

MEDIA RELEASE

Issued by the Singapore Institute of International Affairs¹
A supporting organisation of the APEC CEO Summit 2009

APEC business and political leaders cautiously optimistic about future; list hopes for region's growth and transformation through collaboration, sustainable development, and social responsibility

Singapore, 15 Nov 2009 – In a summary of the APEC CEO 2009 discussion released today by the Singapore Institute of International Affairs, it was observed that mood of APEC business and political leaders was cautiously upbeat about the future, although most acknowledged that challenges remain ahead for the region.

The two-day meeting took place a little over one year after the global crisis began. Governments had taken unprecedented fiscal and monetary measures and successfully prevented a worldwide meltdown of the financial system. New institutions for cooperation and coordination have emerged, especially the G20. In 2009, there were signs of recovery, especially in the larger economies of Asia, with China gaining much attention. Many debated however whether the recovery was substantial and sustainable. Against the above background, these were key points among speakers and participants:

1. **Is the crisis over?** Crisis has been averted, and Asia is leading the recovery, especially the region's larger, emerging economies, such as China. However, the recovery is uneven and the “real economy” continues to face difficulties. Most participants moreover believe the recovery may not be sustainable. American consumer demand has not returned and, without this, many fear that growth rates may be lower in future.
2. **Continuing American Role and Open Regionalism:** While Asian economies are leading the recovery and there is a greater sense of regional cooperation, business has no boundaries. It remains important for Asians to engage with the USA and others in the Pacific, and vice versa. Indeed, Asian economies should be open to the rest of the world.

“President Obama's trip to Japan and then to Singapore for the APEC and first US-ASEAN Summits have shown commitment that has been stronger and bolder than many feared although not without caveat. Obama's declaration in Tokyo that he is the first US Pacific president shows he understands that engaging across the region is necessary for America's future and not an option. His intention to engage with the TransPacific partnership free trade agreement is also encouraging given fears of growing protectionism. But this will have to clear hurdles in Congress and the fear that freer trade will lead to even more lost jobs.” - Assoc. Prof. Simon Tay, Chairman of the Singapore Institute of International Affairs, and Schwartz Fellow, Asia Society

¹ The Singapore Institute of International Affairs supported the APEC CEO Summit 2009 through the real-time summary reportage of all 18 Summit sessions. These summaries may be viewed online at <http://www.asiapacvoices.com>

3. **Protectionism, Free Trade, and Open Markets:** Participants were concerned that high levels of unemployment will increase pressures for protectionist measures, especially in the developed countries. Leadership is vital to emphasize the longer term benefits and avoid knee jerk reactions against imports. Many urged the completion of the Doha Development Round in 2010. Additionally, there was increasing support for regional efforts, including efforts to expand participation in the Trans-Pacific Partnership (TPP). The announcement that the USA would engage in the TPP brought spontaneous applause from the participants.
4. **New Sources of Demand:** Very many consider that China has contributed strongly to the current economic recovery with the measures it has taken. Many are also looking to increased demand in Asia and also in Latin America. However, there was caution that much of the demand was from public expenditure and not private demand. Some recommended measures to increase private, disposable income by creating social safety nets.
5. **Exiting Stimulus:** Government stimulus policies put in place to prevent the meltdown have created excess liquidity and low interest rates, with bubbles in property and stock markets. These policies would have to be reversed and unwound, especially in Asian economies which are recovering fastest. Some warned against ending the measures too early, underlining the challenge of timing and coordination as economies are recovering at different speeds.
6. **Reform and Transformation:** The path ahead would require not just efforts at recovery but to reform and indeed transform their economies. A number of APEC economies are already undertaking reforms – as presented by the leaders of Indonesia, Malaysia, Russia and South Korea. Additionally, many endorsed the need for growth to become more inclusive, balanced and sustainable.
7. **Cross Border Investment and Sovereign Wealth Funds:** Governments need to consider the role and benefits of sovereign wealth funds in providing investment across borders that can be long term, counter-cyclical and yet commercially oriented. Sovereign wealth funds could, in particular, mobilize investments for infrastructure and green technologies and provide capital for companies seeking expansion. Protectionism against foreign investment should be guarded against.
8. **Government Regulation:** The crisis proved that the market cannot police itself. However, there remain questions whether greater government regulation can be both justified and effective. The challenge for regulators is to balance the market-based approach and adequate regulations. Marginally more wish to see greater regulation in the financial sector and with international coordination. But a sizeable proportion continue to emphasize market disciplines, albeit with a greater awareness of a need for a moral foundation of values. Some fundamentally doubt whether governments have the capacity to effectively regulate new and ever more complex financial instruments.
9. **Global Governance:** There is also a growing sense that the crisis and G20 are forcing a rethink of global governance. Some believe the G20 will emerge as the main mechanism for global issues. Others however wish to reform the existing institutions of the IMF and World Bank. Still others emphasized the need to include middle and smaller countries in dialogue and decisions.
10. **Climate Change and Sustainability:** There is consensus that climate change concerns are real and need to be addressed. The priorities and means to do so however remain open to debate. Businesses emphasized taking steps where there are opportunities for development and investments that are both economically viable and environmentally sound. There was also support to liberalize trade in environmental goods and services.

11. **APEC:** With 2010 approaching, there is a need to examine the steps APEC has taken towards the Bogor goals. Many believe that APEC has played a useful role in the region, to foster dialogue and increase cooperation, notwithstanding its non binding nature. They welcomed the initiative for APEC to remove obstacles and choke points for business across borders. APEC's broad agenda was also seen by some to present advantages.
12. **The Role of Companies and Corporate Social Responsibility:** The role of the private sector was affirmed to provide the spark for growth. Governments could provide the conditions for growth but not growth itself. However, there were calls for better business practices. More business leaders recognized the importance of corporate social responsibility to deliver inclusive and sustainable growth.
13. **Social Dimensions of Growth:** Concerns with economic growth have to increasingly take into account social dimensions, such as demographic trends. Diversity and openness in societies can be a source of strength and recovery. Many supported the call for inclusive growth.

Take Aways for Business

While much of the discussion focused on what governments can do, participants also considered what they and their businesses should do. Three key take aways were:

1. **Collaboration:** Business must collaborate with government on free trade and investment agendas.
2. **Sustainability:** Businesses must build value for stakeholders, based on trust and integrity.
3. **Social responsibility:** Businesses must be socially and environmentally responsible.

To view summaries of all APEC CEO Summit 2009 sessions, go to <http://www.asiapacvoices.com>

#####

For more information, contact:

LIM May-Ann at (65) 98471950 or at may-ann.lim@siaonline.org
Senior Executive for Public Education, Research and Policy

#####

About the Singapore Institute of International Affairs

The Singapore Institute of International Affairs (SIIA) is a non-profit, non-government organization dedicated to the research, analysis and discussion of regional and international issues. Our range of research and events – funded by foundations, membership subscriptions and corporate sponsorship – reaches out to policy-makers, business leaders, professionals and youth.

For more information, please visit <http://www.siaonline.org>

Do also visit our commentary and opinion site, Asia Pacific Voices, at <http://www.asiapacvoices.com>