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**World and Regional Economic Developments /
Regional Economic Outlook - Remarks by Secretary
of State, United States**

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REMARKS BY
THE HONOURABLE US SECRETARY OF STATE JAMES A. BAKER III
AT THE APEC OPENING SESSION

Overview of World and Regional Developments

Singapore, 30 July 1990

I am delighted to be here in Singapore for the second Asia-Pacific Economic Cooperation meeting. Working together, we've made considerable progress since Canberra in setting out an ambitious program for this new group.

In the past year, truly historic changes have ushered in a new era in world politics and economics. We are seeing the rise of economic liberty and market-oriented principles. Hand in hand with economic freedom, democracy is taking root around the world.

I know many of you are concerned about the amount of attention that Central and Eastern Europe and the Soviet Union have received in the last year. It's true that our diplomatic focus has been heavily concentrated on that region, but the pace and scope of events have demanded that.

But our global efforts are helping the Asia-Pacific region, too. Everyone in this room will benefit from our achievements in Europe. For example, the easing of military and political tensions will allow greater resources to flow into more productive areas. In the United States, we will be better positioned to reduce our budget deficits. At the Houston Summit, we worked hard to get commitments to move forward on agricultural issues in the Uruguay Round. In fact, the highest international economic policy priority of the United States is a successful outcome to the Uruguay Round. This will benefit the entire world economy as well as the Asia-Pacific region.

The accomplishments of this region have stood as an important example and a stimulus to change in other parts of the world. The economies of Asia and the Pacific are to a relatively large extent open to market forces and have long achieved impressive results.

I would like to emphasize that we remain firmly committed to the Asia-Pacific region. As I said in Jakarta last Friday, the United States has been and will remain a Pacific partner for security, democracy, and prosperity. Cooperation will grow in the region as we strengthen our bilateral ties and multilateral institutions. We regard ASEAN as a core political and economic institution in South East Asia. Having just completed a highly successful

ASEAN Post-Ministerial Conference, we look forward to continuing our work together with ASEAN in APEC meetings today and tomorrow. We believe APEC is an important new multilateral forum for all of us to work together in ways that promote economic growth and political stability in the region.

APEC provides our highly interdependent economies the opportunity to compare experiences and to share information; to arrive at improved mutual understanding; and to engage in cooperative activities. We are a relatively successful group of countries, and we are all clearly doing many things right, so there are great benefits to sharing our experiences with each other. We can develop ways multilaterally to overcome microeconomic barriers to more efficient flows of capital, trade and technology. If we are successful, we can enhance mutual economic growth and increase living standards.

Only nine months ago, we met in Canberra to launch the APEC process. Congratulations are due to APEC senior officials who have produced, in a very short time period, a seven point work program which is now underway. In our view, the work program should move toward identifying those activities which have the greatest impact on the economic growth and development of the region. We are particularly pleased to see areas such as human resources, energy, and telecommunications included.

We think work program activities should accomplish the following objectives: increase information; identify impediments to closer cooperation and improved performance; and facilitate private sector action, by far the largest source of capital and technology.

We have three aims for this Ministerial. First, we hope to give further impetus to the work program, including on the subject of transportation which we have proposed should be added to the program.

Second, we want APEC to give a strong endorsement to a timely, successful conclusion to the Uruguay Round.

Third, we look to have a wide-ranging discussion of the economic outlook for the region in the current global context, a subject to which I would now like to turn.

Regional Economic Developments

We see the global economic outlook as generally favourable for the Asia-Pacific region economies. Growth in the industrial countries as a group will be lower than in 1988 and 1989. But it still should be close to 3 percent for 1990 and 1991, despite relatively slow U.S. growth this year. Thus, in our view, the industrial countries will continue to provide a solid base for developing country expansion, with world trade growth still strong. While the Central and Eastern European countries are engaged in a difficult transition to democratic, market-oriented systems, their reconstruction should be beneficial over the medium term for the global economy as well as for themselves. Over the long-term, Soviet economic reform should also positively affect the global economy. But it is unclear what impact Soviet reform will have in the short run.

We've probably seen the worst of industrial country inflation, though we remain committed to a vigilant and firm approach. Inflation rates have started to fall in the United States, Japan, Canada, and elsewhere. Part of this improvement is the result of firm anti-inflation policies, part simply the passing of some special factors which tended to exaggerate underlying inflationary pressures.

I recognize that some of the developing countries in Asia have particular concerns about higher inflation, and I am glad to see appropriate steps being taken to arrest it. Substantial correction of external imbalances has occurred, with the U.S. and Japanese imbalances now down to about 2 percent of GNP. But further reductions are needed. This will require action by both surplus and deficit countries.

Our basic conclusion is that while some global macroeconomic problems remain, they are manageable. Prospects for the global economy remain bright. So do the prospects of this region. And it is my hope and expectation that the work of APEC in reducing barriers to growth will prove a catalyst to further expansion and prosperity -- first for the region, and through this region's increasing influence, for the world economy.

"We are very pleased to note that the Government of Thailand has offered to host our 1992 Ministerial and the United States would like to offer to host the 1993 Ministerial."