

AN ASIA-PACIFIC MODEL OF DEVELOPMENT COOPERATION*

EXECUTIVE SUMMARY

The 1994 Bogor Declaration of the Asia-Pacific Economic Cooperation (APEC) leaders called for "intensifying development cooperation in the region" based on confidence that all APEC participants can contribute to maximizing the potential of each economy for sustainable economic growth in line with its own priorities. Such contributions can be made by sharing expertise, experience, information and technology as well as by financing specific activities. The Osaka Agenda sets out a policy framework for such cooperation; the Partners for Progress proposal from Japan has been endorsed as one means of implementing some cooperative activities, and the Government of Japan has committed 10 billion yen to such activities.

At the same time, there is substantial uncertainty and divergence of views among participants about the scope, or even the desirability, of promoting development cooperation through the APEC process. There is

*This paper is based on a research by a project team convened by The Foundation for Development Cooperation (FDC) of Australia to develop a conceptual framework for promoting development cooperation through the APEC process.

The project is sponsored jointly by FDC, the International Development Studies Centre of Japan and the School of Asia Pacific Studies of Brandeis University, Massachusetts, USA.

Dr. Andrew Elek of the Australian National University presented this paper on behalf of the project team at the Regional Conference of the APEC Study Centers, Manila, May 9-10, 1996.

considerable reluctance even to use the term "development cooperation" in the context of APEC. Such reservations are understandable in view of the nature, motivation and implications of some past forms of "foreign aid." But it is now time to look to the future and to make intelligent use of the opportunity created by the new APEC process to help realize the full potential of all Asia-Pacific economies.

The APEC process has made remarkable progress in just a few years. The Bogor Declaration and Osaka Action Agenda reflect a clear commitment to closer economic integration of the region through the progressive dismantling of the remaining impediments to trade and investment.

Drawing on the experience of ASEAN, the APEC process has followed the guiding principles of careful consensus-building, openness, mutual respect and mutual benefit. This has led to the evolution of a unique Asia-Pacific approach to cooperation and firm commitments to dismantle impediments to international economic transactions through a process of concerted unilateral decisionmaking, which respects the autonomy of each participant over its policies.

The next challenge is to build on the newly established habit of consultations to create a climate of cooperation on matters going beyond trade and investment—to define an equally innovative Asia-Pacific model of development cooperation based on the same broad principles. To do so, it is important to draw lessons from past experience of both economic and technical cooperation as well as to recognize the evolving economic and political realities of the region. With continuing rapid changes in the relative strength and influence of Asia-Pacific economies, development cooperation can no longer be seen as a one-way flow of assistance from developed to developing economies. It has become more appropriate to see it as a sharing or pooling of resources including experience and expertise, rather than a transfer of financial resources.

Part One of the Osaka Action Agenda has clarified the implications of the basic political commitment to free and open trade and investment in the Bogor Declaration and sets out operational guiding principles and a well-developed strategy of implementation. This paper seeks to build on the

broad concepts set out in Part Two of the Osaka Action Agenda to clarify the implications of the shared commitment of APEC leaders to intensify development cooperation. Drawing on those concepts and ideas put forward by the APEC Eminent Person Group and the proposal of Partners for Progress (PFP), it is possible to set out precise objectives, guiding principles and priorities for APEC member-economies to implement a realistic and balanced strategy for development cooperation.

Objectives and Guiding Principles

As agreed in the Osaka Action Agenda, the objective of development cooperation is to enhance the capacity for sustainable growth and equitable development in the Asia-Pacific region while reducing economic disparities among APEC economies and improving economic and social well-being. Such efforts can contribute to community-building and facilitate the growth of trade and investment in the region.

The primary guiding principle is that, in line with APEC's fundamental principles, joint cooperative activities of APEC economies shall be conducted on the basis of mutual respect, including respect for diversity, mutual benefit, genuine partnership and consensus-building.

Consistent with the APEC model of voluntary cooperation, the autonomy of each APEC economy with regard to its policies will be respected. Accordingly:

- each participant will be encouraged to make voluntary contributions to development cooperation, based on the perception of mutual benefit and commensurate with its capabilities, through APEC mechanisms and other acceptable means, and
- cooperative activities will promote policies and objectives already agreed upon by participants, either jointly with APEC member-economies, or individually through their domestic policymaking processes.

To develop an environment favorable to the effective operation of market mechanisms, development cooperation:

- should be consistent with market forces and avoid duplicating activities which can be implemented by the private sector or other pertinent institutions;
- should improve the efficiency of market by, among others, encouraging private sector to support activities which promote the objectives of development cooperation; and
- should promote the efficient allocation of resources by offsetting market failures and anticipating the implications of increasing economic integration of Asia-Pacific economies.

Priorities

In assessing the consistency and merits of proposals for cooperation, it is imperative to have some guiding principles and criteria for setting priorities:

To help build a *sense of community* among Asia-Pacific economies, priority should be given to development cooperation activities which:

- are perceived to be mutually beneficial to all members,
- draw contributions from several participants,
- generate widely spread benefits, and
- in principle, are open to subsequent involvement of nonmembers and demonstrate a serious commitment to contribute and share the benefit of cooperative activities.

To help realize the sustainable growth potential of Asia-Pacific economies, APEC's cooperative efforts should concentrate on activities which:

- develop human resource,
- enhance institutional capacities, and
- strengthen the technological capabilities of Asia-Pacific economies.

Particular emphasis will be on activities which:

- contribute to safeguarding the region's environment, and
- enhance the prospects for private investment in economic infrastructure.

Recognizing the potential contribution of *progress toward free and open trade and investment* to the welfare of all Asia-Pacific economies, priority will be given to activities which:

- enhance the capacity of APEC member-economies to implement policies to facilitate or liberalize trade and investment, and
- help Asia-Pacific economies to anticipate the net benefits and adjust to the implications of closer economic integration.

Accountability

For a responsible pursuit of the shared objective of development cooperation, activities collectively supported by APEC member-economies shall have:

- explicit objectives and timetables,
- performance criteria which can be monitored,
- a positive balance of benefits over cost, and
- provisions to ensure effective management such as promoting transparency and competitive procurement, and avoiding distortion of market signals.

Consistent with the guiding principle of market-consistency, priority will be given to providing *public goods*, with emphasis on those which:

- help to identify opportunities for trade and investment created by the progressive elimination of impediments to international economic transactions in the region,
- deal with any potential negative consequences (externalities) of progressively closer economic integration, and
- improve the operation of markets.

To avoid duplication, priority will be given to public goods which are not expected to be supplied by the private sector or by existing programs or institutions involved in promoting development cooperation.

To promote the *integration* of the business/private sector in the cooperation process as well as to involve, whenever possible, other pertinent

institutions, the design of cooperative activities to be collectively promoted should seek to:

- set examples to be followed by others, and
- reduce impediments to the pursuit of such activities.

A Strategic Choice for APEC

To promote development cooperation, APEC member-economies could choose to concentrate their collective efforts on setting up new APEC mechanisms. They could also use the unique advantages of the APEC process to involve the private sector and to optimize the effectiveness of existing programs of development cooperation. The choice is not a mutually exclusive one, but a matter of balance.

There is certainly scope to continue in the direction already indicated in the Osaka Action Agenda which is to select and initiate some activities to be sponsored and funded directly through APEC channels. At the same time, once an Asia-Pacific model of development cooperation is defined, it will be easier for member-economies to encourage cooperative activities which are also consistent with the model to be financed and administered through other channels. Such a complementary effort can, over time, achieve an increasingly coherent approach to development cooperation so that all agencies can work toward the enhancement of the region's potential for sustainable growth. Such is in line with APEC's fundamental principles of mutual benefit and mutual respect.

At the outset, it may appear to be more manageable to concentrate on new mechanisms such as the Partners for Progress (PFP) concept which are, by their nature, bound to follow the shared objectives of APEC. However, relying too heavily on activities financed through new APEC mechanisms carries several risks.

On the one hand, the scope of activities supported directly through the PFP (or other mechanisms) could remain very limited, with token amounts committed to them possibly diverted from other programs. On the other hand, Asia-Pacific governments could commit substantial resources to cooperative activities implemented through new APEC mechanisms. But

this would lead, inevitably, to the creation of another large international bureaucracy. The task of managing such program would also divert the attention of APEC committees and working groups from their originally envisaged role of policy-oriented consultations and would risk the emergence "donor" and "recipient" caucuses within APEC.

These risks can be managed if APEC adopts a modest but strategic approach; this involves recognizing that the challenge of realizing the sustainable growth potential of the region's economies is much greater than the resources directly available to APEC decisionmakers. In particular, the need for investment in economic infrastructure is well beyond the reach of the combined capacity of all public savings.

Accordingly, APEC member-economies need to see their collective development cooperation challenge as more than simply initiating some new cooperative activities through new channels. They can be more effective by selecting cooperative activities which can catalyze more effective contributions from others. These would set examples which could be followed by the private sector and other agencies and/or reduce impediments to their more effective contribution to realizing the economic potential of all Asia-Pacific economies.

Such a strategy can avoid the creation of a new APEC "aid bureaucracy." The collective focus of APEC member-economies would be to supply carefully selected, strategic, regional public goods to create an environment in which:

- more of the vast pool of private savings being generated within the region is steered, through sensible policies and market signals, into capacity-building investments to boost the growth potential of Asia-Pacific economies; and
- all existing, as well as any new, government-sponsored programs on development cooperation support the objectives outlined earlier, in ways which are consistent with the objectives and guiding principles of a new Asia-Pacific model of development cooperation.

APEC'S MULTIPLE OBJECTIVES

At the 1994 meeting in Bogor, Indonesia, APEC leaders set out the objectives of cooperation as follows:

- strengthening the open multilateral trading system,
- achieving free and open trade and investment in the Asia-Pacific region through facilitation and liberalization, and
- intensifying development cooperation in the region.

Up to now, the focus has been on the second objective, with considerable success. Target dates for free and open trade and investment have been set, the principles of facilitation and liberalization have been agreed on and implementation is under way. The initiatives announced in Osaka are worthwhile initial down payments toward realizing the Bogor vision.

These achievements provide the basis for closer cooperation among Asia-Pacific governments to set the global economic agenda. The first meeting of World Trade Organization (WTO) Ministers in Singapore in late 1996, just after APEC's meeting in Subic, Philippines, can be an important opportunity for APEC to provide collective leadership. In addition, to attain a better balance among APEC's multiple objectives, member-economies now need to find ways of promoting substantive economic and technical cooperation. Philippine President Fidel V. Ramos, in his letter inviting APEC leaders to the 1996 meeting, emphasized the need for APEC to promote development cooperation among its diverse participants.

APEC has already succeeded in fostering the habit of dialogue on a wide range of economic policy issues. The next challenge is to create a culture of cooperation on economic issues beyond trade and investment. To help meet the challenge, this paper proposes a conceptual framework of an Asia-Pacific model of development cooperation.

In the Osaka Action Agenda APEC defined a unique approach to facilitating and liberalizing trade and investment — an Asia-Pacific model suited to the economic and political realities of a dynamic, but diverse region. This model, based on concerted unilateral decisionmaking, recognizes the voluntary nature of the APEC process as well as the autonomy of

each participant to determine its own policies. The time has come to create a correspondingly imaginative model to give substance to the shared desire to promote development cooperation in the Asia-Pacific region.

In proposing such a model, this paper draws on the early experience of the APEC process and on the experience of ASEAN which has pioneered effective cooperation among Asia-Pacific governments. The model also draws on the extensive experience of economic and technical cooperation involving APEC participants, including programs of bilateral assistance, multilateral development agencies and the work of nongovernment organizations (NGOs).

The preparation of this paper has also benefited considerably from some recent thinking on development cooperation among APEC participants, particularly the concepts and possible mechanisms set out in the 1995 Report of the APEC Eminent Persons Group and Japan's 1995 Partners for Progress (PFP) proposal. Their contributions are already reflected in the Osaka Action Agenda.

The recommendations of this paper can be regarded as an elaboration of Part Two of the Osaka Action Agenda, in some cases drawing directly on its essential elements, in order to give operational content to the concept of development cooperation, involving both economic and technical cooperation in the Asia-Pacific region.

OBJECTIVES OF DEVELOPMENT COOPERATION

The ultimate objective of all of APEC's effort is to foster a growing sense of community within the Asia-Pacific region based on the ideals of mutual respect and mutual benefit. Based on consensus-building and trust, the regions' economies will be confident to commit themselves voluntarily to shared goals and increasingly convergent approaches that promote economic growth and closer integration of their economies.

Development cooperation can make an important contribution to this goal by helping each economy to realize its potential for sustainable growth.

That, in turn, will further reduce the existing economic disparities and enhance economic and social well-being throughout the region.

The potential for sustainable growth of Asia-Pacific economies can be increased by improving the availability and efficiency of economic infrastructure and by enhancing their institutional and technological capacity. As noted in the Osaka Action Agenda, such efforts will facilitate the growth of trade and investment, help achieve the Bogor targets for dismantling impediments to trade and investment in the region, and help all participants to anticipate, then respond positively to the many implications of closer economic integration.

Based on the formulation adopted in the Osaka Action Agenda which contains these themes, the objective of development cooperation among APEC participants can be summarized as follows:

APEC economies will pursue development cooperation in order to enhance the capacity for sustainable growth and equitable development in the Asia-Pacific region, while reducing economic disparities among APEC economies and improving economic and social well-being. Such efforts can contribute to community-building and facilitate the growth of trade and investment in the region.

This is a challenging combination of ambitions for development cooperation. It will not be achieved simply by pledging more money. The history of economic development has demonstrated that cooperation — pooling knowledge, sharing information, experiences and expertise — can enhance the capacity for sustainable economic growth more effectively than transfers of financial resources.

Recent decades have also seen a remarkable rise in the share of global production and trade of Asia-Pacific economies, combined with radical changes in the relative economic strength of economies in the region. These changes are expected to continue, and they will translate, inevitably, to changes in relative political influence. Within the region, massive changes

are anticipated as all aspects of APEC will evolve. Globally, APEC has the potential to exercise considerable collective leadership in shaping the international economic agenda of the 21st century. APEC member-economies, therefore, have the opportunity and the responsibility to lead the way through a new approach to development cooperation.

It is imperative to complete the break from past modes of development which, at times, have been driven by a combination of charity, ideology, security alliance, short-term commercial interests and donors' wish to exert leverage over the policies of recipients. These facets of past foreign aid have made it difficult to present a new concept of development cooperation which can suit the APEC process — it has made even the use of the term "development cooperation" almost impossible.

All these considerations imply that the new Asia-Pacific model of development cooperation needs a solid conceptual framework built on agreed upon guiding principles, priorities and a strategic approach to ensure that cooperation fosters a genuine sense of community and generate mutual economic benefits.

GUIDING PRINCIPLES

The fundamental guiding principles of APEC, set out in the Seoul APEC Declaration and in subsequent joint statements of economic leaders, can be summarized as openness, equality and evolution.

- *Openness* reflects the concept of open regionalism to promote global as well as regional welfare. This implies that APEC should, in principle, be open to new participants with a serious commitment to cooperation. It also implies that decisions to promote the objectives of APEC should be transparent and avoid discrimination.
- *Equality* implies that activities should be of mutual benefit to all participants, combined with respect for diversity within the region.
- *Evolution* reflects a gradual, pragmatic and sustained process of voluntary cooperation within which substantive cooperation can evolve through consensus-building.

These principles underlie all successful cooperation in the Asia-Pacific region. They have been reflected in the nature of ASEAN and in the Pacific Economic Cooperation Council (PECC). Adherence to these principles has made possible APEC's remarkably successful evolution since its establishment in 1989 and the creation of a unique Asia-Pacific model for achieving free and open trade and investment. The leaders of APEC now have the opportunity to create a correspondingly innovative model for promoting development cooperation, based on the same ideals.

Accordingly, the primary guiding principle for development cooperation can be expressed as:

In line with APEC's fundamental principles, development cooperation promoted by APEC economies will be conducted on the basis of mutual respect, including respect for diversity, mutual benefit, genuine partnership and consensus-building.

RESPECT FOR DIVERSITY

APEC is a voluntary process of cooperation which recognizes the autonomy of each APEC member-economy over its policy decisions. Effective consultations and consensus-building can encourage participants to adopt shared objectives and to make coordinated or concerted decision-making to achieve them. Concerted unilateral decisionmaking can be applied to promote development cooperation and to the facilitation and liberalization of trade and investment.

Under this model, each APEC participant decides whether to be involved in any cooperative activities, either through any APEC mechanisms which may be established or through other means including bilateral, multilateral or nongovernmental channels. At the same time, APEC consultations can encourage such activities to be designed and managed in ways which are consistent with objectives and guiding principles jointly endorsed by APEC participants. In practical terms, this will mean the adoption of compatible objectives and increasingly converging procedures.

These, in turn, can open up new options for development cooperation, possibly including joint operations among participants at all levels of development.

Mutual respect will need to be nurtured carefully. APEC not only needs to cope with the current reality of large disparities in income and technological capacity but also has to anticipate major changes in economic structures and relative strengths. In such a complex environment, genuine respect for diversity within the region is essential for the survival of APEC. Great care will be needed to avoid the erosion of mutual respect in economic and technical cooperation due to current perceptions that some are more technologically or economically advanced than the others.

If there is to be genuine mutual respect, it will be important to focus on activities where each participant makes a genuine contribution, commensurate with its capabilities. Such contributions need not be financial: it is more appropriate to see the Asia-Pacific model of development cooperation as a sharing or pooling of resources, with emphasis on sharing of experiences, expertise and information rather than a transfer of resources from rich to poor economies.

Development cooperation along these lines would be consistent with the concept of "pooling resources," which has been developed by ASEAN to guide their cooperative activities, setting a valuable precedent for cooperation among developing economies. Such pooling of resources does not involve setting up a common fund or a new bureaucracy. It is more appropriately described (as in the original research proposal for Partners for Progress) as "diverse participants working collectively, pooling their respective strengths to help sustain and enhance the dynamism of each economy and the region as a whole."

Mutual respect also suggests focus on activities where each participant perceives substantive long-term benefits in terms of increased potential for sustainable growth. There are many potential activities, including collective efforts to reduce the negative impact of expanding economic activity on the region's environment, which are in the long-term, in the interest of all Asia-Pacific economies. Such activities need to be distinguished from "assis-

tance” sometimes designed to yield short-term commercial advantage to donors.

Just as important, mutual respect also implies that cooperative activities encouraged through APEC should promote the achievement of the agreed objectives and policies of participants, while respecting the autonomy of each Asia-Pacific government over its economic policies. In some cases, these will be shared objectives, arrived at through a consensus using the APEC process. In other cases, they will reflect purely domestically determined objectives. In both cases, the role of cooperation among APEC participants will be to support objectives already agreed on. Again, such development cooperation must be clearly distinguished from “assistance” where aid recipients implement policies that are in line with the preferences of donors.

To deal with these important as well as sensitive issues, it is essential to give precise operational meaning to APEC’s principles of mutual respect and voluntary cooperation. Thus, a second guiding principle can be expressed as follows:

Consistent with the APEC model of voluntary economic cooperation, the autonomy of each APEC economy over its policies will be respected. Accordingly,

- **each participant will be encouraged to make voluntary contributions to development cooperation, based on a perception of mutual benefit and commensurate with their capabilities, through APEC mechanisms as well as other means; and**
- **cooperative activities should promote policies and objectives already agreed upon by participants, either jointly through the APEC, or individually through their domestic policy-making processes.**

“MARKET-FRIENDLY” DEVELOPMENT COOPERATION

The recent rapid rise of living standards in the region has been made possible by sensible economic policies and a willingness to adapt to changing economic circumstances. But the driving force has been private sector initiative in response to market forces. In this context, it makes sense for any development cooperation promoted through APEC to be “market-friendly,” neither seeking to do what can be done through markets, nor distorting prices or other market signals to divert trade or investment.

Accordingly, the focus should be on carefully identifying those public goods which are not likely to be supplied adequately in response to market forces. Experience has shown that it is not easy to distinguish such public goods. Many facilities and services previously supplied by governments can be efficiently supplied by the private sector if governments act astutely to set appropriate market signals and to improve the efficiency of markets.

Even within public goods, it make sense to identify those which require the collective, as against individual, attention of APEC. As economies become increasingly interdependent, it becomes difficult to distinguish between international and domestic economic policies. Correspondingly, most public goods provided by governments influence both domestic economic activity and international economic transactions.

Some public goods, such as education and health services, can be supplied by individual governments. Other public goods, such as the rules and disciplines of international trade, or APEC's own guiding principles and objectives, can only be provided by explicit cooperation among governments. In most cases, as in improving transport and telecommunications infrastructure, public goods can be provided by individual governments, but their efficiency can be improved by cooperation among governments; for example, through the mutual recognition or harmonization of standards or greater convergence in approaches to commercial regulations.

Even where collective efforts of Asia-Pacific economies appear to be warranted, it need not follow that such activities need to be promoted through new APEC mechanisms. There are already a vast number of

bilateral, multilateral and nongovernmental programs of development cooperation in the region and it would be inefficient for APEC to duplicate existing channels. Where certain types of international public goods appear to be inadequate, it is sensible to examine whether the gaps could be met by enhancing the capacity or refining the terms of reference of existing channels or by creating or expanding APEC mechanisms.

APEC faces a strategic choice between acting as a catalyst to optimize the effectiveness of existing programs of development cooperation and setting up new channels. As discussed in the succeeding paragraphs, such a combination is possible. In order to devise a strategic approach and to set priorities for the types of development cooperation which APEC can sensibly promote through collective efforts, it will be essential to agree on a succinct and operational guiding principle that reflect the need for efficiency, along the following lines:

In pursuing cooperation, APEC member-economies will develop an environment favorable to the effective operation of market mechanisms, involving and integrating the business/private sector and other pertinent institutions involved in cooperative activities. Accordingly, development cooperation should:

- **be consistent with market forces and avoid duplication activities which can be implemented by the private sector or other pertinent institutions;**
- **improve the efficiency of markets by encouraging private sector support of activities which promote the objectives of development cooperation; and**
- **promote the efficient allocation of resources, by offsetting market failures and anticipating the implications of increasing economic integration of Asia-Pacific economies.**

SETTING PRIORITIES

The potential scope for both economic and technical cooperation is vast. The Osaka Action Agenda has identified 13 specific areas for cooperation, namely:

1. human resource development
2. industrial science and technology
3. small and medium enterprises
4. economic infrastructure
5. energy
6. transportation
7. telecommunications and information
8. tourism
9. trade and investment data
10. trade promotion
11. marine resource conservation
12. fisheries
13. agricultural technology

Nearly 200 activities have already been proposed in these fields to supplement other activities already being pursued by other development cooperation agencies active in the region.

If collective efforts through APEC are to make a substantive contribution and avoid duplication, it is urgent to set clear priorities and to select activities which merit support through APEC mechanisms. These priorities, derived from the objectives and three basic guiding principles, can be grouped under:

- community building,
- sustainable development,
- free and open trade and investment,
- accountability,
- contribution to public goods,
- avoiding duplication of existing programs, and

- integrating the private sector and other pertinent institutions into the cooperation process.

The following discussions propose operational criteria for assessing the consistency of proposals for economic or technical cooperation with these seven broad priorities. It also sets the stage for a discussion of strategic choices to be made and their administrative implications.

COMMUNITY BUILDING

Cooperative activities with potential to improve sustainable growth are more likely to foster a sense of community among APEC member-economies than activities which are perceived to be a sacrifice of resources by some economies to benefit others. In practice, the potential cost and benefits of activities to particular participants are very difficult to predict. It follows that a sense of balance of benefits, which is certainly needed for community-building, is more likely to be achieved if activities involve contributions from several participants, broadly commensurate with their capabilities, and from which many participants can benefit.

A sense of community and a balance of contributions is more likely to be sustained if the sharing of practical experiences and information are valued along with those of cash or equipment.

Correspondingly, community building is more likely to be fostered by the widespread sharing of expertise and practical approaches and by solving shared policy problems than by financing the construction of physical facilities.

For example, a proposal to share "best practice" technologies for minimizing the environmental damage of increased electric power generations by sharing application experiences and selection of methods seems consistent with APEC's idea of community building. While "best practice" technology may have been developed in some particular economies, practical experiences in adapting and applying such technologies to specific conditions can be shared by all member-economies. Such a proposal would appear to be more consistent with fostering a sense of community than a

proposal by one government to pay for the installation of environmental control machinery in a plant in one particular economy.

Currently, most cooperative activities pursued by APEC are targeted on particular developing economies, either bilaterally by a development agency of a single donor, or channelled through regional or multilateral institutions such as the Asian Development Bank (ADB). To enhance the potential for community building while minimizing the risk of duplication, APEC should rely on its newly developed comparative advantage of facilitating collective actions among its members. Accordingly, it will be sensible to use any new APEC mechanism to promote "plurilateral" activities which involve contributions from several economies and can benefit as many participants as possible.

Some programs of training and technology sharing, drawing on practical experiences of both developed and developing economies, can conform well to this priority. A recent proposal for training in the administration of industrial property rights for consideration under the PFP initiative involves training by experts from developed and developing economies, and all member-economies can recommend people to be trained. Such an activity merit further consideration since it contributes to APEC's priority of fostering a sense of community in the region. On the other hand, proposals to train people from just one economy by trainers from a single developed economy may be best left to other agencies.

Especially in its early years, it would be sensible for cooperative activities to focus on APEC member-participants. At the same time, consistent with the spirit of open regionalism, the promotion of development cooperation within APEC should not put nonmembers at a disadvantage particularly developing economies in APEC's neighborhood, such as the Pacific Island nations.

At the outset, it will be important to avoid creating a perception of a diversion of attention. APEC participants should not be discouraged from maintaining or expanding their cooperation with nonmembers through already existing channels. Once experience in implementing activities promoted through the APEC process is gained, it should also be possible

to involve some of APEC's neighbors, including those economies which may subsequently participate in the process. Training courses would be designed to be open, in principle, to nonparticipants who demonstrate serious interest in sharing their abilities. This way, economic and technical cooperation promoted by APEC can encourage an inclusive, not exclusive, sense of community.

Summing up, the contribution of proposed cooperative activities to APEC's priority on community building can be assessed according to the following criteria:

To help build a sense of community among Asia-Pacific economies, priority should be given to development cooperation activities which:

- **are perceived to be beneficial to all members;**
- **draw on contributions from several participants;**
- **generate widespread benefits, enhancing the sustainable growth potential of many Asia-Pacific economies; and**
- **are, in principle, open to subsequent involvement of non-members who demonstrate a serious commitment to contribute and to share the benefit of cooperative activities.**

SUSTAINABLE DEVELOPMENT

There are many constraints to an economy's potential for sustainable growth, including shortages of:

- human resources
- institutional capacity
- technological capability
- infrastructure
- other natural resources
- financial resources and
- environmental constraints.

Development cooperation can ease these constraints but the proposed guiding principles can help focus attention on constraints where collective efforts of APEC member-economies appear to be most needed.

For example, there are considerable opportunities for cooperative activities in the area of enhancing human resources and institutional as well as technological capacity. It is not surprising that the largest number of proposals for cooperative activities to be promoted through the APEC process are in the field of human resource development. The Osaka Action Agenda (Part Two, Section B) lists many proposals for sharing information, experience and expertise. Some of these are proposals for regionwide exchanges of people and training, such as the APEC Business Volunteer Program and regionwide training in the administration of product, process standards and intellectual property rights. In addition, many of the proposals listed under other specific areas such as transport, energy and economic infrastructure are ideas for human resource development, combined with cooperation to strengthen institutions and to disseminate more efficient and/or more compatible technology.

One interesting proposal listed under "economic infrastructure" and based on recommendations made by the APEC Eminent Persons Group, is to:

compile best practices for use as benchmarking in the examination of the respective roles of public and business/private sectors, and developing guidelines on infrastructure investment to ensure a more transparent and coherent environment for the business/private sector.

Such activities can lead to the strengthening of institutional capacity to absorb new technology and improve the efficiency of market (including capital markets) to encourage private sector investment in economic infrastructure.

Many of the proposals for human resource development and for strengthening institutional capacity and technology capability should also

serve to ease environmental constraints on sustainable growth. These include a proposal:

to improve environmental performances through expanded programs in the field of clean coal technology, renewable energy resources and end-use energy conservation measures, leading to the exploration of cooperative multilateral programs to reduce climate change concerns, such as demonstration projects which lead to joint implementation.

For each Asia-Pacific economy, the adequacy of economic infrastructure depends on a combination of factors, including:

- the ability to anticipate requirements,
- the efficiency of operating existing infrastructure,
- the efficiency of capital markets, and
- the financial capacity to invest in infrastructure facilities.

The first three factors can be addressed through cooperative activities to enhance human resources, technology and institutions. The last yet very important factor depends largely on the ability to attract private investment into economic infrastructure.

Financial assistance, some of which is currently channelled through bilateral aid programs and multilateral development agencies, contributes to investment in infrastructure facilities. Financing the physical infrastructure of any Asia-Pacific economy will benefit other economies, but this is not the kind of activity which tends to involve collective action by many governments or to contribute to a perception of benefits spread either widely or evenly among participants.

Perhaps even more important, public investment cannot match the demand for additional facilities ranging from harbors, airport, power generation and distribution, water and sanitation which will be needed to cope with the explosive growth of production and trade in the Asia-Pacific region. During the next few decades, the amount needed for such investment will greatly exceed the likely availability of domestic public savings or of external savings channelled through bilateral or multilateral development coopera-

tion agencies. The bulk of the finance needed for new infrastructure will have to be mobilized from private savings, from a combination of domestic and international sources.

Asia-Pacific governments can play a catalytic role in meeting this challenge, by drawing on the collective experience of member-economies. Recent experience confirms that, with an appropriate policy environment, a considerably greater proportion of the physical infrastructure needed in the region can be financed from private sources. Sharing experiences about policy options on ownership (including build-operate-transfer options), financing instruments (e.g., the development of long-term bond market), rational approaches to regulation, risk-sharing and pricing of outputs such as power and telecommunications, as well as design and tendering procedures, can create a very useful pool of knowledge. Any APEC member economy could draw from this information to create a favorable policy environment for attracting private investment in physical infrastructure.

Since long lead-times are involved in major infrastructure projects, there is also considerable time for APEC member-economies to pool information and forecast demand for infrastructure in order to alert the private sector of new and potential commercially viable investment opportunities.

International economic cooperation can ease some financial constraints on sustainable growth. Examples include making external savings available to cope with balance-of-payments crises due to unexpected fluctuations in the prices of natural resources or essential consumer goods, or disruptions of production due to natural disasters. At the same time, transferring financial resources to meet such needs is not conducive to generating a genuine perception of mutual benefit or respect; it is also difficult to achieve a wider spread of benefits. Moreover, transferring money does not require collective decisionmaking. Any collective effort is, in practice, likely to lead to "pledging sessions" and concerns over "burden-sharing," neither of which is consistent with the underlying guiding principle of voluntary cooperation. It would, therefore, seem consistent with the objectives and guiding principles of APEC to leave purely financial assis-

tance to other programs and institutions and to concentrate collective attention on easing other constraints on sustainable growth.

To help realize the sustainable growth potential of Asia-Pacific economies, APEC's cooperative efforts should concentrate on activities which:

- **develop human resources,**
- **enhance institutional capacities, and**
- **strengthen the technological capability of Asia-Pacific economies.**

Particular emphasis will be on activities which:

- **contribute to safeguarding the region's environment, and**
- **enhance the prospects for private investment in economic infrastructure.**

FREE AND OPEN TRADE AND INVESTMENT

The Osaka Action Agenda makes it clear that implementing many aspects of facilitating and liberalizing trade investment can be supported effectively by programs of economic and technical cooperation. Human resources development, combined with strengthening institutional and technological capability, can contribute to the capacity to cope with the legal and administrative aspects of important proposals, including prospects for the mutual recognition of a wide range of product and process standards or the harmonization of customs procedures.

Part One of the Osaka Action Agenda, which deals with facilitation and liberalization, lists several proposals for collective actions which involve the collection and sharing of information and training. Sample proposals include:

- developing and maintaining an APEC database of both tariff and nontariff impediments to free and open trade and investment;
- training to promote the harmonization of customs valuation procedures;
- training in the administrative implications of protecting intellectual property rights; and
- strengthening the capacity of member-economies to develop and implement competition policies.

Part Two of the Osaka Action Agenda also contains many proposals to support the reduction of impediments to international economic transactions in the region, ranging from:

- training courses on standards and conformance;
- sharing information and expertise on aviation and maritime safety and security to help increase the efficiency of transport facilities;
- training on fostering competition and prospects for private sector involvement in telecommunications; and
- developing a regionwide Trade and Investment Data Database and providing training in the use and maintenance of the system.

Similar proposals are expected to emerge as further initiatives for facilitating trade and investment get under way. But capacity for implementation is not the only constraint to rapid progress toward the agreed 2010 and 2020 targets for free and open trade and investment. Specific decisions on some aspects of both liberalization and facilitation will prove difficult for some governments due to insufficient community appreciation of the potential benefits of changes combined with apprehension about the short-term costs of adjustment particularly in sectors which will face additional competition. There is ample evidence from international experience, especially from the recent experience of East Asia and other economies, on the considerable long-term net benefits from policies to enhance competition. However, it is not easy to present such evidence to affected sectors so as to reduce opposition.

The experience of several economies in the region, including Australia and Korea, has shown that resistance of vested interests can be offset over

time by presenting professional analyses of the expected benefits and costs of proposed policy changes and holding public discussion of such analyses. Accordingly, realizing the vision of free and open trade and investment in the Asia-Pacific can be facilitated by strengthening the institutional capacity of all participants for such analysis. The existence of APEC provides a new opportunity for sharing analytical techniques. Policy dialogue among APEC participants can also spread knowledge about the various experiences of implementing policies to facilitate or liberalize trade and investment including the net benefits of policy reforms and policy measures adopted in various situations to help ease adjustments due to increased competition.

Recognizing the potential contribution of “progress toward free and open trade and investment” to the welfare of all Asia-Pacific economies, priority will be given to activities which:

- **enhance the capacity of APEC to implement policies that facilitate or liberalize trade and investment; and**
- **help Asia-Pacific economies to anticipate the net benefits and adjust to the implications of closer economic integration.**

ACCOUNTABILITY

APEC needs to account for the way it allocates available resources. This implies that all cooperative activities collectively supported by APEC member-economies should have well-defined objectives, with an explicit timetable for completion. It will also be essential to demonstrate that proposed activities will be implemented cost-effectively and can be expected to lead to net benefits.

Cost-effectiveness, in turn, requires transparent procedures for procuring input and selecting staff in ways which seek to maximize competition.

It will, therefore, be essential to avoid measures which might limit competition or divert trade or investment. As emphasized by the APEC Eminent Persons Group (1995):

Projects that lead to any member-economy/economies gaining unfair advantage over others are inimical to efficient markets and should be avoided.

In practice, this means avoiding distortions of market signals through measures such as subsidies to firms from selected economies or restrictive and/or preferential rules of procurement. These can be summarized as follows:

For a responsible pursuit of the shared objective of development cooperation, activities supported collectively by APEC should have:

- **explicit objectives and timetables;**
- **performance criteria which can be monitored;**
- **a positive balance of benefits over costs;**
- **provision to ensure effective management; such as promoting transparency and competitive procurement and avoiding distortion of market signals.**

CONTRIBUTION TO PUBLIC GOODS

The guiding principles proposed above indicate that the focus of any development cooperation should be on public goods which are not likely to be supplied adequately, either in response to market forces, or by other programs or institutions for development cooperation.

By their nature, public goods are designed to deal with market failures or to cope with the "externalities" or side effects of market-driven economic activity. To avoid duplication, it would make sense for APEC to focus its collective efforts on those market failures which may stand in the way of

closer economic integration through trade or investment and on externalities. These are not all policy issues. Practical problems of transport or communications can be exacerbated by APEC reforms which promote trade and investment.

Economic cooperation among member-economies can help anticipate some implications expected from an acceleration of trade due to the reduction of impediments. Such expansion will create commercially viable opportunities for private sector investment in economic infrastructure, particularly in transportation and telecommunications, but it may be difficult for markets to anticipate these opportunities. It may also be difficult for the private sector to respond to these opportunities due to the weaknesses of long-term capital markets; such market failures can be eased by sharing experience and expertise. At the same time, it will be important to distinguish activities to strengthen markets from dealing with just the symptoms of market failure, avoiding attempts to supply goods or services which, under different policies or with better information, could be supplied by the private sector.

Examples of cooperation activities to deal with negative externalities of increased economic activity include proposals, already under consideration, to share technology so as to reduce the negative impact of economic growth on the region's environment; for example, where international cooperation is needed to cope with cross-border pollution.

Consistent with the guiding principle of market-consistency, cooperative activities supported by collective efforts of APEC should give priority to providing public goods, with emphasis on those which:

- **help to identify opportunities for trade and investments created by the progressive elimination of impediments to international economic transaction in the region;**

- **deal with any potential negative consequences (externalities) of progressively closer economic integration; and**
- **improve the operation of markets.**

AVOIDING DUPLICATION

There is a wide range of activities already under way in the region which are supported by NGOs or directly by governments. The majority of APEC member-economies have their own bilateral cooperation programs and contribute to regional or multilateral institutions for cooperation such as the United Nations Development Programme (UNDP), Economic and Social Commission for Asia and the Pacific (ESCAP), the World Bank or ADB. Many of these have large organizations concerned with selecting, implementing and evaluating cooperative activities. None of the APEC member-economies wishes to duplicate these activities or to create another "aid bureaucracy."

This suggests considerable caution before APEC commits itself to support new proposals for economic or technical cooperation through any new APEC mechanisms. It is certainly important to assess whether such activities are already being promoted by others. It follows that:

To avoid duplication in selecting public goods whose availability may be improved through the collective efforts of APEC member-economies, priority should be given to those public goods which are not expected to be supplied by existing programs or institutions of development cooperation.

INTEGRATING THE PRIVATE SECTOR AND OTHER PERTINENT INSTITUTIONS

As already discussed, supplying the economic infrastructure, such as transport and power generation, needed to cope with the anticipated growth of production and trade is well beyond the collective capacity of APEC.

Therefore, it is not sensible for governments to "compete" with the private sector. However, there is considerable room for governments to work together and understand why private sector investment in infrastructure may fall short of needs. It should also be possible to find ways of promoting such investment by identifying likely opportunities, improving the policy environment or strengthening the operation of capital markets.

Correspondingly, something more could be done than merely avoiding duplication of activities supported through APEC mechanisms (such as Partners for Progress) and those from existing programs or institutions. A more positive approach is to take advantage of the fact that the APEC process itself has opened up opportunities for development cooperation, and may continue to do so, that go well beyond activities which are pursued directly through APEC mechanisms.

There is room enough to encourage other agencies to take up activities which have been identified as in line with APEC's objectives and guiding principles for development cooperation. This is not simply a matter of identifying new ideas and "marketing" them to existing program or institutions. It would be more appropriate and useful to assess the reasons why such activities are not being promoted adequately by other institutions, then look for ways to encourage their promotion.

Therefore, in selecting activities for collective support, APEC could look for proposals which do not duplicate others and designed to set examples which could be followed by others or reduce impediments which may currently prevent others from supporting such opportunities for economic or technical cooperation.

Accordingly:

To promote the integration of the business/private sector into the cooperation process and to involve, wherever possible, other pertinent institutions, the design of cooperative activities to be promoted collectively by APEC member-economies should:

- **set examples which could be followed by others, and**
- **reduce impediment in the pursuit of cooperative activities.**

These criteria, in turn, provided the basis of an APEC strategy to mobilize additional resources to help realize the sustainable growth potential of Asia-Pacific economies.

A STRATEGIC CHOICE FOR APEC

As noted at the outset, APEC member-economies face a strategic choice between two broad options for promoting development cooperation in line with their agreed objectives and guiding principles. The choice, which is not a mutually exclusive one, is between concentrating their collective efforts on setting up a new APEC as a catalyst to engage the private sector and optimizing the effectiveness of existing programs of development cooperation.

APEC has already endorsed the PFP proposal from Japan. There is, potentially, scope for adapting and refining the PFP to be the sole channel for implementing development cooperation activities endorsed collectively by APEC members. There is also scope for creating parallel channels. In addition, APEC is, directly or indirectly, involved in many bilateral programs and activities of regional or multilateral organizations already mentioned. Many development-oriented NGOs are also active in the region and, of course, the business sector is becoming increasingly involved in commercially viable activities which contribute to development, for example, the construction or operation of economic infrastructure.

In 1995, the World Bank estimated that the developing economies of East Asia alone would need between US\$1.2 and \$1.5 trillion for investment in economic infrastructure alone. This confirms that the total size of the development task is well beyond the combined capacity of all APEC member-economies, especially additional effort they can be expected to make through new channels cooperation.

In this context, APEC's role in promoting development cooperation is far more than asking some participants to contribute money to one or more

new "aid windows," then encouraging others to bid for it by creating new "aid-worthy" projects. At least two complementary efforts are needed to create an environment wherein:

- more of the vast pool of private savings being generated within the region is steered, through sensible policies and market signals, into capacity-building investments to boost the growth potential of Asia-Pacific economies; and
- all existing, as well as new, government-sponsored programs of development cooperation support the objectives outlined above, in ways which are increasingly consistent with the shared objective and guiding principles of an Asia-Pacific model of development cooperation.

One task is to proceed in the direction indicated in the Osaka Action Agenda to select and initiate some activities to be sponsored and funded directly through APEC channels. The three essential elements to be considered are:

1. development of common policy concepts,
2. engagement in joint activities, and
3. continuation of policy dialogues to evaluate and review these concepts and activities.

The nature of each of these elements is defined in detail in the Osaka Action Agenda, Part Two, Section A, which sets out initial priorities for joint activities and policy dialogue in 13 specific areas, including many of the examples of specific activities mentioned above. The commitment of 10 billion yen over five years offers an opportunity for initiating some activities, including through PFP.

At the same time, once APEC member-economies have arrived at a consensus on the objectives, guiding principles and priorities of an Asia-Pacific model of development cooperation, they will be also be in a position to encourage cooperative activities through other channels which are also consistent with the model. Such a complementary effort can, over time, achieve for all those involved an increasingly coherent approach to development cooperation so that all agencies work in parallel to enhance the

region's potential for sustainable growth and can do so increasingly along APEC's fundamental principles of mutual benefit and mutual respect.

The voluntary nature of the APEC process means encouraging programs controlled (either directly or indirectly) by individual APEC member-economies to adopt jointly agreed objectives, principles and priorities through persuasion, not compulsion. The shared experiences of developing a commitment and strategy for facilitating and liberalizing trade and investment indicates that building trust and consensus on guiding principles and objectives takes time. Several years and considerable patience will also be needed to encourage more of those involved in economic and technical cooperation in the Asia-Pacific region to adopt the objectives, principles and priorities which are progressively more consistent with the model of development cooperation designed jointly by APEC member-economies.

At the outset, it may appear somewhat more manageable to concentrate collective attention on new mechanisms, such as PFP, which are, by their nature, bound to follow the shared objectives of APEC. However, it is important for APEC to work on both fronts, since relying too heavily on activities financed through new APEC mechanisms carries several risks.

One risk is that the range of activities supported directly through PFP (or other mechanisms) will remain quite small, with token amounts committed by some participants. This would have negligible effect on member-economies and would not serve to achieve a balance between APEC's trade policy and development cooperation objectives.

At a time of severe constraint on funds for development cooperation, it is reasonably likely that funds for cooperative activities through new APEC-sponsored mechanisms will be largely diverted from allocation to existing programs. Some may believe that shifting resources from existing programs to support the shared cooperation objectives and priorities of all APEC participants will make them more effective. If that is the case, it would appear to be more strategic for APEC to work collectively to enhance the effectiveness of all the cooperative activities they support, not just those funded through new APEC channels.

In theory, that could be done over time by diverting an increasing proportion of resources to support development cooperation to new APEC-sponsored mechanisms. But this would lead, inevitably, to the creation of an additional, large international bureaucracy. The task of managing such a program would also divert the attention of APEC committees and working groups from their originally envisaged role of policy-oriented consultations and risk the emergence of "donor" and "recipient" caucuses within APEC.

To manage these risks, APEC member-economies need to adopt a realistic approach which recognizes that meeting the challenge of realizing the sustainable growth potential of Asia-Pacific economies is much greater than their own combined financial resources. In particular, the need for investment in economic infrastructure is well beyond reach of the combined capacity of all their public savings.

This points to the need for a strategy in which APEC members would not only see the collective challenge of development cooperation merely, or perhaps even primarily, acting as initiators and implementors of new projects through new APEC mechanisms. They can be more effective if they perceive their collective task as carefully choosing a limited number of cooperative activities to be promoted directly by APEC in order to catalyze more effective contributions to meet the overall challenge from both existing development cooperation institutions as well as the private sector.

Such a vision opens up the option of making an effective contribution to the vast challenge of realizing the economic potential of the region, without the need for a new and larger APEC aid bureaucracy. Under this approach, the broad, collective challenge for APEC can be described as providing some strategic regional public goods. As seen earlier, one of these would be to provide a policy framework which will help to ensure that:

- adequate private savings are invested in economic infrastructure to boost the growth potential of Asia-Pacific economies, and
- all existing, as well as any new, government-sponsored programs of development cooperation support shared objectives, principles and priorities.

The second regional public good that APEC can provide is leadership by example. The clear definition of the objectives and guiding principles of an Asia-Pacific model of development cooperation and the careful selection of a limited number of activities according to well-defined priorities and criteria can set examples which can be taken up by others. As noted above, there is also scope for cooperation among APEC member-economies which can reduce impediments to others promoting such activities.

Setting such examples can be especially useful in the Asia-Pacific region where there are several economies which, until recently, have had quite limited involvement in development cooperation, except as "recipients." They now stand ready to make substantive contributions. By defining an Asia-Pacific model of development cooperation, APEC can create an environment which can encourage their contributions to be consistent with shared regionwide objectives and guiding principles.

In general, the new APEC process, and its success in establishing a habit of consultation, now provides the opportunity to create a new culture of development cooperation shared by all of the agencies and institutions involved. That is a long-term task which needs to be tackled sensibly and sensitively, in line with the voluntary approach to cooperation which has already proved to be effective in APEC. This is an approach which respects the autonomy of all participants to decide their policies, including respect for how APEC members involve themselves in development cooperation. Such a long-term strategy, of leading by example, can be summarized as follows:

To intensify development cooperation in Asia-Pacific, in addition to collective support of selected cooperative activities through APEC mechanisms, APEC can cooperate to:

- **encourage additional private investment in economic infrastructure to boost the growth potential of Asia-Pacific economies, and**

- **set positive examples and encourage all existing, as well as any new, government-sponsored programs of development cooperation to support the shared objectives, principles and priorities of APEC.**

SOME ADMINISTRATIVE ISSUES

Selecting Joint Activities

Section B of Part Two of the Osaka Action Agenda sets out an extensive list of potential activities for economic and technical cooperation. In 1996, APEC officials are expected to sift through this list to select some activities for joint support by APEC member-economies.

The initial sorting can be done by individual working groups, based on the priorities and criteria set out in this paper, backed by the common policy concepts in 13 specific areas. Some central oversight will be needed to:

- ensure consistency,
- avoid duplication, and
- develop a small number of proposals which can be initiated in 1996, rather than endorsing a long "shopping list."

It depends on those directly involved in the APEC process to decide whether such a coordinating role can be performed by an existing committee —some have suggested the Economic Committee. Whatever means of coordination is adopted, the regular Senior Official Meetings (SOM) will also need to take an interest in the initial development of a coherent APEC strategy for promoting development cooperation which avoids an over-concentration on APEC'S own process and the emergence of a new bureaucratic process. It is vital to pay early attention to integrating the roles of the private sector and other agencies.

Implementing Activities

Activities endorsed for joint support through the PFP, or any other new APEC mechanism, will involve a combination of sharing information, experience, expertise and technology, the provision of training and the possible

construction of new facilities. Responsibility will have to be assigned in every aspect of implementation, ranging from feasibility studies, the selection of personnel and/or contractors, to tendering procedures and monitoring expenditures and achievements.

APEC committees and working groups were set up as fora for exchanging information and policy-oriented consultations. The participants in these meetings do not necessarily have the skills and experience needed to take on the responsibilities of project implementation. Even if only a limited number of joint activities are initiated, there is some risk of a diversion of effort and/or a further proliferation of APEC subcommittees responsible for the day-to-day management of cooperative activities.

It is beyond the scope of this paper to recommend a way to manage these risks, but consideration could be given to "contracting out" the implementation of specific activities either to some existing development cooperation agency or to a private organization. Consideration will certainly be needed in defining the responsibility, if any, of the APEC Secretariat in monitoring the implementation of, and expenditure on, activities promoted collectively by APEC member-economies.

Evaluating Performance

Once joint activities commence in specific areas, it will also be essential to evaluate their effectiveness in terms of objectives and performance criteria. This would appear to be one of the aims of the policy dialogue proposed in each area in the Osaka Action Agenda. The relevant APEC working groups should be able to take on the initial task of evaluation and reporting (possibly indirectly) to the SOM.

While it will be important to monitor, then evaluate, those cooperative activities implemented directly through any new APEC mechanisms, it will also be important to assess the extent to which such activities are effective in terms of promoting the involvement and integration of the private sector and other relevant agencies in tackling the challenge of realizing the sustainable growth potential of Asia-Pacific economies.

CONCLUSION

All APEC participants can contribute to maximizing the potential of each economy for sustainable economic growth in line with their own priorities. Such contributions can be made by sharing expertise, experience, information and technology as well as by financing specific activities.

It is possible and desirable to develop an innovative Asia-Pacific model of development cooperation which is consistent with APEC's fundamental principles of mutual respect, including respect for diversity, mutual benefit, genuine partnership and consensus-building. Such cooperation can realize the potential of all Asia-Pacific economies for sustainable growth by enhancing human resources, institutional capacity and technology capability, foster a growing sense of community and contribute to achieving the objective of free and open trade and investment.

As outlined in this paper, a precise definition of objectives, guiding principles and priorities can be used to devise a strategy for development cooperation which need not involve the creation of a new "aid bureaucracy" and can avoid duplication.

APEC member-economies need to see their collective development cooperation challenge as more than simply initiating some cooperative activities through new channels. The task before them is to select carefully those cooperative activities which can catalyze more effective contributions to meet the overall challenge from the private sector and other institutions. These would be activities which set examples to be followed by others and/or reduce impediments to the more effective contribution of the private sector and other agencies to realizing the economic potential of all Asia-Pacific economies, creating an environment wherein:

- more of the vast pool of private savings being generated within the region is steered, through sensible policies and market signals, into capacity-building investments to boost the growth potential of Asia-Pacific economies, and

- all existing, as well as any new, government-sponsored programs of development cooperation support the shared objectives and priorities of APEC.

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