

**Keynote address for PECC-SINCPEC Conference on “APEC Economies:
A Paradigm Shift?”**

by

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Muhamad Noor, Your Excellencies, Distinguished Guests, Ladies and
Gentlemen, Good Morning!

2. The world economies, whether it is the advanced, the emerging or the
developing, will continue to face great uncertainties. A replay of the turmoil we
witnessed in the 2009 western financial tsunami cannot be ruled out. We
obviously need some deep soul searching and prepare ourselves for some
fundamental changes in several areas.

3. The globalization and financial integration that we have seen have clearly led
to further interdependence amongst global economies. One can say that this
trend displays the greatest intimacy in our economies that the world has ever
experienced. I don't think there is any doubt that there will be greater such
intimacy, even though we do not know whether the consequences will prove
positive or negative. Various international economic frameworks, regional
institutional architectures and free trade agreements are being pursued, all being
set up to enhance the globalization process. The goal is to push for further
integration towards a single global economy in which we seek greater
efficiency, better governance and sustained prosperity for people everywhere.

4. However, it is widely acknowledged that the 2009 western financial crises that engulfed both the American and European economies are the result of weak leadership and governance failure. In this world of close interdependency, such crises are not only testing our system's economic resiliency but also the effectiveness of leadership and governance. This includes, of course, the APEC economies, especially those of the emerging economies of China, India and ASEAN that have so far coped well with their fiscal prudence, somewhat improved competitiveness and, not least, sufficient savings.

5. The western economies have come to realise that the continued expansion of government spending to be financed by mounting external debts cannot be sustained any longer. They have noted that continuing to have high and rising wages that is not matched by improved productivity also cannot go on forever. It is obvious that the burden of the welfare state with aging populations can only exacerbate an already vulnerable economic situation. According to the latest statistics by the International Monetary Fund (IMF), the debt to gross domestic product ratio for advanced economies could reach 100 percent by 2013. That would have risen from the 75 percent ratio in 2007, already the highest in over 130 years except for the Second World War years!

6. Whether it is public debt restructuring or further private debt refinancing, ultimately citizens would have to pay for all of that at some point in the future. They can only achieve that if their economies regain competitiveness. Otherwise, something must give way and that would no longer be a problem in economics. Larger issues like national unity, social and political stability, will be at stake. This pursuit of seeking short-term gains at the expense of long-term social and economic costs is irresponsible, to say the least. If continued, it would be a clear demonstration of leadership failure.

7. In confronting crises of the kind we face today, be it domestic or international, leaders would need the political will and courage to push for real change. This may involve a paradigm shift through which deep structural reforms are made in order to get to the heart of the difficult problems ahead. In the words of Singapore's Deputy Prime Minister Tharman Shanmugaratnam, who is also the Chairman of the IMF's Governing Panel, when he appealed to leaders of the world in the recent IMF Meeting, (I quote) "Bring the long-term agenda of growth and social equity to the short-term political and economic discourse".

8. As we are aware, Trade and Investment liberalization and facilities (TLIF) has become one of the APEC's major tasks since the first Economic Leaders' Meeting in Seattle in 1993. That was followed by the ambitious Bogor Declaration in 1994, to "complete the achievement of our goal of free trade and investment in the Asia Pacific no less than the year 2020". As we work towards the Bogor Declaration, we need to recognise not just the achievement of APEC in TLIF thus far but, more importantly, also the rising expectations for APEC leaders to deliver even more!

9. There is now great interest to assess the continued relevance and performance of APEC. This can only intensify in the light of enhanced East Asian regional cooperation since the 1997 Asian Financial Crisis. That was when concentric circles of cooperation like ASEAN + 3 and ASEAN + 6, were coupled with new regional and bilateral free trade agreements, which happened both within the APEC economies and with outside partners. Also, recent interest in the Trans Pacific Partnership (TPP), as we move towards a more ambitious vision for a Free Trade Area of the Asia Pacific (FTAAP), has further highlighted the important role of APEC.

10. Going forward, the fundamental issue remains. How are APEC economies to avoid past pitfalls committed by some member economies? Have they the courage to think and act outside the box? Leaders of APEC economies, with the requisite wisdom and courage, should continue to search for solutions. They must find ways to decrease economic vulnerability and reduce financial precariousness and, at the same time, enhance competitiveness and ensure fiscal sustainability. PECC, being a sister institution to APEC, clearly has a critical role to play to help charter a road map for Asia Pacific economic and financial integration.

11. PECC, under the track II approach, is therefore tasked to explore a new agenda and provide feedback for APEC. It might even be more ambitious and seek to advise wider global institutions, including G-20, the IMF and the World Bank. As I understand from the rich conference program for today and tomorrow, many speakers are out to do just that. I also notice that there is an interesting discussion on the future role and continued relevance of PECC, to be followed by a PECC Standing Committee Retreat. Such is the spirit I alluded to earlier, one engaged in regular review and preview of focused and practical responses. This is paramount in a dynamic global condition in which crises, new challenges and opportunities confront our leaders almost every day.

12. May I wish you all the very best in your deliberations. I also hope you have a pleasant stay in Singapore, a truly cosmopolitan city that is subject to constant renewal and change. Last but not least, may all conference participants enjoy a fruitful and rewarding journey ahead!