

CHAPTER 8

DEVELOPMENT COOPERATION: SIDE TRACK OR CENTRAL TO APEC'S FUTURE?

Introduction

8.1 In this chapter, the Committee examines the third of APEC's three pillars, development cooperation, by tracing the evolution of APEC's 'second track' agenda and reviewing its role in APEC.

8.2 Development cooperation is manifested in APEC through a program of economic and technical cooperation, known as Ecotech.

Ecotech's goals are to achieve sustainable growth and equitable development, reduce economic disparities among APEC economies, improve the economic and social well-being of the people, and to deepen the spirit of community in the Asia-Pacific region. These goals complement APEC's broader trade liberalisation and facilitation objectives, including by recognising liberalisation will not be effective unless developing economies have the systems and understanding to meet these obligations. Technical assistance is thus an important element of the Ecotech agenda. It also recognises there is a need to create a climate in which markets can be progressively liberalised and bottlenecks to continued economic growth removed. Infrastructure has been a priority issue.¹

8.3 The Ecotech program is carried out mainly through ten Working Groups², which were begun in 1990. They focus on six priority areas: developing human resources, establishing stable capital markets, building economic infrastructure, harnessing technologies of the future, promoting environmentally-sound growth, and strengthening small and medium-sized enterprises.³ Working Groups seek to address infrastructure shortcomings in developing countries, support regional harmonisation of standards, and promote information and technology exchange. Human development programs assess labour and social security issues and provide training and technical assistance for government officers, businesses and the financial sector so as to ensure the market has an informed basis on which to develop. Ecotech activities are thus structurally connected to the trade facilitation agenda.⁴

1 DFAT, submission, pp. 6–7.

2 These Working Groups are listed in Chapter 3.

3 APEC Organisation and Process, Internet site:
<http://www.Apecsec.org.sg/97brochure/97organize.html>, (18 August 1999).

4 See Department of Foreign Affairs and Trade's comments, submission no. 19, pp. 6–7.

Why Ecotech is not aid

8.4 Dr Elek emphasised that APEC is not a new ‘aid bureaucracy’. Instead, its focus is on the exchange of knowledge and technical expertise—through Ecotech.⁵ Dr Charles Morrison noted that there has always been confusion about how economic technical cooperation relates to traditional ODA transfers under APEC. This, in turn, has confused APEC’s role as ‘a process of information exchange and policy dialogue’ with the ‘different role’ filled by aid implementing agencies.⁶

8.5 In his paper, ‘Development Cooperation in the 21st Century’, Dr Morrison demonstrated this fine distinction when he described how the provision of ‘foreign aid’ fits into the APEC development cooperation model. He acknowledged that, given the different stages of development of APEC economies, some of the advanced APEC economies ‘will want to assist others in meeting their goals through foreign assistance’. However, APEC’s model for the application of foreign assistance is distinctive in two ways:

- APEC should not coordinate or have any hand in the provision of these funds. Foreign assistance would be used as part of a sovereign government’s domestic development schedule and so would be independent of APEC’s oversight; and,
- Government derived aid assistance would be secondary in size and importance to that generated through private sector activity.

Development cooperation: future directions for APEC

8.6 Dr Andrew Elek told the Committee that Australia’s great achievement in setting up APEC in 1989 was the forging of a coherent framework, which took into account the divergent needs of all potential APEC participants; a process which inevitably involved ‘distilling fairly separate agendas’—trade liberalisation and development cooperation.⁷ From the beginning, APEC combined trade interests and development assistance as dual agendas in a regional coalition of countries at very different stages of economic development.

8.7 Despite the existence of this framework, many people have commented on their perceived disparity between APEC’s declared commitments to development cooperation and its achievement in this area. For example, Professor Cliff Walsh, Director of the Centre for Economics in Adelaide, told the Committee that development cooperation was a suppressed item on APEC’s agenda. He was sceptical

5 See for example, Dr Andrew Elek, *Committee Hansard*, 5 February 1998, p. 589; and ‘Forward’, p. iii, and Chapters in Andrew Elek, ed., *Building an Asia-Pacific Community: Development Cooperation within APEC*, 1997.

6 See ‘Development Cooperation in the 21st Century’ in Andrew Elek, ed., *Building an Asia-Pacific Community: Development Cooperation within APEC*, Canberra: The Foundation for Development Cooperation, 1997, p. 24.

7 *Committee Hansard*, 5 February 1998, pp. 583–84.

of APEC statements giving equal status to development cooperation compared with trade and investment liberalisation and facilitation. He thought this was not happening in practice.⁸

8.8 The Australian Council for Overseas Aid, while advocating a more prominent role for development cooperation in APEC's 'two track' structure, observed:

We think that second track is very important because it is about intensifying development cooperation in the region, trying to address some of the social and economic inequities between countries and promoting sustainable development. However, from what we can see, the main focus of APEC's work to date has been on the first track: trade facilitation and liberalisation and reducing impediments to trade and investment in the region.⁹

8.9 Although DFAT emphasised its commitment to advancing trade liberalisation, it also recognised a clear role for APEC in capacity building in the finance and related sectors. In this area, there would be little overlap with other major international financial institutions.¹⁰

8.10 Most witnesses accepted the view that the 'first track' trade and investment liberalisation and facilitation agenda would, in the long term, generate wealth in APEC member economies and, through open regionalism, in the economies of their other trading partners.¹¹ It was agreed that if all member countries were to progress, markets must be open in order to generate wealth.

8.11 Despite giving priority to the 'first track', many considered that wealth would not be generated equitably across the region unless mechanisms were in place to assist developing economies to build the infrastructure needed to support market growth. The role of APEC's 'second track', development cooperation, was widely acknowledged as the means of providing that assistance to economies in need of support. It was not, however, until the effects of the Asian financial crisis became clear that APEC's Ecotech agenda received the attention it deserved.

Distilling the agendas: development cooperation under APEC

8.12 In a paper on Ecotech, Mr Alan Oxley, Chairman of the Australian APEC Study Centre, described how APEC is a creature of a new era of cooperation, which

8 *Committee Hansard*, 6 February 1998, p. 652.

9 *Committee Hansard*, 2 February 1998, p. 264.

10 *Committee Hansard*, 30 March 1998, p. 808.

11 See for example Dr Hadi Soesastro's comments on trade liberalisation and open regionalism, submission no. 50, p. 9, Mr Alan Oxley, Australian APEC Study Centre, submission no. 12, p. 3; and the Australian Council for Overseas Aid, submission no. 37, p. 1. The last also emphasised the importance of ensuring that mechanisms to address the needs of developing nations were in place, *passim*.

evolved at the end of the Cold War and with the rise of the Asian Tigers and Chile.¹² During this period, prior notions about developed country obligations to provide concessions to developing countries to assist growth were put aside. Instead, for example, developed and developing economies worked jointly for the Cairns Group coalition against any country, developed or otherwise, which resisted reduction of trade barriers for agricultural produce. The Uruguay Round further reinforced the view of equity among nations when it came to economic reform. From this time on, the assumption that developing countries should be allowed special exemptions from tariff reduction and other trade agreements, as was allowed under the GATT, was generally unacceptable to the international community.¹³

8.13 Mr Oxley stated that the free market had thus emerged as ‘the orthodox instrument for economic development’, sweeping aside former notions about balances and counter balances to ensure progression in developing economies.¹⁴ He concluded that APEC is the premier regional organisation to adopt this model, as:

There is no presumption that APEC is divided politically according to the economic status of its members. The emphasis in language is on collaboration in the common interest. APEC is the first regional organisation for economic cooperation that is composed of developed and developing economies that is not founded on the principle that collaboration must be based on the premise that there are inherent differences between developed and developing economies.¹⁵

8.14 Therefore, APEC is an organisation ‘not bound by political preconceptions of the development process’. In its official statements, it refers to its members as economic entities along a continuum of development, not as weaker (developing) countries requiring assistance from the strong (developed) ones. APEC thus focuses on ‘meet[ing] the economic development interests of its members’ while disregarding the historical and political differences which have led to their placement at diverse points on that development continuum.¹⁶

8.15 Dr Hadi Soesastro told the Committee that ‘both APEC and the ARF [ASEAN Regional Forum] are the two pillars in the regional architecture that we hope will help maintain peace, security, stability and also increase prosperity in the region’. He said that:

12 *The Ecotech Agenda—APEC’s Other Side. Will Infrastructure be APEC’s New Orientation, Issues Paper No. 10*, May 1997, p. 3, Appendix C, APEC Study Centre, submission no. 12.

13 GATT set out a general principle that developing countries were entitled to ‘special and differential treatment’. Oxley discerned, however, that this was ‘a political statement’ as there were only a few areas where they were given specific legal rights. Oxley, *The Ecotech Agenda*, note 4.

14 A. Oxley, *The Ecotech Agenda*, p. 3.

15 A. Oxley, *The Ecotech Agenda*, p. 4.

16 A. Oxley, *The Ecotech Agenda*, p. 1.

Trade liberalisation, which has been an important focus of the agenda of APEC, should be seen in the APEC context not simply as an exercise to opening up markets. It certainly is an important agenda for APEC, but it should always be seen as part of the larger context and broader objective of building the community. I think by now we have come to an agreement, a recognition, that APEC's agenda needs this balance of trade liberalisation, trade and investment facilitation as well as economic and technical cooperation.¹⁷

8.16 In 1995, Dr Soesastro wrote that there were two views of APEC, a broad view and a narrow view. The broad view was based on an understanding that APEC is about community building in the region—a view suggesting that APEC is a process and that the process is what is important. The narrow view focuses on outcomes, such as producing an investment code or the negotiation of tariff cuts. He expressed concern that the narrow view would create too much stress and tension inside APEC, which would be divisive.¹⁸ He told the Committee:

Community building implies that one needs to be more willing to engage in a give and take process, understanding each other's problems and so on. The narrow view in fact in APEC has been predominantly adopted in the past by the Americans, who want to see results immediately. The political processes in the United States do not tolerate people coming together without bringing back visible results. Therefore they have always been talking about results and outcomes, whereas community building needs a process of understanding. You have to develop a habit of cooperation and these things. At the end I do feel that again one needs to have some kind of a balance, because simply talking is also not the purpose of the exercise.¹⁹

8.17 Dr Soesastro said that, in the process of trade and investment liberalisation, there are both winners and losers and that governments need to anticipate who will be the losers and either lessen or eliminate their hardship in the process. He also said that some economies would need support when they embarked on trade liberalisation.

While opening up, there is always this fear that developing countries tend to lose out. There needs to be a sense of solidarity being shown within the APEC process, and this should be especially reflected and manifested in an attempt to really help these developing countries build and strengthen their capacity, strengthen the institutions and strengthen the regulatory environment. These are very important when these countries open up. There also needs to be a greater sense of assurance that we will not lose out in the process. That is the function of the economic and technical cooperation agenda of APEC.²⁰

17 *Committee Hansard*, 2 February 1998, p. 282.

18 Hadi Soesastro, 'APEC After the Bogor Declaration', *The Sydney Papers*, Spring 1995, pp. 78–85.

19 *Committee Hansard*, 2 February 1998, p. 291.

20 *Committee Hansard*, 2 February 1998, p. 283.

The evolution of Ecotech

8.18 The idea of equality in the market place is the foundation stone on which APEC commits its members to 'mutual respect and mutual benefit'.²¹ But recognition of difference has been the substance of the coalition's history and its success.

8.19 The developing members of APEC, particularly the ASEAN countries, were concerned about the weight of influence Japan and the United States would have in driving the organisation's agenda. Australia played an important role in reassuring the ASEAN countries that the organisation would be a balanced and inclusive one, in which 'members would be there on an equal footing'.²²

8.20 Indeed, the framing of the phased agreement for tariff reduction at Bogor in November 1994, seemed a bridge to future harmony. AusAID stated in its submission that developing member acceptance of the liberalisation agreement relied heavily on APEC's acknowledgment of difference, backed up by a stronger development cooperation emphasis:

The Bogor Declaration of 1994 stands out as the most significant APEC development so far. A key factor in its acceptance by all APEC Leaders was that it explicitly recognised the difference in capacities of developing APEC members to effect free and open trade. Hence a further ten years was allowed for APEC developing economies to achieve the goals outlined at Bogor. A further factor influencing acceptance by all, was the Leaders' call in Bogor to intensify development cooperation. They stressed the importance of Economic and Technical Cooperation (Ecotech) in APEC to attain sustainable growth, equitable development, to reduce economic disparities in the region.²³

8.21 Professor David Robertson noted that the agreement uniquely brought together the Western and the Asian way 'where targets are agreed by consensus, where everybody's words are believed to have equal weight, and where targets are pursued not formally, but with best intentions'.²⁴

8.22 This consensus was, however, not achieved easily. As Professor Ippei Yamazawa of the APEC Eminent Persons Group reported, when President Soeharto introduced the term 'development cooperation' into the Bogor Declaration, some members resisted it.²⁵ Dr Andrew Elek attributed this to 'uncertainty and ambiguity

21 Eminent Persons Group (EPG) Report, Manilla 1996 quoted in Forward, Elek, ed., *Building an Asia-Pacific Community*, p. iii.

22 Dr Soesastro, *Committee Hansard*, 2 February 1998, pp. 282–83.

23 AusAID, submission no. 57, pp. 3–4.

24 *Committee Hansard*, 6 March 1998, p. 739.

25 In 'APEC's Economic and Technical Cooperation: Evolution and Tasks Ahead' in Andrew Elek, ed., *Building an Asia-Pacific Community: Development Cooperation within APEC*, Canberra: The Foundation for Development Cooperation, 1997, p. 42, as part of submission no. 14.

about what development cooperation means', with the term conjuring up uncomfortable resonances of former donor/recipient obligations between APEC's developed and developing member economies.²⁶ Nevertheless, APEC not only achieved consensus on phased tariff reductions but also on a commitment to 'intensifying Asia–Pacific development cooperation'.

8.23 On 19 November 1995, at Osaka in Japan, APEC's Economic Leaders set out to design operational guiding principles and a strategy for implementing the Bogor commitments. They adopted the *Osaka Action Agenda* a blue print for action on trade and investment liberalisation and on economic and technical cooperation.²⁷ Emphasising their equal commitment to the twin agendas, the Leaders, in their *Osaka Declaration of Common Resolve*, stated:

The Osaka Action Agenda is the template for future APEC work towards common goals. It represents the three pillars of trade and investment liberalisation, their facilitation, and economic and technical cooperation. Achieving sustained economic development throughout the region depends on pursuing actions in each of these areas vigorously.²⁸

8.24 Behind this rhetorical commitment to balanced agendas, tensions between the United States and Japan, with their different expectations of APEC, again surfaced.

8.25 According to Professor Yamazawa, the 'lack of consensus on economic cooperation among APEC members has impeded the strengthening of cooperation efforts in APEC'.²⁹ The term 'development cooperation', reluctantly accepted at Bogor, was again rejected by Senior Officials in preparatory discussions for the *Osaka Action Agenda*. He reported that the Leaders finally agreed upon the 'modest term "economic and technical cooperation" (Ecotech)', with the result that: 'Part Two of the *Osaka Action Agenda*, although being one of the two major pillars on the APEC agenda, turned out to be no more than a collection of individual work programs and still lacked a strong thrust for visible achievement'.³⁰

8.26 Professor Yamazawa also recorded the difficulties the Japanese Chair had in getting support for the Partners for Progress (PFP) proposal at the APEC Senior Officials Meeting in February 1995. Japan initiated this proposal to break down a perceived reluctance 'to strengthen economic and technical cooperation beyond studies and seminars'. The program was to incorporate a wide range of cooperation

26 A. Elek, 'An Asia–Pacific Model of Development Cooperation: Promoting Economic and Technical Cooperation through APEC', *Building an Asia-Pacific Community*, p. 5.

27 Appendix F, 'Asia–Pacific Economic Cooperation 1997', received with Australian APEC Study Centre, submission no. 12

28 *APEC Economic Leaders Declaration of Common Resolve*, Osaka, Japan, November 19, 1995 in Department of Foreign Affairs and Trade submission no. 19.

29 Professor Ippei Yamazawa, 'APEC's Economic and Technical Cooperation: Evolution and Tasks Ahead' in Andrew Elek, ed., *Building an Asia–Pacific Community*, 1997, p. 42.

30 Yamazawa, 'APEC's Economic and Technical Cooperation', p. 42.

activities that would be administered by an established agency within APEC. The proposal was defeated because of concerns about funding and a disinclination to increase APEC's bureaucracy.³¹

8.27 The SOM did, however, embrace the PFP proposals for technical cooperation programs focussing on three trade and investment liberalisation, and facilitation (TILF) areas: standards and conformance; intellectual property rights; and, competition policy. Professor Yamazawa reported that the SOM recognised these as essential supports to the successful progression of the first track agenda. Japan made its final commitment for support to the TILF at the Leader's dinner when Mr Murayama announced that 10 billion Yen would be provided over several years for TILF's promotion.³²

'Designed to Deal with Diversity': APEC after Subic

8.28 At Subic in 1996, the need to redefine the terms of APEC's vision became increasingly urgent. It became clear that dragging the chain on development cooperation would also retard the progress of the liberalisation agenda. As Mr Oxley said, governments will not agree to economic integration 'unless they are satisfied that very basic strategic interests are being advanced or protected.' Until developing nations felt more comfortable on that account, enhanced regional cooperation was unlikely.

8.29 The then United States Secretary of State told the pre-Subic Bay Ministerial Meeting in Manila: 'Now we must begin to take specific concrete steps that will open up our economies and help lift the lives and living standards of our peoples'.³³

8.30 Dr Frederico Macaranas, Chair of the 1996 APEC Senior Officials Meeting, noted that the development cooperation agenda had not been developed to the extent of that for trade and investment liberalisation and facilitation.³⁴ The desire to advance the free trade agenda bolstered a new consciousness of the need to refine and focus the development cooperation agenda, so as to garner public support for the total plan. Earlier, in its final report in 1995, the Eminent Persons' Group had asserted that if real progress was to be made:

it was necessary to develop a clear conceptual framework which allowed economic cooperation and development cooperation being promoted jointly by APEC governments to be clearly distinguished from 'old style' foreign aid, which carried overtones of patron-client relations, policy conditions and

31 Yamazawa, 'APEC's Economic and Technical Cooperation', p. 41.

32 Yamazawa, 'APEC's Economic and Technical Cooperation', p. 41.

33 Tas Luttrell, 'APEC after Subic—the Road to Free Trade, *Current Issues Brief (Foreign Affairs, Defence and Trade Group)*, no. 25, 1996–97.

34 In Forward to Elek, ed., *Building an Asia-Pacific Community: Development Cooperation within APEC*, Received from the Foundation of Development Cooperation as part of submission no. 14.

leverage. A new model of development co-operation was needed, based firmly on the guiding principles of mutual respect and mutual benefit which underlie the APEC process.³⁵

8.31 As a consequence, APEC made its first focussed attempt to resolve internal disagreement about the role and direction of its development cooperation agenda and to establish a workable framework for ‘community building’ among all member economies.

8.32 Prior to the Senior Officials Meeting in May 1996, issues papers were prepared on the potential nature and priorities of economic and technical cooperation to be promoted through APEC.³⁶ The Foundation for Development Cooperation convened an international dialogue group, which met three times, in September 1995 in Tokyo and in February and May 1996 in Manila. The outcome was the paper ‘An Asia-Pacific Model of Development Cooperation: Promoting Economic and Technical Cooperation through APEC’, which was submitted to the Philippines Chair at Subic.³⁷

8.33 Issue papers were also prepared by the Economic Committee and by the United States Government. The Philippines Government then prepared a synthesis paper based on all three. Subsequent deliberations by APEC Senior Officials led to the design and endorsement of The Declaration on an Asia Pacific Economic Cooperation Framework for Strengthening Economic Cooperation and Development at Subic Bay in the Philippines in November 1996.

8.34 At Subic in 1996, APEC Leaders committed themselves to equitable development: ‘We recognise that our vision of community can only be strengthened if our efforts benefit all citizens’.³⁸ They went on to say:

As an essential complement to our trade and liberalisation agenda, economic and technical cooperation helps APEC members to participate more fully in and benefit from an open global trading environment, thus ensuring that liberalised trade contributes to sustainable growth and equitable development and to a reduction in economic disparities.

8.35 In November 1996, APEC Economic Leaders issued the Declaration on an Asia-Pacific Economic Cooperation Framework for Strengthening Economic Cooperation and Development, which appeared as companion document to the Manila Action Plan for APEC (MAPA).

35 In the EPG’s last report to the Leaders. Disbandment was recommended at Osaka in 1995. See Forward to Elek, ed., *Building an Asia-Pacific Community*, p. iii.

36 See Andrew Elek, ‘An Asia-Pacific Model of Development Cooperation: Promoting Economic and Technical Cooperation through APEC’, in Elek, ed., *Building an Asia-Pacific Community*, 1997, p. 1.

37 Elek, ‘An Asia-Pacific Model of Development Cooperation’, p. 1.

38 *APEC Leaders Declaration: From Vision to Action*, Subic, November 1996.

8.36 In their Declaration, the APEC Economic Leaders explained the context for directives made in these documents and ordered their implementation. They targeted economic and technical cooperation, instructing APEC Ministers to give ‘a human face to development’ by directing relevant fora to give high priority to:

developing human capital; fostering safe, efficient capital markets; strengthening economic infrastructure; harnessing technologies of the future; promoting environmentally sustainable growth; encouraging the growth of small and medium enterprises.

8.37 The Framework provided for increased private sector involvement in Ecotech. The need for this partnership between government and business was explained by the APEC Economic Leaders in their Subic Declaration:

Lack of infrastructure severely contains sustained growth. Since public finance cannot fully meet the enormous requirements of the region, private sector investment must be mobilized. Providing the appropriate financial, economic, commercial and regulatory environment is the key to stimulating such investments. We direct the relevant ministers to work together with private sector representatives and with national/international financial institutions, including export credit agencies, and develop a framework for this purpose.³⁹

8.38 Government to government development aid was included in the Framework, articulated as ‘aid between equals’ and designed:

To help build a growing sense of community and promote a spirit of enterprise that leads our people to work with and learn from each other in a cooperative spirit, economic and technical cooperation activities should draw on voluntary contributions commensurate with member economies’ capabilities and generate direct and broadly shared benefits among APEC member economies to reduce economic disparities in the region.⁴⁰

8.39 At Subic, APEC achieved a new level of consensus on the relationship between trade liberalisation and facilitation, and its development cooperation agendas; a relationship which had become increasingly symbiotic.

Vancouver 1997

8.40 At Vancouver in November 1997, despite the onset of the Asian financial crisis, APEC Economic Leaders remained optimistic, and declared that ‘the fundamentals for long-term growth and prospects for economic growth in the region

39 APEC Economic Leaders Declaration: From Vision to Action, Subic, 25 November 1996.

40 Declaration on an Asia-Pacific Economic Cooperation Framework for Strengthening Economic Cooperation and Development, Section III. Character of APEC Economic and Technical Cooperation, no. 3, Manila, November 1996.

are strong'.⁴¹ APEC's course was to endorse the central role of the IMF, drawing on the funding framework outlined at Subic to supplement IMF initiatives. 'Capacity building' would complement the IMF packages, which linked aid to stringent liberalisation programs. In this context, remedies to the crisis under 'capacity building', while incorporating human development elements, would mainly focus on building financial infrastructure in struggling economies, while the IMF would push the liberalisation process.⁴²

8.41 In pursuing their commitment to 'capacity building', the Economic Leaders elaborated the six priority areas established in the Framework for Strengthening Economic Cooperation and Development. Four of these focussed on economic, financial and technological development; the remaining two on human resources and the environment.⁴³

8.42 A new Ecotech Sub-Committee (ESC) was established to coordinate the implementation of these initiatives. In the short term, the ESC was intended to focus the direction of economic and technical cooperation and to ensure that its activities received adequate attention from APEC leaders. In the long term, it was to be a means of monitoring the implementation and evaluating the effectiveness of Ecotech activities.⁴⁴

8.43 ABAC gave support to the Manila Declaration initiative for public/private collaboration in advancing the Ecotech agenda. It recommended the formation of Partners for Equitable Growth (PEG), which was designed to be a non-profit organisation with a board of senior business and government leader directors to be run along private sector lines.⁴⁵ PEG would be engaged in:

- mobilising the resources and resourcefulness of the business/private sector in support of APEC's Ecotech objectives; and
- a strategy of developing clear complementarity between APEC Ecotech and the APEC trade and investment liberalisation and facilitation (TILF) initiatives.⁴⁶

APEC adopted the ABAC recommendation to form PEG.

41 APEC Economic Leaders Declaration: Connecting the APEC Community, Vancouver, 25 November 1997 (para. 3).

42 Declaration, para. 3.

43 *APEC Canada 1997*, Internet site: <http://www.dfait-maeci.gc.ca/~apec/english/sustai-e.htm>, (Access, 4 March 1998).

44 Foundation for Development Cooperation, supplementary submission no. 14A, p. 6.

45 *Review of the Manila Action Plan for APEC: Enhancing MAPA's Relevance to Business*, ABAC Report 1997, Internet site: <http://www.apecsec.org.sg/abac/abacprt 97/abac97-review.html>, (Access, 27 February 1998, p. 6).

46 *Review of the Manila Action Plan for APEC*, ABAC Report 1997, p. 6.

8.44 ABAC further clarified its vision of the private/public partnership:

We do not see business/private sector initiatives in APEC's Ecotech diminishing or replacing government initiatives in the APEC Working Groups and elsewhere. Rather we see business/private sector initiatives as complementing government initiatives in the spirit of partnership envisaged in the Manila Declaration.⁴⁷

8.45 In the Vancouver Framework for Enhanced Public/Private Partnerships in Infrastructure Development, the Leaders set up a model to make infrastructure investment attractive to the private sector. APEC had therefore moved closer to integration of the APEC agendas.

8.46 Canada, using its prerogative as host country, opened up APEC's development cooperation agenda by giving more prominence to environmental issues. It also initiated programs designed to ensure that youth, women and business participated more actively in APEC.⁴⁸ It also held the first-ever FEEEP (Food, Environment, Energy, Economic growth and Population) symposium, although this progression was overshadowed by APEC's failure to commit itself to this in a tangible way and other sustainable development issues.⁴⁹

Kuala Lumpur 1998: a delicate balance

8.47 Malaysia, as Chair of APEC in 1998, and other Asian members, considered that APEC's economic and technical cooperation agenda had been overshadowed by the trade liberalisation agenda. Malaysia fully supported the Vancouver initiatives on capacity building, particularly those designed to develop the region's human resources and harnessing technologies for the future. Malaysia wanted APEC to build engagement with the Asian Pacific business community.⁵⁰

8.48 The worsening crisis during 1998 was to give these and related issues more prominence. APEC considered the need to strengthen global financial architecture and to strengthen APEC's response to the devastating social effects of the crisis through HRD work group activity.

8.49 In January 1998, a meeting of the APEC Human Resources Development Group had convened in Bali to consider the human effects of the crisis, particularly in

47 *Review of the Manila Action Plan for APEC, ABAC Report 1997*, p. 6.

48 *Asia Pacific Economic Cooperation (APEC), Ninth Ministerial Meeting, Joint Statement*, Internet site: <http://usiahq.usis.usemb.se/regional/ea/apec/vanmindc.htm>, (Access, 11 May 1998).

49 In the case of the Action Plan for Sustainable Cities, for example, no overarching mechanism was set up to monitor outcomes, and under FEEEP, APEC Ministers were unable to agree beyond being 'actively engaged' in addressing the issues. See Environment Australia, submission no. 43, p. 5.

50 Address of Ambassador Dato' Noor Adlan at the Sir Herman Black Lecture, Tuesday 5 May 1998, Sydney, Australia, *APEC Homepage* (4 August 1999).

relation to unemployment. A taskforce was set up to evaluate the situation and to work out appropriate responses for APEC.⁵¹

8.50 On 22–23 April 1998, the APEC HRD Task Force on the Human Resource and Social Impacts of the Financial Crisis held its first meeting in Jakarta, Indonesia. A New Zealand academic, Associate Professor Nigel Haworth, was commissioned to prepare papers and analyse case studies.⁵²

8.51 Associate Professor Haworth reported that the crisis had compelled APEC to encompass short-term programs to address immediate problems. This was a change for Human Resource Development under APEC, which usually worked towards broader medium and long-term capacity building goals over a three to five year time frame.⁵³ Priority areas included the need to strengthen or develop minimal social safety nets in Asian countries and to assess and address the effects of the crisis on particular sections of the labour market—women, migrants and middle-aged men.⁵⁴

8.52 Laying important foundations for APEC to expand its human resources development agenda, Professor Haworth asserted that pressures on the labour market caused by the crisis meant that APEC should also look at labour and management issues, an area not previously part of APEC's agenda.⁵⁵ He argued that consideration of problems in this area was essential as support for the export-led growth model APEC promoted for regional recovery because: 'technology transfer and the focus on innovation and flexibility at the heart of export-led models require continual improvement in managerial competence and in employee skills levels'.⁵⁶

8.53 As a result of the consideration of these matters, the Economic Leaders included them in their Declaration: Strengthening the Foundations for Growth and its attachment, the Kuala Lumpur Action Program on Skills Development.

8.54 APEC Leaders also directed Ministers to act on a range of initiatives aimed at 'Strengthening the Financial Systems Individually and Globally'—corporate governance measures—under the general aim of laying the foundations for sustainable

51 Nigel Haworth, 'The HRD Dimension of the Asian Financial Crisis: Towards the Definition of an APEC Response', A paper based on the APEC HRD Working Group Task Force on the Human Resource and the Social Impacts of the Financial Crisis Experts Meeting, Jakarta, April 1998, prepared for the APEC HRD Working Group Task Force on the Financial and Economic Crisis Symposium, Chinese Taipei, June 1998, p. 17.

52 Communique to HRD Working Group Members and Other APEC Fora: APEC HRD Task Force on the Human Resource and Social Impacts of the Financial Crisis, 7 May 1998.

53 Eight priority areas with key emphases in developing education systems, training provision, skill mobility, with the role of SMEs, sustainable development and trade liberalisation conditioning these. See Haworth, 'The HRD Dimension', p. 19.

54 Haworth, 'The HRD Dimension', p. 6.

55 Professor Haworth notes that the Labour and Management element of HRD had been growing in strength since Subic, p. 19.

56 *ibid.*, p. 22.

growth into the next century. These included the formulation of approaches to strengthen the regional and global financial system and to examine the scope for regulation of the international financial system through an expanded G22 and to forecast and control financial instability.

8.55 APEC's support was also given to the formation of the Asian Growth and Recovery Initiative. This was a package of \$10 billion, which would help address the particular problems of the nations in crisis—without IMF conditions imposed, as mooted at Vancouver by Asian members—and would also work to develop early warning systems. This initiative would be funded by the United States and Japan and international institutions, the World Bank and the Asian Development Bank, according to the aid model defined by Leaders at Subic.⁵⁷

8.56 On the social dimension, APEC Ministers were directed to work together with these institutions to devise effective strategies to 'strengthen social safety nets', and so ameliorate hardship in Asia. The role of Ecotech was brought into the foreground, with Leaders noting that economic and technical cooperation had 'acquired added urgency' with the occurrence of the crisis.

8.57 The main thrust of the response on Ecotech and labour market issues was carried by the Kuala Lumpur Action Program on Skill Development. It stated:

In the face of the current economic crisis, APEC has agreed that there is a need to address the social impact of the crisis. Retraining of displaced workers can contribute towards alleviating the social impact on those affected as well as strengthening community spirit in APEC.

8.58 The document named four specific areas for development:

- upgrading the industrial skills base: creating greater efficiency, enhanced technology flow;
- spawning new entrepreneurs: importance of a thriving SME sector;
- technology skills for the new millennium: new skills for rapid transformation in the workplace; and
- strengthening institutional infrastructure to facilitate trade and investment liberalisation: enhanced capacity to respond to market demands.

8.59 Under this program, private sector expansion and upgrading of skills were intended to ameliorate the massive unemployment resulting from the crisis. APEC intensified efforts under the Partners for Progress model of private/public sector

57 Box 1. 7 in 'The Financial Crisis in Asia', excerpt from the *Asian Development Outlook*, (12 July 1999).

collaboration to stimulate the growth of SMEs and encourage ‘smart partnerships’ between business and the private sector to ensure that training matches demand.

8.60 These commitments for victims of the crisis were in keeping with APEC’s market development model and its HRD commitments to enhance education and training opportunities.⁵⁸ The focus on ‘capacity building’ at Kuala Lumpur was mainly directed to big business and strengthening financial markets, in keeping with APEC’s conviction that ‘export-led growth’ would soon lead the unemployed in Asia back into jobs.

8.61 Despite these commitments, APEC’s performance was not without criticism. Some commentators claimed that APEC had really done very little that was new at Kuala Lumpur and that the formula for recovery had not changed—demand led growth.⁵⁹ Further, in focusing on international reform, others judged that APEC had failed to avail itself of the opportunity provided by the crisis to consider labour and management issues as a background to structural reform across the region. As official APEC observer, PECC told APEC Finance Ministers at Langkawi, Malaysia, in May the following year:

before we focus too much on the macro-economic, big picture issues of regional and international architecture, we have to take a closer look at promoting corporate and industrial reform and development.⁶⁰

8.62 The PECC saw that the timing was right—with many APEC economies already in the midst of making these changes—and APEC with ‘a credible capacity to supply economic and technical co-operation’. Unfortunately, despite the skills development commitments made in November in Kuala Lumpur, PECC judged that APEC Trade and Industry Ministers and Foreign Ministers had not succeeded in giving substance to Ecotech—‘things had not gone very far’ over half a year later.⁶¹

New Zealand 1999

8.63 The Joint Ministerial Statement of the APEC Sixth SME Ministerial Meeting held in Christchurch on 26–28 April 1999 drew attention to the effects of the financial crisis on SMEs:

The recent regional economic crisis has and is continuing to have profound effects on SMEs. SMEs have been particularly affected by the credit crunch.

58 See Summary Conclusions: 18 APEC HRD Working Group Meeting, Chinese Taipei, 16–19 June 1998.

59 See Peter Hartcher, ‘A Solution not Asia–Pacific, nor Co-Operative’, *Australian Financial Review*, 17 November 1998, p. 5.

60 Statement to APEC Finance Ministers in behalf of PECC FMD at Langkawi, Malaysia, 15 May 1999, para. 7.

61 Statement to APEC Finance Ministers in behalf of PECC FMD, para. 6.

Returning SME's to growth is vital to the region's economic recovery. The business environment, however, is also rapidly changing. Corporations are divesting, leading to the creation of more SMEs. This underscores the fact that SMEs will be the engine for growth in the future.⁶²

8.64 The focus on SMEs would also further APEC's human development objectives for women and for indigenous peoples.

8.65 The second major meeting held in New Zealand during its year as host was the Women in APEC meeting, entitled 'Our Contribution to Economic Prosperity'. The meeting examined the role of women as entrepreneurs, in light of statistics showing women as premier initiators of small and medium businesses. Their role in SMEs was highlighted as SMEs had an important role to play in the region's recovery from the financial crisis.⁶³

8.66 Several new development cooperation initiatives were begun during the year. These included Australia's proposal that APEC should work with the Asian Recovery Information Centre, being set up by the Asian Development Bank. Australia focused on the effects of the crisis on children. The United States reported on work on strengthening social safety nets in APEC fora and through the virtual Task Force set up for this purpose.

8.67 In 1999, Human Resource Development (HRD) Ministers took APEC's broader development cooperation objectives closer to centre stage. Their Joint Ministerial Statement, endorsed in Washington on 27–28 July 1999, advocated the:

- placing of human resources development and other employment policies at the *centre* of economic policy and cooperation; and
- increased collaboration and information exchange with and among other regional and international organisations and enhanced cooperation among government, labour, business and civil society.⁶⁴

8.68 The HRD Ministers also directed, for the first time, that APEC members should consult the International Labour Organisation to 'establish labour market frameworks and strong safety nets to enhance growth, employment and social cohesion'.

8.69 These developments demonstrated that, under the impetus of the financial crisis, APEC was prepared to assume a more interventionist role than before. Prior to the 1997 meetings at Vancouver, President Clinton had foreshadowed America's

62 Address to APEC Small and Medium Enterprises Ministers' Meeting, Rt Hon Jenny Shipley, Prime Minister, 26 April 1999, (7 July 1999).

63 APEC Womens Meeting Brings Leaders to New Zealand, 17 June 1999, APEC New Zealand 99: Newsroom, APEC Internet site, (7 July 1999).

64 Committee's italics. APEC Human Resources Development Joint Ministerial Statement. Third APEC Human Resources Development Meeting, Washington DC, *USIA Washington File*, 29 July 1999, p. 7.

support for such a move. The President saw that, with the region in crisis and Japan in recession, there was room to assist other countries to build good economic policies of their own. He considered that the IMF should begin that process but if ‘that fails or is insufficient, then those of us in the region will come in and support it’.⁶⁵

8.70 APEC has, in effect, accepted the first principle of sustainable development, which is acceptance of the interrelationship between economic, social and the political factors. It should now be more able to assist in bringing about ‘the effective management of a country’s social and economic resources in a manner that is open, transparent, accountable and equitable’—good governance, the essential platform for poverty reduction.⁶⁶

8.71 The APEC Leaders Declaration issued in New Zealand on 13 September 1999 welcomed these initiatives and emphasised the need for coordinated delivery of development programs to address the human and economic dimensions of the crisis.⁶⁷ A ban on new protectionist measures while WTO rounds proceed gained at least verbal consensus.⁶⁸

Building private/public sector partnerships through Ecotech

8.72 Most development experts accept that APEC’s ability to realise its development goals relies on its ability to cultivate a productive relationship between the public and private sector.

8.73 In 1998, Australian representatives of APEC’s Business Advisory Council said that Australian business’ understanding of APEC’s goals was then in its ‘embryonic stages’.⁶⁹ They reported a largely apathetic response to economic forums they had organised through DFAT to explain APEC to the business community.⁷⁰

8.74 Dr Christopher Findlay, Associate Professor of Economics at the University of Adelaide, reported a similar response. In late 1997, at a function held in Melbourne by the Australian Pacific Economic Cooperation Committee (AusPECC), business people were asked what they thought APEC’s priorities ought to be. They suggested

65 ‘Remarks by President Clinton and President Hashimoto of Japan’, Photo opportunity, Waterfront Centre Hotel, Vancouver, Columbia, 24 November 1997, The White House, Office of the Press Secretary (Vancouver, British Columbia, *The White House Homepage* Internet site: <http://www.whitehouse.gov/WH/New/APEC/19971124-3293.html> (10 August 1999).

66 See *One Clear Objective: Poverty Reduction through Sustainable Development, Report of the Committee of Review 1997*, Australian Overseas Aid Program, April 1997, p. 223.

67 Leader’s Declaration—New Zealand, The Auckland Challenge, APEC Economic Declaration, Auckland New Zealand, 13 September 1999, *APEC Homepage*, (28 September 1999).

68 Prime Minister, Transcript of the Prime Minister the Hon John Howard MP, Press Conference, Hyatt Regency Hotel, Auckland, New Zealand.

69 *Committee Hansard*, 3 February 1998, p. 417.

70 *Committee Hansard*, 3 February 1998, p. 417.

single sector development, such as cars or beef, or focus on ‘free trade’ or trade facilitation. None saw any potential in economic and technical cooperation activities.⁷¹

8.75 Dr Findlay explained that business participation in Ecotech would produce mutual benefits: ‘it would force the participants to make clearer their goals, and it would facilitate the execution of projects because business would come to see the opportunities that were associated with the programs’.⁷² At that time, however, he reported that only one third of Ecotech projects had business input or participation.⁷³

8.76 The Committee believes that APEC should continue to seek business support for development cooperation programs. Although business will benefit directly from many of the Ecotech projects run with its support, it will also ultimately benefit from greater liberalisation, which should result from APEC’s development cooperation program.

Ecotech and SMEs

8.77 SME development in the area of information technology has been cited by APEC as the star of future growth across all APEC economies.⁷⁴ SMEs have been hard hit throughout the region by the financial crisis and their revival and multiplication are seen as crucial to the region’s recovery. SME growth is also regarded as essential for developing economies. The OECD’s Development Assistance Council explained:

Microeconomic enterprises are a large, growing and very dynamic element of the economies in developing countries. In many small countries these very small, generally family-based enterprises or sole proprietorships comprise an important part of the informal economy. A thriving microenterprise sector generates output, employment and incomes and strengthens intersectoral linkages leading to more integrated, resilient economies and balanced growth. It also promotes more broad-based participation—particularly by the poor and by women—in productive activities, leading to more equitable income distribution.⁷⁵

8.78 Australian ABAC representative, Mr Michael Crouch, explained the relative importance of SMEs in Australian and Asian economies. He said that in Australia there are ‘some 2,500 large companies and some 495,000 small and medium

71 *Committee Hansard*, 6 February 1998, pp. 603–04.

72 *Committee Hansard*, 6 February 1998, p. 622.

73 *Committee Hansard*, 6 February 1998, p. 623.

74 See remarks by US Secretary of Commerce William M. Daley, APEC Human Resources Ministerial Dinner, 28 July 1999, Washington DC, *USIA Washington File*, p. 3.

75 *Orientations for Development Co-operation in Support of Private Sector Development*, (Note by the Secretariat), OECD, DAC: Development Co-operation Secretariat, June 1994, p. 24.

companies', with a comparative ratio in Asia.⁷⁶ Meanwhile, 60 to 70 per cent of trade within APEC is carried out by SMEs.⁷⁷

8.79 Mr Crouch emphasised the importance of human resource and infrastructure development to SMEs in Asian nations where weakness in these areas meant loss of mutual benefits in terms of jobs and trade for both Asia and Australia.⁷⁸ Mr Crouch also described the important role Australia had played to date for SME representation in ABAC by recommending that each of the three ABAC committees have co-chairmen drawn from SMEs.⁷⁹

8.80 Mr Malcolm Johns, Director of the Federation of Automotive Products, saw that the failure to provide real channels of communication for exchange of information and expertise under Ecotech, particularly at a sectoral level, had had profound regional implications for the auto sectors in Indonesia, Malaysia and Thailand.⁸⁰

8.81 In relation to this, Dr Andrew Elek told the Committee that APEC is always seeking 'intelligent business inputs' but these are not easy to obtain. Commenting on the APEC Business Advisory Council's research capacity, he said:

It [ABAC] is proving quite effective, but you find that behind the scenes they rush around and seek views from various other experts on what they should say, because business does not tend naturally to think in these international global strategic terms.⁸¹

8.82 The Committee believes that PECC and its national constituent bodies are organisationally in the best position to assist ABAC with its research needs. APEC should ensure that PECC and its national constituent bodies are appropriately funded to provide such assistance to ABAC.

Australia's foreign policy approaches to development cooperation under APEC

8.83 The Australian Government has continued to advocate that APEC pursue trade liberalisation goals while, at the same time, supporting capacity building to provide a basis for continued growth in APEC countries.⁸²

76 *Committee Hansard*, 3 February 1998, pp. 414.

77 *Committee Hansard*, 3 February 1998, p. 415.

78 *Committee Hansard*, 3 February 1998, pp. 415–16.

79 *Committee Hansard*, 3 February 1998, p. 415.

80 *Committee Hansard*, 23 March 1998, p. 794.

81 *Committee Hansard*, 5 February 1998, p. 584.

82 See Transcript of the Prime Minister, the Hon John Howard MP Address to the APEC Business Summit, Putra World Trade Centre Kuala Lumpur, 16 November 1998, *PM's Homepage* Internet site: <http://www.pm.gov.au/media/pressrel/speech/1998/apecbusi.htm> (4 August 1999).

8.84 DFAT's idea of 'capacity building' was focused on the strengthening of market capacity, with the assumption being that wealth thus accumulated would disperse in developing communities equitably and automatically, without intervention from APEC. Mr Peter Grey, then Australian Ambassador for APEC, told the Committee that APEC is about:

facilitating economic growth. It is based on an assumption that improved economic growth will filter down and lead to improved conditions for individuals within an economy. But how that process is undertaken, and the policies which individual governments choose to implement, is not something which APEC is involved in.⁸³

8.85 AusAID put DFAT's view of growth as the prime mover of equitable development into a broader development assistance context, describing how growth is beneficial, but only for economies with standards of good governance to ensure the benefits are shared around. Dr Robert Glasser, then Acting Assistant Director-General, Mekong Branch, AusAID, said:

I think what the studies show...is that you can have tremendous rapid economic growth and horrible inequality at the same time. So, if you do not have the policies in place, the good governance, transparency, accountable systems and a commitment by the government to distribute effectively and to make sure that as many members as possible in society can share in the fruits of growth, you can have growth and inequality at the same time.

Similarly, the studies show that without economic growth poverty is not going to be eliminated or alleviated in a country; that you can have all the goodwill that you want but, without the money and the support and foreign direct investment and savings in a society and economic growth, you are not going to be able to do anything about inequality in a society.

So the lessons for the aid program are that you need to encourage growth, and in this case APEC's agenda is doing that through free and open trade, but that is not enough and it is important at the same time—with the aid program funds, for example—to fund activities in those countries that promote good governance, that promote public accountability. If you get the governance right, you will have the combination of good growth and you will address also the income in inequalities within a country.⁸⁴

8.86 AusAID's current operational stance has, in part, been modelled on *One Clear Objective: Poverty Reduction through Sustainable Development*, the Simons Committee of Review Report 1997. The report defined the concept of good

83 *Committee Hansard*, 20 October 1997, p. 87.

84 *Committee Hansard*, 23 March 1998, pp. 776–77.

governance as ‘the effective management of a country’s social and economic resources in a manner that is open, transparent, accountable and equitable’.⁸⁵

8.87 The objectives to be realised through good governance are identical to those that APEC’s development cooperation agenda aims to achieve. Even so, as AusAID explained in its submission, Australian support for its promotion in APEC developing member economies comes substantially out of AusAID’s bilateral budget:

The primary focus of AusAID’s aid program is on poverty reduction and sustainable development in the Asia Pacific region. With limited resources, Australia focuses its aid effort on developing countries in the region. Over 80 percent of Australia’s total aid budget is delivered in the region. Many of our development cooperation partner countries are also members of APEC. The bulk of Australia’s aid to APEC developing countries is actually delivered through AusAID’s bilateral and other regional programs.⁸⁶

8.88 AusAID submitted that, during 1997–98, Australia had committed over \$40 million to activities which ‘support trade capacity building and economic governance, including in APEC developing countries’. This represented support of a wide range of TILF and Ecotech activities in sectors such as education, infrastructure, transport and energy, and natural resource extraction.⁸⁷

8.89 Dr Glasser said that AusAID’s major organisational response to APEC had been the establishment of the APEC Support Program which, as a feature, had brought about an increased degree of engagement between departments carrying out activities under the Program.⁸⁸ In early 1998, over \$5 million had been committed to implement Support Program activities with ‘priority given to proposals, which provide direct assistance to these economies in maximising the benefits offered by a free trade environment’.⁸⁹

8.90 In its aid budget summary for 1999–2000, AusAID reported that Australia would provide \$1.5 billion as official ODA over the period, an increase of \$22 million over the 1998–99 budget figure. The Asia Crisis Fund was doubled to \$12 million and country assistance for Indonesia was increased by \$6 million (total flows at \$121 million). Other developments included broader focused funding for a new three-year micro finance initiative (for extending credit to very poor entrepreneurs) to the value of \$3 million dollars, and a 30 per cent increase in funding to the Human Rights Fund,

85 *Better Aid for Better Future*, November 1997, Government response to *One Clear Objective: Poverty Reduction through Sustainable Development, Report of the Committee of Review 1997*, Australian Overseas Aid Program, April 1997, p. 223.

86 Submission no. 57, p. 7.

87 Submission no. 57, p. 8; and see Appendix 3.

88 *Committee Hansard*, 23 March 1998, p. 778.

89 Submission no. 57, p. 9.

to \$1 million.⁹⁰ AusAID would also provide funding for technical assistance to set up the Asia Development Bank's Asia Recovery Database in Manila.⁹¹ In 2000–01, the Asia Crisis Fund was replaced by the Asia Recovery and Reform Fund, which was allocated \$6 million. The purpose of the Fund is to assist countries in the region to undertake economic restructuring in the immediate post-crisis period, with a view to achieving sustained recovery and stronger social protection systems. This is intended to reduce the risk of future crises and help ensure long-term economic and social gains from future development.

8.91 Mr Ian Dunlop, Chief Executive of the Australian Institute of Company Directors, and a leading advocate for corporate governance reform, warned that the recent signs of recovery in the region, having occurred faster than expected, might forestall necessary corporate governance and government reforms initiated during the depth of the crisis. Without these, lack of accountability and associated inequities of the past will not be moderated and future market growth will be without integrity or predictability. Mr Dunlop emphasised that governance also needs to encompass the integrity of legislative, regulatory and political structures, not just corporate practice.⁹²

Conclusion

8.92 From the outset, the role of development cooperation in APEC has been to assist members to reduce disparities in economic development among them so that all members can share the benefits of liberalisation. In APEC rhetoric, development cooperation has been one of APEC's three pillars. It has been clear, however, from the evidence available to this Committee, that APEC has focused much more of its attention on its TILF agendas at the expense of development cooperation. It was not until the severe adverse effects of the Asian financial crisis became apparent that development cooperation assumed a greater role in amelioration of those effects. Even now, not everyone is convinced that APEC is giving enough attention to its Ecotech program.

8.93 Both APEC and the WTO experienced setbacks in 1998–99. In November 1998, APEC failed to agree on its early voluntary sectoral liberalisation program, passing it instead to the WTO. In November/December 1999, the WTO meeting in Seattle failed to launch a comprehensive round of world trade talks. At the time of publication, no round had been launched. In both cases, the Federal Opposition was critical of the Government, arguing that APEC could have been better used to help initiate a new WTO round, and that the Australian Government had become a spectator, rather than a player, at the WTO.

90 Aid Budget Summary 1999–2000, Australian Agency for International Development, *AusAID* Internet site: http://www.ausaid.gov.au/publications/general/budget99/Budget99_Summary.html (9 August 1999).

91 See 'ADB to Establish An Asia Recovery Information Centre Web Site', *ADB News Releases Online*, Internet site: <http://www.adb.org/news/1999/nr063-99.asp> (12 July 1999).

92 Sue Mitchell, 'Asian Reforms Under Threat', *Australian Financial Review*, 2 July 1999, p. 52.

8.94 As discussed elsewhere in this report, the Committee believes that APEC should not back away from its pursuit of its Bogor goals in respect of trade and investment liberalisation. Nevertheless, at this time of lower activity on the liberalisation front, there is an opportunity to give considerable more focus to development cooperation. This would not only help members which are still recovering from the financial crisis but also others which are not yet in a position to maximise the economic and other benefits available from liberalisation. With such assistance, member economies, which are currently hesitant to embrace further liberalisation measures, might become less reluctant to pursue APEC's liberalisation agenda.

Recommendation

The Committee recommends that the Australian Government initiate and support moves in APEC to give greater attention to development cooperation programs.

The Committee believes that APEC should continue to seek business support for development cooperation programs. Although business will benefit directly from many of the Ecotech projects run with its support, it will also ultimately benefit from greater liberalisation which should result from APEC's development cooperation program.

