PROMOTING APEC'S ECOTECH INITIATIVE

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The Bogor Declaration was adopted by the APEC in 1994 to make trade and investment liberalisation and development cooperation the two wheels of the APEC process. The Action Agenda adopted by the APEC Osaka meeting in 1995 was accordingly divided into two major parts: trade and investment liberalisation, and economic and technical cooperation (the equivalent of development cooperation). The Manila meeting in 1996 adopted the Action Plan which also included these two parts and the 'Declaration on an Asia Pacific Economic Cooperation Framework for Strengthening Economic Cooperation and Development', which lay down the guiding principles and priorities of economic and technical cooperation (ecotech). At the 1997 Vancouver meeting, APEC decided to establish an Ecotech Subcommittee of APEC Senior Officials (SOM). Their role was to review ecotech proposals from various APEC working groups, set priorities and promote implementation, and draw on the resources of the business sector and existing development agencies. Over the past four years, APEC has done a lot to promote economic and technical cooperation. Despite this, and repeated calls from APEC leaders to strengthen ecotech, it still lags far behind trade and investment liberalisation. This is mainly because a big gap exists between the goal of economic and technical cooperation set out in the Bogor Declaration, and the measures taken thereafter.

The Bogor Declaration states that '[m]embers are...committed to intensifying development cooperation to enhance the capacity for sustainable growth and equitable development while reducing economic disparities among APEC economies and improving economic and social wellbeing'. Accelerating development, reducing disparities, alleviating poverty and enhancing wellbeing have been the objectives and functions of numerous multilateral institutions. In the United Nations there is the United Nations Development Programme; in the

Asia Pacific region there is the Asian Development Bank. Developed countries provide official development assistance bilaterally—more or less—for the same purpose. As a regional, multilateral and governmental forum, APEC has been committed to promoting regional economic cooperation since its establishment in 1989. Seven work projects were designated then, three more were added at the 1991 APEC Seoul meeting, and thus ten working groups were established. When the Bogor Declaration was adopted in 1994, the ten working groups undertook roughly 200 projects. Why, then, did the Bogor Declaration put forward the new concept of ‘development cooperation’?

First, because the developing economies of APEC held that trade and investment liberalisation alone cannot solve all the problems of their further development. The financial crisis that began in Southeast Asia in July 1997 has proved this. Within the APEC framework, there exist differences not only between developed and developing economies, but also differences between developing economies. As a result of rapid development over the past two decades, some developing economies have become newly industrialising economies and others ‘new’ newly industrialising economies. They need and can provide mutual support among themselves without rendering their relationship into the conventional pattern of donor and recipient.

Second, due to the financial constraints of developed economies, developing economies can no longer rely on their assistance in infrastructure development and instead must mobilise the resources of the private sector through the market. Furthermore, they need an institution such as APEC to act as a catalyst in exchanging information, promoting policy dialogue, and helping members with related interests carry out practical cooperation. Therefore, the Bogor Declaration established a new path for development cooperation which differs from traditional development assistance.

The 1995 Osaka Action Agenda was actually a compilation of the projects undertaken by various working groups. Economic and technical cooperation was dealt with separately in part of the Action Agenda, and included 13 areas, consisting of the 10 areas covered by the original 10 working groups and 3 new areas. At the same time there was emphasis on departure from the conventional modality of donor-recipient relationships. However, it did not include specific measures to meet the requirements of the Bogor Declaration. The Manila Declaration of 1996 set 4 goals, 4 guiding principles and 6 priority areas for APEC’s ecotech, and clearly defined a way to assess cooperation achievements. It was that ecotech must be goal-oriented, with explicit objectives, milestones and performance criteria. It also called on the public sector to create a suitable environment for private sector initiative. Thus the ecotech activities would combine government actions, private sector projects and joint public-private activities, and should draw on voluntary contributions commensurate with

member economies' capabilities and generate direct and broadly-shared benefits among member economies to reduce economic disparities. Ecotech can be said to have made a big step forward with the adoption of the Manila Declaration. But the problem of implementation for ecotech activities remains to be solved.

The Manila Action Plan for APEC (MAPA), adopted in 1996, contained a progress report on joint ecotech activities, giving an overview of 320 joint activities and 151 sub-activities. The action plan for trade and investment liberalisation consists of the individual action plans submitted by each of the member economies. Each activity in ecotech is coordinated by its lead 'shepherd'—generally the original proponent of the activity—and participated in by other members on a voluntary basis. Classified by type, almost two-thirds of the activities are survey/research and seminars, which are followed up by publications, data, compilation and training. The activity is usually a 'pet project' of a member economy and is coordinated and mainly financed by it with a certain amount of support from APEC Central Funds.

The total budget of APEC for 1997, approved at the Manila Ministerial Meeting, was only US\$809,000 which severely limited its contribution to ecotech. Against this background the APEC SOM Subcommittee on ecotech made an evaluation report in April 1998 on 238 activities underway in APEC which appeared to support one or more of the six priority areas set by the Manila Declaration. The report found a high incidence of duplication of effort and some activities appeared to fall short of the Manila Declaration's injunction that they be 'goal oriented with explicit objectives, milestones and performance criteria'. Most project outcomes are oriented more towards process than easily measurable results such as studies, training for APEC officials, and new databases. The extent of economies' interest and participation varies widely from one activity to another. The East Asian financial crisis has had a negative impact on members' participation in activities. Business relevance and participation also vary widely among priorities. Business interest appears to be higher in cases where it has been included in work program design compared to the various roundtables soliciting business views on general topics.

On the whole, ecotech remains within the original framework of working groups, despite great efforts to bring about a change. There is little doubt that the activities of the working groups have achieved a lot. But generally speaking, this kind of economic and technical cooperation falls well short of the requirements of the Bogor Declaration and the Manila Declaration.

THE CONCEPT OF ECOTECH

From 'development cooperation' in the Bogor Declaration to 'economic and technical cooperation' in the Osaka Action Agenda, the change is evidence that

there are different views on the concept among APEC members. What is crucial is the word 'development'. The conceptual squabbling during the past several APEC annual meetings has helped to develop a series of principles, priorities and requirements. Yet economic and technical cooperation is still in a difficult position to go beyond the original framework of working groups mainly because it lacks a driving mechanism. The reason for the continuous progress of trade and investment liberalisation lies in the fact that its mechanism—that is, 'concerted unilateral actions'—was formulated at the Osaka meeting. Economic and technical cooperation has to follow the way of working groups because it has failed to find a driving mechanism and this failure is the result of a conceptual barrier. Developing countries consider development as their top priority, just as developed countries value the removal of trade and investment barriers through liberalisation most highly. Development and liberalisation are of course not contradictory to one another. APEC is trying to prove this through its deeds. Developed economies in APEC consider development and development assistance as one and the same. They see development as one way to transfer capital and technology from developed to developing economies. Replacing 'development cooperation' with the term 'economic and technical cooperation' is aimed at clarifying the point that cooperation means pooling resources, and yields-shared benefits, making it different from development assistance. It is generally accepted that APEC cannot become another assistance agency. But it is not clear how and where to pool resources and what APEC can do to promote this process. Hence the difficulty in progress. Developed economies are not enthusiastic about economic and technical cooperation because they want the APEC process to benefit them more. How to define the concept of economic and technical cooperation still creates debate.

Some APEC developed economies indicate that they are not opposed to economic and technical cooperation *per se*. However, they see the following as problematic

- if capital flow is involved, it is beyond the control of the government because money is in the hands of businessmen
- their governments provide development assistance in varying amounts, but it is somewhat complicated to divert some of the money to APEC programs because both the donors and the recipients have to be consulted
- APEC is an institution of cooperation based on voluntarism, in which the principles of equality and mutual benefit must be strictly observed.

With respect to the first point, APEC leaders have stated that a partnership between government and the business sector can be established. At the Vancouver meeting, APEC leaders endorsed the 'Vancouver Framework for Enhanced Public-Private Partnership in Infrastructure Development'. The APEC Business Advisory Council has decided to establish a 'Partnership for Equitable Growth' to

encourage business participation in economic and technical cooperation. This has been endorsed by APEC leaders.

On the second point, it has been agreed that APEC should bring the existing development assistance agencies into play and selectively channel the bilateral development assistance of developed member economies and multilateral assistance into APEC cooperation projects. Some projects under APEC working groups have already received help from multilateral assistance agencies. Regarding the third point, the 'conflict between the North and the South' should be avoided on the understanding that the North and the South should become partners without insisting that the North is in debt to the South.

But this is easier said than done. Public-private partnership is one example. The business sector requests suitable conditions for their participation first, such as maintaining a healthy macroeconomic environment, ensuring a stable and transparent legal system exists, providing efficient infrastructure services and strengthening the domestic capital market.

In order to use the existing assistance agencies, an effective channel needs to be in place. Within APEC, donors of bilateral and multilateral assistance are just a few. It is said that international multilateral assistance agencies generally find APEC projects insufficiently attractive. Suggestions have been made to cancel those projects. It is not so easy.

According to Yamazawa, individual ecotech activities are proposed voluntarily by individual member governments as their 'pet projects'. Nobody in APEC oversees all ecotech activities. When the APEC Economic Committee was in charge of ecotech, its report only gave a long-term perspective on the ecotech activities, and no comments on existing problems. Most activities are small technical cooperation projects with small budgets, so there is peer pressure on member governments to refrain from proposing big, significant projects. The progress report on MAPA gives sufficient justification for individual ecotech activities so that one can hardly reject any of them as inadequate or having little impact on the Bogor goal. 'Goal oriented', 'explicit milestones', and 'explicit performance criteria' sound good but they are abstract. Yamazawa's critical view cannot be simply taken as Japanese prejudice. But the activities of working groups constitute the mainstay of the current economic and technical cooperation. Although the SOM Subcommittee on ecotech has been instructed by APEC leaders to review working group activities according to the Manila Declaration, what concrete action can be taken is still under question because the coverage of the six priority areas set by the Declaration is so broad that 238 project activities undertaken or proposed by various working groups have been included. If the working group framework remains the mainstay, ecotech will basically remain at the level of roundtable-type cooperation, with exchanges of information and views the main activities.

This mode of operation was designed to be based on the principle of mutual benefit, taking into account differences in the stages of economic development and in socio-political systems, and giving due consideration to the needs of developing economies as well as a commitment to open dialogue and consensus building, with equal respect for the views of all participants. This type of cooperation, judged by the 17 year experience of the Pacific Economic Cooperation Council (PECC)—the forerunner of APEC—usually takes the preference of individual members as a guide. A project proposed by a member, once accepted, generally is not to be rejected by other members. APEC wishes to take over this practice, not only for the purpose of balancing trade and investment liberalisation but also to counter the inadequacy of ‘development cooperation’ put forward by the Bogor Declaration, which aimed to replace roundtable cooperation with action-oriented cooperation having explicit objectives, tasks and measures. It is not clear how to make the adjustment. Hence the old practice continues. Even after the adoption of the Manila Declaration, the proposal of new activities in accordance with the six priority areas still occurs in the old way. The old way cannot be easily replaced because the old idea has not been displaced.

Obviously the concept of ecotech has to be further clarified if the principles of the Bogor Declaration are to be upheld and development cooperation—‘economic and technical cooperation’ essentially has the same meaning—is to be pursued in earnest to achieve the goal of 2020, promoting development, reducing disparities and enhancing well-being. It is not conventional development assistance. It is also not economic and technical cooperation in its literal sense. Ecotech is an extension of APEC’s original roundtable-style cooperation.

THE MECHANISM OF ECOTECH

Ecotech as a special term has been in use since the Osaka meeting. But because the meaning of the term has not been clarified, the actual cooperation process is affected. Now ecotech is defined as a kind of action-oriented cooperation for development with explicit objectives, tasks, measures and results.

The nature of APEC certainly will not allow it to follow the way of other multilateral development institutions, that is, to raise funds from members and distribute them to selected projects. Obviously, relying on individual members to propose activity projects and to raise money for them—including allocations for approved projects from Central Funds—on a voluntary basis with other members participating at their own will, is also not adequate to fulfil the objectives of the Bogor Declaration. Ecotech needs a mechanism which suits the nature of APEC.

It has been suggested that the mechanism of 'concerted unilateral action' adopted for trade and investment liberalisation represents a kind of motivation based on members' self-interests. Could it also be used for ecotech? The APEC members draw up their individual liberalisation plans according to the time limits set by the Bogor Declaration—2010 for developed economies and 2020 for developing economies—on a voluntary basis because reducing tariff and non-tariff barriers is in every country's interests. However, the Bogor Declaration did not set a time limit or numeral target for ecotech. In fact such a target is difficult to set. Individual plans for reducing tariff and non-tariff barriers can be coordinated by time limit and numeral targets, but the areas of action for economic and technical cooperation have to be coordinated before any meaningful action can be taken. Furthermore, reducing tariff and non-tariff barriers is basically government action while ecotech relies on the involvement of the business sector. Finally, trade and investment liberalisation has no funding problem, but economic and technical cooperation requires the pooling of resources. An effective mechanism for ecotech has not yet been found over the past four years. The conclusion seems to be that the mechanism of 'concerted unilateral action' for trade and investment liberalisation cannot be used for economic and technical cooperation.

Judging by the nature of APEC, the practice inherited by APEC working groups from PECC—that is, where individual members propose activity projects and raise funds on a voluntary basis—seems reasonable and practical. However, the projects proposed should not become 'pets' of the proponents, only or mainly serving their trade and investment interests. Here the views on the need to create a 'new partnership', included in the communique of the G7 Lyon meeting on 28 June 1996 may be taken as a reference. The meeting reviewed the official development assistance of developed countries, but the real focus was on economic relations between developed and developing countries. The meeting suggested a new partnership be established to reflect changing realities. The major point was that the donor-recipient relationship should change, development assistance should not be used for market expansion, and the new development partnership should be mutually beneficial and based on a spirit of solidarity and burden-sharing of all those involved. But the meeting also stressed that promoting development should be the primary responsibility of developing countries themselves. No one can act on their behalf. Developed countries must support the efforts of developing countries in a spirit of common purpose and efficiency. Essentially, it is identical to the spirit of the Bogor Declaration.

At the time of the Osaka meeting, a survey was published of 201 project activities of the APEC working groups. According to the so-called 'overseers' (actually sponsors) of the activities, the majority of activities were overseen by developed economies: 38 by Australia, 36 by the United States, 24 by Japan, and

17 by Canada, a total of 115 activities. The 13 developing economies that constitute the majority of APEC oversaw only 86 activities, of which Korea topped the list at 15 and Thailand followed with 11. Developed economies voluntarily proposed and oversaw so many activities because it served their own interests. More importantly, they could raise the money. According to the evaluation made by the SOM Subcommittee on ecotech, the situation has not changed much following the Manila and Vancouver meetings. It is quite understandable that cooperation arranged in such a way has failed to meet the requirements of the Bogor Declaration. It has also shown that the views of the G7 are to the point. Hence, in order to push cooperation forward in the direction of the Bogor Declaration, not only should the existing activities be streamlined, measures should also be taken to encourage developing economies to take initiative and play a more active role, as they do in the field of trade and investment liberalisation.

Under ecotech, developing economies cannot rely on developed economies' voluntary transfer of resources and technology to support their development efforts. In the same vein, it is but empty talk when developed economies say they will support the development efforts of developing economies if the necessary conditions are created. To establish a real partnership, a mechanism is needed that will ensure all members take concrete steps in implementing economic and technical cooperation just as in the field of trade and investment liberalisation. The goals, principles, and priorities of economic and technical cooperation all are ready. Conditions for adopting the 'concerted unilateral action' mechanism in ecotech have been put in place. The differences between trade and investment liberalisation, and economic and technical cooperation are not absolute. With proper arrangements, problems can be solved. The following practical steps should be taken into consideration.

- Indexation of activities included in each priority area. The Manila Declaration set six priorities: developing human capital; developing stable, safe, and efficient capital markets; strengthening economic infrastructure; harnessing technologies for the future; safeguarding the quality of life through environmentally sound growth; and, developing and strengthening the dynamism of small and medium enterprises. They are all important. Therefore, only focusing on one or two areas each year is not enough. But all these areas are very broad. Within each area, how much should be done to reduce disparities is not clear. Areas requiring immediate attention—for example, training programs in human capital development, banking system reform in capital markets, institutional arrangements for absorbing foreign investment, the removal of obstacles for technology exchanges in harnessing technology for the future—should be highlighted. Targets should be established so that for each step taken, the results of activities can be measured.

- Phased implementation plans for each priority area. Just as in trade and investment liberalisation, the tasks within the six priority areas can only be fulfilled over a long period. In addition to highlighting tasks requiring immediate attention, a phased program with clear objectives for each stage must be worked out in detail. The whole program can then be implemented stage by stage within a timeframe. There should be a focus for each stage, with the work highlighted for immediate attention integrated so that the cooperation will be grasped in concrete terms and will not become a mere formality. The phased program can roughly be divided into short, medium and long-term activities.
- Individual action plans for all members drawn up in accordance with the abovementioned arrangements. These individual action plans will constitute the substantive part of ecotech. Just as with trade and investment liberalisation, individual action plans for ecotech should be formulated in accordance with norms worked out and agreed upon for developed and developing economies respectively. By way of illustration, in technology exchanges, developing economies may concentrate their individual action plans on measures and steps for creating conditions to absorb technology, hi-tech items they urgently need to import, and the capital and technical arrangements to match those imports. Developed economies may concentrate their individual action plans on the areas they are seeking for technology export and the preferential treatment they want to secure from importing economies.
- Collective action plans to facilitate and ensure the implementation of the individual action plans. These include information exchange, policy dialogue, enterprise consultation and business contacts. Collective plans of course constitute a part of APEC's ecotech action plan. In line with the individual action plans, collective action plans should also have foci. For example, establishing information infrastructure may be the focus at present.
- The SOM Subcommittee on Ecotech to take responsibility for ecotech activities. This includes helping members select priority areas and draw up phased plans, formulating plan requirements and norms, coordinating relations between government and the business sector, and between APEC and other bilateral or multilateral development institutions, carrying out the decisions of ministerial meetings and leaders' informal meetings, and regularly reviewing and reporting on the progress of ecotech.

These steps aim to push ecotech forward in the spirit of the Bogor Declaration and on the basis of what has been done so far. If it is workable, the goal of promoting development, reducing disparities and enhancing well-being will be realised step by step, and APEC's new partnership will be forged.

Following the financial crisis, there have been suggestions that APEC should assist in financial technology cooperation. While APEC's role in financial cooperation is limited, it can play an important role in developing financial technology. APEC's ecotech program will be soundly based if it adheres to the following principles

- joint action of all the APEC members through 'concerted unilateral action', rather than separate actions based on members' individual initiative for their own purposes
- shared benefits derived from multilateral efforts and motivated by common interests, rather than benefits split between the proponent and the participants of activities due to differing degrees of interest in involvement
- action-oriented programs for each ecotech activity with explicit objectives, measures and results, instead of process-related projects which yield no measurable achievements
- public-private partnership in specific ecotech activities, in which both government and business sector have particular roles to play instead of a general idea of combining the efforts of the two without concrete measures and requirements
- using exchanges between market and technology in early voluntary sectoral liberalisation for integrating ecotech with liberalisation instead of separating the two by stressing only liberalisation without sectoral arrangements for ecotech
- making the SOM Subcommittee on Ecotech the effective coordinator of ecotech activities instead of allowing it to become an institution subservient to working groups which was the old practice.

If these principles can be made effective ecotech will be established as a crucial part of the APEC process.