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Asia Weekly: Leaders unite in optimism at forum

Meeting wraps up with pledges to boost trade, economic growth and infrastructure across the asia-pacific region

Optimism reigns among Asia-Pacific Economic Cooperation (APEC) members as political and business leaders pledge to make the region the center of the world's economic growth.

“In spite of the uneven pace of recovery, the APEC economies continue to be the driving force for global growth,” says Susilo Bambang Yudhoyono, Indonesia's president.

This week from Oct 6-8, political leaders from 21 member economies of the Asia-Pacific region, as well as 1,200 chief executives from around the world, gathered in Indonesia's resort island of Bali to attend the APEC 2013 meetings, under the theme Resilient Asia-Pacific, Engine of Global Growth

Three main targets were highlighted this year: Attaining the Bogor Goals set at the 1994 APEC meeting; promoting connectivity; and achieving sustainable growth with equity.

The Bogor Goals aim for free and open trade and investment in the Asia-Pacific region by 2010 for developed economies, and by 2020 for developing economies. But major developed economies such as the United States and Japan were considered to have failed to reach this target.



Indonesia's president Susilo Bambang Yudhoyono speaks during the APEC leaders' news conference on the final day of the Asia-Pacific Economic Cooperation Summit on Oct 8. APEC leaders have pledged to boost a multilateral trading system by dismantling barriers to trade and investment. (AFP)

According to this year's leaders' declaration, made on Oct 8, APEC economies will strive to boost a multilateral trading system and to achieve "a seamlessly and comprehensively connected and integrated Asia Pacific".

New policies include accelerating regional work to achieve a 10 percent improvement in supply chain performance by 2015; creating more connectivity and jobs through a multi-year plan for infrastructure development and investment; and reducing tariffs on the APEC list of environmental goods to 5 percent or less by the end of 2015.

"The aim of the summit is to create a unique platform to discuss the future of the Asia Pacific and to contribute to achieving sustainable inclusive growth globally," says Wishnu Wardhana, chairman of both the APEC CEO Summit and the APEC Business Advisory Council for 2013.

APEC economies have remained a crucial source of global growth. According to the International Monetary Fund, as a group, APEC is expected to grow by 6.3 percent in 2013 and by 6.6 percent in 2014, more than twice the world average.

Overall GDP growth of APEC economies rose at 3.5 percent in the second quarter this year, slightly higher than 3.4 percent in the first quarter, showing a trace of recovery.

A new report conducted by professional services firm PricewaterhouseCoopers (PwC), participated by more than 400 chief executives from across the Asia-Pacific region, shows that business leaders are becoming more confident about business prospects in the coming year, despite the many global economic challenges.

Dennis Nally, chairman of PwC, says chief executives are especially excited about the prospects offered by China, the US, Australia, New Zealand and Indonesia.

"Some 68 percent of CEOs are increasing their investment in APEC economies over the next 12 months," Nally notes. The key drivers of the growth agenda are increasing demand for infrastructure and urbanization.

The Asian Development Bank estimates that developing Asia needs to invest around \$8 trillion in infrastructure between 2010 and 2020 to maintain its growth rate, while developed economies in the region also have demands as existing infrastructure starts to age and requires upgrading.

By 2045, there will be 9 billion people in the world, and much of this population increase will come from the Asia-Pacific region. APEC leaders point out that maintaining sustainable and inclusive growth is important.

In a joint statement released earlier this week, APEC ministers warn that global growth is too weak, and is likely to be slower and less balanced than desired.

The World Bank said on Oct 7 that the growth rate of developing East Asia was slower than its previous projection made in April, but continues to lead global growth at 7.1 percent in 2013. It said China's growth will be able to meet its official target of 7.5 percent this year, while growth in 2014 is projected to pick up further to 7.7 percent, according to new data.

During his keynote speech at the APEC CEO summit 2013, Chinese President Xi Jinping said China is not going to face an economic hard landing despite the slowdown.

“I’m fully confident in China’s economic prospects. Everything is within expectations and a slowdown was a result of proactive adjustment,” says Xi.

Xi says APEC should lead and coordinate the negotiations over free trade areas (FTAs) in the region, as several agreements, such as the Trans-Pacific Partnership and the Regional Comprehensive Economic Partnership, are competing for dominance.

Currently, there are more than 100 FTAs in the Asia-Pacific. As the world trade negotiations headed by the World Trade Organization (WTO) see little progress, many countries are turning to bilateral and multilateral FTAs.

APEC ministers agreed to support the advancement of the next round of the Doha talks which were set up by the WTO to help increase global trade.

“Success at Bali would provide a stepping stone to the full conclusion of the Doha round,” says Indonesia Trade Minister Gita Wirjawan.

At present, APEC economies account for 54 percent of global GDP and 44 percent of global trade. Within the region, trade has grown nearly seven-fold since 1989. In the past 25 years, average tariffs in APEC have declined by close to 70 percent.

Russian President Vladimir Putin says APEC needs long-term planning to ensure structural reform, more job creation, provide financing sources for investment, and a fairer distribution of risk.

“During this hardship period, APEC member economies will only make the global economic turmoil worse if they shut their doors to each other,” says Chilean President Sebastian Pinera.

“We all need to play our part to prevent protectionist policies and continue on our path of trade liberalization in ways that lift up the well-being of our citizens,” agrees Yudhoyono.

Lee Hsien Loong, Singapore’s prime minister, believes China is not the only story in the Asia Pacific, although it remains a central player. “The other parts of Asia must continue to prosper as well and a vibrant Japanese economy has a lot to contribute to the region,” he says.

Japanese Prime Minister Shinzo Abe told the delegates that his three economic revival policies (bold monetary policy, flexible fiscal policy, and growth strategy that encourages private sector investment), had broken Japan’s economic stagnation.

He also called for APEC economies to work together to achieve “green growth”.

Looking to the future, experts believe it will be a multi-engine driven scenario in the region. Indonesia has the biggest economy in Southeast Asia and is considered to be the next major contributor to regional growth.

US economist Nouriel Roubini, also known as “Dr Doom” for his accurate forecast of the financial crisis of 2008, says he remains bullish on Indonesia’s long-term potential.

“With the right economic reforms, the growth of Indonesia in the second half of this decade could even be higher than China and India.”

Roubini says compared to China and India, Indonesia has a more balanced growth model that is less dependent on exports, and has a better demographic structure that provides an abundant young workforce.

According to the new PwC 2013 APEC CEO Survey, Indonesia is top of the list as the next “dark horse” in the Asia-Pacific region, followed by Myanmar and China.

APEC economies are more prepared for market volatility than they were in 1997, Roubini says. He points out that the region is more stable due to lower debt levels and more foreign exchange reserves.

The next APEC summit will be held in China in 2014. Beijing will host the APEC economic leaders’ meeting and CEO summit, while Hong Kong will host the APEC finance ministers meeting.