

## APPENDIX 2

### APEC Best Practices to Create Jobs and Increase Competitiveness

Economies are increasingly grappling with challenges they face in trying to create jobs and promote domestic manufacturing in order to generate economic growth, particularly in the wake of the 2008-2009 recession. As a result, there has been a significant increase in the adoption of local content requirements and related measures in economies around the world. While these measures may appear to policymakers to be a simple and powerful tool to promote domestic economic goals, in reality they distort trade and investment, hinder the private sector's ability to reach its economic potential, and can have long-term detrimental effects on economies by stifling competition and the innovations and best practices that flow from competition.

In light of these trends and to enhance more productive long-term economic growth, APEC economies recognize the following policies as an indicative model for driving new and expanded job creation, enhancing competitiveness, and attracting sustainable new investment, innovative technologies, and business activity, that are more productive for long term economic growth and trade and investment than imposing local content requirements and related policies.

#### Making Economies Cost-Competitive for Production

- **Promote an internationally attractive business environment:** By improving the environment for doing business, economies can make it more attractive for companies to invest and manufacture within their borders. Specifically, economies can accomplish this by increasing the ease of doing business in their markets by making it easier to start a business, deal with permits, employ workers, register property, get credit, protect investors, pay taxes, trade across borders, enforce contracts, and close a business.
- **Support investment in infrastructure development:** The development of well-designed, sustainable, and resilient transportation systems (e.g., roads, rails, and runways) and information and communications networks can attract potential investors and manufacturers, including by reducing the costs of moving products and supplies to market. Economies can maximize the positive impact of infrastructure investment by selecting projects that result in system-wide benefits. Researchers estimate that for every billion dollars spent on infrastructure development, more than 10,000 jobs are created.

#### Spurring Innovation through New Technologies

- **Support research and development:** Commercial innovations that drive economic progress often depend on breakthroughs in science and technology. Increasing research and development support consistent with market-based principles can help drive economic growth and competitiveness.
- **Promote research collaboration:** Collaboration among the private sector, academia, and governments encourages accelerated adoption of innovations, faster synthesis of scientific breakthroughs, and the deployment of new technologies. In addition, more open access to research results, publications, and data can enable more research collaboration, and therefore, more rapid discovery, synthesis, and adoption of innovations.

- **Provide effective protection and enforcement of intellectual property rights:** Protection and enforcement of intellectual property rights incentivizes innovators to invest in the research, development, and commercialization of leading-edge technologies. Additionally, this encourages high-technology foreign direct investment and provides necessary protection to innovative small and medium-sized enterprises (SMEs).

### Attracting Investment

- **Improve the investment climate:** Investment drives productivity, supports jobs, raises income, strengthens trade flows, and spreads international best practices and technologies. In order to capitalize on these benefits, economies should employ sound strategies to improve their investment climates, including by:
  - Ensuring that all investment applications are dealt with expeditiously, fairly, and equitably;
  - Creating and maintaining transparent and sound administration procedures that apply for the lifetime of the investment, including effective deterrents to corrupt practices;
  - Ensuring the availability of quality physical infrastructure, including reliable utility service, high-standard business services, skilled labor forces; and
  - Promoting fair and non-discriminatory treatment of all investors, including through access to effective dispute settlement, strong protections for property rights, and consistent application of laws and regulations.

Economies should also consider ways that they can provide coordinated assistance to communities to strengthen their ability to attract investment, including by dedicating adequate resources to infrastructure projects, research facilities, and training programs.

- **Invest in education and workforce training:** An educated workforce is vital to economic success. In order to attract investment, it is essential to ensure that potential employers can find skilled workers in an economy's market. Job training programs help workers with the skills needed by employers. Training programs targeted at specific sectors and developed in cooperation with individual employers have proven to be most effective in preparing workers for jobs. Improving science, technology, engineering, and mathematics (STEM) education at all levels among men and women is necessary to develop the scientific and technical workforce necessary for economies to be competitive. Finally, economies can benefit substantially from promoting STEM education and occupations to those who are disproportionately underrepresented in this field, particularly women.
- **Strengthen manufacturing supply chains and improve logistics:** High performing supply chains and efficient logistics systems attract investment and boost exports, particularly for small businesses. Economies should look at improving ports and intermodal connections to inland transport infrastructure, streamlining customs procedures, and addressing unwarranted and inconsistent regulation as a way to promote domestic manufacturing and create jobs.
- **Promote access to the digital economy:** Nearly every modern business relies on the Internet, information flows, and information and communication technologies to operate. Overall small businesses that make use of the Internet export twice as much as those that do not. Consequently, taking steps to improve access to the digital marketplace by supporting investment in high-speed interconnected broadband networks; promoting digital literacy; and encouraging the use of innovative electronic payments methods can support economic

development and job creation by drawing investment capital into the fast growing technology sector, while also facilitating job growth in traditional industries that rely on technology and digital services.

### **Opening Markets**

- **Address market access barriers:** Increasing trade and investment is critical for economies' economic growth and development. A central part of this effort is to address both tariff and non-tariff and investment barriers in order to expand market access for products and services.

### **Assisting SMEs**

- **Increase SMEs' export opportunities:** SMEs, including start-up companies, are integral to economic growth and development in the Asia-Pacific region, accounting for around 90 percent of all businesses and as much as 60 percent of the workforce. These businesses are an important source of the innovative and forward-thinking ideas that are often the starting point of new approaches to doing business that can engender tremendous economic growth. Making it easier for SMEs to export, including by helping them find sources of financing, increasing the transparency of customs information and business environments, streamlining customs procedures, increasing their access to information about specialized services (e.g., freight consolidation, trade shows, and certification programs), and improving their understanding of how to utilize regional free trade agreements, is an important step that APEC economies can take to encourage the growth and development of SMEs in the region.
- **Facilitate SMEs' access to supply chains:** SMEs participate in the global economy not only as direct exporters, but also indirectly as providers of inputs to exporters and via intermediaries, such as wholesalers. SMEs contribute a substantial portion of the intermediate inputs used by manufacturing firms. As such, taking steps to enhance the ability of SMEs to participate in supply chains in order to indirectly export is important to job creation and economic growth.
- **Facilitate SMEs access to capital and to emerging technologies:** SMEs formed to develop and commercialize new technologies and innovations can be a source of economic growth in the region. Economies can establish public-private partnerships to give SMEs access to the capital and innovative ideas they need to nurture innovative businesses. Collaboration among APEC economies can assist in improving technology transfer and commercialization from government-sponsored research.
- **Provide SME manufacturers information and tools to improve efficiency and profitability:** Manufacturers that accelerate innovation and acquire and improve their use of technology are far more successful and realize greater opportunities to participate in global supply chains. APEC economies can support this progress by establishing programs and virtual networks to provide SME manufacturers with resources to solve manufacturing problems and identify opportunities for growth, ultimately helping them to create and retain jobs, increase profits, and save both time and money. Examples of specific functions these programs can perform include enhancing efficiency of "shop floor" manufacturing processes and techniques; incentivizing adoption of higher-tech plan and equipment; and creating training programs to increase productivity and use of digital technologies.