

Editorial Statement

The Pacific Economic Cooperation Committee (PECC) is a unique tripartite partnership of senior individuals from business and industry, government, academic and other intellectual circles. All participate in their private capacity and discuss freely on current, practical policy issues of the Asia-Pacific region.

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Organizational Paradigms

Darson Chiu

Organizations are composed of diverse people and systems that comprises of internal and external environmental interactions. In theory, there are three major paradigms of organizational studies: the rational, natural, and the open systems.

Specific goal setting characterizes the rational organization, where the formalizing of rules and roles, and the checking for compliance is typical. For example, an organization such as the military is a rational organization because there are clearly defined objectives, rules, directives, and performance programs that make important contributions of rationality within the organization. The natural systems perspective approach is that the organizational structure consists of formal and informal structures, where the informal structure has orderly behavior. The systems evolve by natural growth. The employees of the formal structure of the natural system exhibit behavior patterns that include communication networks, status, power systems, and working arrangements. The military is an example of this kind of system where members are essentially always cooperative. Employees participate in the organization as wholes rather than individuals and complex informal structure link the organization internally as well as externally. The open system model focuses on the ties that bind the organization to its environment. The environment is the source of information and energy that is vital to the organization. This model stresses the complexity and variability

of the members and group within the organization. The different divisions within an organization are an example of this, where the members are capable of semiautonomous actions in which they receive information, make decisions, and take direct actions.

RATIONAL SYSTEM

The earliest formal studies looked upon organizations as rational systems. In the rational system, organizations are instruments designed to fulfill particular objectives, while relevant processes in the rational system is described as open, cognizant, deliberate, and systematic. Therefore, rational organizational systems strive for efficiency, focus on functionality, and tend to view members of the organization as means or assets to accomplish organizational objectives. Rational systems are goal-achieving systems, which would also be the best way to view the functional organizational chart and goals of an organization.

The General Electric (GE) Corporation is a diversified organization composed of eleven companies in markets such as advanced materials, commercial finance, consumer finance, consumer and industrial products, energy, equipment services, healthcare, infrastructure, insurance, transportation, and entertainment (NBC-Universal). At the top of the hierarchy are the Chief Executive and Chairman of the Board, Jeff Immelt, and each of the heads of the eleven companies report to Immelt. This organizational chart represents a rational system within the organization.

Listed on the "Our Commitment" webpage at GE are over 10 initiatives, from diversity in the workplace to Tsunami relief, that are public relations goals of the organization. Not stated by GE on the website is the profit



goal—one may assume this, though, since the survival of the organization depends on the creation of profit. All of these goals require the commitment of organizational assets in order to achieve, and should be prioritized based on the organization's values.

NATURAL SYSTEM

By comparison, the natural system model shares a common point with the rational system model and open systems model that organizations possess unique characteristics due to their diverse functioning. Unlike the rational system model stressing the formal organizational structure, it is believed that the natural system model focuses on the informal structure. Unlike the open systems model taking into account the interactions between organizations and environments, the natural system models pay less attention to factors outside the systems.

In contrast to the rational system model, the natural system model considers participants as a more important component than the organizational structure. The rational theorists value organizations, whereas the natural theorists value people. It is noteworthy that the organization's participants stressed by the natural theorists who place great emphasis on human relations do not include all stakeholders stated by the open systems theorists, because the majority of natural theorists do not consider the environment as a critical factor.

By contrasting the natural system paradigm to the economics concept, the natural system provides an in-depth analysis on a fixed economic input. From the perspective of economists, the factor of human relations in the production process does not exist. Economists simply view labor as an input

factor like capital and land; however, the natural system model is able to capture the human influences oversimplified by economists. Supposedly, the natural system model generally suited for professional or non-profit organization is not easy to relate to organizations such as GE designed to pursue profits through manufacturing and marketing systems. Nevertheless, natural system theorists argue that organizations need to provide incentives to attract talents.

OPEN SYSTEM

Open systems model, fostered by the general systems theory, started emerging after World War II. In contrast to the rational systems model, the open system model deemphasizes the formal structure of the organization and pays more attention to the process of organizing and to the flow of energy, information, and materials through the organization.

As against the rational systems view of the organization as a unitary hierarchy and the natural system view of the organization is an organic entity, the open system theorists view key participants as a loose coalition of shifting interest groups. Therefore, the open system is not rigidly in pursuit of common objectives, but rather it is open to change to accommodate new interests and new opportunities.

Yet, another way that the open systems differ from both rational and natural systems is that they have porous boundaries. Open systems expend as much, if not more energy in boundary expansion as it does boundary maintenance. Because of their capacity to import energy from the environment, open systems are capable of restoring their energy, self-maintenance, and even operating at a higher level of order and complexity.



Very much like biological organisms that move towards higher complexity through the process of evolution, open social systems are also capable of structural changes that move them into greater complexity over time.

One of the key characteristics of open systems that distinguish it from both rational and natural systems is its emphasis on environmental factors. The contingency systems theory takes the view that organizational design decisions are dependent on the environmental conditions. To cope with the complexity of the environment, organizations create specialized sub-units with differing structural features.

Open system theorists abandon the substantialist, hierarchical and self-action concept of organizations and embrace a more interactive or process definition. They stress the reciprocal ties that bind the organization with the environment, seen as the ultimate sources of energy—materials, knowledge, and information.

The application and relevance of the open system model to GE is evident if one were to glance at any of annual reports of the company. The activities of the company span an impressive array of products and services that are of critical importance to the individuals, other organizations and other nations. A key strength of GE is its ability to identify unstoppable trends of the future and incorporate them into their portfolio. Thus, GE executives closely interact with the environment to seek the inputs to conceptualize the future trends such as security, oil and gas, nanotechnology, Hispanic media, US consumer finance and convert them into profitable businesses.

END NOTE

8 The three organizational systems, rational, natural, and open have

evolved from the study of specific industries both internally and externally. The theories have also evolved over time as increasingly sophisticated structures evolve and are uncovered. They can and do exist simultaneously in a single organization as the examples from the GE illustrate.

The practical application of specific examples from each of these organizational designs allows the researcher to uncover additional structures that affect organizational flexibility. This agility and the alignment between mission, goals, and interpersonal relationships will affect the adaptability of organizations to successfully meet the demands of future markets.



From ECFA, Taiwan is Extending Its Trade Horizon to the Globe

Wayne Chen

January 19, 2010 was a date memorial and cheerful for Taiwan, long advancing its connectivity with and competitiveness in international business community, as Barack Obama, President of the United States, "applauded the Economic Cooperation Framework Agreement (ECFA) between the two sides of the Taiwan Strait and welcomed the new lines of communications developing between them" at meeting with Chinese President Hu Jintao (Li and Low, 2011). Shortly after, Taiwanese President Ma Ying-jeou expressed gratification to Obama's remark.

Obama's praise not only recognizes the rapid, peaceful development of Cross-strait relations in recent, but reflects that ECFA has been received well internationally. ECFA thus refers to a milestone, an emerging foundation upon which Taiwan is building up its trade competitiveness and connectivity with the globe as well as a start of new era of Cross-strait relations. However, it is far from the fact to say that ECFA is undoubtedly perceived as a sound deal domestically as it is outside Taiwan. This essay illustrates how ECFA would extend Taiwan's trade horizon outside the Taiwan Strait in fact is crucial to the success of the Cross-strait economic agreement.

ECFA

were signed by the Strait Exchange Foundation (SEF) and Association of Relations Across the Taiwan Strait (ARATS) on June 29, 2010, and they came into effect in September, 2010. ECFA marks a solid change of Cross-strait relations, expanding from a diplomatic truce phase to boosting economic cooperation, under the Ma administration. As a framework facilitating trade and investment cross the Taiwan Strait, ECFA is crystallizing Chiwan, referring China plus Taiwan are united to be an emerging economic unity, a more and more feasible conglomerate in East Asia.

Stronger economic connection and cooperation between Taiwan and China is certain after ECFA was signed. The Early Harvest List came into effect on January 1, 2010, includes 539 products (18 agricultural and fisheries products, and 521 products of manufacturing industry) worth US\$13,837 million, accounting for 16.14% of the total exports of Taiwan to China, 9 service industries, and 3 financial service sectors. Furthermore, negotiations of 4 agreements including the Agreement on Investment Protection, the Agreement on Trade in Goods, the Agreement on Trade in Services, and the Dispute Settlement Agreement need to begin within 6 months after ECFA was signed. ECFA may be seen as a rare opportunity for Taiwan to advance its economic role in the East Asia, boost employment and foster trade competitiveness globally.

The rapid progress of Cross-strait economic relations not only contributes to Taiwan's economy but, more importantly, improves Taiwan's investment environment and exposure in the international community. Chang Kuo-ming, Deputy Director-General at the Financial Supervisory Commission' Banking Bureau, said that in considering Taiwan provides promising opportunities for future business in the post-ECFA era, Banco Bilbao Vizcaya Argentaria (BBVA), a multinational Spanish banking group,



and one US-based bank had made inquiry for setting up bank branches in Taiwan (Chang, 2011). As frequently noted by the Taiwanese government, ECFA is essential to Taiwan's economy not only because it refers to a more cooperative business relations between the two sides of the Taiwan Strait, but revealing a broader scope, a golden decade, for Taiwan's economy in both the scales of the East Asia and the globe.

ECFA illustrates that the diplomatic truce policy of the Taiwanese government has been accepted as good will by China and contributed to trust building. Moreover it is widely taken as a foundation upon which other states are more likely to take Taiwan into account as an economic player. In other words, establishing economic cooperation with other states, e.g. FTA, is crucial for ECFA and also a critical challenge to the Ma administration in demonstrating that ECFA is an effective economic agreement to Taiwan. This success of ECFA is also important to prove that the ongoing moderate China policy of the KMT as a whole meets interests of Taiwan. The last two tasks are no easy duties subject to various existing limitations, e.g. diplomatic isolationism, however, dispensable.

Challenges

Challenges of, and resistance to, ECFA are mostly rooted deeply inside rather than outside Taiwan. One of most significant criticism is related to the 1992 Consensus. ECFA is drafted based on the 1992 Consensus which asserts that both Taiwan and mainland China belong to the same China, but both sides agree to verbally express the meaning of that one China according to their own individual definition. Built upon the 1992 Consensus, ECFA gets on sensitive nerves of the long-standing social dispute composed of ethnic

groups differentiate by their thoughts of the "One China principle". As a result, ECFA has become a hot spot in which KMT and DPP engage.

In an attempt to reduce arising political concerns, in promoting ECFA, the Ma administration has been focused more on its economic prospect rather than underlying political context/disagreement. ECFA is trying hard to win support by performing as a gateway leading Taiwan to a prosperous economy and to closer international connection where China would not boycott Taiwanese effort. It becomes more and more obvious that after ECFA was signed and more agreements between Taiwan and China are coming to effect, only if Ma would succeed in advancing Taiwan's economic cooperation substantially with other states, should criticism of ECFA to be eased, and will the Taiwanese citizens conceive that ECFA is not merely a economic agreement with China but initiating a new era ever for Taiwan (Chen, 2010).

Prospect

2011 is a crucial year to ECFA and the Ma administration. Considering that the new Presidential election will be held in 2012, time is limited to implement ECFA, as well as to achieve in promoting international economic cooperation. Nevertheless, Ma still needs progress in international relations to prove ECFA to the locals. Critical challenges are lying ahead, but yet essential and indispensable to the KMT and Taiwan.

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Why initiate an Asia-Pacific Food Emergency Response Mechanism?

Florencia Fu-Chuan Huang

Background

After the last food price spike in 2007 and 2008, food prices remained above their average levels of the past 10 years (FAO, 2009). Furthermore, a report last year from OECD also showed that the volatility of the price of main staple foods persists (OECD, 2010).

Soaring food prices have served as a wake-up call for food security due to severe climate change, bio-fuel production, coupled with rising food demand from newly industrialized countries. Among all the factors that affect food insecurity, climate change is the most unpredictable one. Commonly noticed, when global warming intensifies, natural disasters induced by extreme weather conditions will occur more frequently. In recent years, successively revealing events highlight the flows and draughts that are caused by unusual climate change and have not only struck agricultural production in Australia and Pakistan and many other places around the world, but also damaged hundreds of hectares of standing crops. Although the climate anomalies have short-term impact on food production, the negative consequence is of huge, particularly when it is not properly addressed by any nation-state, it could easily trigger social instability, even a severe social turmoil.

Facing the problem, Nation-state is positioned to expand the



accessibility, stability and availability of food sources through boosting agricultural productivity, facilitating trade and investment. Among all the policies measures applied by the government sector, food reserve is one of them.

Why initiate Asia-Pacific Food Emergency Response Mechanism?

The Asia-Pacific region is prone to disasters because of its geological feature. More accurately, the Asia-Pacific region is located geographically in Circum-Pacific Seismic Zone and Pacific Rim of Fire. The geological characteristics make the region more vulnerable to disasters. In order to address the severe external challenges, it is essential to take the development of an Asia-Pacific Food Emergency Response Mechanism into concern, in particular for the transpacific APEC. The significance of food stocks relies on its capability to activate the emergency food relief when extreme climate bursts and causes food crisis. Therefore, to some extent, they serve as the first defense line to food security.

Continuing from above, there are several reasons for Asia-Pacific to establish a Food Emergency Response Mechanism. First of all, the existing regional food reserve schemes, for example, East Asia Emergency Rice Reserve (EAERR) or ASEAN-Plus-Three Emergency Rice Reserve Scheme(APTERR), has not yet incorporated all the regional member economies. However, the need of emergency food aid is increasing. Secondly, nor the above mentioned regional scheme encompasses other common staple crops in the Asia-Pacific region, such as wheat, soybean, potato, cassava, etc. Thirdly, when an extreme climate affects food production in one country

or economy, it can also happen in the proximate economies. Therefore, if the scope of any emergency response mechanism is expanded to include both sides of the Pacific Ocean and also both the Northern and Southern Hemispheres, the risk of a major food crisis would be lowered substantially. In light of these rationales, to initiate an Asia-Pacific Food Emergency Mechanism is essential to regional food security and human security.

To Initiate an Asia-Pacific Food Emergency Mechanism

The objective of the Food Emergency Response Mechanism is to establish an earmarked reserve stored at various locations, to serve as an emergency food relief channels for economies facing severe food shortage.

The Mechanism is activated when an economy suffers from extreme or unexpected natural or man-induced calamity that makes it unable to cope with such state or condition relying on its food stocks and to procure the needed supply through normal trade. In this case, the activation of the APEC Food Emergency Response Mechanism could serve as a buffer to avoid the food insecurity deteriorates, if a strong buffer is in place.

For such a food emergency mechanism to take shape, three major elements will be needed. First of all, a network of decentralized Food Stocks should be created. The network will compose of earmarked and self-managed multiple food stocks by APEC members. Thus, this is a cost-effective and highly efficient way to address food security in a collective manner.

In term of the function of the decentralized food stocks network, fully-granted form could be a better option if we can encourage capable economies in proximity to provide emergency food aid. This is to say, where appropriate, the neighboring economies or the nearest economies sharing



same staple crops will be coordinated to serve as the first aid providers for each other, so as to shorten the delivery time and expedite the emergency assistance mechanism. Alternative should be given if it is adopted a food swap system, this is, an economy that is facing an emergency will receive food aid and will return the equivalent amount of crops or funds in the future. Therefore, this system will not necessarily in need of huge and immediately food stock, and certainly will not distort the market.

Secondly, a networked, streamlined yet effective Management Committee should be launched to ensure the smooth functioning of the Mechanism. The committee will evaluate food emergencies, and make the final decision for the activation of emergency food relief.

Moreover, an accurate, timely and comprehensive Food Security Database should be established. The information, such as food production and consumption outlook, public and commercial food stockholding, should be updated twice annually. The collected information should serve as the essential basis for food security analysis.

Conclusion

In sum, the Asia Pacific Food Emergency Response Mechanism offers economies that are facing extreme weather conditions and food emergencies a supportive buffer to acquire needed food through collective action and mutual assistance. Once this Mechanism takes shape, it will provide effective food security for economies in times of emergency. In addition, it will also reduce economy's willingness to adopt export ban as a policy instrument to address food crisis. Hence, through the collective action, risk-sharing manner, a streamline and decentralized emergency food stocks sharing

network, this mechanism could offer a strong buffer in food crisis, which is not only a cost-effective way to address food crisis but also has low market distortion effect.

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The 2011 APEC Funding Criteria and Concept Note

Chen-Sheng Ho

In 2011, the United States is serving as the APEC host. APEC has developed a new set of "Funding Criteria for all APEC-Funded Projects in 2011." The purpose of the criteria is to determine which projects should receive funding from APEC. Most importantly, APEC seeks to fund capacity-building projects that benefit developing economies.

Overview of the Funding Criteria

For 2011, the Criteria consist of Rank 1, Rank 2 and Rank 3. Projects in Rank 1 are "projects that specifically and significantly contribute to promoting regional economic integration via free and open trade and investment." The Criteria provide more detail by stating that projects in Rank 1 should focus on next generation trade and investment issues that serve as building blocks to the creation of a Free Trade Area of the Asia-Pacific (FTAAP). The projects should also be related to investment, services, standards, trade facilitation, ease of doing business, digital economy and environmental goods and services (EGS) (APEC 2011). For example, a project could be about digital economy but it must also promote free and open trade and investment, such as focusing on liberalizing or facilitating trade in goods and services relating to digital economy.

Rank 2 pertains to "projects that directly support the Action Plan in the APEC Leaders' Growth Strategy." The APEC Growth Strategy was developed in 2010, when Japan was the APEC host, and consisted of five attributes: Balanced growth; sustainable growth; inclusive growth; innovative growth; and secure growth. The Criteria list several areas that may qualify for Rank 2, such as APEC New Strategy for Structural Reform (ANSSR), APEC Green Growth Plan, promotion of SMEs, fighting corruption, and emergency preparedness (APEC 2011).

Furthermore, projects assessed as Rank 3 are "projects that are linked to other priorities identified by Leaders and Ministers but are less closely linked to regional economic integration via free and open trade and investment." The Criteria provide two examples. The first example is the promotion of healthy oceans and marine environment. The second example is initiatives which support trade recovery (APEC 2011).

In order to increase the possibility of receiving funding from APEC in 2011, a project should be closely related to the areas stated in Rank 1 and should be able to make substantial contribution to the advancement of regional economic integration through free and open trade and investment. Most significantly, a project should concentrate on next generation trade and investment issues that will assist with building a Free Trade Area of the Asia-Pacific. The areas listed in Rank 1 and are stated above, can be considered as next generation trade and investment issues.

A positive development of this year's Criteria is that Rank 1 and Rank 2 issues are clearly different, so that it will not be difficult to classify in which Rank, a project should belong. However, projects that are categorized as being part of Rank 2 will have to exert greater efforts, in order to receive funding. The reason is that there are many issues listed as part of Rank 2.



Projects in Rank 2 will have to compete for the limited amount of funding available. Most of the funding will support Rank 1 projects. Thus Rank 2 projects will need to ensure that the Concept Notes describing the main points of the projects must be clear relevant to APEC.

The APEC Project Concept Note

The main purpose of the APEC Project Concept Note is to provide a succinct description of a project seeking funding from APEC. The first stage of the funding process in APEC is the review of the Concept Notes. Therefore, it is extremely important that a Concept Note should precisely include the information requested.

In the Concept Note, there are three choices for funding: 1) Operational Account; 2) APEC Support Fund; and 3) TILF Special Account (APEC 2011a). The Operational Account's funds come from APEC members' yearly contributions and sponsor the Economic and Technical Cooperation (ECOTECH) work of APEC. The TILF Special Account supports projects relating to Trade and Investment Liberalization and Facilitation (TILF). The APEC Support Fund assists projects that enhance the capacity building needs of APEC developing economies and focuses in the following areas: human security, avian influenza and pandemics, technology, energy efficiency and APEC's Second Trade Facilitation Action Plan (APEC 2011b). With the existence of three main categories of funding, it will be necessary to determine which funding source matches a project's purpose.

Furthermore, the Concept Note also requires the stating of project cost in terms of the total cost and the amount seeking funding from APEC (APEC 2011a). The total cost is an indicator of the size of the project. In addition,

the cost information also shows the degree of a proposing economy's involvement. Generally, an economy willing to support substantial amount of funding indicates the importance of a project. Certainly, an economy can also provide 100% funding for a project, but then it will not have to undergo the funding process and the filling of a Concept Note. However, it is encouraged that a project seeks small amount of funding, so as to be able to go through the funding process. A project that receives funding truly shows that it has received strong support from APEC members. For example, a project might request funding for covering the travel expenses of participants from APEC developing economies. Sometimes, when a project needs to be implemented immediately then an economy willing to provide 100% funding will be greatly appreciated.

In addition, the Concept Note asks for information regarding the Objective, relevance and methodology of the project (APEC 2011a). The most important suggestion is that the answers should be precise and easy to understand. Since there are many projects applying for limited funding resources, it is important that a person will be able to comprehend the information presented in the Concept Note. Furthermore, a project should be designed for the benefit of APEC members in general and developing economies in particular. Most importantly, each Concept Note will be used to apply for funding to cover the costs for one year, so that a project should be completed within one year. Presently, APEC is in the process of finalizing the procedures for multi-year projects. However, most projects seeking funding will be expected to be finished within one year. In conclusion, a project will have greater success in seeking APEC funding when it belongs to Rank 1 of the Funding Criteria, the Concept Note is clear and APEC members are supportive.



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