economy

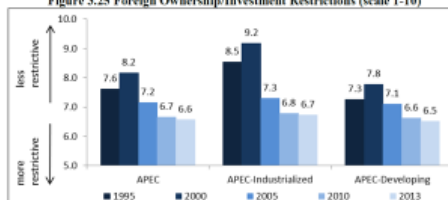
Economy	Number	Economy	Number	Economy	Number
Australia	94	Japan	138	Philippines	7
Brunei Darussalam	0	Korea	55	Russia	364
Canada	114	Malaysia	31	Singapore	25
Chile	10	Mexico	75	Chinese Taipei	8
China	167	New Zealand	9	Thailand	28
Hong Kong, China	2	Papua New Guinea	1	United States	585
Indonesia	186	Peru	11	Viet Nam	49

Source: Global Trade Alert (GTA) database. Latest data accessed on 17 November 2015. APEC Secretariat, Policy Support Unit calculations.

Source: APEC PSU (2016) Second-Term Review of APEC's Progress towards the Bogor Goals

## 6. Negative perceptions on restrictions facing foreign investors are more prevalent; Yet governments have been implementing measures to improve the investment climate

Figure 3.25 Foreign Ownership/Investment Restrictions (scale 1-10)



Source: Fraser Institute, Economic Freedom of the World 2015 Annual Report and APEC Policy Support Unit calculations. Note: Data is not available for Papua New Guinea, Brunei Darussalam and Viet Nam's data are only available since 2010 and 2003 respectively.

## 7. Investors still face obstacles which increase their costs

- Improvement in average time to start business fell from 37 to 15 days, number of procedures fell by 9 to 6 (2006-2015)
- Cost of enforcing contracts –a crucial factor determining a firm's transactions costs in its operations and the institutional efficiency –has slightly increased

Negative perceptions on restrictions facing foreign investors are more prevalent, yet governments have been implementing measures to improve the investment climate. A lot of effort has been made, but it is perhaps partly because of this trend against globalization, that you are having these perceptions. In Malaysia for example now, there is a lot being said, especially in social media, about investments coming in from China.

The next challenge is that investors still face obstacles which increase their costs. For example, improvements in average time to start a business, of course, fell from 37 to 15 days, and the number of procedures have fallen from 9 to 6, from 2006 to 2015. The cost on enforcing contracts, which is a crucial factor determining a firm's transaction costs in its operations and institutional efficiency, has slightly increased.

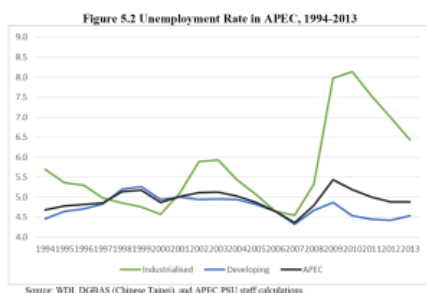
Now, I would like to move on to socio-economic and environmental factors (Exhibit 53). There has been some progress in economic growth and social outcomes. Yet, employment levels have not recovered since the global financial crisis of 2008-09.

## Exhibit 53:

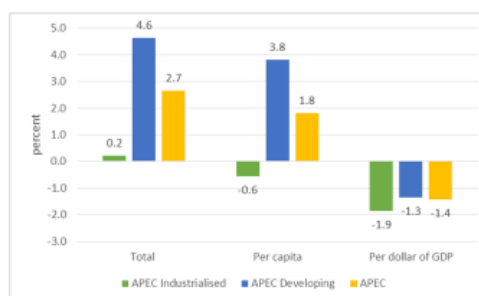


# Socio-economic and environmental factors

- ❑ Some progress in economic growth and social outcomes, yet employment levels have not recovered since the global financial crisis
  - ❑ Living standard has improved and poverty has fallen
  - ❑ Enrolment in tertiary education more than doubled between 1994 and 2013
  - ❑ Yet **unemployment increased** after 2008 financial crisis
- ❑ Mixed outcomes on environmentally sustainable growth, between 1994 and 2014
  - ❑ Carbon dioxide emissions and emissions per capita increased
  - ❑ Yet, carbon intensity of production is falling



**Figure 5.9 Annual Average Growth in Carbon Emissions, 1994-2012**



Source: WDI and APEC PSU staff calculations.

Source: APEC PSU (2016) Second-Term Review of APEC's Progress towards the Bogor Goals

Living standards have improved and poverty has fallen. Enrolment in tertiary education has more than doubled between 1994 and 2013. Education was touched on in the last session. I think it remains an important issue for APEC. Yet, if you look at the situation after the 2008 financial crisis, unemployment actually increased in APEC economies. You can see the graph there (Exhibit 53). There have been mixed outcomes on environmentally sustainable growth between 1994 and 2014. For example, carbon dioxide emissions and emissions per capita have increased, yet carbon intensity production is actually falling. These are all figures that are sourced from APEC.

Now, in the next four minutes and thirty three seconds, I will move on to re-evaluating and reshaping the common resolve to the Bogor goals – what is next?

First, I would say that the Bogor goals started as an idea and will end as an idea by the 2020 deadline. Partly because there is no means of really measuring all the achievements. They have all these facts and figures, but there was no obligation on the part of people to actually measure what had been achieved. As we can see it was a response to regional integration initiatives such as the Uruguay round, NAFTA etc. Now, that was when regions and the world were getting together. In 2017, we see a new situation. Could there possibly be regional or global disintegration, so to speak? We have had Brexit, now America first, we have the new Euro politics in France, Netherlands and other European countries.

Second, the Bogor goals were actually a convenient choice to integrate the Asia-Pacific region. Regional integration in the Asia-Pacific region is categorized by overlapping member countries

which in turn strengthen the end for APEC to develop a similar integration objective, in the Bogor goals.

Next, targets were largely muted but various platforms were created to support the Bogor goals. So we had, for example, the ECOTECH, eventually becoming the foundation to support the Bogor goals, for tangible results can only come from the amalgamation of binding commitments involving APEC economies. Since the creation of the Bogor goals, the APEC economies have been actively involved in various trade deals, either via bilateral, plurilateral and multilateral FTA.

There were also attempts to further realise the Bogor goals by turning APEC into a binding platform. As we know, since the creation of APEC, the bloc's non-binding principles have actually slowed down regional integration to some extent. At the same time, APEC also became a victim to the constant change of focus that accompanied the change of APEC's chairmanship. This is a problem faced by all regional integration mechanisms, be it APEC, ASEAN and others.

As a matter of compromise, APEC of course moved ahead by developing the executive director post, accompanied by the policy support unit. Now, the move towards achieving the Bogor goals are further strengthened by trade agreements among member economies. We had the P4, which transformed into the TPP, of course the ASEAN FTAs, with China, Japan and Korea.

APEC economies are also taking proactive steps towards building a binding commitment via FTAAP, based on the ongoing initiatives or the pathways of the RCEP and TPP. Now with the collapse of the TPP and the slowdown in the conclusion of RCEP, that leaves, in a way, a vacuum, in the progress and subsequently the move towards the post-Bogor goals agenda.

What we should be looking at ahead is what happens in the context of the TPP. What happens in the context of, for example, the border adjustment tax, which is now being actively discussed in Washington DC? In this regard, this tax may provide gains for the US, but other APEC economies would probably suffer. Among other things, there will be, I believe, a ten to fifteen percent appreciation in the value of the US dollar, which is going to make it difficult for all of us. As it stands now, even the member committees are having problems in paying our dues in US dollars. There could be less exports to the United States as they begin to import less and they try to export more. So these are some of the issues that will need to be addressed as we move forward towards 2020.

Now, very quickly, the present resentment towards regionalism is largely due to the fact that FTAs benefit large corporations more than the SMEs. So obviously, the post 2020 APEC agenda should



give more emphasis towards further development of MSMEs, and more emphasis towards connectivity. It is a question of whether or not you will transform the APEC connectivity blueprint into a masterplan. There should be a clear response to technological change. Of course, there is also a need to ensure the correct pathways towards the achievement of the FTAAP.

Final point -- in order to stay relevant of all, the post-Bogor goal initiatives must be inclusive and, I might add, measurable, which in turn would make such voluntary processes move at a much slower pace. So without a clear direction towards a binding commitment by the APEC economies, either through the TPP, which is practically dead now, RCEP or FTAAP, the move forward will make the Bogor goals remain as an idea rather than a clear cut target. Thank you.

**Moderator: Denis MacNamara**

Thank you and that was an excellent exposition of what has happened in the last 25 years, given a very short space of time. Our next panelist is Dr Erlinda Medella, who is from the Philippines. She is a project director of the Philippine APEC studies centre. She has been a frequent writer, and her areas of expertise are trade, competition policy and industrial policy. Erlinda, the floor is yours.

**Panelist 2: Dr Erlinda Medella**

Thank you so much and good afternoon to everyone!

First of all, I would like to thank the organizers for having me here. It is indeed a pleasure and I have been learning a lot from the discussions. So, let me just say first that I think the previous sessions have expanded on so many challenges and uncertainties that are now confronting us at APEC, and the global economy in general. The discussions, specifically the previous one, have also reminded us about what APEC is about, its achievements and so forth.

To contribute to this session, which is re-evaluating the Bogor goals and reshaping the common resolve to Bogor goals, let me first dwell and highlight the advantages of APEC. I think, to me, there is an advantage in APEC being voluntary and unbinding, and that having greater emphasis on cooperation. It avoids the difficulties in the negotiation process. In so doing, through this process, I think it has become an incubator of ideas, and I think that is a very good advantage of APEC. It has contributed to capacity building and I know this first hand when I attend meetings in my own country as to how these officials -- the middle level technical force of the government -- have engaged in this forum and how they bring back this open-mindedness and everything else they have learned from being part of the technical working groups. I think such experiences have

value, in building mind sets in the government that we need to cooperate and collaborate with other countries. In so doing, the result is a learning process that has been cultivated by APEC activities, including the studies in information exchange.

The APEC process is thus both a bottom-up and a top-down approach, with a series of workshops, meetings at different levels -- from working groups, senior officials, and ministerial levels up to the leaders themselves. This really provides some common framework, principles and guidelines, although not a lot of them are implemented and followed afterwards. But it is a process - an emerging one at that. I think this really encourages reforms and has reinforced the domestic reforms that we need, not just in terms of policy, but also in terms of operations in helping us modernize our customs and other agencies. I have been part of it and that is why I might have a bias in seeing the positive side of APEC. Hence I have all these positive things to say about APEC. I think it remains relevant and I think it is even more so during this time of rising protectionism, economic rebalancing and diversified growth. So it is in a unique position to offer solutions. It is the largest and most dynamic regional grouping.

I think it is good that the Bogor goals are there to remind us. It is good to have these principles there, every time, to remind leaders that these are where we are headed, and of course, if you look at the theme, and the activities that are adapted by the evolving chairmanship, I think there is an advantage in that as well. I think you can see that the agendas involved meet the needs of the times. They covered SARS, security issues and so on and so forth. It has this flexibility to evolve and to cover important areas.

But let me take you back, actually, to the first statement in 1993 of APEC and it says, the vision is stability, security and prosperity for all our people. So with the changing themes and priority areas, our vision remains the same, actually. It is just that the Bogor goals are only one of the concrete steps to achieve these goals. So APEC I think has really an important role in this time of global uncertainty. Against this trend of de-globalization, APEC has a role in keeping the resolve in the region, for openness to build on these foundations, which has brought long-term growth, and the flexibility it has to address gaps and shortcomings.

It has a role in resisting the siren call of bilateralism, as some would call it, or maybe to make this bilateralism into a good model and a stepping stone for multilateralism, which could happen. All these different forces working together could well happen too. So we need to recommit to openness and to each other. There is a need to be clear and unequivocal and we need a more explicit and stronger statement.

At the same time, we need to be more explicit that APEC is not just about the Bogor goals, that this becomes something more as you look at the work that we have done. We need more work and focus on inclusiveness, on human resource development, on connectivity, on harmonization of technical standards, like we have discussed before. Maybe some Mutual Recognition Arrangements could be added as well. Let us continue sharing experiences, exchange of information and best practices. It is about continuing the dialogue which needs to happen. This cannot stop.

So what happens now, with TPP being dead or paralyzed? I think APEC has to continue to be a venue for enabling the emerging regional FTAs, to progress and contribute to the objectives of APEC. Hopefully, eventually this will pave the way for FTAAP as an angle. A FTAAP would have open accession principles and that it is not just going to stop there as it will be multilateral. So let us encourage ourselves, support moving TPP forward even without the US, enable or explore the Pacific alliance.

Of course, we do not want to waste further resources and political capital too thinly. We need to deal with those existential threats Professor Morrison was talking about. Most of all, we need to consolidate what we have and come out more strongly against the threats and challenges of the new uncertain global environment. I think I will stop here. Thank you.

**Moderator: Denis Macnamara**

Thank you. Our next panelist is Dr Sungil Kwak, from Korea, an expert on matters related to trade.

**Panelist 3: Sungil Kwak**

Thank you. Actually this is my first time in PECC, so today I was very shocked because you have covered a lot of topics and they make me very nervous actually. Also, I think joining PECC has a lot of barriers to entry. If these barriers were cleared, maybe our economic cooperation will be enhanced.

Actually I want to relate to the topic of the reshaping of the Bogor goals. I want to focus on infrastructure connectivity and equitable economic development. We are now living in an age of uncertainty. For example, in the US Presidential elections, Donald Trump was elected. Second, last June, we were surprised by the results of the UK's withdrawal from the European Union. Because these result in isolationism and protectionism, in particular because these results are emerging

in the US and Britain, further amplifies the spread of anti-globalization sentiments and concerns about protectionism, because both countries are the representatives of neoliberalism.

As global trade slows, the rise of political and economic uncertainty and emergence of protectionism becomes a factor affecting the growth potential of export oriented economies such as South Korea. This fundamental uncertainty may be used as an opportunity instead and we can strengthen our cooperation in policies for economic integration in the Asia-Pacific region that we have pursued so far aiming for prosperity through institutional integration.

I believe the institutional consistency between economies in the region is essential for economic development. In this regard, I would like to point out that the infrastructure connectivity is a very important factor to achieve equitable economic development. Infrastructure connectivity means both physical and institutional connectivity. Physical connectivity includes roads and railways, while the institutional aspect includes facilitation of trade and transport, etc. We often observe that the level of physical infrastructure development varies depending on a country's stage of development to fill the gap between developing and developed economies and a lot of resources are demanded. We cannot eliminate the physical infrastructure gap in a short period of time. Depending on the efforts of member economies, deficiencies in institutional infrastructure can be improved, faster than physical ones. It also depends on the political decisions taken. For this very reason, in recent years, the World Trade Organization (WTO) and various plurilateral trade agreements have focused on the elimination of tariff and non-tariff barriers as well as the establishment of unified norms and transparency of domestic regulations and consistencies.

It is obvious that physical infrastructure is important. However the importance of institutional infrastructure is often ignored. If the institutional infrastructure is consistently built successfully in the Asia-Pacific region, as a result, the economic development gap will rapidly decrease. The benefit of this connectivity is that the connectivity and efficiency of business rises because it takes less time to do business. To take into account the importance of institutions, let us take the example from Malcolm Gladwell's best-selling book "Outliers." The book begins with the observation that a disproportionate number of elite Canadian hockey players are born in the first few months of the calendar year. The reason is that the youth hockey league determines eligibility by calendar years and children born on January 1<sup>st</sup> of a particular year are in the same league as those born on December 31<sup>st</sup> in the corresponding year – this is because children born earlier in the year are bigger and more mature than their younger competitors. They are thus often identified as better athletes. This leads to extra coaching and a higher likelihood of being selected for elite hockey leagues. In contrast to Canada, England begins its semester on September 1<sup>st</sup>, so 284 athletes who were born in September to November participated in the 1990s premier league,

while only 136 who were born from June to August played in the same leagues. The reason that the likelihood of becoming a good player depended on the date of birth is due to the difference in institutions. Thus each institution generates a different output. Therefore, for the economies in the Asia-Pacific region to develop together, it is necessary to enhance institutional connectivity.

There is also the argument that infrastructure investment has different effects on different groups. In addition, most economies have rather stringent environmental and social safety guards, and make infrastructure development difficult. Further, it is also important to take into consideration that the influence of neighbouring powers can be more easily received when infrastructure connectivity is improved. If the other countries decided to follow beggar-thy-neighbour policies, which was named by the British economist Joan Robinson, it would be more easily affected under unified institutions.

Unfortunately, a recent trend in the international community has come in the face of beggar thy neighbour policies. This refers to the policy of building one's own economy at the expense of other countries. However these policy raises a position and encourages counterparts, strengthening protectionism and raising the risk of annihilation through a race to the bottom. In order to reshape the commitment to the Bogor goals, connectivity is not sufficient to achieve equitable economic development in the Asia-Pacific region. In addition, connectivity does not necessarily mean convergence. Under the international economic environment, with great uncertainty, we must once again emphasize the importance of mutual multilateral cooperation. When emphasizing the infrastructure connectivity as a means of achieving equitable economic development, we must keep in mind the need to encourage mutual growth of both developed and developing economies. Hence, in order to achieve long term growth, advanced and developing economies should collaborate to build spaces for mutually beneficial economic development. We have to look for ways to achieve this.

**Moderator: Denis MacNamara**

Thank you. Our next two panelists are both from Indonesia and neither of them need any introduction to this audience. Both are well known PECC people. Jusuf has already approached the lectern, and is a former PECC international chair.

**Panelist 4: Jusuf Wanandi**

Thank you, Denis. Well, when Khee Giap asked me to give some thoughts on the Bogor goals as an extension and lengthening of the paradigm for APEC and PECC, I thought maybe we should invite Djisman to the panel too who is usually the dreamer of big ideas! I only deal with concrete daily

issues that I have to resolve and I am never dreaming. That is why it is so important to have the long-term issues in mind which I hope Djisman can help solve. My role is actually to introduce Djisman and to remind him about the most concrete things we have to face now before we can even dream.

Let me now start with how APEC should develop the Bogor goals as a paradigm in the future. In 1994, that was truly a vanguard because Narongchai as a member of the team had prepared it. In those Bogor goals, the idea was really to open up, have free trade and investment policies to attain regional integration. As Pak Rastam explained succinctly, a part of those goals has been implemented while there are still a lot of questions and problems to be answered. Among others of course is the rise of protectionism and the problem of restructuring. We are sitting with several problems of implementation and whether we can resolve those remains a question mark.

Today, I think more importantly than ever, strategic developments have become the most important factor that have been creating the uncertainties. This is why we might need not only an improved paradigm, but maybe we might need in the future a new paradigm altogether. There are two main game changers for me, as I see it. One is the rise of China and the second one is the election of President Trump.

These are the two main changes that are going to define, among others, also the future of APEC and PECC. The election of President Trump for me is the biggest challenge. I am so glad Charles has said that he is still cautiously optimistic about the future. I am not, I have to admit. For me, this election is the most important to become pessimistic. President Trump's outlook on the world and the world's development at his inauguration was a testimony to that. On top of that, if you consider how fickle and brittle the ideas and proposals of the President have been since his election, it is disheartening to say the least. In contrast, if you compare the rise of China, it has been filled with more certainties than the election of President Trump.

My conclusion is therefore that together we should move on with our agendas although we have to be of course, realistic. We have to adjust to the game changers that are most likely to fill in a new era in the future for all of us. Now I have to ask Djisman whether despite these circumstances, he has some ideas on how to develop that. But maybe Charles, we have to stop the cycle, to think much more deeply on what changes are really going to happen, and for that matter, adjust our ideas and find a new paradigm instead. Thank you.

**Moderator: Denis Macnamara**

Thank you, Jusuf. Djisman, your views, please!

**Panelist 5: Djisman Simandjuntak**

Let me go straight to a few points that I would like to raise. Number one, as Pak Rastam just discussed, we wish APEC to become really inclusive and sustainable growth oriented. For that, I think we need to complement existing agendas with a new one. In my view, we have to follow a dual track to APEC agenda in the future. Number one is the age-old track.

I also think Pak Rastam has discussed a number of very important issues. If you go to the APEC website, you see this dashboard of how APEC has performed with respect to the Bogor goals and let me highlight a few.

Number 1 -- zero tariff items within APEC are still only roughly 50 percent. Even the lowest tariff rate still requires a lot of non-tariff measures for implementation. So I think on negotiating further, not in the formal sense, of course, because APEC is not supposed to be negotiating, bringing this down will help trade a great deal in our part of the world. So the first point is to raising the coverage of zero tariff rates from the current level of roughly 50 percent.

Number 2 -- we still have a few countries or economies with tariff rates that are relatively high and higher than average. Fortunately or unfortunately, we have China in it. China's tariff rate is still substantially higher than APEC's average. I think if we somehow think about China's important leadership role within APEC, I would challenge China to come up with concessions on its own that will lead to lowering tariff rates substantially on a unilateral basis rather than through negotiation or concerted unilateral decisions. But other than China, we still have Korea in it as well as Thailand. Despite Narongchai, we still have Thailand's tariff rates above APEC's average tariff rates.

Number 3 -- within the dashboard of APEC, we can see that some products are still covered with a tariff rate of over 10 percent. Of course agriculture is one of them, but it is much wider than just agriculture, and I think APEC programs in the years to come will need to focus attention on these products where tariff rates are still above 10 percent, while average rates are lower than 5 percent.

So far, we are still talking about the old age issues. As regards services and investments -- in spite of the inclusion of more services in the agenda, and discussions on investment, we can see that transnational investment still accounts for only a very small percentage of total investment in

APEC economies. I think this is very important. My suggestion is that APEC should focus on this old age track, over maybe the next five years.

However, at the same time, we should draw attention to 21<sup>st</sup> century issues. What are those? It is not only technology. I agree with Charles when he said this morning that technology is actually the main force in globalization. But there are other issues like aging. We have to deal with aging in the years to come. We have to deal with anthropogenic footprints, climate change, and loss of biodiversity. There is no way in which we can avoid addressing these. If we do, it is at our own peril.

Another important issue is technology. This is much more than just progress in individual sectors. What is even more difficult to address, in my view, is the complexification brought about by digital technologies, i.e. sectors becoming integrated in very complex ways. Owing to these developments, the APEC agenda should include mainstreaming of ECOTECH. We have always had ECOTECH on the APEC agenda, but only on the fringe, unlike the trade issues and we cannot afford to do so in the years to come. Then, we need to mainstream research and development (R&D). The European Union is in a way also, an institution of technological progress, in that they share and pool resources in exploring new technologies and bringing new ideas into commerce.

Number three, we have to add mainstreaming of education to the agenda. We can only mainstream R&D if we mainstream education. So, I think this is of course very difficult, and APEC's modality I think will continue to remain the Osaka approach, rather than multilateral or plurilateral negotiations. Concerted unilateral approaches and the Osaka approach should remain the backbone of our way of addressing those issues.

Lastly, there is a role for us at PECC to play in providing APEC with balanced recommendations. Recommendations come from all corners, but ensuring that the recommendations are well tested and balanced in nature, I think, is something that PECC has had a proven track record with. We have a few programs and task forces that are directly related to the old age issues as well as to the 21<sup>st</sup> century issues. Tomorrow morning, connectivity task force will be meeting and I hope that through these kinds of activities, PECC can contribute to a 21<sup>st</sup> century APEC.

### **Question & Answer (Q&A) Session**

**Moderator: Denis Macnamara**

Thank you Djisman, as I mentioned, this is a work in progress rather than a signature project as far as PECC is concerned, so we look forward to feedback from people, probably directed through



Eduardo, or the PECC secretariat, but any comments, anything, please, over the next little while. Now, Narongchai, you have the floor.

**Narongchai Akrasanee**

I would like to request the right to speak, because my name was mentioned! In parliament, when your name is mentioned, you have the right to speak! I think it is important for the audience in this room to understand how the Bogor goals came about, as alluded to by Pak Jusuf. It came about because we wanted Pak Suharto to have something to say at the summit in 1994. So, we the Eminent Persons' Group, of which I was a member (in this room I think I am the only one, and maybe in the world there are very few remaining), thought of something that would be simple and easy to pronounce. Further, 2020 was just a convenient number. Thus, even from the beginning, there has been considerable ambiguity as to whether the Bogor goal was a commitment or a voluntary one. There was a big debate in Osaka APEC about it. The US representative said it was a commitment. The Malaysians disagreed and said it was just voluntary and not a commitment. The Philippines Minister of Foreign Affairs then subsequently asked why we cannot get together to proceed with this goal. When you have a man and a woman courting, a man proposing to marry a woman is voluntary. However, when she agrees, it becomes a commitment. So why do not we call it a voluntary commitment?

My point here is that it is so vague and has been so right from the beginning. In fact, we have gone beyond the original Bogor goals, as Erlinda noted very clearly. At the same time, over these twenty years or so we have also developed a number of other platforms for regional cooperation as well such as ASEAN or ASEAN plus six.

So my point is that it is very important to understand that we have come a long way and therefore my recommendation is that in the Vietnam APEC we should just not mention these Bogor goals anymore and instead let it go. Maybe we should set up a new Eminent Persons Group. My generation is disappearing and your generation in this room should become the new Eminent Persons Group. Many of the 21<sup>st</sup> century issues, which Djisman mentioned should be part of it. APEC is so important and you cannot set up another one like this. We have come a long way so we should continue, and forget the old name of the Bogor goals and come up with something new at the Vietnam conference, thank you very much.

**Moderator: Denis Macnamara**

Thank you very much, Narongchai. I see the secretariat is gradually packing up over there. Charles?

**Charles Morrison**

Now I want to be clear about what I said this morning. I did not say I was cautiously optimistic about Donald Trump. What I said was that Donald Trump may turn out to be good for us if we step up our game but how we step up our game is exactly what Jusuf was saying. We need a new paradigm and the new paradigm that I was pushing was the one exactly that Djisman is pushing, which is the inclusiveness paradigm. I absolutely agree with Narongchai that we should forget the Bogor goals. They have served their purpose. They were a vision rather than goals. If we try to make them binding commitments, which we did try in the late 1990s, it will not work. We have gotten further the way we have done it. So we have a vision, but what we do need is a new set of goals. We should take off from the goals we have already agreed to internationally, the climate change goals, the UN Sustainable Development Goals (SDGs) etc. These are goals that are going to be very difficult for us to achieve, but we should achieve these goals for the region above the global goals. That is what I would like to suggest that we move forward on.

**Moderator: Denis Macnamara**

Thank you Charles. Eduardo?

**Eduardo Pedrosa**

My name was also mentioned so I am also following on from Narongchai. I was very struck by Henry's comments during his presentation. PECC has always been this tripartite organization but when we talk about inclusion, have we come far enough in our own evolution, in the involvement of other stakeholders that need to be involved in these processes? There are lots of details that are involved with the SDGs and maybe we need to be thinking about different stakeholder groups that are out there. I was also very surprised that nobody in the panel talked about financial policy issues, and I wondered if it was about the composition of the panel, or that it is not something for APEC and needs to be taken up elsewhere.

**Moderator: Denis Macnamara**

I think the staff are about to go on strike, so... thank you all for attending, thank you for your patience, thank you for lasting this long! It has been a long day and I think we are now heading for a cocktail party somewhere.

## **Closing Remarks**

✧ **Ambassador Donald Campbell**, *Co-Chairman*, Pacific Economic Cooperation Council (PECC)

Thank you very much. I feel that the discussion has just begun, actually, so I am going to cease and desist from engaging in substance in this exercise. It has been a very long and a very fruitful day, I think, in terms of the discussion. I certainly have been informed, enlightened and even occasionally entertained and I hope that is true for the rest of you.

We were very grateful for Minister Lim and Deputy Minister Bui for their initial comments this morning. We all began our discussion under the so-called “Trumpian” cloud with a lot of discussion and debate on the broader malaise of the populist opposition to the forces of globalization.

We drilled down during the course of the day very much on that globalization issue, into issues of SMEs, and of connectivity, infrastructure, and people to people, which really is starting to address that inclusiveness issue, including some of the things that Charles mentioned, such as education.

But I think that one of the things that we have to be very careful and cognizant of (and we have had a lot of discussion on the Bogor goals) is that we should take some satisfaction in the fact that over the last 25 years we have made tremendous progress in the economic integration of the APEC region and towards some of the Bogor goals in terms of more open trading arrangements. That has not obviously been sufficient but has brought with it costs in terms of inclusiveness, which is one of the big issues we are going to have to address.

I think one of the big challenges we have, and I do not want to get into a huge debate about this, is of course how we react to the current set of events. I worry a lot about the reaction that I would describe to be bilateralism and I say that as one of the architects of the first big bilateral agreement -- the Canada-US agreement. But we were doing that because we were not satisfied with the pace of progress multilaterally and we saw this as a model and a road to lead forward and it led in very short order to the North American Free Trade Agreement (NAFTA), which was a regional agreement. Of course the current possibility of trending towards bilateralism is going in the opposite direction. I think that is a trough that we could get into, which might be very difficult to get out of.

As I said, I think the debate we were having particularly in the last panel has just really begun and is where we should really be going. One thing I have to say about this looking forward is that 'you ain't seen nothing yet'. The transformation of our societies in the years ahead (we do not even have to wait until 2020) post-2020 is going to be far more profound than we have seen in the past 25 years, driven by technology, but also driven by the digital economy and the post-digital economy we will experience.

In actual fact, in many of the trade negotiations which I have been a part of over the years, I came to the conclusion that we are often trying to catch up with what is happening in the real world. There is a significant role for government and that resonates with some the goals for economic growth we have talked about: being inclusive, being innovative, being equitable, being fair and being safe. All of those sets of things are roles for governments as we venture forth on what is going to be a very perilous but exciting road ahead.

Finally, I hope we can look back in the next five years to this period as a bump in the road in terms of progress for mankind, rather than as a distinct changing course and pattern. I know we are all very anxious for drinks, so it only really remains for me to thank Tan Khee Giap of the SINCPEC, and through him the Singapore government, who I know have been supportive of this and also to our Vietnamese representative, Dr Vo for hosting this conference. I think this has been a very useful or I at least hope that it has been a helpful step in the efforts to have a very successful year for Vietnam in 2017. Last but not least, I would also like to thank the organizing committee. We all know these things do not happen easily. Thanks to the many people who make this work.

## **Dinner Talk**

### **Moderator: Narongchai Akrasanee**

Friends, Ambassador Professor Kishore Mahbubani is the Dean of the Lee Kuan Yew School of Public Policy, of the National University of Singapore. He is the Ambassador Professor because he is both a scholar and a public servant. However, I think of him as a philosopher and a historian, and above all an intellectual writer. He has a fantastic way of writing and I really do not know where he learned that from! I am one of his admirers and I think he knows that. I have read at least three of his books and I could not catch up as he writes faster than I read! Now, this evening, he is going to be sharing with us his thoughts on “Globalization, Inclusivity and Implications for ASEAN”. May I now present to you, ladies and gentlemen, Kishore Mahbubani. Thank you.

### **Distinguished Dinner Speaker: Professor Kishore Mahbubani**

Thank you, Narongchai. I am really delighted to be here but I know that I stand between you and your dinner so I will try to be brief. As Narongchai and many of you know, when you give a former United Nations (UN) Ambassador a microphone and a captive audience, before you know it, the night is gone.

Well I will still stick to my discipline and make three points to all of you. The big message I have for you is a very simple one, and I hope to convince you of it by the end. This big message is that all of you today are doing God’s work. I do not mean that you are going to go into a monastery or nunnery but seriously, what you are doing in your work with PECC is going to make a huge difference to millions, if not billions of lives in today’s context.

How am I going to demonstrate that with my three points?

The first point I am going to make of course is that globalization as we all know been a gift from the West. From the West to the rest and certainly from the West to Asia. It was the West that came up with these brilliant economic theories which demonstrated that trade is good, that you are better off if you open up your economy and integrate with the rest of the world. I can tell you that when I first became ambassador to the UN in the 1980s, as Singapore was a member of the G77 and a member of the Non-Aligned Movement, there was so much suspicion around these Western theories. When Singapore spoke out in favour of free trade at a G77 meeting, all our fellow members looked at us like traitors! We were accused of defending the West and made out to be a Trojan horse!

The world has changed since then. More and more countries have joined globalization and the results have been spectacular. I am sure when future historians look back at the last three decades of human history, they will certainly say that these have been the best three decades in the past three thousand years of human history. Why?

I will give you just a few statistics. First, we know we have forever been trying to battle global poverty and trying to end it. Finally, we are within sight. When I was the Ambassador to the UN a second time, Mr Kofi Annan set a very ambitious goal in one of his Millennium Development Goals (MDGs), of halving global poverty by 2015. As you know, most of the MDGs, were not met. However, in the case of the halving of global poverty, we met it, and we even exceeded it. What is even more stunning is that in the next fifteen years, we will again halve global poverty, and even the national intelligence council of the US has predicted that by 2030 mass poverty that the world has experienced forever will be virtually gone. So that is one huge leap forward.

Then infant mortality has been going down very sharply in the last 20 or 30 years. Life expectancy has been going up very sharply during the same time. We are also seeing something quite remarkable – an explosion of the global middle class. If you want one statistic on the size of the global middle classes, in 2010, in the whole year there were 1.8 billion people enjoying middle class living standards. By 2020, which is only 3 years from now, that number is going up from 1.8 billion to 3.2 billion and by 2030, it will be going up to 4.9 billion. This means that more than half the world's population are going to enjoy middle class living standards by 2030.

While this all sounds like it is about economics, it is not. It is about improving well-being and giving people the opportunity to lead rich and dignified lives. This is why, frankly, it was brilliant of Khee Giap to have had the performance of that Chinese orchestra tonight. Can you imagine, say 40 years ago -- at the end of the Cultural Revolution -- something like this was happening? Not a chance. China has changed so much and it has had a huge economic resurgence and what follows, and you can see the first signs of it, is a major cultural renaissance. So this is not just about economics. This is about creating a far better world for humanity. This is all a result of globalization. So my first point is good news.

My second point is bad news. The bad news is that the very advocates of globalization, especially some of the leading Western countries are beginning to retreat from it. I am not being very brilliant or profound in making this statement because as you know the most shocking thing by far that happened in 2016 was the election of Donald Trump. Now, you can either like him or dislike him. That is your personal preference. But there is absolutely no doubt that symbolically

what he stands for is not for an America that is saying, like Ronald Reagan did, “Mr. Gorbachev, tear down your wall!” Donald Trump instead says, “Mexico, please build a wall, and pay for it.” So we have gone from an America that advocated the tearing down of walls to an America that advocates the building of walls and that is a very powerful change. Now, fortunately, by the way, America is a very rich, diverse society. There are many voices in America and many of those voices will continue to advocate globalization, but nonetheless, when the President himself wants to put a stop to it, it is a big problem for the world and of course a problem in Europe too.

I know that Trump and Brexit are complex political phenomena. It is a mistake to give a single factor explanation for why that happened, but a fear of globalization is certainly part of the reason as to why it happened. There are also hard economic reasons behind it. For instance, I read an article in the London review of books (I think the author’s name is R.W. Johnson) where he points out that somewhere after the end of World War II till about 1973 or so (the happy decades in the West), productivity in the US went up over 90 percent and wages went up over 90 percent. So everyone was happy. Productivity went up, the middle class were enjoying it, the workers had good jobs, the workers got higher salaries and as a result everybody was happy. But for whatever reason, since 1973, productivity has continued to go up, 60-70 percent, but wages have only gone up 10-11 percent. So the disparity between productivity growth and wage growth has meant that a lot of white middle class male voters who voted for Trump were sending a signal that they were not and have not been better off for a long time. That is a real problem. Of course, how you solve the problem is very complex, and certainly closing up your borders and building walls is not the answer. But that is clearly a major political issue.

My colleagues from Asia will agree that there is absolutely no doubt that the beneficiaries of globalization in the last 30 years have been the Asian countries. Certainly exhibit A is China. The country went nowhere from 1949 to 1979 having a closed economy. Since 1979, with four modernization phases, it has delivered the fastest growing economy in the world rescuing 800 million people out of poverty in that country alone. The same thing you have seen in the ASEAN countries and many other East Asian countries. What is remarkable is that everyone thinks that this economic growth story is only about the four tigers in Asia that includes South Korea, Singapore, Hong Kong and Taiwan. However what has happened very quietly is that even countries that have had a very troubled past and a very troubled political situation -- Pakistan and Bangladesh to give you two very obvious examples – have been doing quite well. Bangladesh has been growing at 5.5 percent over the last 20 years, and there was an article in the Wall Street Journal a few weeks ago pointing out that Pakistan’s middle classes are exploding and Pakistan has been growing steadily over the last 13 years. So this growth story has really spread all throughout Asia. So then the question comes: What will the Asian countries do to protect this?

This brings me to my final and third point. I think that the first thing that the Asians need to do is to go to the intellectual barricades and once again defend the theories of globalization. At the end of the day, the theories matter, and I am actually quite shocked how some of the leading academics even in some of the leading universities, are quietly backtracking from defending globalization. So this means that if they backtrack, there is a responsibility on the Asians to step in and do that. I can tell you as Dean of the Lee Kuan Yew School of Public Policy, we will be happy to do our part, and that is why Khee Giap has set up this Asia Competitiveness Institute to provide empirical evidence on how opening up your economies actually leads to a better situation for all of you.

The second thing that has to happen is for ASEAN to also take the lead. That is why there is an ASEAN in the title of this speech. In fact, not many in ASEAN are aware that it is already the second most successful regional organization in the world, after the EU. This year on August 08, 2017, ASEAN will be celebrating its 50<sup>th</sup> anniversary, which is why on March 08, 2017, I am launching another book on ASEAN for you to read.

What is really amazing is that if you had asked me five years ago, between the EU and ASEAN, which would be the first regional organization to break up, I would have said that it was of course ASEAN as it is weaker than the EU. Amazingly, the EU is breaking up before ASEAN. That shows the resilience of ASEAN and the region has achieved a lot of miracles. For its population, ASEAN already has the combined seventh largest economy in the world and by 2050, it will be the fourth largest. ASEAN, of course, as I always emphasize, never moves in a straight line. As I say in the book, ASEAN moves like a crab. It takes two steps forward, one step backwards, one step sideward and when you watch it in slow motion, you only see ASEAN going round in circles. But then ten years later you find that the ASEAN crab has gone a very long distance. You do not know how it did it, but you only know that it has moved very far. If you look at the trade statistics, with ASEAN's integration, it is amazing what progress has been made. So ASEAN therefore must play a leadership role in demonstrating constantly that remaining open is the right thing to do, and that is a responsibility that ASEAN will have to carry in the next fifty years.

The final thing of course – which brings me to my point about the God's work that you are all doing -- is that we must continue to encourage more multilateral meetings. I can see this with deep conviction because I was Ambassador to the UN for over ten years in two stints, and I know from personal experience that when you have meetings like this, it is not just about the speeches that you make, the food you eat, or the beer you drink. It is about the network that you build. The networks that you build have all kinds of benefits. I actually believe that is one reason why ASEAN countries have not gone to war since it was founded. All the networking that has happened has



clearly played a part. When you have a thousand ASEAN meetings a year, you get to know each other quite well. If you are busy betting on the golf course, you forget about starting a war, which is what the chiefs of armed forces in various ASEAN countries have been doing – betting on the golf courses. So you can see that the meetings that you have like PECC and the APEC agenda you are going to talk about are good; the more meetings you have, the better off you are. So thank you very much.

### **Question & Answer (Q&A) Session**

#### **Moderator: Narongchai Akrasanee**

Thank you. Before we go onto Q&A, let me summarize the speech my way. I have worked in PECC for several years but never got paid. Now I know it is because it is God's work and so I choose to continue. Kishore mentioned three hypotheses or propositions. I think we can offer some counter-propositions along the way, just for arguments' sake. He said that globalization was a gift to the East from the West. Gandhi and Nehru would say that colonization was the robbery of East by the West.

#### **Distinguished Dinner Speaker: Professor Kishore Mahbubani**

But Thailand never endured colonization!

#### **Moderator: Narongchai Akrasanee**

Second, Kishore says that the leaders of globalization are retreating. I think the Qing dynasty's armies would say, fighters of colonization are retreating.

Third, Kishore mentioned that Asia is the biggest beneficiary of globalization. Nehru would say Europe has been the beneficiary of colonization. So these are the propositions and counter-propositions. The floor is open for discussion, anyone?

#### **Vo Tri Thanh**

Thank you very much for your great presentation. I just have one question related to ASEAN. You mentioned the role of ASEAN, integration, solidarity etc. Many people can argue that the centrality of ASEAN is crucial. But the new context is a rising China, a changing US policy, and similar transformations in India and Russia. So how can ASEAN keep its centrality in the new context?

#### **Moderator: Narongchai Akrasanee**

Maybe we should take some more questions?

**Djisman Simandjuntak**

Before the West, there was already globalization, in my view. It is the way in which one defines it. Life started billions of years ago from one place and radiated to the entire world. We homo-sapiens started in East Africa maybe 200,000 years ago. Long before the West, they arrived in Papua and in Australia. That is globalization -- genetic globalization and that is the way I look at it. Europeans came later, but I agree with you that as far as current technologies are concerned, they are the ones who brought it to the peak of where it is now -- the civilization of science and technology. But seen from a comprehensive definition of globalization, I think I could say that the West is right there when the tide is high, to bring their technologies to the rest of the world.

**Moderator: Narongchai Akrasanee**

Perhaps we should ask Kishore to respond.

**Distinguished Dinner Speaker: Professor Kishore Mahbubani**

Thank you. Those are excellent questions. The first question is about ASEAN's centrality. I do not like the phrase "ASEAN centrality", because it gives a mistaken impression that ASEAN is a directed force that is controlling and moving things. The reason why everybody comes to ASEAN is not because ASEAN is strong, rather because it is weak. So ASEAN is trusted by everybody! The US trusts ASEAN and it does so because it thinks ASEAN is not a threat to the US. The same applies to China and India. So everybody thinks that ASEAN is not a threat to anybody and they move like a crab, quite slowly. Everyone thinks they can therefore use ASEAN as a base. All the big meetings essentially have been spun out of ASEAN meetings -- ASEAN plus one, ASEAN plus two, ASEAN plus six, the East Asian summit which is ASEAN plus eight. I think that is the role that ASEAN should play. It should not try to dominate in any way, or control the proceedings, but just remain an effective multilateral organizer of meetings.

I know I have attended ASEAN meetings where I have seen Madeline Albright go onto the stage to sing at an ASEAN meeting, followed by Sergey Lavrov performing. There are only a very few regional organizations that can make a Secretary of State and the Russian Foreign Minister dance to their tune. This is what ASEAN's centrality is about. That happens because ASEAN is weak.

ASEAN has hidden diplomatic genius and by being weak, it attracts everyone to use it as a platform and then things happen, subsequently. It is really a big deal that ASEAN has signed Free Trade Agreements (FTAs) with China, Japan, South Korea, Australia, New Zealand and India. One thing I strongly encourage everyone to do in the PECC region is to please continue signing as many bilateral FTAs as possible because that's a way of saying we should still open up and integrate

with the world. So that is my answer to you. By the way, my book discusses this at great length – you do not mind if I market my book.

The second question of course is a very profound question. I only went back 3000 years, but Dajism goes back a million years! Of course, you are right. I do not know how many of you have done the national geographic genetic test. You know, you scrape something on the inside of your mouth, put it in an envelope and mail it to national geographic, and then national geographic sends you back a chart. In my case, I did it. My genes began in Africa, went all the way up to somewhere in Eastern Europe, in Czechoslovakia, then went all the way down and ended up in Sindh, Pakistan, where I come from. I am ethnically Sindhi. So I could see where my genes, my globalized genes travelled over a million years, from Africa to somewhere in Pakistan and then I ended up in Singapore.

At the same time, there is one key thing you must remember about the human condition. It is true that we have had globalization for frankly thousands of years, but you know the impact of globalization on human welfare has never been as great as it has been in the last thirty years. The massive reduction of global poverty has only happened in the last thirty years.

Just to tell a personal story -- because I came from a relatively poor family, when I was six years old I went to school and I was found to be technically undernourished. So I had to go to the principal's office and line up with 12 other boys in front of a pail of milk, one ladle and all 12 of us drank milk from the pail so that we could become technically not undernourished anymore.

Now I am over-nourished. But when I was young, my mother and father never went to university. None of their ancestors ever went to university. I had about 15 or 16 first cousins and none of them went to university either. I was the first. So in this entire genetic chain, going back millions of years, I was the first person to break the chain and go to university. In the next generation, I must have 20 or 30 nephews and nieces and they have all gone to university. In one generation and a million years, there was no university. Then I went to university and in next generation, everybody goes to university. The story I tell about my family is a story you can see in many Singaporeans and in many Southeast Asians too. So the last 30 years has been defining with the opening up of the global economy. The fact that China joined the WTO in 2001 was one of the biggest events ever in human history! So if we did not have the WTO, and if China had not joined the WTO, you would not have saved 800 million people from poverty.

So it is a different kind of pace and speed of globalization and that is why we must defend ferociously what is happening now because if we allow a retreat from globalization, we will all be worse off, especially the Asians.

**Ian Buchanan**

This question has absolutely nothing to do with the agenda. It has to do with having two public intellectuals from ASEAN, which contains the world's largest democratic Muslim country. You both know I spent 25 years between SRI and Booz Allen, at the dividing line in the cold war, which led to massive investment in technology which really drove globalization. Today, unfortunately, if we choose just to protect and promote more globalization without looking at a deeper issue, and I will put a label on it, which is the way Putin managed to weaponize the Syrian refugees. So, millions of people pouring into Europe and those western democracies are being undermined. You may or may not recall, I was in New York during 9/11, came back here and we started the World Islamic Economic Forum, trying to bring the Islamic world together. So my question to you, is what are we going to do here to try and heal the massive ideological rift within Islam which it is exporting that allows people like Trump and others in Europe to use it as a real or perceived threat, which they are using to divide their own populations and bringing extremists to power throughout Europe and the US. Thank you, as public intellectuals help me understand what we can do. Thank you.

**Distinguished Dinner Speaker: Professor Kishore Mahbubani**

I think Narongchai is supposed to answer that question as he is the intellectual.

**Moderator: Narongchai Akrasanee**

Please, up to you!

**Distinguished Dinner Speaker: Professor Kishore Mahbubani**

Ian - I am very glad you asked that question because it brings to the fore one of the key things that is happening, certainly more so in Europe than I would say in US, but Trump also reflects a part of it.

In the US, there is a growing fear of Islam. In fact, I was quite shocked that one of the few things Donald Trump did immediately after being elected was announce the visa ban on seven Muslim countries. But of course that showed how much he believed in it. You are right, the Syrian refugees have created a new political environment in Europe as well. But the question is where did it all begin? I can tell you, in 1993, I wrote an essay for the national interest called 'the West and the rest', and in that essay, which I wrote 24 years ago, I said, 'if Europe does not export jobs to Africa,

North Africa will export Africans to Europe.’ Now I could see this coming 24 years ago. But then you had something called the Common Agricultural Policy, which was designed to help a few rich European farmers, and by helping a few rich European farmers you impoverished a lot of farmers in Africa and by impoverishing the African farmers, you created this human tide that happened. So that is one source of the human tide.

The other source is what has happened in the Middle-East. Frankly ask yourself a very simple question – would the region have been more stable if the US had not invaded Iraq? Once the US invaded Iraq, for a start, it broke down a major Arab country that was actually quite stable, and then it triggered as a result of that. When the Sunni Arabs saw that a traditional Sunni country was now being run by the Shias, they saw this as a zero sum game and they had to go after Syria. So, you know you start one event, you create all kinds of cascading consequences. You can never walk away from what started these events. You cannot turn the clock backwards. But one thing though -- the West, and I will say this very bluntly, needs to have more enlightened policies towards the Islamic countries and here again in a subsequent essay I pointed out that there are many successful Islamic countries in the world, among which fortunately three of them are in Southeast Asia - Indonesia, Malaysia and Brunei. So if you could take the Southeast Asian story of Islam and share it with the rest of the world, and if you have Tunisians not studying in Europe but coming to Southeast Asia to study, then it is a different ball game completely. That is why the western narrative on Islam has got to change dramatically, because if it does not and continue portraying negative stories about the Islamic world, you are going to exaggerate, and make the problem much worse.

**Moderator: Narongchai Akrasanee**

I would conclude by saying that globalization has been continuing and will continue in many different forms depending upon how we manage it. Human beings, being what we are, cannot stop globalization.

Second, I am very proud of ASEAN. I am glad that I am included in Kishore’s book. I think of ASEAN as being a platform (for computer applications, a platform is very important) for political and economic discussions.

I think with that I would like to conclude the meeting and thank Professor Kishore Mahbubani once more, in a very short time, to have provided a very good snapshot of what is happening today and what is likely to happen in the future.

Thank you very much.

## **Appendix: List of Abbreviations**

A*STAR	Agency for Science, Technology and Research
ABAC	APEC Business Advisory Council
ACI	Asia Competitiveness Institute
ADB	Asian Development Bank
AEC	ASEAN Economic Community
AIIB	Asian Infrastructure Investment Bank
APEC	Asia Pacific Economic Cooperation
ASEAN	Association of Southeast Asian Nations
AUSPECC	Australian Pacific Economic Cooperation Committee
BOT	Build-Operate-Transfer
CANCPEC	Canadian National Committee for Pacific Economic Cooperation
CFE	Committee for Future Economy
CIB	Credit Information Bureaus
COMPNET	Competitiveness Research Network
CTPECC	Chinese Taipei Pacific Economic Cooperation Committee
DDA	Doha Development Agenda
ECB	European Central Bank
EDB	Ease of Doing Business
EN	Euro Norm
EU	European Union
FAO	Food and Agricultural Organization
FDI	Foreign Direct Investment
FTA	Free Trade Agreements
FTAAP	Free Trade Area of the Asia-Pacific
GDP	Gross Domestic Product

GVC	Global Value Chains
IMF	International Monetary Fund
INCPEC	Indonesia National Committee for Pacific Economic Cooperation
ISOM	Informal Senior Officials Meeting
KOPEC	Korea National Committee for Pacific Economic Cooperation
LKY	Lee Kuan Yew
MANCPEC	Malaysia National Committee for Pacific Economic Cooperation
MDG	Millennium Development Goals
MFA	Ministry of Foreign Affairs
MFN	Most Favoured Nation
MNC	Multinational Corporations
MoU	Memorandum of Understanding
MRA	Mutual Recognition Agreements
MRT	Mass Rapid Transit
MTI	Ministry of Trade and Industry
NAFTA	North American Free Trade Agreement
NTB	Non-Tariff Barriers
NTM	Non-Tariff Measures
NZPECC	New Zealand Committee of the Pacific Economic Cooperation Council
OBOR	One Belt One Road
OECD	Organization for Economic Co-operation and Development
PECC	Pacific Economic Cooperation Council
PPECC	Philippine Pacific Economic Cooperation Committee
PPP	Public-Private-Partnership
PWC	PricewaterhouseCoopers
R&D	Research and Development

RCEP	Regional Comprehensive Economic Partnership
REI	Regional Economic Integration
ROO	Rules of Origin
SINCPEC	Singapore National Committee for Pacific Economic Cooperation
SDG	Sustainable Development Goals
SME	Small and Medium Enterprises
SPRING	Standards, Productivity and Innovation Board
SOE	State-Owned Enterprises
SOM	Senior Officials Meeting
TIER	Taiwan Institute of Economic Research
TNCPEC	Thailand National Committee for Pacific Economic Cooperation
TPP	Trans-Pacific Partnership
UK	United Kingdom
UN	United Nations
UNCTAD	United Nations Conference on Trade And Development
US	United States
VCCI	Vietnamese Chamber of Commerce and Industry
VNCPEC	Vietnam National Committee for Pacific Economic Cooperation
WEF	World Economic Forum
WTO	World Trade Organization



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