

APEC Conference

*Building APEC Economies' Capacities of Employing Input-Output Tables
for Advanced Economic Modeling*

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Introduction and Welcome Remarks

Good morning, ladies and gentlemen,

Let me begin first by welcoming you all to this Conference. May I also congratulate Russia's Ministry of Economic Development and the Higher School of Economics for the initiative to organise this Conference.

When I was pursuing a Master's degree some 30 years ago, I was taught the basics of Input-Output Tables and I quickly recognized that they are a powerful and sophisticated tool for analysing economic performance of individual economies and even regions. Input-Output analysis has a long history pre-dating the time I was first exposed to it. And I have not used what knowledge I have of it for a long time now. In that sense, I welcomed the chance to brush up on the subject for this morning's event.

At this Conference, participants will be reminded that in its basic form, an input-output model consists of information about the distribution of an industry's product throughout the economy, describing the economic structures of an economy. The fundamental information used in input-output analysis concerns the flows of products from each industrial sector, considered as a producer, to each of the sectors, itself and others, considered as consumers.

Thus, at a general level, IOTs enable analysis of the links between industries within economies; the sale and purchase relationships between producers and consumers; and the employment generated.

Originally, applications of the input-output model were carried out at national levels, for example, to assess the impact on the individual sectors of the national economy towards related sectors in terms of output and employment. IO analysis is also used for national and regional economic planning and analysis.

More recently there has been an extension of the application of IO table and analysis to cover issues such as environment, energy use and trade. The OECD uses IOTs to measure carbon dioxide emissions resulting from global trade. And the Institute of Developing Economies uses them to analyse global supply chain links in the Asia-Pacific region.

IOTs are therefore an important tool for policy makers to upgrade their efforts to plan economic development so as to achieve steady and sustainable economic growth, including in the current globalized world. I am therefore confident that this Conference will help economies take advantage of this tool to enhance their development efforts.

APEC's goal is to achieve free trade and investment in the region, with the ultimate aim of greater prosperity for its people. We have set clear deadlines to meet this goal.

Leaders, who gathered in Bogor in Indonesia in 1994, nominated 2010 as the deadline for industrialised economies and 2020 for developing ones.

In the effort to achieve this objective, APEC has developed strategies, which, taking into account developments in the economic environment, have been reviewed from time to time. Thus, in November 2010 in Yokohama, APEC Leaders approved the APEC Growth Strategy with its five attributes of innovative, sustainable (green growth), inclusive, secure and balanced growth.

In line with best practice in strategy implementation, APEC is committed to measuring the progress of our key initiatives. While we have not yet used IOTs, APEC does carry out thorough, independent and region-wide assessments using detailed data and information. In this context, stock-takes of APEC works in progress have been undertaken. And APEC measures its contribution to the welfare of the region by drawing on research undertaken by organisations such as the World Bank to help ensure objectivity. Member economies are also encouraged to prepare their own reports on the progress that they have made individually.

In addition, the Policy Support Unit was established in 2008 to help APEC improve the quality of its deliberations and work. The PSU has since undertaken rigorous research and analysis and provided data and commentary on a range of APEC initiatives and issues.

In short, APEC sets goals, including numerical targets, and takes concrete steps to achieve them. Progress is then assessed to ensure APEC delivers on its promises.

By way of example, in Honolulu earlier this month, APEC Leaders and Ministers held their annual meeting and agreed to take concrete steps toward building a seamless regional economy that will generate growth and create jobs. As part of this agenda, they welcomed assessment reports on APEC initiatives including the Second Trade Facilitation Action Plan or TFAP2, which aims to save businesses valuable time and money by reducing trade transaction costs. Under the action plan, APEC has carried out projects throughout the region to encourage economies to undertake reforms to streamline trade in four priority areas; customs procedures, standards and conformance, business mobility and electronic commerce (i.e. data privacy and paperless trading).

Conducted by the PSU, the TFAP2 assessment is both thorough and independent. For example, KPIs were developed for APEC's working level groups while data from the World Bank's *Trading Across Borders* indicators was also analysed.

The assessment concluded that APEC has indeed achieved its goal of a 5 % reduction region-wide in trade transaction costs during the TFAP2 period from 2007 through to 2010. It shows that although fees and charges increased for importers and exporters across the region during that time, the amount of time taken to clear goods across borders decreased. This has saved businesses a total of \$58.7 billion.

Ministers also noted the progress measured for another key initiative: The Ease of Doing Business Action Plan which aims to make it cheaper, easier and faster to do business in the APEC region.

This assessment, also by the PSU, found that APEC is on track to meet the 5 % interim improvement target by the end of 2011. APEC's improvement between 2009 and 2010 is equivalent to 2.8 %, exceeding the pro rata benchmark of 2.5 %.

While APEC members can be justifiably proud of what they have achieved together over the years since the formation of our organisation, clearly we recognize that more work needs to be done. With the global economy in a precarious position, Leaders in Honolulu stated that APEC must continue to work hard to break down barriers to trade and investment, and forge further integration to build strong, sustainable economic growth.

A critical component of the effort to make ourselves better in implementing the strategies agreed to by members would be putting in place what management experts call “metrics for control”, or put simply the need to gauge the progress towards our goals, while recognising some so-called events are non-measurable. Input-Output Tables could be one of the tools which might be suitable for that purpose and I look forward to members and experts advising us of their views in that regard.

I look forward to Russia taking over the baton next year as APEC chair to push ahead with the APEC agenda. And I look forward to today’s conference so that we can continue to develop the tools we need to take concrete, practical and measurable steps to achieve our goals.

Thank you.