Apec's role in shaping a new world

By Charles Morrison, Jusuf Wanandi & Tan Khee Giap

IN A little over a month's time, leaders from the Asia-Pacific economies will gather in Singapore for the annual Asia-Pacific Economic Cooperation (Apec) Summit. This meeting comes at a very opportune time. It will be sandwiched nicely between the Group of 20 (G-20) summit in Pittsburgh and the forthcoming Copenhagen Climate Change Conference. It will also mark Apec's 20th anniversary.

Apec was established out of the recognition that the increasing interdependence of regional economies underscored a need for 'effective consultations among regional decision-makers'. In the past two decades, this level of interdependence has continued to increase, bringing with it new - and more complex - requirements for cooperation.

In 1997-98, Apec was heavily criticised for doing next to nothing to help the economies of the region recover from the Asian financial crisis. More than 10 years later, it should learn from that lesson: it has to seize the opportunity presented by the current crisis and reassert its position as the premier regional forum for dealing with economic issues.

The trough of the crisis may have passed, but this should not cause complacency. As the pressing priorities for immediate fiscal and monetary stimuli fade away, the longer-term question of sustaining the recovery and rebalancing of Asia-Pacific economies to prevent future crises will come to the fore.

In this context, Apec has a critical role to play, since it represents more than half of the world's economic output and encompasses the economies most in need of rebalancing.

There are four key areas where Apec could make a substantial contribution.

First, policymakers need to focus on structural reforms that will allow their economies to grow at a high but stable rate. This will involve rebalancing the sources of growth within economies.

G-20 members have already committed to work together to ensure their rebalancing strategies are consistent. Apec can further deepen the coherence of these new growth strategies, both by intensifying interchanges among the Asia-Pacific members of G-20 and by bringing a wider group of economies into the framework.

Second, the economic crisis has exposed the extant vulnerability of free trade. Liberalised trade has been a wellspring of growth for the world at large, and in particular for the economies of Asia and the Pacific.

At the beginning of the crisis, it was feared that governments would give in to political pressures by adopting protectionist measures. There have certainly been cases of this, but the ability of many economies to withstand most of such pressures has helped to ensure that the economic crisis did not deteriorate.

However, the Doha Round of world trade negotiations remains stuck at an impasse. Its completion will maintain the momentum of freer trade and create another source of positive expectations and real growth needed to sustain the recovery.

The Apec Summit should be used as an opportunity to define what the Asia-Pacific can - and will - do to contribute to a conclusion of the Doha Round by next year. A resolution at the level of political leaders needs to be followed up with serious offers at the negotiating table.
Third, concerns about climate change remain. The Asia-Pacific region accounts for over half of the world’s carbon dioxide emissions. The Apec Summit will be the last major meeting at the ministerial level before work begins in Copenhagen to narrow gaps between more developed and less developed economies.

After Copenhagen, Apec will be an important forum for the exchange of views, developing modes of Asia-Pacific leadership and collaboration on energy technology research.

Lastly, and central to all of the above, is the manner in which Apec adjusts to the welcome changes to the governance of the global economy that the crisis has accelerated.

Long before the crisis, there was already a palpable need for greater representation of Asia's emerging economies in managing the global economy. The crisis has shown that the era of the Group of 8 - for the longest time a self-selected group of largely trans-Atlantic powers responsible for building consensus on global issues - has now become passe.

The newly formed G-20 has been dubbed ‘the steering committee of the global economy’. By its very nature, the membership of steering committees is select. The G-20 comprises the systemically most important developed and developing economies.

If the G-20 is to be credible and effective as the premier forum for global economic issues, it needs to also take into account the interests of smaller economies. One mechanism for achieving this is for Apec to play a constructive role in articulating the concerns of the whole region on the global stage.

Apec, whose members include half of the G-20 members, can be an important foundation for the building of a new global economic architecture. As such, Apec could provide a venue for important economies left out of G-20's framework to provide input into the emerging discourse on economic reform.

Charles Morrison is the president of the East West Centre. Jusuf Wanandi is the vice-chair of the board of trustees of the Centre of Strategic and International Studies Foundation (Jakarta). Both are co-chairs of the Pacific Economic Cooperation Council (PECC). Tan Khee Giap is the chair of the Singapore National Committee for PECC.