

# Can APEC Economies Deliver?

PECC-USAPC-SINCPEC Conference on “Growing APEC Economies: New Challenges and Approaches”

Closing Remarks by Ambassador Muhamad Noor, Executive Director, APEC Secretariat

*Organised by the Pacific Economic Cooperation Council, the United States Asia Pacific Council, and the Singapore National Committee for Pacific Economic Cooperation.*

Over the past two days, we have had the privilege of listening to distinguished speakers discussing the challenges and opportunities impacting the growth of APEC economies, ranging from the structural reform issues of employment creation and technology upgrading, to expanding trade in services and managing capital flows, as well as addressing questions of regional architecture and integration.

These are indeed important issues that deeply concern both the region and all APEC economies, and the convening of this conference to deliberate on these questions is no doubt timely.

Please allow me, ladies and gentlemen, to first acknowledge PECC's Co-Chairs, Dr. Charles Morrison and Mr. Jusuf Wanandi, for their leadership and commitment to regional growth, and specifically to APEC. I would also like to acknowledge the Chair of the Singapore National Committee for Pacific Cooperation, Professor Tan Khee Giap for his role in this conference. Thank you for the invitation to speak and to share some thoughts on these important issues.

Minister Lim Hng Kiang spoke yesterday in his keynote address about how global challenges require global solutions. I fully agree with his assessment that APEC is well positioned to address these global challenges because of its structure which encourages open dialogue.

My task this afternoon is to address the question - “Can APEC economies deliver?” To a large extent, my addressing this question has been made easier by the preceding discussions – and that is because the content of the deliberations of these past two days is similar to issues that APEC members have been discussing throughout the years. Already APEC is translating some of these discussions into concrete actions that have brought tangible results.

As we conclude our discussions here, I would like to highlight some of these results and demonstrate how APEC economies are best placed to take on new challenges and take advantage of the opportunities ahead – and ultimately deliver. It's fair to say, though, that APEC economies have, in many ways, already delivered as the region continues to drive economic growth both regionally and globally.

Ladies & Gentlemen,

Please allow me to take a step back in time and recall that in 1994 APEC Leaders announced their commitment to complete the achievement of our goal of free and open trade and investment in the Asia-Pacific by no later than the year 2020, with the industrialized economies reaching that target no later than 2010. This is better known as the Bogor Goals.

In 2010, APEC conducted an in-depth assessment to determine where APEC's five industrialized economies stood in relation to their commitment. And I would also note in this context that in addition to these five industrialized members, eight developing economies volunteered to undergo early assessment before their own target date of 2020.

The assessment concluded that the so-called 2010 economies have made significant progress, with substantial reductions in barriers to trade and investment. Based on the data gathered, let me share some of the progress APEC economies have made:

- Average tariffs in the region have fallen from 17 percent when APEC was established in 1989, to 6.2 percent in 2009. Tariffs for APEC's industrialized members in fact average 3.9 percent. And for the 13 economies that were assessed, the figure was 5.4 percent in 2008. This compares very favorably to the MFN average applied tariff of 10.4 percent (as calculated by the WTO).
- In addition to advancing region-wide liberalization, APEC has also been a facilitator of bilateral free trade. Currently, there are 123 free trade agreements involving APEC members, 48 of them between APEC economies (PSU statistics as at June 2011).
- I would also like to point out that progress has also been made in the area of trade facilitation. Between 2002 and 2006, APEC's Trade Facilitation Action Plan contributed to a five percent reduction in trade transaction costs across the region.
- Recent calculations in a preliminary assessment of APEC's second Trade Facilitation Action Plan estimate that costs within APEC have been reduced further between 2007-2010. An increase in fees and charges over that period actually added US\$4.8 billion to transaction costs (from their level in 2006). However a large drop in time taken to complete transactions represented a savings of US\$64.8 billion. Therefore the net savings are around US\$60 billion – a decrease in trade transaction costs between 2007 and 2010 of 5.2 percent.
- No less important is APEC's critical role in advancing structural reform in the region. APEC sees structural reform as essential to achieving sustained economic growth and advancing regional economic integration.

- A recent APEC Policy Support Unit study found that structural reforms in key infrastructure industries (such as energy, telecommunications and transport) result in lower prices. It also found that more competition in these industries could lead to gains almost twice the size of those achieved through further liberalization of trade.
- In 2010, a New APEC Strategy for Structural Reform (ANSSR) was adopted that aims to promote balanced and sustainable growth by fostering transparency, competition and better functioning markets in the Asia-Pacific. In addition, this new strategy emphasizes a social dimension, that includes enhancing opportunities for women and pressing for more education and SME development.

Ladies & Gentlemen,

This progress on liberalization and facilitation has created a much greater level of regional economic integration than would otherwise be expected. Again, research carried out by APEC's Policy Support Unit demonstrates that APEC economies already enjoy a high degree of de facto integration. APEC economies enjoy a higher share of intra-regional trade than the EU, and a much higher share than NAFTA and ASEAN-7 economies.

Already we are seeing that APEC's progress towards the Bogor Goals has contributed to more than a five-fold increase in APEC economies' total trade (goods and services) between 1989 and 2010, from US\$3.1 trillion to US\$16.8 trillion.

In trade in services alone (one of the issues discussed earlier), APEC economies experienced a three-fold increase between 1994 and 2010 from US\$1 trillion to US\$3 trillion.

These figures translate into real benefits for individuals living across the Asia-Pacific region. Employment in APEC economies grew by 14 percent between 1996 and 2009, while poverty was reduced by 43 percent between 1994 and 2009.

APEC's Economic and Technical Cooperation agenda, is key to helping member economies, their businesses and citizens build the necessary capacity to take advantage of trade and investment liberalization.

Each year, APEC funds around 100 projects, to a total value of about US\$8 million to provide capacity building at both the institutional and individual levels. Currently, 146 projects are in train to a value of around US\$13 million.

Ladies & Gentlemen,

As you can see, APEC continues to remain dynamic as it responds to new challenges and takes on new approaches to grow its economies. APEC will continue to play a crucial role in developing a Free Trade Area of the Asia-Pacific, despite the fact that it is not a negotiating body for trade agreements.

We are aware that some have criticized APEC for being a talk shop – and we realize that we cannot be all things to all people. But, we focus on the areas where we add value to our members. The results we deliver stand on their own.

APEC provides strong leadership and intellectual input. And as a result, we serve as an incubator of ideas in an open and consensual environment, with space for innovation and collaboration among broad constituencies, such as government, business and academia.

Taking on such tasks, APEC builds confidence among its members: the confidence to pursue greater liberalization in a concerted approach, which in the end delivers real and tangible economic and social benefits to economies, businesses and citizens.

As we look towards the future, APEC will continue to remain a dynamic global force – responding to new challenges and advancing free trade for the prosperity of the Asia-Pacific region.

Thank you.