

## Implementing Economic and Technical Cooperation

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APEC took a significant step forward when the Economic Leaders endorsed the Declaration on an APEC Framework for Strengthening Economic Cooperation and Development in Subic last year. The framework includes all the priority areas recommended by ABAC last year, as well as two other areas, capital markets and sustainable development. With clearly- defined goals, guiding principles and priorities, the Manila declaration provides APEC ECOTECH with much-needed focus.

### **APEC Framework for Economic Cooperation and Development: Six Priority Areas**

- Human capital
- Safe and efficient capital markets
- Economic infrastructure
- Technologies of the future
- Environmentally sustainable development
- Growth of small and medium enterprises

APEC now faces the challenge of implementing this framework. As described in the recommendations below, ABAC believes that effective implementation can be significantly enhanced by:

- mobilizing the resources and resourcefulness of the business/private sector; and
- developing clear complementarities between APEC economic and technical cooperation and APEC trade and investment liberalization and facilitation (TILF) initiatives.

### **Mobilizing the Business/Private Sector**

In our report last year, we highlighted the need to promote greater business/private sector participation in ECOTECH. We note the following developments in APEC:

- The Manila declaration encourages APEC's business/private sectors to participate in and initiate ECOTECH activities in line with APEC goals.
- APEC working groups and related fora are now undertaking over 200 ECOTECH activities. These activities are largely in the form of meetings, seminars, surveys and research projects, publications, data compilation, training and the funding of small projects. Their main contribution is towards facilitating public policy dialogue and information-sharing. While many of

these activities are worthwhile, they are limited in impact and are primarily led by government, with the business/private sector playing a secondary role.

The business/private sector is already playing a growing role by undertaking infrastructure projects such as telecommunications and power generation where the commercial rationale is clear. These projects are well taken care of by the market and are appropriately the domain of APEC's investment initiatives.

Even when conventional commercial criteria are not met, there is considerable scope for business/private sector and government partnership in undertaking projects in line with APEC's ECOTECH objectives.

- The business/private sector could make a substantial contribution to the APEC process by identifying projects which would be commercially viable if the public sector instituted appropriately domestic policies to provide transparent legal frameworks and regulatory systems, and to promote competition. The business/private sector would then work partnership with the host economies to ensure that private resource flows respond to public policy changes.
- With appropriate government recognition, the business/private sector would also be encouraged to invest in the well-being of their host communities on the basis that good corporate citizenship is also good for business.

## **Partnership for Equitable Growth**

Effective mobilization of the resources and resourcefulness of the business/private sector in support of ECOTECH objectives on a regional basis requires a catalyst. ABAC's 1996 Report called for the establishment of the APEC Network for Economic and Technical Cooperation to facilitate regional government and business/private sector collaboration.

### **Recommendation**

Building on ABAC's 1996 recommendation, the Economic Leaders should endorse the creation of a non-profit-distributing organization which would act as a catalyst for business/private sector participation in APEC ECOTECH initiatives (a possible name is: the partnership for Equitable Growth or PEG).

## **Partnership for Equitable Growth: Proposals on Role, Criteria for Project Selection, and Organization**

### **Role:**

PEG's role should include the following:

- It would identify and evaluate suitable ECOTECH projects which would benefit from business/private sector value-added and government-business/private sector collaboration.
- It would facilitate business/private sector participation in projects which do not meet conventional commercial criteria by securing government endorsement or imprimatur and/or through changes in public policies.
- It would facilitate project funding by coordinating with private capital, multilateral funding institutions, foundations and other funding sources, as well as through the active brokering of partnership and joint ventures.

### **Criteria for Project Selection:**

PEG would focus on projects which meet the following criteria:

- The project should contribute to APEC's ECOTECH goals and reflect at least one of APEC's six ECOTECH priority areas.
- The projects should benefit at least two APEC economies to reflect ECOTECH's primary goal of building an APEC sense of community.
- The project should be at least financially self-replenishing and business/private sector-led in execution (a condition essential to sustaining business/private sector participation).
- The project should be endorsed by the governments of the APEC economies benefiting from it to underline the central importance of partnership between government and the business/private sector.

### **Organization:**

For PEG to be effective:

- It must be clearly endorsed and supported by APEC Leaders. Without endorsement and support at the highest government level, strong business/private sector support will be difficult to attain.
- It must be led and managed by a high-quality chief executive who is held in high regard in both the public as well as the private sectors.
- It should be lean in organization and business/private sector in orientation and direction. Government participation therefore should be advisory rather than executive.
- Its Board of Directors should compromise senior business CEO's and government ministers. One approach is a Board drawn from the business community with the trade ministers of the past, current and future APEC chair being invited to serve as ex-officio Board members.
- Funding for running PEG should be through government and business/private sector contributions on a voluntary basis. With the appropriate government endorsement, initial funding entirely by the private sector is possible. With in-kind donations of office space and other administrative resources, we envisage an organization whose annual expenses would be modest. Large grant-making foundations and corporate foundations are potential sources of initial funding.
- One model for the PEG is the APEC Education Foundation, a private, non-profit organization which receives no government funds. The concept was endorsed by the Economic Leaders at Bogor, Indonesia and the organization

then was created to foster activities in support of the Leaders Education Initiative. The PEG would be a similar organization meant for supporting ECOTECH initiatives.

## **Linking ECOTECH and TILF: The APEC Information Technology Education Initiative**

APEC's initiatives in ECOTECH and in TILF are two parts of the same agenda. The benefits of the liberalization and facilitation cannot be fully realized without building economic capacity for sustainable development. Nevertheless, while the nexus between APEC's ECOTECH and TILF initiatives is conceptually clear, it is often not so in practice. Initiatives in both areas are often undertaken as if they have very little to do with each other. We base our proposal to address this issue upon the following considerations:

- The importance of ECOTECH can be much better understood and supported by both government and business/private sector if we can demonstrate clearly how ECOTECH and TILF initiatives complement and benefit each other.
- Information technology (IT) is a sector where this complementarity can be demonstrated. The Information Technology Agreement (ITA) was supported by APEC leaders at Subic and concluded at the WTO Ministerial in Singapore last year. Its benefits cannot be fully realized by all APEC economies without the necessary investment in human capital, particularly in the case of less developed member economies.
- IT provides an enormous economic and social "return on investment". Jobs in this sector are growing at a rate five times of the other sectors and pay almost three times the wages. Each job in the software sub-sector alone creates almost three jobs in other sectors. There is a worldwide shortage of skilled software engineers, with only about a third of annual demand being satisfied. IT is among the top three industries in terms of value-added to most economies. Its diffusion and development raises education and skills levels, allowing rural communities access to world-class education and training facilities through the use of distance learning techniques. New technologies can cut learning time by much as one-fourth.
- APEC as a region has substantial strengths in IT. It includes the world's top two IT innovators and producers (the United States and Japan) and the finest universities with IT programs. Several APEC economies have significant plans for IT development, already develop and manufacture significant amounts of sophisticated IT hardware, or are being increasingly used as test-beds for IT development. APEC therefore can benefit much from both liberalization and ECOTECH training and education initiatives in the sector.
- There is a need for an initiative that will enable APEC economies to obtain such benefits, utilizing the region's resources in IT to further develop its human capital. Such an initiative would provide much needed impetus to ECOTECH and demonstrate that ECOTECH and TILF are complementary and mutually reinforcing.

**Recommendation**

The Economic Leaders should endorse in Vancouver an APEC IT Education Initiative that would draw on the region's strengths to provide education and training in areas critical to IT development. Major IT innovators and producers should be encouraged to participate in projects designed to ensure a continuing supply of qualified IT personnel and IT development opportunities.