

**ST. PETERSBURG INTERNATIONAL ECONOMIC FORUM
JUNE 16–18, 2011**

**Business round table
ASIA-PACIFIC ECONOMIC COOPERATION: THE EVOLUTION AND
CONTINUATION OF A SUBSTANTIAL AGENDA**

JUNE 18, 2011 — 09:30–11:30, Pavilion 5, Conference Hall 5.2

St. Petersburg, Russia

2011

In 2012 Russia is taking on the chairmanship of the APEC forum for the first time. Apart from the active preparation of the locations for key events (meetings of APEC leaders and ministers), Russia's chairmanship is an important opportunity to hold intensive discussions with APEC participants concerning future issues, including trade liberalization and investment in the region.

Russia's chairmanship takes on a special importance insofar as Russia will be following developed countries (Singapore, Japan, the USA) in drawing up the agenda, before the chairmanship passes to developing countries, beginning with Indonesia.

Moderator:

Igor Ivanov, Ambassador Extraordinary and Plenipotentiary of the Russian Federation, Professor, MGIMO-University; Minister of Foreign Affairs of the Russian Federation (1998—2004)

Panelists:

John Beyrle, Ambassador of the United States of America to the Russian Federation

Vladimir Miklushevsky, Rector of the Far Eastern Federal University

Muhamad Noor, Executive Director of the APEC Secretariat

Gennady Ovechko, Ambassador at Large, Senior Official for the Russian Federation at the APEC Forum

Muhammad Hatta Rajasa, Coordinating Minister for Economic Affairs of the Republic of Indonesia

Igor Shuvalov, First Deputy Prime Minister of the Russian Federation

Andrei Slepnev, Deputy Minister of Economic Development of the Russian Federation

Kurt Tong, Senior Official for APEC

I. Ivanov:

Ladies and gentlemen, I am very pleased to preside over today's round table discussion on the problems of the Asia-Pacific Economic Cooperation (APEC). First Deputy Prime Minister of the Russian Federation, Igor Shuvalov, is currently in a meeting but will be joining us shortly. As an introduction, I am going to talk about an incident which I had forgotten until I was preparing for this meeting today, when it unexpectedly came back to me. I happened to be in charge of the Russian delegation at the meeting of foreign affairs ministers and APEC nations on November 14, 1998 in Kuala Lumpur, where the decision was taken for our nation to join this organization. And I have to say that we presented at our very first meeting an individual action plan for trade and investment liberalization in the region. This action in itself demonstrated the strategic nature of Russia's decision to join APEC. Thirteen years have passed since then, and in 2012 Russia will chair the APEC summit. For Russia, as for any other nation, this is a considerable challenge. The baton will be handed to us by the United States of America, whose presidency set the bar very high in terms of organization and content. Therefore it is very important for us, along with our American colleagues and representatives of the other APEC member economies, to discuss the continuity and evolution of APEC's agenda with regard to the development of the political and economic situation in the world and in our Asia-Pacific region. The Asia-Pacific region is and, according to all predictions, will remain, the most dynamically developing region in the world over the next decade, and I believe that the St. Petersburg International Economic Forum offers us an excellent opportunity to discuss APEC's priorities. For Russian representatives in particular it would be useful to hear recommendations from our colleagues, which we will be sure to take into consideration during our presidency. And now I would like to pass the floor to Andrei Slepnev, Deputy Minister of Economic Development of the Russian Federation, to share his thoughts on the preparations for our presidency and how Russia considers the current stage of its development.

A. Slepnev:

Thank you, Igor. I do not want to announce the priorities of the Russian presidency in my speech, as the time has not yet come for this. We understand perfectly well how discussion is structured at the APEC. For my part, I would once again like to join you in praising the substantive agenda proposed to us by the presidency of the United States. I can say that our minister, Ms Nabiullina, actively took part in the agenda discussion on a recent visit to Big Sky, where there was a meeting of ministers responsible for trade and for small businesses, and on the whole we consider that this agenda is both ambitious and focused, which is very important, and that it addresses the main challenges facing the region and the global economy today. On the basis of the ideas and emphasis suggested by the American presidency (I think those present are well enough acquainted with them, and today we will perhaps hear some further clarification and emphasis), I would like to discuss some of the more general issues and the context in which we now consider the problems facing the APEC.

Of course everybody is saying that APEC is the most dynamic segment of the global economy, of trade and investments, and, almost all projections demonstrate a general feeling of optimism in the short-, medium- and even long-term outlook. If we take a look at the International Monetary Fund's World economic outlook overview in April, then we see that they project annual GDP growth of almost 9% in developing countries in Asia up until 2016. These countries are now in general the driving force of their segment, and this gives us an excellent basis for analysis and understanding of the role this region should play in the global economy. Of course, we understand that there is not terribly stable at the moment in Europe and the United States, and we see certain problems in Japan brought about by the earthquake and subsequent problems with nuclear energy. Of course, we are all looking hopefully at Asia as the centre for stability and growth. And in this respect, we are all of course invested in the continuation of such growth. We must however understand that the quality of this

growth must be in some way changed, and, in the first place, this region must grow not only as a production centre, as a global factory, but also as a centre of consumption. It is precisely this development, the sustainable development of consumption in this region, which will provide stability to the global economy, considering the size of the region. The figures are very well known: the Asia-Pacific economy accounts for 57% of global GDP, almost half of world trade, more than 40% of direct foreign investment, and 40% of the world's population. The figures are immense, and if we see balanced and sustainable development in this region, it will become an important stabilizing influence and a 'magic wand' for the entire global economy.

We are therefore sure that APEC's agenda must work to harmonize such growth, to eliminate any imbalances and to implement APEC's future mission successfully—a mission that is explicitly linked to this growth. I would like to touch on a few specific issues. The first thing we must pay attention to is, of course, food security. It is quite clear that, in terms of the regional population's consumption, expenditure on food is high enough, but the stability of the food market is dependent on how effectively and sustainably the region develops. Moreover, we understand that there are of course significant structural differences between nations in the region. Amongst them are some of the world's poorest nations, where it will be necessary to achieve a certain level of stability and to eliminate volatility and fluctuations in the food market, which lead not only to negative economic consequences but can also, in some circumstances, have negative social and even political repercussions. This sums up the basic factor for stability.

Price fluctuations in the global food market are, as I have already said, a challenge facing vast sections of the region's population. In order to create a stable structure for the food market, we believe it will be important to establish a foundation for analysis and create predictable models of sustainable food market development so that we understand this foundation, the crop reserves,

production capacities and other parameters, which will allow every member economy to make accurate predictions and to work in this market. And, as they say, a little bit of global governance, in our opinion, will do nothing to interfere in this segment. We must take into consideration the fact that the economic development of Asian nations is changing the social context of development: this means changes in demand structures, diversification of the food basket, asymmetric growth in the prices of certain types of food and growing demand for quality products and for food organization systems. In our opinion, APEC's agenda must give specific, practical responses to all of these questions.

A traditional topic is that of regional economic integration and trade liberalization. On the whole, we see that, as a result of the crisis, the multilateral trading system formed by the World Trade Organization (WTO) stood the test and became one of the main mechanisms resisting the crisis, resisting protectionist pressure from governments. Russia is committed to integration and trade liberalization and we hope that we will nevertheless be admitted into the WTO this year. We began talks this year on the formulation of a free trade zone with a number of APEC nations and we hope that during our presidency next year we will be able to give you detailed information on the views which exist in this area. We are actively working towards trade liberalization within our own country and on streamlining procedures in general. While not all of them function perfectly at the moment, we have in the past year reduced by more than five times the length of time for products to clear customs, reduced the list of documents required by companies involved in trade and investment activities, we have developed special information portals, and we will also continue to work to improve investment conditions through the expansion of privatization. These themes have been discussed at length at the Forum, and I do not want to talk about strictly Russian matters. I hope you are already adequately informed on the subject, and so there is no need for repetition.

The next theme which, for us, seems to be very important in an APEC context is the development of human capital and of innovation. We believe that sustainable economic growth in the region is only possible alongside increased labour efficiency, sophisticated production techniques, and through expanding the role of innovation. These factors create new demands on human capital, on the education system, and on the development of innovative business. I'd like to point out right away that these very factors work, of course, to increase consumption, and we understand that the so-called innovative class, and white collar workers have entirely different consumption patterns, and if we are to create a modern economy in the region, it will also have to adhere to the parameters which are, in our opinion, essential for creating stability and further development in the world today. Given these conditions, issues of scientific, educational and innovative cooperation between nations in the region are becoming more and more necessary for development moving forward. We now see that during the Japanese presidency last year, innovative growth made up one of the five main components of growth, and during the United States' presidency, the subject of innovation received even more attention. We hope that you, our colleagues, will support us and next year we will give further impetus to this topic. We see that the topic of innovation is not solely discussed between APEC nations in terms of the technological development of individual markets, but more widely in connection with issues of investment, technological cooperation, necessary adjustments to state and foreign economic institutions and general regulation in this field. We propose to develop this topic even further. Naturally, another proposal for discussion is how to stimulate APEC discussions on issues of technological cooperation and the development of individual potential and of human capital. There have been a few propositions made on the subject of 'green growth': this is now, of course, a very pressing issue, and we are grateful to the United States for having sufficiently raised this issue during their presidency. We in Russia mark this issue out as one of the main priorities

for internal development; energy efficiency is one of the top five presidential priorities. We aim to reduce energy consumption, to usher in green initiatives and, despite there being vast reserves of fossil fuels in Russia, we are actively supporting the development of renewable sources of energy and actively participating in planned APEC activities in this area. The development of energy-efficient projects and technologies is included in all our key programmes in relevant areas. In addition, the sustainability of growth in production and consumption of goods and services in the region and the risks associated with sustainable global development will require us to focus our attention on liberalization and on preventing the creation of new barriers for trade and investment under the so-called banner of green development. Therefore, in underlining the importance of discussion in this direction, we are engaged in ensuring that the measures taken to liberalize the trade of green goods do not lead to a rise of a new green variety of protectionism, which would give preference to those who have advanced a little and unfairly hinder the development in nations yet to reach higher standards of technological development in this area. We must not forget that the development of the global economy is dependent namely on the sustainable development of this region. It is, in our opinion, necessary that we strengthen discussion so as to come to a consensus on a list of environmentally friendly goods and services based on the specifics of individual economies.

In conclusion I would like to support the established norm in which the discussion and adopted declarations are devoted to specific issues of the reduction of barriers for trade, investment and access to the market. We support this approach and we will hold our own discussions with Russian and APEC businesses to identify and eliminate the barriers facing investments in trade. It is also impossible to ignore such a positive trend, as APEC's decisions, although not formally for implementation, have in the present climate brought about more responsibility, since economies are more and more firmly expressing a

commitment to the removal of barriers and look towards APEC as a leader in regional economic integration.

Thank you for your attention, I hope that today's discussion will be interesting and welcome you all on behalf of the Forum's organizers. Thank you.

I. Ivanov:

Thank you very much, Mr Slepnev. Esteemed colleagues, I have not introduced all of the participants of this round table discussion, as we have little time and many interesting points for discussion, so I will introduce each speaker as they take the floor. Now I would like to pass the floor to John Beyrle, Ambassador of the United States of America to the Russian Federation. Ambassador Beyrle, please.

J. Beyrle:

Thank you very much, Igor. It is a great pleasure to be here this morning at the first round table on APEC at the St. Petersburg International Economic Forum. And I want to thank our Russian hosts for the initiative in organizing this timely event. With America as the chair this year and Russia taking over the chair next year, there is a lot for us to talk about.

I also want to acknowledge a lot of distinguished guests around the room. I especially want to thank my colleagues from New Zealand, from Australia, from Japan for being here today, colleagues from the Ministry of Economic Development. I especially want to introduce our United States Ambassador to APEC, Ambassador Kurt Tong, who has flown in from Washington to be with us today.

He will talk in detail about the US agenda on APEC, so I will restrict my very brief introductory remarks to saying why we see APEC as so important for us in the United States, and why we think APEC is important for Russia and the rest of the world, and the answer is very simple.

The Asia-Pacific region is increasingly a critical driver of economic growth. The economic futures of Russia and the United States are tied to each other, and to other APEC economies, and this underscores the importance, I think, of our countries working together, as we pass the chairmanship of APEC from the US to Russia next year.

The statistics, really, are quite indicative. If you look at the 21 members of APEC together, we account for over half of global economic output and nearly half of global trade.

The APEC region is home to 40% of the people who live on the face of the earth; that is 2.7 billion consumers. Sixty percent of American exports go to APEC economies. If you look at the top seven trade partners for the United States, five of them are APEC members.

Deputy Minister Slepnev did a good job of explaining why Russia sees the APEC region as a great opportunity. I think, if we look at APEC as an organization and as a mentality, we can see that we are very well positioned to rise together to achieve shared prosperity and to offer all of our people a chance at a better future.

But, if we are going to achieve this, we in the United States believe we need to seek economic partnerships that are governed by reasonable, rule-based approaches that give businesses the chance to compete and that are grounded in shared principles.

Every APEC host, including the United States, this year has sought to deepen and strengthen APEC's ties with the private sector. Private sector representatives from the United States and Russia are joining the conversation today. We welcome that very, very much, and I encourage you to engage with public sector counterparts as well, on how we can work together to carry forward APEC's important work during Russia's year as host, as chair, in 2012.

The importance of public and private partnerships in spurring economic growth, in promoting economic integration, in improving overall regional relations is echoed in the economic cooperation between the United States and Russia, and I will give you one brief example of that: in the bilateral context, the Russian-American Pacific Partnership.

For over 15 years, the RAP, as we call it, this partnership has been working together with the business community in the Russian Far East and across the Pacific: the US west coast, Alaska, Oregon, California, and Washington State, to support the business community, to build stronger investment links between these two regions.

And on July 12-13, RAP will hold its annual meeting in Kamchatka, in Petropavlovsk-Kamchatsky, and we think that RAP will be able to provide a lot of useful input to Russia, as it begins to plan its own APEC agenda for 2012.

So, in conclusion, the Asia-Pacific region, we think, really represents the future of the global economy, and as members of the Pacific Rim community, as we all are, the United States, Russia, all of us stand to benefit enormously, if we can build closer economic ties with the other APEC economies.

And, if we work together with our APEC partners, we have the opportunity this year in 2011 and in 2012 to really define a shared vision for a future for us that is characterized by long-term, high-impact, inclusive growth in this region.

Again, I thank the organizers for the vision of putting this panel together, and I look forward in learning a lot that I need to understand over the next hour or so.

Thank you.

I. Ivanov:

Thank you very much, Ambassador Beyrle. Now I would like to pass the floor to Kurt Tong, who has flown from the United States especially for this meeting. Mr Tong is the United States Senior Official for APEC, and it would be very

interesting for us to hear his opinions on the US presidency of APEC and on their outlook on the future.

Ambassador K. Tong:

Well, thank you very much.

And I would like firstly to express my deepest appreciation to everyone for joining this discussion today on APEC, which is, from the perspective of the United States, one of the most important international organizations for the pursuit of economic integration and prosperity.

And I especially appreciate people coming out early in the morning. The sun did not go down last night and so it is hard to tell whether it is evening or morning for me. But, as I understand it, in Russian time, this is pretty early in the morning during the white nights. So, thank you all for coming out.

I am going to do a few things fairly quickly. One is give an overview of the United States perspective on APEC; provide a little bit of historical context about APEC and its progress in past years; speak a little bit about the character of the organization from the US perspective, and then provide some information about on-going initiatives.

I will try to move through this quickly. There is a lot of information about APEC, and a lot of resources in the room for people to draw up on. So, hopefully, we can get into an interesting conversation.

The United States' view of APEC is that it is a really a well-placed organization for achieving our long-term objective, which is really global economic integration, the removal of barriers to trade and investment in economic activity, and the promotion of prosperity worldwide.

Secretary Clinton outlined our specific objectives for the Asia-Pacific region in a speech on March 9, attended by senior officials to APEC in Washington, where she called for the Asia-Pacific region to be characterized by openness, freedom, transparency and fairness in economic relationships.

And, taking those in turn, the idea of an open regional economy is one where all can participate, not just the 21 members of APEC, but also economies from the European Union, from Latin America, from Africa, and the like.

A free regional economy is one that has minimum barriers to trade and investment, really, a seamless regional economy.

A transparent regional economy is one where the rules are clear to all the participants, and clearly understood and followed faithfully by all of the participants in the economy.

And a fair regional economy is one where there is no undue advantage given to any players over other players in the regional economy.

All interconnected concepts but, really, what we are pushing for in the Asia-Pacific region is a platform for private sector economy activity, where the public sector promotes that activity by applying the minimum amount of rules and the maximum amount of transparency.

If we look at APEC as an organization, it was founded back in 1989. Some of the leading economies in the early formation of APEC were not the United States but rather, Australia, Japan, Korea was also very active in the early days, when it began as a ministers' process. But the United States made an important contribution to APEC in 1993, when we raised it to the leaders' level for the first time and President Bill Clinton convened the leaders' meeting in Seattle.

The following year, the APEC leaders adopted the Bogor Goals, calling for free and open trade and investment in the Asia-Pacific region. In the year after that, 1995, they outlined a specific Osaka Action Plan for the realization of that agenda.

And because of that momentum, which was established in the early years of APEC, APEC had a major impact on global trade initiatives throughout the 1990s. The APEC leaders' meeting in 1993 is often cited as having helped jumpstart the talks that ultimately led to the conclusion of the Uruguay Round in the WTO.

APEC was also the driving force behind the WTO Information Technology Agreement of 1996, which eliminated duties on IT products covered by that agreement. APEC also played a large role in the success of the WTO Financial Services Agreement.

Another early success of APEC was figuring out a way to have China, Chinese-Taipei and Hong Kong all participate on equal terms in the APEC organization. It continues to be a path-breaking organization in addressing economic integration among the Chinese-speaking economies of the Asia-Pacific.

But I should point out that APEC also had some failures in the early years of its existence, or the middle years of its existence. There was a programme called the 'Early Voluntary Sectoral Liberalization' in the late 1990s, where the leaders called for liberalization at a high level and tried to drive negotiations through APEC, which was largely unsuccessful in bringing about trade liberalization.

Also, during the Asian financial crisis in the 1990s, APEC did not make any really meaningful substantive contribution to either the resolution of the crisis or the handling of it.

So, there has been criticism. I will be open in saying that there has been criticism of the APEC organization over the years, for the idea that it is just a talk shop, just an opportunity for discussion, because it is a voluntary organization, it does not come up with binding agreements.

As Russia hosts APEC, you will all encounter, particularly among the media, questions like, "Isn't APEC just four adjectives in search of a verb?" I am not sure who said that the first time, but it keeps getting quoted. So, I will let you know that there is that element of scepticism out there.

But looking at APEC today, there are a number of characteristics of APEC that really make it a very, very valuable organization for pursuing economic integration.

The first is that it can pursue experimental initiatives or really cutting-edge approaches to trade and investment issues, and other economic integration

issues. Precisely because APEC is nonbinding in nature, there are items on the APEC agenda, which are considered much too controversial for discussion in the WTO, or even for discussion in other international fora like the United Nations or the climate change discussions, or the like.

And so, APEC really becomes a very important incubator for cutting-edge, interesting experimental ideas.

APEC also has a strong advantage in the existence of its working groups. There are about 30 working groups within APEC that have considerable expertise and meet regularly, among the 21 economies on a wide range of topics, and there is a lot of technical capability, so that there can actually be a very detailed discussion of some of these issues going forward.

But perhaps, the most important strength of APEC is its openness to private sector input and activity. The private sector participates in APEC through the APEC Business Advisory Council, where all the economies of APEC have three representatives to this council. The private sector participates in APEC through direct discussion between private sector actors in each economy and their own governments. And then the private sector can also participate in the working groups of APEC, in the detailed discussion, because there is no barrier to private sector participation. And in 2011, we are looking to expand that private sector input into APEC discussions.

In that regard, if I would take just a minute to highlight some of our participants that we have here from the United States, who are private sector persons that we asked to come today, and I would like you all just to meet them, so that you know how seriously the United States' private sector takes APEC.

So first and foremost is, of course, my very close colleague and comrade-in-arms, Monica Whaley, who is the President of the National Committee on APEC and the Executive Director of the US Host Committee. She is the focal point for the organization of private sector discussions and is the person organizing the APEC CEO summit, which will take place in Honolulu in November.

There are some other people who I have never met, so I am going to call out their names and I hope that some of them are here; Laurent Philippe, who is the group president for Procter & Gamble, there you are, for half of the world: all of Europe, Middle East and Africa. Josh Floum, who is the chief legal counsel for Visa. Josh, are you here? James Bovenzi, who is the President and Managing Director of General Motors in Russia and the Commonwealth of Independent States; Nikolai Pryanishnikov, who is the President of Microsoft in Russia; Thomas Kilroy, who is the Senior Vice-President and General Manager of Sales and Marketing for Intel.

And Markwart von Pentz, who is the Deputy Chairman of John Deere Company, over there.

Thank you very much.

These people are all very interested in APEC. We get a lot of private sector input to APEC. I just wanted to point these people out, so that you will talk to them and to demonstrate the seriousness of private sector involvement and engagement in APEC going forward.

I should also, probably, take this opportunity to really say thanks, as Ambassador Beyrle did to my own colleagues in the management of APEC 2011 or any APEC year, because APEC is very much a cooperative discussion among a series of economies hosting APEC.

There are a couple of gentlemen, Ian Hill, sitting next to me, the New Zealand Ambassador to Moscow, who knows APEC very, very well and is one of the conceptual organizers of the Transpacific Partnership; John Sloan, the Canadian Ambassador to Russia, sitting over there, who is an APEC senior official.

But then in more recent years, we have got Ambassador Watanabe from Japan, the APEC senior official from Japan. Japan did a fantastic job organizing last year. Deputy Minister Lukman from Indonesia and his colleague Arto, I will not pronounce your last name; they are organizing APEC next year. There is a really

a fountain of knowledge and understanding of APEC in this room and I encourage you all to draw upon it.

So, looking towards 2011 and what the United States hopes to achieve in APEC, and we feel that the organization can achieve going forward. We are focusing on three specific objectives in 2011. The first is regional economic integration and pursuing next-generation trade and investment issues going forward.

At Big Sky, Montana, last month, the APEC partners defined three specific next-generation trade and investment issues for priority management. These were in small and medium enterprise development, supply chain connectivity and in innovation.

The second priority for 2011 is green growth, with a particular emphasis on the liberalization of trade and environmental goods and services in lowering tariff barriers and removing nontariff barriers to environmental goods and services trade.

And the third area is regulatory cooperation and convergence, coming up with plans to both to promote improved regulatory practices in economies and also better communication between economies in their regulatory systems.

These goals are consistent with the medium-term and long-term objectives of APEC as outlined in the Japan year, in 2010. Specifically, in the Japan year, the Yokohama vision, which was put out in November last year, called for the exploration and pursuit of a free trade area in the Asia-Pacific that would include the coverage of next-generation trade and investment issues going forward.

This is a very ambitious objective, and there are a number of specific negotiations and initiatives taking place in the Asia-Pacific region, including the Trans-Pacific Partnership and FTAs based around ASEAN, which will help contribute to this long-term vision.

But the role of APEC is absolutely essential in the pursuit of a free trade area in the Asia-Pacific, by defining the issues and acting as an incubator for figuring out how we can reach this long-term objective of a free trade area in the Asia-Pacific.

And also in 2010, under Japan's leadership, APEC issued a growth strategy calling for growth in the Asia-Pacific region to be balanced, inclusive, sustainable, innovative and secure.

The United States, in our year, as I described earlier, has picked up on specific elements of that growth strategy, especially the emphasis on sustainable growth and also on balance and inclusive growth, to promote specific initiatives to pursue that growth strategy. And as we understand it, Russia will also, in 2012, pick up elements of that strategy for active consideration and discussion within APEC.

I am going to stop there. My colleague Mr Hathaway is going to hand out—which I do not intend to go through—a list of a number of the medium-term and long-term programmes which have been on-going within APEC over the prior decades and also going forward towards 2015 and 2020.

There are a number of initiatives within APEC, which have been pursued and will be pursued in future years and this is just an informative piece for people to look at and understand some of these longer-term, medium-term initiatives within APEC.

But essentially, the structure of APEC is that, while pursuing a long-term objective, each host has the opportunity and the ability to shape the agenda in their own year. And so really, from the US perspective, we look forward to this forum and future discussions as an opportunity to discuss with Russian colleagues and friends how Russia will define the APEC year in 2012 and how you will help lead us all next year, in the pursuit of a more prosperous and more integrated region in the Asia-Pacific.

Thank you.

I. Ivanov:

Thank you very much, Ambassador Beyrle, thank you very much, Mr Tong for such interesting and instructive information on the US presidency and your views

on APEC's development prospects. I would especially like to thank you, Mr Tong, for having partly done my job for me by introducing the row of ambassadors sitting here – it is going to save us some time. I would now like to pass the floor to Ambassador Ovechko, the Russian Federation's Senior Official for APEC and invite him to share his views on Russia in terms of the preparations for our presidency and next year's APEC summit. Mr Ovechko.

G. Ovechko:

Thank you, Igor. I welcome the opportunity to take part in this round table discussion and to say a few words...

I. Ivanov:

I'm terribly sorry to interrupt you. I was deep in concentration and didn't inform you of the arrival of Igor Shuvalov, our government's Deputy Prime Minister, who will also take part in our round table discussion, for which we are very grateful. Back to you.

G. Ovechko:

Thank you. I really welcome the opportunity to take part in this round table discussion so as to say a few words about the place of APEC in Russia's foreign policy priorities, as well as to announce in purely preliminary terms some of the events we are planning in preparation for the Russian presidency of APEC in 2012.

There has already been much said over the course of the St. Petersburg International Economic Forum about the role of the Pacific Rim, and the comments have all been fair. It is important that Russia once and for all addresses the needs of the Pacific Rim, and that is our principle drive. We are becoming more and more involved in Pacific affairs, moving from words to action, developing political, economic and other links with the nations of the Asia-Pacific

region. The main motto of our foreign policy is pragmatism and maintaining a multifaceted approach, given that we have become more active in the Asia-Pacific region and are aiming to make a positive contribution to the joint efforts to strengthen regional stability, overcome challenges and threats and guarantee economic development and prosperity for the benefit of all nations in the region. With this in mind, as well as the tasks facing our domestic economy, the APEC forum is for us the most representative and authoritative platform for the discussion of issues to do with the region's economy, and we in Russia are, on the strength of our own national interests, are interested in how we can participate fully in its work. Due to our constructive participation in regional integrating processes, we are able to implement one of the key components of these interests: the creation of favourable external conditions for socio-economic growth of nations, especially in Siberia and the Far East, by strengthening security and stability in the Pacific Rim.

We are focused on making a positive contribution to help achieve the main long-term goal of the forum, that is, the creation of strong economic relations within the region by eliminating any obstacles for trade, investment or technological cooperation. In addition, APEC gives Russia the opportunity to act multilaterally, supporting cooperation in forming sustainable and fair commercial economic systems in the region and in solving major regional and global problems, which include overcoming the consequences of the global financial crisis and strengthening food and energy security, commercial security and personal security. It is also important that the strategy for development adopted at the 2010 APEC summit in Yokohama is focused on the implementation of balanced, sustainable, comprehensive, innovative and secure growth in the post-crisis period. The final statement, which was adopted by state leaders, contains agreed recommendations for removing structural defects within economies, guaranteeing compatibility of measures to combat climate change alongside economic growth, offering wide sections of the population access to the

advantages of globalization, encouraging development in the innovation sectors and creating a secure environment for economic activities.

Above all, I would like to point out that the position of this APEC strategy is in line with the core trends in Russia's economic policy. In this way, the Russian presidency of the APEC summit offers an excellent opportunity to use this authoritative and representative platform to further strengthen Russia's role in world affairs and for the elected President of the Russian Federation to implement a course of action for resolute involvement in the regional integration processes in the interests of modernizing and innovating the development and consolidation of Russia's position in APEC. As a matter of fact, given such a view of the place of APEC in the region, the Russian side is also carrying out preparatory work so as to be able to fulfil its presidency of APEC in 2012. This work is divided into various stages and comes under the leadership of an organizing committee led by Igor Shuvalov. The first stage of work resulted in an approved concept for a list of activities to be undertaken by the Russian presidency. There has already been much said about this concept, so I will simply say that the suggested main topics have, to a large degree, overlap with the priorities of the US presidency. Certainly this is representative of the fact that, for the most part, we share the same views on the problems facing the region and on its future.

Concerning the list itself, it currently contains 86 events, which are slated to take place during the year of the Russian presidency of APEC in seven Russian cities: St. Petersburg, Moscow, Yekaterinburg, Kazan, Irkutsk, Khabarovsk, and Vladivostok, and the events will gradually move from west to east, culminating in a meeting of national and state leaders of the APEC member economies in Vladivostok. Ten ministerial meetings have been planned, including a meeting of energy ministers in St. Petersburg in June, a conference of trade ministers in Kazan, then a ministerial conference in Moscow on food security and a meeting of the heads of finance departments in Khabarovsk. Yekaterinburg is slated to

become the Information and Communication Technologies (ICT) capital for APEC in 2012, where a conference of ministers will be held in August to discuss communication and developing information technology. In the tourist capital a conference of ministers on tourism will be held. Vladivostok takes prime position, with four ministerial meetings: on the mining industry, on small and medium-sized businesses, for foreign affairs and trade ministers and, finally, following the completion of the leaders' week, in October there will be a ministerial conference on the preparedness for emergency situations, which will also be the final event under the Russian presidency.

In addition, in 2011-2012 there will be four meetings of senior officials. The first, the so-called stage zero, will be when St. Petersburg is handed the baton from the United States at the end of the year. There will be informal meetings between senior officials and a symposium to decide the priorities for APEC in 2012, and then three large-scale 'clusters' of activities and events will launch and move east. The first large-scale cluster is planned for Moscow, where 25 events are taking place, then Kazan (26 events) and the third, Vladivostok, will host a series of events in September, including a meeting of national and state leaders of the APEC member economies. It should be noted that there will be, of course, more events than this, a number of which will take place in partner countries, some will be meetings of the APEC Business Advisory Council and there will be some seminars and symposia which could take place in yet other countries. In particular, Australia has now offered to host the 2012 conference on the physical protection of seabed communications cables. We are currently in the second stage of preparatory events, with the aim of working towards a fixed set of priorities for the Russian APEC presidency. Under the auspices of the Russian Research Centre for APEC, the organizing committee has decided to hold four thematic conferences in collaboration with a range of representatives from the Russian export community. In addition, executive federal authorities will hold working discussions on various aspects of the presidency. An administration

hierarchy will be created covering all issues with a breakdown of responsibilities for all APEC working groups with details given on priority issues. We are working together with APEC capitals and negotiating with our partners on ways they can support our ideas. This work will, of course, continue, and we still have some preparatory stages ahead of us, which I will not speak about because of time constraints. Thank you very much.

I. Ivanov:

I would now like to pass the floor to Igor Shuvalov, First Deputy Prime Minister of the Russian Federation and chair of the organizing committee. Mr Shuvalov, over to you.

I. Shuvalov:

Thank you. Good morning, ladies and gentlemen. In September next year, Vladivostok will host Russia's first APEC summit. We are preparing for this event, and our preparations cover the full spectrum of issues. We are going to Vladivostok on June 30 to discuss how preparations are proceeding. The President of the Russian Federation will be visiting Vladivostok, where he will hold a conference on the challenges of fulfilling a substantive agenda and on organizational preparations for this event. The APEC forum is, for us, a relatively new entity to which the Russian Federation is attempting to show its commitment. This year we are attempting to work significantly more actively than in previous years, for example, during the presidency of Singapore and Japan. We've heard from many that would like the Russian Federation to present more English-speaking trained experts, and who wanted the standard of participation to be higher so that senior officials would take part in the events being organized in the country. And so it is this year that we begin our preparations, and already this year Minister Elvira Nabiullina has visited the United States of America, we

have appointed Gennady Ovechko, a highly-qualified diplomat, as Senior Official and in general we take our participation in the forum very seriously.

A committee was organized to prepare the events in Vladivostok next September and we invited Igor Ivanov to ensure the agenda was prepared in a very professional way. We selected experts from academia who deal with issues of international trade – these are specialists from the Foreign Trade Academy and the Academy of National Economy (now called the Russian Presidential Academy of National Economy and Public Administration), that is, we tried to select experts not only from educational institutions and learning environments, but also from our agencies who have been dealing with international trade for a long time.

We are watching closely to see how similar events are prepared and hosted in the United States of America. We certainly want to ensure continuity during our presidency, we hope our agenda will be a continuation of the issues being discussed this year in the United States of America. Our Ministry of Economic Development is committed to doing everything it can to that end. Ambassador Ovechko and the group led by Igor Ivanov are developing and expanding on these exact issues. Our agenda is clear and well-defined: it does differ from the American one, but on the whole it is a continuation thereof. We have noticed in the last few years at past summits, for example in Singapore and Japan, and we expect to see the same in the United States this year, that the standard of professional preparation of participants is significantly higher than in previous years. This is what the experts who regularly and traditionally attend the APEC forums have said. We would like to continue this trend, although, as we are hosting this for the first time, it's certainly no easy matter to host the APEC at such a high standard.

We would, of course, like to make significant advances in international trade. Unfortunately, our entry into the World Trade Organization (WTO) has been delayed. We had intended on holding the summit as members of the WTO, but

we will of course continue to do everything we can in this direction. But, whether our membership is completed or not, we will devote a significant part of our discussion to issues surrounding the development of international trade. We know the efforts the American administration is working to create a Transpacific free trade zone, which, by and large, is an extremely attractive idea: we are now creating a new format for united economic space, and following that we will be working towards an agreement on a Russia-Kazakhstan-Belarus free trade zone within the framework of the Eurasian Union, together with the European Union. In this way, the creation of a common economic space from the Atlantic to the Pacific, as well as issues of free trade which we are being discussed now, including the creation of a Transpacific zone, is of particular interest to us. We understand that it is a very delicate issue, it could bring about many positive opportunities for the development of the Russian economy, but some sectors could be seriously affected. Therefore we will keep this in mind and consult carefully with experts. But if we support the principle that free trade is an absolute blessing, which will help to develop our country, then we will, by and large, support this idea.

Over the course of this year we will be working with our American colleagues, and we invite everyone to work closely together next year, as the baton of the presidency is handed to us. We will show you our Far East, and you will see that it isn't all that so far away after all. It is closer to the United States of America than one might think. This is not a movement towards the east, but the other way round: you will be transported west once you arrive in our Far East, where we will welcome the leaders of the delegation.

I am being told that I have to go to meet with the President, thank you very much, I hope that you can discuss this topic, it is very interesting for us, and I hope we can work together to host the summit at the highest level possible. Thank you.

I. Ivanov:

Thank you very much, Mr Shuvalov. All the best. Best of luck to you and to us all, as we move forward. We have had the opportunity to hear the Russian point of view on the American presidency, now I would like to pass the floor to Muhamad Noor, Executive Director of the APEC Secretariat. Up to now in previous speeches there has been much said about the business community. After the speeches from official representatives we will of course pass the floor to representatives of the business community, there are several who wish to speak and share their observations.

M. Noor:

Excellencies, distinguished guests, ladies and gentlemen. First of all, allow me to thank the organizers for inviting me to speak at this roundtable. I am hopeful that today's discussions will prove valuable for APEC members going forward and particularly for Russia as it develops the agenda for next year.

This morning, I am honoured to share with you some of APEC's key achievement over the last decades, outline APEC's current practice and underscore APEC's economic and strategic significance to Russia, and vice versa. Some of these topics have already been touched upon by some of the earlier speakers and I will try in the interests of time to avoid duplication or repetition, or at least present them from a different perspective.

As we are all well aware, Russia will be taking the mantle of APEC's host economy in 2012. Already we are seeing great enthusiasm and leadership from the Russian delegation within APEC. I am confident that today's discussion will serve as a springboard for greater engagement between Russia and the wider APEC community. Let me repeat that APEC's main objective is the promotion of trade, investment, and cooperation in the Asia-Pacific region. The ultimate goal, it is worth underlining, is to achieve greater prosperity for the region. Ambassador K. Tong, in particular, has mentioned some of the key features that differentiate APEC from other international organizations. This includes the fact that APEC

operates on the basis of nonbinding commitments, consensus, and open dialogue.

It was also mentioned that the absence of wide binding rules and the presence of an open and consensual environment provide the needed space for innovative ideas and closer collaboration between members and other stakeholders, including business and academia.

Ladies and gentleman, you have heard some of the figures mentioned earlier this morning, about APEC's economic significance, in terms of the world population, in terms of trade share, in terms of GDP, and I shall not repeat that.

What I would like to mention is the fact that APEC works on the basis of three pillars and working on these three pillars we have come a long way in our rather short history. And the three broad areas are: one, APEC's efforts to support trade and investment liberalization and facilitation, that focus on reducing and eventually eliminating tariff and non-tariff barriers.

Two, APEC focuses on reducing the cost and improving the ease of doing business, for example, by harmonizing customs procedures in the region. Thirdly, APEC's economic and technical cooperation programme, provides step-by-step building at the institutional and individual levels, to assist member economies, their businesses, and citizens to gain the necessary skills, to take advantage of trade opportunities.

Last year, APEC conducted an assessment, to determine what progress has been made against the goal of global, of free and open trade and investment. The results were positive, showing that member economies have taken concerted action and progress in a wide array of economic trade investment and social areas. Just two of the highlights: one, average tariffs in the region have been reduced, from about 16.9% in 1989, when we started, to around 6.2% in 2009.

Non-tariff barriers have also been reduced, thanks to APEC's work on trade facilitation: a 5% reduction in the trade transaction cost between 2002 and 2006

was reported from APEC's first Trade Facilitation Action Plan. Recent calculations to assess the progress of APEC's second Trade Facilitation Action Plan estimate that costs decreased by 1.7% in the 2007 to 2008 period, which represents savings for APEC economies equivalent to USD 14 billion. Further assessment is underway, but there are good indications that APEC has reached its target of a further 5% reduction in trade transaction costs over the 2007–2010 period.

APEC's progress towards its global goals also contributed to more than a fivefold increase in members' total trade in goods and services between 1989 and 2010, from USD 3.1 trillion to USD 16.8 trillion. These figures contribute to real results for people across the entire region. Employment in APEC economies grew by 14% between 1996 and 2009, while poverty was reduced by 42% between 1994 and 2007. GDP per capita in the APEC region also increased by 43% between 1989 and 2009, from just over USD 6,000 in 1989 to nearly USD 9,000 in 2009.

APEC sees structural reform as essential to achieving sustained economic growth and advancing regional economic integration. In 2004, an ambitious five-year program called the 'Leader's Agenda to Implement Structural Reform' or LAISR, for short, was put in place. The agenda covered five areas, including regulatory reform, competition policy, public sector governance, corporate governance, and strengthening economic and legal infrastructure.

In 2010, APEC leaders endorsed a new strategy for structural reform that aims to promote balance and sustainable growth, by fostering transparency, competition and better-functioning markets in the Asia Pacific region. A recent study by APEC's Policy Support Unit found that structural reforms in key infrastructure industries resulted in lower prices and improvement in services.

It is estimated that competition in these industries could lead to welfare gains that would be almost twice the size of the gains from trade liberalization, per se. It is also significant to note that in the World Bank's Ease of Doing Business Index for 2010, APEC economies occupy six of the top ten positions. This to me shows

that there is a capability in APEC to improve, to do better in terms of promoting business, and that this capability can be shared with the many members of APEC. Let me mention a little bit about APEC and Russia. APEC's works and achievements are no doubt significant to Russia and, as focus intensifies on the Asia Pacific, APEC will become increasingly important for Russia in terms of trade, investment, and economic and technical cooperation.

Already within APEC's structure, Russia has hosted an array of APEC events. Topics have ranged from mining to energy to industrial science and technology. They also include telecommunications, counterterrorism, anti-corruption, and transparency. All of these issues fall under the umbrella of the Senior Officials' Steering Committee on Economic and Technical Cooperation and Russia's Ambassador Ovechko, who is sitting right next to me here, currently serves as Chair this year. Russia's imports from APEC experienced a six fold increase, from USD 8.1 billion in 1998 to USD 51.2 billion in 2009. Russia's exports to APEC also grew by more than three times during the same period from USD 13 billion to USD 42.4 billion.

The United States was the main market destination in 1998, but more recently China became Russia's top APEC export destination for the year 2009. The economic and strategic benefits of APEC are clear and the opportunities presented in APEC 2012 are wide-ranging for Russia. Building on the priorities set by the leaders in November this year, these include strengthening relations between members, improving infrastructure, and attracting foreign investment.

Ladies and gentlemen, these are some new and important issues that APEC will be addressing over the medium-term. We continue to move forward from the success of Japan in 2010, when we witnessed a continuation and evolution of the APEC Agenda.

As we move from the US 2011 year to Russia's year in 2012 and beyond, APEC will remain a dynamic global force, responding to new challenges and advancing free trade for the prosperity of the Asia Pacific region.

Thank you, sir.

I. Ivanov:

Thank you very much, Mr Noor, I would like to pass the floor to Dr. Panitchpakdi, Secretary-General of the United Nations Conference on Trade and Development (UNCTAD) and who for many years was head of the World Trade Organization. It will be very important for us to hear his opinion and his recommendations. Thank you.

S. Panitchpakdi:

Thank you very much, Mr Chairman and thank you for allowing me to participate in this important meeting.

I would like to say from the outset that I happen to have been very fortunate to have participated at the first modern APEC meeting which was convened in 1993 by President Clinton on Blake Island in Seattle. I was there as one of the participants.

I also participated in the Bogor meeting in 1994, to set up the Bogor Goals and follow-up in Osaka. When I came to UNCTAD last year, when Japan hosted a meeting in Yokohama, UNCTAD had been asked to assess the Bogor Goals, particularly in the areas of investment. So, on and off, as some of these experiences have shown, I have actually had actually the interests of APEC very close to my heart for more than the last 10 years.

A few points that I would like to make, in terms of commenting on the preparation for the US hosting this important meeting this year, and next year for Russia hosting the 2012 meeting. Just a few comments to supplement and complement what different experts have already alluded to. I would say, as the first point, that, of course, 2011 this year and 2012 would be key years for us all to do our best, to do our utmost, to strengthen the continuity of the multilateral trading system at a time when we have to find a way out for the Doha Agenda.

The Doha Agenda, wrapping up, in whatever form—light form, mini package, early harvest, sequencings—it should not lead to the lower expectation for the role of the World Trade Organization. It should actually send a signal to the global community that we may have to take modern circumstances into our consideration. That a full-fledged round may not be something that the WTO should aspire to, but at least we have to find a way to keep the aspirations of the world trading system alive.

So I think, if I were to prioritize, I would say that one of the prior major goals for APEC to continue, which is to see to it that some of the discussions that have been on-going at the WTO and may be left off for further sequencing will have to be taken up at the APEC level.

I remember the time, as Ambassador Tong was saying, in 1993 when we went to Seattle, that was the time that the Uruguay Round was in its last throes, was going to collapse. In fact, it collapsed in Brussels, and the 1993 APEC Summit was instrumental in bringing people together around the table and reigniting the kind of final thrust, so that we finished the round in 1994, which was a really a great contribution to the world trading system.

So, I could not imagine that the 2011 or 2012 APEC meetings could reignite the finalization of the Doha Round. But, at least, the APEC meeting should keep alive the flames of the world trading system, of trade mobilization, and to see to it whatever package that has been or will be agreed, possibly agreed, at the end of this year—in the light of the ministerial meeting at the World Trade Organization—is kept on the APEC table and to be implemented accordingly. And for APEC to be looking at this first priority of the sequencing of what is going to happen after all this... So I think that is the first prime goal of APEC that I would like to see.

The second one is that, while we are waiting for the further negotiations on market access liberalization, it is certainly within the remit of APEC, as Ambassador Tong has referred to on the three points. And the first point is about

the deepening of the regional economic integration. I think is really a key area which APEC can help to promote.

According to my own assessment, the Bogor Goals are really important goals. We should not forget that. It is for 2020, but I thought the early goal for Bogor Goals was 2015 for advanced economies. I see only here 2020, but I thought economies in APEC are supposed to be reaching or coming to a certain level of trade liberalization earlier than the rest of APEC by 2015.

And in the light of that, I think, for deepening the regional economic integration in that perspective, we should continue, as Ambassador Noor has been saying, that the assessment in the areas of Bogor Goals should be a continuing process. And particularly with an eye on 2015, because I thought that would be sending the right signal to build up the kind of, I would say, trust surplus for APEC to continue.

In the areas of trade facilitation, APEC has been the precursor of all the capacity-building activities. So, in these second points, while the WTO is waiting for the sequencing of its Doha negotiation, APEC should be continuing with its capacity-building exercise. And this is very important in the areas of trade facilitation, which APEC has already initiated, whether it is in the areas of supply chain, SMEs or innovations. I think this can be done quite usefully under the APEC remit.

The third part is in the areas of... Because next year, 2012, we would have the RIO+20 meeting, and here we see the second point of Ambassador Tong's comment, which is on energy and green growth. While at the UN system, we are now working on the definition of green growth, there should be a movement coming out of a grouping like APEC—which is probably the only area which shows quite positive growth and then expansion of investment at the moment—to be looking at the opportunities to support the green economy movement, to signify the new generation of investment in the areas of renewables.

And this to us at UNCTAD, we see as a key driver to push forward the green growth agenda. This would be like the kind of new cycles of opportunities, as we have seen with we call Schumpeter investment cycles. This should be as new cycles for investment and in the renewables area and there should be some discussion under the aegis of APEC, to see how APEC can regenerate these kind of new cycles of investment opportunities in the renewables area.

In areas of regulatory cooperation, this is another key area that mutual recognition of standards has been always a forte of APEC. And if I can spell out, within the regulatory cooperation, the areas of competition rules, harmonization of competition rules has been initiated under APEC for a long, long while. So, it would be certainly useful to see that further work on harmonization of competitive rules under APEC economies would be pursued.

In the areas of investment, we have been working with APEC in the area of investment to try to unify different investment agreements and to be able to put into perspective the kind of best practices for investment agreements to be followed. And again, within the regulatory cooperation perspective for APEC, we should pursue this kind of investment agreement discussion.

The last point that I would like to leave with you is that, at the moment, the WTO, OECD, and UNCTAD had been tasked by G20 to report on a regular basis on the measures, to monitor protectionist measures, to avoid trade restrictive measures and investment restrictive measures to be reported to G20.

I would have thought that APEC, with wider coverage, of more than 50% of the world trade and output, in its own remit should also try to do this kind of exercise. It would help to complement what G20 has been doing, in terms of trying to resist the kind of protectionist measures that would be cropping up at a time when there is no focus being made in the area of the Doha agreement.

And the last point is that as Ambassador Tong and some of us have been talking, I thought the ideas of early and voluntary sector liberalization was very good in the 1990s. But it was early—it was ahead of the launching of the Doha Agenda. I

thought this is an idea that APEC may need to revive in the light of the stalling of the Doha Round.

You see, because the emphasis of APEC is on... this time you should drop the word 'early' and should emphasize the liberalization of the voluntary sector, which was something that would help to, again, keep some of the agendas of WTO alive.

Thank you very much, Mr Chairman.

I. Ivanov:

Thank you very much. Colleagues, unfortunately time is running out, we have 40 minutes left before the end of our meeting and seven speakers, and if we manage to hear all of the speakers there will only be a small amount of time left for a possible discussion, as I am required to stick to the time limit. We'll now pass the floor to Tatyana Valovaya, Director of the International Cooperation Department of the Government of the Russian Federation. Tatyana.

T. Valovaya:

Good afternoon, esteemed colleagues. Today we have spoken in detail and at length about APEC's role in the global economy. Without a doubt APEC is one of the engines driving the global economy. I would like to make a few comments on the place of APEC as a key element in the global world economy, as one of the building blocks of the future global economy. The fact that globalization is the economic logic of the 21st century is not a point disagreement today. And the crisis of 2008-2010, which was quickly dubbed the 'global financial crisis', confirmed just how tightly the economies of every region on earth are intertwined. Indeed, how great is today's need for joint economic decision-making, cooperation of economic policy and combined action? How can we ensure that the process of developing solutions is a collaborative process? Here, we can see that there are two paths, both complement the other and are not mutually

exclusive. The first path is strengthening, developing, and saturating the content of existing multilateral structures. Above all, I mean the World Trade Organization, and I'd like to reiterate what my colleagues have said to me: Russia is ready for a quick entry into this organization. I mean the International Monetary Fund, I mean UNCTAD, about which we have also heard a lot today. These global structures are really exceptionally necessary, and we are ready to work actively with them. At the same time we must understand that within purely global structures, which bring together not just dozens, not even hundreds of participants, but many many more, it is very difficult to come to a decision through a consensus that will suits every one. And the situation is confirmed in particular by the WTO Doha Round negotiations. At the same time, taking revolutionary economic decisions becomes easier within narrower regional organizations, so there is a second path, complementary to the first, that of forming regional organizations. Over the past decade, especially over the past few years, we have witnessed a trend towards regional organization throughout all regions of the world. The European Union were pioneering in spreading their economic regulatory measures in a wider range of European states and actively cooperating with their closest neighbours, I mean, in particular, the Mediterranean region and North Africa. This is also the case with NAFTA, the North American trade organization, MERCOSUR (Southern Common Market), and other organizations. At the centre of post-Soviet integration were the Customs Union and the Common Economic Space, which was the real leader in post-Soviet integration, and we estimate that in the near future it will be transformed into the Eurasian Economic Community. At the same time, Russia contributes to APEC, which we also consider as a regional economic organization. So, sometimes the question arises as to how to reconcile such multifaceted approach in our economic policy, when Russia is a member of the Customs Union and the Common Economic Space, actively takes part in the APEC forum, which it will chair next year, and is also committed to trade

liberalization in the APEC forum. We are Russia, and on behalf of the entire Customs Union we set ourselves the ambitious target of achieving free trade with the European Union and our other partners, as with the United States of America, as well as taking part in the APEC forum, which has its own integration agenda in the Americas. The answer is simple. We see nothing contradictory between these regional formats, on the contrary, their intersection in terms of the format of participants objectively drives us to the fact that, within these integrated organizations, we have to develop similar approaches.

S. Chernyshev:

Thanks. It is very easy for me to speak after Tatyana, because our ideas, as we have seen time and time again, are very similar. Indeed, becoming Chair of APEC – incidentally, having the chance to chair while not being a member of the WTO, which will probably be a first in the history of APEC – provides a particular motivation to propose a substantive agenda on trade liberalization. And it is this approach, to which Igor Shuvalov was referring and which Tatyana has presented in the form of a concentric circle idea, which seems to me to be very promising. We are chiefly working at the APEC forum to stimulate economic growth through the creation of favourable conditions for business by facilitating the movement of goods, capital, services and people. Other organizations are working towards this: Dr. Panitchpakdi was here representing UNCTAD, and formerly the WTO. There is a lot to be done here, but not everything can be done. This is what these organizations call a ‘traditional trade agenda’. The agenda of the APEC forum is good, as it allows us to go far beyond the limits of the traditional agenda and discover realistic economic mechanisms, which allow us to reach our goal of liberalizing the conditions for the movement of factors of the production of goods and services, capital and work force, in which APEC is becoming more actively involved.

In this regard, I would like to praise the approach taken by the American presidency, which directly involves business, that is, the place where economic growth takes place, and an expert community for the advancement of this economic growth agenda through the use of all possible tools, and not only as part of the traditional trade agenda.

In this regard, and to save time, I would like to make two remarks. The first is to underline once again that, while being a member of the APEC forum and at the same time of the Customs Union with two nations, which are not members of the APEC forum, namely Kazakhstan and Belarus, Russia has already set a certain precedent, which did not previously exist and which I believe will allow us, during our presidency, to put forward a new ideology, a new conception of trade liberalization in partnership with these nations and as part of Europe. This is, I am sure, a window of opportunity; this is to a greater degree a window of opportunity than a challenge, although there are also challenges to face, but this will be an entrance into a completely new market in terms of volume, and it will be an immense stimulus for economic growth. If we are clever enough, then we will remove these obstacles by bringing standards and technical demands in line with one another, which will allow us to bridge the gap between the traditional APEC region and Europe. That is the first point.

This is the second point to which I would like to draw attention. Studying the programme for the St. Petersburg International Economic Forum, you were probably able to notice that there are a lot of events, a lot of round table discussions, a lot of briefings on topics, which are very familiar to us, to those of us who have participated in APEC forums. This is no coincidence. The organizers of the St. Petersburg International Economic Forum, in the spirit of continuity and interaction between different formats, created the agenda in such a way that we have a unique opportunity here at the Forum to discuss key issues for the agenda of the current and upcoming presidencies and to further develop them. I will only mention a few. We had a session entitled 'Smart Grids: Projects

of the Future'. This was a BBC session, where there was a discussion of issues concerning the large-scale programme of creating a new generation of electricity grid with a total effect of up to RUB 50 billion a year just for Russia. The participant nations shared their experiences using the latest technologies and the creation of new generation grids, discussing advantages and disadvantages.

Developing creative capital is one of the main ideas of SPIEF. Creative capital will be an active focus for development during the year of our presidency. New educational standards and their convergence, and the development of distance learning with the world's top specialists through the use of the latest technologies are topics of discussion here at SPIEF, which we will actively develop. Experts are predicting that within ten years a third of all information in the world will pass through cloud computing systems. The potential advantages and disadvantages of cloud computing are being discussed at SPIEF and by APEC working groups. The system should ideally be a qualitative way of reducing user costs and increasing efficiency.

The subject of global food security is something which concerns everyone. Russia, as has been said repeatedly, will give this problem special attention during the presidency year. This was taken into consideration during the organization of SPIEF, and the relevant sessions have and are taking place at this venue. The expected population growth to nine billion by 2050, climate change, rising energy prices, industrial disasters and the rise in consumption in developing countries are leading to a rise in the cost of food. Of course, the necessary structural response to this is the implementation of advanced technologies, and this was actively discussed at SPIEF, and this is something we are following closely. The St. Petersburg International Economic Forum though the key platform, is not the only one. For example, in September 2011, the Baikal International Economic Forum will be held in Irkutsk, and we are planning to hold a discussion there, first of all, on transport issues and supply chains in the APEC region. We are therefore watching the programme carefully, and we will be sure

to invite you all to Irkutsk so you can take part in this discussion. There will also be other platforms that we will actively use this year.

I. Ivanov:

Thank you. Let us take advantage of the St. Petersburg platform and continue in the future to use further platforms. It gives me great pleasure to pass the floor to the Rector of the Far Eastern Federal University (FEFU), Vladimir Miklushevsky. We are very interested in finding out not so much about logistics, but about content and the educational innovation programmes. Vladimir.

V. Miklushevsky:

Thank you, Igor. Esteemed colleagues, I will try to be brief. Despite the fact that APEC's agenda is more often than not concerned with trade liberalization, investment and economic integration, questions regarding education, research and innovation are becoming increasingly important. This is understandable as, without it, whether they are separate nations or the integrated economies of APEC nations, economic development is impossible. At the same time, if we talk about globalization as a global trend in the development of the world economy, then the field of education and research has affected it, although to a lesser degree. And there are objective reasons for this: first of all, it is probably through years of academic freedom that universities and colleges have developed, enjoying a sufficient level of independence, as well as a reasonable degree of educational conservatism. Education in general, if approached from a global perspective, as I conceive of it, is the combination of dynamism and conservatism. And so, in my opinion, the time has come to give education yet more dynamism. What do I mean? In my opinion, it is time to discuss some form of general educational space in the APEC nations.

It can be argued that there is a process of globalization in the market of educational services taking place. This is certainly true. When we talk about the

top 300 leading universities in the world, of course, this is a world without borders, of course, there is free movement of teachers and students. However, in the majority of cases, this is more a bilateral communication of universities than there is any form of formal policy. In this sense, there are examples today of networked international universities. As examples, I could name the most recently created SCO University or the University of the Arctic. There are also examples in other fields. All I want to say is that globalization in education, if indeed it is possible to use this term in this field, differs greatly to the conventional understanding of globalization. This certainly does not imply the merging of one university into a larger university: this is impossible. Of course, there must be competition in this field, as is it essential for the development of both education and science. However, in my opinion, it has become necessary to create supranational or overarching university administration structures in the form of an association, which would enable further regulation of the processes taking place within universities.

I would like to say a few words about the field of research and innovation. In my opinion, it has now also become necessary in this field to create more substantial regulation. Again, there are examples of this: there are frameworks within the European Economic Community (EEC), as well as other examples that could be named, but I simply do not want to spend any more time on it. At the same time, proposals could be put forward to integrate the efforts of national funds using pre-existing budgets for the prioritization of problems facing APEC nations, that, as I would like to emphasise, would not require further financial resources, but would also allow for the creation of additional mechanisms following the example of EEC frameworks. In addition, a significant step forward could be the creation of maps of centres of excellence in the APEC countries, or centres of competence, which would remove the need to undertake lengthy searches to identify various structures, but to have it all ready-made, taking into account existing dynamic processes. This is if we are talking about global perspectives.

As for the Russian presidency of APEC in 2012, it will be held, as we all know, on Russky Island in the very picturesque Ajax Bay and on the campus of the Far Eastern Federal University, which is currently under construction. Despite this not being the first time in the history of APEC that the forum is taking place within the walls of a university, it is, from the point of view of the 2012 forum, quite a unique example, as the campus is being specially built for the occasion. The campus is slated to become the best in Russia, covering an area of 800,000 m², but, perhaps this figure does not explain anything. I can only say that this will be an entire city for teachers and students. I do not want to go into any technical details of where and how the events of the forum will take place, especially as my colleagues have already spoken about this. All of the Vladivostok events, starting with the working meeting of ministers and officials and ending with state leaders, will take place, as I have already said, on the campus being constructed for FEFU.

In conclusion, I would like to say just two words about the fact that, aside from the walls, the Far Eastern Federal University, which combines the four leading Far Eastern universities, is currently undergoing a major transformation. In short, they can be described as going through a transformation towards integration into the international educational space. In addition, we have greatly changed the university's internal structure, created nine education and research schools, of which one will be oriented towards the creation of information points, which could help businesses from Pacific Rim countries work in Russia and vice-versa. I would like to say that this will also provide opportunities for the Far Eastern Federal University after the APEC forum, such as the opportunity to hold conferences and exhibitions, as the campus will to a large degree then possess all the relevant infrastructure. Thank you very much.

I. Ivanov:

Thank you, Mr Miklushevsky. We are looking forward to your hospitality. Thank you. Now I would like to pass the floor to Monica Whaley, President of the National Center for APEC and representative of the APEC Business Advisory Council (ABAC); Masaru Wanatabe, senior Japanese official; then Dr. Rizal Lukman, Indonesian Deputy Economy Minister, and Mr Price, Director of the National Security Council on Russian Affairs. And if there is time remaining at the end, then we may still be able to answer a few questions. Please.

M. Whaley:

Thank you Mr Chairman. I will be very, very brief. In 1993 in Seattle, the National Centre for APEC was created, in order to bring the business community closer to the APEC process. And over the last 20 years, this partnership has developed both with the US Government in trying to find opportunities for the private sector to be involved in APEC, but also in support of APEC's own efforts to create an opportunity for the private sector.

The largest of which is the APEC Business Advisory Council, which Ambassador Kurt Tong described, as three executives from which of the 21 economies that is currently chaired by Procter and Gamble's head of Asia-Pacific, Deb Henretta, and that group comes up with substantive input for the leaders every year.

The other event that has happened over the years to develop more private sector opportunity in APEC is the CEO Summit, which started in one form in 1993 with 60 executives who sat around the square table and spoke with ministers and leaders, which has grown over the years. And now, in fact in Honolulu this November, we will be closer to 1,500 executives who will come together to meet with leaders.

But, one of the things that we are very proud of that has happened during this US year is an unprecedented and in some ways game-changing level of interaction with all of the APEC meetings throughout the year with the private sector. In March at the First Senior Officials' Meeting and also in Big Sky, Montana with

trade ministers and small and medium enterprise ministers, there was opportunity for executives to come together in small groups and have conversations with the ministers. This has not been done before in this kind of informal atmosphere. We think this kind of dialogue between the private sector and APEC really helps inform the agenda and helps bring a partnership to make some of these initiatives come to fruition.

We will be holding similar kinds of events—several of them in San Francisco at the Third Senior Officials' Meeting—But culminating in Honolulu, where we are going to have the CEO Summit and an innovation fair for small and medium enterprises from each of the economies to demonstrate some new and innovative technologies they are bringing to markets, and so we can have a lot of interaction both between executives and one another, as well as with the public sector in each of these areas.

So, we look forward to working with our ABAC colleagues here in Russia as well as with friends in the Russian Government to make sure there is a wonderful Russian delegation in Honolulu that we can work with and partner with as we move forward between this year's objectives and carrying them forward into the Russia year. Thank you.

I. Ivanov:

Thank you. Mr Wanatabe.

M. Watanabe:

Thank you very much Mr Chair. It is an honour really and pleasure to be able to speak here at this Forum. I would like to briefly refer to several lessons learned during the last 22 years of APEC's life. During the course of its history, our country, Japan, has taken on the chairmanship twice, last year and in 1995.

I hope that experiences can help shape and form the agenda of the Russian APEC year. APEC has contributed to strengthening regional economic

integration by advancing free and open trade and investment, in order to accomplish greater common prosperity and stability in the Asia-Pacific region. And this region is expected to lead the world economy, as the most dynamic growth centre in the world.

What is the secret of achieving this great economic outcome? I believe the leaders, our leaders, have always kept in mind the following three points as the unchanged guiding principles of APEC, which, I think, seem to be shared by many of the colleagues present here. One is agenda continuity and evolution; number two is the nonbinding voluntary basis and consensus basis for decision-making; and three, addressing the crosscutting issues of the times in advance, as was stressed by our US colleague. Agenda continuity, non-binding, addressing crosscutting – ANA, maybe another acronym that we have to add. Actually, I really hate acronyms of APEC, AC, CTA, SCE, but well allow me to have one more: ANA, it is easier.

OK. Well, coming back to the serious business. Continuity and evolution, evolution not revolution, which is important because APEC's core goal is to achieve free and open trade and investment, as it symbolized in the Bogor Goals. APEC economies have made continued efforts to strengthen economic integration since its formation. Well, this basic principle underlies all APEC activities, such as promoting investment and enhancing supply chains to reduce time, cost and the uncertainty of moving goods and services, just to mention a few.

By addressing these issues throughout the years, 22 years, APEC economies' pursuit of the Bogor Goals has delivered substantial benefits to the region and to the world, I would say. Through this unchanged principle, the overall growth in trade for all APEC economies has outstripped the rest of the world. Well, Ambassador Noor has quoted several numbers, so I do not have to repeat them. That is tremendous, and while preserving agenda continuity, APEC has also undergone a significant evolution of its agenda.

The international growth economic environment has undergone changes that were little anticipated at the time of APEC's foundation 22 years ago, and have led APEC leaders to realize the necessity of addressing emerging issues, such as the development of information technology, the growing complexity of transporting financial transactions, the economic and financial crisis, demographic dynamics changes, climate change, and food security, and energy security service, and so on.

So, yes, continuity and evolution is the one thing. Secondly, APEC's unique decision-making process, which is characterized as being nonbinding in nature, voluntary and consensus-based. It is also a source of strength, I would say. This seemingly loose-looking way of decision making enables each economy to step forward and engage in experimental activities, which they are normally unable to do in binding international agreements. When I joined this APEC world recently, I was surprised to find that there is no legally binding founding treaty or charter like the United Nations Charter, in APEC.

Despite the fact that APEC has no such legal documents, our intraregional trade in the region approximately accounts for two-thirds of the total amount. Two-thirds, this number is almost equal to that of the European Union's intraregional trade with its Maastricht treaty, Lisbon treaty, and many other legal binding treaties. Thirdly, the third unique feature of APEC is that it deals with cutting-edge issues, by implementing innovative measures and sharing its best practices. Well, our colleague Kurt said everything. So, I just want to add, just one more example of APEC's most successful project; it is ABTC – the APEC Business Travel Card. Well, I do not think I have to explain what it is. But, it is tremendous. This card was originally trialled in 1997, with only three APEC members and was expanded year-by-year after successfully increasing the number of economies participating in this scheme. Business people from almost all APEC countries and economies now enjoy the value of this card. This was an innovative idea at that time. It was announced and introduced when many

countries thought it a matter of course to require a visa for foreigners each time they come in, involving months of examination, and to make business people queue eternally at the airports.

With the same conviction and confidence, we are now working on defining and shaping the next-generation trade and investment issues that the free trade area of Asia should address, aiming to make an important and meaningful contribution as an incubator of a free trade area in Asia-Pacific. To tackle this issue, we have identified three important areas with last month's trade ministers, as you know very well. So by looking ahead to address these cutting edge issues, we are assured that people in the future will say APEC had foresight.

This year, the United States APEC is engaging an action-oriented discussion described as 'Get Stuff Done' to achieve tangible outcomes in three priority areas, which were expressed already: regional economic integration, green growth, and regulatory convergence and cooperation. I am happy to see how the Yokohama Vision last year was inherited and has evolved under the United States' leadership. I expect Russia to smoothly succeed to the role of chair economy with the continuity and insightful evolution of the agenda that enables APEC to address new issues, which serves the prosperity of the region and of the world.

And maybe, it is not too much to say that APEC has 'noblesse oblige' as the world's most dynamic economic centre to address future challenges of the region and of the world, but always having in mind the three strengths of APEC – ANA. And, finally as was agreed last month between President Medvedev of Russian Federation and our Prime Minister Kan of Japan, we stand ready to closely cooperate with Russia in order to serve this duty together and look forward to making APEC 2012 another series of successful events. Thank you very much.

I. Ivanov:

Thank you, Mr Wanatabe. Dr. Lukman, please, you have the floor.

R. A. Lukman:

Thank you Mr Chair. It is my honour to be here and participate in this important event, as Indonesia will take on the chair of APEC in 2013.

I have a number of observations I would like to make in relation to APEC and its agenda. First is the broad and long-term view of APEC. Indonesia believes that the APEC Vision and Bogor Goals are as valid today as when our leader created them in the early 1990s. It is about regional economic integration, in the spirit of openness and partnership. But, while the APEC Vision and Bogor Goals remain valid today, the regional and global orders have changed. Today, a number of developing countries have become fast-growing emerging economies. China and Indonesia are two examples. Singapore, the Republic of Korea and Chinese Taipei are no longer developing economies. Today, the primary forum of the global economic order has shifted to the G20.

When APEC was created, the WTO did not yet exist and APEC contributed to the conclusion of the Uruguay Round and the creation of the WTO in 1995. When APEC was created, the ASEAN FTA was the main regional trading agreement. Today, we have a large number of bilateral and regional trade arrangements in the APEC regions. In this context, APEC needs to continue to actively support and be the spokesman for the multilateral trading system.

In our view, under the leadership of the United States and the next year, the Russian Federation, APEC can create and add momentum to the WTO. APEC can remind itself and others that the values of Doha would strengthen protectionism and the proliferation of the FTAs, often will not necessarily be conducive to the global trading system. Assisting regional FTAs, obviously, needs to be consolidated and modelled for the regional trading arrangement for development.

APEC has to take into account its synergy and overlapping agenda with the G20, the East Asia Summit and other regional processes. Indonesia believes that multilayer diplomacy can be mutually supportive in addressing common

challenges. As to behind the border issues, we support continued discussion, and efforts on structural reform and regulatory cooperation.

Secondly, APEC is about an on-going process to reach long-term goals. Therefore, APEC should continue to take concrete and practical steps at realizing the APEC vision. This can be done by identifying priority areas that would have the greatest impact on business and growth. This could be an APEC single window of export and import procedures. It could be the full implementation of the APEC Business Travel Card. We support closer interaction with the business community, as represented through APEC. Thirdly, the Yokohama Declaration, Bogor and Beyond, laid the foundation for an APEC agenda that is far broader, among other things, in the declaration of human security issues and recognized as very much part of the APEC agenda, for example food security, emergency, preparedness, counterterrorism, and others. Therefore, we have to continue to make the APEC structure and mechanisms relevant, and we welcome the continued effort by the US in doing so.

The fourth and final point is on what we might prioritize during our hosting in the year 2013. Now, we do not yet have a crystal ball to look beyond the Russian year and into 2013. And the number of the factors is yet undetermined, such as the fate of the Doha Round, but some extrapolations may be made.

APEC should continue supporting the multilateral trading system. APEC could establish an arrangement with other organizations at the global and regional levels, with which it shows many common concerns, in particular the G20 and, possibly the East Asia Summit. The regional economic integration remains a primary agenda of APEC. At the same time, human security issues have to be addressed, because as the human population grows and occupies a wider area of the globe, they have stronger impact on the regional economic integration agenda. The Supply-Chain Connectivity Action Plan will end in 2013 and will have to be renewed.

Above all, however, investment will have to play a greater role, because of its role in supporting infrastructure development. In this regard, Indonesia, an active participant in the action plan, would like to continue to promote supply chains, and we are particularly interested in infrastructure and investment.

Environmental and climate change issues will also become a greater challenge. Green growth is important, but we need more investment in green technology to help transfer the technology to developing economies.

In 2013, the extensive commitment against protectionism will end and will have to be renewed; the earlier the better.

And finally in 2013, we need to start thinking about what lies for APEC beyond 2020.

Thank you.

I. Ivanov:

Thank you very much, Dr. Lukman. Mr Price.

C. Price:

Thank you very much. I am very pleased to be here on behalf of the White House. I will keep my remarks really short, in view with the fact that we are actually overtime now.

I just want to stress the support of President Obama for the APEC goals for this year and the coming years, the transition from the United States to Russia. As Ambassador Tong said, we have had excellent cooperation with our Russian friends on that transition. I also want to stress that in the bilateral relationship with Russia on which I work, the spirit of APEC really infuses everything that we are doing.

For this year, the top goal for the United States in the bilateral relationship is Russia's completion of its accession to the WTO this year. We have seen tremendous progress and a great amount of momentum. Just last year, it was

June 24 at the summit in Washington, the two presidents committed themselves to moving as quickly as possible with the Russian accession. A lot of hard work remained at that time.

By the end of September, the bilateral agreements had been reached, in virtually all areas. At the same time, multilateral negotiations on the working party report moved quickly. We are actually located across the street from our colleagues at the US Trade Representative's Office, and I can tell you from running back and forth how much effort USTR was putting into this negotiation.

At the same time, the Russian Government put in a tremendous amount of energy, and continues to do so. And we have been pleased by the cooperation that the Russian Government has shown in this process and the dedication.

Let me move forward then to some other aspects of APEC very quickly. Green technology and that of the spirit of green energy. You may know tangentially about the Russian Presidential Bilateral Commission. We actually have a working group on the environment and have been focusing very much on green technology, including on smart grids, which was mentioned earlier today. It is a very, very exciting field, one where Russia has a huge advantage technologically and where we have been proud to work with our Russian colleagues.

Lastly, we mentioned earlier, the Bering Strait, the Far East. And we have an agreement to work on the Bering Strait region to increase cooperation, particularly amongst the native populations. So, I think I have just given you a couple of examples of how the things that you are working on APEC are so close and so closely coordinated with what we are doing in a tremendous blossoming bilateral relationship. So thank you.