Chinese Taipei’s ABAC Knowledge-Based Growth (KBG) Initiative

“Advancing Knowledge-Based Growth to Strengthen APEC Growth Strategy”

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Introduction

In the 2009 APEC Leaders’ Declaration, Leaders call for the necessity to advance APEC economic growth in a sustainable, balanced and inclusive manner. Additionally, Leaders state that APEC should increase growth through innovation and a knowledge-based economy (KBE). In reaction to the economic crisis, Leaders recognize the urgency to create a new growth paradigm for accelerating recovery. APEC’s response to the Leaders’ pronouncement has been prompt and decisive. Japan, the 2010 APEC host, has developed the APEC Growth Strategy (AGS) initiative to be managed by the Senior Officials’ Meeting (SOM). The initiative will be one of APEC’s major outputs for 2010. Essentially, the AGS initiative will focus on four dimensions of economic growth: balanced growth; inclusive growth; sustainable growth; and knowledge-based growth (KBG).

According to SOM’s “Worksheet on APEC Growth Strategy,” knowledge-based growth is about raising APEC’s growth potential through innovation and a knowledge-based economy. Specifically, the objective is to consolidate and protect the innovative environment. Another objective is to upgrade industrial structure, so as to develop high technology and services. An action for achieving the above objectives is the promotion of innovation, such as through facilitating patent acquisitions and standardization. A further action is the utilization of information and communication technology (ICT) to ensure that social and economic activities are more efficient. In addition, an important action is the improvement of business mobility, such as through the enhancement of the APEC Business Travel Card (ABTC).

Revitalizing APEC’s Work on KBE

In order to enhance the position of knowledge-based growth in the APEC Growth Strategy, the previous work of APEC on KBE could be revitalized through a re-examination of its relevancy. APEC’s seminal work on KBE is the Economic Committee’s report published in 2000 called: “Towards Knowledge-Based Economies in APEC.” The report states that an economy is a KBE whereby the production, distribution, and use of knowledge are the main drivers of growth, wealth creation and employment in all industries. Essentially, the report analyzes KBE development from four dimensions: Innovation system; human resource development; ICT infrastructure; and business environment. With regard to innovation system, the report says that the advancement of innovation depends on the interaction between the knowledge base and the business sector. Furthermore, globalization has increased the interdependence of economies’ innovation systems. On the issue of human resource development, the report asserts that the change to a KBE has raised the demand for intellectual workers with professional knowledge and creative minds. Additionally, the report makes the observation that the state of an economy’s ICT affects its competitiveness in the creation, diffusion and application of knowledge. As for the business environment, the report maintains that the promotion of a KBE, where the major players are entrepreneurs, entails the development of a knowledge-friendly business environment.

Enhancing SMEs-KBG Relationship

At the same time, the SMEs-KBG relationship must also be analyzed and enhanced, as it is an integral part of the process to advance KBE. Since the creation of APEC, the advancement of SMEs has been another important focus of APEC. The Small and Medium Enterprises Working Group (SMEWG) coordinates APEC’s work on SMEs. One of the most recent significant products of the SMEWG is the SMEWG Strategic Plan (2009-2012). The Strategic Plan is relevant to the development of KBE because innovation is one of the priorities. The SMEWG has created key performance indicators (KPIs) for innovation: 1) To improve SME R&D performance; 2) To introduce measures which foster Innovative SMEs; 3) To promote industry-academic Collaborations; 4) To encourage commercialization of IPR; 5) To promote
exporting of IP; 6) To encourage SMEs’ expenditure on R&D education; 7) To encourage collaborative research among APEC Economies.

**Affirming ABAC’s Position on KBG**

Since ABAC’s recommendations to APEC are important for the enhancement of APEC’s work, it is imperative that ABAC contributes to the formulation of the APEC Growth Strategy. Recently, ABAC has developed policy suggestions for APEC in the areas of balanced growth and sustainable growth, as stated in the 2009 ABAC Report to Leaders. For example, ABAC has called for the need to eliminate imbalances that have caused the economic crisis, and has also supported the improvement of energy efficiencies and the reduction of greenhouse gas emissions. With regard to knowledge-based growth, ABAC has not yet examined this new issue but has already worked on ICT development. ABAC has called for APEC to emphasize ICT to advance economic growth and also to improve ICT infrastructure. Additionally, ABAC has called for APEC to create regulatory and policy environments that allow economies to benefit from adopting ICTs.

**Conclusion**

In conclusion, the focus of the ABAC KBG Initiative will be on knowledge-based growth, because of the need for new and comprehensive research on issues, such as how to drive improvements and which objectives to achieve. In addition, businesses have played a significant role in developing ICT and progressing knowledge-based growth in the APEC region. The initiative will also examine ways to ensure that the development of KBG benefits SMEs. Thus the main purpose of the initiative is to develop policy suggestions for enhancing knowledge-based growth in APEC that benefits businesses and SMEs. (Associate Research Fellow, International Affair Department, TIER)

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**Asian Businesses and Regional Economic Integration**

Theodore M. H. Huang

It is a great pleasure for me to attend the Asian Business Summit. I truly appreciate Nippon Keidanren’s great efforts in organizing such an important event. As the crisis has finally come to an end, and economic recovery has started, it is crucial for Asian businesses to get together and explore opportunities for cooperation.

For many years, great efforts have been made to fulfill the goal of regional economic integration. Due to the fact that a more integrated region is able to promote trade and investment, reduce unnecessary transaction costs, enhance GDP growths and generate more benefits for all economies in the region. For that reason, many regional entities such as the APEC, East Asian Summit and others all value regional integration as the primary objective.

**Building a Community**

As identified and stressed by many theorists and activists, the final phase of regional economic integration is to build a “community”. In my view, the concept of a community is related to the sharing of a common identity, culture, ideas, and beliefs. In this sense, there is at present no Asian community de facto, since Asia is characterized by great cultural, ethnic and political diversity, unresolved conflicts and different visions of the future.

Balanced by the natural law of demand and supply, the existing Asian economic structure has been serving as a cornerstone of the global value chain. In order to prevent the 1997 Asian Financial Crisis and the 2008-2009 Global Economic Crisis from happening again, countries in this region have realized the importance of collaboration in this region. Ideas and initiatives of cooperation have been issued in different regional arenas, such as the APEC and East Asian Summit. Because the chain reaction in the regional scale is faster than that in the global scale due to the geographical factor.

Basically, an Asian or regional awareness motivated by the multilateral economic structure has gradually emerged. Such awareness will serve as a driving force and eventually pave the way for building a future community in our region. I believe so, because I have been closely watching and contemplating about relevant developments in our region and the rest of the world.

My first observation is about the development and deepening of regional integration efforts in