



THE FOUNDATION FOR  
DEVELOPMENT COOPERATION

## **Human Capacity-Building for the New Economy**

***Review of the 2001 APEC High Level Meeting  
on Human Capacity-Building and  
Potential Next Steps***

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## TABLE OF CONTENTS

Preface	2
Human Capacity Building for the New Economy	3
Annex A: Improving the Effectiveness of ECOTECH	10
Annex B: The Beijing Initiative	
Part 1	13
Part 2	16

## *Preface*

This paper has been prepared on behalf of The Foundation for Development Cooperation international policy dialogue group, which has met regularly since 1995 to help promote economic and technical cooperation (ECOTECH) as part of the APEC process. The group is to meet again in Mexico City, in September 2001, at the invitation of the incoming chair of APEC SOM, Dr Gerardo Traslosheros Hernandez and the APEC Study Center of *El Colegio de Mexico* (Co-ordinator, Prof Juan Jose Ramirez-Bonilla).

The paper, which has been drafted by Dr Andrew Elek, draws extensively on the discussions at, and outcome of, the APEC High Level Meeting on Human Capacity-Building, held in Beijing on May 15-16, 2001. These include the contribution of the several members of the FDC dialogue group who were speakers and moderators of sessions of the High Level Meeting. The primary document resulting from the meeting, titled *The Beijing Initiative*, is reprinted here as an annex.

Some of the proposals for further work also draw on discussions at the April 20 meeting of the FDC group, also in Beijing. That meeting, hosted by FDC and the China National Committee for Pacific Economic Cooperation, provided a valuable opportunity for the group to exchange views with senior Chinese officials. These included the current chair of APEC SOM, Vice Minister Wang Guangya, as part of the preparation for the APEC High Level Meeting on Human Capacity-Building in May.

Members of the FDC group presented a preliminary assessment of the High Level Meeting to a meeting of the APEC Studies Center Consortium held in Tianjin from May 18-19. The presentations and discussions at that session also proved useful in preparing this report.

The Foundation for Development Cooperation has supported policy dialogues on ECOTECH over a six year period with the assistance of funding agencies in APEC member economies. This most recent dialogue in the series benefited from generous financial support by The Asia Foundation, and the Australian Department of Foreign Affairs and Trade under the APEC Support Program. Attendance of FDC representatives at the High Level Meeting in May was also funded by the Department under that program. We are grateful to the China National Committee for Pacific Economic Cooperation and to its Executive Vice Chairman, Ambassador Guo Jiading, for collaborating with FDC in the April dialogue and for facilitating our participation in the May meeting.

Beris L Gwynne  
Executive Director  
The Foundation for Development Cooperation.

9 July 2001.

## Human Capacity-Building for the New Economy

### Review of the 2001 APEC High Level Meeting on Human Capacity-Building and Potential Next Steps

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China and Brunei Darussalam have made a significant contribution to promoting the capacity-building and economic and technical cooperation (ECOTECH) aspect of APEC by hosting the APEC High Level Meeting on Human Capacity-Building in Beijing in May 2001. That meeting, which led to the *Beijing Initiative*, may prove to be a milestone in the history of APEC.

The Beijing Initiative provides a coherent strategic framework for the most important component of co-operative capacity-building in the APEC community. It calls for the effective involvement of private sector corporations, researchers, educators and international development agencies, as well as APEC governments. All are required to join in enhancing the capacity of the people of the Asia Pacific to meet the challenges and benefit from the opportunities of the information technology-intensive new economy of the 21<sup>st</sup> Century.

The meeting also set a valuable precedent for continuity in the APEC process, with successive hosts combining to advance the vision for human capacity-building for the new economy which was set out by APEC leaders in Brunei Darussalam in 2000. It is hoped that a clear plan of action to follow up the Beijing Initiative will be agreed during China's leadership of APEC in 2001. But the continued commitment of future hosts, starting with Mexico in 2002, will be needed to translate the vision of region-wide access to and productive use of the opportunities of information technology and the Internet.

#### **ECOTECH as the lifeblood of APEC**

Following the East Asian financial crisis and the difficulties experienced in liberalising trade in sensitive sectors in either APEC or the WTO, there is a growing consensus about the central role of ECOTECH in the APEC process.

The discussion has moved beyond questioning whether ECOTECH or trade and investment liberalisation and facilitation (TILF) is more important. ECOTECH has come to be seen as the means of achieving all of the objectives set by APEC leaders. Capacity-building is needed, not only for progress towards free and open trade and investment, but also for other objectives, such as promoting productive engagement in the information-intensive new economy. There is a growing acceptance that capacity-building is the lifeblood for all of APEC's activities – but much remains to be done to translate this consensus to action.

At the same time, it has been accepted that APEC should concentrate on creating new opportunities and setting objectives for ECOTECH, rather than seeking to raise funds or implement projects. To make a real contribution to capacity-building in the Asia Pacific, the APEC process needs to mobilise others. APEC governments, international development agencies or the private sector need to be motivated to take up some of APEC's good ideas, then to commit themselves to finance and implement these in the coming years.

In the area of TILF, the Action Plans (Individual Action Plans and Collective Action Plans) of APEC governments provide an effective means for translating good intentions to real action and for monitoring actual progress towards implementing stated commitments. A similar mechanism is needed for all important aspects of capacity-building, and APEC is considering the introduction of Action Plans for

ECOTECH activities. The most effective way to proceed is to set a positive example in a priority area of capacity-building.<sup>1</sup>

### **Capacity-building for the new economy**

Up to 2000, APEC was not able to come up with any clear priority for capacity-building, leading to a poorly co-ordinated and widely dispersed set of small ECOTECH activities. Fortunately, in Brunei Darussalam APEC leaders focussed on one main theme; namely to enhance the capacity to engage in the new economy. Even that is a very broad topic, but APEC leaders agreed that an essential ingredient of capacity-building for the new economy was to ensure that everyone in the region had access to new information and communications technology.

APEC leaders set a target of ensuring access to the Internet to everyone in the region, on a community or individual basis, by no later than 2010 and trebling the number with access in APEC economies by 2005. They committed their governments to creating the policy framework to achieve this target, placing particular stress on the importance of human capacity building.

Progress towards realising the Brunei Darussalam vision of region-wide access to information technology will demonstrate the potential of ECOTECH, giving it a well-understood and achievable objective. It is an objective comparable in significance with the Bogor vision of free and open trade and investment by 2010/2020. Moreover, the two targets are quite complementary; open trade, especially in services, will be essential for low-cost access to new information technology, while widespread access to the Internet will become an important force for dismantling restrictions on international trade.

The APEC High Level Meeting on Human Capacity-Building was a valuable step towards achieving this objective. As noted in the Beijing Initiative, more than 500 participants, including Ministers and their representatives, government officials, business leaders, and experts from the education, academic and training sector from all 21 APEC economies, met to address the theme *New Economy, New Strategy: Cooperation and Innovation to Build Human Capacity for Common Prosperity*.

In his keynote speech to the meeting, Chinese President Jiang Zemin pointed out that the gathering was designed to realise a new concept of development cooperation; to mobilise resources from all sources, private as well as public, to allow the region to seize the opportunities of the new economy. The Asia Pacific community needed to intensify cooperation for mutual benefit and to promote the exchange of people, ideas and information.

President Jiang stressed that the new, information-intensive economy created the opportunity, as well as the need, for lifelong learning. Effective use of this opportunity required the deployment of new technology to allow and promote the universal and productive use of the Internet. Lifelong learning would need to go hand-in-hand with innovation, particularly to promote distance education.

The ensuing discussions led to consensus on the Beijing Initiative, which noted that the new economy is primarily a knowledge-based economy, offering:

*...unprecedented opportunities for economic growth, employment and higher living standards. It is also posing new challenges for APEC economies to respond to the management, policy, social and human resource impacts of globalisation and networked information technologies.*  
(*Beijing Initiative, p 1*).

The Beijing Initiative went on to note that:

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<sup>1</sup> This report focuses on next steps for human capacity-building for the new economy. Some general proposals for strengthening and co-ordinating APEC's ECOTECH efforts as a whole are set out in Annex A.

*The challenges created by the new economy emerge at many levels. Businesses of all sizes from international corporations to micro-enterprises, and family businesses must enhance their capabilities to participate in and take full advantage of the global economy. Individuals from their student days and throughout their working lives face the need to continually update their knowledge and skills as part of a life-long learning society. The challenges require stakeholders to question many traditional ways of thinking about, for example, technological change, work organization, management practices, employment practices, education and training and market behaviour, and adopt a new concept of development to step up human capacity building. (Beijing Initiative, p 2).*

The diversity of APEC economies can be turned to advantage by sharing the experience and responding to the different circumstances of those economies which are leaders in innovation and creativity, those which are already adopting and adapting these technologies, and those which have yet to engage fully with these innovations. Many things need to be done, but it is essential to proceed in a way which ensures that everyone can be involved in the new economy. That, in turn, requires region-wide, low cost access to information technology through the Internet.

The High Level Meeting represented the first significant step to realising the Brunei Darussalam vision of region-wide access to the basic tools of the new economy. The discussions at the High Level Meeting served to reinforce the perception of APEC leaders that governments alone cannot achieve that vision.

Widespread access to the Internet

*...will require massive infrastructure development and human capacity building, and technologies which are only now in their formative stages. It will require a regime of outward-looking and market-oriented policies which can attract business investment and the cooperation and skills of our universities, training and research institutions, colleges and schools. (APEC Economic Leaders' Declaration, Brunei Darussalam, 2000)*

Participants in the Beijing meeting agreed that these challenges can only be met if the resources allocated to developing human capacity are regarded as an investment rather than a cost. Given the vast scale of the investment required, access to the new economy will need to be delivered essentially by the market.

### **Investment to reach all people**

Extending access to the new economy to all the people of the region is an investment which will yield commercial returns from the significant expansion in productivity and purchasing power it will create. Therefore, the private sector and development banks can be expected to finance such investments, if encouraged by governments which are willing to create the right policy environment.

Investments will be needed, both to put the necessary capacity in place and to overcome constraints on the effective demand for Internet services, especially by the poorest in member economies. These constraints can arise from their limited literacy and/or limited technical awareness, and the inadequacy of the complementary infrastructure (such as rural electrification and telecommunications systems) needed to support conventional Internet access.

Overcoming these constraints will require innovative solutions to both hardware and software problems. Infrastructural and income constraints on demand may be addressed by introducing appropriate and low cost technologies, possibly including extension of satellite-based communications facilities and hand-held communication devices. These hardware investments would need to be financed by the private sectors, which would expect to recover their investment from potential users and from the new commercial opportunities resulting from wider networks for promoting business.

Presentations by both private and public sector representatives at the Beijing meeting confirmed that many programs and activities are already under way in the region in response to the demands of the new economy. In particular, many innovative approaches are being devised and tested which seek to engage the relatively most disadvantaged groups in each society. Some of these have the potential to be expanded to reach all of the APEC community during the next decade, even the homeless and those in remote locations.

Some common features of such programs to promote wider access and use of the Internet include

- emphasis on community participation
- ensuring relevant local “content” in the material available which is relevant to the day-to-day activities and needs of each community
- hands-on help for first-time users of computers
- software applications and, perhaps most importantly
- self-financing.

These programs are typically set up with seed money (provided by firms and NGOs as well as by governments), but are expected to become self-sufficient within a well-defined period.

Early experience with these community-based programs indicates that people quickly become aware of the opportunities, including cost-savings and income generating opportunities, created by access to the worldwide web. Once the value of access is recognised, then people are willing to pay for it, especially as the cost of access continues to decline with new technology and (subject to appropriate government policies) increasing competition.

If users are willing to pay for access, then schemes to extend it to disadvantaged and remote groups can be commercially viable. That is essential. The only way to replicate the successful experiments reported at the High Level Meeting to reach all, rather than just a few, poor or remote groups is, ultimately, to rely on market responses to commercially viable opportunities.

### **Markets and governments**

At the same time, governments will need to be productively engaged in a market-based approach to human capacity-building for the new economy. The Beijing Initiative notes that:

*Markets will not always successfully achieve social outcomes but they can provide the necessary incentives and signals. ... There are market failures and governments must provide a clear and transparent regulatory environment. Governments are both buyers and providers of technology and services and the choices they make will have a significant impact on the ability to use these services for effective capacity building. (Beijing Initiative, p 3)*

For example, it is essential to address the constraints of limited literacy and technical awareness among poor, predominantly rural, populations by supporting the development of innovative software, adaptable to many different environments, to encourage people in remote locations to make effective use of the Internet when it becomes available to them. This software would be both for operating systems and for the presentation of “content” relevant to the lives of the rural poor.

Large-scale skill development will be needed to realize this vision of mass access at the community level. People must be equipped to create and use such software, and to maintain the hardware involved in so ambitious a program of Internet access.

Much of the necessary investment will consist of public goods, so governments will need to be involved in its financing. The scale of the investments required is greater than can be expected to be financed from the budgets of developing economies and/or grants from aid agencies. Therefore, such public goods will need to be financed by international capital markets and repaid by governments from the additional revenue which can be expected to follow the productive opportunities created by widespread expansion of the Internet network.

Development agencies such as the World Bank and the Asian Development Bank have been making long-term loans to Asia Pacific governments to support human resource development for many years, using funds they can raise on good terms from international capital markets. Financing the human capacity-building needed for the extension and adoption of new information technology is a natural extension of their past activities. They can be expected to be eager to respond to encouragement from APEC leaders to be involved in implementing the Beijing Initiative.

### **APEC's own contribution**

Large amounts will need to be invested to meet the human capacity-building needed for effective engagement in the new economy, including financing for region-wide access to the Internet.

APEC governments will need to devote some resources, expertise as well as money. Some seed money will be needed to define the dimensions of the overall investments which will need to be mobilised from international capital markets, either directly by private firms, or indirectly through international development agencies, such as the World Bank. Seed money may also be needed to test new ideas, for example to reach very remote locations.

But APEC's efforts to meet the overall challenge should not start with an effort to raise billions of dollars from APEC governments, but rather to mobilise the bulk of the resources needed from others.

Cooperation among governments in the APEC process can facilitate and catalyse the investment which is needed for human capacity-building in several ways; for example by:

1. articulating well-defined goals and needs
2. removing policy obstacles; for example to trade in services, particularly education services
3. ensuring competition in all telecommunications markets, domestic as well as international, to minimise the cost of access to information technology
4. sharing and disseminating 'best practices' for promoting access to and effective use of information and technology
5. indicating the scope for investments by governments and by international development agencies, such as the World Bank, in the public goods which are needed to complement private investment, and
6. monitoring and acknowledging the contributions of the private as well as the public sector towards human capacity-building for the new economy.

### **Responding to the challenge**

Human capacity-building for the new economy provides a unifying theme for APEC's ECOTECH efforts. APEC now needs to respond to the challenge set by its leaders in a way that can engage business and education providers. That is likely to require some innovative thinking.

The human capacity-building task cuts across the terrain of several of APEC's existing working groups. All of these have come to be increasingly dominated by officials, as against practitioners, and all of them are already managing many small projects. The Economic Sub-Committee (ESC) of the SOM was set up to co-ordinate APEC's many ECOTECH activities. However, as described in a recent report of the APEC International Assessment Network (APIAN), The ESC has not been able to cope with this



responsibility, since it has not been given the resources or the mandate to re-direct or consolidate the activities of the working groups.<sup>2</sup>

In these circumstances, it would be difficult to expect either the working groups or the ESC to respond to the comprehensive nature of the task set out in the Beijing Initiative. An effective follow-up which can engage the wide array of stakeholders in the human capacity-building challenge will require a new, project-based approach.

Nigel Haworth, a member of the FDC policy dialogue group, was one of the speakers at the Beijing High Level Meeting. He suggested that a feasible way forward would be to define a high-priority project to take the New Economy work forward in APEC. A high-profile project approach would have the following advantages:

- a high-level project, backed by the Leaders, will be able to focus on a well-defined strategic need of the region, rather than on piecemeal, specific issues
- focus, in a single unifying theme for capacity-building, is needed to generate a well-defined and timely effort, reducing the risk of slippage
- clear terms of reference for such a project will permit greater accuracy in the assessment of measurable project outputs
- the project can be designed, from the beginning, to include business and the wider community, helping to ensure that outcomes are relevant to the APEC community as a whole, and
- one well-conceived, strategic project at the level proposed will be more cost effective than myriad smaller, un-integrated projects (inside and beyond APEC)<sup>3</sup>.

Such a project would need to be managed by a suitably high-level project management team, appointed by and directly responsible to APEC leaders. This project would complement existing delivery activities within APEC, but would have the mandate to generate responses from the working groups to tasks defined by the high-level project team.

### **Next steps**

The October 2001 meeting of the leaders in Shanghai provides the next opportunity to reaffirm the commitment to the Brunei Darussalam vision as elaborated in the Beijing Initiative, and to initiate the high-level human capacity-building project for the new economy.

APEC leaders can instruct Ministers and Senior Officials to draw up a project proposal that reflects the circumstances found in all member economies and a strategic approach to achieve the agreed goal of region-wide, low-cost access to the Internet by 2010. This proposal could deal with both generic and economy-level implementation aspects of that target. The proposal can then be developed into detailed terms of reference, to be approved by member economies by early 2002.

The terms of reference of the project management team would be to define a practical strategy and timetable for concerted action by APEC governments to work with the business sector, educators and international development agencies. It would be expected to report to APEC leaders in 2002 on how to tackle the tasks (1) to (6) listed above, together with a mechanism to monitor the implementation of these strategies to achieve the 2010 target adopted in Brunei Darussalam.

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<sup>2</sup> APEC International Assessment Network (APIAN), *Learning from Experience: the first APIAN Policy Report*, reprinted in Richard E Feinberg and Ye Zhao (eds.), *Assessing APEC's Progress: Trade, Ecotech and Institutions* (Singapore: Institute for Southeast Asian Studies, 2001).

<sup>3</sup> See "Human Capacity Building in APEC: preliminary comments on the Beijing High Level Meeting", a paper presented by Nigel Haworth to the APEC Study Centres Conference, Tianjin, May 2000.

Inter-economy consultations after the Shanghai meeting can also lead to agreement on the composition of the project management team. That team could consist of six people – two very senior government officials, two regionally-based and known business figures and two others of equal standing, perhaps representing research knowledge and the wider community. It is important that they be selected on the basis of calibre and qualities, rather than sectional interests.

Parallel to the finalisation of the project management team, economies will define appropriate agencies, including private sector agencies, to which approaches for resource support (funding and people) might be made. APEC governments will also need to begin early assessments of the domestic and international policy implications of the project.

The team will be expected to complete their work and present their recommendations to the APEC Leaders' meeting in Mexico in late 2002. Once the project outline is endorsed, APEC governments will need to draw up individual and collective Action Plans both for policy reform and other actions needed to catalyse the private sector response to the human capacity-building project.

Implementation of this undertaking will require sustained work for the next decade. It will certainly depend on the sustained commitment of successive APEC hosts. Each of them will need to ensure that the activities sparked by the Beijing Initiative continue to be implemented, while adding their own ideas for particular aspects of human capacity-building for the new economy.

The successful design and implementation of individual and collective Action Plans for human capacity-building can also lead to similar approaches to other high-priority ECOTECH activity, in ways which can engage business and the Asia Pacific community in general.

## **Improving the effectiveness of ECOTECH**

The commitment of APEC leaders to human capacity-building for the new economy, including region-wide access to the Internet by 2010, provides a new unifying theme for APEC's ECOTECH effort.

As discussed in this paper, a new project-based approach will be needed to respond to this challenge. At the same time, it will be important to continue to pay attention to all of the many ECOTECH activities which are already under way. During the next few years, it will also be desirable to reorient the ECOTECH program. A balance needs to be found between a greater emphasis on human capacity-building for the new economy and the need to continue other aspects of ECOTECH which have proved to be successful; for example, cooperation to help APEC governments implement their WTO undertakings.

The Economic Sub-Committee (ESC) of SOM will need to continue its efforts to improve the coherence of the overall ECOTECH effort, beginning with a clear assessment of current problems.

### **Need for greater coherence<sup>4</sup>**

While the potential of ECOTECH is coming to be widely acknowledged, the commitment of APEC governments to ECOTECH and the progress achieved so far continue to be seen as inadequate for several reasons.

There is a very large number of ECOTECH activities – more than 250. Most are small-scale activities, such as conferences, training sessions or the construction of databases. Many of these are well-designed and innovative, but it has proved very difficult to co-ordinate so many activities. There is considerable overlap and duplication of the activities of Working Groups, task forces and other ECOTECH networks.

The ESC has found it difficult to keep track of the many ECOTECH initiatives being pursued by various APEC working groups, or to evaluate the effectiveness of these activities. Experience has shown that the ESC lacks both the authority and adequate resources needed to coordinate this diffuse set of activities in order to achieve its own specified objectives. This problem could worsen as the number of APEC working groups continues to expand.

While most ECOTECH activities are useful in some sense, it is difficult to link them to specific agreed objectives set by APEC leaders, let alone to demonstrate the extent of progress being made towards those objectives. For example, while the SOM agreed, some time ago, that capacity-building for globalisation and the new economy should be a focus of ECOTECH, it has proved difficult to achieve a reorientation and tighter focus of ECOTECH in that direction.

### **Narrow vision**

A different problem is undue concentration on the direct contribution of the activities carried out by APEC working groups themselves. These activities rely on financial support (or support in kind) from APEC governments which are especially interested in particular issues.

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<sup>4</sup> This section draws on the APIAN document noted in footnote 2, above, and on a paper by the Chair of the SOM ECOTECH Sub-Committee, Prof Medhi Krongkaew of Thailand. Titled *ECOTECH-IAP: a new challenge for APEC*, this paper was delivered at a meeting of the FDC policy dialogue group in Beijing on 20 April 2001.

Tight limits on the budgets of all APEC governments mean that the resources made available to APEC working groups are quite small. Therefore, even several hundred of their activities can scarcely begin to realise the overall scope for cooperation to boost the institutional and human capacity needed for economic development in the region. That is leading to widespread disappointment about the commitment to capacity-building and a perception that ECOTECH is 'starved for funds'.

Moreover, concentration on just the activities undertaken by the working groups greatly underestimates the many other capacity-building activities which are being promoted by governments, development agencies and the private sector in the region. It is important to find ways of demonstrating, then evaluating, the totality of economic and technical cooperation among APEC economies.

This could be achieved by drawing up Action Plans for capacity-building activities. Not just for the ECOTECH projects of APEC working groups, but for the capacity-building efforts of APEC governments and international development agencies.

### **Action Plans for ECOTECH**

In the area of TILF, regularly updated IAPs and CAPs set out progress being made by all APEC governments. These Action Plans are becoming increasingly comparable, making it possible to form judgments about the degree of commitment to the Bogor goal of free and open trade and investment. Moreover, since their introduction in 1996, there has been considerable innovation and improvement of the structure of IAPs, which are now available on the internet. These Action Plans allow increasingly objective peer assessment of progress, not only towards easily measurable parameters like tariff levels, but also to assess the extent of progress towards other shared aims, such as progressively closer harmonisation of customs procedures.

In these ways, the Action Plans for facilitation and liberalisation are ensuring that good intentions are being translated into real actions to reduce obstacles to international trade and investment. However, there is no comparable mechanism to operationalise and assess the seriousness of the in-principle commitment of APEC governments to promote capacity-building.

A consensus is emerging among APEC leaders and officials about the need to develop a similar mechanism to assess ECOTECH activities more systematically and to ensure that in-principle commitment to capacity-building was translated to results.

An option under serious consideration is to draw up IAPs and CAPs for ECOTECH alongside those for TILF.<sup>5</sup> Two types of concerns will need to be kept in mind in pursuing this idea. Firstly, separate Action Plans for ECOTECH would recreate an artificial division between ECOTECH and TILF. Secondly, it may require too many resources to draw up detailed action plans for hundreds of ECOTECH activities – a more strategic effort is required which recognises that it is not productive to try to separate the intrinsically complementary roles of capacity-building and TILF.

For example, most of the CAPs for facilitating trade and investment take the form of technical cooperation to develop the capacity to implement measures such as mutual recognition of standards or the harmonisation of some administrative regulations on international commerce. Should such technical cooperation be included in Action Plans for TILF or for ECOTECH?

Such a potentially artificial distinction could be avoided if APEC, instead of setting up a separate category of IAPs for ECOTECH, encouraged an expansion of the coverage of existing IAPs and CAPs to include individual and collective actions, in addition to those directly related to TILF. A gradual extension of the scope of Action Plans could also avoid imposing a sudden increase in the effort required to prepare and update these plans.

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<sup>5</sup> Medhi Krongkaew, *ECOTECH-IAP: a new challenge for APEC*, paper prepared for a meeting of the FDC ECOTECH policy dialogue group in Beijing on 20 April 2001.

As noted in Dr Mehdi Krongkaew's paper, some APEC governments, including China and Japan, are willing to set positive examples. Singapore has proposed to prepare a prototype action plan which sets out its commitments to promote human resource development.

As the Chair of the APEC process this year, China could consider options to expand the content of Action Plans beyond TILF in ways which would be consistent with the priorities set for 2001 but which would not impose a large increase in the work needed to prepare IAPs and CAPs.

One option would be for China to expand the coverage of its own Action Plans to include some ECOTECH activities it is promoting, either unilaterally or collectively with others. By setting such an example, it could encourage others to do likewise.

An additional option could be a follow-up to the May high-level meeting on human capacity-building for the new economy. Following that meeting, all APEC governments should be encouraged to record their practical commitments for such capacity building in their IAPs or CAPs, as appropriate.

As in the case of TILF in 1996, all APEC governments could be encouraged to make 'down-payments' of significant early contributions to human capacity-building for the new economy, which would be recorded in Action Plans, together with their commitments to TILF.

Some of the relevant ECOTECH initiatives can be undertaken by individual governments, while others will require collective action. For example, a government can make freely available on the internet all of the materials used to train customs agents to use new technology. Such a move could be recorded in an IAP. Alternatively, several governments could cooperate to set up a regional customs information technology training centre, which could be recorded in a CAP.<sup>6</sup>

It is expected that the private sector and international agencies, as well as governments, will contribute to capacity-building for the new economy. They could also be encouraged to report their commitments and progress in implementing them regularly to meetings of APEC leaders. For example, annual reports of the APEC Business Advisory Council (ABAC) to APEC leaders could include an overview of private sector contributions to human capacity-building for the new economy. In some cases, such contributions will be collective efforts with governments. CAPs for capacity building may thus reflect co-operative activities between public and private sectors as well any cooperation among groups of governments.

Including contributions to human capacity-building for the new economy in Action Plans, either individual or collective, could set a precedent for gradual expansion of the scope of Action Plans to reflect APEC's evolving priorities. It will be desirable to encourage sustained and independent monitoring of Action Plans by APIAN (and possibly others) as the scope of these plans extends beyond TILF. Particular attention should be paid to monitoring the response of the Asia Pacific community to the Beijing Initiative.

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<sup>6</sup> Each of the governments involved could also cross-refer to such activities in their IAPs.

**Beijing Initiative on APEC Human Capacity Building  
May 15-16, 2001, Beijing**

**PART I**

The APEC High Level Meeting on Human Capacity Building in Beijing on 15-16 May, 2001 was initiated at the APEC Leaders meeting last November by H.E. President Jiang Zemin of the People's Republic of China, and H.M. Sultan Haji Hassanal Bolkiah, the Sultan and Yang Di-Pertuan of Brunei Darussalam and supported by all APEC Leaders. The initiative had its origins in the vision laid out by APEC Leaders in Brunei who committed to put in place a policy framework which would enable all people in APEC economies to have individual or community-based access to the services of the Internet by 2010 and to treble the number with access in APEC economies by 2005. They placed particular stress on the importance of human capacity building to ensure that all people could benefit from these goals and on partnerships across the widest spectrum of stakeholders to develop the necessary policies and programmes to respond to this human capacity building challenge.

The High Level Meeting was chaired by H.E. Zhang Xuezhong, Minister of Personnel of the People's Republic of China and H.E. Pehin Dato Abdul Rahman Taib, Minister of Industry and Primary Resources of Brunei Darussalam.

More than 500 participants including Ministers and their representatives, government officials, business leaders, and experts from the education, academic and training sector from all 21 APEC economies met to address the theme *New Economy, New Strategy: Co-operation and Innovation to Build Human Capacity for Common Prosperity*. They worked together to reach a deeper understanding on the role of human resources in the economic and social development of the new economy. The participants also identified strategic options to strengthen human capacity building and to create partnerships across all stakeholders.

***Challenges Ahead: Moving from Old to New for Stakeholders***

The new economy is primarily a knowledge-based economy. It is a strategic combination of many factors. They include organizational and structural changes, an appropriate combination of technologies, policy settings and capacity building based on the innovation and creativity promoted by expanded international trade and global networked information technologies. Sustainability of the new economy is in part an effect of sound macroeconomic foundations, particularly in terms of fiscal stability and a commitment to openness in trade and investment.

The new economy offers unprecedented opportunities for economic growth, employment and higher living standards. It is also posing new challenges for APEC economies to respond to the management, policy, social and human resource impacts of globalisation and networked information technologies.

APEC comprises a diverse mix of economies requiring different approaches to the new economy: some are leaders in innovation and creativity; others are capable of adopting and adapting those technologies; and there remain some that have yet to engage fully with those technologies. APEC is able to support the development of effective responses to the new economy's challenges by promoting and facilitating human capacity building partnerships among all the stakeholders, in particular governments, businesses and education and training sectors.

The challenges created by the new economy emerge at many levels. Businesses of all sizes from international corporations to micro-enterprises, and family businesses must enhance their capabilities to participate in and take full advantage of the global economy. Individuals from their student days and throughout their working lives face the need to continually update their knowledge and skills as part of a life-long learning society. The challenges require stakeholders to question many traditional ways of thinking about, for example, technological change, work organization, management practices, employment practices, education and training and market behaviour, and adopt a new concept of development to step up human capacity building. What is most needed for APEC human capacity building currently is to bridge the digital divide, and in return, convert "digital divide" into "digital opportunities" so as to benefit all economies.

### ***Strategic Options: Working to Reach all People***

Building human capacity must be based upon clear and dynamic strategies which can effectively respond to the rapid changes taking place. There is a critical need to set objectives, principles and priorities, and formulate and carry out effective policy measures. Participants identified some key elements which could be considered in developing strategic options. These include the importance of policies that foster innovation and entrepreneurship, promote a broad distribution of the opportunities of the new economy, encourage engagement with all stakeholders, strengthen education as the foundation of life long learning, seek equal access and opportunity for women, and facilitate the diffusion of information and communication technology through regulation and measures to enhance access and public confidence.

Within the APEC agenda, human capacity building must be among the highest priorities. As one of the pillars of the new economy, it must be integrated with the overall economic, social and human resources development strategies of member economies. APEC should develop an integrated strategy for human capacity building through evolving cooperation, drawing on the experiences within the region and taking into account the diversity of APEC members in terms of development experiences, cultures and traditions.

To take up the opportunities from the new economy, it is important for all sectors of the community to view resources allocated toward developing human capacity as an investment rather than a cost. At the economy level, individuals, firms and governments should all be encouraged to allocate a larger share of resource to developing human resources.

### ***Innovative Co-operation: Better Policy Approaches***

The meeting heard of many existing programs and activities to develop human capacity which are now underway in the region in response to the demands of the new economy. In many cases these were initiated outside of government but involved cooperation among government, business and education institutions. The meeting believed that these should be given strong support and that governments should reflect upon the policy environment which would facilitate these programs and enable them to be expanded.

All APEC member economies will benefit from promoting human capacity building through comprehensive, widespread and flexible partnerships and networks, engaging all sectors of the community, in particular government, business and education and training sectors. While these partnerships are likely to be based on the commercial, social and educational interests of stakeholders they should ultimately be targeted toward mutual benefit and common prosperity. An innovative and

flexible cooperative approach would enable better identification of needs for human capacity building, a more transparent policy environment and more effective provision of public services, tailored to specific needs.

Participants agreed that all parts of the community could play a constructive role in the development of APEC wide human capacity building strategies. Participants shared a rich diversity of perspective and experiences that demonstrate that partnership approaches to policy development and program delivery are successful.

### ***The Way Forward: Calls to Action***

The meeting called for further action by APEC stressing that APEC economies would benefit from actively broadening the various cooperation channels, exploring new cooperation approaches, and undertaking various kinds of activities in the principle of mutual benefit, complementary endeavour and sharing resources.

Taking a market-based approach to many of the challenges posed by human capacity building is likely to provide an effective way forward. Resources must be mobilised and allocated and difficult choices must be made. Markets will not always successfully achieve social outcomes but they can provide the necessary incentives and signals.

The meeting believed that government must continue to play an important role even with a market-oriented approach. There are market failures and governments must provide a clear and transparent regulatory environment. Governments are both buyers and providers of technology and services and the choices they make will have a significant impact on the ability to use these services for effective capacity building.

In the context of the globalising economy, open international markets are crucial for many elements of human capacity building. They enable cross border flows of services and information. High levels of complementarity among APEC members in education and education services provide the potential for all APEC economies to gain access to the highest quality education, training and skills.

APEC can build upon the region's diversity. APEC includes some of the world's most advanced economies with substantial technological bases, strong and proven institutions and well developed human resources. It also includes developing economies which are in earlier stages of engagement with the new economy. APEC can play a significant role in bridging the digital divide by enabling all economies to tap the region's expertise and resources through the exchange of information, best practices and policy options.

The great diversity among APEC economies means there is no one best strategy for taking up the challenges of the new economy. Interaction within APEC can enable member economies to understand the strategic options open to them and develop appropriate policies and sets of actions.

The meeting recommended that this year's APEC Economic Leaders' Informal Meeting and Ministerial Meetings integrate human capacity building as a central issue and take into consideration the outcome of this meeting. APEC fora should shape the agenda for actions and policies ahead and accelerate human capacity building so as to further facilitate trade and investment liberalization and facilitation and sustainable economic growth for common prosperity in the Asia and Pacific region.



**Beijing Initiative on APEC Human Capacity Building  
May 15-16, 2001, Beijing**

**PART II**

**Opportunities for Further Work**

During the course of discussions at the APEC high level meeting on human capacity building, representatives from the government, business and education and training sectors of APEC economies shared experiences and practices, explored better approaches and came up with series of innovative and interesting ideas on human capacity building within the region. These ideas offered opportunities for further actions by APEC.

***1. Bridging the Digital Divide and Expanding Internet Access***

- Develop a program to provide technical assistance to developing member economies in consistence with their specific situations in shortening the digital divide between APEC members;
- Develop and implement cooperative HCB projects in a joint partnership approaches between developed and developing economies to bridge the digital divide among member economies;
- Develop programs and policies to promote investment in and application of IT and access to the internet in all APEC economies to bridge the 'digital divide' with an effort to enable more people to benefit from information and internet technology. Among these policies are appropriate pricing mechanisms to encourage greater access to the internet;
- Address impediments to greater Internet usage and time spent online should be addressed and, where applicable, APEC economies should consider competitive and flexible pricing policies that allow flat rate (unmetered) access to the Internet;
- Building on the Knowledge Network launched by Leaders in Brunei in 2000, by establishing an APEC education component of the Network to make available on the World Wide Web the best resources in education and training from all APEC economies, creating a community of practitioners via communication technology;
- Expand projects for IT skills application and Internet access;
- Exchange research findings on appropriate policies to enhance Internet access and usage;
- Assist in building the human resources information network in high tech parks;
- Maintain open access in digital trade, and
- Develop a pilot e-learning promotion program with cooperation of government, business and education and training sectors to expand network knowledge training in member economies in order for them to become more adapted to the new economy and new tech revolution.

***2. Setting up a Life-long Education and Building a Learning Society***

- Establish accessible wide and multi-dimensional learning networks to enable the whole community, in particular, the disadvantaged groups to have access to learning throughout their work and life;
- Endeavour to convert education and training systems that are supplier-centered into consumer-oriented systems, in response to current demands;
- Establish a sound life-long learning system to include pre-employment education, continual training and upgrading of knowledge and skills for workers;
- Enhance the skills and responsiveness of government employees to better equip governments to design policy infrastructure in a changing environment;

- Support collaboration between regional organizations involved in IT literacy and skills development through EduPACT and other appropriate mechanisms;
- Provide joint training in business management, trade, finance, securities, insurance, customs, law, accounting and human resources management;
- Facilitate mutual recognition of education and professional qualifications, which should be based on standards of achievement and outcomes that are mutually agreed between economies, and
- Encourage the opening of education and training facilities, including facilities which transcend national boundaries.

### ***3. Strengthening the Managerial and Employee Training and Enhancing Enterprises Competence in the Context of Economic Globalization***

- Develop a package of liberalization measures to ensure continued open access including various elements of e-commerce (tariffs, services, IPR protection). Review this package within APEC with a view to developing consensus on implementation and an implementation timetable;
- In development of highly skilled executive, managerial and technical personnel focusing on strengthening their adaptability, effectiveness and creativity. This could be accomplished through development of high quality, accessible and flexible education systems for the future, as well as other training programs for the development of managerial and professionals skills, entrepreneurship and leadership competencies;
- Provide retraining for both employees and employers in developing economies to help them catch up with the requirements of New Economy for sustainable growth and equitable development within APEC community, and
- Reduce relevant legal and regulatory restrictions to facilitate the exchange of human talent across the APEC region.

### ***4. Integrating the Resources and Promoting the Overall Human Capacity Building***

- Integrate human capacity building within their overall social and economic development strategy, recognizing the critical importance of human capital by developing more integrated approaches to capacity building, innovating in policy development and program delivery, and increasing inputs from all channels;
- Develop relevant program to enhance entrepreneurial and management skills, particularly among small and medium enterprises to meet the new demands from globalization and the new economy;
- Develop policies to provide incentives for the business sector to participate in the development of human capacity building facilities and infrastructure, ensuring that access is maintained for the development of e-commerce and exchanges in a digital environment;
- Facilitate mutual recognition of education and professional qualifications which should be based on standard of achievement and outcomes that are mutually agreed between economies;
- Facilitate access for students from APEC member economies to access to education and training opportunities which they need to play their part in the new economy that are available in the APEC region;
- Develop APEC programs under the "Evolving Cooperation Initiative" scheme, which consists of series of projects based on regional needs, cooperation plan and review process, to enhance capacity building cooperation more successively and strategically;
- Enhance the industry-academic partnership between businesses, as end users of the workforce as well as providers of financial resources, and universities, educational institutions, and vocational

training institutions, as suppliers of the workforce, so that they produce an IT workforce that is readily available to high-tech businesses;

- Establish mutual *linkages* between sectoral networks including business, education, training sectors and government to draw out synergy effect to the human capacity building;
- Encourage trade union to develop and implement relevant training programmes, and motivate and mobilize workers to undertake life long learning, and
- Establish an APEC Human Capacity Building Network Center.