

Asia-Pacific Business Forum 2005

"Changes, Challenges and Opportunities for Asia and the Pacific"

Bangkok, Thailand

13-15 May 2005

Opening Ceremony

Opening Statement: Dr. Kim Hak-Su, Under-Secretary-General of the United Nations and Executive Secretary, UNESCAP

Keynote Speech: H.E. Mr. Watana Muangsook, Minister of Industry of Thailand

Special Presentation: Mr. Narayana N.R. Murthy, Chairman of the Board and Chief Mentor, Infosys Technologies, India

Vote of Thanks: Mr. Praphad Phodhivorakhun, Chairman of the Joint Standing Committee on Commerce, Industry and Banking (JSCCIB) and Chairman of the Federation of Thai Industries (FTI)

Global Compact Signing Ceremony: Mr. George Kell, Executive Head of the United Nations Global Compact; Mr. Jingjai Hanchanlash, Executive Vice President, Loxley Public Company Ltd., Thailand, and Mr. Prida Tiasuwan, Chairman, Pranda Jewelry Public Company Ltd., Thailand.

The Opening Ceremony commenced with a Welcoming Statement by Dr. Kim Hak-Su, Under-Secretary-General of the United Nations and Executive Secretary, UNESCAP. In his opening address, Dr. Kim remarked that despite expected regional economic slowdown in the year 2005 due to rising oil price, depreciation of the dollar, natural disasters, and diseases, the Asia-Pacific economies remain the fastest growing in the world with prospective GDP growth twice higher than that of the rest of the globe. To ensure a fair share of the gain from increased economic integration and globalisation, he urged development of institutional and policy frameworks at all levels with the cooperation of all stakeholders.

Moreover, Dr. Kim pointed out that the income disparity among countries in the region was exacerbated by the Tsunami tragedy of 26 December 2004. To handle the challenges, he stressed that the business sector's support in forms of basic infrastructure restoration, skill & technology transfer, and employment creation is vital for long-term rehabilitation of the local communities in the affected areas and highlighted the necessity of multi-stakeholder consultations on these issues.

Dr. Kim also presented a brief overview of the Global Compact initiative of United Nations Secretary-General Kofi Annan, of which a Signing Ceremony for new Asia-Pacific participants was held during the latter part of the Opening Session.

Moreover, Dr. Kim expressed gratitude to the co-organizers and sponsors of the Forum, and invited to an active debate among all stakeholders during the Forum.

Following the welcoming remarks by Dr. Kim, the opening keynote speech was delivered by H.E. Mr. Watana Muangsook, Minister of Industry of Thailand. His address covered two main themes: *Role of Public and Private Sectors in Creating a Viable Environment for the Sustainable Economic Growth and Development* and *Present and Future Investment Prospects in Thailand*.

H.E. Mr. Watana noted that the success of Thailand's economic development in the past few years was a fruit of the underlying principle that the governmental intervention shall occur only in the event of market failure, with public interest as primary concern. In addition, he noted, the government shall refrain from any restrictions on trade and investment as well as from any business activities that may crowd out private competition. As the legitimate public actor, the government bares responsibility of both supporting the supply side of the economy in its goal of profit maximization through providing a viable business environment and meanwhile ensuring fair market competition to protect consumers – the other side of the equation.

According to H.E. Mr. Watana, the Thai government has under the current administration relied on an *Outside-In* approach to entrepreneurial promotion, with public-private dialogues leading to formulation of economic policies that answer the actual needs of entrepreneurs.

H.E. Mr. Watana noted that not only firms but also the government gain from the profitable performance of business, since a portion of firms' income feeds directly into government tax revenue. He remarked that, on the economy-wide scale, a higher rate of return on capital mobilisation, in particular foreign investment, helps raise the average individual income in the host country, in turn inducing a higher level of domestic savings, national wealth, and ultimately sustainable economic development. In this respect, he emphasized the importance of government support for trade and investment development.

To further emphasize the necessity of the government's role, H.E. Mr. Watana took the example of 1997 Thailand Economic Crisis, when private insolvency due to excessive property speculation, overcapacity in the real-estate sector and business unprofitability affected the whole economy. He mentioned that, in promoting a viable business climate in Thailand, the Bank of Thailand is tasked with maintaining economic stability through monetary policy and financial institution supervision while the Thai Board of Investment (BOI) on the other hand stimulates the economy with a range of investment promotional schemes.

On the demand side, H.E. Mr. Watana mentioned the Thai government's initiative of economic empowerment of local agricultural producers by means of governmental market intervention to increase farmers' bargaining power to guarantee their sales at an acceptable price level. By improving the purchasing power of the grassroots, which forms the base of the Thai economy, the expectation is that domestic consumption will rise accordingly, and the economic engine therefore runs at a higher steam.

H.E. Mr. Watana ended his speech by providing a brief overview of present and future investment prospects in Thailand. Noting a growth in foreign direct investment by

25 per cent in the first quarter of this year or by 89 per cent compared to the same quarter last year, he remarked that Thailand stands out as a leading business investment hub of the world, and that Japan ranks Thailand as its second biggest investment destination, after China. Concerning future investment opportunities in Thailand, he advised that potential areas include iron and steel manufacturing and construction of automobile platform for Eco vehicle, both under the Royal Thai Government's "Detroit of Asia" development plan. In closing, he thanked the UNESCAP for hosting the Asia-Pacific Business Forum 2005 in Bangkok, wished the Forum a success, and wished the guests a wonderful time in Bangkok.

As the key speaker from business, Mr. Narayana N.R. Murthy, Chairman of the Board and Chief Mentor of Infosys Technologies Limited from India then delivered his presentation on "The Power of Business in Contributing to Development", elaborating how responsible corporate citizenship helps make a difference to the world.

Quoting Michael Porter and Joseph Schumpeter, Mr. Murthy pointed out that entrepreneurship is at the heart of national competitive advantage, optimal returns and thus economic prosperity, since it provides for business innovations and efficient allocation of resources. This causative relation was further illustrated with the Index of Economic Freedom, which indicates a positive correlation between the participation of private sector in an economy and its GDP growth, as empirically evidenced by Hong Kong, Singapore and the United States.

However, he also noted that a focus on profits is not enough, and that the rise in national wealth has been accompanied by a wider income gap in many parts of the world. For example, the urban-rural income disparity in China has risen from 2.5 times in 1978 to over 6 times today; and there has been a sharp increase in the percentage of the population in Europe and Central Asia with earnings less than US\$ 2 a day. Moreover, in India, over 260 million people have incomes below the poverty line and 25 million children are without schooling.

Mr. Murthy also remarked that companies must play a significant role in contributing to equitable development, and that they should realize that they cannot thrive on a sustainable basis unless they make a difference to their context. He pointed out that companies should play a positive role by adhering to acceptable working standards. Moreover, he noted that involvement in local social issues helps companies gain acceptance within their community. As companies operate within a climate of opinion, firms that are excellent local citizens will build strong relationships with the local society and government, and help shape public policy and drive change. In this respect, Mr. Murthy noted Infosys Foundation, as funded by the company's charitable donations, along with its philanthropic health care and education programme for people in rural areas.

Mr. Murthy also noted that companies can plan a key role in empowering the poor in developing countries. As has been shown in C.K. Prahalad's book entitled "The Fortune at the Bottom of the Pyramid" and companies can come up with market-driven, innovative solutions to solve the problems of the poor. Some examples of this practice include *Grameen Phone* – through which local entrepreneurs buy cellular handsets with micro credit loans and rent to neighbours, *Casa Bahia* – a Brazilian consumer electronics firm which provides credit to consumers with low or unpredictable incomes, and *ICICI*

Bank – an Indian which provided a solution to farmers debt by providing education and need-based loans to 8,000 rural self-help groups across the country.

Mr. Murthy further noted the importance of good corporate governance, as it helps promote economic inclusiveness. Moreover, it is good business - according to a McKinsey study, over 70 per cent of investors are willing to pay a premium for well-governed companies.

As to the role of government, Mr. Murthy pointed out that they should focus on creating a good business climate. He further noted that developing countries often hurt themselves and impede development by strangling business with red tape. Giving the example of India, he noted that the 1991 reforms had greatly reduced friction for business. Before the reforms, Infosys had faced significant bureaucratic challenges for accessing basic infrastructure, importing computers, etc. However, the 1991 reforms saw the birth of a new Infosys, as well as a strong increase in GDP growth in India as well as a significant decline in the poverty rate.

In line with this, he recommended that governments create an environment where it is possible for entrepreneurs to create wealth legally and ethically. In line with this, and to achieve sustainable growth, he noted that governments should focus on policies which promote economic freedom and stimulate competition; which enforce contracts and protect investors' rights; and which create an effective welfare system for the poor.

Mr. Murthy noted that we have now arrived at a time in history when businesses are equipped with the strength of knowledge, the power of globalization to accomplish seemingly impossible goals – the elimination of poverty, hunger and disease from this world. Citing the words of writer William Ward that “*we must be judged not by our standard of living, but by our standard of life; not by our measure of wealth, but by our measure of giving*”, he encouraged participants to aspire to miracles – both for their companies and for their countries.

Following Mr. Murthy's speech, and in concluding the Opening Session, Mr. Praphad Phodhivorakhun tendered a vote of thanks to all parties contributing to the organisation of the Asia-Pacific Business Forum 2005 on behalf of the Joint Standing Committee on Commerce, Industry and Banking (JSCCIB). In his expression of appreciation, Mr. Praphad articulated his delight for the privilege of Thailand to host the Forum. His gratitude was also extended to Mr. Narayana N.R. Murthy, whose world-class company Infosys Technologies features both business success as well as profound sense of Corporate Social Responsibility.

Mr. Praphad further noted that globalisation has become an issue of interest to all and he thus expected it to draw multi-perspective views from lively discussions over the forthcoming days. In view of increasing economic integration with the Asia-Pacific region as *the Factory of the World*, he noted that debates on the impact of globalisation on business dimension along with preparation tactics would very much appeal to private-sector stakeholders.

On this regard, Mr. Praphad remarked that Thailand has long been a centre for international trade thanks to its advantageous geographic position with an easy reach to other strategic parts of the region plus the country's natural attribute of openness. Besides, to seize the opportunities from globalisation, he noted that Thailand has

developed its automotive manufacturing sector to fulfil the long-term aim of regional automakers, facilitated trade and investment through Free Trade Agreements (FTAs), and planned to further strengthen the ties within ASEAN for growth of both richest and poorest members. To overcome challenges and gain from the opportunities of globalization, he remarked that regional public-private cooperation was needed. With these words, Mr. Praphad concluded by wishing for a successful Forum and ultimately sustainable economic development of all Asia-Pacific countries.

Signing Ceremony for new participants of the Global Compact

The Signing Ceremony was introduced with a presentation on the Global Compact by Mr. George Kell, Executive Head of the United Nations Global Compact. This was followed by an address by Mr. Jingjai Hanchanlash, Executive Vice President, Loxley Public Company Ltd., on why they have chosen to sign up to the Global Compact. Lastly, Mr. Prida Tiasuwan, Chairman of Pranda Jewelry Public Company Ltd., existing signatory of the Global Compact, explained their reasons for being a signatory of the Global Compact.

This was followed by the formal signing of new participants to the Global Compact. A total of 21 companies and organizations signed up to the Global Compact at the Ceremony.

Special Roundtable Parts I and II

Special Roundtable Session Part I: Getting Ready for the New Arena of Globalization

Chairperson: Dr. Kim Hak-Su, Under-Secretary-General of the United Nations and Executive Secretary, UNESCAP

Facilitator: Mr. Kobsak Chutikul, former Director-General, Department of Economic Affairs, Ministry of Foreign Affairs, Thailand

Discussants:

Mr. Mohammad Shahbaz, Deputy Chief (ITO), Ministry of Commerce, Government of Pakistan, Pakistan

Tan Sri Dato' Azman Hashim, Chairman, AmBank Group and Vice Chairman, Pacific Basin Economic Council, Malaysia

Mr. Mahbubur Rahman, President, Chairman and CEO of ETBL Holdings Limited and President, International Chamber of Commerce – Bangladesh, Bangladesh

Prof. Jean-Christophe Iseux, School of Economics, People's University of China and Adviser on Foreign Economic Cooperation to the CPC Central Committee, China

Mr. Alex Trepelkov, Chief, Multi-Stakeholder Engagement and Outreach Branch, Financing for Development Office, United Nations, New York

The discussion in roundtable I focused on globalization, its effects on countries in the region and how to manage it so as to benefit from the positive effects while avoiding the negative effects.

It was noted that globalization is bringing all nations together on one platform in terms of both economic and social issues. Some of the key dimensions of the ongoing globalization process mentioned included:

- Higher connectivity between countries through telecommunications and Internet.
- Easy mobility of goods, capitals and services between countries.
- Uniformity of rules and procedures regarding customs, ports clearance, visa and transport across borders among countries.
- Implementation of the WTO frameworks.
- Strict control of cross-border mobility of health hazards, drugs and human trafficking.
- Strict application of rules on child labour.
- Higher focus on environmental protection.
- Tourism promotion.
- Technology transfer to developing countries from technologically advanced countries.

It was noted that there had been positive and negative consequences of the globalization in Asia and the Pacific. In the case of China, it was mentioned that there were two opposite effects of globalization. A positive one was the “Go Global” strategy enacted at the 3rd plenum of the 16th congress of the Central Committee of the Communist Party of China (CPC). This strategy allowed both state and private enterprises to gain

access to global markets, resulting in five positive outcomes: 1) diversified portfolio investment; 2) technology transfer; 3) security of energy and raw-material supply; 4) enhancement of competitiveness; and 5) improved corporate management. However, there were also negative outcomes deriving from the implementation of WTO directives. Again in China, farmers have been struggling to compete with heavily subsidized agro-products from some of the developed countries. As a consequence, the government has started to lower taxes for farmers as well as to provide subsidies in areas affected by intensified competition in order to maintain their competitiveness. It was mentioned that UNESCAP could play a role as the administrator of a cooperation framework for the Asia-Pacific region, which aims to strengthen the positive aspects and to alleviate the negative ones of the globalization. Furthermore, UNESCAP could provide an excellent platform to outline long range plans in light of the Millennium Development Goals (MDGs). Two practical points were highlighted which were particularly relevant for China at present. First, effective mechanisms for poverty alleviation and reduction of emerging social problems have to be introduced. Second, the enhancement of public health capacity has to be enforced, including the establishment of an emergency reaction mechanism in the case of the outbreak of communicable diseases, such as SARS and AIDS.

It was remarked that strong economies tend to focus on their achievements from the ongoing globalization without taking developing countries into account. LDCs might not be ready for the ongoing globalization; however, they have to deal with its unstoppable pace. To overcome this imparity, it was suggested to improve the capacities of LDCs in order to fully equip these countries for the future. Furthermore, a demand for thorough reforms in the finance and transportation sectors in the region was voiced in order to prevent the recurrence of the Asian economic crisis in 1997.

It was also noted that the impacts of globalization were heterogeneous; thus, we have to differentiate countries into three categories: high income countries, middle income countries and LDCs. Problems which LDCs face in the context of globalization arise from two sides – supply side and demand side. LDCs confront low level of investment flows, low productivity and low export diversification on the supply-side. Demand-side issues include low capability to access foreign markets, mainly because of both tariffs and non-tariff barriers. It is necessary to develop a coordinated and coherent approach to overcome these hurdles. It was recognized that UNESCAP, and the APBF in particular, could play an important role to facilitate the provision of technical assistance to LDCs as the movement of capital, technology and knowledge from industrialized countries to LDCs was indispensable for sustainable regional development. UNESCAP was called upon to undertake new work programmes designed to assist LDCs.

The important topic of regional cooperation in the field of the capital markets was also mentioned. It was noted that the recent ADB Board of Governors' Annual Meeting in Istanbul had paved the way towards the establishment of new regional financial institutions, such as Asian Development Fund (ADF) and Asian Monetary Fund (AMF). All participants of the APBF were urged to consider supporting the establishment of the new financial institutions, which are to be accessible by all the developing countries of the region to promote investment, dissemination of information and transfer of technology.

In addition, the following points were suggested for inclusion in the action plan of the APBF 2005:

- Building infrastructure networks.
- Creating a better investment climate, mutually beneficial to all countries.
- Facilitating a temporary free movement of less-skilled workforce.
- Establishing an Asian Development Fund (ADF) for the benefit of LDCs.
- Creating uniform product standards for the region.
- Developing a regional capital market.
- Organizing frequent consultations in different countries among governments, business community, civil society and relevant international organizations.

Relating to new regional financial structures such as the Asian Development Fund and other international financial frameworks, it was explained that as the follow-up of the Monterrey Consensus on Financing for Development, the United Nations had asked numerous experts and academics from the field how they foresee the direction of international financial developments. The United Nations also frequently organized international conferences bringing senior officials and private sector executives together to share their thoughts and experiences to: 1) promote the public-private partnerships, which could improve the reach and effectiveness of development assistance particularly in health, education and natural resources; 2) leverage the roles of multilateral development banks and aid agencies to catalyze private investments for development; and 3) improve the governance of financial agencies by capacity-building activities. It was mentioned several high-level dialogues on financing for development would be organized this year in New York and various other locations.

At the end of this roundtable session, all panellists were requested to provide a short statement on concrete recommendations. While one panellist pleaded for more confidence among countries in the region, another recommended the integration of the entire Five Principles of Peaceful Coexistence¹ into the UN Charter. A third stressed the point that member countries of UNESCAP should cooperate and share their expertise and skills much more in the future. He also stated that UNESCAP should facilitate the creation of a list of requirements for LDCs in order to allow those countries to get access to needed technology. One of the panellists stated that the regional financial systems, such as ADF and AMF, should be implemented by the member governments to eliminate poverty efficiently within the region, while the last one noted that there is no single way to manage globalization and no unified approach to solve its issues as each and every country has to find its own way to reduce and finally eliminate poverty.

After the statements of the panellists were given, the floor was opened to all participants. Focusing on UNESCAP's role in the capacity building in the region, it was suggested that UNESCAP develop its technical assistance programme based on the grass-roots point of view to find adaptable, transferable solutions for every developing country in the context of globalization.

¹ The Five Principles of Peaceful Coexistence are a series of agreements between China and India, which was made in 1954 after border conflicts between the two countries. The Five Principles include: 1) mutual sovereignty and integrity respected; 2) non-aggression; 3) non-interference; 4) equally and mutual benefit; and 5) peaceful coexistence.

Selected recommendations:

- Build on the positive aspects of globalization while addressing the negative impacts.
- LDCs to develop a coordinated and integrated approach to address challenges posed by low FDI, low productivity, skills shortages, lack of export diversification, low market access negotiating power, barriers to trade, etc. (e.g. by developing uniform product standards, harmonizing customs, resolving transit issues, seeking better rules of origin and GSP conditions, etc).
- Build institutional capacity.
- Support the establishment of an Asia Development Fund to promote investment, dissemination of information and transfer of technology.
- Conduct regular multi-stakeholder consultations, such as the Asia-Pacific Business Forum, in different countries in the region.

**Special Roundtable Session Part II:
Coping with Economic Effects of Regional Natural Disasters**

Chairperson: Dr. Kim Hak-Su, Under-Secretary-General of the United Nations and Executive Secretary, UNESCAP

Keynote address: Mr. Erskine Bowles, United Nations Deputy Special Envoy for Tsunami Recovery

Facilitator: Dr. Nagesh Kumar, Director-General, Research and Information System for Developing Countries (RIS), India

Discussants:

Dr. Agus Prabowo, Director of Natural Resources and Environmental Management, National Development Planning Agency, Indonesia

Ms. Aishath Shahuda, Director, Economic Statistics, Ministry of Planning and National Development, Republic of Maldives

Dr. Narhari Rao, Principal Economist, Asian Development Bank

Dr. Suthad Setboonsarng, Partner, Worldtrade Management Services, PricewaterhouseCoopers Legal & Tax Consultants Ltd.

The Special Round Table Session II began with a keynote presentation by Mr. Erskine Bowles, Deputy to the United Nations Special Envoy for Tsunami Recovery, Bill Clinton. In his presentation, Mr. Bowles gave a brief overview of the effects of the Tsunami and highlighted some of the major challenges in the reconstruction.

Mr. Bowles mentioned that it is impossible to describe with words the terrible destruction caused by the Tsunami, and that even the media can not fully reflect the devastation of the affected areas, in particular Aceh, Indonesia. He noted that, due to the immediate offers of help from international organizations, an outbreak of major diseases in the aftermath of the Tsunami could be prevented. He also pointed out that the private sector had played a very important role in Tsunami relief, providing an unprecedented amount of resources, both in-kind and monetary. In addition to providing talent, expertise, time, systems and/or other in-kind resources, he estimated that business entities had provided some US\$ 700 million in direct contributions. The amount of contributions from individuals was also unprecedented.

Although the relief-phase is now officially declared as over, Mr. Bowles emphasized that the reconstruction phase has just started, and that there is much left to do. It was noted that in reconstruction, the following four areas are of major importance:

1. *Champion reconstruction by building back better*, i.e. better schools, better houses, better roads, better hospitals etc.
2. *Transparency and accountability*: Ensure that the distribution of funds is executed with high transparency and accountability – by all stakeholders, including private sector organizations. In this respect, Mr. Bowles mentioned the in-kind contribution of PriceWaterhouseCoopers, who are offering more than 8000 expert hours to construct transparent systems and processes for the processing of funds.

3. *Risk reduction:* The need to work to mitigate the impact of further tsunamis and other major nature catastrophes. In line with this, efforts have to be streamlined to establish an effective risk reduction program with an adequate early warning system. A scheme has to be created which provides guidelines for disaster mitigation.
4. *Best practices:* The need to coordinate work between ADB, the World Bank, United Nations agencies, NGOs and the more than 50 bilateral donors involved in the Tsunami Relief. A common workload must be organized properly to avoid duplication and define responsibility, and there is a need to focus on documenting best practices in dealing with major disasters.

Although more funds are not needed at the moment, Mr. Bowles pointed out that there are several ways for the private sector to continue their support for the Tsunami affected areas. These include: (1) continuing to source from companies in affected areas; (2) hiring local contractors for reconstruction work; and (3) providing bridge financing to enterprises in the supply-chain. These measures were highlighted as being critical in order to enable local economies to recover rapidly.

In the ensuing panel discussion, it was pointed out that the Asia-Pacific region is one of the most catastrophe-prone areas of the world, with 80 per cent of all natural disasters in the world. The main lesson learned is that Asia and the Pacific can recover if there is a joint effort. Such an effort should build on the strengths of all sectors, in particular the private sector, which has demonstrated its resilience before.

In the case of Indonesia, it was noted that a joint team of government representatives and experts from the World Bank assessed the value of the losses by the Tsunami of Indonesia to US\$ 5 billion, which is equivalent to the annual GDP of Aceh. Out of 5 million people, about 500,000 were affected, with 200,000 either killed or missing, and 8 per cent of all villages were lost. It was noted that the rehabilitation phase has started and will last about 2 years, while the reconstruction is expected to last 5 years. The Indonesian government has produced a "Blueprint to Rebuild Aceh" which covers 11 books. Moreover, they have established the Authority for Rehabilitation and Reconstruction of Aceh and Nias (BAPEL), charged with coordinating the Tsunami recovery efforts, accommodating the aspirations and concerns of stakeholders. This agency will be responsible for matching donor funds with specific community needs through a process which is rigorous and sensitive to local concerns while also well monitored.

It was pointed out that although few inhabitants of the Maldives were killed or are missing from the Tsunami, one third of the population became homeless and the effects on the economy were still large. In total, 50 islands, including thousands of fishing boats, were washed away. As the domestic industry depends largely on the income of fishery and tourism, the country was affected massively. The World Bank and ADB with the government and UN agencies estimated the value of the loss at 62 per cent of GDP excluding the environmental damage such as deterioration of top soil. The massive decline in tourism is also having indirect economic effects in tourism-related industries such as handicraft. It was pointed out that many resorts have already been rebuilt and in addition some 60–70 islands were not touched by the Tsunami. However, occupancy rates are still far below the pre-Tsunami period. To alleviate the effects of the Tsunami on

the economy, the Maldives would appreciate any help or collaboration in tourism matters.

Although the ADB has two decades of experience in disaster management, it noted that it had never dealt with a catastrophe of this size. It was also noted that the ADB is not structured for emergency assistance, but for long-term reconstruction as well as prevention. The ADB is facilitating partnerships, including public-private partnerships, which are essential for all aspects of reconstruction as well as development in general. In relation to this, they have also looked at public-private partnerships for disaster insurance schemes. It was found that in an emergency situation even the emergency loans provided by ADB were inadequate and not "soft" enough. For that reason ADB established a tsunami fund to allow the urgent demand for aid to be met.

In addition, ABD has focused on setting up governance institutions to ensure transparency and accountability in the handling of funds. In case of the Maldives, the ADB helped to establish a Tsunami relief and reconstruction fund, which is used to channel resources and assistance. The government of the Maldives has been an active partner in the work of implementing a monitoring mechanism to assure that financial flows are transparent and to minimize leakages.

In relation to reconstruction, it was noted that the recreation of lost livelihoods was of high importance to stimulate the private sector, e.g. in areas such as fisheries. It was also noted that there is a risk that those who have resources and relatives in other places will leave the affected areas, leaving a group of people with an even higher need for assistance.

The important role of the private sector in the prevention, relief and reconstruction phases of natural disasters was highlighted, and it was noted that the private sector can often mobilize resources faster than governments, as had been shown by a number of examples following the Tsunami. It was also pointed out that the major role and task for governments is in the reconstruction phase.

The establishment of special economic zones and/or special investment areas in disaster-affected regions was suggested as a way to ensure economic reconstruction. Other suggested initiatives in the field of trade include the granting of temporary LDC status in order to provide affected countries with access to the GSP-scheme. In addition, it was mentioned that national emergency plans often provide for rapid disbursement of assistance within the country, but that there is a limited provision for inter-country support in such emergency plans. To facilitate inter-country support in the case of multi-country disasters, a convention could be considered that would allow expedited import of some goods after disasters, such as food and construction materials, and thus facilitate a more rapid relief and reconstruction response.

Selected recommendations:

- Encourage using suppliers from tsunami-affected areas, and use local contractors for tsunami reconstruction.
- Ensure transparency and accountability in tsunami relief and reconstruction efforts.

- Facilitate inter-country cooperation in disaster management, including dialogue on prevention.
- Create special economic/investment zones in disaster-affected areas, with duty-free import and/or tax privileges, and grant special status to companies investing there.
- Devise an international convention or other measures to facilitate imports of goods and services in case of catastrophes.

Track I: Business Climates

Breakout (A):

Business climates in Asia and the Pacific: Excellent, good or so-so?

Track I moderator:

H.E. Mr. Sok Siphana, Secretary of State, Ministry of Commerce, Cambodia

Discussants:

Mr. Thamrong Mahajchariyawong, Deputy Secretary General, Office of the Board of Investment, Thailand

Dr. John Hewson, The John Hewson Group, Australia

Mr. Chea Vuthy, Director, Promotion and Public Relations Department, Cambodian Investment Board, Cambodia

Mr. Kosala Wickramanayake, Chief Executive Officer, Kosala Limited, Sri Lanka

Mr. Eric Sidgwick, Senior Economist, East Asia, World Bank

Breakout A focused on the present business climates in Asia and the Pacific, and what could be done to improve them. To begin with, the results from a recent World Bank survey were highlighted, indicating that the following issues had particular effect on the business climate in Asia and the Pacific:

- 1) Macroeconomic instability
- 2) Political uncertainty including corruption
- 3) Inability to access finance (for SMEs)
- 4) Unreliability of basic infrastructure supplies (e.g. electricity and power)
- 5) Shortage of skilled labour force
- 6) Overregulation

It was noted that the promotion of foreign direct investment (FDI) can be achieved by deregulation of service sectors, especially relevant for the airline industry. Moreover, it was emphasized that there is a need to create a comprehensive list of all the required reforms, including information about the constraints and the cost of reforms, at both political and social levels. Furthermore, it was pointed out that the private sector could participate effectively in the development process if governments would be more open-minded for suggestions made by the business community.

To improve business climates in Asia and the Pacific, it was further recommended to proceed with deregulation and privatization initiatives. In particular, need to reform the banking/financial sector in the Asia and Pacific region was pointed out, as it was deemed to be heavily regulated, undercapitalized, unsophisticated, and underdeveloped.

An appeal was made for the adaptation of international standards of transparency to eliminate corruption in the banking and financial sector in the region. Further suggestions to improve the Asia-Pacific business environment included a considerable reduction of tariffs and a thorough reform of the industrial system supported by improved transportation systems such as ports and shipping. On the subject of deregulation, it was proposed that governments set up a mechanism to bring together all stakeholders to exchange their views. As for the question on how LDCs could benefit

from globalization, it was suggested that these countries pick the industry they are best at, such as fishing or tourism, and make the best out of the strength they have.

Two other key points were stressed to improve the relationships between the public and private sectors. First, it was noted that policy dialogues identifying the important areas of development to which the business community can contribute are needed. This may lead to the establishment of public-private joint working groups for different sectors such as agriculture and finance. Second, it was noted that coherent and consistent implementations of policy with strong political commitment from the government is critical to foster an enabling business climate.

The importance of quickly dealing with the increased needs of businesspersons in the region was also emphasized, for example as regards initiatives to speed up visa-on-arrival issuance for businesspersons.

The current business and investment climate in Thailand was also described, and it was noted that immediate were needed in the areas of:

- Human resource development to create specific high-level skills for fostering industries such as automobile and electronics. This can be done through transfer of skills and knowledge from abroad through collaboration of the public and private sectors. The creation of specialized training and technical centres including research and development laboratories would facilitate the development of a high skilled workforce.
- Enabling policy and regulatory frameworks to facilitate trade and increase competitiveness by reducing administrative barriers, especially concerning long and complicated documentation processes.
- Quality ICT related services provided by government agencies, e.g. the Thai government's initiative to create a "One-Stop Service," which would act as a consulting agency to provide services to the private sector on a commission basis.

It was also highlighted that Thailand is using a new approach for collaboration between the business community and government called "Word of Mouth." This initiative aims to encourage foreign businesspersons in Thailand to help promoting Thailand as a good host country for investment among other businesspersons in their home countries.

Selected recommendations:

- Identify constraints and opportunities and take action through policy dialogues between governments and the private sector and through collaboration such as setting up joint consultative bodies, joint business councils, joint commissions, trade delegations, regional/national trade exhibitions and specialized working groups.
- Tackle regional disparities by sharing expertise and knowledge and by focused cooperation among government, the private sector and civil society.

- Continue improving legal frameworks and regulations and enhance institutional capacity to facilitate business activities, ensuring fair competition, transparency, accountability and predictability.
- Reduce onerous red tape, high costs and other impediments to private sector activities; reduce transaction costs on the import and export of goods; eliminate all unnecessary and overlapping licences and permits; set up a real “One-Stop Service” for investors and an ICT-based “One-Stop Service” for exporters; reorient the attitude and mentality of the public sector from regulation to business support.
- Foster human resource development (e.g. through vocational and technical training and R&D centres).
- Business associations to focus on bridging the gap between governments and the business community.

Breakout (C):

Logistics and the global value chain

Track I moderator:

H.E. Mr. Sok Siphana, Secretary of State, Ministry of Commerce, Cambodia

Discussants:

Mr. Barry Cable, Director, Transport and Tourism Division, UNESCAP

Dr. Jae-Hyuk Auh, Director, International Logistics Center, Ministry of Maritime Affairs and Fisheries, Republic of Korea

Mr. Tariq Rangoonwala, Chairman, International Chamber of Commerce, Pakistan

Mr. Sambuu Demberel, Chairman and CEO, Mongolian National Chamber of Commerce and Industry, Mongolia

Mr. Anusorn Lovichit, Adviser, Thailand International Freight Forwarders Association, EDI Services Co., Ltd., Thailand

Dr. Ruth Banomyong, Head, Department of International Business Logistics and Transport Management, Thammasat University, Thailand

Breakout session C discussed the importance of logistics in ensuring the participation of Asia and the Pacific in global value chains.

The lack of integration between transport modes within the UNESCAP region was pointed out as an important area that needs to be addressed. In this respect, it was noted out that the Intergovernmental Agreement on the Asian Highway Network was signed by 26 states in Shanghai in April 2004 and subsequently by one additional state. The Agreement has so far been ratified, accepted or approved by nine states and would enter into force on 4 July 2005. A similar agreement for the Trans-Asian Railway is being developed and is expected to be open for signature in 2006 during a Ministerial Conference on Transport.

It was further remarked that road, rail and air transports are at an early stage of development throughout most of the region, and that competition between countries is an issue. It was noted that salaries and land prices have grown in coastal areas whilst the inland has lagged behind, and that Inland Container Depots (ICD) offers the opportunity to bring the benefits of the costal regions into the heart of the region.

It was also remarked that there is an over capacity in container ports within the region with many ports seeking to obtain hub port status.

In the area of logistics, three main areas were mentioned as needed to be addressed, including: 1) ICT standardization; 2) training of logistics personnel; and 3) development of an open-minded logistics culture. It was further remarked that ICT enables business to follow up on stock and track the transit of goods. As such, ICT offers both speed and collaboration opportunities to the business community. However, any ICT system demands high quality of the available information of each individual member of the logistics network to be truly efficient.

To properly assess logistics costs in the region, the audience was briefed of research undertaken at Thammasat University which suggested that logistics costs be either reported on per scale or per GDP basis. Thus, the lower the value of the goods being transported the higher the logistics cost ratio, and vice versa. It was noted that governments tend to need a wider picture and therefore tend to use a macro level approach, but that a micro scale is the most accurate and most relevant to private enterprises.

The audience was also briefed on the current logistics development in Pakistan, which enjoys an annual growth of 13 per cent in container traffic compared to a world average of around six per cent. However, it was remarked that regional problems in Iran and Kashmir restrict the inbound and outbound movement of goods to central Asia. It was noted that international conventions such as the Istanbul Convention 1990 relating to the temporary importation of goods for exhibition need to be widely adopted as well as knowledge sharing by some of the more developed countries with high import/export traffic, e.g. China and Singapore. It was also mentioned that UNECE, together with the IRU, are looking at how to facilitate the better movement of goods, and it was suggested that UNESCAP assist by undertaking a study of the different transport conventions in force amongst the region and disseminating the findings.

It was also pointed out that landlocked countries have the opportunity to become land linking country. However, for this to happen, initiative needs to be taken also by the private sector.

It was further remarked that recent security initiatives by the United States had created a two-tier system consisting of those in a 'select group' with preferential treatment and those who are outside that group. The result is that those outside look for new ways to get inside by passing cargo through more points than is necessary in the distribution chain. For instance countries who are not in the 'select group' and wanting to trade with the United States of America may find that sending cargo through Singapore, which is in the 'select group,' more expeditious than sending the goods directly. The result is increased cost.

Logistics development was also noted as having some downsides which should not be neglected, e.g. the spread of HIV/AIDS, human trafficking and road traffic accidents. As an example, it was pointed out that approximately 400,000 people are killed on roads in Asia every year, resulting in 1 or 2 per cent of GDP loss annually. It was noted that the Secretary General of the United Nations has recognized this and three or four goals similar to the MDGs which need to be defined to tackle the problem. It was suggested that by educating the young the message can get across that road safety is something everybody can contribute to.

Regarding the government's role in facilitating the development of logistics, three essential issues were pointed out: supply, demand and supporting. Traditionally governments have focused on the supply side and the private sector on the demand side. However, it was pointed out that governments should move more towards the demand side. Governments need to look at ICT standardization and training of logistics personnel. They also need to be open-minded to the needs of the business community. On the supporting side, logistics conferences should be held between public and private enterprises.

The following questions/comments were taken from the floor and addressed in no particular order by various discussants.

1. Twenty million people are affected by rising sea levels caused by increased carbon emissions. What is being done about this?
2. Can you expand upon the meaning of the term logistics culture and SME uses of ICT?
3. How can duplication and over capacity be avoided in the race for supremacy?
4. How can SME participate in the global supply chain?

One panellist responded that Japan is investing in the Republic of Korea to consolidate cargo originating in China and Republic of Korea, which is leading to some cultural and ICT implications. He insisted that related governments should work more closely with the private sector. Another panellist urged governments to understand that ports must be privatized or corporatized, and he also pointed out that pipelines will reduce the pollution aspect as more cargo is taken off the roads. A third panellist pointed out that micro entrepreneurs are suffering from under development of the transport system, which is the key for trade facilitation as well as for poverty reduction. He also supported that there is an increased need to involve the private sector in with policy development. Through providing a briefing a recent study on the Thai shrimp industry, another panellist indicated that SMEs need government help in the form of regulation and legislation for the prompt payment of invoices in order to be better able to participate in global supply chains.

As to the question on pollution, it was proposed that as water is the least environmentally polluting mode of transport followed by rail and then road. Thus, by encouraging multimodal traffic, more efficient means of transport can be provided and SMEs can also be given the opportunity SME to consolidate cargo. However, region-wide container forecasting shows that there is at present a limited supply of containers/traffic, an issue which needs to be brought to the attention of governments.

Selected recommendations:

- Promote membership of the Asian Highway Agreement and the Trans-Asian Railway Agreement.
- Develop region-wide container forecasting to address capacity issues.
- Design and implement a regional road safety action plan.
- Develop land links between Asia and Europe and open up the hinterland of Asia, bringing trade to remote towns and villages to create jobs and reduce poverty.
- Replace road cargo transport with transport by pipelines and rail to reduce pollution and accidents.
- Study the different transport movement conventions in force in the region with a view towards regional harmonization.
- Encourage strategic analyses of how to integrate into the value chains of the industries of the future.

Breakout (E):

Outsourcing – Possibilities, obstacles and joint actions

Track I moderator:

H.E. Mr. Sok Siphana, Secretary of State, Ministry of Commerce, Cambodia

Discussants:

Mr. Junichi Inoue, Managing Director, Toshiba Asia Pacific, Singapore

Dr. Sailendra Narain, Principal Advisor, World Association for Small and Medium Enterprises, India

Ms. Jeannette S. Carrillo, Supervising Investment Specialist, Electronics and ICT Department, Board of Investments, Philippines

Breakout E discussed possibilities, obstacles and possible actions for Asia and the Pacific to take advantage of the increasing trend of outsourcing.

To begin with, it was pointed out that there is no one-size-fits-all approach for fostering outsourcing for all developing countries, but rather approaches will vary from one country to another, depending on the situations and issues they are facing. However, to facilitate outsourcing, governments of developing countries must undertake progressive efforts in laying the groundwork for the creation of a market driven and highly competitive environment for market players. Governments should thus focus on providing a favourable policy environment that is compatible with international norms to promote trust and confidence among stakeholders and to help jumpstart the business. However, government intervention should be limited to what is essential and manifested in a non-discriminatory, flexible and technologically neutral fashion.

Some essential factors for promoting outsourcing business in the region pointed out include:

- 1) Ensuring availability of skilled human resources – the government should ensure a constant stream of workers and, in collaboration with academics and the industry, develop skills and competency standards to match the requirements of the industry.
- 2) Guaranteeing reliable infrastructure support – robust and fully liberalized communication sector (e.g., high-speed digital communications), efficient logistics systems and a reliable supply of electrical power and water.
- 3) Instituting a competent legal framework – the presence of a legal infrastructure to govern business transactions, including e-commerce and intellectual property, is critical.
- 4) Financial and tax systems – the government can help reduce the costs of operating an outsourcing service activity by providing fiscal incentives to activities that support outsourcing business.
- 5) Information dissemination and networking – the government needs to provide information to potential outsourcing buyers and providers and

facilitate their networking. Relevant information could include legal summaries and guides to establishing an outsourcing business in the country, detailed labour statistics and cost estimates, web directories of useful contacts and benchmarks and comparison with other countries.

- 6) Public-private partnerships (PPP) – a coordinated campaign to attract outsourcing or offshoring activities into the country (e.g., government-sponsored outbound missions and conferences) requires a rational strategy developed by a consultation process involving government, business and civil society.

It was further pointed out that outsourcing is in fact a procurement of services to increase productivity. Hence, instead of a threat, outsourcing represents an opportunity for SMEs in the region. Through engaging in outsourcing, they can gain higher competitiveness with regards to marketing, technology and governance, ultimately leading to the economic growth. It was pointed out that this is especially true once taken into consideration that SMEs characterize an open sector, which can be outsourced by any other sector from any country. However, most SMEs today tend to concentrate more on manufacturing rather than the service sector, even though the latter creates more and more business opportunities.

It was noted that outsourcing can bring the following four elements of competitiveness to local SMEs:

- 1) Corporate culture gained through the process of outsourcing – which in turn may help raising the standard of services and products delivered by the host companies other types of improvement in competitiveness.
- 2) Technological advancement – technology transfer can be obtained through process maintenance and control.
- 3) Productivity of labour and manufacturing – by means of a transfer of knowledge and know-how, productivity of SMEs increases.
- 4) Penetrating the global market – enabling SMEs to take part in global the value chain.

To explain the benefits of outsourcing for larger companies, the experience of a large multinational corporation which works in a variety of business sectors from electrical devices for home usage to infrastructural and industrial equipments was given. It was noted that, from the viewpoint of the multinational, the main purposes of outsourcing include: 1) cost reduction; 2) improvement of cost structure; 3) concentration of resources to areas of core competence; and 4) enhancement of quality and productivity. It was pointed out that in a variety of the fields, capitalizing on global resources is a critical element in the process of innovation in the global market to attain higher competitiveness.

It was further remarked that outsourcing might not generally be considered a path to business innovation, but that company who can optimize global resources will emerge as winners. However, the perspective on outsourcing must shift from a cost-oriented principle to a global search for resources and methodologies for leveraging those

resources: the new basis for innovation. Thus, outsourcing does not only help in controlling costs but also in improving performance in key supporting areas, thus enabling a concentration on core activities, a more accurate cost estimation and a quicker scale-up/down of resources so as to meet changing and challenging business needs.

After the floor was opened for further discussion, it was reiterated that a good business climate, such as confidence on macro economic stability, enabling regulatory framework and reliability and availability of skilled labour force, is critical to attracting outsourcing activities into the host developing country. A participant briefed the case of Thailand where jobs created from outsourcing production is rather limited compared with India and Philippines mainly due to lack of higher education and the non-English speaking population. In this connection, it was suggested that the linkage between education and jobs created out of outsourcing be further studied in terms of best practice and success stories. Outsourcing in sunrise industrial sectors, such as biotechnology, entertainment and computer software were also viewed to increase in the future that implies job creation in these sectors for the developing countries. It was also mentioned that quality of jobs related to outsourcing activities need to take into consideration. Government policy as the promotional privileges for FDI attraction to the host country on outsourcing may need to be formulated to attract MNCs and SMEs outsourcing activities in the same vein. Finally, UNESCAP, by finding and providing necessary technical assistance, was requested to encourage its member countries to lay the groundwork for the undertaking of competition market driven outsourcing and favourable policy environment

Selected recommendations:

- Facilitate SMEs' participation in global outsourcing, offshoring and supply chains, by improving their competitiveness.
- Focus strategically on outsourcing in growth sectors such as biotechnology, entertainment and computer software where employment and R&D investment are expected to increase in future.
- Study good practices and success stories on the linkage between education, investment and jobs in outsourcing and offshoring.
- Reduce impediments to doing business.
- Give priority to development of human resources and good practices in HR management.
- Invest in modern communications infrastructure.

Breakout (G):

E-governance: Re-engineering business and government process

Moderator:

H.E. Mr. Sok Siphana, Secretary of State, Ministry of Commerce, Cambodia

Discussants:

Mr. Peter Moore, Managing Director for Public Sector, Microsoft Asia Pacific, Singapore
 Mr. Sangay Wangchuk, Deputy Director, Department of Information Technology,

Ministry of Information and Communications, Royal Government of Bhutan

Dr. Wuttipong Pongsuwan, Secretary General, Computer Association of Thailand

Dr. Somnuk Keretho, Director, Institute for Innovative Information Technology, Kasetsart University, Thailand

Breakout G discussed the role and possibilities of e-governance and e-government, and how it can be used to induce changes in government and business processes.

Participants were briefed that Bhutan has just started with an e-government initiative. The objective of initiative is to improve efficiency, transparency and productivity of governance. By using ICT as a tool, the government can rethink/revise existing procedures to deliver services in a more efficient way and cut bureaucratic procedures, thus significantly cutting costs. It was also noted that the other objective of e-government is to uplift the standards of living of citizens, and that e-government enables people to make more informed choices about their lives. In that sense, e-government is a platform for citizens to participate in the policy making processes of the government. Furthermore, it was noted that e-government enables a transparent process and citizens' participation, which can contribute to making governments increasingly accountable for their decisions, which in turn may facilitate the attraction of foreign investment.

One example from Bhutan of the result of these interactions is the draft constitution that will be tabled at the forthcoming national assembly. The draft was prepared in response to online demand from the citizens to simplify the language of the constitution. Another successful case pointed out was an online job match-making service, through which 200 out of 600 subscribed job seekers found a job. A third example pointed out is that Bhutan has a number of telecentres that helps to inform the citizens on the policy matters. With a scattered population living in mountainous areas, the government recognizes ICT as an enabling tool to bring rural communities to mainstream development. Yet, it was pointed out that ICT is still mainly popular among the educated elite.

It was remarked that a lot of developing countries have big expectations from ICT, and that ICT provides multi-faceted solutions to problems as well as connectivity between people and government. The Bhoomi projects in India were cited as one of the successful cases of connecting people with the government. The objective of the project is to provide access to land records online through information kiosks equipped with ICT in 177 sub-districts. Farmers can now register and get a certificate that shows ownership of their property within a short period, a process which earlier used to take up to two years. Furthermore, the system prevents corruption, harassment and exploitation by officers as

the system is transparent. The certificates also allow farmers to obtain credits which can be used for crop diversification and or other services in need.

Another example highlighted as an e-government success case concerned customs processes and clearance in Poland. Through an e-government application, the government could enhance cross border security and reduce manual paper processes and documenting, thus eventually freeing up time for government personnel to focus on more important functions such as inspection, licensing, and protection of fraud. In this respect, it was stressed that e-government has the potential to take people off meaningless and unproductive tasks that can be easily computerized and enable them to work on far more productive and valuable tasks that eventually create more job satisfaction.

The audience was also briefed on some e-government initiatives in Thailand, the objective of which is to improve the speed, efficiency and transparency of government services, focusing on creating a more interactive content. It was noted that, at first, an e-procurement system had improved transparency of procurement activities of the government and reduced corruption by making procurement open to the public (e-auction), which had brought savings in expenditure by more than 20 per cent. Secondly, it was pointed out that the fiscal information system in Thailand enables the government to more effectively monitor and control the government's financial flows, and that people can now file tax online and overpaid tax can be returned much faster. With this, the government has improved tax transactions and filing, which brought savings of one million dollars in internal tax processing and cost effectiveness for enterprises. Thirdly, it was noted that one stop services (single window system) have been developed which provide seamless government services. It was also mentioned that, as of March 2005, more than 2 million Thais were using government services online.

The new challenges of the e-society were also mentioned, which include slow connections, computer security, computer crime, SPAM and pornographic content on the Internet. It was also noted that the Thai government has become more responsive to people by providing data links (digital nerve system) to all provinces. Through an "e-complaint" which is operated by the Prime Minister Operation Centre, citizens can send his/her complaints through e-mail to the Prime Minister.

The topic of how government can use e-governance to support businesses, was also discussed. It was noted that many governments have recognized the importance of e-governance along with challenges of translating the well-defined visions into reality. E-government is about making government more effective, provide better information disclosure, and improving the delivery of services and citizens' participation in decision making processes. It was remarked that a government reform strategy as well as an ICT development roadmap needs to be developed in order to enable better implementation of e-government.

Some areas where UNESCAP could assist the member countries in relation to e-governance were outlined. These included: assisting countries to develop well defined e-government strategies by providing a forum to share experiences and good practices; coordinate regional integration of trade and transport facilitation to achieve paperless trading and to provide one-stop single window system; and promote regional cooperation towards ASEAN Trade Facilitation Agreement and Asia-Pacific network for trade facilitation for the development of paperless trade through involving all concerned

stakeholders such as carriers, banks, freight forwarders, ports and companies. It was further noted that UNESCAP could also assist in developing better indicators and assessment frameworks/tools that can be used to assess concrete requirements and needs of each country for the adoption of e-governance, in collaboration with UNCTAD and other international organizations working on such indicators.

After the discussants had presented their viewpoint the moderator invited the floor for comments, input and questions. The first comment was from a firm in Bangkok which pointed out the importance of regulations and legal framework for successful implementation of e-government. He further stated that officials need to understand the challenges that go across the border such as privacy, network security and spam to build trust in technology. Apart from technology, it is important to have a champion who can push the technology, and maintain balance between law, policy and technology.

Regarding the legal issue, information was provided on the Thai Government's electronic transaction law and computer crime law, as well as on Bhutan's ICT law which is trying to capture the increasing trends towards convergence of telecommunication, media and ICT. In this respect, it was remarked that it is not possible any longer to separate TV, newspaper and the Internet particularly with the introduction of new multimedia equipment.

The second question raised regarded e-government services available to rural areas in terms of providing health, agriculture, education and policy related information, taking into account the benefits that can be achieved from freeing up government officials time for actual service and the success of the Bhoomi Information Kiosks in India. It was commented that Bhutan provides government services to rural areas through telecentres, which provide government information and various forms related to government services. However, it has not reached the stage of making transactions through the telecentres. Bhutan employs three telecentre models: community school model; shop keeper model; and community leader's office model, to test which model works better. One of the applications that made telecentre popular was posting exam result on the web. To establish telecentres, Bhutan is using a participatory approach in identifying requirements and applications for the rural community.

To provide access to ICT to rural areas in Thailand, Dr. Wuttipong informed the Forum that the Government has provided one leased line to every school (approximately 50,000 schools) to provide Internet connection. Moreover, utilization of satellite and liberalization of telecom services were implemented to improve accessibility in rural areas. Thailand also has established the Community Technology Learning Centres that provide access to ICT as well as providing ICT skills training to community people so that they can take advantage of services available. In this respect, the importance of human resources development in the use of ICT was stressed. Moreover, the example of Schoolnet was provided, which is a network of schools that provide Internet connection. Through Schoolnet, teachers and students can utilize a network of information. The Thai government is also trying to provide its services to every village in Thailand through "Tambon Net" which links around 7,000 Tambons (villages) and community centres. Finally, it was remarked that to make telecentres useful to farmers as well as sustainable, it is important to build content and application suitable to the needs of the community and to use local language.

Selected recommendations:

- Develop better indicators and tools to assess concrete requirements, needs, levels of usage and impact of ICT in the region.
- Develop a legal framework for e-governance.
- Develop e-governance initiatives based on well-defined strategies and good practices.
- Encourage regional trade and transport facilitation initiatives, such as paperless trading and one-stop/single-window systems through regional collaboration and stakeholder participation.
- Set up a regional centre for ICT capacity building.
- Find ways to improve access to ICT in rural areas.

Track II: Corporate Social Responsibility

Breakout (B):

Corporate social responsibility (CSR) for Asia-Pacific enterprises: Opportunities or challenges?

Track II moderator:

Dr. Victor Fung, Li & Fung Co., Ltd., Hong Kong, China

Discussants:

Mr. Georg Kell, Executive Head, United Nations Global Compact

Mr. Mark Daniell, The Cuscaden Group Pte Ltd, Singapore

Mr. Stephen Loke, President, Centre for Corporate Social Responsibility, Singapore

Mr. Richard Sauer, Associate General Counsel Law and Corporate Affairs, South Asia Pacific Region, Microsoft Asia Pacific, Singapore

Ms. Ros Harvey, Chief Technical Advisor, Better Factories Cambodia Project, ILO, Cambodia

Breakout session B discussed corporate social responsibility in the context of Asia and the Pacific, highlighting questions such as why CSR is important for socio-economic development; what the critical aspects of CSR in Asia and the Pacific are; what benefits enterprises can gain from CSR and what the major challenges are; and how civil society views the role of enterprises and governments in CSR.

From the presentations and subsequent discussions, it transpired that CSR is an inevitable global trend. It was emphasized that there is increased awareness, both in the private sector as well as within society at large, of the strong interdependence between business and society. Business needs a good socio-economic and environmental environment to prosper, while the important role of the private sector in maintaining a healthy external environment is also being increasingly recognized. It was found that a major challenge of introducing and, where appropriate, expanding the CSR agenda in the region was the lack of clarity as to what exactly constitutes CSR.

However, formulating a comprehensive definition of CSR, applicable in all settings was deemed to be difficult. It was agreed that there are many different aspects to CSR, incorporating a myriad of socio-economic, socio-cultural, environmental as well as transparency issues. In addition, it was found that there are numerous stakeholders who each focus on a niche area of the larger CSR agenda, which makes it difficult to obtain a comprehensive overview of CSR-related efforts.

The lack of a comprehensive and manageable definition of CSR combined with the convoluted web of interlinked issues and myriad of, often conflicting, national and international standards was found to be a significant barrier for companies interested in introducing or strengthening CSR in the organization.

Incorporating CSR in education curricula, ranging from secondary school to business schools, was identified as one opportunity to increase awareness of the many aspects of CSR and the potential of CSR to improve business. Streamlining and avoiding duplication of standards, and more rigorously applying agreed-upon standards in CSR

was suggested as a way to increase transparency and applicability of CSR for the private sector. It was also emphasized that it is essential to incorporate local tradition and culture into the concept of CSR, thus ensuring maximum impact within the local setting. To establish and monitor CSR standards, it was suggested that appropriate tools for measurement be put in place under the motto “what gets measured gets done”.

Concerns were raised that such monitoring could result in the creation of hidden trade barriers for companies in developing countries, in particular small and medium enterprises (SME). It was pointed out that there is a risk that companies which do not have the resources to comply with CSR standards could be cut out of a CSR-compliant supply chain or be forced to implement expensive CSR standards, thus incurring expenses that could push profits below break-even. In a region in which SMEs are a major driver of economic growth, the importance of ensuring that they are not adversely affected was highlighted. At the same time, it was noted that the nominees for a CSR award established by IFC and the Government of Cambodia were all SMEs.

The importance of ensuring that FDI promotion and attraction policies and practices are consistent with expectations relating to the responsible behaviour of enterprises was also pointed out.

On the issue of compliance to common CSR standards, it was also mentioned that the ability of some companies to distinguish themselves through CSR can be considered an important comparative advantage over competitors. Creating a “level playing field” on the issue of CSR might prove difficult in today’s highly competitive markets.

To ensure that CSR standards are not intrusive and to avoid CSR becoming a hidden trade barrier, it was suggested that governments should create an enabling environment for CSR, as opposed to introducing laws and regulations that oblige companies to implement CSR. It was suggested that governments set in place a policy framework that encourages CSR and enables scalable implementation of the CSR agenda while keeping laws and regulations governing CSR to a minimum. In many developing countries where the Global Compact has been launched, such an enabling policy environment had not yet been created. This was found to be a challenge to successful implementation of the CSR agenda.

Another challenge identified was the perception by many business people, including CEOs, that involvement in CSR adds one more issue to the list of “risks” in operating in an already challenging working environment. This is compounded by the fact that many companies only have a limited awareness of the actual benefits of CSR, including its effect on the bottom-line. It was suggested that as a result, enterprises are often more aware of its costs than its benefits, resulting in a reluctance to engage in CSR. For this reason, it is important to increasingly communicate the business-case for CSR.

However, it was also recognized that, in an increasing number of cases, CSR was proven to be simply “good business”. The example of the ILO’s “Better Factories Cambodia” project was provided, where it had been demonstrated that improving working standards increases productivity. At the same time, surveys had shown that buyers include labour standards in their decision to purchase products. In some cases, it was demonstrated that CSR generate sufficient income to cover the initial costs of implementing CSR, while increasing competitiveness.

It was noted that the external environment can have a significant impact on business. For example, environmental degradation impacts business in areas where companies depend heavily on locally supplied raw materials. In other cases where business depends on a large labour force the socio-economic welfare of source communities has a positive correlation with the productivity of employees.

It was pointed out that in addressing the challenges and fully utilizing the opportunities that CSR presents, it is essential to establish partnerships between all stakeholders. A multi-stakeholder approach to CSR, within a comprehensive national approach, is required, including investors, civil society, private sector, academics, trade unions, governments, consumers, business associations and media. It was suggested that all stakeholders could be considered drivers of CSR and their role as such should be promoted.

The important role of civil society as CSR advocates and facilitators between the public and private sectors was recognized. It was also mentioned that to maximize its relevance, civil society must increase its credibility with the private sector. At the same time, there is a need for greater transparency regarding “who does what” within civil society. This would allow companies to more easily tap civil society resources and proactively incorporate partnerships with civil society organizations in their CSR response.

It was further emphasized that there is a need to increase sharing of CSR experiences between stakeholders. Business associations were recognized as potential facilitators of such sharing for the private sector, including sectoral business associations. At the same time it was suggested that inter-sectoral partnerships could serve to increase transparency and reduce the level of suspicion between the many stakeholders in CSR. It was also discussed that the media had an important role to play by disseminating information on CSR, including the promotion of good practices.

Selected recommendations:

- Recognize that CSR helps enterprises to manage the impact of their businesses on society and to respond to the concerns of stakeholders.
- Recognize that CSR is not only the right thing to do, but is also good business and as such relates to the sustainability of the enterprise.
- Generate increased awareness regarding the scope and benefits of CSR, especially among SMEs (e.g. by integration of CSR into curricula of business schools and through advocacy).
- Ensure that stakeholders in developing countries, including those at the bottom of the supply-chain (mainly SMEs) benefit from CSR, so that it is not seen as an impediment to trade.
- Increase partnerships, within and across sectors, to reduce suspicion among stakeholders and to avoid duplication in monitoring compliance against myriad laws and codes of conduct.
- Make available non-intrusive tools to measure CSR.
- Ensure that FDI promotion and attraction policies and practices are consistent with expectations relating to the responsible behaviour of enterprises.

Breakout (D):

How can enterprises implement and benefit from CSR?

Track II moderator:

Dr. Victor Fung, Li & Fung Co., Ltd., Hong Kong, China

Discussants:

Mr. Noke Kiroyan, President, International Chamber of Commerce – Indonesia, Indonesia

Ms. Ambreen Waheed, Founding Executive Director, Responsible Business Initiative, Pakistan

Mr. Richard Welford, Director, Corporate Environmental Governance Programme, University of Hong Kong, China

Mr. Richard Sauer, Associate General Counsel Law and Corporate Affairs, South Asia Pacific Region, Microsoft Asia Pacific, Singapore

Ms. Shalini Mahtani, Founder and Chief Executive Officer, Community Business, Hong Kong, China

Breakout session D discussed implementation of corporate social responsibility in Asia and the Pacific, successful cases and experiences from the region, problems and possibilities in implementation, appropriate roles for governments and business organizations in implementation, as well as how individual enterprises can maximize their “triple bottom line” (people, planet and profits) through CSR.

The importance of a common understanding of CSR, within the local or national context, was reiterated as a critical pre-requisite for implementation of CSR in any given situation. Without a common understanding of CSR, CSR practices, both internal and external to the company environment, will not be effective. Stakeholder dialogue to establish consensus on what constitutes CSR was suggested as the first step in initiating CSR practices.

While recognizing the value of philanthropy, it was emphasized that philanthropy is not CSR and that proper awareness of the distinction should be established. CSR is not simply about making private sector resources available. It requires active participation and commitment by the private sector and other stakeholders. Four pre-requisites for CSR were suggested, namely: awareness-building as to what constitutes CSR; establishment of multi-stakeholder partnerships for research into the linkages between CSR and business; participatory dialogue; and the integration of CSR into education curricula, including business schools.

It was further emphasized that for successful implementation of the CSR agenda in a business, it is essential for company executives (e.g. CEOs) to understand CSR, at least within the company context, and to be committed to its implementation. In addition to strong leadership on CSR, the company culture needs to be developed to be receptive and responsive to CSR-related issues. This is important to enable CSR to be effectively incorporated in day-to-day business activities and is also essential to ensure that a trickle-down effect to take place within the supply chain.

For CSR to be truly successful, it was suggested that there is a need to recognize CSR as an inherent business cost: “business that does not build on the principles of CSR is simply not sustainable business”. It was recognized that business should, ideally, focus on long term value creation as opposed to simply short-term profits. The feasibility of such a paradigm shift in a developing country setting was questioned.

Triple bottom line reporting was suggested as one way to promote the inclusion of environmental and social capital into a company’s bottom line. In addition to increasing transparency, such reporting is an important way to convey commitment to responsible business conduct. It fosters further innovation and encourages other companies to do the same. It was suggested that government has an important role to play in encouraging such reporting by establishing transparent reporting guidelines and increasing awareness among the private sector of the benefits transparent reporting.

It was recognized that SMEs face the most significant problems in implementing CSR due to the imposition of CSR standards that are sometimes unobtainable within a company’s profit margin. Examples were provided that demonstrate how buyers set CSR standards as a prerequisite for their business but refuse to pay more for the product. It was recognized that the costs of CSR need to be borne at the top of the supply chain and if possible passed on to the consumers. Furthermore, it was suggested that government should take into account the profitability of the supply chain when establishing regulations that affect business.

At the same time, it was suggested that to avoid the problem of “free-riders”, governments should support companies in promoting CSR throughout their supply chain, including through capacity building programmes. In the case of SMEs, in particular, governments can play an important role by introducing transparent incentives for CSR implementation.

It was suggested that in the Asian and Pacific region, CSR could sometimes be considered a burden. In particular global CSR standards and codes of conduct could be considered “foreign concepts” in a region where traditional value systems and family ties account for a large part of social responsibility practices. Furthermore, it was suggested that homogenous standards would be difficult to apply in a region characterized by a diversity of socio-cultural practices and socio-economic development.

It was emphasized that where appropriate and agreed-upon codes of conduct had been established, governments should strive to stimulate the implementation of such codes while recognizing that companies and sectors will apply CSR in different ways and at different speeds.

In stimulating the implementation of codes of conduct, it was emphasized that governments should take into account that the dependency of companies on buyers who are not willing to raise the purchase price can limit the financial ability of companies to adhere fully to such codes. This is complicated by the fact that in many cases in developing countries, buyers are often international companies that are outside of the purview of the national governments where the products and services are sourced. In this context, the potential for international companies to become “free riders” on the CSR investment of their suppliers was also mentioned.

It was recognized that CSR is sometimes perceived by civil society as an opportunity to “milk” private sector resources. Such views can create suspicion between stakeholders and limit private sector involvement in CSR. For optimal private sector engagement in CSR, efforts should be made to reduce negative perceptions and increase awareness on the benefits of CSR, both for the company and society.

At the same time, civil society was recognized as an important conduit and catalyst to facilitate private and public sector collaboration. Civil society actors are essential in promoting awareness on the impacts of both private and public sector practices on society and the environment.

In initiating the implementation of CSR, it was suggested that companies take what was dubbed a “Christmas tree” approach. To ensure long-term sustainability and profitability of the CSR activities, companies identify a few areas that are closest to their business, and start to implement there. This increases the relevance and visible impact of CSR on business activities and facilitates implementation of the CSR agenda within company culture.

It was further recognized that improving the working environment within the company, as well as within the supply chain, is often a good place to start. For CSR to be effectively implemented in the external business environment, the principles must first be mainstreamed within the organization itself.

Selected recommendations:

- Mobilize the support of senior executives, to support the prioritization and implementation of CSR.
- When starting to implement at the company level, focus on 1-2 aspects and make progress in these areas.
- Increase research on CSR, in particular on the business case for CSR at the individual company level, especially for SMEs.
- Encourage companies to use available tools for measuring and reporting on CSR, including to identify gaps and areas for improvement, and to communicate accomplishments.
- Consider national and regional incentives for CSR, such as public recognition for progress made by individual enterprises (through awards, etc).
- Consider government incentives (e.g. in public procurement) for companies to implement CSR, taking due account of the situation of SMEs.

Breakout (F):

How can enterprises engage in a constructive dialogue with stakeholders?

Track II moderator:

Dr. Victor Fung, Li & Fung Co., Ltd., Hong Kong, China

Discussants:

Dato' Mohamed Iqbal, Group Executive Director, Farlim Group, Malaysia

Mr. Sabur Ghayur, Director, Labour Policy Division, International Confederation of Free Trade Unions, Asian and Pacific Regional Organisation, Singapore

Ms. Siriwan Romchatthong, Executive Director, Employers' Confederation of Thailand

Mr. Albert Lai, Chairman, Hong Kong People's Council for Sustainable Development, China

Mr. Michael Jarvis, Programme Coordinator, Private Sector Development: Corporate Governance and CSR, World Bank Institute

The discussion of Breakout F focused on building constructive dialogues between enterprises and their stakeholders. Questions raised included the consequences of the emerging multi-stakeholder environment in Asia and the Pacific, how governments and business associations can support enterprises to operate in a multi-stakeholder environment, and the objective of civil society organizations in engaging in multi-stakeholder dialogues.

It was recognized that multi-stakeholder dialogues regarding CSR are needed to minimize risks for the society and reach win-win situations. Cultural differences and the roles of each stakeholder have to be considered.

The interrelation between labour, human and environmental rights was highlighted. It was remarked that CSR is not possible without collective bargaining and that, as a consequence, workers' representatives need to be involved in determining work conditions and benefits.

It was also remarked that although in the past business has been seen to be mostly about maximizing profits, the view has now changed to one of making profits while considering the effects on society, as such recognizing the importance of CSR for company sustainability. At the same time, it was pointed out that if CSR becomes too costly, companies will not be able to stay in business, and therefore overly stringent requirements should be avoided. In this respect, the need to advocate CSR as a corporate value rather than a PR tool was mentioned.

The important role of business associations in overcoming the free-rider problem in CSR implementation and moving whole industries forward was highlighted. It was pointed out that joint actions e.g. in the field of certification and audits can create major savings, which can in turn be used for training SMEs, as was pointed out through an example from a European country. Business associations also play an important role in facilitating collaboration between the public and private sectors. In addition to this, employer's organizations have an important role in advocating CSR. It was also noted that discussions on CSR often becomes "preaching to the converted", and that there is a need for more dialogue with critics.

The role of governments in CSR policy making was recognized as consisting of the following: (1) mandating for minimum standards (e.g. basic rights shall be guaranteed by regular inspections), (2) advocating CSR as national strategy, and facilitating CSR through incentives and rewards, (3) partnering through public-private partnerships, in which complementary competencies can be used and (4) endorsing through positive public relations. To support these efforts, international organizations have a capacity-building role to play, by bringing stakeholders together, encouraging interaction and disseminating best practices.

The role of civil society organizations (CSOs) was pointed out as being highly important, both as a driver of change and for ensuring checks and balances. However, although the importance of CSOs as advocates and intermediaries has been recognized, discussions concerning their role as a stakeholder have been missing.

It was remarked that tripartite discussions are needed, including governments, business as well as civil society. The example of Agenda 21 was given, which provides for such a platform. However, it was noted that capacity-building is still needed to be able to fully use that platform for discussion. In relation to this, it was also noted that the International Labour Organization provides a platform for such tripartite discussions.

The question of a balanced input from different sectors was raised. It was stated that business and governments are often participating on a more equal basis, but that there is a need to build the capacity of civil society to participate and play a constructive role. Moreover, it was noted that discussions on CSR often becomes “preaching to the converted”, and that there is a need for more dialogue with critics.

It was also pointed out that government is often an interested party and stakeholder, 1 being the final arbiter. In this respect, the need for a resilient and mature civil society to articulate the needs and interests of the community was mentioned. At the same time, it was pointed out that governments are the primary representative of society and has the role to enact and implement laws, as that is what they have been elected to do.

Selected recommendations:

- Maintain a constructive dialogue that is transparent for all parties, promotes self-critical learning and avoids confrontation.
- Ensure a balanced input by different parties – government, business, labour and civil society – by enabling all to play a constructive role.
- Promote business-to-business cooperation and networking to move whole industries, including SMEs, forward.
- Build capacity of SMEs to communicate effectively.
- Advocate CSR as a corporate value rather than a PR tool.

Breakout (H):

Transparency: Free and fair competition

Track II moderator:

Dr. Victor Fung, Li & Fung Co., Ltd., Hong Kong, China

Discussants:

H.E. Mr. Bharat Thapa, Secretary, Ministry of Industry, Commerce and Supplies, Nepal
 Pol. Gen. Vasin Dejkunjorn, Vice Chairman of the Advisory Board, Transparency Thailand

Mr. Hoang Van Dung, Executive Vice President, Vietnam Chamber of Commerce and Industry, Viet Nam

Ms. Tessa Tennant, Executive Chair, Association for Sustainable and Responsible Investment in Asia, Hong Kong, China

Ms. Sandrine Tesner, President, Renaissance Strategy, Inc., USA

The discussion in breakout session H focused on the topic of transparency, highlighting its importance for free and fair competition. Questions discussed included the current situation with regard to transparency in Asia and the Pacific; how transparency, or the lack thereof, influences free and fair competition; how cultural differences affect transparency and competition; how governments and business associations can work for more free and fair competition; and what stakeholders can learn from experiences in the region and elsewhere.

During the discussions, it was recognized that transparency is an important component of a stable, productive business environment, and as such is of high importance for the economies in the region. In relation to this, it was pointed out that transparency is in effect a component of good governance, both in the public and corporate domains.

The point was made that there is an inverse relationship between transparency and corruption, with more transparency leading to less corruption and vice versa.

It was noted that, according to an index produced by Transparency International, most countries in the Asian and Pacific region are not doing that well with regard to transparency. Hardly any rank among the 50 best countries, and several are even at the bottom of the index. Some of the major obstacles towards greater transparency and reduction of corruption in the region that were highlighted are a lack of civil society oversight mechanism, slow judicial processes and a shortage of qualified judges. It was noted that many countries in the region have introduced wise procurement laws, new anti-money laundering laws and anti-corruption laws. Many have also established special bodies charged with executing the new laws. However, it was noted that although they now have good instruments to combat corruption, implementation of the laws still varies.

Moreover, it was noted that although blacklisting is an accepted practice in many countries, legislation often does not protect those who report on corruption, and thus most countries still have to come up with a law protecting the “whistle-blowers”.

Regarding the question whether corruption is culturally related or not, it was pointed out that corruption is possibly more related to the stage of economic development of countries than to cultural differences. At the same time, it was pointed out that the level of corruption does not always vary with the level of economic development, and thus a low level of economic development does not automatically mean a higher level of corruption. In this respect, it was also mentioned that there is sometimes considerable corruption even in developed countries, as has been shown by a few major scandals over the last couple of years, such as the Enron case.

The importance of financial transparency in this respect was pointed out. It was remarked that corruption is the “insiders business”, and that research has shown that there is a correlation between the number of independent directors on boards and the level of corruption as measured by Transparency International. In line with this, it was recommended to ensure an adequate balance between independent and dependent directors on boards. It was also highlighted that good corporate governance is good for business and that studies have shown that companies who exercise good governance are performing better and on average have a higher p/e ratio than others.

The relationship between transparency, corruption and corporate social responsibility (CSR) was highlighted. As CSR deals with how companies use public resources such as labour and environment, it follows that reduction of corruption - and thus less misuse of public resources - is a vital part of corporate social responsibility. In relation to this, it was also pointed out that reduction of corruption is also part of “governmental social responsibility”. In line with this, it was recommended to take a joint approach to improving both public and corporate governance, as they often go hand in hand.

While many governments have started initiatives against corruption and money-laundering, and the World Bank and ADB have been very active in promoting good governance and transparency, many of the efforts of business organizations to date were described as being sporadic and disconcerted, in many cases merely being just “window-dressing”. In line with this, a higher level of involvement from business organizations was sought for. An example from Nigeria was provided, where collective actions among companies in favour of higher transparency had lead to considerable cost reductions.

It was remarked that multinational companies have in some cases been reluctant to take a firm stance against corrupt practices in developing countries in which they operate, as it has been seen as too politically charged. In line with this, it was recommended that multinational companies should work together with local companies in fighting corruption, as on their own none of them might be strong enough, but with collective efforts they had a chance of having a much larger impact.

Due to the lack of civil society capacity to deal with transparency, it was pointed out that investors have started to play a major role in bringing the topic to developing countries. Major initiatives that have recently been launched on a global scale include the Extractive Industry Transparency Initiative (EITI), in which enterprises work with governments to improve disclosure of revenue flows and payments in extractive industries. Another initiative is the Carbon Disclosure Project (CDP), in which companies are asked to disclose the investment-relevant information concerning their greenhouse gas emissions. It was remarked that, so far, Asian companies are completely missing out the opportunities presented by the CDP.

The importance of civil society oversight for combating corruption, and the ensuing need for increasing the capacity of civil society was emphasized. Dissemination of information on transparency was underlined as being of high importance, due to its importance in creating a value driven society that voluntarily works to increase transparency and reduce corruption. It was noted that a change of the current culture can be achieved through education that emphasizes morale rather than money.

Concerns were raised about the inherent structural political practices and increased susceptibility to corruption occurring in many Asian and Pacific countries, and it was pointed out that corruption is often sustained by the bureaucracy. It was also noted that the threat of repression does not support a transparent society and culture.

The establishment of an international anti-corruption agency in line with Interpol was suggested. This type of agency could pool information on all corruption cases into one data system, accessible for an international anti-corruption police. This would allow the police to track down criminals in matters of transparency more easily and bring them to an international court of justice.

Lastly, the importance of freedom of media in fighting corruption, as well as the need for civil service reform, including salary adjustments and training on transparency laws and accountability standards, was noted. The importance of using the convening power of the United Nations and other international organizations in this regard was also pointed out.

Selected recommendations:

- Recognize that corruption is also a transnational problem which needs transnational solutions.
- Note that there is often an inverse relationship between transparency and corruption. Increased transparency leads to less corruption.
- Promote increased transparency and accountability, including through reporting.
- Streamline regulations and reduce bureaucratic discretion to reduce opportunities for corruption.
- Improve enforcement of laws and regulations.
- Increase information flows and recognize the role of civil society and the media in reduction of corruption.
- Take a joint approach to improving both public governance and corporate governance as these often go hand in hand.
- Increase the number of independent directors on company boards through appropriate company laws.
- Legally protect “whistle-blowers” and ensure effective implementation of such laws.
- Speed up judicial processes, increase the number of qualified judges and increase transparency and checks-and-balances in procurement and other areas where corruption is rife.
- Consider the establishment of an international anti-corruption agency, similar to Interpol.
- Use the convening power of the United Nations and other international organizations to drive change.
- Increase use of collective action to increase transparency.

Closing Session

Closing Statement: Dr. Kim Hak-Su, Under-Secretary-General of the United Nations and Executive Secretary, UNESCAP

Presentation of Track I Breakout Session Conclusions: H.E. Mr. Sok Siphana, Secretary of State, Ministry of Commerce, Cambodia

Presentation of Track II Breakout Session Conclusions: Dr. Victor Fung, Group Chairman, Li & Fung, Hong Kong, China

Floor Discussion: “How Stakeholders can Work Jointly to Meet the Challenges and Grasp the Opportunities of Globalisation, and which Concrete Actions can be taken by Stakeholders Individually and in Cooperation between this APBF and the 2006 APBF?”

Closing Speech: Mr. Noke Kiroyan, President, International Chamber of Commerce – Indonesia, Indonesia

The Closing Session commenced with Concluding Statement by Dr. Kim Hak-Su, Under-Secretary-General of the United Nations and Executive Secretary, UNESCAP. In his address, Dr. Kim conveyed his delight for the notable success of Asia-Pacific Business Forum 2005 with respect to productive views drawn from participants' active involvement in the discussions during the two days of conference.

Dr. Kim proceeded to summarizing the discussions during the Special Roundtable session I and II, pointing out some of the major recommendations raised during those sessions. After his summary, Dr. Kim noted that the Forum was to be followed up with implementation of the formulated action plan, and that a progress report will be made at the Asia-Pacific Business Forum 2006 in Indonesia. Dr. Kim also expressed gratitude on behalf of UNESCAP to the co-organizers and sponsors of the Forum, as well as to the moderators, speakers and participants for their indispensable contribution to the success of the Forum.

Dr. Kim then proceeded to inviting the two track moderators, H.E. Mr. Sok Siphana, Secretary of State of Ministry of Commerce of Cambodia, and Dr. Victor Fung, Group Chairman of Li & Fung from Hong Kong, to present summaries of the discussions in their respective tracks.

After the summaries by the two track moderators, a discussion was held on the conclusions and recommendations. Regarding UNESCAP's work, one participant encouraged the expansion of the role of the organisation into a more practical area, noting that a more concrete action may be achieved by networking with academics of relevant fields as well as with Civil Society Organisations and Non-governmental Organisations.

As for the issue of CSR and its compliance, a case of one Thai beer company that recently attempted to have the firm be listed in the stock market but failed to do so was brought up to illustrate the potential of CSR as an effective marketing tool. It was remarked that if the beer company had invested in the brand through social contribution campaign, their business expansion plan would have been fulfilled with much less public objection.

One participant proposed that the title of the next Asia-Pacific Business Forum be "Building Public-Private Partnership for Reform of Regulation", since at the moment every country has proved the necessity to streamline their regulatory framework and procedures. Also, he suggested that UNESCAP may form a partnership with the World Bank in the work on investment climates, with the Asian Development Bank in private sector development strategy, and with the United Nations Development Programme in unleashing entrepreneurs at the bottom of the pyramid. He noted that by filling up these missing links, UNESCAP will be able to focus on developing and building a public-private mechanism among the Asia-Pacific economies.

Another participant expressed appreciation for the pre-APBF e-discussion on CSR, and encouraged another post-APBF e-discussion as well as a series of small meetings over the year, from which conclusions can be brought to the annual Forum.

In closing, Mr. Noke Kiroyan, President of the International Chamber of Commerce of Indonesia, complimented the Forum the fruitful discussions over the two-day conference. He remarked that a number of challenges exist for improving business climates and for promoting CSR in the Asia and Pacific region, despite great progress so far. On behalf of the International Chamber of Commerce of Indonesia, he expressed his appreciation to the UNESCAP for organising the Forum, and invited participants to attend the next Forum, which is planned to be held in Indonesia in April 2006.
