



**JAPAN 2010**



APEC成長戦略ハイレベル会合の企画・運營業務  
及び結果分析等  
調 査 報 告 書

平成22年10月

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## 1. 成長戦略ハイレベル会合について

平成 22 年度 APEC 成長戦略ハイレベル会合は、8 月 7 日（土）から 8 月 8 日（日）に大分県別府市の別府国際コンベンションセンターにて開催された。各国・地域の成長戦略の政策担当者に加え、産業界、学界の有識者、関係国際機関の長など合計 21 カ国と 5 国際機関 ABAC（APEC ビジネス諮問委員会 ADB（アジア開発銀行）、IEA（国際エネルギー機関）ERIA（東アジア・ASEAN 経済研究センター）、WB（世界銀行））が参加（参考 1）し、「均衡ある成長」「持続可能な成長」「革新的成長」「あまねく広がる成長」「安全な成長」（参考 2）をテーマに開催した。

会議の議長は、直嶋正行経済産業大臣及び荒井聰国家戦略担当・内閣府特命担当大臣（経済財政政策）が務めた。

## 2. 成長戦略の理念について

### APEC 成長戦略の意義

アジア太平洋地域が「世界の成長センター」として、世界の経済成長に責任を有していることを確認。APEC は、成長戦略を通じて世界経済の成長の質の改善に貢献すべきとの認識を共有。

### 5 つの成長要因を確認

質の高い成長として、「均衡ある」、「あまねく広がる」、「持続可能」で、「革新的」かつ「安全」な成長の実現に向け、共同かつ包括的に取り組むことを確認。

## 3. 成長戦略の実行について

### 行動計画の策定を提唱

5 つの成長要因の実現に向け、構造改革、グリーン成長、知識経済の創造等に関する具体的行動を行動計画等にしていくべきであることを提案。

### フォローアップメカニズムを提唱

戦略に基づく取組の進展を毎年評価し、2015 年に首脳に報告することを提唱。また、その時点で、成長戦略の将来の方向性について再度検討することを提唱。

### 実行力向上に向けた更なる方策

成長戦略の実行の進捗を評価する具体的指標の検討等を議論。特に、APEC に

におけるエネルギー効率化目標（2030 年までに 25% 改善する（対 2005 年比））については、目標年の前倒しや、目標数値の深堀を検討すべきとの議論がなされ、今後、議論を継続することとなった。

#### 4. 成長戦略の各要因の実現のあり方について

##### 「均衡ある成長」

APEC が G20 の取組を補完。特に APEC は各国・地域の実情を踏まえつつ、規制改革や制度整備、官民連携の強化等の構造改革に注力。

##### 「持続可能な成長」

グリーン経済へ移行するため、省エネルギーや低炭素エネルギーに関する政策協力を強化し、知財、標準の整備等による、グリーンイノベーションの促進、環境物品サービスに関する貿易・投資の促進に取り組む。

##### 「革新的成長」

研究開発を促進する環境を整備し、IT の利活用や、高度人材の交流、知財や標準に関する制度整備に関する協力を強化する。

##### 「あまねく広がる成長」

すべての市民が力強く成功する機会を有するよう、雇用創出や中小企業支援、女性の機会創出等に取り組む。

##### 「安全な成長」

食料安全保障等の人間の安全保障に取り組む。

( 参考 1 )

## 各国代表团首席代表

エコノミー名	出席者名	役職
日本	荒井 聡	国家戦略担当大臣兼内閣府特命担当大臣(経済財政政策担当)
日本	直嶋 正行	経済産業大臣
日本	武正 公一	外務副大臣
日本	松下 忠洋	経済産業副大臣
オーストラリア	ビル・プラミット	財務省国際・G20局長
ブルネイ	モハマド・ナズミ	外務貿易省副次官
カナダ	ジョナサン・フリード	駐日大使
チリ	アルフィエ・ウジョア	財務省国際関係局長
中国	パン・セン	外交部国際機構局次長(APEC高級実務者)
中国香港	リタ・ラウ・ワイラン	商務・経済発展局長官
インドネシア	ルキト・ディナルシャトオオ	国家開発企画庁副長官
韓国	チョ・ソク	知識経済部長官補
マレーシア	サヌシ・アブド・カリム	駐日経済参事官
メキシコ	ホルヘ・ルイス・ラバージェマウリ	社会開発省生産機械局長
ニュージーランド	マーク・ピアソン	駐日公使
パプア・ニューギニア	マッシュー・ドリュウエイ	駐日参事官
ペルー	フリオ・カルデナス	駐日代理大使
フィリピン	マリア・ルーメン・イスレタ	外務省国際経済関係担当次官上級特別補佐官
ロシア	グレゴリー・サリシュブリ	経済発展省アジア・アフリカ局長
シンガポール	ホー・メン・キット	外務省副次官(APEC高級実務者)
チャイニーズ・タイペイ	サン・ジー	経済建設委員会副主任委員
タイ	アンボン・キッティアンボン	国家経済社会開発庁長官
米国	カート・トン	国務省経済調整官(東アジア・太平洋担当)(APEC担当大使)
ベトナム	グエン・カム・トゥー	商工副大臣

## 産業界・学会・国際機関関係者

国際機関	氏名	役職
A D B (アジア開発銀行)	黒田 東彦	総 裁
ERIA (東アジア・ASEAN経済研究センター)	ディン・ヴァン・アン	理事長
IEA (国際エネルギー機関)	田中 伸男	事務局長
WB (世界銀行)	ジェームス・アダムス	副総裁
学会		
オーストラリア国立大学	ピーター・ドライスデール	名誉教授
ERIA学術諮問会議	ハンク・リム	議 長
ニュージーランド・ビクトリア大学ウェリントン校	ゲイリー・ホーク	名誉教授
米国ブランダイス大学	ピーター・ペトリ	教 授
産業界		
ABAC (APECビジネス諮問委員会)	相原 元八郎	議 長
ABAC (APECビジネス諮問委員会)	テン・テン・ダール	委 員
ABAC (APECビジネス諮問委員会)	渡辺 喜宏	委 員
ABAC (APECビジネス諮問委員会)	マーク・ジョンソン	委 員
東芝株式会社	西田 厚聡	取締役会長
APEC		
APEC事務局	ヌール・ヤコブ	事務局長

( 参考 2 ) APEC 成長戦略ハイレベル会合日程

8月6日(金)	
19:00～20:30	地元主催レセプション @杉乃井ホテル

8月7日(土)	
10:00～12:00	シンポジウム @フィルハーモニーホール
12:30～13:15	ワーキングランチ
13:15～13:30	コーヒーブレイク
13:30～15:15	セッション1 「均衡ある成長」
15:15～15:30	コーヒーブレイク
15:30～17:15	セッション2 「持続可能な成長」
17:25～17:30	記念撮影
19:30～21:30	閣僚夕食会 @別府湾口イヤルホテル

8月8日(日)	
09:00～10:30	セッション3 「革新的成長」
10:45～12:15	セッション4 「あまねく広がる成長」
12:15～12:30	コーヒーブレイク
12:30～12:45	締めくくりセッション
13:00～13:30	記者会見

## 5 . ワーキングランチ 本文

Saturday, 7 August 2010

**Beppu International Convention Center, Reception Hall**

12:30 – 13:15

### ***WORKING LUNCH: INTRODUCTION***

Co-Chair, Mr. Masayuki Naoshima, Minister of Economy, Trade and Industry, Japan, declared the Round Table open and explained the schedule for the coming two days.

In this working lunch, Mr. Satoshi Arai, Minister of State for National Policy and Minister of State for Economic and Fiscal Policy, Japan, and myself will introduce the gist of this Round Table (hereafter RT), and the direction of discussion, where we will endeavor to establish a Growth Strategy for the entire Asia Pacific region.

It is an honor to welcome ministers for regional growth strategy and representatives of international organizations, business and academia. Beppu is one of Japan's renowned resorts, which boasts the largest hot spring in the world. In this beautiful locale, even though two days is a short period, we hope you would enjoy your stay and simultaneously our active discussion on these important themes.

After all of the main sessions have concluded, a joint media conference will take place tomorrow. Following normal procedures, all statements will remain anonymous. Please remain straightforward and candid in presenting your ideas and proposals.

< “Asia Pacific:” the Growth Center >

The global economy is gradually recovering from the global economic crisis triggered by the Lehman Shock, but still various concerns remain. At the recent G20 meeting held in Toronto, leaders confirmed the redoubling of efforts toward “strong, sustainable and balanced growth.” We need to ensure that the recovery remains firmly on track. All eyes are once again on the Asia Pacific region as the “Growth Center of the World,” having more than half the GDP share of the world. We are required to take on the burden to lead the world growth through realizing robust growth in this region.

#### <Expansion of trade and investment - Improvement of “Quality of Growth”>

The main engine of growth in the world, especially in the Asia Pacific region, is expansion of trade and investment. Cross-border investments of multi-nationals have established international specialization, which has made Asia into the factory of the world. This year is a milestone for APEC. Currently, we are now assessing achievements with regard to the “Bogor Goals” in 13 economies, which were adopted for the realization of “free and open trade” in 1994. With the “Bogor Goals,” liberalization and facilitation of trade and investment has made great strides, which greatly contributed to our region’s dynamic growth. APEC should go forward to tackle further expansion of trade and investment to lead the world’s growth.

Subsequent to the financial crisis, there have emerged voices against globalization; protectionist voices as well as voices concerned about widening disparities, and energy and environmental issues. In order to enable each economy to promote further expansion of trade and investment, with the consent of various stakeholders, it is mandatory to tackle “improving the quality of growth”; i.e. growth that is more balanced, and benign to both the environment and human beings.

#### <APEC’s Actions>

After the financial and economic crisis, we, the Asia Pacific region, cannot go back to “conventional” growth. We need to work together to achieve further economic unification in the Asia Pacific region; e.g. achieve accomplishments in the Bogor Goal targets by 2020, and to improve the quality of growth. Many economies, including Japan, have started their own new growth strategies. When we can all share through APEC-wide initiatives, together we can face the challenges.

Last year, APEC decided to formulate a mid- to long-term strategy by the end of 2010. Through discussions during the last six months, it was pointed out that this region should pursue a new growth established on five pillars; “Balanced,” “Inclusive,” “Sustainable,” “Innovative” and “Secure,” and to achieve this, our region as a whole should fortify cooperation among members.

This growth strategy will serve as APEC growth’s guidelines for the next five to ten years and thus today’s discussion will be key in order for us to blaze a trail for the goal that the Asia Pacific should aspire to. Let us send out strong signals to various ministers’ meetings from now on, climaxing in the APEC Economic Leaders’ Meeting (hereafter AELM) in Yokohama in November, where we should reach a substantial and politically impactful growth strategy. I would like to encourage all members to discuss



the five pillars for growth, by reconfirming and sharing the significance of each attribute, and direction for APEC-wide efforts as well as concrete actions in APEC and methods/ measures to realize an enhanced follow up structure. Please share creative ways and concrete action plans, which each member economy is undertaking. Your ideas will become the basis for APEC-wide strategies.

**Mr. Satoshi Arai, Minister of State for National Policy and Minister of State for Economic and Fiscal Policy, Japan.**

Co-chair, Mr. Satoshi Arai, Minister of State for National Policy and Minister of State for Economic and Fiscal Policy, Japan, followed by introducing the main points of Japan's "New Growth Strategy," formulated in June, 2010 and proposing a direction for study at the meeting today.

<Philosophy of Japan's "New Growth Strategy">

Reflecting back on the Japanese economy over the last two decades as well as maintaining a firm consciousness of the long-term challenges with regard to growth that we are face-to-face with, we have formulated our new growth strategy aiming to realize "a strong economy," "robust finance" and "a strong social security system," toward reviving a "Japan of Vitality" in 2020.

Japan, as a member of the Asia Pacific region, shares the challenges all of our fellow APEC members face in aiming for long-term growth, which include:

1. Achieving growth while protecting the environment
2. Correction of disparity in income levels and geographical gaps that may hinder growth
3. Counter-measures for the trend toward fewer children in an aging society.

In order to tackle these challenges, we endeavor to establish a concrete strategy through focusing on enhancing growing power through creation of demand.

The key points of Japan's "New Growth Strategy" are in line with the agenda of today's four sessions.

**1. Sustainable Growth:** Initially, we have established the "Environment/Energy Super Power strategy through Green Innovation," which corresponds to today's pillar "Sustainable Growth." The "Green Innovation" field, such as next generation vehicles and recyclable energy, etc. could be a fundamental driver to realize low-carbon society

and, simultaneously, contribute to increasing both domestic and overseas demand. Shifting of demand and investment will be promoted in order to make the most of Japan's world class advanced technologies through designing new schemes and promoting regulatory reform, etc.

**2. Innovative Growth: Science-and-Technology IT oriented nation:** Secondly, Japan's "Science/Technology/Information oriented nation" strategy corresponds to "Innovative Growth." We intend to focus investment on cutting-edge university/institute programs and Research & Development (hereafter R&D) to pioneer industrial frontiers, aiming to increase government and private sector R&D investment to more than 4% of GDP by fiscal 2020. Japan also intends to promote utilization of information-communication technologies (hereafter ICT), which is a basis to create even more innovation.

**3. Inclusive Growth: Employment, HR strategy and counter-measures for an aging society:** Employment is fundamental to "Inclusive Growth," which shall be discussed tomorrow. Our "New Growth Strategy" includes an employment and HR strategy to tackle various spheres in society, e.g. youth, women, the elderly and those with disabilities. Measures will be introduced to streamline re-employment after unemployment through vocational training and to create employment opportunities through social enterprises, among others. We note that although negative aspects tend to be highlighted, an aging society can also offer positive aspects, such as creation of demand and job opportunities through barrier-free housing, strengthening of support services, etc.

**4. Balanced Growth: Energizing tourism and agriculture/fisheries to correct geographical disparity**

As a part of Balanced Growth, Japan plans to implement measures to correct imbalances in income between metropolitan and rural areas through pursuing a "tourism oriented nation" strategy and enhancing agriculture and fisheries so they become growth industries.

## **5. Finance Oriented Nation**

Being aware of both our responsibilities and strengths as a nation that boasts 1,400 trillion financial assets held by individuals, we have established a financial strategy that features "Supplying money for both domestic and overseas growth" and "Support for creation of an Asian financial infrastructure."

### **<Asia Economic Strategy>**

Japan, has also formulated an “Asia Economic Strategy” in order to grow together with Asia. As a member of Asia and aligned with Asian economies, we will strive to remove as many obstacles to the flow of HR, goods and money as possible to double the inbound flow to Japan.

Specifically: 1) promoting a collaborative economic strategy through building a free trade area in the Asia Pacific (hereafter FTAAP); 2) enhancing structures and support for accepting HR from overseas based on EPA, e.g. nursing care workers, highly skilled foreign personnel, etc; 3) fusing Japan’s most advanced environmental/energy-saving technologies and safety/security technologies to promote overseas infrastructure improvement through public-private cooperation.

Our activities to break down borders and create a seamless market would enable us to share Japan’s growth among the entire Asia Pacific region. It is mandatory for all of us to promote the region’s immense market that contains large populations and economies where income levels are markedly rising, and to create stable internal/external demands, in order to achieve autonomous and steady growth.

### **<Enhancing the structure to execute strategies, based on numerical targets and a road map>**

After the collapse of the real estate bubble, Japan suffered from deflation and although currently Japan is maintaining nominal 1% growth in GDP, considering the deflationary factor of 1%, in real terms we are at zero or at times negative growth.

In our “New Growth Strategy,” we have set a target to achieve GDP growth by 2020; nominal 3%, inflation-adjusted 2% and suppress the rate of unemployment to 3%, through policy efforts of +1% and increase in prices 1% through fiscal policies involving the Bank of Japan. More than 100 trillion yen, 1/4 of GDP, will be created in the domains of environment, health, tourism and business with Asia, to generate 5 million new jobs. In order to execute strategies in each domain, we will produce and follow a road map until we fully accomplish the targets.

### **<Conclusion>**

APEC’s growth strategy strives to exhibit a new style of growth after the crisis through mid- to long-term and cross-sector efforts, which requires discussion with flexible ideas.

We would be honored if the philosophy behind Japan's "New Growth Strategy," its targets and measures as well as our roadmap for implementation could be of reference to you. We look forward to hearing your views and experiences regarding the challenges to achieving mid- to long-term sustainable growth.

(For further details, please refer to Document 2010/HLRT/005 "New Growth Strategy – Strong Economy, Robust Public Finances & Strong Social Security System.")

## 6 . セッション 1 「均衡ある成長」

Saturday, 7 August 2010

Beppu International Convention Center, Reception Hall

13:30 – 15:15

Session 1: *BALANCED GROWTH*

The Co-chair, Mr. Satoshi Arai, Minister of State for National Policy and Minister of State for Economic and Fiscal Policy, Japan opened the session by introducing the theme of “Balanced Growth” which denotes 1) macro economic strategies to narrow the development gaps between economies and within economies and based on this, 2) enhancement of the capability for growth as these disparities are gradually rectified.

Regarding rectifying the disparities between economies, as the G20 has pointed out, some economies enjoy surpluses, while others are suffering from deficits. In emerging economies, is it imperative to tackle expanding domestic demand; the ratio of consumption to GDP in Asian developing economies was less than 50% in 2008, which is considerably less than the 60% for APEC as a whole. On the other hand, in the developed economies, fiscal reform is essential

When considering APEC’s future growth, the OECD has estimated that over the next 20 years, the so-called “middle class,” with an annual per capita income of \$3,000 to \$30,000 U.S. dollars, will sharply increase from 28% to represent 66% of the region’s population.

It is crucial to encourage consumption by these people. By progressing structural reform and creating an environment to enable new products and services to continuously enter the market, we can materialize latent demand and this will translate into balanced growth, leading to regional growth.

Also, it is necessary to eliminate protectionism and construct systems to strengthen free trade.

Today, we wish to hear your opinions on what concrete actions we should take, based on the issues members have tackled within their own economies as well as on the APEC platform, in order to realize balanced growth among APEC economies

Secondly, aiming for balanced growth within each economy, it is essential to combat poverty and reduce disparities. Structural reform within each economy should be progressed and activities undertaken in order to strengthen the potential for growth

The keyword on both fronts is structural reform. There are many schools of thought as to the applicable fields and spheres. Within APEC, since 2005, efforts have been ongoing to take domestic structural reform measures that would contribute to streamlining and promoting free trade and investment. In 2008, at the APEC Structural Reform Ministers' Meeting, the need for structural reform was confirmed at a high level. For post crisis growth, we need to learn from the past and strengthen our efforts in structural reform, which is crucial as we aim for higher quality growth in APEC. Concretely speaking, this involves: 1) enhancing economic flexibility, 2) increasing productivity, 3) developing financial markets and 4) expanding demand in the private sector demand and in addition 5) strengthening safety nets.

As the Leaders' Agenda to Implement Structural Reform (hereafter LAISR) will be completed in 2010, I wish to encourage members to discuss and present ideas for a new plan of action in this session, particularly incorporating what fields to focus on and how to progress concrete actions. Please note that discussion on safety nets will take place in Session 4.

**Mr. Masayuki Naoshima, Minister of Economy, Trade and Industry, Japan**

Co-Chair, Mr. Masayuki Naoshima, Minister of Economy, Trade and Industry offered his comments on the need for Asia's developing economies to increase domestic demand as one measure to realize better balanced growth, and how Japan is supporting those efforts.

Indeed, efforts are underway toward expanding domestic demand around the region. One factor behind the sluggish growth in consumption in Asia is the under-development of the pension system. People are anxious about post-retirement and so tend to save. Figures show that the compulsory pension scheme participation rate for the population in their productive years (15 – 64 years old) in Asian economies is not even hitting the 20% mark, compared to an average of 60% in the OECD. Considering the size of Asia's population, this is a major issue that is related to APEC's overall consumption. Thus, cooperation is necessary to improve pension and social security schemes.

Regarding strengthening of infrastructure leading to both a better supply chain and domestic demand creation, a “comprehensive development program for Asia” is being formulated under the initiative of organizations such as the ADB and the Economic Research Institute for ASEAN and East Asia (hereafter ERIA).

Japan is actively supporting such a scheme. In order to double incomes in Asia, improvement of regional infrastructure as well as streamlining of trade should be combined effectively with development of industries in peripheral areas, so that we can progress development across the entire region, based on regional needs.

In the forum of APEC, across-the-board, concrete actions such as the ongoing strengthening of supply chain connectivity and promoting PPP, are being progressed to push forward this agenda,

**Mr. Jonathan T. Fried, Ambassador of Canada to Japan**

*“G-20 Toronto Outcomes.”*

Mr. Fried presented a report on the outcomes of the G20 Summit in Toronto, noting that Canada has taken a leadership role in that forum since its inception.

Canada’s minister made fiscal consolidation in advanced economies a key focus for the summit, but recognized the need for it to be balanced. Some economies would require continued implementation of stimulus, whereas rebalancing of global demand is also pressing, in particular boosting demand in developing economies.

The G20 Toronto agenda focused on four pillars.

The first, “Supporting the recovery – and growth” tackled how best to support the recovery and growth, in the context of the rapidly deteriorating situation in Europe and the continued fragility in growth prospects in both developed and developing economies, as well as concerns in private markets about sovereign debt and abilities for meeting debts, including what will be the next steps to evolve the “G20 Framework for Strong, Sustainable and Balanced Growth.” Commitments were made by advanced economies to halve deficits by 2013, with special provisions for Japan, and by emerging G20 market economies to strengthen social safety nets, corporate governance reform, deepen and diversify financial markets, raise infrastructure spending and increase exchange rate flexibility. Structural reform will need to be pursued by all G20 members, as an essential element in order to boost growth prospects. The G20 has agreed to ensure this is realized through peer reviews of individual economy’s plans, “Phase II,” and details are expected to be finalized by the Seoul meeting in November, 2010.

Secondly, regarding financial regulator reform, it was clear that the regulatory environment may have been lacking, e.g. may not have had proper buffers in place or the correct underpinning of capital and liquidity requirements, etc. A strong regulatory framework is called for, with higher capital & liquidity buffers and provisions for overseeing hedge funds, credit rating agencies and OTC derivatives. It was noted that “Basil III” should be finalized by November. The G20 agreed to strengthen capacity of supervisors and to take necessary action at an earlier stage, rather than waiting for institutions to fail. Yet, for those called “too big to fail” by the media, this may not be the right answer; there is a need to work in a cross-jurisdictional manner to enable regulators to restructure major financial institutions in a manner that does not draw on taxpayers’ money.

Assessment and peer-type reviews will be conducted through the International Monetary Fund’s (hereafter IMF) Financial Sector Assessment Program (hereafter FSAP) and Financial Stability Board (hereafter FSB), the successor to the Financial Stability Forum.

Thirdly, the G20 will address and move forward on international financial institutions (hereafter IFI) and global governance reforms. It intends to ensure that the Multilateral Development Banks (hereafter MDB), such as the World Bank, Inter-American Development (hereafter IDB) and African Development Fund (hereafter ADF), etc. are sufficiently capitalized and progress reforms. The G20 Leaders took note of the World Bank reforms already underway - “Voice Reforms.” Regarding the IMF, quota, voice and governance reforms will be undertaken. In addition, it was re-affirmed that selection of the next heads of IFIs including the World Bank, IMF, etc. will be based on merit. Several other issues were highlighted here, including the Small and Medium Enterprise (hereafter SME) finance challenge and the Global Agriculture and Food Security Program, among others.

The fourth mainstay of the agenda consisted of a clear statement to resist protectionism and promote trade and investment. Leaders extended their “standstill” commitment for three more years, affirmed support for the successful conclusion of the Doha Round and aid for trade in less-developed countries.

Other elements noted were the continued work to rationalize and phase out inefficient fossil fuel subsidies, which is related to today’s sustainable growth debate and two New Working Groups at the G20 level on anti-corruption and development. It is hoped that



these will be ratified in Seoul. I refer members to the full communiqué in the distributed materials. (Please refer to Document 2010/HLRT/008 “The G-20 Toronto Summit Declaration.”)

How best to align the robust G20 work program with the ambitions of APEC?

APEC has a well-developed infrastructure (Senior Official’s Meeting (hereafter SOM), (Economic Committee (hereafter EC), etc.) compared with the lack of institutional infrastructure in the G20, however it is important to remember that the G20 was born out of the finance minister process, and is focused on macro-economic issues, fiscal and monetary policies, etc. The APEC agenda takes a broader view of the real economy and also has a tremendous collection of expertise.

The G20 framework at Toronto provides for country-level peer review and assessments with the IMF, and action plans, whereas APEC greatest strength is capacity building, information exchange in an open forum and best practices. Balanced growth is aimed for between economies and regions at the G20, and between and within economies at APEC. In this regard, APEC structural reforms will need to take stock of within-economy growth as well as balance between economies.

The G20 agenda is ambitious and focused, leading the way to put in place the foundations for a stable and secure global economy and international financial system. The APEC agenda complements the G20 agenda, by addressing the broader structural issues that need to go alongside the G20’s fiscal & monetary policies. In my view, it is advisable that APEC stays focused on areas where it is strongest, i.e. stay focused on the region, and bring that to the global fora and global initiatives, including real economy structural reforms. Also, it is prudent to use proven techniques, e.g. seminars, to build capacity and draw out best practices. APEC should remain aligned with G20, yet without duplicating efforts.

In closing, I would like to note an International Labor Organization (hereafter ILO) assessment, that the G20 response and steps taken by the G20, in their view, avoided a potential loss of 21 million jobs in the world.

(For further details, please refer to Document 2010/HLRT/007 “G-20 Toronto Outcomes.”)

**Mr. Haruhiko Kuroda, President, Asian Development Bank**

In addressing balanced growth in Asia, it is an enormous challenge to build a consistent APEC growth strategy, involving global, regional and national issues and institutions, including the G20, APEC and ASEAN. At the same time, ultimately, it is each economy that must decide what is best for itself. Thus, the best way to approach multi-lateral issues such as balanced growth is to think globally, coordinate regionally and act nationally.

Among the many avenues open to Asia to achieve better balanced growth, there are five essential steps.

The first step is to maintain macro-economic stability and rebalance economic growth. Individual economies and the region as a whole will need to establish an effective framework for monetary, fiscal and exchange rate policies, which will also help global rebalancing. The firm V-shaped economic recovery in most of developing Asia means that most governments in the region should now be unwinding stimulus measures. Timing depends on strength of recovery, inflationary pressures and evolving risks, etc. and tightening has already begun in the Republic of Korea, Malaysia, Thailand and Viet Nam and other economies. Following the recent measures to slow credit expansion, it would be prudent for the People's Republic of China to accelerate policy normalization, e.g. let currency appreciate at a pace that matches domestic conditions. Normalization of monetary policy in developing economies in Asia should precede fiscal consolidation, in most cases. Sustainable growth will also be strengthened by rebalancing sources of economic growth more toward domestic and regional demand. Asia's remarkable growth has been built on the export-led model, yet considering the uncertain demand from advanced economies, the region must enhance its domestic and regional demand to fill the gap, including encouraging household expenditure and other demand-side policies along with supply-side strategies that promote SMEs and service industries. The emphasis will depend on the economy.

Asian authorities should continue to remove remaining barriers and obstacles of any type to the continually expanding intra-regional trade. Rebalancing will not detract from providing products for export; it will expand the market to include consumers within the region.

The second step involves how to channel more Asian savings into Asian investment. Toward this aim, across emerging Asia, authorities are working to broaden and deepen financial markets, while endeavoring to maintain financial stability through

substantiating regulatory oversight. This also aims to increase the ability to prevent and manage financial crises. Authorities will need to continue on the path toward creating effective frameworks for financial regulation and supervision. Continuing to promote local currencies and regional bond markets in Asia and improving efficiency is also important. The ASEAN +3 Asian Bond Markets Initiative is establishing a pilot Credit Guarantee and Investment Facility (hereafter CGIF), to bring financiers and PPPs to market.

Thirdly, it is essential for the region to enhance social protection. A major reason for the high savings rate in Asia is the lack of adequate social protection and access to health care. Asia needs to strengthen social protection programs and policies, and ensure that the poor and vulnerable people are correctly targeted and provided with support. Many governments are working on policies in this regard and the Asian Development Bank (hereafter ADB) supports these efforts through grants, loans and technical assistance.

The fourth step is the need to increase promotion of “green growth,” while mitigating and adapting to climate change. It is clearly necessary to promote clean energy, in particular by advancing energy efficiency and expanding renewable energy resources through, for example by setting energy efficiency targets and incentives for high efficiency power plants. Upgrading urban planning is another area to focus on, regarding urban mass transport, land use and water management in particular. We need to also pay attention to providing sustainable management of the eco-systems in the region. ADB is helping to build a climate-resilient Asia, by supporting climate actions in economy-led development processes.

In conclusion, while actions must be taken nationally, there is a firm need for regional cooperation. From climate change, to disease prevention, to disaster preparedness, to financial stability, regional cooperation is moving to the next level. Asia is working to strengthen regional coordination in a variety of spheres.

In March, 2010, ASEAN +3 multi-lateralized its Chang Mai Initiative, which is, in essence, a foreign currency reserve pooling arrangement totaling \$120 billion USD, aiming to provide short-term liquidity support to any ASEAN + 3 economy in need. The ADB also recent signed an MOU with the World Customs Organization to strengthen our strategic partnership, as one of the ways we can assist in securing and facilitating trade in Asia. The ADB’s study “Rebalancing for Sustainable Growth: Asia’s Post-crisis Challenge,” which is forthcoming, suggests that Asia should start to focus on regional

demand as a major source of growth; that Asia should be not only a producer or exporter, but also a customer and consumer, which will enable Asia to improve the welfare of its people, increase the economy's resilience and contribute to global realignment. These findings are aligned well with the directions of the APEC growth strategy. A stronger and more resilient regional economy with balanced sources of growth would be the foundation for a prosperous Asia and APEC.

(For further details, please refer to Document 2010/HLRT/009 "Key Parameters APEC Growth Strategy.")

**Mr. Koichi Takemasa, State Secretary for Foreign Affairs, Japan:**

Balanced growth means the reduction of gaps within and across economies. Gaps may occur to a certain extent in macro-economic systems, however, those at the bottom of the gap tend to suffer the earliest effects of a crisis or recession and are the last ones to benefit from recovery. Most importantly, each economy needs to be able to adapt to withstand crises and recessions; thus, the importance of structural reform.

APEC has the advantage of beneficial networks that have been formulated through the wide array of sub-fora as well as other forms of cooperation. That is why APEC can play an important role in addressing structural gaps. Gaps, if not addressed, will detract from the reliability of effective economic systems.

Balanced growth has also been discussed in the context of the G20 and the next summit in Seoul will continue the discussion and clarify the tasks for each economy. After that, we are looking forward to the APEC Leaders' Summit in Yokohama, Japan. APEC can use its advantages as mentioned above and deliver G20 outcomes in a concrete manner, consistent with the Asia Pacific context. Japan, as the chair of APEC 2010, will continue to put forth efforts in formulating the APEC growth strategy, taking into account the G20 Seoul outcomes as well as the discussions of other international fora.

**ABAC:** Policymakers and business are looking at issues from two different ends of the same telescope, and may have different answers to the same problem. This is because officials pursue issues such as regulatory reform, etc. whereas the business point of view is sector-specific and the agenda is crossing many specific industries. Thus, at times it is difficult for officials to get the business community to assist them.

Every economy needs a financial system and every economy aspires to a financial system model that provides a full life cycle of financial institutions that meet the

requirements of each cycle of life, from piggy banks, to bank accounts, to mortgage finance through to money for old age. This is really a model for balanced growth.

APEC Finance & Economics Working Group will be tabling 5 specific recommendations at the Bangkok meeting, as a recommendation to Finance Ministers.

Discussing inclusive growth, which was before referred to as “micro-finance,” we have initiatives directed toward securitizing assets with regard to SMEs as well as a bond market initiative aiming for balance in banking systems and capital markets in each economy. In addition, we have a proposal for public-private collaboration on infrastructure financing. Training of regulators in the financial system is also an important area of work. With regard to the financial sector, we wish to encourage APEC members to analyze financial system models for all 21 economies.

With that template in hand, then each economy could set its own priorities. But, such a template would identify areas that require reform as well as obvious sources of capacity building. If such structure were adopted, it would be relatively easy to apply a similar structure to logistics issues, energy security and Intellectual Property (hereafter IP) and so on, and thus this may be a worthwhile structure to progress the agenda. It is time for APEC to expand resources available for the Policy Support Unit.

**Mr. Muhamad Noor Yacob, Executive Director, APEC Secretariat.**

This meeting is the first opportunity for APEC growth ministers to gather and will no doubt make a big contribution to formulating growth strategy. The Round Table should devote time to not only planning the strategy, but should also consider the implementation of those plans for the new growth strategy. APEC has its own traditions and mechanisms and members would progress forward in appropriate ways. The APEC Secretariat Policy Support Unit (hereafter PSU) remains at the disposal of members in that regard.

**Mr. Atsutoshi Nishida, Chairman of the Board of Directors, Toshiba Corporation**

In order to succeed in the area of structural reform as an APEC growth strategy, a roadmap for steady implementation of structural reform will be needed along with mechanisms to ensure implementation. For example, in order to revitalize inter-region trade and investment, it is necessary to improve ease of business, such as setting up a “single window” with regard to “at the border” measures to concentrate trade procedures, utilizing Authorised Economic Operators (hereafter AEO), etc. These are

basic to promoting regional economic integration and we can expect practical effects. I highly recommend progress in this direction. After these are implemented, there are other issues to consider to further rationalize and streamline the supply chain, such as adopting IC tags, among others.

To boost domestic consumption, businesses should be developed and endeavors made toward trade barrier removal. Approval processes are involved, as well as unification of interpretation and administration issues, etc. Deregulation of investment is also suggested.

On the infrastructure side, surplus funds in savings should be diverted to investment and mechanisms are needed to facilitate this. When using PPP, it would be prudent to have an incentive to reduce tax on investment and I urge members to study this. Private sector vitality is needed and it would be beneficial to promote an environment under which the private sector feels comfortable in making investments. Also, risk-sharing mechanisms between the public and private sectors should be studied. Flexibility would be needed as well to adapt to changes in the climate.

**Mr. Kurt Tong, Senior APEC Official, United States Department of State**

*“APEC’s Role in Achieving More Balanced Growth.”*

APEC is a key component of U.S. economic strategy in the Asia Pacific region and we are committed to working together with APEC partners to achieve significant results in promoting free and open trade and investment.

As early as 2004, an IMF forum called on all regions and countries to address global imbalances, and the latest global economic crisis highlighted how much our economies are inextricably linked, and the weakness of over-reliance on exports and under-reliance on domestic demand for domestic growth.

Growth as usual is not an answer for our future, and APEC will play a critical role in establishing sustainable and balanced growth gradually, through each economy’s efforts and regional initiatives. APEC’s 21 members accounting for 40 % of the world’s population, more than half of global GDP and nearly half of world trade. All members share the view that free and open trade and investment is vital to regional and global prosperity.

As stated in our leaders' November 2009 declaration, achieving balanced growth will require an unwinding of global imbalances and an increase in our economies' outputs. In economies like the U.S. with external deficits, it is necessary to support private saving and fiscal consolidation, whereas in other economies with significant external surpluses, in particular those of East Asia that relied on the U.S. consumer, it will be important to strengthen domestic sources of growth. External imbalances that existed going into the crisis should not be repeated. For the U.S., as President Obama recently noted, "Americans cannot continue to borrow and buy the world to lasting prosperity."

Some progress has been made, such as a firm increase in the personal savings rate in the U.S. and the passing of the Dodd-Frank Wall Street Reform and Consumer Protection Act, which will contribute to a more resilient financial system. In China as well, in the first quarter of 2010 consumption has contributed a larger share to real GDP growth than before, and its current account surplus is falling.

Yet, more progress is needed. It is necessary to sustain and strengthen this new pattern of growth, led by multiple engines of demand, shifting towards domestic demand from Asia. At the same time, post-stimulus policies are needed to support long-term growth through sustained private demand. Signs are positive for the future; the IMF has projected a strong recovery for Asia, 7.5% GDP growth in 2010 and 6.8% in 2011. The APEC Finance Ministers Report will be a key to measuring our progress. Echoing earlier speakers today, macro-economic policies will need to be complemented by structural reforms.

APEC needs to pursue a robust and action-oriented structural reform agenda, building on our own experiences such as LAISR. Senior officials have reached a consensus on a new framework, to be possibly titled "APEC New Strategy for Structural Reform (hereafter ANSSR)," with the following areas on which to move forward:

- 1) Set out collective priority areas for enhancing the productive potential of our economies and providing economic opportunity for all segments of society, including the most vulnerable and women; concerted efforts toward more open, transparent and competitive markets; effectively regulated financial markets; enhance education; further develop SMEs; facilitate effective social safety net programs and other areas.
- 2) In 2011, when the U.S. will be the Chair, each economy will decide and advise its own priority areas for structural reform, along with associated methods for gauging progress, based on its own needs.
- 3) Sector-specific, issue-specific and economy-specific capacity building activities.

As Canada's Ambassador Fried pointed out, APEC has proven strengths as an organization in which we share best practices and assist fellow economies' efforts, and this program will make use of these strengths. We foresee progress on implementation of these specific capacity building activities with the help of relevant fora in APEC.

In closing, I am confident that this program, ANSSR, will be endorsed by our leaders at Yokohama. Action is important. All of us today have a critical role to identify specific areas where structural reform is necessary, and to find ways to implement measures that will result in higher quality growth in our economies.

(For further details, please refer to Document 2010/HLRT/010 "APEC's Role in Achieving More Balanced Growth.")

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**Australia:** Structural reform is essential to balanced growth. Australia is a member of both the G20 and APEC and I would like to share Australia's view of how the regional and global architecture fit together. We believe that regional bodies such as APEC have an important role in two particular areas: 1) Helping to broaden out and enrich the focus of the G20, by reaching out to non-G20 members to discuss a range of issues. 2) APEC has the capacity to actually deepen some of the work considered at G20. For example, structural reform is receiving a great deal of attention at the G20, but APEC has a well-established tradition of work in the area of structural reform and has a key role to play in helping to actually drive the implementation of structural reform, through our various sub-fora.

To ensure that APEC can best fulfill its potential in driving forward structural reform, it is critical for the leaders at Yokohama to designate structural reform as a cross-cutting priority, for the various APEC sub-fora. This will serve to empower the relevant sub-fora to focus on structural reform issues for their area/committee. In addition, we echo the U.S.'s comments that there is a need to consider how to incentivize this process, e.g. devising a mechanism where leaders and ministers can record their intentions and commitments.

As Mr. Peter Drysdale stated in this morning's symposium, APEC has a strong track record in reinforcing the reform agendas of its member economies in the area of trade policy. If we can set up the architecture to reinforce structural reform agendas of our economies, this will be a very positive contribution to the next 20 years of APEC history.



**China:** This the first time I am attending an APEC meeting and the discussion has been enlightening. I wish to express our particular appreciation to Mr. Tong for noting China's progress. Regarding the solutions that we might work together to find in order to resolve the issues, we all know that in face of financial difficulties some economies need to save more and other need to spend more, to increase our domestic demand and also promote free trade and more liberalized investment. APEC can play a great role in this respect. In addition to efforts at economy levels and also global levels, within APEC, it is possible for us to strengthen our cooperation in many aspects.

For this year's outcome, more emphasis could be placed on cooperation among economies; to conduct more training/workshops for capacity buildings, to increase domestic demand and build up effective social safety nets. Different economies have different experiences, and sharing of information & experiences and best practices is essential

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At this point, the Co-Chair Mr. Arai asked members for comments regarding the issue of under-development of pension schemes in Asia and the high propensity for saving in the post-retirement age group, which may be a factor in hindering the increase in consumption.

**Mr. Peter Drysdale, Professor Emeritus, The Australian National University:**

This is a perfect example of the connectivity between balanced growth agenda and structural reform.

The balanced growth agenda, which is of primary interest in recovery from the global financial crisis in the G20 process, is often seen as an important macro-economic agenda. Structural reform agenda is sometimes considered to be micro-economic, but the two are actually inseparable. This is apparent with regard to the issues surrounding the mobilization of savings for old age as well as the importance of reforming structures to provide support to that end.

This extends across a wide range of issues. The discussion today encouragingly points to the way that APEC can operationalize the issue of balanced grow through systematically attending to the structural reform issues. As the U.S. and others have stated, it is essential that this agenda be a proactive process and elevated to the political level, i.e. the leaders' and ministers' level, if there is to be effective follow-through.

I see the development of a new strategy for structural reform in APEC as bringing together ideas about priorities and structural reform around the region, and focusing these issues and establishing priorities at the political level within APEC for carrying the issues forward. As China mentioned, we can progress those issues in a way that can be supported by the capacity-building training programs and the policy development that characterizes the APEC process.

If we go to the leaders' meeting in Yokohama and identify the structural reform issue in this region as central to the achievement of balanced growth on a sustainable basis over time, then we should have a process in place by the 2011 APEC in Honolulu, whereby at the political level, there is proactive involvement in assessment of priorities in the region and the enunciation of a set of priorities for the region, where we will see follow-through in various dimensions.

**Prof Hank Lim, Chairperson of ERIA Academic Advisory Council, Senior Research Fellow of Singapore Institute of International Affairs:** Regarding growth strategies, we all agree on what to do and how to navigate, but we are short of a road map and mechanisms for achievement. To overcome this, (as mentioned by the U.S.A. and ABAC) we have to identify the national choice. We have already identified the regional consensus on best practices.

In order to narrow gaps between regional best practices on what needs to be done to rebalance growth, member economies must volunteer to identify the sectors/areas where they can start; this is a way to progress effective and tangible measures to obtain results.

Since APEC's formation in 1989, we have been working on how to converge the best practices on a regional consensus. Now is the time to tackle how we can narrow the gap between national choice and regional best practice. My personal view is that the most critical area is strategy for rebalancing growth and particular focus should be given to this strategy over the others.

The Co-chair Mr. Arai asked for comments from the fiscal perspective.

**Canada:** It is clear, from APEC's own assessment, from G20 and from other fora that sound fiscal consolidation and sustainable public financing are necessary pre-conditions to creating a business environment that is conducive to growth. Yet, this differs among economies. Some countries are at the stage where stimulus has had its impact. Now, it is necessary to use it for investment. Other, more fragile economies may need more stimulus.

Business needs the confidence to know that governments are committed to a sustainable fiscal framework in the medium term. We will look for those kinds of commitments from governments in coming G20 meetings. Further discussion will no doubt take place in Kyoto, in November this year at the Finance Ministers' Meeting.

There seems to be no disagreement here that sound public finances, structural reform and hospitable & responsible monetary policy are all necessary elements and must work in tandem. We should defer to the finance ministers in this regard.

**ADB:**

As Mr. Arai raised, improvement of pension in many emerging and developing economies among APEC members is an important issue for further discussion. At the same time, each country has its own population structure, stage of economic development and various unique factors. This denotes that although pension systems would have to be further developed, established and elaborated in many developing or emerging economies in the Asia Pacific, macro-economic implications may differ from economy to economy, and we should accept the differences in our 21 member economies, who have quite difference population structures.

Our ABAC representative pointed out that the whole financial system, including the pension system, has to serve various generations of an economy. That means that since our APEC members have different age structures, even if all of them have a similar "social protection policy," the fiscal implication and balance of payment implication may be different.

But, this is appropriate. It is not necessary for every country to have a current account balance of payment. Some may have a deficit, some a surplus, but that is better than to force every country to have a balanced account.

On the one hand, improvement of social protection policies in all Asia Pacific economies is needed. Yet, on the other, macro-economic implications, including balance of payment

and fiscal position, may differ from one country to another. The Asia Pacific as a whole should accept these kinds of differences in population structures and their implications on macro-economic positions.

Of course, fiscal deficits must be sustainable. So, excessive current account deficits, even considering the population structure, etc., must be reduced and the deficit must be made sustainable. To reiterate, we should accept the differences among our APEC members.

**Australia:** Structural reform and fiscal sustainability are closely linked.

According to IMF studies after the financial crisis, I recall that they found that only around 10% of deterioration in the fiscal position of major advanced economies had been due to fiscal stimulus, but 90% was caused by 1) long-term demographic factors at work, e.g. aging society that boosts health expenditure and 2) impact of the growth deterioration and the crisis itself, which reduces tax revenue and increases social security expenditure, e.g. for unemployment.

Looking forward, by improving growth, structural reform can play an important role in addressing the long-term fiscal challenge.

**Singapore:** The world now faces two challenges: 1) How to sustain growth, particularly in the post-crisis environment? 2) How to maintain social cohesion?

Regarding the first challenge, we have gone past the era when growth was easy, in a low inflation environment. We will face headwinds with regard to future growth because of the fiscal retrenchment in developing economies and the financial re-leveraging for western consumers and the developed world.

These are deep structural issues, which may take 8 or even 10 years to solve. As an economy that is open, Singapore is less sanguine about growth prospects in the world going forward. We do not believe that the growth in the emerging markets will be enough to offset the slow-down in growth in the G3 economies. China, India and Brazil and other economies are growing strong, but this may not be large enough as a source of demand.

It is important not to forget that it is important to sustain growth; otherwise we cannot speak about the quality of growth.

APEC's various programs, for capacity building, etc. and the sectoral programs have

been successful and allowed APEC to progress over the last 20 years, and we should continue to reinforce regional economic integration.

Another point to stress is to avoid duplication of existing efforts, e.g. efforts and expertise of international financial institutions. Collaboration between APEC and these institutions, on workshops, etc., would be suggested, such as on infrastructure development, development of SME financing to share best practices, and others to share public-private expertise.

**Chinese Taipei:** How to reduce government deficit problems is a key issue, and the problem has worsened, caused by aging of populations; it is serious in many countries in Asia. How to design a good pension system is crucial; if not well-designed, it will put the government in serious financial trouble.

In Chinese Taipei, we had adopted a defined benefit pension plan, which caused serious difficulties for the government. We have changed to a defined contribution plan, which has helped us to accumulate capital to use for many purposes. Properly design pension plans would not only be beneficial for aging populations, but can also contribute to improving government deficits.

**Mr. Peter A. Petri, Professor, Brandeis International Business School, U.S.A.:**

Today I am attending in part as a representative of the Pacific Economic Cooperation Council (hereafter PECC) that last year wrote a report on the recovery crisis and the critical role of structural reform in full recovery from crisis.

My concern is the timing of the kinds of structural reforms and discussions that have been raised here today, and the urgency of the recovery effort and the role of structural reforms in driving global recovery. I wonder if the speed of these two different tracks is compatible.

APEC could highlight a group of reforms, or specific reforms, so that those could play a more immediate and significant contributory role in driving regional and global recovery; these could be cross-regional reforms. Please consider concerted efforts in addition to efforts in individual economies.

## **Summary**

The Co-chair, Mr. Arai summarized the session, incorporating requests for revision from members, with the final version as follows:

Regarding balanced growth both within and amongst economies, many pointed out that APEC must align efforts with the G20.

APEC, as a regional cooperative organization, can be proud of its best practices and achievements that we have shared.

In striving to find exit strategies from the economic crisis, each economy is faced with its own difficulties. It is important to promote cooperation with regard to macro-economic policies, etc. for both developed and developing economies that reflect each economy's economic situation.

In designing detailed measures for the above, rebalancing of investment from Asia's high propensity for savings and demand expansion are necessary.

The importance of restoring fiscal soundness at each economy was also discussed.

It was proposed to implement a common template to show progress of reform.

In order to improve the business environment, deregulation in investment policy and PPP were requested.

The importance of structural reforms was emphasized to achieve balanced growth but, simultaneously, it was pointed out that having a timeline would make it more effective. Several methods to enhance the feasibility of the reforms were proposed.

It was suggested that economic committees and sub-fora could cooperate to facilitate structural reforms, and numerous ideas were presented.

In order to promote policies proactively, a political mechanism should be pursued, while respecting each economy's particular characteristics.

In particular, with regard to the re-balancing of growth and promotion of growth mainly led by domestic demand, consumption rate vs. GDP and also social security/protection indices, such as coverage ratio of public pension, drew attention.

All members endorsed the summary.

The Co-chair Mr. Arai duly adjourned the session.

## 7. セッション 2 「持続可能な成長」

Saturday, 7 August 2010

Beppu International Convention Center, Reception Hall

15:30 – 17:15

**Session 2: *SUSTAINABLE (GREEN) AND SECURE GROWTH***

Co-chair, Mr. Masayuki Naoshima, Minister of Economy, Trade and Industry, Japan opened the session and gave an introduction on the two agenda to be discussed, “Sustainable Growth” and “Secure Growth.”

“Sustainable Growth” is the concept that seeks compatibility between global-level issues, such as environmental protection and energy conservation, and economic growth. To achieve this type of growth, it is mandatory to make a shift to the “green economy” by creation of new industries and employment opportunities through promotion of innovation. Our challenges are how to conduct good coordination between private and public sectors, and how to provide incentives.

As a catalyst of a discussion, I would like to present the report on the 9<sup>th</sup> APEC Energy Ministers’ Meeting, held in June 2010, which I was honored to chair. In that meeting, we held discussion on sustainable cooperation in the field of energy in the APEC region. As a result, the following detailed action plans were confirmed by the members there:

1. To further reinforce policy cooperation; e.g. APEC Peer Review for Energy Efficiency (hereafter PREE) on energy saving, etc.
2. To study mechanisms, whereby low carbon technology can be disseminated.
3. To newly commence model projects on dissemination of energy-saving and new energy technologies.

In order to realize green growth, we need to take more comprehensive actions. In the symposium this morning, Mr. Nishida, Chairman of the Board of Directors of Toshiba, introduced a number of efforts. For example, bi-lateral agreements that would enable economies to tackle the issue of cross-border CO<sub>2</sub> emissions was proposed. This is a policy that Japan is currently studying together with developing economies. Today, in order to implement these, we would like you to discuss formulating action plans.

**Mr. Nobuo Tanaka, Executive Director, International Energy Agency (IEA)**

*“Sustainable and Secure Energy Future”*

International Energy Agency (hereafter IEA) analysis has been showing for some time that without major changes to the way we produce and use energy, we will confront untenable risks to our collective energy security and to the environment in the future. We have the opportunity to catalyze the necessary changes and this meeting will hopefully provide a forum for meaningful action and cooperation.

IEA has several messages on how to maintain energy growth, while maintaining energy use in a sustainable and in secure manner.

<IEA “Energy Technology Perspectives” and the “BLUE Map Scenario”>

The IEA’s “Energy Technology Perspectives (hereafter ETP) that was issued last month, tells us that in the business as usual (or “baseline”) scenario, where no new policies are implemented, total primary energy supply should increase over 80% between 2007 and 2050. Energy-related CO<sub>2</sub> emissions will double by 2050; rising oil and gas imports as well as high prices are also expected. However, the “BLUE Map Scenario, a backcast scenario that teaches us ways to de-couple economic growth and CO<sub>2</sub> emission in the future, offers technology policies and options that will halve CO<sub>2</sub> emissions (from 2005 levels) by 2050. Achieving the BLUE Map scenario is possible, but it is an extremely challenging goal that will require a portfolio of technologies and emission reductions across all sectors, as well as strong political commitment.

There are 3 essential steps:

- 1) Improving energy efficiency; end-use efficiency would account for 38% of total emission reduction in 2050;
- 2) De-carbonizing the power sector to achieve deep emission reductions, through investment in nuclear, carbon capture and storage and renewables;
3. Move toward de-carbonizing the transportation sector, toward mass introduction of electric vehicles, etc.

The BLUE Map scenario provides an opportunity for a very different future.

In 2050, coal, oil and gas demand are all lower than today under the BLUE Map Scenario. This alternate future does not mean just cutting CO<sub>2</sub> emissions. Reduced demand and diversified energy sources help to improve energy security for all.



To achieve a halving of the world's CO<sub>2</sub> emissions by 2050, additional investments of \$US 46 trillion are needed between 2010 and 2050. Almost half of this is required in the transport sector for purchasing advanced vehicle technologies.

The transition to a low-carbon energy system will yield, however, significant fuel cost savings, again nearly half of them occurring in the transport sector. Please note that in our model, we assume a carbon price as high as \$US175 per ton of CO<sub>2</sub>.

#### <APEC and the global scenario>

Regarding how APEC fits into our global scenario, we can consider the figures with regard to APEC's abatement of energy-related CO<sub>2</sub> emissions in the "450ppm Scenario" of the World Energy Outlook (hereafter WEO) of 2009, which is consistent with the BLUE Map scenario towards 2050. In this scenario, APEC economies save 9.2 Gigatonnes (Gt) of CO<sub>2</sub> by 2030, or about two-thirds of global savings. The energy efficiency accounts for a majority, as high as 60%, of the necessary reduction, as up to 2030 we can expect some technology revolution.

(Note: the following APEC economies are not included in the line introduced in the graphs for APEC as they cannot be disaggregated from other WEO regions: Chile, Peru, Papua New Guinea and Chinese Taipei.)

APEC has an aspirational goal agreed in Sydney in 2007; at least 25% reduction in energy intensity by 2030 compared with 2005. IEA projection forecasts that this goal can be exceeded under business as usual scenarios with improvement of about 37%. The 25% target can be achieved even as early as 2020. This improvement of energy intensity will happen due to of a number of factors, including improvements in energy efficiency, fuel switching, structural changes, etc.

But, we need to do more. Our "450 Scenario" requires the APEC economies to improve the energy intensity by 48% by 2030, in order to have global CO<sub>2</sub> emissions by 2050.

#### <How to proceed?>

One important policy action is the phasing out of fossil fuel subsidies, which impedes the uptake of energy efficiency and cleaner energy technologies. If subsidies were phased out globally over the next 10 years, in 2020 we could achieve 5.8% decline in energy demand, 6.5 million barrels/day (mb/d) in annual oil savings and 2.4 Gt annual reduction of energy-related CO<sub>2</sub> emissions.

APEC can play a leading role in phrasing out subsidies, as they account for US\$208

billion, one-third of the global fossil fuel subsidies. Some members are already taking efforts in this regard, including China, Russia and Indonesia.

Another key area of action is standard setting to facilitate market transformation. It is necessary to transform global markets for energy so that clean energy products and services become the mainstream rather than “alternatives.” Examples of governments acting in concert to achieve global transformations already exist, such as the external power supply (EPS) attached to laptops or telephone chargers, which required only about 3 years to organize through global cooperation. Global cooperation cannot replace national schemes but it can build on and accelerate them. National successes can be applied effectively to achieve more rapid global transformation.

The transportation sector must also be targeted. Improving the fuel economy of light-duty vehicles is one of the most cost-effective transport measures available to cut CO<sub>2</sub> emissions. We encourage all major economies to move to the adoption of fuel economy standards and continue to improve these in the future. Standards can also be complemented by fiscal incentives for efficient vehicle purchases. In addition, fuel economy standards should also be implemented for trucks, which Japan has done and the U.S. and EU are developing plans.

Support for Research, Development & Deployment (hereafter RD&D) is yet another vital area for action. We need to raise the level of annual spending to 2-5 times pre-stimulus (2008) levels, to \$US 20-50 billion a year. Of the amount allocated by governments in 2009 to clean energy technologies, US\$22 billion was directed to RD&D, a dramatic rise from previous years. Much of this increase is accounted for by stimulus spending or “green new deals.”

Now, when the economy starts recovering, governments around world face many funding priorities, but it is essential to think beyond the short term in order to achieve long-term results.

There are early signs that the energy revolution that IEA has been promoting, is really starting to take place. We are seeing increased renewables deployment in many regions – in 2009 alone, 6 Gigawatts (GW) of Photovoltaic was installed globally. Funding is being announced to support carbon capture and storage (hereafter CCS) demonstrations, and companies and governments are announcing plans for the roll-out of electric vehicles; 5 million vehicles planned by 2020. Governments are committing to spending

more on RD&D, which has increased by a third between 2005 and 2008.

In order to lock-in and accelerate this revolution, governments must maintain stimulus package spending on green growth and then expand spending for key technologies. Our focus on energy efficiency should be enhanced and the change in the power sector should be accelerated. Significant infrastructure projects (such as smart grids and recharging infrastructure) are also needed to support the increasing deployment of electric vehicles.

We still have formidable challenges before us, but each day we wait, the challenge becomes harder. Every year of delay adds US\$500 billion to the cost of action. As APEC economies, representing vital engines of global economic growth, you have the capacity to lead this revolution. APEC economies have made substantial efforts thus far. Let's act to grow these long-awaited green shoots now.

(For further details please refer to Document 2010/HLRT/012 "Sustainable and Secure Energy Future.")

**Mr. San Gee, Deputy Minister of the Council for Economic Planning and Development,  
Chinese Taipei**

*"Sustainable (Green) Growth in APEC – Energy Efficiency & Renewable Energy & Food Security"*

<Balance between Energy Supply Security and Sustainable Development>

It is important for us to strive to achieve a delicate balance between short-term energy security and long-term sustainable development. Toward that aim, we need to accumulate many short-term successes that are in line with long-term sustainable development goals. Three goals to pursue are 1) promotion of regional energy security, 2) more efficient energy use and 3) cleaner energy supply.

<Promotion of regional energy security>

In the short-term, as fossil fuels will no doubt continue to play a significant role in the APEC energy market despite the development of new energy resources, member economies will need to strengthen their capacity to respond to oil supply disruptions. In addition, encouraging cooperation with international energy organizations in this regard is encouraged. Safe utilization of nuclear energy should also be paid more attention.

#### <Enhancement of energy efficiency>

Over the medium-term, in light of the Sydney Declaration of 2007 stating that energy productivity shall be enhanced by 25% by 2030, a more aggressive energy efficiency target should be assessed. Also, continuing to promote peer reviews in energy efficiency policies and measures to provide best practices will be beneficial. Smart-grids, low-carbon community, energy efficiency standards for appliances and other measures should be highlighted. Low-emission vehicles and advanced power generation technology should be promoted. All of the above would enhance efficiency, reduce consumption and greenhouse gas emissions.

#### <Enhancement of application & deployment of renewable and clean energy >

From the long-term perspective, effective financing mechanisms are needed to expand the use of renewable energy. Reduction in renewable energy costs should be facilitated. Joint exploration and cooperation in power-related technology would also be beneficial. Other long-term approaches include promoting CCS. In the case of Chinese Taipei, we previously introduced a CCS plan aimed for 2020, but we would like to perhaps shorten it to 2015. In addition, biofuels should be carefully reviewed, due to their impact on the environment and food security, as important alternative fuels in the transport sector. Therefore, we recommend focusing on more aggressive cooperation to enhance our endeavors with regard to renewable and clean energy

#### <Suggestions for APEC's Food Security>

- 1) Establishment of a regional food security system on an environmentally friendly and fair basis. For example, we suggest that a food security system can work based on the contributions of member economies, to provide more of an incentive to participate.
- 2) Integration of technologies, such as biotechnology, climate technology and ICT, to enhance capacity for stress tolerance.
- 3) Promotion of low-carbon agriculture, e.g. recycling use of water resources.

#### <Enhancement of Trade and Investment>

In addition to R&D and innovative application of green energy products and services, the development of market liberalization is one of the keys to promotion of the green economy. To this end, we propose “cross cutting cooperation” in the areas of 1) promotion of trade and investment in green energy products, 2) elimination of market barriers and 3) harmonization of product standards.

An initiative for capacity building for promoting market development for green energy products was just endorsed in the Fukui Declaration of the 9<sup>th</sup> Energy Ministerial Meeting (EMM9), as a stream of works to pursue energy security and a sustainable APEC. Future cooperation on promoting the green energy market could bring following benefits: 1) deepen the effectiveness and integration of APEC's climate change policies, 2) strengthen capacity to achieve energy efficiency goals and promote renewable energy and 3) facilitate and ensure economic recovery across the APEC region.

(For further details, please refer to Document 2010/HLRT/011 “Sustainable (Green) Growth in APEC – Energy Efficiency & Renewable Energy & Food Security.”)

\* \* \*

At this point, the Co-chair, Mr. Naoshima asked the members to hold discussion on food security until the “Secure Growth” portion of the agenda, and opened up the floor to comments.

**Mr. Atsutoshi Nishida, Chairman of the Board of Directors, Toshiba Corporation:**

Regarding green growth, firstly, it is important to enhance technological cooperation to promote energy security in harmony with the environment. It is recommended that APEC pool related technologies and IP rights, with the agreement of the owners, and establish an APEC fund to connect providers and users.

Secondly, as noted by Mr. Naoshima, to promote CO<sub>2</sub> reduction projects within the area, APEC should consider establishing its own mechanism where the amount of CO<sub>2</sub> reduction in an economy that results from a technology transfer, including facility constructions, is apportioned to the investing economy through a bilateral agreement. I firmly believe this would contribute more to actual CO<sub>2</sub> reduction than an emission trading scheme.

Third, it is necessary to work with not only the supply side, but also the demand side to respond to increasing demand for energy and to tackle CO<sub>2</sub> reduction. Focusing on the supply side; increasing zero emission power sources, such as renewable and nuclear energy, and improving the thermal efficiency of coal-fired power generation are considered to be the most effective means. This would reduce CO<sub>2</sub> emissions for every facility and equipment that uses electric power.

On the demand side, APEC should accelerate its work to promote energy sufficient

buildings and disseminating highly energy-efficient energy products, including home appliances and IT equipment. Most APEC economies have already implemented their own energy efficiency labeling systems for home appliances and IT products, though they vary in content. As the next step, it is suggested that each economy extend its system to cover more products and enhance mutual recognition among economies. This could be expected to ultimately lead to establishment of an APEC-wide labeling system.

Finally, I would like to reiterate that the sectoral approach is very important to reducing CO<sub>2</sub>, especially in highly CO<sub>2</sub>-intense sectors such as electric generation, steel and cement, through a scheme like the Asia Pacific Partnership on Clean Development and Climate (hereafter APP). To facilitate these activities, it is recommended that APEC continue working on establishing common standards for measuring energy efficiency and standards for CO<sub>2</sub> emissions.

**China:** I share the statements made by IEA, Chinese Taipei and other members. Regarding green growth and development, it is important that we bear cost-effectiveness in mind. Developing countries have political will, but lack financial and technical capabilities. In this regard, a good example is the Asia-Pacific Network for Sustainable Forest Management and Rehabilitation (APFNet) with Australia, China and the U.S.A. as co-members. This projective is cost-effective; there is no need to spend large sums of money or use high-tech to prevent the cutting of trees or re-planting trees. This is one measure to effectively promote carbon capture and storage.

Also, R&D is a good idea, however, after a breakthrough is made in a certain area, normally the private sector would wish to keep it to itself, for profit. I would like to emphasize the need for PPP, and the government should continue to play a leading role in promoting the spread and use of environmentally friendly goods and services. Cooperation among economies, sharing of information and transfer of technology will also play important roles.

It should be stressed that sustainable growth is not only limited to green growth; that would be limiting ourselves to the environmental effects of development. The social sector and financial sector must also be considered. The social sector, so that all parts of society can equally participate and enjoy the outcomes and benefits of development. As for the financial sector, all economies need to maintain a sustainable fiscal and

monetary policy, so financial input could be guaranteed for sustainable growth.

**Co-chair, Mr. Satoshi Arai, Minister of State for National Policy and Minister of State for Economic and Fiscal Policy, Japan:**

As I explained earlier, Japan's new growth strategy "green innovation" is to be the engine for growth. In Japan, there were some voices that said reduction in CO<sub>2</sub> emissions would hinder economic growth.

In 1970's, Japan had experienced severe air/water pollution, and acts to reduce pollution were put in force. At that time, similar concerns arose, mainly from the business world, but, actually, these acts not only led to improvement in the environment, but also to new environmentally friendly technologies, such as hybrid vehicles like the "PRIUS." Considering this experience, with regard to environmental regulation, we can say it does create new innovation, and can be a driver for growth. In our new strategy, we have positioned it as such.

One significant factor in the discussion was the new technology for thermal electric power plants. Now Japan is emitting 1.3 billion tons of CO<sub>2</sub>. If we replaced all of the thermal electric plants in Asia with the latest technology adopted in a plant in Yokohama, we could reduce the same amount of CO<sub>2</sub>; i.e. 1.3 billion tons.

In this way, regarding the energy field, introduction of new technologies as well as energy-saving technologies are big factors.

Large amounts of CO<sub>2</sub> emissions are also coming from households, which also could be reduced by adopting new technologies, for example boiling water using heat pumps and double-glazed windows. This could lead to new home-related industries and new heat pump technologies.

Regarding electricity, grid technology is already advanced in Japan, but introduction of "smart-grids," again, would further enhance energy efficiency. Under the new growth strategy, future-oriented metropolises are envisioned; i.e. a city that uses less energy, more efficiently, with sustainable energy generation and where each family member is conscious about energy saving.

Such technology can be applied in both developing and developed economies, so we hope that when you develop your own growth strategies in your own region, you can make use of these ideas.

Another big factor is forestry fostering technologies. Forestry can absorb CO<sub>2</sub>, so advanced tree-planting techniques and expansion of forestry should be further deployed.

**ADB:** Many large economies in Asia have already become big energy consumers as well as large CO<sub>2</sub> gas emitters in the world. ADB has been intensifying its financial and technical assistance to improve energy efficiency and develop clean energy in Asia, through the following:

1. ADB established its clean energy development target several years ago at \$US 1 billion per annum. As this has been met already, we have raised it to \$US 2 billion annually, expected to be reached in a couple of years.
2. As IEA emphasized, the transport sector is crucial to reducing CO<sub>2</sub> emissions. Recently ADB started a “sustainable transport initiative” aimed to help developing economies in Asia improve energy efficiency in the transport sector and develop clean energy, considering the many mega-cities in Asia (more than 10 million population). Examples include investing in railways and exploring ways to support energy-efficiency automobiles, etc.
3. In addition, ADB started the “Asia solar energy initiative” this year. Among renewables, the most promising one and in the long run largest potential exists in solar energy development. Our initiative promotes solar power as well as solar photovoltaic electricity generation, which could become competitive, not soon, but maybe in 5-10 years.
4. As Mr. Nishida mentioned, technology transfer is important as well. Because many clean energy development technologies are held by corporations in developed economies, it is crucial to transfer these to developing economies. But, this always involves IP. ADB, in recognizing that it is crucial to strive to facilitate this transfer from developed to developing economies, is studying potential mechanisms to be used. We are open to various ideas, including some kind of guarantee mechanism or policy agreement mechanism between developing economies and the technology-providing corporations in developed economies.

IP must be protected, otherwise companies will not invest in developing clean technologies.

International cooperation is quite important in facilitating clean energy development in developing countries.

**Canada:**



1. As Chinese Taipei has noted, we are not immediately jumping from today's economy to a totally sustainable, green economy. The transition period will still be fossil based and it is necessary to make that more efficient and cleaner, focusing our attention on smart grid, carbon capture and etc.

2. In aiming for a renewable/green economy, it is true that PPP and increased R&D are important; China mentioned the desirability of liberalizing trade and exchange in environmental goods and services. The flip side is also true; we must avoid protectionism in the guise of environmental protection. If we abuse process and protection methods or other unilateral standards to reduce trade, that is detrimental both to the economy and the environment.

Public money is needed to accompany the private sector. It would be prudent to examine; stimulus, smart spending by way of investment and also international funding sources through multi-lateral and regional collaboration, such as the ADB.

3. Regarding the desirability of collaborating with other institutions, here as well, APEC should look at its comparative advantages; where it may be best to defer to oversight by other institutions and where there is opportunity to take action jointly.

4. In our discussion today, we have tended to emphasize clean air, however, it is essential to also be cognizant of the environment more generally, that is water and land. Thus, in anticipating the next session, sustainability of soils and crops is not just a question of emissions to the air. The sustainability of the land itself, as well as sustainability of oceans, food supply and fisheries are also important elements of a green and sustainable economy, and APEC should take stock of these land and water dimensions, addition to our focus on air, in the months to come.

**Australia:** I echo Canada's emphasis on the crucial point that the pillars of the growth strategy are all interlinked. With regard to balanced growth, the policy response to this challenge of green growth must be market based. Also, we need to ensure that we do not end up through this process with a whole new multi-layered web of subsidies and trade distortions in this environmental/green goods area.

This year, there was somewhat of a collapse in the solar panels market. One of the main reasons for this was that Spain, who is a big player in that industry, has of course run into significant fiscal problems and had to wind back subsidies they provided to the solar panel installation industry.

This highlights the degree to which these issues of green growth and balanced growth

are inter-related.

**The Republic of the Philippines:** Although the Philippines does not contribute substantially to total greenhouse gas emissions, we are more severely affected by climate change, through more devastating typhoons, drier and longer summers and wetter rainy seasons, that result in, for example, crops that wither with more extreme weather conditions. We are visited by an average of 21 typhoons per year, which result in considerable loss of lives and property.

APEC should perhaps consider allocating more capacity building resources not just for goals or action plans to enhance energy efficiency or mitigation measures, but also to adapt to the adverse and imminent impact of climate change, such as improving the resiliency of crops, improving the accuracy and availability of weather forecasts, and preparation for floods and other disasters. This would enable vulnerable economies to maintain and even enhance food productivity and security, and thus prevent disruption of industrial production.

**ABAC:** Apart from the supply side, we also need to look at the delivery and consumption side of energy. It will take time for the supply side to settle, as there are many technology challenges and efforts in this regard should continue. However, in the business community, there are energy-saving technologies everywhere today. APEC could focus on the “low-hanging” fruits that exist and study utilizing these as a way we can work together to drive energy efficiency practices for the businesses, and at the same time an energy-efficient lifestyle for APEC’s citizens.

1. When the technology is not certain, and if policy forces certain adoption of technology, this will mean a big challenge to the SME community in APEC. Thus, it is recommended for APEC to collect and exchange information on more realistic, proven energy efficiency technology, coupled with government policy, to incentivize and assist SMEs to adopt new energy technology as well as cut down business costs related to energy consumption. This would progress momentum forward for beneficial energy uses practices in the community.
2. Various IT equipment providers are now driving forward “green IT;” utilizing ICT to drive business efficiency, but at the same time drive energy efficiency. This, again, is not at the development stage nor does it require G to G negotiation. This is a simple, straightforward initiative on a commercial basis.
3. In our discussion on energy, we should be reminded that the food supply chain is one critical component within APEC for sustained economic growth. It was noted that

wastage could reach 24%. With today's technology, in today's information society, this is inexcusable. It may even be the case that food delivery trucks will end up delivering zero food, because the food is wasted, and yet the energy has been used.

So, if we are able to drive forward supply-chain efficiency in particular for food, we would not only achieve something positive in terms of food security and food supply, i.e. drive down the wastage, at the same time we would achieve efficiency and put energy to good use.

Last year, we aggressively promoted the topic of supply chain connectivity. If the topic is too wide, APEC could potentially set up a task force to look into this particular area.

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At this point, the Co-chair, Mr. Naoshima announced the start of the next portion of the discussion, on Secure Growth.

**Mr. Koichi Takemasa, State Secretary for Foreign Affairs, Japan:**

APEC has gradually expanded its role in response to international/regional changes in the economic environment, while maintaining its traditional agenda of liberalization and facilitation. In response to 9/11, APEC made counter-terrorism a priority issue and established the counter-terrorism task force in 2003 to discuss the promotion and coordination on counter-terrorism measures and capacity building assistance.

After the terrible damage caused by the massive tsunami in Asia in January 2005, APEC strongly recognized the need to prepare disaster-response measures. APEC has also held discussion on various issues; e.g. pandemic influenza and other infectious diseases, and food security, the results of which have been reflected in the 1<sup>st</sup> Leaders Declarations, ministerial statements and other outcome documents.

APEC believes that, in order to maintain and strengthen regional economy, it is essential to prevent, control and minimize the significant negative impacts that those issues can have on economic activities and on individuals who are the backbones of businesses. So, APEC has promoted regional cooperation, where possible.

Against this backdrop, in the APEC context, measures to address those issues are being undertaken to improve human security. I welcome the resolution on human security that was proposed by 55 countries including Japan and adopted unanimously last month at the UN General Assembly. In 2009, APEC leaders decided that APEC should formulate a regional growth strategy this year. Senior officials discussed the need to ensure the safety and security from factors that could threaten economic activities from

outside of the economic system, which could be an important component of the growth strategy. Discussion is currently being promoted to position secure growth as one element of the growth strategy. Specifically, the following deserve APEC's attention; 1) terrorism, 2) disaster preparedness, 3) pandemics and 4) food security.

Japan, as this year's APEC chair, has chosen secure growth as one of the elements of the growth strategy. Japan has established human security as one of the pillars of APEC 2010 and aims to further strengthen APEC's efforts on this issue.

In January this year, the 4<sup>th</sup> APEC Senior Disaster Management Officials forum was held. Also, Japan will host the Ministerial Meeting on Food Security in Niigata this October. Japan will cooperate in these areas with the U.S.A., APEC host in 2011. U.S.-Japan cooperation on APEC, launched during the bilateral foreign ministers' meeting in March this year, includes issues related to human security, such as disaster preparedness and food security. Russia as well, APEC host in 2012, is showing great interest in human security and secure growth.

APEC's activities over the next 3 years in this area are expected to deepen with the efforts of our three chairs; i.e. U.S.A., Russia and Japan.

**Mr. Sarishvili Grigorii Naskidovich, Head of the Department of Asian and African Countries, Ministry of Economic Development, The Russian Federation**

*"Secure Growth in APEC: Strategic Considerations"*

Secure growth is a major prerequisite for successful realization of the other four attributes of the APEC growth strategy and we fully support the vision of Japan as stated in the draft of this growth strategy.

Paramount to secure growth are 1) Countering terrorism, 2) Emergency preparedness, 3) Health Security and Food Security.

**<Countering terrorism>**

APEC, complementing the relevant global efforts under the coordinating role of the United Nations, should continue to enhance cooperation and concentrate actions on:

- Capacity building, via seminars, best practices sharing and more;
- Encouraging efforts to promote closer links among counter-terrorism agencies in member economies;
- Promoting synergy in actions on cross-cutting issues between the APEC Counter Terrorism Task Force and other APEC bodies;
- Encouraging member economies to join universal antiterrorism instruments;
- Study ways toward establishing links between the Counter Terrorism Task Force

and other counter-terrorism bodies of relevant multi-lateral organizations in the Asia Pacific.

<Emergency preparedness>

Natural disasters pose another severe threat to growth in the APEC region and therefore we need to revitalize practical cooperation within the APEC Emergency Preparedness Working Group, with emphasis on: 1) promoting establishment of an effective emergency interaction network in the APEC region; 2) enhancing information exchange between national, regional and/or international crisis centers and 3) encouraging joint regional efforts in monitoring situations of potential risk.

<Health security>

APEC can and should promote cooperation in preventing and mitigating effects of the spread of pandemics in the region, with special attention on encouraging interlinks among national public health care systems. We encourage the Health Working Group to further focus actions on: 1) capacity building, 2) improving the network for information exchange on new and reemerging diseases, and on the advance methods for their prevention and mitigation.

<Food security>

We call on fellow APEC members to continue cooperation with the private sector, academia and civil society to address food security and safe food supply challenges, including by promoting sustainable agricultural production and rural development, and undertaking capacity-building projects and other practical initiatives. APEC members should be encouraged to share existing experiences in this regard.

Other areas which should be tackled include information security, transportation security and fighting crime.

We welcome more comments from colleagues on these issues, as more proposals on concrete actions will only consolidate our common stand against all potential threats to progressive development.

(For further details, please refer to Document 2010/HLRT/018 “Secure Growth in APEC: Strategic Considerations.”)

**New Zealand:** N.Z. agrees that the human security agenda is an important part of the

growth strategy.

The food security issue is gaining renewed attention in APEC, leading to the October ministerial meeting in Japan, which is a welcome development. In the food security area, there are myriad opportunities; to improve food production base, cut waste and increase R&D funding. There are also many ways to further liberalize and facilitate trade in food products, and also investment in agriculture and food production. New Zealand looks forward to APEC taking a greater role in international discussions on these issues.

I would like to point out that food is also one of these cross-cutting issues. Food as a security issue has also gained significance recently, as we have come to understand that food resources are more limited than we had expected. But, it is also an issue that is closely related to APEC's core business, the liberalization and facilitation of trade and investment.

So, we believe that there are still many opportunities, given the high levels of protection around food markets, for APEC economies to reap gains from closer integration of food markets in the region.

The food industry is also a potential source of growth. It was interesting to see in Japan's own growth strategy that agriculture and forestry, in particular have been listed as potential growth industries.

It would be very valuable for APEC, going forward, to have a dialogue on ways that industries like agriculture could be more efficient, and contribute not only to food security but also to economic development in our economies.

A further cross-cutting aspect of the food industry is its link to the environment. The reference by Chinese Taipei to reducing greenhouse gas emissions from the food industry is of great interest to New Zealand. We are active internationally on this issue, with the cooperation of many fellow economies around this table; we are creating a global alliance that will hopefully strengthen the research linkages in this area. It may be too early to tell if this will lead to business opportunities, but one day we will get to that stage and there will be opportunities for investment across the region in research and in businesses, which will help to reduce the carbon footprint from agriculture.

**U.S.A.:** As New Zealand pointed out, in some ways the "sweet spot" for APEC is where trade intersects with these other issues we are discussing, such as environmental goods & services or food security, where we can do a great deal within APEC to liberalize trade,

both export and import. Or, in the secure growth area, where we can do a lot to promote secure trade, e.g. through transportation security, etc. These areas should be given special emphasis.

I also echo the opinion expressed by the Republic of the Philippines regarding the question of climate adaptation, which is extremely important to the entire climate change scenario. Adaptation as well as mitigation is important. There is a Pacific Island Forum meeting underway right now, where they are discussing this very problem. Although not many are members of APEC, they are located close to us and we respect that they face dire scenarios in the future with sea level rises.

**Indonesia:** Regarding the issue of green growth, from Indonesia's perspective we share others' views on the need to move toward green growth, yet we share Canada's view that this will be a transition. Different economies will have to make the choice of what path to take, according to their condition, because there are still economies that have to deal with poverty issues, hunger, regional disparity, etc. and this would be a big challenge for them. For Indonesia, as well, we have to phase out subsidy, but still have to deal with poverty issues. Also, in many parts of different economies, people live in remote areas, so providing energy is costly.

Capacity building is important, for different economies to move to the green growth strategy, to choose their own appropriate path, as well as capacity building to develop infrastructure. On the issue of PPP, it will be important to see how this could succeed, as the successful cases are still limited.

Support from bi-lateral and multi-lateral agencies will be essential. There are many schemes already, as mentioned by ADB, and Japan also has a "Cool Earth" program. Support from multi-lateral agencies will be needed to bring the policy reform needed for countries to go to green growth, for example to address issues of sustainability, climate change and to prepare a good environment for clean energy development. In Indonesia, we have a climate change program supported by Japan, a French organization and the World Bank. We would like to promote these kinds of programs to other economies.

Innovative financing for the green strategy will also need to be considered.

In the area of development of alternative energy, in economies like Indonesia where there are people living remote areas, it is necessary to promote alternative energies such as solar energy, wind energy and wave/current energy. We invite bi-lateral and

multilateral organizations to move forward on development of these kinds of alternative energy.

Regarding human security, Indonesia is prone to many disasters, such as daily earthquakes, the big tsunami at the end of 2004 and forest fires, etc. We have thus learned the importance of prevention. Large casualties would not occur during an earthquake, if buildings for habitation were built properly according to the codes. It is important to put forth efforts to prevent casualties in this regard. In this area as well, capacity building for disaster prevention is important.

On the subject of emergency response, it is important to strengthen the capacity to respond to disasters, to protect the population. We should all share our knowledge and lessons learned, such as what Indonesia has learned from our experiences in coping with terrorism, the tsunami and others, and in rehabilitating and reconstructing the areas.

Promoting agriculture and forestry is necessary, but from our experiences during the food crises in 2007 and 2008, we see the value of a regional stock scheme; for example, if a problem occurs in one economy with food, then another economy could come to its aid. This would be especially important for poor people. APEC should consider these kinds of schemes.

**Mr. Peter Drysdale, Professor Emeritus, The Australian National University:**

Several members had mentioned the importance to the green growth strategy of liberalization of trade in environmental goods and services, and I would encourage activities to move forward in this regard.

It is feasible for APEC to take a global initiative to a global arena, which would be important way to make sure markets are competitive, deliver the lowest cost goods & services and effectively diffuse environmental technologies more rapidly, similar to the strategy that APEC pursued on information & technology goods in the past.

This discussion could be taken up by the Trade & Investment committee, but it intersects with the interests of this committee here as well.



## Summary

The Co-chair, Mr. Naoshima summarized the session as follows:

It was confirmed that, to realize sustainable growth, it is necessary to shift to a green economy; i.e. to ensure economical and social development, and to strike a balance in regards to the environment.

On top of the reduction of CO<sub>2</sub> emissions, the climate change issue and comprehensive preservation activities, including water and land, need to be taken into consideration.

We also need to advance our policies to promote energy efficiency and further promote development of the low carbon energy sector. The members shared their recognition of the importance of mutual evaluation of energy policies in APEC, which should be continued so that low carbon energy can be further promoted.

Also, IEA's view that the target of 25% improvement in energy efficiency by 2030 can be achieved earlier, by 2020 should be marked, and there were opinions expressed that we should be more aggressive in setting targets.

To promote green innovation, we confirmed the need to promote trade in environmental goods & services, and that it is important to make use of investment and ICT, yet at the same time, we need to avoid taking protectionist moves in the guise of environmental protection.

How to promote transfer of technologies, whilst protecting intellectual property rights, was discussed.

In addition, we confirmed that comprehensive activities, such as consolidation of standards and schemes, promotion of technological development, human resource development and the financial support, etc., are necessary.

How we can cooperate to promote these agenda was the focal point of discussion, and so we would like to work together on establishing a plan of action towards "green growth." With regard to Secure Growth, we confirmed the importance of enhancing human security. Toward that end, APEC will continue its approach of coordinating efforts with other institutions and endeavor to develop concrete actions in the areas of food security, disaster prevention, measures to combat terrorism and infectious diseases, etc. We will study on action plans in these areas.

We confirmed the importance of working together to overcome climate change. Furthermore, regarding food safety, the members noted the importance of the upcoming

first APEC Ministerial Meeting to be convened on this subject in October in Niigata, Japan.

I wish to express my appreciation, as co-chair, that the members acknowledged Japan's new growth strategy, which means that all the more, Japan must develop concrete actions plans to follow-up on this growth strategy.

I would also like to acknowledge the important contribution to the day's discussion from representatives of multi-lateral international institutions.

Tomorrow, we wish to adopt the Chair's Summary.

This will be a product of many hours of work by the working-level groups.

**Canada:** Regarding your mention of "...broad agreement on peer review of renewable energy policy," there was not much discussion on this subject. Many of us are already subject to peer review in other fora and this should not overlap. Please change to: "...agree to give consideration to peer review," to soften the tone.

**Co-chair, Mr. Naoshima:**

Regarding the peer review, this was in reference to the recent Energy Ministerial Meeting; I reported on the report that was issued at that meeting, and peer review was part of that report, but in today's summary, I didn't mention this.

**Canada:** One interpreter did say this. If it is not in Japanese, that is fine.

**Co-chair, Mr. Naoshima:**

It is not included. Please rest assured.

So, we will translate the original Japanese into correct English.

All members endorsed the summary.

The Co-chair, Mr. Naoshima duly adjourned the session.

## 8 . セッション 3 「革新的成長」 本文

Sunday, 8 August 2010

Beppu International Convention Center, Reception Hall

9:00 – 10:30

Session 3: *INNOVATIVE GROWTH*

Co-chair, Mr. Masayuki Naoshima, Minister of Economy, Trade and Industry opened the day's proceedings, in the presence of members of the media, by welcoming the members to the second day of the meeting and introducing the subjects for discussion.

APEC can achieve robust growth as a growth center through dissemination of Information and Communication Technologies (hereafter ICT), cultivating highly-skilled human resources and improving Intellectual Property (hereafter IP) standards and systems, and in addition it is essential to create an economic environment in which emerging sectors can be promoted.

Japan's "green innovation, life innovation" policy with a target year of 2020, is positioned as a driver of growth. We intend to promote a comprehensive package of policies, including fixed price purchasing of renewable energy as incentives for development & introduction of new technologies, improving regulations and schemes, and promoting environmental model cities. We expect to achieve a 50 trillion yen market in 2020, with 1.4 million jobs created and simultaneously 1.3 billion tons of greenhouse gases reduced.

Against the backdrop of the aging population, we will see a dramatic growth in life science fields such as the pharmaceutical industry, medical devices and tissue engineering etc. In order to promote research and development (hereafter R&D), it is necessary to improve research and academic centers, including weighted budget allocation on a selective basis and striving to enhance development of related human resources. Through these activities, we aim to generate substantial growth in medical (59 trillion yen) and nursing care (19 trillion yen) markets, to generate over 2 million new jobs.

(At this point in the schedule, the media left the hall.)

We look to collaborate on an APEC-wide basis with regard to these kinds of specific actions, to promote open innovation. We would like to propose formulation of an action plan toward the building of a knowledge economy. One idea to consider, in order for APEC to emerge a victor in the knowledge race, may be pledging ourselves to enhancing R&D investment in our region, in light of a similar initiative in the EU that has set an “EU 2020” growth strategy featuring a target of raising the R&D percentage of GDP to 3% by 2020; more than half of APEC economies invest less than 2%.

Japan and the U.S.A. are jointly promoting cooperation among entrepreneurs, with the aim of enhancing development of entrepreneurs in the Asia Pacific region, as a link to growth. We recommend formulating an action plan geared to developing highly-skilled HR and fostering entrepreneurship.

**Mr. James W. Adams, Vice President for the East Asia and Pacific Region, World Bank**

Promoting innovative and knowledge-based growth is a fundamental challenge, particularly for middle developing countries, is important and the World Bank is increasingly placing priority on the issue of innovative growth.

At the World Bank, we consider ideas, the foundation of innovation, to have 3 key aspects: 1) ideas need to be exploited successfully, that is, commercialization is important; 2) innovation involves not only new ideas, but existing knowledge that may be new to the firm or the economy; 2) new processes or new forms of management.

Innovation is fundamental for the developing and high-income economies, as it can raise growth and welfare. The pace of innovation has rapidly risen with rates of diffusion of knowledge rising over the last some 200 years. Innovation contributes to the growth of total factor productivity. On average, it is estimated that one-third of GDP growth between 2000 and 2006 was due to total factor productivity growth, and the Asian region leads the way in this area.

An economy’s productivity performance can be examined through analysis of trends in aggregate, sectoral and firm-level total factor productivity (hereafter TFP). Going forward in today’s environment where the ability to drive growth through debts-financed investments is muted, the importance of innovation and improvements

in TFP for growth prospects will increase, and doubly so for economies with aging populations. Devising policies to promote innovation will be a key to advanced growth and this involves recognizing obstacles and other challenges. Innovative policy diagnostics could usefully be explored as a part of APEC's growth strategy.

Measurement of the inputs and outputs of innovation and its contribution to productivity and growth is central to the appropriate design and evaluation of policy interventions, yet undertaking this is a complex challenge due to the range of policies and the multi-faceted nature of innovation. There is a wealth of indicators that have become available that could assist formulate APEC strategies. Both micro-level as well as macro-level analysis can be effective.

At the micro-level, firm-level surveys, to collection information on innovation inputs/outputs, reasons for innovating or not, the impact of innovation on productivity, etc., such as the EU Community's, OECD's and World Bank's innovation assessments can be considered. On the macro-level, aggregate indices include UNCTAD's Innovation Capability index, those of the UNDP, the World Economic Forum (hereafter WEF) Global Competitiveness Index (GCI), the "Global Innovation Index" developed by INSEAD and World Business along with the World Bank's recently created Knowledge Assessment Methodology (hereafter KAM) "Knowledge Economy Index" (hereafter KEI). The KEI consists of three sub-indices regarding innovation, education and ICT, to measure an economy's comparative ability to generate, adopt and diffuse technology. In addition, there is a sub-index on the whether the "Economic Incentive and Institutional Regime" is conducive to the effective use of such knowledge.

Even with this range of indicators, it is important to assess not only whether innovation measures are high or low in absolute terms, but also relative to an economy's economic structure and status of development. In developing countries, R&D measures of knowledge creation may be less appropriate than measures that focus on adoption and adaptation of existing technologies.

The World Bank is currently progressing work to develop a framework to measures whether shortfalls in innovation are caused by environments that adversely affect innovation or are part of a broader problem of low accumulation of all types of capital. Conducting this kind of a diagnostic could be a useful guide to improving policy, and when the results of this work become available later this year, the World Bank looks

forward to sharing them with APEC members.

Another challenge is determining a policy framework to support innovative growth that recognizes the multi-faceted nature of innovation.

This would require a holistic government approach, from a long-term perspective, to formulate development strategies, across levels of government, incorporating national and sub-national levels.

Yet a third policy challenge is designing a strategy to promote innovative growth; it is necessary to decide on the focus: create, adopt or adapt. While developing economies may need to highlight adoption or adaptation of existing technologies, higher-income economies may need to concentrate on knowledge creation. There may be a diversity of innovation challenges across APEC, yet all types of economies can reap rewards.

A fourth challenge is to ensure that the broader obstacles to innovation are being addressed. Even if R&D levels are low, the problem may be wider; related to barriers to knowledge accumulation generally or investments in physical or human capital, such as financial or labor market distortions. The linkages between constraints and innovation may be worth exploring within the context of APEC's growth strategy.

Regarding good practice, levers for innovative growth policy, to use an analogy, can be grouped into four areas: 1) prepare the ground (e.g. human resource development (hereafter HRD), capacity-building policies); remove weeds (reforms to address distortions or financial market imperfections, promote competition, IP rules, etc.); nurture the soil (promote knowledge diffusion and adaptation) and water the plants (advice & financial support for innovative activities, direct or through third parties).

The scope for learning and cross-fertilization of practices within APEC is enormous. The comparative advantages of APEC are repository, and dissemination of cross-section know and innovation may be useful to develop further in context with international institutions such as the World Bank, the Asian Development Bank (hereafter ADB), the UN system and the OECD.

In closing, Mr. Adams emphasized the importance of the whole government approach to innovation policy, integrated into long-term development strategies. Here, it is key to take advantage of the differences among APEC members. Also, the design and role of policies should be to facilitate not to orchestrate.

The ideas discussed today are not new, but are adaptations of existing ideas. The World Bank's work in this arena is expanding; it has published a "Guide to Innovation Policy for Developing Countries" this year, among other publications, and supportive programs in this regard are underway on many fronts.

We at the World Bank look forward to working with APEC as region on these issues as well as member economies.

(For details, please refer to Document 2010/HLRT/022 "Numerical targets and indicators for Innovative Growth.")

**Mr. Cho Seok, Deputy Minister of Knowledge and Economy, Republic of Korea**  
*"Korea's Post-Crisis Growth Strategies: Challenges and Responses"*

Global economic trends post-crisis features a convergence between technologies and industries along with the realization of the growth potential of new convergence-based industries. The rein of the G7 economies globally is shifting to the rising prominence of the G20. Emerging economies are gaining strength and China has become the "market of the world." In addition, green challenges and policies are gaining importance.

Against these spectra, it is time for Korea to make a significant shift. Up to the 1990s, we worked hard to "catch up" in major industries, achieving success by turning these into export industries. However, we need a different strategy now that is appropriate for the 21st century; we need to identify and foster new growth engines and we are undertaking a new industrial policy direction, with the leading role to be shifted from the government to the private sector. In development strategy, we aim to become a leading innovator and shift from a manufacturing-based to both manufacturing- and service-based economic structure. We intend to shift our trade focus to parallel growth with trading partners.

In addressing the challenges facing the Korean economy, we intend to pursue green growth as one priority, aiming for a virtuous cycle of clean environment and economic growth. To increase the sustainable growth potential we aim to build a low-carbon economy, foster green energy industries and promote the shifting of key industries into green industries. Detailed areas of promotion strategy include photovoltaic energy, expanding construction of wind farms and offshore wind power generation projects and hydro and fuel cells for households and transportation.

Another area Korea intends to emphasize is high value-added export industries. In the

area of nuclear energy, we have recently gained an important deal with the UAE and desire to enhance cooperation with overseas nuclear power companies. The world aviation market is also promising and this is an area for strategic advancement. We also intend to foster the plant construction & engineering sector.

The time has come to develop new growth engines for the future, and the role of the private sector is crucial. Government has been working hand in hand with the private sector; government sets out a vision and endeavors to create an optimal investment environment and the private sector increases investment and enhances global competitiveness. We set up a New Growth Engine Planning Committee, led by the private sector and facilitated an opinion-gathering process. 17 new growth industries were identified in three categories, green technology, high-tech convergence and value-added service. Government is keen for business to participate actively in the new growth engines and ensure that new players can easily enter the market, through formulating policies to create demand and enhancing technology and HRD.

Korea is ranked in the top 10 globally in its traditional key industries such as shipbuilding (No. 1), mobile telephones (No. 2) and semiconductors (No. 3) among others. On the other hand, we are not as strong in materials, software and equipment. Materials account for 82% of production costs for solar cells and 55% in the case of LCDs. A technology gap also exists for key materials with advanced countries. Action plans to develop this industry include selecting 10 major materials on the basis of their originality and potential impact, establishing a specialized cross-sector team (from industry, research institutes, etc.) and creating a test bed for newly developed products and a special fund to vitalize the industry.

Simultaneously, we aim to sharpen the competitive edge of our software sector, through reform of the industrial environment, demand creation and development of skilled workers/experts and strategies to facilitate entering overseas markets.

In the area of equipment, in the past Korea relied excessively on imported equipment and lacked a strong industrial structure due to the fact that the majority were SMEs, with disadvantages in the export market. To rectify and improve the environment, we plan to formulate a comprehensive program to support the equipment industry, developing technology through cooperation between manufacturers and client businesses. We also intend to encourage autonomous restructuring by facilitating M&As, support businesses in entering new markets and engage in HR projects, among other measures.



(For further details, please refer to Document 2010/HLRT/013: “Korea’s Post-Crisis Growth Strategies: Challenges and Responses.”)

**Ms. Rita Lau, Secretary for Commerce and Economic Development, Hong Kong, China**  
*“Upgrading Society through the Knowledge Economy”*

Several trends in the global economy will present opportunities as well as challenges for governments and business, considering that the world’s economy is set to double in size, e.g. transition to low carbon and the green revolution as well as changes in the age profiles of different societies. In this increasingly globalized environment, all parties will want to capitalize on these changes. Societies need to continue to invest to raise the performance of businesses and people to help them seize these market opportunities, amidst competition. It is imperative to improve skills, strengthen our capabilities in research and development, innovate further in science and technology, and industrialize this innovation in commercially successful ways.

Joint efforts among governments are welcome after crises such as a financial crisis or tsunami, etc.

Policy makers will be called upon to formulate policies that endeavor to correct negative impacts of downturns, but moreover ensure that we are in a stronger position to take advantage of the opportunities that will arise as the global economy returns to growth. Hong Kong, China is a small economy with few natural resources, but it has now become a global center for world trade, finance, business and telecommunication. Since the 1980’s, there has been a profound structural change in the economy towards the services sector, now accounting for over 90% of our GDP, that has brought prosperity. In pursuit of a knowledge-based economy amidst competition, constant innovation is key. In highlighting Hong Kong, China’s experience, I would like to focus on two sectors with growth potential that will diversify our economic structure and help attain more balance growth over time: Creative Industries and Innovation & Technology.

#### <Creative Industries>

Close to 32,000 creative establishments with more than 176,000 practitioners working in the sector contribute to about 4% of our GDP. In June 2009, we set up a dedicated office “Create Hong Kong,” to champion and drive the development of the creative economy in Hong Kong, China, with particular emphasis on nurturing a pool of creative human capital. Creative industries are mainly comprised of SMEs and through collaboration and concerted efforts with stakeholders, government can adopt policies to

help creative SMEs to develop as well as add value to their businesses. For example, in line with the APEC growth strategy for capacity building, we provide funding support aimed at broadening SME's knowledge base and promoting the establishment and development of start-up enterprises. Through this, we can generate demand for innovation creativity and thereby expand the market size for creative industries.

#### <Innovation & Technology>

Technological innovation can transform quality of life and provide economic opportunities, ultimately bringing prosperity for people. One case in point is what the “Octopus” smart card RFID technology has done for Hong Kong, China. Introduced in 1997, its application has since grown and is now being used as electronic money for a wide variety of transactions. The economic benefit of using the smart card with over 11 million transactions and worth of about HK\$100 million a day is rewarding and enormous, not to mention the ease and convenience.

A common challenge is that the policy-making process is always far slower than technology advancement. In Hong Kong, China, we have adopted a “technology neutral” approach in managing and regulating technological uses. For example, with wireless technology, we monitor the market demand for spectrum and act to provide extra capacity, but never direct operators to use a specific type of technology.

The success of innovation and technology development is dependent on numerous factors, including R&D capability and technological entrepreneurship, among others. Hong Kong, China has introduced a R&D rebate scheme whereby the government gives a 10% cash rebate for every approved R&D project that private enterprises initiate. At the regional and international level, APEC member economies can work together to facilitate IP transfer and commercialization of innovation. Governments in APEC could provide focus and support to important technology domains.

#### <Foster Innovative Growth in the APEC Region>

APEC member economies can set an example to embrace innovation and empower our citizens and businesses to realize the full potential of the information society. In Hong Kong, China, we work with the ICT industry to develop a digitally inclusive and knowledge-based society, adopting a holistic approach and investing in education for knowledge creation and sharing. Our goal is for all residents, businesses and voluntary organizations to be able to take advantage of ICT, leading ultimately to everyone achieving their full potential in improving their quality of life. In this regard, a strategic priority is to pursue a policy of data sharing for access to public sector information, with

a view to reaping the significant economic values and public benefits that could arise. Through adopting innovative technology to provide “Next Generation Public Services,” we could efficiently provide citizens with the services they need in a convenient manner, matching the most customer-friendly organizations in the commercial and voluntary sectors.

Innovative businesses need educated, entrepreneurial and skilled people and investment in this regard is an important part of government policy. I encourage APEC members to join hands to foster an environment that facilitates sharing of ideas and knowledge.

**Mr. Ampon Kittiampon, Secretary-General, Office of the National Economic and Social Development Board, Thailand**

We would like to share our views on balanced growth, based on the experiences of Thai economic development and also comment on innovative growth.

Thailand strongly supports the three key messages that are the results of deliberation in the first two sessions of the meeting, namely the importance of 1) balancing domestic and external sources of growth, 2) quality growth and 3) the sustainability of natural resources and the environment quality in order to achieve a quality and sustainable growth.

**<Growth needs to be balanced>**

The Thai economy grew extremely fast from the beginning of the 1960s to the mid-1990s at an average rate of approximately 6-7 percent. Then the economic crisis of 1997 led to severe economic contraction. Thereafter, our economy resumed an average growth rate of 5% for ten years, despite many adverse incidents, e.g. tsunami, SARS, domestic political conflict, etc.

The assessment of our development results carried out before 1997 concluded that our development was imbalanced, as many new social problems had increased while natural resources and the environment had deteriorated.

Imbalanced development will eventually lead to an unsustainable growth situation.

Thus, growth has to be balanced in all aspects, economic, social, natural resources and the environment, in order to be sustainable and result in happiness for the people.

<Growth needs to be resilient>

After the 1997 economic crisis, the “Philosophy of Sufficiency Economy” was announced, which emphasizes the importance of balanced growth in all of the above-mentioned aspects. The application of the philosophy is to be based on both knowledge and ethics, and it also teaches us to be prepared for potential risks arising from domestic and external sources such as globalization.

Thus, another definition of balance growth is that the economic growth should be able to adjust to a changing environment and be resilient to adverse incidents.

On the social side, our demographic structure is now entering the aging population process. On the economic side, the recent global economic downturn revealed another weakness that we are still overly dependent on exports and foreign tourists. This dependence over a long period also caused another imbalance, namely income inequality, i.e. social inequality, which could be even more difficult to cure than an economic crisis.

<Innovative growth and its contribution to a more balanced growth>

Thailand needs an innovative growth that adds value to our products and services, and distributes the benefits of growth more equally among our people. Along with other emerging economies in the Asia Pacific, Thailand does have valuable capital, but we need to be creative and innovative in turning those assets into a new engine of growth. One of our important national strategies is the “Creative Economy.”

It is also prudent to develop a larger middle class in order to reduce inequality and social conflicts, as well as to enable Thailand to consume more and contribute to more balanced global growth.

<Proposal for three main innovation mechanisms for the APEC innovative growth strategy>

1. Innovation to Secure Growth, through supporting collaboration between academia, business and the public sector in R&D.
2. Innovation to Sustain Growth: apply innovation effectively utilizing the inherent multi-functionality of the agricultural sector, which though less advanced than other production sectors, is a valuable asset. Through this, we can create wealth in many economies in a more balanced and sustainable approach. This area also includes innovation in the food production sector.

3. Innovation to Balance Growth: strengthen the high value services sector, based on culture, historical and indigenous knowledge and skills. The cultural assets of economies in our region are valuable ingredients to develop unique goods and services which generate new consumption. In addition, film, animation and content industries provide more opportunities to leverage our cultural capital.

The APEC innovative growth strategy includes many enabling factors such as access to information and telecommunication technology, appropriate IP laws, financing for start-ups, SMEs and individual entrepreneurs.

We suggest that additional factors be considered, such as green and agricultural innovation, educational reform that nurtures creativity, life-long learning environments, cultural policy and preservation of indigenous knowledge.

**Mr. Sarishvili Grigorii Naskidovich, Head of The Department of Asian and African Countries, Ministry of Economic Development, The Russian Federation**

Questions of particular interest to Russia are: “What kinds of good practices exist to encourage innovation?” and, “What sort of strategic examples exist for practices to accelerate innovative growth in all economies?”

Government policies that foster innovation and a knowledge-based economy are now an integral part of economic policy. However, a universal feature of innovation policy is the special role of the state, particularly in shaping the institutional environment conducive to the growth of entrepreneurial and innovative activity.

This requires an effective system of institutions, mechanisms and infrastructure to support innovation in all spheres of economy and social life. The available instruments of state policy in this area include direct measures to support science and education, R&D and indirect tax, administrative and other measures.

In Russia’s government policy, one of the main goals is to develop an innovative social-oriented economy, set forth in the “Concept of Long-term Development of the Russian Federation until 2020.” Of particular importance is the establishment of a national system to support innovation and technological development, which requires solutions to 1) expanding demand for innovation from most sectors of the economy, 2) raising the efficiency of the knowledge-generating sector (basic and applied sciences) and 3) overcoming the fragmentation of the existing innovation infrastructure.

Achieving these objectives will require improvements of existing and introduction of new government incentives for innovation.

Along with applying measures drawn from international best practices of creating infrastructure for innovation, such as creation of technology-innovative special economic zones and others, currently a relatively new comprehensive instrument is also being adopted to encourage innovation; development of technology platforms. A technology platform is designed to bring together government, science and business throughout the entire cycle of development and production of innovative products and is an instrument for accelerated R&D within specific sectors of the economy. It may also be applied as a PPP. Technology platforms allow us to address several practical issues, including improvement in the efficiency of complex instruments and channels of government support for R&D in a particular sector; overcome fragmentation of science; eliminate risk of duplication of research funded from different sources; streamline public spending for R&D and attract private co-financing.

We primarily draw on the experience of the EU in searching for best practices. The first European technology platforms emerged in 2001 and a total of 38 of these have been formed to date. 10 years of experience has shown their effectiveness.

Technology platforms are also open to other countries and can play a role as a forum for interaction of stakeholders from different economies, including the APEC region. This positive effect will be reinforced by the fact that this cooperation is focused within a particular sector of the economy and “tuned” to achieve specific results.

Our experiences in Russia with developing and promoting international linkages of technology platforms could be of interest to many APEC member economies and may become effective frameworks to facilitate innovative growth.

(For further details, please refer to Document 2010/HLRT/019: “Choosing Proper Policy Instruments to Promote Innovative Growth.”)

## Discussion

**Professor Gary Richard Hawke, Victoria University of Wellington:** I endorse the concept that innovation has a multi-faceted nature, as noted in the World Bank presentation, involving adaptation as much as creation.

Yet, regarding commercialization of research, when successful, it is a part of innovation, but it could invite a misleading conception of the relationship between business and research. I am in favor of subsidized research, but it is a mistake to think that this is a way of achieving innovation. The motivation may well come from business end of the spectrum and the key issue is often mobilization of research capability to solve a problem that is encountered by the business world.

This may throw a different light on the interesting experiences of Korea and Hong Kong, China.

**Peru:** Regarding IP, Peru considers that within IP, the protection of traditional knowledge and biodiversity is fundamental within the growth strategy as a whole, and in particular regarding sustainable, inclusive and balanced growth.

Sustainable, in that it will contribute to the protection of biodiversity and therefore can provide increased incentives to maintain and expand existing natural resources.

Inclusive: because the protection of traditional knowledge and biodiversity will provide income and other resources that will directly benefit those parts of the population who have been mostly marginalized from the fruits of global trade.

Balanced, due it will contribute to creating a culture of respect and of protection of IP in developing economies, which were in the past unable to provide incentives to entice the population to do so

**Chinese Taipei:** Regarding innovation, I firmly echo the World Bank's remarks and would like to stress that innovation should be carried out through a whole government approach.

Innovation should be carried out by our own ministries in each economy. In Chinese Taipei, in the past innovation was under the jurisdiction of the Ministry of Economic Affairs or the Ministry of Science, and did not involve any other ministries. Obviously, this was mistake, and in May this year, we introduced a new approach: statutes for industrial innovation which legally require all ministries to engage in some kind of

innovation.

Also, upgrading of HR is important and in addition, innovation should be founded on an open and competitive environment.

**Hong Kong, China:** If there was any misconception regarding my presentation earlier in which I referred to the cash rebate scheme with regard to encouraging more R&D,

I would like to clarify that, in fact, the whole idea of a cash rebate scheme is to encourage and inculcate a research culture among enterprises, and actually encourage SMEs to establish long-term partnerships with research institutions, because that is the basis on which any applications for the cash subsidy would be considered.

This is really a policy to encourage collaboration between research institutions to help in the development of research capabilities, which SMEs in Hong Kong, China can leverage and seek long-term partnerships on. This point is a clarification.

**Indonesia:** As many colleagues here have mentioned, there are many initiatives that have been conducted in other economies, and indeed probably many more APEC member experiences exist. It is important for member economies to share, as Thailand mentioned, their initiatives, in order to develop innovative activities.

In Indonesia's view, we know that government procurements in many economies have been an important part of spending. It is possible to use this government procurement to promote innovative initiatives, especially for SMEs; this is not for the purpose of protection, but by increasing competition and efficiency and so on for SMEs, this government procurement can be used as a key to promote innovation.

It is also important to promote creative industries, and I shared the importance of the creative industry in relation to SMEs, which is also related to the pillar of inclusive growth, an important pillar of the APEC growth strategy.

Incentives for companies to promote R&D, including tax system, property rights, and rebate system, as mentioned by Hong Kong, China, are also very important to promote SMEs and R&D.

**U.S.A.:** Markets are important in the process of innovation. As we all know, innovation is the matching of knowledge with opportunity. Today we have discussed market failures, but there are also government failures. When the government fails to recognize the importance of the market in really driving innovation and the matching of



opportunity and knowledge, government can sometimes get in the way. So, even as we discuss the role of government in innovation in providing opportunities, we should also recognize that it can stifle opportunities. In the U.S.A. in recent years it has become apparent that innovation is more and more becoming a process that is very organic and unpredictable, rather than something that can be anticipated by planners or forecasted. Also, innovation is increasing based with SMEs, rather than large enterprises and often in the services industry and manufacturing. These SMEs follow an integrative process of matching a technology with an idea, often from unrelated fields and bringing those together in an innovative way. Thus, I would like to stress the importance of markets.

**Co-chair, Mr. Satoshi Arai, Minister of State for National Policy and Minister of State for Economic and Fiscal Policy, Japan**

Technology to promote innovation is not necessarily high-tech, but traditional or low-technology could also be triggers.

More than 30 years ago, Japan had the experience of transferring salmon/trout cultivation technology to Chile. At the time, no salmon/trout existed in the southern hemisphere. The technology has taken root in Chile, which now exports salmon/trout to other markets including Japan. Japan also exported “multi-faceted agriculture” technology, which had been deployed in the northern part of Hokkaido, to the north east of China. Black sheets of film cover the soil in order to warm up the soil’s temperature at the initial germination stage, which helps to generate larger volumes of crops.

This particular technology is quite primitive and both governments never even imagined a trans-border transfer of the technology. But a remarkable productivity increase in that area of China has been achieved, thanks to farmer-level communication between our economies.

We believe that transfer of a traditional technology in a particular APEC economy could lead to innovation in other APEC economies, through cooperation between APEC members. The key areas where these kinds of technologies may tend to exist are in SMEs or the biodiversity sector. In order to sustain these innovative technologies, water resource and forest preservation technologies are also important.

## Summary

The Co-chair, Mr. Naoshima summarized the session,

Innovation embodies rapid change, so we need to proactively respond.

Markets are important in responding to the change.

Promotion of innovation has to be conducted with the cooperation of both private and public sectors.

Toward creation of a knowledge-based economy, APEC must further promote the utilization of ICT. We need to promote protection and use of IP rights and standardization of policy.

We also confirmed the necessity of reinforcing cooperation to improve the R&D environment. In order to maintain APEC's global competitiveness in knowledge, R&D investment has to be further enhanced. An index of R&D investment vs. GDP would be useful to be monitored, following the example of the EU's growth strategy, and we discussed reinforcing various activities.

Reinforcement of cooperation in improving policies and schemes in developing economies is mandatory.

We also confirmed that the most important issue is HRD. Development of highly skilled HR along with HR exchange should be further promoted, in order to have APEC become a center of knowledge.

We seek to establish an action plan toward creation of a knowledge economy, with regard to IP, standardization and development of high-skilled HR, etc. In particular, we would like to delve into ICT and IT infrastructure at the Ministerial Meeting on Telecommunications and Information Industry to be held in Okinawa at the end of October.

Based on our discussion today, it is necessary for us to continue to discuss various issues, to contribute to formulating a growth strategy through more effective exchange of views.

**Canada:** It may be a question of translation. I agree that R&D as a percentage of GDP is *an* index of progress. However, it is too rough a measure to be *the* index to use on progress.

**Co-chair, Mr. Naoshima:** Thank you for pointing that out.

Also, I would like to mention that in one part, the interpreter said "agreement." But,

what I said was, referring to R&D, "...we discussed reinforcing various activities."

I wish to clarify that the phrase used was "we had discussion."

All members endorsed the summary.

The Co-chair Mr. Naoshima duly adjourned the session.

## 9 . セッション 4 「あまねく広がる成長」 本文

Sunday, 8 August 2010

Beppu International Convention Center, Reception Hall

10:45 - 12:15

Session 4: *INCLUSIVE GROWTH*

Co-chair, Mr. Satoshi Arai, Minister of State for National Policy and Minister of State for Economic and Fiscal Policy, Japan, began the session by stating that inclusive growth seeks to ensure that all have the opportunity to benefit from the globalization of the market economy. In the Asia Pacific region, where expansion of trade and investment has been the main engine for growth, after the financial and economic crisis, it is now clear that benefits are not being enjoyed by all people in the region. Thus, inclusive growth is an important pillar for the APEC growth strategy

By ensuring that the benefits of globalization are enjoyed by all, we can expect a virtuous cycle which will create further new growth, and the key is to create new demand and jobs. It is necessary to engage in efforts with regard to employment, human resource development, support for SMEs & entrepreneurs, enhancing safety nets and expanding opportunities for women.

In the area of employment, an active labor policy will be needed to enhance measures for training and education of a wide spectrum of the work force, including youth, the aged and women, to enable them to flexibly adapt to changes in the economic environment. In particular, women make up 60% of the workforce in the APEC region as a whole, but in some economies, like Japan, where it is approximately 40%, there is more work to be done. Employment rates for older workers in some economies are at a mere 5%. Also, I would like to point out the fact that higher education attendance ratios in the APEC region diversify between 10% and 90% by economy.

SMEs are important players in inclusive growth, with their ability to absorb the labor force. It is necessary to improve the business environment, management capacity and access to markets, technology and finance.

Strengthening of the social safety net is crucial. How to deal with aging populations should be added to poverty countermeasures, for developed as well as emerging economies.

In tackling these challenges, it will be necessary to promote structural reform in the domestic arena, to improve regulatory and legal frameworks and vitalize the labor market. We would like to take tangible actions in the domain of human resource development and fostering entrepreneurship, which are crucial as well.

Mr. Arai expressed his hope that, based on the discussion today, a strong, positive signal could be sent out, looking toward the 5th Human Resource Development (hereafter HRD) Ministerial Meeting in Beijing and the 15th APEC Women Leaders Network (WLN) Meeting in Tokyo, both in September, as well as the 17th Small and Medium Sized Enterprises Ministerial Meeting in Gifu, Japan in October.

**Mr. Tadahiro Matsushita, Senior Vice Minister of Economy, Trade and Industry**

Currently, Japan is striving to be more open and expand frontiers, aiming for inclusive growth in developing employment and human resource (hereafter HR) development strategies, e.g. development of employable competency and realization of “decent work,” under the slogan of providing “place he or she belongs” and each person’s own “role to play.”

Through pursuing more effective schemes, Japan intends to work toward realizing “strong economy, strong finance and strong social security” as well as strengthening the safety net in the medical and nursing areas to endeavor to mitigate citizen’s anxiety about the future, to be able to achieve a shift from savings to consumption.

In June, the “SME Charter” was formulated, positioning SMEs as an engine for change, and the upcoming SME ministerial meeting in October is expected to deepen discussion.

Japan and the United States will also host a women’s entrepreneurial summit in October, pursuing how to improve the environment to provide women with expanded opportunities so that they can enjoy their full potential

The Co-chair, Mr. Arai, invited the lead speakers to give their presentations.

**Mr. Nguyen Cam Tu, Deputy Minister, Ministry of Industry and Trade, Viet Nam**

Mr. Tu presented Viet Nam's experiences in supporting SME and improving the social safety nets. High growth rates in Viet Nam have been accompanied by labor structure shifts, from agriculture to non-agriculture sectors. Credit programs targeted to the poor have contributed to poverty reduction; 22% in 2005 has decreased to projected 9.5% in 2010.

SMEs are a major pillar of Viet Nam's economy, accounting for 97% of all enterprises in the economy and are the main driver to create and ensure employment. Difficulties remain, however, including lack of capital, out-dated technology, poor management and small markets.

In supporting SMEs, Viet Nam's policies aim to develop a multi-sectored economy, sustainable development and raising SME's awareness of their role. A legal framework to promote SME's has just been established.

Key measures to support SMEs include credit support, industrial zone creation, innovation of technology, promoting market access, government procurement and human resource development, among others.

During the last financial crisis, our government implemented stimulus packages and offered loan interests for the poor and manufacturers.

An investment bank is providing assistance on a nationwide basis, and the Bank of Viet Nam is also taking action in two channels; funding for bank guarantees and export-related.

We are also actively putting forth efforts to improve social security and social safety nets, through formulating and improving policies and legal systems.

Job creation and reduction of unemployment are together one of the top priorities.

The government is focusing on the labor structural shift, to increase the proportion of non-agricultural employment, especially in high-quality services such as banking, finance and IT.

A Social Policy Bank has been established to provide loans.

It is also important to enhance capacity for vocational training, re-training and training in rural areas as well as for those who are homeless and among the poor. We intend to formulate programs based on the successful experiences of developed countries.

At the same time, poverty alleviation and social assistance are also pressing concerns.

Viet Nam's national development strategy goes hand in hand with reducing poverty and addressing social issues. .

There is a close relationship between economic growth and poverty reduction; 58.1% in 1993 to

28.9% in 2002.

Our comprehensive social development strategy consists of a broad range of components, such as dealing with natural disasters, pandemics, risk prevention and reduction, among others. In addition, national programs for the future are being developed, including the National Program on Sustainable Poverty Alleviation for 2011-2020 and the National Program on New Rural Development for 2010-2020.

N national program on new rural

Mr. Tu reflected on APEC's roles in supporting member economies, applauding APEC's responsiveness to emerging issues, timely assistance to member economies during the financial crisis and guidance in formulating domestic policies. APEC's growth strategy is an important document and action plans will be essential to translate the strategy into detailed activities, including the work being implemented by the SME Working Group, formulating post-APEC Leaders' Agenda on Structural Reform (hereafter LAISR) plans and others.

However, it may not be practical to devise a large number of action plans at same time, which could result in overburdening member economies.

APEC should consider developing a multi-year plan to assist developing economies, focusing on shared experiences and best practices in policy-making, and at the same time cooperate in Human Resource Development (hereafter HRD), etc.

SOM need to provide timely supervision and instruction to all of the working groups. Mr. Tu suggested that it may be useful to have a report to review progress, however reiterated that member economies should not be overburdened.

It is also important for APEC to accelerate cooperation with other international organizations such as the G20 and ASEAN in implementing the growth strategy, to make the Asia Pacific a dynamic community in the 21st century.

**Mr. Lukita Dinarsyah Tuo, Deputy Minister for National Development Planning, Indonesia**

Mr. Tuo introduced Indonesia's commitment to implementation of the APEC agenda, which is also in line with that of the Indonesian's government, noting the inclusive growth is a critical element of growth strategy. Implementing the national development plan has assisted us to sustain the economy through two financial crises, in 1998 and 2008, and it has grown at more than 6% since 2006.

We have succeeded in reducing the number of people living below the poverty line from 17.8% in

2009 to 14.2% in 2009, and estimate for 2010 is some 13% in 2010, meaning an improvement for about 1.5 million people. Our unemployment rate has continued to decrease, from 10.3% in 2006 to 7.9% in 2009.

We have also undertaken economic, governmental and political reforms, including moving from indirect election, to direct elections, not only nationally, but also in some 500 regional district governments.

Before the 1998 crisis, Indonesia enjoyed fast and high growth, but concentration on small groups proved to be inequitable and unsustainable. After the collapse in the 1998 crisis, we endeavored to build capacity in people, which is slower, but more sustainable as it ensures that all people participate in the result, as well as share the burdens. This resulted in the community and economy enduring the crisis of 2008.

Detailed policies included the 2007 Comprehensive Poverty Alleviation Programs, to empower the poor so they gain the ability to bring themselves up from poverty and develop themselves, comprised of three “Clusters;” 1) supporting basic needs geared for the very poor; 2) empowering geared for community groups in poor areas, through the National Community Empowerment Program (“NPM Mandiri”), which is also supported by the World Bank and includes enhancement of the role of women;

3) enabling engagement in productive activity geared for small & micro entrepreneurs with empowerment measures such as increasing access to micro credit through “Kredit Usaha Rakyat (hereafter KUR).”

Thus, during the 2008 global financial crisis, macro level and micro level impacts were mild; in particular, SMEs impacted by slow demand from global consumers were able to switch sales to the domestic market. At the same time challenges remain, such as disparity among provinces and across income groups, increasing job opportunities in informal sectors which are vulnerable to small shocks and the continuing existence of un-reached or isolated groups, despite comprehensive measures.

Considering the circumstances, we have formulated a national development agenda for 2009-2014, focused on growth with quality, for all Indonesian people, with a triple track strategy, “Pro Growth, Pro Job and Pro Poor,” plus a fourth of “Pro Environment.” The agenda’s 3 main pillars are 1) safe and peaceful Indonesia, 2) justice and democracy and 3) improving the people’s welfare.

Indonesia envisions growth of 6.3% to 6.8% over the next 5 years on average, and intends to strive to achieve balanced and inclusive growth through continuing to build a confidence government,



ensuring a conducive investment climate, building infrastructure and revitalizing industry and agriculture; we will focus on SMEs for ensuring inclusive growth, as they account for almost 99% of all economic establishments in Indonesia, as well as promote social protection for those of the population who are still marginalized.

Among the measures envisioned for assisting SMEs are; increasing financial access for SMEs through micro credit KUR guarantees, and increasing the number of local banks/cooperatives involved in KUR delivery; promoting capacity building and others. Also, we will reach out to assist entrepreneurs and improve social safety nets through institutional development for a National Social Security System.

Considering that inclusive growth needs to be introduced in parallel with international activities, the APEC economies need to develop a regional balanced and inclusive growth system focused on increasing capacity and standards of the two major economic players, SMEs and workers, and developing social protection systems for workers in both formal and informal sectors.

It is necessary to recognize what kinds of SMEs exist and then develop the right policy and programs accordingly. Key areas with regard to SMEs are: market access, financial access, technology and business management.

In the area of programs for workers, we wish to focus on links between educational systems and industrial needs, promoting employment relations to care for workers, job information and training.

We also intend to recognize opportunities for women, as a growing proportion of workers.

Social protection systems are necessary for both formal and informal workers. However, we must be careful in establishing social protection systems, considering the experiences of other economies.

Indonesia, along with other APEC economies, still has still limited coverage for formal workers, which should be strengthened. Development of such a system for informal workers is also called for, and family-based and community-based systems are desired.

We recommend adding wording to the Chair Summary draft that indicates the importance of social protection to the inclusive growth section.

Collaboration among APEC economies as well as with other fora is essential in discussing our agenda, including this extremely important issue of inclusive growth.

We look forward to drawing on the lessons and expertise of APEC economies and progressing concerted efforts to realize regional balance and inclusive growth in the region, that we have been

talking about for the past several years.

**Dr. Dinh Van An, Chairperson of the Governing Board, Economic Research Institute for ASEAN and East Asia (ERIA)**

*“SMEs’ Assistance and worker skill upgrading: solution for inclusive growth”*

The Economic Research Institute for ASEAN and East Asia (hereafter ERIA) was established at the 3rd East Asia Summit in November 2007 under the agreement of all leaders there, with the objectives of facilitating ASEAN Economic community building, contribute to narrowing the development gaps, nurturing a greater sense of community in East Asia and supporting ASEAN’s role as driver of broad economic integration. Since its establishment, ERIA have undertaken various measures and research to provide scientific basis and advice for policy-makers and governments of member economies, that has contributed to rapid development, and ERIA’s agenda has a close relationship with APEC’s goals.

ERIA’s research has shown that at a national level, inclusive growth is a process to obtain equal and maximum access to growth-induced economic opportunities by all. The outcome goal is job creation and income improvement, contributing to a rapid and sustainable development of a nation. The same principles and goals can be applied to contribute to rapid and sustainable development across the region and globally.

Equally a key issue is to establish a sustainable and equitable social safety net. In Asia, pension coverage is relatively low, consistent with the low share of formal sector employees in the region. Improving the coverage of the social safety net should be undertaken while simultaneously considering various development stages and indigenous social systems.

We echo the statements by other speakers on the importance of the SME’s role in the economy, as well as in regional and global production networks, considering the fact that in particular East Asia is home to 20 – 30 million SMEs that contribute to 70% of employment. SME assistance would require a focus to deal with a series of issues, such as administration reform, simplification of market entry/exit procedures, socio-economic infrastructure development, improvement of forecast capability and quality of information and diversification and renovation of contents and methodology of vocational training, among others. As chairperson of ERIA, I support projects in all

mentioned fields, to provide fresh and suitable policies for APEC member economies.

In fact, ERIA published a research project in 2009 entitled “Integrating SMEs into the more Integrated East Asia,” which maintains that there is an interconnected relationship between internal and external policies to facilitate SMEs’ effective participation in production networks.

External policies can consist of; financial access assistance, improvement of administration skills and SME’s internal capabilities, encouragement of investment in developing countries by large foreign firms as well as foreign SMEs from developed countries, promotion of exchange of experts and consideration of an agreement to recognize criteria and results of auditing among economies in the region to assist SMEs to reduce entry/transaction costs and avoid duplication.

SME assistance is important for SMEs in developed as well as developing economies. As various pressures are impacting SMEs in Japan, Korea, Taiwan and China toward moving production bases to developing countries to take advantage of lower wage costs, these countries as well as the recipient countries will need to design and provide assistance to SMEs and to strive to upgrade worker skills.

I would like to highlight the case of Viet Nam. In Viet Nam, an increase of SMEs has contributed to job creation, narrowing of development gaps and making the economy more flexible. Yet, 95% of Vietnamese firms are medium, small and micro-sized, operating mostly in trade services, assembly, etc. with very few manufacturing firms. Also, the labor force is plentiful and at the “golden age” of the population, but labor skills remain weak. Such weaknesses could be factors behind chronic situation with regard to trade deficits, negatively influencing exchange rate regimes and macro-economic stability.

Therefore, to overcome this and to continue to provide assistance to SMEs, Viet Nam will continue to pursue domestic policies and measures, such as financial assistance policies; policies to support innovation; production/business space assistance policies to provide land areas and encourage construction of industrial parks for SMEs to lease; policies to support renovation and enhance technological capacity through Official Development Assistance (hereafter ODA); market assistance policies; information and consultancy assistance policies with regard to legal documents, HR development assistance policies and business incubation promotion policies for start-up firms.

Viet Nam is likely to continue to promote attraction of investment from foreign partners, both transnational corporations (hereafter TNCs) and SMEs in developed economies, which it considers an important policy to develop support industries and upgrade worker skills in Viet Nam.

Hereafter, measures and policies need to be designed and implemented at both national and regional levels to develop SMEs and upgrade worker skills in APEC member economies, to contribute to fulfilling the targets of inclusive growth and narrow development gaps among regional economies.

(For further details, please refer to Document 2010/HLRT/020 “SMEs’ Assistance and worker skill upgrading: solution for inclusive growth.”)

## **Discussion**

**APEC Business Advisory Council (ABAC):** Following the presentations by ERIA with regard particularly to Viet Nam as well as Indonesia, we would like to note that at the upcoming 3rd Meeting of APEC Business Advisory Council, in Bangkok 24-27 August, we intend to recommend to ministers that APEC launch a financial inclusion initiative (hereafter FII) under the Finance Ministers’ process. APEC has considered FII in the past, primarily with regard to micro-finance, but it is now clear that deposit services, insurance services and money transmission are also important in financial inclusion. The business community considers financial inclusion to be highly desirable, to ensure full participation in economic growth in developing economies. It is also important to the increasing number of workers who are crossing borders in pursuit of economic opportunities.

When viewing financial inclusion from the perspective of new technology, e.g. mobile telephones, you will find the banking structure overly traditional and lacking the capacity to meet the demands of such “live” sectors of certain economies.

Implementing appropriate financial inclusion measures generally requires regulatory reform, legal reform, governance, and in some cases public sector management reform. It will be necessary to promote capacity building within and outside of APEC.

We offer the observation that business is often a dubious ally to policy makers on reform. Business is encouraging, but making the journey behind the policy makers.

In addition, our view is that much of the APEC reform agenda, as seen from the business community, would be seen to be more tangible if they were applied to priority sectors.

A focus to collect information across the region for priority sectors, such as financial, logistics and connectivity, energy and food security, and allowing a policy support unit to be a clearing house for that information, would contribute to efficiency. ABAC has created a “single window” initiative for importers and exporters that centralizes the submission point and government body response point for documents, that is being put in place in Hong Kong, Singapore and some other economies. This initiative, through the policy support unit, may be considered a worthwhile evolution over time of APEC’s capabilities.

**Mr. Koichi Takemasa, State Secretary for Foreign Affairs, Japan:**

Inclusive growth stems from the idea we should strengthen social resilience, to enable individuals to overcome short-term difficulties and gain long-term incentives. In specific terms, this includes ideas such as; re-training and skills enhancement, promotion of domestic labor transfers, investment in education, as well as establishment of social safety nets, e.g. unemployment insurance and medical assistance.

Economic growth and social security measures are no longer contradictory concepts. Hereafter, we need to stand by the concept of “social security for growth.”

Since 2005, APEC has promoted LAISR, which is in its last year, and discussion is underway regarding the future direction of the structural reform agenda.

All member economies recognize that APEC should expand endeavors beyond its current efforts, to harmonize systems for economic activities, and share the view of the importance of inclusive growth.

Japan, as the chair of APEC in 2010, will cooperate with other members to deliver meaningful outcomes for the November Summit. In order to realize growth by involving a broader range of groups in society, we should focus on SMEs and the role of women in business.

China will host the 5th HRD Ministerial Meeting in Beijing this coming September. Japan will closely cooperate with China to incorporate its outcomes in the growth strategy.

APEC has a broad range of elaborate sub-fora as well as economic and technical

cooperation resources to use as avenues of assistance. APEC is framework that can promote many other concrete measures for inclusive growth and Japan, as chair, will deepen discussion and translate this into as many concrete actions as possible.

**Singapore:** We echo the consensus around the table that inclusive growth is important to growth strategy so that the fruits benefit all of society, and this in turn will help APEC to maintain a global consensus for trade and investment and resist protectionist measures. There is an extremely wide agenda to enhance social cohesion, yet it is necessary for APEC to focus on areas that are in synergy with its strengths as an economic organization.

We agree with Viet Nam and Indonesia that APEC needs to focus on the two areas of 1) human resource development, because providing all people with jobs is the best form of social safety net, and 2) SME development, as SMEs are not as productive as other enterprises in the economy.

The APEC SME Working Group has a comprehensive strategic plan for SME development, covering many areas. These plans need to be supported by adequate resources, so that we can have good capacity-building activities for SME in APEC.

**Korea:** According to ERIA's research, at the national level, inclusive growth means a growth process through all people can obtain equal and maximum access to growth-induced economic activities. And, at the international and regional levels, inclusive growth means a growth process in which all economies can obtain equal and maximum access to the same.

Thus, inclusive growth means, real access by all people and all economies.

We would appreciate a clear answer on the fundamental question; Will this be possible?

**Chinese Taipei:** Regarding inclusive growth, poverty should be considered a central issue, as it is the friend of illness, illiteracy and unemployment. Thus, in order to aim for meaningful endeavors to solve the poverty issue, policies should be targeted to the areas of illness, unemployment and illiteracy.

Regarding unemployment and the development of SMEs, Chinese Taipei has observed that SME's mortality rate is high, e.g. only 40% of SMEs in our economy have a life span of over 10 years. How can we make this mortality rate lower or transform the fairly wealthy SMEs as a meaningful learning process for all SME entrepreneurs? This, we

believe is a key question in order to realize sustainable growth, especially in SME sectors.

**China:** We are grateful for the mention of the upcoming 5th APEC HRD Ministerial Meeting in Beijing in September, which will focus on sharing knowledge and experiences in response to the economic and jobs crisis. The three sub-themes are expanding employment, improving social safety nets and enhancing HR capacity building to prepare the workforce to revitalize economic growth. We expect that the meeting's outcomes will consist of a ministerial joint statement, an action plan and a multi-year technological cooperation project.

We look forward to all members' contributions on the subject of inclusive growth, in the best season in Beijing.

(For details, refer to Document 2010/HLRT/016 "Briefing on the 5th APEC HRD Ministerial Meeting.")

**Peru:** We echo the views of other members that SMEs are important drivers of economic growth in our economies, as they constitute an important part of economic output, are a source of employment and contribute to reducing poverty and improving living standards. Therefore, APEC should encourage the development of SMEs and promote improvement of the capacity to engage in international trade in a competitive way.

Peru supports the development of initiatives aimed at improving the ease of doing business in APEC economies, enhancing capabilities of SMEs, promoting innovation and SME's access to global markets, with the view of fostering inclusive growth.

**ABAC:** ABAC Japan will hold the APEC SME Summit, supported by the Japan Chamber of Commerce and Industry in November in Yokohama. The agenda will focus on 1) financial inclusion of SMEs, i.e. "micro entities," 2) export support for SMEs, 3) capacity building for ICT-related technology and 4) SME's role for growth strategy in each economy and APEC as a whole.

## **Summary**

The Co-chair, Mr. Satoshi Arai thanked the members for introducing their respective growth strategies and their candid exchange of opinions, and summarized the session as follows:

In the APEC region, all citizens should have the opportunity to succeed powerfully in

the market economy. APEC should provide policies in various fields, such as creation of employment opportunities, development and utilization of HR, fostering SME and entrepreneurs and creating new economic opportunities for women; all can contribute to inclusive growth.

Regarding balanced growth, we shared structural reform action plans. It was pointed out that those action plans are also effective from the point of view of inclusive growth. The importance of social safety nets, including improvement in education systems was also mentioned. Toward inclusive growth, the most important issue is HRD. Much expectation was expressed for the upcoming HRD Ministerial Meeting, WLN, SME Ministerial Meeting and the women's entrepreneurial summit. Incorporating the debates and outcomes of these meetings, we will continue to study comprehensive action plans for HRD and entrepreneurial development. It was pointed out that, especially with regard to SME HRD, that sharing of best practices is vital.

**Canada.** As mentioned by Indonesia and ABAC, good governance is important; government that is transparent and responsive to the needs of its people, and that gives its vulnerable people greater confidence to participate in the economy itself. We have heard from both the private sector and government of the importance of continuing to invest in improvement of good governance. Please incorporate this into the summary.

**Co-chair, Mr. Arai:**

Those points are mentioned in the 2<sup>nd</sup> paragraph; i.e. shared best practices and the importance of social safety nets. The necessity of transparent government was emphasized, which is to be put in the first half. Thus, the 2<sup>nd</sup> paragraph has been amended as follows:

“Regarding balanced growth, we shared structural reform action plans. It was pointed out that those action plans are also effective from the point of view of inclusive growth. The importance of social safety nets, including improvement in education systems was also mentioned. Also, transparency of government and continuing to invest in good governance is important.”

All members then endorsed the summary.

The Co-chair Mr. Arai duly adjourned the session.



## 10 . 「締めくくりセッション」 本文

Sunday, 8 August 2010

Beppu International Convention Center, Reception Hall

12:30 – 12:45

### *CONCLUDING SESSION*

The Co-chair, Mr. Masayuki Naoshima, Minister of Economy, Trade and Industry, Japan offered the concluding remarks of the Round Table and requested all members to review the Chair's Summary that was distributed.

The Asia Pacific region, as the “growth center of the world,” is taking on a heavy burden for the growth of the entire world. Thus, formulating a growth strategy collaboratively by the entire region has a high significance for the growth of the world.

APEC is aspiring for a new growth which is “balanced,” “inclusive,” “sustainable,” “innovative” and “secure.” It is essential to improve “quality of growth” in order to promote further expansion of the primary engine of growth, trade and investment.

We will proactively support and complement the framework of G20 towards “balanced growth.” APEC can make contributions especially in such areas as promoting structural reform.

Towards “inclusive growth,” we will strive to provide opportunities to all through increase of employment, development of HR, fostering entrepreneurs and providing opportunities for women, etc.

In order to achieve “sustainable growth,” we will tackle upgrading energy environmental policies and promotion of trade in environmentally friendly goods & services, etc., and further drive technological innovation.

Towards “innovative growth,” we will strive to reinforce the platform of R&D and to consolidate schemes for IP, standards and highly-skilled HR.

As for “secure growth,” we will promote “security assurance for human beings,” such as food security assurance and expansion of cooperation in disaster prevention, etc.

Acknowledgement was shared that merely formulating growth strategy is not enough, but that steady implementation to put it into action is important.

We were able to share the direction to prepare action plans in the 5 pillars of growth, and to follow up on progress in cooperation.

Also, we had discussion on comprehensive measures to execute the strategy without fail; for example,

1. How about formulating a roadmap for realization? and
2. What about introducing concrete indicators to assess the progress of the action plans? were discussed.

As one example, regarding energy efficiency, APEC has a target of 25% improvement vs. 2005 by 2030 and we had discussion on whether it would be feasible to set a more aggressive target or accelerate the schedule.

We hope to continue discussion on this point in the process of formulating the growth strategy.

**Co-chair, Mr. Arai:**

I have no comments on Mr. Naoshima's summary with regard to the two sessions I chaired and I state that the discussion is included in the above summary. I appreciate all members' cooperation. I hope that the contents of the discussion in this meeting shall be reflected in the APEC growth strategy that will be formulated at the top-level meeting in November.

**Co-chair, Mr. Naoshima:**

Based on yesterday's and today's discussion, Mr. Arai and I as co-chairs have prepared this Chair's Summary, which we have made adjustments on, and you can refer to it. We would like to ask the members to adopt this summary.

(Please refer to the Chair's Summary, "The APEC Growth Strategy High Level Policy Round Table in Beppu.")

We have chosen to make the Chair's Summary succinct, so it was not possible to reflect all the discussion, but I assure you that through SOM meetings, all of the details of the debate based on your participation will be incorporated. I express my sincere appreciation to all members for your great cooperation.

The Co-chair, Mr. Naoshima asked for any comments from members.  
There were no comments.

Well, you have collectively adopted the Chair's Summary. Thank you very much.

The APEC Growth Strategy High-Level Policy Round Table has adopted this Chair's Summary.

I am truly happy with the result.

We will deliver this outcome to Yokohama, so this will contribute to the greater future of APEC

The Co-chair, Mr. Naoshima duly adjourned the APEC Growth Strategy High-Level Policy Round Table.