

# ABAC 1999 – Background Papers

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## ABAC CAPACITY BUILDING TASK FORCE

### PREAMBLE

In APEC we have a defined destination and a time line for its achievement. These are specified in the Bogor goals. Reaching those goals will mean coping with the effects of liberalization and also with other challenges along the way. These include shocks like the financial crisis, all sorts of other pressures associated with growth as well as the impact of new technologies.

There is scope in the region to learn from each other about how to cope with change. We want to know more about the experience of those who have managed changes and shocks in an effective way. Sharing this experience increases capacity in our own economies to manage change. It builds our capacity to do so.

This we see as the theme of the capacity building agenda in APEC.

Capacity building is the goal. Its achievement involves economic and technical cooperation among APEC members. One distinctive feature of APEC is the primary importance that member economies accord to the strengthening of economic and technical co-operation as one of the three pillars in APEC's drive to build an Asia Pacific Community.

APEC Ministers in Manila in 1996 adopted a declaration on an APEC framework for strengthening economic co-operation and development. The declaration encompassed the themes of consensus building, developing human capital, and the dynamic role of the private sector in encouraging economic co-operation. It recognised the complementary nature of APEC's eco-tech and trade and investment liberalization and facilitation agenda and set out guiding principles for the conduct and coordination of activities based around the sharing of information, knowledge, experience and expertise.

ABAC has already focused on the need to develop a framework and network for economic and technical cooperation, to better coordinate APEC eco-tech projects, to find ways of encouraging greater public and private cooperation, and to mobilise private sector involvement in investment.

ABAC reminds Leaders of the Ministerial statement in November 1996 on the need for a working partnership with the private sector in economic and technical cooperation; of being goal orientated, with explicit objectives, milestones and performance criteria; with an increasing role of the private sector.

In this statement, the economic and technical priorities were detailed as

- develop human capital
- develop stable, safe and efficient capital markets
- strengthen economic infrastructure to eliminate bottlenecks
- harness technologies for the future
- safeguard the quality of life through environmentally sound growth
- develop and strengthen the dynamism of small and medium enterprises.

APEC Leaders in Kuala Lumpur in 1998 adopted the APEC Agenda for Science and Technology Industry Cooperation into the 21st Century. The Agenda is a blueprint and guidance for APEC to achieve its goal of dynamic and prosperous Asia-Pacific region built on the development and application of industrial science and technology.

## **THE IMPORTANCE OF CAPACITY BUILDING**

Capacity building involves a variety of activities. It includes, for example, the building of skills in the work force to cope with change and adding to the capacity of officials to build the institutions required for an open economy. These systems of governance are potentially very wide ranging and we offer below some comments on immediate priorities.

The sorts of activities which might be considered under capacity building programs include those related to the following issues.

- For APEC to fulfil its charter and achieve its goals, there is a need to ensure that there is adequate governance and stability to meet the challenges of globalization and free trade.
- Such governance embraces the commercial, social and institutional framework by which we live, and needs to shelter within a strong legal and justice system in order that business and people may grow and flourish.
- From a business point of view, such governance also embraces monetary policy and regulatory framework, market access and the provision of infrastructure.
- Taking an even broader perspective, it also must embrace health and educational systems and environmental protection to ensure cultural continuity and the welfare of all people.
- Capacity Building within APEC should ensure the establishment and growth of a material infrastructure and commercial environment, and that it is balanced by the growth of our social and community infrastructures and members' individual well being.

Economic and technical co-operation within APEC provides the mechanism to bring about the systems of governance required to deal with issues in all these areas, given the will of all economies.

### **A deepening of the reform process**

The liberalisation and facilitation agendas in APEC can be thought of as activities to widen the reform process. More sectors and more impediments are included over time as the Individual Action Plans are extended.

Capacity building is aimed at deepening the extent of reform in each economy. It means the reforms work better, they are more effective, and fewer problems are created by the problems of sequencing or implementation.

A deeper reform program can then also accelerate the rate of change and lead to a wider distribution of its benefits which helps create a virtuous cycle of reform and growth.

### **Cooperation and building bridges**

The implementation of the Program involves cooperation. Cooperation means the two-way flow of people, information and ideas. As a consequence, the Program will build bridges between

APEC members. Each can learn from the experience of others. It will extend the amount of common ground on many issues, both the immediate concerns and the challenges coming up. In this way, a Program of capacity building will define then help implement best-practice policy making and the associated institutional development which is appropriate to each member economy.

## **ELEMENTS OF A PROGRAM**

While the potential scope of a program of capacity building could be large, ABAC suggests the following areas are the current top priorities:

- a collective coherent strategy on the issues of economic governance, including financial market development, corporate governance and public sector reform
- support for the liberalization and facilitation programs
- challenging bottlenecks to growth, including those in the resource sectors and in telecommunications.

### **Capital markets**

A credible response by APEC to the financial crisis is critical for APEC's momentum. ABAC has argued that the crisis had exposed weaknesses in the region's institutional and legislative environment, and that these weaknesses have had direct implications for the business sector. ABAC is committed to contribute to finding solutions to the problems in the business environment.

ABAC's own task force on financial market issues has made a number of recommendations which require support from processes of capacity building. The report includes a series of recommendations, for example, on the development of and implementation of legal structures which provide stronger incentives for negotiation of debt work-out arrangements. These systems would facilitate restructuring and arrangement of new sources of finance for banks with high rates of non-performing loans and/or of corporations with high debt ratios.

Many economies have such experience which could be shared in the region although those resources are now in great demand. The response will also have to involve the investment in the development of local capacity. Mr. David Carse, Deputy Chief Executive of the Hong Kong Monetary Authority, in speech to the Asian International Conference & Trade Credit Workshop on 5 May 1999, said that

*it is easier said than done to find loan recovery specialists when many bankers in the Region have not experienced a prolonged period of economic decline. Outside experts, for example from the accounting firms, can help to fill some of the gap. But it is also essential that the banks build up their own resources and provide more training to their own staff on how to deal with problem loans.*

He went on to say

*The increase in the number of companies requiring financial assistance and the multiplicity of banks involved are however putting some strains on the system. Workouts are becoming more protracted and more difficult to arrange. This is partly because of the shortage of workout specialists already referred to, but also because banks do not always display the necessary spirit of cooperation. I have therefore recently suggested to the Hong*

*Kong Association of Banks that it would be timely to review the manner in which workouts operate in Hong Kong.*

Other members will be able to learn from the Hong Kong experience.

### **Corporate Governance**

ABAC members have particular interests and expertise in the area of corporate governance, especially on issues such as insolvency and contracts law, corporate and regulatory law, business disclosure standards, accountancy standards and the responsibilities and operations of company boards of directors.

A draft report for Finance Ministers in their meeting in Malaysia in May 1999 (produced by the Core Group of the Corporate Governance Initiative) noted the strengthening that has taken place in corporate governance arrangements in the international economy. It also indicated that for "Asian firms and economies to compete successfully for funds in the years ahead, their corporate governance practices must at least match those of the new international standards. And they must clearly be seen to have achieved those standards". (p. 5)

ABAC strongly endorses programs of work designed to meet this goal. The work could involve, for example, a collective activity in the form of peer assessment of corporate governance arrangements. Reaching new standards will reduce the vulnerability of business in the region and lower its cost of funds which will promote growth and benefit the whole of the membership.

### **Regulatory reform**

An important element of the structure of economic governance will be the reform of regulatory arrangements. In all sectors of the economy, governments need to put in place best-practice systems of rules and regulation that allow businesses to operate in a transparent, fair and competitive trading environment.

APEC's responses to ABAC's previous recommendations in relation to these areas include those listed in Box 1. While the activities to date are worthwhile, ABAC strongly endorses the 1999 priority proposal to adopt a set of principles for competition policy and regulatory reform. These principles can be used for evaluation of policy in these areas so that their implementation can lead to some focus in the work on institutional development. A focus on the implementation of those principles can then be used to drive the next steps in capacity building in this area.

#### **Box 1: Competition policy and regulatory reform in APEC**

- Four workshops have been held since 1995 on diverse competition policy (CP) issues, including the objectives of and mechanisms for implementing CP, the relationship between CP and deregulation, legal aspects, natural monopolies, anti-dumping, and trade policy linkages.
- The APEC Competition Policy and Law Database was completed in February 1998.
- Annual APEC/PFP Competition Policy Training Courses raise officials' expertise in competition law and policy.
- A public/private sector symposium on regulatory reform was held in September 1998 in Malaysia that drew together themes and principles of regulatory reform in APEC.
- Priority work for 1999 includes: development of principles for competition and regulatory

reform, in association with PECC; strategies for capacity building and institutional development; and completion of a study on the advantages and disadvantages of competition law for developing economies.

### **Liberalization and facilitation**

We noted earlier how an important role of the capacity building program in APEC is to support the liberalisation and facilitation agendas. Box 2 shows a simple example, which ABAC applauds, in which capacity building in APEC is helping to meet liberalisation goals.

#### **Box 2: Implementing the TRIP's Agreement**

- An extensive cooperation program has been in progress underway including Partner for Progress (PFP) training programs on industrial property rights in 1996-98 and various symposia on IPR. An APEC/ABAC Joint Symposium on IPR was held in February 1999 in Fukuoka. Cooperation will continue with a PFP training program on Industrial Property Rights.
- Some members have already implemented TRIPS and others are in the final stage of doing so. Members have agreed to a framework proposed by Korea for additional bilateral technical cooperation to implement TRIPS (which supplements existing collective efforts).
- All members are expected to implement TRIPS by 2000. Members will implement the framework for additional technical cooperation, and Korea will hold a technical cooperation symposium in June 1999 to assist TRIPS implementation, taking the replies to the checklist on the TRIP's Agreement into consideration. Members will also examine the possibility of further improving IPR systems after full TRIPS implementation.

ABAC has argued in other places in its report this year that the trade facilitation work in APEC has to be given new urgency. Earlier ABAC reports stressed the importance of dealing with customs arrangements. There has been extensive effort in this area in APEC.

Removing impediments to trade associated with the existence of different systems of standards is a further example of a priority in this agenda. ABAC notes the programs underway in APEC in relation to alignment work on a number of product groups (electrical and electronic appliances, food labeling, rubber products and machinery, as well as transport and seafood).

However, the amount of associated capacity building to implement new standards in various member economies is not clear from the information available to ABAC. A immediate priority is to demonstrate how the capacity to implement agreements on standards is being constructed alongside agreements to align standards.

### **Food**

The development of an efficient food system is a headline recommendation in ABAC's current work program. Associated capacity building programs should be identified and incorporated into the program with explicit links to the food system project. An element of that project is the development of rural infrastructure. Other activities include the promotion of trade in food products and the dissemination of technological advances in food production. Specifying work programs in these areas that contribute to the goals of the project will be important.

## Energy, water and waste

In response to previous recommendations in relation to infrastructure, APEC actions are listed in Box 3. These are mainly related to the energy sector. ABAC applauds these results, particularly with respect to the natural gas grid proposal which is also a priority for the Partnership for Equitable Growth. Further work on implementation of the idea based on private sector input and advice is now critical.

The provision of adequate water resources and the disposal of waste to ensure improving health standards within each economy are also critical long run targets. New work will be required to establish programs with respect to the serious issues associated with water and waste disposal in the region.

### Box 3: APEC and infrastructure - a focus on energy

- APEC Finance Ministers agreed in 1997 on Voluntary Principles for Facilitating Private Sector Participation in Infrastructure in which member economies undertook "to introduce necessary steps, where appropriate, to put in place a framework to provide a high level of investor protection..."
- The November 1997 Vancouver Framework for Enhanced Public-Private Partnerships in Infrastructure Development reaffirmed these principles and called for action to improve capacities in various areas.
- APEC Energy Ministers endorsed in 1997 the principles contained in the Manual of Best Practice Principles for Independent Power Producers (IPP's) aimed at facilitating private investment in power infrastructure in APEC.
- Energy Ministers in October 1998 adopted a series of recommendations aimed at establishing a low-risk environment to encourage private investment in natural gas infrastructure, supplies and trading systems in the region.
- As directed by Energy Ministers, EWG held an energy infrastructure investment workshop in the USA in April 1999. Business people helped EWG examine the initiatives on natural gas, best practice principles for IPP's, and environmentally sound infrastructure in terms of practical action.
- Energy Ministers in 1997 endorsed a report on an EWG project designed to promote the uptake of environmentally sound infrastructure. A work program to advance the report's recommendations was endorsed by the Ministers in October 1998.
- EWG will progress the Natural Gas Initiative in 1999, with input from the EWG Business Network and the Energy Regulators' Forum, to develop an action strategy to help economies implement the recommendations.
- TEL WG has finalized the APEC Interconnection Framework which aims to secure a competitive supply of services to users.

## Telecommunications

Telecommunication facilities within each economy warrants serious attention. It has always been a critical input into business activities, and the current region-wide interest in the scope to develop electronic commerce highlights this sector once again. The lack of provision within certain member economies of basic telecommunication facilities needs to be addressed.

Research for ABAC on the effects of impact of barriers to trade and investment in the service sector indicates that a more liberal policy regime in the telecommunications sector can have a

significant impact on the extent of services available. This research also indicates the opening up telecommunications markets has even more dramatic effects on access to mobile services than to fixed line services. However reform of this sector involves a number of challenges, including those in relation to competition policy. These issues were highlighted in the reports for APEC by the PECC and APEC Study Centres Consortium on 'Communicating the Benefits of Liberalisation'. They include in particular the design and implementation of competition policy in this sector, which includes the implementation of community service obligations. These are all clearly areas for a valuable capacity building program among APEC members.

### **Links to liberalisation**

The situation in telecommunications provides an example of when a program of liberalisation can itself help build capacity. We expect this is a common situation in the service sector and similar examples could be found in financial services and in education itself. We suggest that the contributions of liberalization in these sectors to capacity building in the region be the subject of further work by APEC officials in order to extend the appreciation in the community of benefits of liberalization.

### **SME Interests**

APEC Ministers responsible for small and medium enterprises met in April this year. Their statement stressed the following areas as priorities for SMEs:

- enhancing management performance through education;
- reducing barriers to trade and compliance costs;
- improving capital markets and access to them; · strengthening linkages to assist business within the region (e.g. the importance of electronic commerce).

Here we concentrate on electronic commerce and training. Our other proposals, particularly those on capital markets, are also relevant to SME interests.

### **E-commerce**

APEC has achieved an impressive program of work in electronic commerce, as summarised in Box 4. However, we see a gap. There is not enough attention to efforts to make available skills in using this technology. In the next section, we make a suggestion about how business can help fill this gap.

#### **Box 4: APEC and e-commerce**

- HRD WG has conducted a project on Internet and Electronic Commerce: Training on Java-based Technology. Website now operational: [www.edu.au/commerce.apcc](http://www.edu.au/commerce.apcc)
- TEL WG survey of the uptake of electronic commerce by SME's underway. Final report to be delivered in mid-year 1999.
- TEL WG survey of legal and regulatory barriers to conducting Electronic Commerce completed and posted to the internet, with regular updates planned.
- As directed by Ministers, the APEC Secretariat is compiling a list of e-commerce hub and network service providers available in the economies.
- Transport WG and SCCP have conducted separate EDI Commerce Messages projects to identify, through pilot projects, the processes and preparation required to enable business

involved in international trade, transport and customs to trial and use harmonized EDIFACT messages in the trading chain between organizations in APEC economies (to be completed by December 1999)

- APEC Ministers responsible for Telecommunications and Information Industries adopted a Framework for Action on Electronic Commerce consistent with these points in June 1998 and directed TELWG to implement.
- GP Experts Group held a seminar in February 1999 partly on the topic of electronic tendering in government procurement. The GPEG Home Page is linked to 11 members' electronic GP sites.

The following are proposed:

- A study on the impact of e-commerce on SME's and how they can benefit from it will be conducted 1999-2000.
- Transport WG (TPT) will hold an E-commerce Seminar in April 1999 in Santiago, focusing on practical applications for transport and trade.
- The TPT WG will conduct a training program to provide a sound base of knowledge and skills in e-commerce to enable firms to install e-commerce systems and prepare them for the trialing of messages.
- At TPT-WG 15 in April 1999, the TPT-WG will consider a proposal for a pilot project to provide electronic commerce training in maritime transport.
- TEL WG will participate in an OECD-business workshop on Electronic Authentication in June 1999

### **Business to business skills transfers**

The business sector can provide arrangements for the transfer of skills. Some ABAC members, working with their local business associations, have proposed to organise combinations of seminars, training courses and case studies of successful business management in international markets.

Other forms of skill transfer involve sponsorship by equipment suppliers. For example, the Human Resource Development Forum in PECC is working with firms in the IT sector to arrange training courses for SME managers on the use of information technology and how it can help their business. ABAC also has a proposal to create a series of Information Data Base Service Centres to make available material on policy regimes in different member economies. These Centres would be sponsored by the private sector.

Further examples of business to business transfers of skills occur in many economies which are hosts to 'centres of excellence' for particular industries and activities within those industries. These centres disseminate knowledge and essential skills with the aim of continuously upgrading their knowledge as technology progresses. These centres are established and managed by the private sector, in some cases, by large companies who use the centres to manage the development of skills among their sub-contractors. They are examples of the private-to-private delivery of capacity building, in some instances in partnership with governments.

Examples of these centres include

- Philips Tooling Centre in Singapore
- The Hong Kong Quality Assurance Agency
- The Clothing Technology Demonstration Centre in Hong Kong



- The Hong Kong Jewellery Industry Technology Centre
- The Internet Centric Excellence initiative at the University of Hong Kong (funded by Oracle and Sun Microsystems).

Box 5 describes the activities of one of these centres. We recommend that these and other projects should be studied for the purpose of identifying potential policy impediments to their operation in other member economies and defining the appropriate scope for government partnerships in their establishment.

#### **Box 5: A Model Centre for Excellence**

The Hong Kong Jewellery Industry Technology Centre (HKJITC) was established in 1995 with funding support from the Industry and Technology Development Council of the Hong Kong Government. It is jointly managed by the Hong Kong Jewellery Manufacturers' Association (HKJMA) and the Hong Kong Productivity Council (HKPC).

The major objective of the HKJITC is to provide integrated support services to the local jewellery industry in order to enhance its market competitiveness and to extend its manufacturing capabilities. The HKJITC is based at the HKPC Building to monitor technology trends, develop technologies for strategic needs and disseminate relevant information and technologies to the jewellery industry.

From : [hkpcms.hkpc.org](http://hkpcms.hkpc.org)

#### **Procurement**

Unfair and discriminatory practices observed in procurement can also be dealt with using competition policy. Examples, some members argued, arise in the bidding processes for elements of large scale construction or infrastructure projects. Discriminatory practices can inhibit the opportunities for participation by business in developing member economies. The rules of competition policy can be applied to assess these situations.

#### **Consumer Education and Protection Initiative (CEPI)**

The Task Force noted the relevance of a proposal on consumer issues and its significance for SME's. The CEPI was endorsed by the SME Ministerial held in Christchurch in April this year. This proposal would focus on legal and regulatory best practices in consumer rights, how to deal with problems such as deceptive advertising and labeling, how to operate codes of ethics and industry self-regulation and how to handle new issues arising from technology change, such as internet-based disputes settlement. Work on these topics is being led by business and consumer groups and ABAC looks forward to receiving more information on the results of this effort.

### **BUSINESS INPUT**

Resources for economic and technical cooperation within APEC are scarce. APEC is not an aid organisation. Business can assist however. Business can work with government to provide resources on a commercial basis; and member economies, particularly those with foreign aid programs, can work with business to ensure the development of the necessary infrastructures.

During the past two years, ABAC has focused on the formation of a Partnership for Equitable Growth for this purpose.

The extent to which business is making an input into economic and technical cooperation is less than might be expected. Figure 1 shows the number of ecotech projects listed in the APEC Secretariat's economic and technical cooperation matrix (currently available on the Secretariat website) grouped by the current priority areas, and also showing the number involving private sector input. On average about half of all the projects listed had some business input.

These data are also based on the reports provided by project coordinators. Closer inspection reveals that in many cases business is actually involved even if its contribution is not made explicit in project summaries.

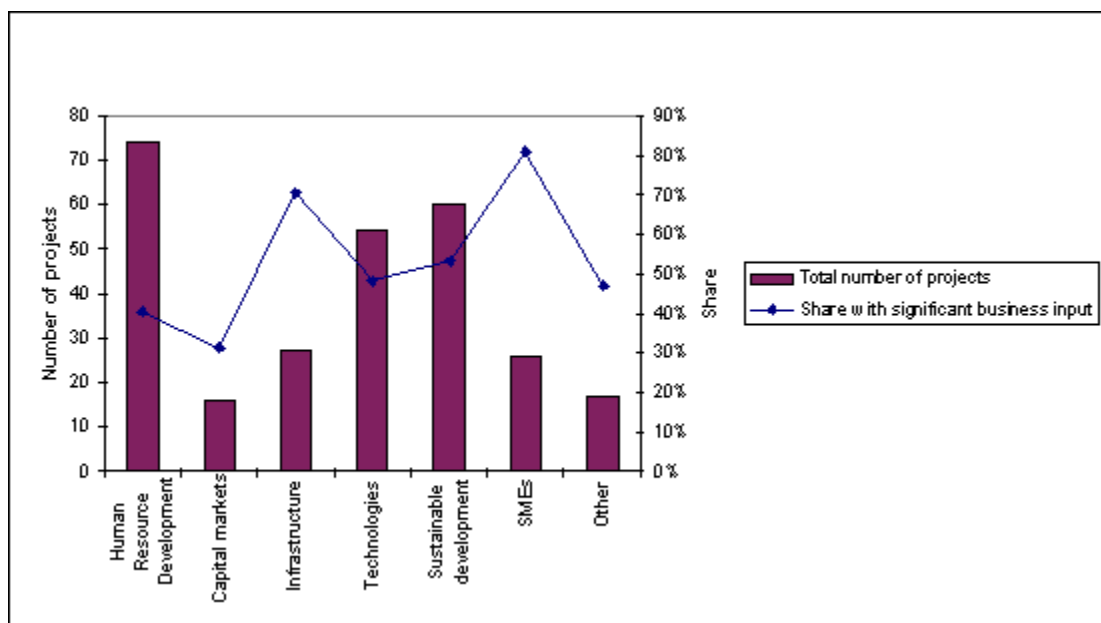
Within the set of APEC priorities, the attention of the Task Force was drawn to the APEC Agenda for Science and Technology Industry Cooperation in the 21st Century. The meeting was impressed with the scope of this work, the resources already applied by member economies and, after further briefing, the extent of the opportunities for business. Recognizing APEC's hope to increase business involvement and contribution in its ecotech agenda, ABAC was encouraged to submit specific proposals that support implementation of this Agenda.

A more effective reporting system has to be developed for economic and technical cooperation projects. That system should include the detail of current business input and the scope for business to make a contribution.

The data should also be up to date. The data in this table is based on the matrix report now available on the APEC web site and this document is dated 27 August 1998.

**Figure 1: Projects by APEC priority area**

Source: APEC website



## Information flows

Figure 2 shows the categories on economic and technical cooperation projects reorganized under ABAC's own priority areas, as defined in this paper, with the addition of a specialist human resource development category (other HRD projects are allocated where possible to the other priority areas) and with the addition of another category of "other" in which the unclassified projects are located. This figure reveals that the program is underweight in terms of capital markets and governance.

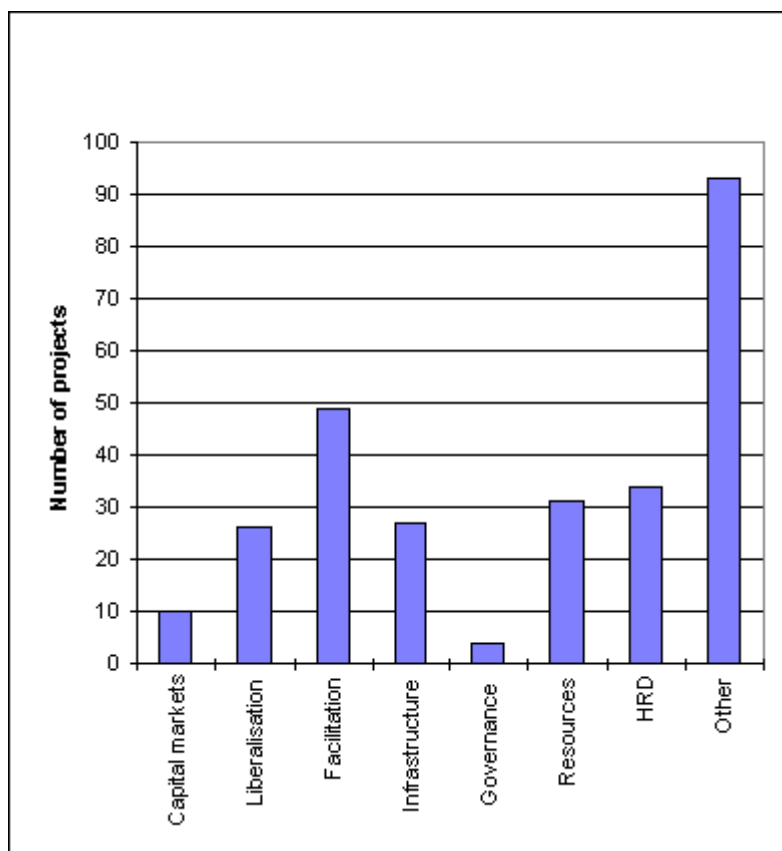
There are two qualifications to these data.

First, the current capacity building work in APEC fails to integrate work by Finance Ministers with that coordinated by APEC Senior Officials and supported by the APEC Secretariat. ABAC notes that the Finance Ministers are working on programs of capacity building in its priority areas and requests that all capacity building activity be reported in one place in an accessible form.

Second, while the number of projects might be small, each one might be large in absolute terms. The scale of each project is not clear from the matrix.

**Figure 2: Projects by ABAC priority area**

Source: APEC website



These problems, as well as earlier remarks in this section, indicate that the current reporting system is inadequate. It lacks information about:

- the scale of each project
- how the project is funded, in particular the extent of business input
- the outputs which have been achieved
- the impacts of projects on the goals of the program
- expectations of original time-lines and of outputs by which actual performance can be evaluated
- the contribution that APEC is able to make compared to other institutions, including bilateral aid programs or multilateral systems of assistance, or the extent to which APEC processes can extend the contribution made by these other programs
- linkages, complementarities and cross referencing between projects in the same topic areas but managed by different parts of the APEC process.

Provision of this information will lead to better choices of projects, facilitate coordination and produce a more effective program. Methods for achieving more coordination and therefore effectiveness in these activities within the APEC structure have to be considered. There are special challenges for the administrative processes in APEC whose principles of participation have to be maintained.

Of particular interest to business, and a contribution to the development of a new discipline in economic and technical cooperation, would be to insist on a check of private sector interest. Is business participating in the activity directly, or has it shown interest in using the results of the work, or are there more general expressions of business interest in the information provided or processes developed? Examples of projects which business has expressed an interest in supporting were noted earlier. A well-developed economic and technical cooperation program will enhance the opportunity for business to make this sort of contribution.

## **Delivery**

The obvious way to share experience to build capacity is through the exchange of information, and, alongside that exchange, the development of the capacity to use the information, that is, human resource development.

From this perspective capacity building is going to involve the movement of people from one environment to another. Workers from one economy will spend time in plants and factories in another. Teachers from one economy will spend time sharing their skills with students in another. Officials from one stock exchange will explain their rules and procedures to officials from another. These are all examples of capacity building. As illustrated above, business has an interest in being involved in these sorts of training programs and exchanges.

Box 6 illustrates another example involving officials dealing with visa processing which ABAC applauds. Where training is involved, it needs to be suitable to domestic conditions but aimed at strengthening local institutions, increasing professional standards achieving APEC best practice and reducing costs to business.

### **Box 6: Visa entry**

ABAC applauds the system of "mentoring" to provide training and technical infrastructure development in visa processing and border entry systems. In 1999, there will be project to focus on the prevention of travel document fraud which will lead to streamlining the processing of legitimate travellers.

## A survey on economic governance issues

One of the challenges in managing an effective program for capacity building is to develop proposals for action in a systematic manner. ABAC's suggestion is that priorities for capacity building initiatives be detailed through a survey. This survey on, and by, all member economies will identify the scope for additional capacity building co-operation. The objective of the survey would be twofold.

- First, to identify and document current activities as a useful contribution to coordination of responses and information flows.
- Second, to identify areas for additional capacity building co-operation that could complement existing bilateral, regional and multilateral activities.

The scope of the survey could be expanded over time. In responding to the financial crisis, we propose that the immediate priority is capacity building in relation to economic governance, which refers to public sector governance, corporate governance and financial system reform. Sub-categories include:

- appropriate legal frameworks
- arrangements to provide adequate economic and financial data
- transparency and accountability mechanisms
- competitive and efficiently regulated markets
- associated training and education.

Box 7 reports an example of how the survey might be implemented.

### **Box 7: A model for the survey**

One model of how to deal with this issue is a recent survey of capacity building with respect to economic governance. This survey spells out in a matrix format areas in a number of economies where economic capacity building was requested and those areas where programs are underway. This work was commissioned by the Australian government. This survey was a one off event. It covered six APEC economies as well as listing multi-economy activities. It includes a classification system which groups activities under the headings of public sector governance, corporate governance and the financial system. We suggest officials examine this classification for the propose turning this survey into a regular event, at the same time as facilitating private sector access, eg for the purpose of suggesting areas in which services should be made available and for having access to the results of the survey.

## **SUMMARY LIST OF RECOMMENDATIONS**

### **1. Develop a coherent approach to economic governance reform.**

- a) Add to work on financial market development:** The current set of economic and technical cooperation activities appears to be underweight with respect to the goal of building safe and efficient capital markets. Priorities, including associated capacity building projects, have been proposed by ABAC's Financial Task Force. An important

example where a gap in other work programs can be filled is the capacity to design then implement arrangements for the management of distressed assets.

- b) **Press on corporate governance:** ABAC proposes a new portfolio of activities to support work in APEC on corporate governance with the goal of following up work in the Finance Ministers' process in APEC on corporate governance. Its aim is to narrow the gap to international standards, thereby reducing vulnerability, lowering the cost of funds and promoting growth.
- c) **Attention to public sector reform:** APEC has been working on the development of a set of principles for the implementation of regulatory reform and competition policy. Such principles can provide good guidance for public sector reform, add to the transparency of decisions, promote a competitive environment and lower costs to business. A commitment to implement these principles will provide a guide to the design of capacity building projects.

## 2. Contribute to the implementation liberalisation and facilitation agenda

- a) APEC has made substantial progress on trade **facilitation**, especially with respect to the alignment of standards and customs procedures. ABAC strongly endorses work on these topics as a priority in the APEC work program. But it also stresses the importance of complementary effort on building the capacity to implement the new systems in these areas.
- b) As the structure of the **APEC Food System** proposal is clarified, a program of complementary economic and technical cooperation activities can facilitate its implementation.

## 3. Meet potential bottlenecks to growth –

- a) - in the **resource sector:** in addition to **food**, there are issues in other parts of the resource sector as well. The provision of **adequate water resources and the disposal of waste, both waste water and solid waste**, to avoid bottlenecks and to ensure improving health standards within each economy are critical long run targets. New work will be required, parallel to that already in progress on energy, to establish economic and technical cooperation activities with respect to the already striking issues associated with water and waste disposal in the region.
- b) - related to infrastructure, in particular **telecommunications:** reform of sectors including telecommunications can lead to substantial improvements in service quality. Better communications will create the scope for new business opportunities. They will also facilitate the implementation of a capacity building program. Reform in this sector involves a number of challenges, including those in relation to the design and implementation of competition policy, which includes the specification and administration of community service obligations. These are all areas for capacity building through the sharing of experience among APEC members.

## 4. Mobilise business resources

The funding available in APEC for economic and technical cooperation is minimal. The role of the APEC process is to leverage funding from governments, acting in bilateral or regional

programs, from the multilateral agencies and from business. Business will contribute on a commercial basis, if the policy environment is right. For example, service sector investment can contribute to the strengthening of capital markets. Business will invest in infrastructure projects. Business will deliver extensive staff training and management education programs. Opportunities for business to have these projects endorsed in the economic and technical cooperation program will facilitate their implementation.

#### **5. Review economic and technical cooperation information systems**

Business seeks the development of new information systems within the APEC structure that will provide more data about economic and technical cooperation projects in terms of performance and contribution to APEC's goals. Business also wants to know how it can play a role.