THE NEW ECONOMY AND APEC CAPACITY BUILDING

Introduction

Rapid advances in information and communications technologies have been changing the landscape of the world economy over the past decade. The remarkable economic performances of several OECD economies, including Ireland, the Netherlands, Australia and the United States, especially since the mid-1990s, have prompted intense discussion about what the new economy really is, whether it has been established and how it can be facilitated.

A recent study by the Organisation for Economic Cooperation and Development (OECD 2001a) suggests that the new economy plays a critical role in economic growth. OECD countries have shown very divergent growth performances over the past decade, and the study identifies the importance of new investment, especially in information and communications technologies (ICTs), as a major factor behind productivity gains and economic growth:1

ICT is much more than the Internet; it encompasses telephones, radio, television – any means of sharing information and knowledge more widely. And it is not a question of "either development or ICT", but of how to apply ICT in ways that address the needs of the poor and enhance growth and development opportunities to narrow the currently widening gaps between segments of the world population. Focus on information, knowledge, identity and shaping globalisation, not on computers and connectivity. (OECD 2001c)

This paper discusses the potential for the new economy to sustain growth in East Asia and the Pacific, and looks at the major challenges and opportunities facing APEC in its attempts to improve the capacity of members to take advantage of the new economy. It analyses APEC’s current activities related to building capacity for the new economy and looks at several options for APEC’s future strategy.

APEC and the new economy

The new economy offers both opportunities and challenges for APEC and its member economies. On the one hand, information and communications technologies have the potential
to deliver long-term productivity gains, which are desperately needed to secure a full recovery from the Asian crisis and build sustainable growth in the region. This was the motivation behind several APEC measures to enhance activities concerning the new economy within the region, such as the e-APEC task force and e-IAP (Electronic Individual Action Plan) projects.

On the other hand, the new economy creates challenges for APEC and its members in that the rapid advancement of information and communications technologies could widen the already-existing ‘digital divide’ between APEC members in terms of access to new technology. Several APEC-wide measures have been recently introduced to address this problem. For instance, in May 2000 the fourth APEC Telecommunications Ministers’ Meeting (TELMIN 4) adopted the so-called Cancun Declaration (Cancun Declaration 2000) to address the problem of the digital divide. APEC’s Telecommunications Working Group (APEC TEL) has been dealing extensively with this issue.

Considering the diversity of economic development and national income in the Asia Pacific region, these tasks have to be pursued in a balanced way, with a view toward strengthening regional capacity and growth. APEC has identified five priority areas for building the capacity for dynamic and robust growth in the region (APEC 2000):

- strengthening markets
- e-commerce and technology cooperation
- entrepreneurship and small and medium-sized enterprise development
- education and lifelong learning
- social safety nets

**Recent developments in APEC and prospects**

APEC has been undergoing difficult times, especially since the outbreak of the Asian crisis. APEC has been criticised for being unable to detect the potential for crisis in some of its Asian member economies, and for its failure to provide immediate help to minimise the impact on these economies and the contagion within the region. Partly because of the Asian crisis and APEC’s incapability to respond effectively to it, APEC members were unable to launch the Early Voluntary Sectoral Liberalisation (EVSL) initiative, which they had negotiated throughout 1998. In 1999 APEC members were unable to unite to support the launch of the so-called millennium round at the 1999 Seattle Ministerial conference of the World Trade Organisation. Conflicting interests among APEC members on trade issues such as agriculture, anti-dumping
and the implementation of the Uruguay Round agreements were among the main reasons for
the failure to launch the new round.4 These recent problems led some APEC members and
observers to question the forum’s relevance and credibility.

Since its inception in 1989, APEC’s goal has been ‘establishing an Asia-Pacific Economic
Community’, as the First Report of the Eminent Persons Group (EPG) identified (APEC
Secretariat 1994). However, by focusing too strongly on the Trade and Investment Liberalisa-
tion and Facilitation (TILF) agenda, APEC failed to mobilise enough developing APEC
members to more actively participate in the forum, as the TILF agenda had been regarded as
one for the industrialised countries. APEC’s passive response to the Asian crisis triggered great
scepticism in many Asian developing economies over the relevance of APEC for their economic
development.

APEC’s track record on strengthening of the multilateral trading system through open
regionalism is also far from satisfactory. APEC has been unable to agree on a single definition
of open regionalism, leading to ambiguity in its interpretation and confusion in its implemen-
tation. Furthermore, apart from APEC’s contribution to the successful conclusion of the
Information Technology Agreement (ITA) at the WTO in 1996, there have been no major
successes in world trade liberalisation within or outside APEC, leading to a loss in credibility
in the international trade community. The recent failure of the EVSL and the Accelerated
Tariff Liberalisation (ATL) package5 further damaged APEC’s credibility in pursuing this
goal, and especially in its ability to construct a relationship with non-APEC countries through
the conduit of open regionalism.

These developments have inevitably led to a widely accepted assessment that APEC is
currently at a crossroads. Increasing its relevance to its members and reviving its international
credibility are, therefore, two immediate tasks that APEC has to tackle in the coming years.
There is a view that APEC needs to pay more attention to its Economic and Technical
Cooperation (Ecotech) agenda than it did before. The concentration on the TILF agenda proved
neither desirable nor effective in establishing an Asia Pacific Economic Community. An
approach that offers a balance between the two pillars of cooperation has to be developed to
raise APEC’s relevance and credibility. This will lead to a greater emphasis on the Ecotech
agenda relative to the TILF agenda, a focus that is likely to be pushed by the developing and/
or transforming countries that are taking up the rotating presidency of APEC in the coming
few years (China in 2001, Mexico in 2002, Thailand in 2003 and Chile in 2004). This seems the
best way for APEC to enhance solidarity and continue building an APEC community. Also, a

1.3

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full recovery from the Asian crisis and a more effective utilisation of opportunities provided by the new economy call for a stronger involvement in Ecotech activities than before,\textsuperscript{6} even though the TILF agenda should not be neglected.

**Capacity-building activities within APEC**

APEC has adopted several initiatives to foster the new economy and strengthen the capacity of member economies to utilise the benefits of new technologies. Table 1.1 presents APEC’s main capacity-building activities, categorised into five main areas: TILF, Ecotech, strengthening markets, the new economy and education. As well as the direct new economy initiatives in place, there are several projects in other areas that relate to the new economy.

Although these measures have not yet generated substantial tangible benefits, the policy direction appears to be right. The measures listed in the table, although not comprehensive, seem to be instrumental to APEC’s strategy of achieving robust and sustainable economic growth in the region. Second, these measures cover virtually all of APEC’s priority cooperation areas (APEC 2000). Third, the measures appear to balance the interests of developing and industrialised member economies, and therefore should draw developing economies closer into the APEC process.

There are, however, several shortcomings to APEC’s current approach. The much-criticised tendency to establish prolific activities without focus and concentration is visible again. The number of initiating fora within APEC will inevitably lead to an overlapping of activities and insufficient coordination, which will jeopardise the effectiveness of the initiatives. Second, there is the fundamental question of whether APEC’s budget will be large enough for the initiatives to be properly implemented. Third, there also is a scepticism about whether APEC’s members will wish to be actively involved in all these activities? The huge challenge of managing these tasks efficiently could be achieved in a number of ways.

**Capacity building for the new economy: policy directions**

There are several different ways for APEC to systemise and improve the management and operation of its capacity-building measures for the new economy, but three appear to be most promising.
Option 1: Subordinate all relevant activities under the ‘e-APEC’ project in a systematic way, and give the already-established *e-APEC Task Force* responsibility for coordination.

**Option 2:** Create a new *economy task force* to coordinate the relevant initiatives and activities.

**Option 3:** Transform the APEC Education Foundation (AEF) into an *APEC education and development centre* to coordinate capacity-building activities related to the new economy and also broader activities, including the trade and investment agenda and long-term sustainable development issues.

The first option – making the e-APEC Task Force the body responsible for all activities related to the new economy – is the most cost efficient, considering that it is already in operation and that it has already been assigned the task of developing a strategy report of all APEC’s new

### Table 1.1 Selected APEC initiatives and activities for capacity building

<table>
<thead>
<tr>
<th>Cooperation areas</th>
<th>Initiatives</th>
<th>Initiating forum</th>
</tr>
</thead>
<tbody>
<tr>
<td>TILF</td>
<td>APEC Strategic Plan for Capacity Building for WTO Agreements</td>
<td>CTI</td>
</tr>
<tr>
<td>Ecotech</td>
<td>Human Capacity Building</td>
<td>SOM</td>
</tr>
<tr>
<td></td>
<td>Knowledge-based Economies (KBE)</td>
<td>Summit</td>
</tr>
<tr>
<td></td>
<td>Strengthening APEC Social Safety Nets</td>
<td>Summit</td>
</tr>
<tr>
<td>Strengthening</td>
<td>Entrepreneurship and Start-up Companies</td>
<td>CTI</td>
</tr>
<tr>
<td>markets</td>
<td>Network of Skills Development Centres</td>
<td>HRD Working Group</td>
</tr>
<tr>
<td>New economy</td>
<td>Asia Pacific Information Infrastructure (APII)</td>
<td>TELMIN</td>
</tr>
<tr>
<td></td>
<td>Use of IT in a Learning Society</td>
<td>HRD Working Group</td>
</tr>
<tr>
<td></td>
<td>Digital Divide into Digital Opportunities</td>
<td>SOM</td>
</tr>
<tr>
<td></td>
<td>Readiness Assessment Evaluation Partnership (REAP)</td>
<td>SOM/TEL</td>
</tr>
<tr>
<td></td>
<td>e-APEC: Building Digital Society</td>
<td>e-APEC Task Force</td>
</tr>
<tr>
<td>Education</td>
<td>APEC Education Foundation</td>
<td>Summit</td>
</tr>
<tr>
<td></td>
<td>APEC Cyber Education Cooperation</td>
<td>Summit</td>
</tr>
</tbody>
</table>

*Note:* CTI: Committee on Trade and Investment; SOM: Senior Officials Meeting; HRD: Human Resources Development; TELMIN: Telecom Ministers Meeting; TEL: Telecom and Information Working Group.

*Source:* Compiled from a document provided by the Korean government.
economy activities. Lessons from the European Union’s ambitious e-Europe initiative could be adapted for APEC.

If the task force proves unable to manage the complex challenges related to the new economy beyond its current scope of activities, the second option – establishing a new economy task force or working group with an exclusive responsibility for the new economy – may be a better one. Not solely concerned with the e-APEC initiative, such a group may be more likely to take a more comprehensive and balanced view of all the activities related to the new economy.

The third option is more ambitious approach – expanding the APEC Education Foundation into an APEC education and development centre. The APEC Education Foundation, which was strongly influenced by the Clinton Administration’s APEC Education Initiative, has not functioned properly. There have been difficulties in raising sufficient funds and member economies have not adequately recognised the importance of education activities to the APEC process. Recently, however, an increasing number of APEC activities related to the new economy are being discussed in connection with the areas of education and development, such as human capacity building. Such a centre would be able to follow up these activities. Again, APEC’s limited budget would form an obstacle.

Whichever option is taken up by APEC to prepare for and better use new economy technologies, it will be important to strike a balance between measures aimed at improving growth in the region and those addressing the income gap between rich and poor countries. The measures listed in the Table 1 can be roughly categorised according to these two goals:

**Measures for expanding growth**

- fostering knowledge-based economies
- promotion of entrepreneurship and start-up companies
- Asia-Pacific Information Infrastructure (APII) initiative
- building a digital society through the e-APEC initiative

**Measures for bridging the income gap**

- strengthening human capacity building
- strengthening APEC social safety nets
- network of skills development centres
use of IT in a learning society
transforming the digital divide into digital opportunities

In pursuing this strategy, APEC needs to explore the linkages between ICT and knowledge on the one hand, and wealth generation, sustainable growth, employment creation and poverty reduction on the other. The OECD recommends paying particular attention to the role of ICT to ‘build institutional capacity and promote effective governance and management reform’ (OECD 2001c). Enhancing the use of ICT and not the production of it, therefore, should be at the core of any APEC strategy.

Conclusion

After having reviewed the importance of the new economy to economic performance, the number of capacity-building activities within APEC, and the alternative ways to improve the management and operation of APEC’s capacity building in the area of the new economy, the final question is ‘what to do with TILF – the other cooperation pillar of APEC?’

It is advisable for APEC to strike a balance between Ecotech and TILF, as the two are mutually reinforcing and not mutually exclusive. Focusing too much on Ecotech for the coming few years could lead to a substantial loss of momentum in Asia Pacific economic cooperation, the reverse of what has been achieved over the past five to six years.

The OECD’s finding that the ability to use ICTs may be more important than the actual production of ICTs in generating growth (OECD 2001b) provides a clue: policy measures that make the ICT products and services widely available and cheaper are best pursued mainly through a channel of free trade and investment. The TILF agenda, therefore, is a supporting mechanism for the initiatives and activities in place to prepare for the new economy. Liberal traders have much to contribute to the building of capacity within APEC.

Notes

1 OECD (2001a) identifies the following four policy actions as essential to any country’s strategy for achieving sustainable growth: (1) seizing the full benefits of ICTs, (2) harnessing the potential of innovation and technology diffusion, (4) enhancing human capital and realising its potential, and (4) fostering firm creation and entrepreneurship. This study also identifies stable macroeconomic policies – focusing on fiscal
discipline and low inflation rates – as an important element of such a strategy, especially in making other factors to work more effectively and in a mutually reinforcing way.

2 For a detailed discussion, see APEC (2000).

3 For a detailed description of related activities of APEC TEL, see APEC TEL (2001).

4 Park (2000a) discussed several ways for APEC to contribute to the new WTO round.

5 The ATL (Accelerated Trade Liberalisation) initiative was a modified version of EVSL, which after an initial failure within APEC was submitted to the WTO as a basis for WTO-wide liberalisation. The ATL initiative failed to mobilise the ‘critical mass’ needed for its adoption as a multilateral liberalisation package. For a more detailed discussion, see Park (2000b).

6 This is also one of main conclusions of APEC (2000).

7 The Beijing Initiative 2001 can be quoted in this context as a good example of APEC’s increased interest in education and development matters. For a detailed discussion, see The Foundation for Development Cooperation (2001).

References


Regional Responses to the New Economy: Is There a Role for APEC?

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2. Regional Responses to the New Economy: Is There a Role for APEC?

Introduction

The new economy has been a central theme of APEC’s work program since 2000. APEC has recognised that the region’s ability to take advantage of the revolution in information and communications technologies (ICTs) depends on the level of infrastructure available in member economies, including policies and regulations, the degree of innovation present, and the skills and flexibility of the workforce.

The capacity of APEC’s members to benefit from advances in these technologies varies considerably. APEC members range from economies with leading-edge research and development (R&D) capacities, to those that are able to adopt and adapt existing technologies, to those with little ability to take advantage of the new economy. The key challenge for APEC is to build technological capacity among its members and narrow the divide in access to digital technology. How can APEC support the development of domestic strategies for the new economy and facilitate the transfer of knowledge from the more advantaged to the less advantaged economies. The task is large and complex. A number of priorities have been identified: improving entrepreneurship, innovation and management skills, establishing flexible production and delivery methods, allowing greater employee involvement and upgrading, introducing training and education strategies, and improving labour market mobility (Haworth 2001). Views on whether APEC can play a role in these areas range from those who believe the organisation can do little beyond general platitudes to those who view it as an important catalyst.

This paper asks whether APEC does have a role in helping its members benefit from the new economy. To answer this question it is necessary to review APEC’s capacity-building activities in the area of the new economy, especially its recent priority on human capacity building. The paper will also look at other APEC initiatives and actions related to establishing the necessary infrastructure for the new economy. It concludes with some recommendations.
on what can be realistically expected of APEC’s ability to help its members increase efficiency and productivity through greater access to information and communications technologies.

**APEC’s role in capacity building and the new economy**

Since 1993 APEC has struggled to make the notion of capacity building meaningful and effective. APEC originally described capacity building as development cooperation. Although there has been progress in refining the original concept, setting priorities and coming up with suggestions to make it effective, the concept is an evolving one and its implementation and effectiveness are still being questioned. Therefore, before looking at the capacity-building initiatives concerning the new economy, it is useful to look at APEC’s view of what capacity building is.

**Capacity building: an elusive concept**

The notion of capacity building, or what was first termed development cooperation and then economic and technical cooperation (Ecotech), was first formalised as an APEC goal during the first informal Economic Leaders Meeting in 1993, when it was emphasised that APEC would be a community built on cooperation. In 1994 APEC announced the Bogor goals of achieving open trade and investment in the region by 2010 for industrialised economies and 2020 for developing economies. These goals were to be achieved through the three pillars of economic cooperation, Trade and Investment Liberalisation and Facilitation (TILF), and development cooperation. Development cooperation was originally seen to complement and support the main aim of trade and investment liberalisation and facilitation.

Since then the concept has evolved and been refined. In 1995, under the Osaka Action Agenda Part II, the term development cooperation was changed to Ecotech1 and a number of goals were set. These were to attain sustainable growth and equitable development, reduce economic disparities, improve the economic and social wellbeing of the people, and deepen the spirit of community in APEC. The guiding principles were defined to be mutual respect and equality, mutual benefit and assistance, constructive and genuine partnerships, and consensus building. The goals were to be pursued in cooperation with other pertinent institutions and the private sector. The three essential elements of Ecotech – policy concepts, joint activities and policy dialogue – were defined, and 13 priority areas were initially identified. They were human
resource development; industrial science and technology; small and medium-sized enterprises (SMEs); economic infrastructure; energy; transportation; telecommunications and information; tourism; trade and investment data; trade promotion; marine resource conservation; fisheries; and agricultural technology.

In 1996, at the APEC meeting in Manila, the Declaration on an Asia Pacific Economic Cooperation Framework for Strengthening Economic Cooperation and Development (the Manila Declaration) narrowed the 13 areas down to six priority themes: develop human capital; develop stable, efficient and sound capital markets; harness technologies for the future; safeguard quality of life through environmentally sound growth; strengthen economic infrastructure; and develop and strengthen the dynamism of SMEs.

The limited budget allocated to Ecotech of US$2 million means that the scope of Ecotech projects has been limited. The identification and implementation of projects was voluntary, being left up to members, the 10 existing APEC working groups and other APEC fora. This led to a proliferation of projects and the realisation that management and coordination were needed. In Vancouver in 1997, APEC set up an Ecotech Subcommittee (ESC) under the Senior Officials Meeting (SOM) to reorganise the projects into six themes, set guidelines for developing outcomes, encourage greater involvement from the private sector (not just in funding but in establishing projects) and improve the database of Ecotech projects.

APEC’s major focus has been on human capacity building followed by environmentally sound growth and harnessing technologies (Table 2.1). The projects have mainly involved surveys, studies and reports; workshops and seminars; and the setting up of databases, Web sites and networks.

By 2000 it was clear that a number of problems existed with the approach to Ecotech. First, because projects were proposed by a multitude of working groups and APEC fora, they have been diverse, unintegrated and incomplete responses to any particular focus. Second, while it was easy to categorise the projects by theme and set guidelines for project outcomes, it was not easy to assess effectiveness. APEC has no internal assessment mechanism or capacity, and since members have resisted outside assessment, in the end self-assessments were adopted of varying quality and interpretation. Third, while the Ecotech Subcommittee was given the task of managing and coordinating Ecotech projects, it had no authority to assess projects or make decisions. The ESC was a subcommittee of the SOM, unlike the Committee on Trade and Investment or the Economic Committee which are full committees under the SOM. Fourth, the approach lacked resources, in terms of both finance and human capital.
Prioritising Ecotech and human capacity building for the new economy

The recognition of Ecotech’s ineffectiveness and lack of focus led to various initiatives to elevate its status. In 2000, the year of Brunei’s leadership, APEC Leaders elevated the role of capacity building to a central one. The emphasis was that Ecotech should not just complement the TILF agenda, but be important in its own right. This was in line with the argument of various groups\(^3\) that Ecotech is the ‘lifeblood’ of the APEC system (FDC 2001). At the end of the Brunei’s year, Leaders called for giving greater priority to the new economy and identified human capacity building in the new economy as the main focus.

A high-level meeting on human capacity building in the new economy was held in Beijing in mid-May 2001, attended by education officials, educators and trainers, and business people from throughout the region. The meeting aimed to come up with strategies to meet specific challenges and elicit a number of actions. However, the outcome turned out to be confined to

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**Table 2.1 Types of APEC Ecotech projects (as of end 2000)**

<table>
<thead>
<tr>
<th>Main aim</th>
<th>Number of Projects</th>
</tr>
</thead>
<tbody>
<tr>
<td>Developing human capital</td>
<td>70</td>
</tr>
<tr>
<td>Developing stable, safe and efficient capital markets</td>
<td>7</td>
</tr>
<tr>
<td>Strengthening economic infrastructure</td>
<td>21</td>
</tr>
<tr>
<td>Harnessing technologies for the future</td>
<td>49</td>
</tr>
<tr>
<td>Promoting environmentally sound growth</td>
<td>51</td>
</tr>
<tr>
<td>Strengthening the dynamism of SMEs</td>
<td>22</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>220</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Type of project</th>
<th>Number of Projects</th>
</tr>
</thead>
<tbody>
<tr>
<td>Survey/study/report</td>
<td>75</td>
</tr>
<tr>
<td>Workshop/seminar</td>
<td>59</td>
</tr>
<tr>
<td>Training</td>
<td>38</td>
</tr>
<tr>
<td>Standard/best practice</td>
<td>4</td>
</tr>
<tr>
<td>Database/Web site/network</td>
<td>37</td>
</tr>
<tr>
<td>APEC centre/exposition</td>
<td>7</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>220</strong></td>
</tr>
</tbody>
</table>

a series of general statements about the challenges ahead for APEC in bridging the digital divide and converting it into digital opportunities through human capacity building. There were also statements about developing an integrated strategy for human capacity building through drawing on the diversity of experience within the region, and about innovative cooperation to identify human-capacity needs and build a more transparent policy environment and effective public sector.

The main statements were:

- that a market-based approach to human capacity building would be the most efficient way to mobilise and allocate resources;
- that governments still had a role to play in a market-oriented approach through providing technology and services for effective capacity building; and
- that open international markets were important to ensure cross-border flows of services and information, particularly education services, to enable all APEC economies to access the highest quality of education, training and skills, and to exchange information, best practices and policy options to bridge the digital divide.

However, it was not really made clear how these goals should be achieved. The meeting fell short of concrete actions that APEC could undertake on human capacity building in the new economy and provided little guidance on how actions could be delivered by countries. Despite recommendations to minimise official speeches and come up with concrete and practical recommendations, only general consensus could be reached, with a long list of possible actions. APEC working groups and other fora were asked to comment on these actions, which were divided into four main headings: bridging the digital divide and expanding Internet access; setting up life-long education and building a learning society; strengthening training programs and enterprise preparedness for globalisation; and integrating resources and promoting overall human capacity building. It would have been more effective to ask for national responses through the Economic and Technical Cooperation Action Plans (EAPs) or by establishing tripartite networks with other international agencies and the private sector to develop these ideas further, as had been suggested prior to the meeting. There is therefore a risk that the recommendations from the meeting in Beijing will suffer the fate of earlier Ecotech projects, with working groups coming up with lists that are not part of a focused and integrated package of measures for human capacity building.
### APEC initiatives and actions pertaining to the new economy: a mixed record

There have been other APEC initiatives in the areas of trade, competition policy and deregulation that are central to an understanding of how the organisation is preparing its members for the new economy. Under trade policy APEC has been working to lower impediments to trade in ICT-related goods and services. In 1996 APEC, which makes up the critical mass in the WTO since it accounts for around 60 per cent of world trade, agreed to support negotiations on an Information Technology Agreement (ITA) to reduce tariffs on ICT products. The ITA was subsequently negotiated in the WTO.\(^4\) There have since been calls by the United States for a second ITA, but developing APEC members are at present not in favour of a further reduction in tariffs. In 1999 APEC introduced a moratorium on the imposition of customs duties on electronic transactions.

Ecotech initiatives that relate to the new economy include policy dialogues, the sharing of best practices and principles with regard to key sectors such as telecommunications and services, and various training programs. APEC has also facilitated private investment in economic infrastructure, such as telecommunications. APEC has commissioned nine studies and projects on the new economy, including one on creating the knowledge economy and a report by the Institute for International Economics in Washington on this topic. The report's four objectives were to: define the new-economy paradigm, help policymakers maximise the potential for the new economy, examine the implications of economies unable to or choosing not to pursue policies to facilitate the new economy, and form conclusions and recommendations. The report was presented to APEC Ministers meeting in Shanghai in October 2001, recommending measures to enhance the diffusion of new-economy forces and technologies. It included case studies of how businesses and individuals can gain from the new economy. The project is also developing a network of reform-minded individuals, institutes and government personnel interested in promoting reform.

The most important development to date has been the priority the meeting of APEC Leaders in Brunei in November 2000 gave to the new economy. Leaders set out clear targets for bridging the digital divide by committing to develop and implement a policy framework aimed at achieving universal Internet access by 2010. An intermediate target of tripling Internet access by 2005 was also set. The Leaders also outlined a comprehensive action plan to support the development of the new economy. This included a framework of measures aimed
at: strengthening markets and institutions to encourage investment in goods and services; developing a conducive environment for investment in infrastructure and the introduction of new technology; inducing innovation and entrepreneurship; and building human capacity and knowledge through high-quality education, training and skills-development programs.

Leaders also urged that wide consultation and interaction take place on the action plan for the new economy among organisations involved in business and human capacity building, including the APEC Business Advisory Council (ABAC). Another important action plan is the APEC E-Commerce Readiness Assessment, which will look at each member’s readiness for the new economy. The assessment will be prepared in partnership with the business community, and will involve a questionnaire looking at connectivity, e-leadership, information security, and the human capital and business climate. Priorities for action will then be identified.

Another major action was the decision to extend the moratorium on customs duties on electronic transactions until the next WTO Ministerial Conference in November 2001. The moratorium was further extended at the WTO Ministerial Conference. APEC also called for the establishment of an ad hoc analytical task force within the WTO to examine WTO rules relating to e-commerce. It is not clear what response there has been on the part of the WTO with regard to this suggestion.

Leaders also discussed the comprehensive package announced by Japan at the G-8 Summit in 2000 to provide US$15 billion toward addressing the international digital divide. A significant proportion of this package is likely to be mobilised in APEC economies and Leaders saw the opportunity for APEC to identify priority areas for financial assistance.

An e-APEC Task Force was formed in 2001 to follow up the action plan for the new economy. The task force will define best practice, identify barriers to be reduced and establish priority areas and action programs to achieve e-APEC (e-government, e-business, e-learning and e-society) based on the goal of universal access. The task force identified three pillars for building e-APEC (Box 2.1 and Appendix 2.1).

The e-APEC task force has drawn up a matrix to identify each of the items mentioned in the Leaders’ action plan, describing the status of the action, the plan for implementation and the expected outcomes. Most of the implementation plans involve seminars, workshops and training programs; the exchange of information, experiences and best practice; and reaching specific targets such as the 1998 APEC e-Commerce Blueprint and mutual recognition agreements (MRAs) for telecommunications equipment. Although these are not concrete actions, they can be useful in identifying areas that can be followed up through tripartite networks with other international agencies and the private sector.
Box 2.1 Three pillars of e-APEC

**Strengthening markets and institutions:**
- Macroeconomic policy framework
- Regulatory reform including telecommunications and other relevant reforms
- Competition policy
- Corporate governance
- Venture capital markets
- Intellectual property
- Structural adjustment
- Risk management

**Creating an environment for infrastructure investment and technology development:**
- Specific IT-related policies to encourage the development and application of ICTs, especially building information infrastructure (i.e. efficient, low-cost and high-speed platforms) and digital security
- Effective domestic innovation system

**Building human capacity and entrepreneurship:**
- Application of technology, skill building and development of local content
- Improving teaching, education cooperation, life-long learning, remote learning centres etc.
- Transborder information flows and information sharing
- Utilising ICT for traditional industries
- Training in human resource development


The way ahead: realistic expectations for APEC in the new economy

APEC’s role in maintaining policy dialogue and promoting best practice is an important part of establishing the policy and regulatory framework needed for the new economy. Such initiatives are already underway through the TILF program and through the various APEC working groups on the new economy, all of which will be drawn together under the e-APEC task force. APEC could set a number of priorities under the three pillars of e-APEC.

On strengthening markets and institutions, the priority issues could be reform and regulation in the telecommunications sector to ensure fair competition, and ensuring the free
flow of education and training across borders. On the second pillar of creating an environment for infrastructure investment and technology development, the priorities could be to define the kind of proactive role governments can play and ensure that the criteria, lessons and mechanisms for effective government interventions are well understood.

As for the more complex task of building capacity to benefit from the new economy, a few recommendations can be made. As has been the case with the TILF program, APEC is at best a catalyst; it certainly cannot fund the huge amount of capacity building needed to set up the infrastructure for educating and training a large number of people. Capacity building in APEC should not be about creating a new bureaucracy for financing or implementing Ecotech activities (FDC 2001). APEC is a voluntary organisation and does not have the ability or the funds to organise capacity-building programs, nor was it ever expected to. Its comparative advantage is in designing options for Ecotech and making information, experience, expertise and technology from around the region available APEC wide. Partners to undertake actions and/or provide finance can be other members, other multilateral agencies and donors, the private sector and so on.

Having said that, there is still room for improvement in the delivery of Ecotech projects. As Haworth (2001) and others have suggested, given APEC’s limited resources and capacity, Ecotech projects should focused on fewer and bigger objectives. In Brunei last year, Leaders identified the objective of bridging the digital divide in APEC and set a clear timetable and action plans for the new economy, including one for human capacity building. National-level Ecotech projects need to be formulated to achieve this objective. Again, some suggestions can be made to improve the design of capacity-building projects (both nationally and APEC wide) (FDC 2001; Haworth 2001):

- Ecotech should be concerned with four areas: policy development; technical cooperation (upgrading expertise, institutional capacity and technological capability); infrastructure; and financial cooperation;
- projects should have clear time frames and targets, and unambiguous terms of reference;
- commitments need to be made by a sufficient number of APEC member economies; and
- support and commitment from the private sector, civil society, donors and international institutions is required.

Human capacity building in the new economy will, however, mostly require action at the national level, mainly through the EAPs that are currently being piloted. The plans, which will
be submitted on a voluntary basis, will focus on the theme of human resource development, outlining each member’s plan for building human capacity. To be effective the EAPs should include targets and time frames so that outcomes and performance can be assessed, much like the Individual Action Plans for TILF. The members are to define human resource needs and the actions that will be taken at the individual and cooperative levels. The common policy concepts identified for human resource development were: providing a basic education; analysing regional labour markets; increasing the supply of and improving the quality of managers, entrepreneurs, scientists and educators; life-time learning and education; increasing opportunities to gain skills; preparing organisations and individuals to remain productive during rapid technological change; and promoting human capacity building to complement liberalisation of trade and investment. So far three members – China, Japan and Singapore – have volunteered information.

Once EAPs are drawn up, assistance to achieve the plans can come from APEC, other APEC members, or international donor agencies. There is obviously a role for the private sector. In essence, the EAPs provide a means for economies to identify their capacity-building needs (in itself this is a capacity-building exercise), form priorities, design a workable program and, on this basis, seek assistance. The high-level summit in Beijing on human capacity building in the new economy was disappointing in that it did not come up with any concrete proposals. The process is likely to be gradual and slow.
Appendix: APEC’s action plan for the new economy

Strengthening market structure and institutions:

- sound financial markets to ensure that capital flows to the most dynamic economies;
- liberalisation in trade in telecommunications and IT services;
- improve the electronic individual action plans (e-IAPs); and
- intensify cooperation between government and business to provide affordable and quality access to telecommunications services and the Internet.

Creating an environment for infrastructure investment, technology development and entrepreneurship:

- develop legal and regulatory frameworks for consumer protection, electronic transactions and signatures across APEC;
- continue work with SMEs to ensure that they are ICT ready;
- APEC e-commerce readiness to be used to follow up readiness evaluation action partnerships, and to showcase practical actions that can be taken to remove obstacles to electronic trade;
- continue work relevant for consumer protection, custom procedures, transport services, standards and conformance, and business mobility;
- improve BizApec.com as useful information portal for conducting business in the region;
- intensify cooperation toward e-government;
- affirm commitment to moratorium on imposition of customs duties on electronic transmissions until the next WTO Ministerial Conference and call for establishment of an ad hoc analytical task force in the WTO to examine WTO rules that are relevant to the evolution of e-commerce;
- implement the accord on the streamline conformance requirement for computers and peripherals, and implement mutual recognition arrangements on telecommunications equipment; and
- implement agreement to promote strong management practices for software and other intellectual-property assets by users through a program of information and technical cooperation.
Building human capacity and entrepreneurship

- develop the network of skills development centres in close collaboration with private sector;
- high-level symposium on e-commerce and paperless trade in 2001 to develop Ecotech programs;
- promote quality education;
- creation of an APEC cyber-education network;
- mobilise support for the APEC youth Internet volunteers;
- address life-time employability through life-time learning;
- strengthen APEC cooperation in science and technology to promote innovation;
- promote ongoing understanding and use of ICTs in business, sharing of best practices in e-commerce, and the designing of training and consulting programs; and
- encourage cooperation with the global business dialogue on electronic commerce and other private-sector entities to share knowledge and examine digital opportunities.

Source: APEC Economic Leaders’ Declaration, Bandar Seri Begawan, Brunei Darussalam, 16 November 2000, Annex 1.
Notes

1 The term development cooperation was viewed by some members as implying developmental aid.

2 Funds for Ecotech activities can also come from APEC central funds, member economies or other sources.

3 One important group is the Policy Dialogue group, which since 1996 has gathered together experts from around the region under the auspices of the Foundation for Development Cooperation (FDC). Many of the group’s recommendations on Ecotech have been adopted by APEC.

4 Despite the success of establishing a consensus on the ITA, members were unable to widen the approach to other sectors under the Early Voluntary Sectoral Liberalisation program.

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