



Asia-Pacific
Economic Cooperation

APEC Study Centre Consortium Conference 2013
July 26 - 27, Jakarta, Indonesia



ASCCC INDONESIA

Proceedings

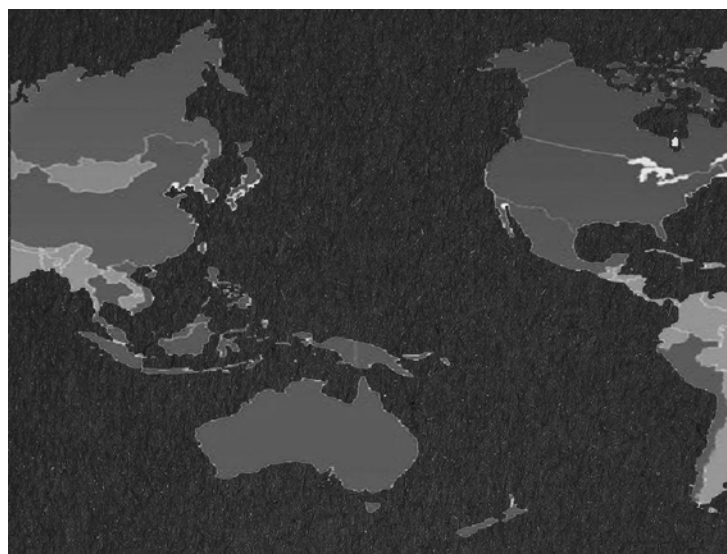


ENHANCING APEC RESILIENCY :
*More integrated, connected, sustained
and inclusive development*

Organized by Indonesia APEC Study Centre Consortium 2013
[http : //www.ascccindonesia2013.org](http://www.ascccindonesia2013.org)

APEC STUDY CENTRE CONSORTIUM CONFERENCE 2013

July 26 – 27, Jakarta, Indonesia



ENHANCING APEC RESILIENCY : *More integrated, connected, sustained and inclusive development*

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Introduction

APEC formal summit meeting was started in 1993 (USA) which lays the foundation of the APEC Vision. The following years: 1994 (Indonesia), 1995 (Japan), and 1996 (Philippines) were the golden years of APEC that put the foundation for the liberalization of trade and investment. Bogor Goals was declared in 1994, and the Osaka Action Agenda (OAA) in 1995 put further step for the achievement of the Bogor Goals. APEC's visionary agendas continues in 1996 with the declaration of Individual and Collective Action Plans toward the Bogor Goals to achieve the trade and investment liberalization in 2010 for developed economies and 2020 for developing economies. However, since 1997, APEC's focus has been broadened, with the inclusion of issues other than just trade and investment. This trend increased persistently, and since 2001, issues such as terrorism, health, environment, corruption, emergency preparedness, etc have been included in APEC. In addition, APEC also aims to pursue high quality of growth by defining the five attribute of growth strategy in APEC: balance, inclusive, innovative, secure and sustainable growth.

After 19 years, Indonesia is hosting APEC meeting for the second time in 2013 with the focus on three agendas: (1) Attaining the Bogor Goals; (2) Sustainable Growth with Equity; and (3) Promoting Connectivity. **Resilient Asia-Pacific, Engine of Global Growth** is the main theme of APEC Summit in Indonesia in 2013. The theme on making Asia-Pacific a resilient economy and becomes the engine of global growth is a genuine respond from Indonesia APEC Summit 2013 to the world economic circumstances in 2013 and in the same time provide pathways of APEC economies in the long term perspectives. To this objective, effective policy coordination in macroeconomic policy measures is one of the tools in the short run; however, other most important issues in the long run could be seen in the specific agendas.

Attaining the Bogor Goals is the first specific agenda which leads to the trade and investment liberalization in APEC. Bogor Goals were APEC leaders' decision in Bogor in 1994, around 19 years ago. It is a moral obligation for Indonesia to examine and put leadership in achieving the completion of Bogor Goals by 2020. Osaka Action Agenda and Action Plans, both Individual and Collective, are associated with the achievement of the Bogor Goals. Other important issues that are related to this agenda are the FTAAP (Free Trade Area of Asia-Pacific) and the multilateral trade liberalization (WTO).

The second specific agenda is **sustainable growth with equity**. In other terms, this agenda put attention on **sustainable and inclusive growth**. Both of these growth attributes have been defined in Yokohama, Japan (2010). Sustainable growth is associated with the green growth which focuses its attention on the environmental friendly of growth. One of the attainments of this agenda in the US (2011) and Russia (2012) is the environmental goods liberalization scheme, which creates the list of environmental goods. Inclusive growth agenda puts its attention on pro-jobs, pro-poor, and pro-equity; this agenda focuses its actions on the issues

related to Small & Medium Enterprises (SMEs); Gender issues; Education & Human Resource Development (HRD); Elderly, Disabilities & Social Protection; Inclusive Finance; and Tourism Development.

The third agenda is *promoting connectivity*. In order to be linked with the world and regional supply chains, APEC economies should develop its logistics capabilities. Good logistics should be supported by a better hard and soft infrastructure. Infrastructures financing could be one of the big issues in APEC Summit 2013. Moreover, the interpretation of the connectivity could be broader as it may include the promotion of institutional and people-to-people connectivity.

In this regard, APEC Study Centre Consortium (ASCC) as part of the APEC fora, which consists around a hundred universities and research institutes in 21 APEC economies, also has the responsibility in supporting APEC's visions and goals. Each year, the ASCC holds a meeting entitled "APEC Study Centre Consortium Conference (ASCCC)". As the chairman of APEC for 2013, this year Indonesia's ASCC, which is consisting of Universitas Indonesia (APEC Study Centre Universitas Indonesia or ASC UI) and Universitas Gadjah Mada (Asia Pacific Study Centre Universitas Gadjah Mada), held the ASCCC 2013 on 26-27 July 2013 in Hotel Borobudur, Jakarta.

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ASCCC 2013 RUNDOWN

ASCCC (APEC Study Centre Consortium Conference), July 26-27, 2013, Jakarta, Indonesia
Enhancing APEC Resiliency: More Integrated, Connected, Sustained, and Inclusive Development

Time	Agenda/Note	Speaker/Institution/Economy/Title	Place
Day 1 (Friday, July 26th)			
08.15 – 09.00	Registration		In front of Timor Room, Hotel Borobudur
09.00 - 09.15	Opening Remarks	APEC Secretariat: Alan Bollard (<i>Executive Director of APEC Secretariat</i>)	
09.15 – 09.30	Welcoming Session: Chair: Prof. Dorodjatun Kuntjoro-Jakti	ASCCC 2013 Committee: Maddaremmeng A. Panennungi (<i>APEC Study Centre, Universitas Indonesia</i>) and Prof Sri Adiningsih (<i>Center for Asia Pacific Studies, Universitas Gadjah Mada</i>)	Timor Room, Hotel Borobudur
09.30 – 10.00	Keynote Speech Ministry of Trade	Mr. Iman Pambagyo (General Director Ministry of Trade, Representing Minister of Trade Republic of Indonesia): <i>Resilient Asia Pacific, Engine of Global Growth</i>	Timor Room, Hotel Borobudur
10.00-10.05	Official Photo Session		
10.05-10.30	Keynote Address ABAC Indonesia	Mr. Amin Subekti , (Executive Director, ABAC Indonesia, 20 minutes): <i>Current Development in APEC Agenda 2013 from Business Perspectives</i>	Timor Room, Hotel Borobudur
10.30 – 10.45	Coffee break		
		Attaining the Bogor Goals (Session 1 and 2)	
10.45 – 12.30	Panel Session 1: Attaining the Bogor Goals (Part 1) Chair: Prof. Lepi T. Tarmidi Special Discussant: T.M Zakir Machmud (Indonesia), 3 minutes	1.1. Prof Ippei Yamazawa, Toshihiro Atsumi, and Hikari Ishido (APEC Study Center, Japan): <i>“APEC’s New IAP Process: How Can We Strengthen It Toward the Bogor Goals in 2020”</i> 1.2. Chen-Sheng Ho. , (Associate Research Fellow, Chinese Taipei APEC Study Center, Taiwan Institute of Economic Research): <i>“Advancing the Attainment of the Bogor Goals: The APEC Way”</i> 1.3. Veredigna M. Ledda and Fatima Lourdes E. del Prado , (Philippine Institute for Development Studies, The Philippines): <i>“Case Study: Innovation in Philippine Transnational Corporations”</i> 1.4. Romauli Panggabean (Regional Analyst, PT Bank Mandiri, Indonesia) and Robertus B. Herdiyanto (Economic Research Institute for ASEAN and East Asia (ERIA): <i>“Factors that Affect Net Trade Creation: APEC Economies Case Study”</i> Discussion	Timor Room, Hotel Borobudur
12.30 – 14.00	Lunch and Lunch Speech	1. HE Mari Elka Pangestu (<i>Minister of Tourism and Creative Industry, Member of the Indonesian National Committee for Pacific Economic Cooperation, and PECC, 20 minutes</i>) <i>“Current Global Trade Challenges: How do we build complementary relations among APEC, WTO and RTAs?”</i> 2. Mr. Mirza Adityaswara (<i>Executive Director of LPS, 20 minutes</i>): <i>Indonesia Financial Resiliency: Lesson Learned from Financial Reform in Indonesia since 1997</i>	Lunch Room, Hotel Borobudur

14.00 – 15.45	<p>Panel Session 2: Attaining the Bogor Goals (Part 2)</p> <p>Chair: Prof Ipppei Yamazawa</p> <p>Special Discussant: Surjadi (Indonesia), 3 minutes</p>	<p>2.1. Prof. Lepi T. Tarmidi, (APEC Study Centre, University of Indonesia): <i>"Paving the future Path of APEC: The Need for A New Vision"</i></p> <p>2.2. Robert Scollay, (New Zealand APEC Study Centre, University of Auckland):<i>"The APEC Region En Route to the Bogor Goals?"</i></p> <p>2.3. Andi A. Parewangi, (Department of Economics, Faculty of Economics, University of Indonesia) and Gandi Setiawan (Ministry of Finance RI): <i>The Dynamics of APEC Interdependency and the Global Welfare Distribution</i></p> <p>2.4. Eric Chiou and Bo-Xing Hsu,(Associate Research Fellow, Chinese Taipei APEC Study Center Taiwan Institute of Economic Research): <i>"Exploring the Configuration of Industrial Competitiveness under Pathways to FTAAP"</i></p> <p>2.5.Seungrae Lee, (Dept. of International Cooperation Policy Korea Institute for International Economic Policy): <i>"Regional Economic Integration and FDI Strategies in the Asia Pacific Region"</i></p> <p>Discussion</p>	Timor Room, Hotel Borobudur
15.45 – 16.00	Coffee break		
Sustainable Growth with Equity (Session 3 and 4)			
16.00 – 18.00	<p>Panel Session 3: Sustainable and Inclusive Growth</p> <p>Chair: Prof Robert Schollay</p> <p>Special Discussant: Manfred Wilhelmy (Chile, 3 Minutes)</p>	<p>3.1.Alan Oxley, (Australian APEC Study Centre, RMIT University): <i>"Building Sustainable Growth in APEC"</i></p> <p>3.2.Ambassador Gleb A.Ivashentsov, (Deputy Director, Russian APEC Study Center):<i>"Urgent need to set up Asia Pacific Comprehensive Energy Partnership"</i></p> <p>3.3.Lee Poh Onn, (Senior Fellow, Regional Economic Studies, Institute of Southeast Asian Studies (ISEAS)):<i>"The APEC Model of Green Growth: Challenges, Opportunities, and the Way Forward"</i></p> <p>3.4.Kaoru Nabeshima, (Institute of Developing Economies, Japan External Trade Organization, Japan) and Kazunobu Hakayawa (Bangkok Research Center,Japan External Trade Organization, Thailand): <i>"Estimating Environmental Goods Trade Liberalization in APEC"</i></p> <p>3.5.Ronald U. Mendoza and Charles Siriban, (Asian Institute of Management Policy Center, The Philippines):<i>"Regional Public Goods in the Blue Economy: Lessons from 14 Cases of International Cooperation"</i></p> <p>3.6.Shi Young Lee (Chung-Ang University): Sang Hack Lee (Kookmin University), and Eun Jung Lim (Chung-Ang University), Korea: <i>"Incentive-Compatible Environment Measures for APEC"</i></p> <p>Discussion</p>	Timor Room, Hotel Borobudur
18.00 – 19.00	Preparation for Dinner		
19.00 – 22.00	Dinner and Dinner Speech	Arto Suryodipuro , (Director of ASPASAF, Ministry of Foreign Affairs, representing Vice Minister of Foreign Affairs, Republic of Indonesia, 20-30 minutes): <i>Post 2020 APEC Agenda: A View from Indonesia</i>	Aumb Room, Hotel Borobudur
Day 2 (Saturday,			

July 27th			
08.00 – 08.30	Registration		In front of Timor Room, Hotel Borobudur
08.30 – 10.15	<p>Panel Session 4: Sustainable and Inclusive Growth</p> <p>Chair: Prof Sri Adiningsih</p> <p>Special Discussant: Lily Tjahjadari (Indonesia), 3 minutes</p>	<p>4.1. Prof. Heidi Dahles (Griffith University, Australia), <i>“Sustainability and Resilience in Times of Crises: The Case of Tourism Industry in Yogyakarta, Indonesia”</i></p> <p>4.2. Erlinda M. Medalla, (Philippine Institute for Development Studies, The Philippines), <i>“SME Development in the Globalized Setting: Exploring Areas for Cooperation”</i></p> <p>4.3. Louise D. Williams, (Principal Associate, International Development Economics, Nathan Associates, USA): <i>“Labor Law as a Foundation for Women’s Economic Empowerment: The case for true equality”</i></p> <p>4.4. Vita P. Dewi and Prof Tri B. W. Rahardjo, (Center for Ageing Study, University of Indonesia), Toni Hartono (National Commission for Older Persons, RI): <i>“Financial Condition for Older Persons in Active Ageing Framework”</i></p> <p>4.5. Alan Oxley, [Ken Waller* (Australian APEC Study Centre, RMIT University)], <i>will be delivered by Alan Oxley: “A regulatory approach to facilitate technology in the delivery of services to the financially excluded”</i></p> <p>Discussion</p>	Timor Room, Hotel Borobudur
10.15 – 10.30	Coffee Break		
		Promoting Connectivity and Other Proposed Agendas	
10.30 – 12.30	<p>Panel Session 5: Promoting Connectivity and Other Proposed Agendas</p> <p>Chair: Komara Djaja</p> <p>Special Discussant: Evi Fitriani (Indonesia), 3 minutes</p>	<p>5.1. Prof Wentao Li, (Chinese APEC Study Center, Nankai, China): <i>“Research on the progress of connectivity cooperation in the Asian-Pacific region”</i></p> <p>5.2. Hikari Ishido, (Professor and Director of APEC Study Center, Chiba University, Japan): <i>“Promoting Institutional Connectivity in the Asia Pacific Region: A Study of Supply Chain and Trade in Services”</i></p> <p>5.3. Zoe Infante Jimenez, Carlos Ortiz, Ariel Gutiérrez* (Institute of Economic and Entrepreneurial Research at Universidad Michoacana de San Nicolas de Hidalgo, Mexico): <i>“Port Efficiency in APEC”</i></p> <p>5.4. Shofwan Al Banna Choiruzzad, (Department of International Relations, Faculty of Social and Political Sciences, University of Indonesia): <i>“Asia Pacific Integration and Local Governments: A Preliminary Discussion on the Potentials of Sister City/Province Programs to Promote Regional Connectivity”</i></p> <p>5.5. Akhmad Bayhaqi (APEC Policy Support Unit): <i>“Global Supply Chain Operation in the APEC Region: Case Study of the Electrical and Electronics Industry”</i></p> <p>5.6. Prof. M. Aman Wirakartakusumah, (Bogor Agricultural Institute, Indonesia): <i>“Standard and Certification to Promote Food Safety, Trade Sustainability, and Supply Chain Connectivity”</i></p> <p>Discussion</p>	Timor Room, Hotel Borobudur
12.30-13.00	Wrap up Session and Press Conference	Maddaremmeng A. Panennungi (Wrap Up, Committee) Alan Bollard (APEC Secretariat),	

	Chair: Prof Dorodjatun Kuntjoro-Jakti	Prof Ippei Yamazawa (Japan), Prof Sri Adiningsih (Indonesia), Alan Oxley (Australia), Prof Wentao Li (China), Louise D. Williams (USA)	
13.00 – 13.30	Chair: Prof Lepi T Tarmidi and Prof Sri Adiningsih 1.ASCC Business Meeting (35 minutes) 2.Announcement ASCCC 2014 [<i>Liu Chenyang, APEC Study Center of Nankai University, China, 5 minutes</i>]		Timor Room, Hotel Borobudur
13.30 – 14.30	Lunch (provided)		Timor Room, Hotel Borobudur
14.30 – 18.00	Jakarta City Tour	Jakarta City Tour Route 1. Sarinah Dept Store 2. Indonesia Central Business District 3. Indonesia National Monument (Monas) 4. Balai Agung DKI Jakarta (Venue for Dinner Speech)	Jakarta Central Business District and National Monument (Monumen Nasional, Monas)
18.00 – 22.00	Closing Dinners and Speeches	1. Welcoming Session and Dinner 2. Introduction of ASCCC 2013 by Prof. Dorodjatun Kuntjoro – Jakti 3. Representation of Governor of DKI Jakarta: <i>Welcoming Speech</i> 4. Closing and Photo Session	Balai Agung DKI Jakarta

Remarks to APEC Study Centres Consortium Conference

Greetings from the APEC Secretariat.



I welcome the opportunity to attend the APEC Study Centres Consortium Conference 2013. APEC is fortunate to be assisted by the presence of the APEC Studies Centres around the region, and I am keen to learn more about them. I have only been in position as Executive Director of the APEC Secretariat for 6 months, so I am still learning about APEC and the work that it does. Of course it is a very large system spread across 21 different economies, and the Leaders Statements and the working group agendas reflect a very broad range of interests.

The APEC Study Centres network represents a large resource. I am keen to understand how we can harness and learn from the work of the Study Centres. I would also like to understand how much the Study Centres are aware of APEC work and future directions, so that you have a chance to align your interest where appropriate.

My personal background is as a practicing policy economist, and I believe we must always be on the lookout for good applied research to under-pin policy decisions and practical measures on trade and investment. We continue to need your help. I look forward to the Conference.

Dr Alan Bollard

Executive Director

APEC Secretariat

Welcoming Remarks from APEC Study Centre Universitas Indonesia

Dear Delegates, Speakers, and Distinguished Guests



I am honored to welcome all of you to the APEC Study Centre Consortium Conference (ASCCC) 2013 in Jakarta.

Twenty years ago in 1993, our Leaders shared vision of achieving stability, security and prosperity for our peoples by deepening the spirit of community. In the following year, 1994 in Bogor, Indonesia, our Leaders declared commitment on **Bogor Goals, to complete the achievement of our goal of free and open trade and investment in the Asia-Pacific no later than the year 2020**. The declaration is one of the most important moments in APEC.

The year 2013, is the second time for APEC summit in Indonesia and the first time for ASCCC (APEC Study Centre Consortium Conference). It is a great honour for Indonesia APEC Study Centre Consortium, which consist of APEC Study Centre Universitas Indonesia (ASC UI) and Asia Pacific Study Center Universitas Gadjah Mada to host this conference.

Our theme in this conference is ***Enhancing APEC Resiliency: More Integrated, Connected, Sustained, and Inclusive Development***, the same theme with Indonesia APEC Agenda 2013. There are five panel sessions which represent APEC Agenda 2013 in Indonesia: Attaining the Bogor Goals (2 sessions), Sustainable and Inclusive Growth (2 sessions), and Promoting Connectivity (1 session). ***Attaining the Bogor Goals sessions are aimed at assessing the progress, showing evidences, and managing toward the completion 2020 of the Bogor Goals target. Sustainable and Inclusive Development sessions are expected to explore the ideas, evidences and their policy implementation in sustainable and inclusive growth strategy that lead to stable and equitable development across APEC and within each APEC economy. Promoting connectivity session is intended to capture the current condition, best practice, and proposal for improvement of the connectivity in terms of physical, institutional, and people to people connectivity.***

I would like to thank to the organizing committee, especially our assistants and volunteers from the university who have worked hard in preparing this conference. I appreciate the support from Ministry of Trade RI, Ministry of Foreign Affairs RI, Ministry of Tourism and Creative Industry RI, ABAC Indonesia, and LPS.

On behalf of the Indonesia APEC Study Centre Consortium Conference, I hope that this conference could deliver a productive presentations and discussions from our prominent scholars, guest speakers, and all participants, that could become a contribution of this conference to the APEC Summit 2013 in Bali, Indonesia. Lastly, we invite all of you to enjoy Jakarta through our JCT (Jakarta City Tour) tomorrow. We wish for all the best outcomes from this conference.

Sincerely,

Maddaremmeng A. Panennungi,

Director of APEC Study Centre Universitas Indonesia (ASC UI) and Chairman of ASCCC 2013

Welcoming Remarks from Asia Pacific Study Center Universitas Gadjah Mada

Welcome to Jakarta.



ASCC Indonesia thanks to ladies and gentlemen for attending this ASCC Conference 2013. This conference is held within uncertain condition of global economic because of the continuous European economic crisis, the slow recovery of US economy and the decreasing economic growth of China and India. Therefore, the World Bank and International Monetary Fund decrease the projection of world economic growth in 2013. Therefore, the economic cooperation among APEC members is expected to support sustainable economic growth in Asia Pacific.

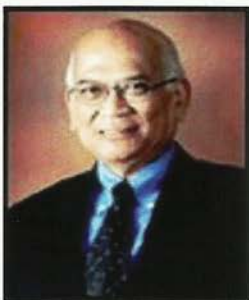
I hope, ASCCC in Jakarta could formulate recommendation for APEC, hopefully, to increase the economic cooperation to achieve Bogor Goals, free and open trade and investment by 2010 for industrialized economies, and 2020 for developing economies by promoting the flow of goods, services and capital. I also hope that ASCCC 2013 could deliver recommendation to achieve sustainable growth with equity and promoting connectivity in Asia Pacific as well regarding to the big number of imbalance in APEC area and that area is facing the decreasing of economic growth. Moreover, ASCCC in Jakarta can make a better collaboration of ASCC members in research, trainings or idea exchange and information among research centre in APEC area. I hope you could enjoy the conference, and do not forget to enjoy Jakarta as well.

Best regards,

Prof. Sri Adiningsih, Ph.D.

Asia Pacific Study Centre Universitas Gadjah Mada

APEC STUDY CENTRE CONSORTIUM 2013 ORGANIZING COMMITTEE



**ORGANIZING COMMITTEE
ASCCC 2013**



KEYNOTE SPEECH

Mr. Iman Pambagyo

**General Director Ministry of Trade, Representing Minister of Trade
Republic of Indonesia**

Resilient Asia Pacific, Engine of Global Growth





**Keynote Speech by
H.E. Gita Irawan Wirjawan, Minister of Trade of the Republic of Indonesia**

**At the Opening Session
the APEC Study Centre Consortium Conference
Jakarta, Friday, 26 July 2013**

H.E. Prof. Dorodjatun Kuntjoro-Jakti, Chair of the APEC Study Centre Consortium Conference,
Dr. Maddaremmeng Panennungi, APEC Study Centre – University of Indonesia,
Prof. Sri Adiningsih, University of Gadjah Mada,
Professors and Researchers from Universities and Research Institutes in APEC Member Economies,
Mr. Alan Bollard, Executive Director, APEC Secretariat,
Distinguished Participants,
Ladies and Gentlemen

Assalamuailaikum wr. wb.

Good morning to you all, and welcome to Jakarta for those who had travelled from abroad and from other cities.

It is a distinct pleasure for me to have the opportunity to deliver a remark before distinguished speakers and participants of the APEC Study Centre Consortium Conference 2013. Indonesia highly values the importance of the APEC Study Centre Consortium, especially for its role in advancing interdisciplinary and policy-relevant research from an independent perspective on various APEC issues. The work done and being developed by the network of the APEC Study Centre Consortium can certainly contribute much to the productive cooperation in APEC. In fact, APEC Study Centre Consortium can be considered as an extension and expansion of the Eminent Persons Group which had contributed to the success of APEC in its early years of existence.

This year, the APEC Study Centre Consortium is expected to contribute further to APEC's work which is centered around the theme of "Resilient Asia-Pacific, Engine of Global Growth." I can see from the program that the Conference will discuss in detail the three priorities that APEC set for this year; they are Attaining the Bogor Goals, Enhancing Sustainable Growth with Equity, and Promoting Connectivity.

I fervently hope that this conference will be a success and deliver important recommendations that could be taken up by the official APEC process at the Concluding SOM, APEC Ministerial Meeting and APEC Economic Leaders Meeting in October.

Our work this year is being advanced against the backdrop of less fortunate situation of the world economy. The challenge in front of us is a slower-than-expected global economic recovery. Both the World Bank and the IMF have revised downward the global economic outlook for 2013. The Bank cut its January forecast of 2.3% to 2.2% in its June forecast. The IMF, meanwhile, updated its global growth forecast on 9 July to 3.1%, lower than its April prediction at 3.3%.

Although the World Bank believes that the world economy will now be less volatile, the IMF maintains that downside risks to global growth prospects still dominate. As the IMF puts it, the old risks will continue to stay but new risks have emerged, including the possibility of a longer growth slowdown in emerging market economies, slowing credit, and possibly tighter financial conditions. All in all, the IMF suggested that stronger global growth requires additional policy actions.

In light of this situation, some of us may rightly suggest that APEC should continue opening markets and keep the markets open. In fact, studies by OECD and PECC confirm that market opening—or liberalization, if you like—does work in enhancing growth, increasing wages, creating jobs and improving the standard of living in the region. However, the same studies also suggest that liberalization is not sufficient to address the issues of development gaps and income inequality which tend to grow wider than narrower. Hence, the importance of the APEC Study Centre Consortium to step in and be an integral part of the APEC process.

Distinguished Speakers,
Ladies and Gentlemen

APEC has become one of the most dynamic regional economic cooperation in the Pacific Rim. Based on the principle of voluntarism, APEC provides a unique avenue for 21 economies to exchange views and share best international practices. Working under three main pillars of liberalization, facilitation and economic cooperation, APEC is renowned for its persistent calls for liberalization and facilitation while providing economic cooperation to develop the capacity of its Member Economies.

However, what we can observe is that progress across the three pillars has been uneven. First, on liberalization, APEC pursues the agenda more on a unilateral basis rather than plurilateral, legally-binding basis. The result is that APEC looks good in aggregate but not individually. The average tariffs in APEC fell significantly from 16.9% in 1989 to 5.8% in 2010, but some Member Economies continue to apply exceedingly high tariffs in certain sectors.

Second, APEC is good at trade and investment facilitation as exemplified by its work on “at-the-border, across-the-border, and behind-the-border” issues. Still, we can see that work on

“behind-the-border” issues is lagging behind the other two. And third, there are about 1,600 economic and technical cooperation projects completed between 1993 and 2011. But it is unclear whether we are better off now than, say, 10 years ago, and whether all the cooperation projects really add up to enhanced capacity especially among APEC developing Member Economies.

While we can say that APEC is amongst the most successful economic cooperation forum in the world, we need to ask ourselves whether we have adequately addressed the growing development gaps amongst and within Member Economies. Leaving the gaps widely open is perfect recipe for resentment toward economic opening and integration which may eventually lead to protectionism and economic nationalism, thus making APEC increasingly vulnerable to economic turbulence. Hence, if we are to create a resilient Asia-Pacific, we need to urgently address the issues of inclusiveness, equity and connectivity. APEC has translated such a task into three priority agenda I mentioned earlier: Attaining the Bogor Goals—which should be inclusive, Enhancing Sustainable Growth with Equity, and Promoting Connectivity.

APEC’s work this year is geared toward addressing the special needs of our SMEs, youth and women entrepreneurs, the vulnerables, less-developed regions and remote areas in order to take part in economic integration process and play a role in the regional and global supply chains. We are not talking about gaps between Chevron, Pertamina and Petronas, or between General Motor, Holden and Toyota. We are talking more about assisting and empowering the small guys and poor regions in APEC Economies, and this compels Indonesia to take the lead in bringing in some issues into APEC work this year. They are, among others:

- Embracing trade in services to allow developing economies climb up the value chains
- Addressing non-tariff measures affecting SMEs
- Capacity building on environmental goods
- Promoting Corporate Social Responsibility
- Empowering SMEs, youth and women entrepreneurs
- Promoting financial inclusion
- Providing better healthcare services
- Promoting cooperation on science and technology
- Promoting food and energy security
- Enhancing connectivity through a focused approach
- Promoting development and investment in infrastructure
- Advancing cross-border cooperation on education, and
- Facilitating tourism travel

Distinguished Speakers,
Ladies and Gentlemen

SME has always been an appealing topic every time we discuss economic development, so let me briefly touch on issues concerning SMEs in our region. It has been acknowledged widely that SEMs are the backbone of economic development in our economies, accounting for the majority

firms and a large share of employment. Recent study by Ganeshan Wignaraja of the ADB Institute suggests that SMEs do matter to some extent in Asian global production networks, particularly in more industrially developed economies, thus suggesting a large potential role for SMEs in global production network.

However, it is also obvious that SMEs are at a disadvantage for participation in production networks compared to larger firms as they—SMEs—face resource constraints in terms of finance, information, management capacity and technological capability. SMEs also suffer disproportionately from external barriers such as market imperfections and extensive and complex regulations.

If we are to enhance SME participation in production networks in the region, there should be greater public policy support designed to—among others—ensure a policy environment that opens access to market, competition and finance, reduces bureaucratic impediments against SMEs, facilitates integrated SME institutional support services, creates world-class infrastructure, and provides education and training for industry-relevant skills.

It shows to us that issues of development gaps including SME development cannot be addressed through sectoral approaches. Rather, they should be addressed in a holistic way, involving all relevant aspects and pursued simultaneously with a clear and measurable targets.

The APEC Study Centre Consortium with its extensive network in the region can and should play a bigger role in the APEC process by providing scholarly recommendations on how to address the development gaps. The holding of this Conference is one way of stimulating such a role, but it should be more than that. I personally wish that in the near future, the APEC Study Centre Consortium can better help APEC governments to make well-informed decisions not only to live up with big business' expectations, but also and more importantly to build a strong sense of community in APEC wherein everybody—big and small guys, developed and developing economies—equally and fairly benefits from APEC regional economic integration process.

In closing, allow me to wish you all a great success on your deliberations, and I look forward to studying the report and recommendations from this Conference.

Thank you for your attention.

Minister of Trade
Gita Irawan Wirjawan

OFFICIAL PHOTO SESSION



KEYNOTE ADDRESS

Mr. Amin Subekti

Executive Director, ABAC Indonesia

Current Development in APEC Agenda 2013 from Business Perspectives



**Keynote Remarks by the Executive Director of the APEC Business Advisory Council, Mr Amin Subekti, at the APEC Studies Centres Consortium Conference on “Enhancing APEC Resiliency: More Integrated, Connected, Sustained, and Inclusive Development”
July 26-27, 2013, Hotel Borobudur, Jakarta, Indonesia**

Representatives of the APEC Studies Centres Consortium,
The Executive Director APEC, Dr Alan Bollard, who is also an accomplished scholar
Ladies and Gentlemen

I thank the APEC Studies Centres in Indonesia for the invitation to speak this morning. It is certainly a privilege to be among many of the architects and intellectual movers and shakers of APEC, who have made major contributions to regional economic integration over many years. I am newer to the APEC process but I have had an intensive year participating in a wide range of APEC meetings across the APEC SOM and Finance Ministers streams and in our ABAC process.

Today, I would like to share with you a business perspective on some central issues in the APEC 2013 agenda. And along with this, perhaps encourage you as scholars and researchers to take up some of these issues in your research in the future. ABAC is certainly one of the demanders of such policy oriented research.

I would like to focus my remarks around three main pillars which Indonesia has put at the forefront of APEC this year. These are investment in infrastructure, financial and capital market integration, and the APEC framework for 21st century connectivity. There are of course many other important issues in APEC and ABAC as well, which you are discussing at this conference, but I may not have time to cover all of these.

Colleagues, Indonesia has put a big agenda on the APEC table this year but we think it is the right time to do this. We in business are deeply concerned about the current uncertainty in the global economy and the extent of the structural challenges underlying this, which will be around for many years to come. In APEC we too have our fair share of major structural challenges. The APEC agenda this year acknowledges these real issues confronting us, as the Asia Pacific region positions itself to become a global engine of growth.

In the short term, we must work through the volatility in financial markets and the impacts on growth. In the medium and longer term, the task is of course even more complex. First, we need to build more opportunities for growth but we will need to factor in quality and sustainability as never before. Second, we need more certainty for investors and yet, at the same time, we need to make our economies more flexible and able to respond to new models of doing business. And third, we need to integrate and connect ourselves in a way that will reflect these developments and make growth more inclusive.

The elements of APEC’s agenda this year are not entirely new. The agenda builds on APEC’s

strengths and achievements. But when taken together, the agenda is an acknowledgement of the scale of the challenge before us. What makes it different is the growing consensus that all these issues must be addressed in a multi-year agenda, and more coherently across government through synergies with the Finance Ministers process. Stakeholders in business and international organizations must also be an integral part of this.

Nowhere is this more apparent than in the first pillar I want to address, namely infrastructure investment. The OECD estimates that to the year 2030 the global economy will need more than 50 trillion dollars to fund public infrastructure requirements, including for climate change mitigation. In just Asia alone, the ADB says we will need 8 trillion dollars to get us through to 2020. Remember this is largely public infrastructure, not private infrastructure like hotels and tourism facilities. These massive amounts simply cannot be met by public financing. But we have a long way to go. The OECD estimates, on average only about 1.5 per cent of public infrastructure investment is coming from the private sector.

Infrastructure is not just a developing economy problem. Even in the United States, the American Society of Civil Engineers in its latest Infrastructure Report Card has only given the US a grade of D+, mainly because of aging and out dated infrastructure. They estimate that 3.6 trillion dollars is needed to 2020 to renew US infrastructure.

But more importantly, as APEC integrates more intensively, our potential as region will depend on the quality of infrastructure well beyond our own individual borders. This is why it is an APEC issue. We clearly have to work at this from two angles: the first is by making private investment in public infrastructure a more attractive proposition, and the second is by mobilizing private savings in a more effective way, which I will come to in a moment.

The current reality is that despite the great demands for infrastructure in our region, there is in fact a shortage of ready, and I underline ready, infrastructure projects in the pipeline for investment. We all know that Public Private Partnerships or PPP projects in infrastructure are by their nature difficult. Getting the balance of risk and return right over the life of a long-term project, which yields low returns, is something that both governments and private investors must look at very carefully. Currently, we are not doing this well enough.

The delay in getting ready projects into the pipeline for approval has public costs. But of serious concern to private investors are delays in getting a project from the approval stage to real readiness for the operational phase. This can take years and is associated with very high costs borne by investors. For example, in my own experience of putting together a PPP project for a power plant, the legal fees alone can be in the order of \$20 million dollars.

Every PPP project requires special attention and expertise to satisfy all parties, including financiers. But there are some things that APEC governments can do to minimize risk and uncertainty and costs.

First, at an economy-wide or sectoral level, infrastructure investors want to see a consistent

and predictable investment regime where policy making is transparent, where property rights are clear and the rule of law is applied to all. The same principles and more apply to the regulatory regime for a particular infrastructure sector or project so that the flow of income can be fairly determined over the long term.

Second, at a project level, we would like to see governments investing more in both capacity building and in qualified expertise to address the readiness issues from their side. In fact, ABAC is also making a direct contribution to capacity building in this area through a group we have formed called the Asia Pacific Infrastructure Partnership or APIP. APIP is comprised of a panel of about 50 leading practitioners in finance and infrastructure from the private sector, government and international organizations. These experts, who work on a pro bono basis, are available to meet with government agencies behind closed doors to work on infrastructure preparedness. APIP has so far worked with at least four APEC economies in seven closed door workshops. This is a great resource but it is not a substitute for governments investing in their own expertise.

The issue of tapping more private sector funding for infrastructure is linked to the second pillar of financial and capital market integration. Our financial markets in most of APEC and especially Asia are still poorly integrated and immature in institutional terms. We have improved since the Asian economic crisis in the late nineties but we must keep working on this especially so that more of our savings from this region can be utilized in the region instead of having to go through New York and London before coming back to us.

ABAC is proposing to APEC Finance Ministers and Leaders that we establish a new informal and dynamic institution called the Asia Pacific Financial Forum to help us with this very complex issue. Our feeling is that we need to bring in the business sector, the bankers, investors and the international organizations alongside the regulators and key government agencies to map out the best ways to integrate our financial markets. APEC has given very positive signals to our proposal and we hope that APEC Finance Ministers will agree to this at their meeting in Bali in September.

The issue of infrastructure financing would be part of the agenda of the Asia Pacific Financial Forum. This particular challenge is difficult because traditional banking sector finance is not geared to long term infrastructure financing. We need to develop Asia Pacific bond markets and perhaps develop a more innovative mix of instruments that could both tap private sector savings and provide more private and public sector financing for infrastructure.

Good infrastructure is also obviously a big component of the third pillar I want to address in the APEC 2013 agenda, namely connectivity. But the proposed APEC Framework on Connectivity which will be put to Ministers and Leaders is much more than infrastructure. In business, we encourage the more holistic view of connectivity that APEC is taking to include people to people connectivity and institutional connectivity.

Business is now operating across APEC in a new economic landscape of integration where services and investment-intensive value chains are the rule of the game. The old idea of getting goods efficiently across a border or two is no longer relevant for APEC. The operating environment for connectivity in the 21st century means that we need well equipped services, more highly skilled people, and more open investment regimes. Frankly, governments in APEC still have much more to do harmonize regulations across the spectrum to tap the benefits of these emerging value chains. It is also a challenge for businesses to specialize and position themselves to be competitive in this environment.

These issues are what I would call Chapter 2 of the Bogor goals, which still has to be written and implemented. In ABAC, we are strongly encouraging APEC to address these issues more strategically through more concerted action on services and investment in particular. We will continue to press Ministers and Leaders on this issue and I believe it is an issue which can be greatly assisted by good research. We are working alongside PECC on these issues and I know that some of you are involved in PECC as well.

In terms of the trade architecture, ABAC, as you know, has been a champion for the FTAAP over the longer term. ABAC is encouraged to see two major pathways to the FTAAP through the TPP and the more recent RCEP. I don't want to get into a debate about the details or the benefits of these two agreements which are being negotiated outside of APEC but I would say one thing. We do need to make sure that these two major agreements take us in real and practical terms to being a region that is seamlessly connected. And this also means we need to maintain the spirit of cooperation and cohesion that is at the core of APEC.

In ABAC, we are making a strong appeal for APEC to put real weight behind progress in the WTO Ministerial Conference which will be held in Bali later this year. The WTO is still paramount for the international trading system and we need some sort of breakthrough so that more business confidence in the WTO as a negotiating forum can be restored.

Finally, on the trade agenda, I would like to make a reference to the APEC Environmental Goods and Services List. But in this case, I would like to declare my interests as an Indonesian. In Indonesia, we firmly believe that sustainable agriculture must have a place on the list in the future. We have listed certified palm oil, rubber and pulp and paper as possible candidates and we would be open to more agricultural products. In the Indonesian business sector and government we have already begun working on showing to our APEC friends how these sectors can contribute to environmental sustainability. We would encourage more research on how we can improve the environmental goods and services list

in APEC so that it can benefit the environment and our economies more comprehensively. This is an integral part of the food security agenda in APEC, which ABAC has also championed, and we expect that our APEC Leaders will take an increasingly close interest in these issues.

Ladies and Gentlemen, I really don't have time to cover more of the issues you will be discussing over the next two days.

So let me close by saying that the key messages I would like to convey are these: First, we in business believe it is important to be putting in place a multi-year agenda on the big issues of infrastructure, financial markets and connectivity. These are difficult issues because they require major structural and institutional reforms that are heavy in domestic regulation. APEC uses the rather intrusive term “behind the border measures” for domestic reform but we prefer to think of it more positively as “bridges to growth”.

Second, we think that over the medium term the APEC 2013 agenda, along with the wider APEC trade agenda, can bring big benefits to SMEs and regional and provincial communities which have so much more to contribute to the growth process. Our political leaders will be under increasing pressure to include more of our economies in the regional growth story and business is ready to open more opportunities.

Finally, we think there is a very rich research agenda around many of these issues. We need to have evidence-based discussions on policy options and we need to know how to put all the individual parts together more effectively. I would therefore encourage you to work on these issues and convey your results to ABAC so that we can strengthen our recommendations.

Thank you very much for this opportunity and I wish you well in your discussions.