

The Asian Productivity Organization to Mark Its 50th Anniversary

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1 September 2009

I. INTRODUCTION

1. A full five years have passed since I started working at the Asian Productivity Organization (APO). During these five years, I've noticed that not many people in Japan were aware of the activities of the APO, which will soon mark its 50th anniversary. This is also true of many people in the Government of Japan, which has offered consistent support for the APO since its establishment. Before assuming the position of Secretary-General, I myself did not even have basic knowledge of what the APO does, the contributions it makes to member countries in the Asia-Pacific region, and the problems it faces.
2. Therefore, I have made efforts to increase the visibility of the APO in Japan over the past five years, by devising more visible projects and enriching the contents of the organization's website. However, much more still remains to be done. Reflecting upon this, I decided to write this paper to make a much wider audience aware of the current situation of the APO and to solicit support for its work. I hope that this paper will help to increase the recognition of the APO.

II. ORGANIZATION AND ACTIVITIES OF THE APO

3. What is the APO? Currently, when APO Secretariat staff receive an incoming phone call, they answer: "Hello, this is the international organization, APO." This response is based on the assumption that many of the public are not aware that the APO is a well-established international organization. Once that is understood, the next question is whether it is related to the United Nations (UN). The question implies that perhaps the APO is in parallel with the United Nations Economic and Social Commission for Asia and the Pacific, one of five regional commissions of the UN, or other specialized agencies of the UN. The answer is no. Similar to the Organization for Economic Co-operation and Development (OECD), the APO operates as an independent intergovernmental body.

4. The APO membership comprises 18 countries in the Asia-Pacific region, and the Republic of China (hereafter referred to as “member countries”). The People’s Republic of China is the only major country in Asia which is not a member. The APO Secretariat is located in Chiyoda-ku, Tokyo, and at the time of writing had 44 employees, including temporary employees. Thus, the APO is approximately as large as a medium-sized Japanese embassy. Of those, 19 are professional staff members, including myself, and 10 of those 19 are international officers. There are four departmental directors, of whom three are international officers. Although five years ago there were six directors, two of whom were seconded from the Japanese Ministry of Agriculture, Forestry and Fisheries and the Ministry of Economy, Trade and Industry, there is no seconded officer at the director’s level now. I am the sole staff member whose background is the Japanese Ministry of Foreign Affairs (MOFA).
5. The APO budget is mainly financed by annual contributions from member countries. The scale of contributions is calculated based on ratios derived from dividing the previous three-year average GNI of a member country by the total three-year average GNI of all member countries. Based on this calculation, Japan’s assessed contribution accounts for 59% of the total. However, as Japan’s GNI has been falling rapidly compared with those of other Asian countries, if this trend continues, Japan’s assessed contribution rate for 2013–2014, which will be determined at the Governing Body Meeting (GBM) in 2012, will very likely drop below 50%.
6. The GBM is the APO’s supreme decision-making body and is mostly attended by high-level officials of economic ministries of member countries. Many vice ministers for industry attend the GBM as their countries’ representatives and they appear to be mutually acquainted with each other already. Japan is the only APO member country in which MOFA acts as the ministry responsible for overseeing the operations of the APO. While ministries in charge of the APO in other member countries are determined based on the nature of APO activities, it appears that the Government of Japan regards APO operations as part of Japan’s economic cooperation efforts.
7. The majority of APO projects can be characterized as short-term training courses. Three elements, lectures, visits to relevant enterprises/facilities/governmental agencies, and focused discussions facilitated by experts, comprise most of these courses. Projects can be titled “training course,” “observational study mission,” or “workshop,” depending on which element is emphasized. In the early days of the APO, most projects were carried

out in Japan, probably because the main focus then was to help other Asian-Pacific countries learn from advanced practices in this country. However, the economies of the Republic of Korea, Republic of China, and Singapore have now caught up with that of Japan, and Thailand, Malaysia, and India have also made rapid progress. Neighboring least developed countries could learn more from those countries than from Japan today. Moreover, developments in transportation have lessened the necessity of holding APO projects only in Japan, which is usually the most expensive option. Therefore, of approximately 100 projects a year organized by the APO, the number held in Japan has continued to decline and now comprise less than 20% of the total.

8. Participants in APO projects generally total around 20, coinciding with the number of member countries, and in principle one participant per country is selected. However, there is an unavoidable problem with allowing the same number of participants from India, with a population of more than 1 billion, and from Fiji, with a population of around 1 million. Furthermore, it is not always easy to find project topics appropriate for the two distinct groups of member countries: OECD members such as Japan and the Republic of Korea; and least developed countries such as Lao PDR and Bangladesh. Hence, the APO has increased projects for specific groups of countries such as the ASEAN group or developed country groups, and these projects compose the major portion of APO activities today.
9. In addition to multicountry projects, the APO organizes individual-country programs. The number of this type of program has increased as diversification among member countries has increased. There has also been a shift in approach from strict fairness in selecting one participant from one country to flexibility depending more on demand and willingness. Member countries have accepted this shift pragmatically, and there has been no significant conflict over participant selection.
10. When the APO implements projects in member countries, the NPOs in those countries play a major supporting role. The size of NPOs varies: NPOs in Japan, the Republic of Korea, India, Thailand, Malaysia, and Singapore each have around 200 to 400 staff, while some NPOs employ only a dozen people at most. NPOs that have their own budgetary bases and organize their own programs serve as liaison bodies between the APO and their governments. For example, participants in APO projects are selected by each NPO in consultation with the APO Secretariat. Furthermore, in principle each NPO bears local costs, including participants' accommodation, conference room fees, etc., when an APO

project is held in that country.

11. The APO is able to organize some 100 projects annually with only around 40 staff members at its Secretariat thanks to the support from member countries and their NPOs. In addition, the bearing of local costs by the host country enables the APO to implement relatively numerous international projects with the APO's limited resources.
12. The fact that the lion's share of APO projects is implemented outside Japan is the reason why it is difficult to explain our activities to our friends in Japan and in MOFA. As the APO receives substantial financial contributions from the Japanese government, those involved in the APO, specifically the APO Secretariat, need to step up public relations activities in Japan. This background also illustrates how the APO Secretariat has the dual role of dealing with member countries through GBMs mainly at the stage when the budget is determined and at the same time dealing with the NPO of each country at the stage when that budget is utilized.
13. In the past five years alone, we have witnessed coups d'état (e.g., Nepal), political instability (e.g., Pakistan), airport closures (e.g., Thailand), earthquakes, typhoons (e.g., Republic of China), avian influenza (e.g., Vietnam), and other major events that forced the cancellation or postponement of projects. The role of the APO Secretariat thus differs from domestic organizations in the sense that it sometimes has to make appropriate, timely decisions under unusual and potentially hazardous circumstances. We have sadly lost one staff member during project implementation due to an illness, but fortunately, no staff member has ever been killed or gotten seriously injured in the field to date. We are determined to continue our track record of safety in the future.

III. METHODS TO IMPROVE PRODUCTIVITY

14. It was explained above that the majority of the APO activities are short-term training courses. I would like to touch on specific topics that have been dealt with in those courses.
15. The objective of APO training courses is to introduce productivity improvement methods applicable to any enterprise, not industry-specific technologies such as for the automotive or home electronic appliance industries. Specific technologies have been already dealt with on a large scale by major Japanese companies that have set up manufacturing bases

and/or subsidiaries in Asian countries, and the APO has no role to play in this type of technology transfer. Instead, we aim to introduce more generic productivity improvement methods, and the targets of our training courses are mainly small and medium-sized enterprises (SMEs) that cannot develop expertise without external support when they wish to take a leap forward.

16. Among methods available to improve productivity, two of the most basic are 5S and kaizen, both developed in Japan. 5S is an abbreviation for *seiri* (sort), *seiton* (put in order), *seiso* (clean), *seiketsu* (neaten), and *shitsuke* (sustain discipline). When I was an elementary school student in Tokyo, a poster advising “*Seiri, Seiton*” was displayed on the classroom wall. It could be interpreted as part of early education in 5S. When you see a “*Seisou, Seiketsu*” poster in a Japanese factory, you are witnessing 5S being practiced there.
17. Understanding the contents of 5S is easy, even for grade school students; however, practicing it is not. If 5S is fully implemented, it can yield marked effects. Recently, I listened to a presentation by President Shigenobu Nagamori of Nihondenso (NIDEC Corporation), who is greatly respected for his experience and track record in corporate restructuring. President Nagamori stated that Nihondenso employs a team of experts on 5S within his company, and their appraisal of how thoroughly 5S is practiced in a target company has a very close correlation to its profitability. On the other hand, in companies where 5S is not practiced, there is a high probability that the transfer of advanced technology will not take root. When I was posted in Bangladesh, I witnessed a case when advanced equipment provided as grant aid was not fully utilized before it had stopped functioning. Looking back at that incident now, insufficient practice of 5S was part of the reason for the failure. 5S is particularly useful in less developed countries like Lao PDR and Cambodia, and the APO is trying to disseminate 5S in those countries by translating 5S manuals into local languages and holding training courses not only in the capitals but also in local cities.
18. Kaizen (continuous improvement) is also a Japanese word that is well known worldwide. The Toyota Production System (TPS) developed by Toyota Motor Corporation has been studied by many other companies, and the essence of the TPS is kaizen. Many people regard the TPS as synonymous with kaizen.
19. Originally, kaizen meant eliminating waste from a production site to improve

productivity. This concept is also easy to understand but difficult to practice. First it is necessary to identify waste, which requires keen observation and long years of training. Next comes the elimination of the waste identified. Sometimes only simple solutions are required, and sometimes massive investment is necessary to complete this step. In the latter case, top management must have a thorough understanding of kaizen. In this regard, kaizen is more like a corporate managerial strategy rather than a production site tool. A few years ago, I learned from a TV program that Boeing Company in the USA had decided to introduce kaizen as an aid in the competition against the European aerospace giant Airbus to produce more fuel-efficient airplanes. This indicates that kaizen still has utility, even in a cutting-edge industry.

20. The above describes methods to improve productivity at the factory-floor level. Many, however, are now also interested in business management and strategies as a gradual shift in emphasis from improving the quality of products to improving the quality of management has been taking place. The International Organization for Standardization (ISO) in Geneva, Switzerland, developed the well-known ISO9000 and ISO14000 standards, setting the stage for that shift. While ISO9000 emphasizes quality and ISO14000 emphasizes the environment, both standards aim to improve the quality of corporate management. As the policies of some European companies prohibit the purchase of parts made abroad without ISO certification, obtaining ISO certification has become a trend in many countries. Currently, more than one million organizations worldwide have passed third-party appraisals and are ISO certified.
21. The same concept with a different approach is embodied in national quality awards, based on the US Malcolm Baldrige Quality Award standards, conferred on selected excellent companies. In the 1980s, numerous studies were conducted in the USA to identify and overcome the reasons for the poor reputation of US products on the global market, and the Malcolm Baldrige National Quality Awards were established during the Reagan administration, at the initiative of Mr. Baldrige who served as its Secretary of Commerce. Subsequently, this idea of improving corporate management on a customer-oriented basis has spread all over the world, and a majority of Asian countries, including Japan, have established similar national quality award schemes.
22. In addition to these two approaches, a steady stream of new management ideas has been proposed and practiced by companies around the world: Six Sigma, which strives for defect-free manufacturing; the balanced scorecard, which analyzes an enterprise's future

prospects as well as present status; and knowledge management, which attempts to identify and share hidden knowledge and experience in an organization. There is a sense of “letting a hundred flowers bloom” in this field. The APO has made efforts to disseminate information on all of the above productivity improvement methods by holding training courses, organizing observational study tours to learn best practices in the Asia-Pacific region, and developing projects for their application in SMEs.

IV. ORGANIZATIONAL REFORM OF THE APO

23. While the APO has a long record of contributing to the socioeconomic development of Asia through the productivity movement, it was also true that signs of “metal fatigue” were observed within the organization after more than 40 years of its operations. When I first assumed the position of Secretary-General, there appeared to be very limited information sharing among the then six departments of the Secretariat. Each department was physically separated by high partitions, and it was impossible to know what even next-door neighbors were doing without standing up, walking to their desks, and inquiring.
24. Because I did not have much experience at the APO, I felt that it could have been possible that the six departments actually shared information well, despite my first impression. However, that optimism was quickly shown to be groundless. An unexpected situation arose at the 45th Workshop Meeting of Heads of NPOs (WSM) in early 2005, my first WSM, when the draft program of work prepared by the APO Secretariat was rejected by the Industry and Service Strategic Committee. At least three APO departmental directors were present during the committee deliberations but none could prevent the rejection. I learned what had happened during the meeting of the Industry and Service Strategic Committee that same evening and immediately began to persuade key players to reverse their decision. Although the rejection by the Strategic Committee was overturned at the next day’s plenary session and we were back on safe ground, I never could have guessed that this would happen at my first WSM. That meeting also made me realize that a number of member countries were somewhat dissatisfied with the performance of the Secretariat, which led me to embark on Secretariat reform.
25. The main problem of the APO at that time was that the six departments tended to act in an unorganized manner and they did not make a united effort to deal with problems that would affect the Secretariat or the APO as a whole when they arose. The Secretariat at

that time was an organization with strong centrifugal force and weak centripetal force.

26. Restructuring this organization into one with enhanced governance equipped with organizational strength and the ability to take on any issues was not an easy task. Altering only one aspect of an organization does not result in major changes, and thus comprehensive reform was required, which usually also takes time. For this reason, it took us slightly more than two years to give shape to the organizational change and Secretariat reform.

(1) Reorganization of the Secretariat

27. The first issue that was tackled was the reorganization of the Secretariat. Six departments for an organization with fewer than 50 staff were too many. Reducing the number of departments would facilitate communication and simultaneously yield a considerable administrative cost reduction with fewer departmental directors. It was also the best way to make all staff aware of the upcoming waves of reform that the Secretariat would undergo.

28. Naturally, the reorganization encountered resistance. Reducing the number of departments would automatically mean a reduction in the number of directors; hence, some directors were against this initiative. Gradually building a consensus on the necessity of the reorganization was the only way to prevail. Consequently, I requested staff at the project officer and higher levels to hold brainstorming sessions to discuss thoroughly whether it would be useful to reduce the number of departments as well as appropriate allocation of tasks once the reduction had occurred. After a few months of deliberations, officers' opinions converged on the reorganization of the Secretariat into a four-department structure.

29. Having reached a consensus on the reorganization at the Secretariat, the next task was to gain approval from the Governing Body. Fortunately, the reaction of the Governing Body was generally favorable and it even encouraged us to carry out our policy of reorganization. Thus, the restructuring of the Secretariat entered into the final implementation stage, which was also the most difficult stage when working departmental directors were requested to leave the APO. The reorganization was made more difficult because instead of simply asking two departmental directors to leave, I asked four to leave and promoted two new ones internally. This was the real reason why it took two

years to put a four-department system in place within the APO Secretariat.

(2) Remodeling of the Secretariat Office Space

30. Using the opportunity of Secretariat reorganization, I also pushed through remodeling of the office space, which was indispensable for the successful reorganization effort. The purpose of the remodeling was to improve communication and promote discussion among staff members. Therefore, all the high partitions that had separated each department were removed and steel filing cabinets higher than eye level were replaced with low cabinets. Along with the replacement of cabinets, a new document management system was introduced and based on that nearly half of the outdated documents on file were incinerated. At the same time, all private offices for departmental directors were dismantled, allowing a clear view of the entire office space from every corner.
31. The office remodeling increased the number of collaborative areas to eight, including five small meeting rooms that are equipped with glass walls that prevent sound from coming out but allow those inside to be seen. Remodeling of the office took about six months in total from planning to completion. It gives both the sense of openness and sense of unity to people in the Secretariat and undoubtedly has contributed to much better communication among themselves as well as with guests.

(3) Introduction of a Performance Appraisal System

32. Review of the performance appraisal system lagged slightly behind organizational restructuring. With the old personnel evaluation system that was in place, it was difficult to differentiate staff salary increases, leading to an automatic one-step increase in salary for virtually everyone. As the date of each staff member's salary increase was determined by the date of joining the Secretariat and thus each had different date for a salary increase, it was difficult to conduct common performance appraisals based on the same observation period and criteria. We had to wait for a year just to reach a common observation period for everyone.
33. The new performance appraisal system adopted by the APO was based on management by objective principles. Objectives are agreed upon between a supervisor and employee so that his/her actual performance in terms of achieving them serves as an appraisal determinant. There was no expert on personnel affairs within the Secretariat at that time;

hence, a number of problems had to be resolved in succession, utilizing expertise from an external human resources management consultancy. As it was impossible to review the table of salary scales from scratch in a short span of time, the previous incremental wage step was subdivided into four steps. With the new system, a minimum of one incremental wage step up was possible, which was equivalent to one-quarter of one incremental wage step under the old salary scales.

34. These changes directly affect staff salaries, and thus could not be undertaken without their understanding; the approval of the Governing Body was also necessary. I made strenuous efforts to gain the staff's understanding, stressing the current difficult environment surrounding the APO Secretariat, and a consensus was finally reached after many such efforts. The Governing Body was again very supportive of my appraisal- and salary-related initiative.

35. Actual implementation of the new performance appraisal system was, however, not easy for either management or employees and was not launched smoothly. Still, the first cycle of the new performance appraisal system was implemented and brought about the desired result, differentiating for the first time the salaries of staff members based on performance. Some staff members' performance appraisals resulted in salary increases greater than the traditional one-step increment, while those of others resulted in no salary increase. It was extremely difficult to establish a performance appraisal system that was fair and at the same time maintained dynamism in the organization. It will take some time before all of us get used to the new system.

(4) Reform of the Budget System

36. The budgetary system was the last major area of reform. In a section above, I explained that the current membership contributions are based on ratios derived from dividing the previous three-year average GNI of a country (prior to the current fiscal year) by the total three-year average GNI of all member countries during the same period; this is the current system. A different system was used when I joined the APO. Roughly, a country's membership contribution was decided by calculating the three-year average of that country's GNI and multiplying it by a common coefficient. The APO benefited considerably from this method because, with member countries' ever-increasing GNI growth, total revenue increased automatically. Another advantage was that each member country was able to estimate its contribution for the next year using this method, which

simplified budget preparation. Hence, the APO was able to bypass the establishment of a budget committee or its equivalent, which is usually necessary for international organizations. This was also a great advantage for a small-scale intergovernmental organization like the APO because it need not go through more than one step in the process to decide the total amount of the budget.

37. There were questions, however, on the feasibility of an automatic budget increase inherent in the previous calculation formula at a time of financial difficulties. Some member countries suggested that the APO, like other international organizations, should adopt a process of determining the total budget at the GBM first and then calculating each member's contribution based on its contribution ratio, with which the remaining countries subsequently agreed. Thus, the APO faced the need to devise a new formula for calculating membership contributions.

38. Two points were the most important: 1) deciding a new formula to determine contribution rates; and 2) devising a budgetary system that did not place excessive burdens on the Secretariat. I thought that member countries would accept a new calculation method if it were similar to that used previously. The problem was that, while contributions from all member countries had been increasing under the old system, Japan's contribution, for which the contribution ratio had already been on a declining trend, would decrease once the Governing Body decided to limit the growth of the total budget. That would lead to a situation where other key member countries' total contributions would increase, as if they had to assume a shortfall in Japan's contribution. As it turned out, when the total budget was approved under the new budgetary system last year, the Governing Body decided on a 3.2% increase after four years of zero nominal growth in the total budget, which highlighted Japan's decreased contribution. The contribution of the largest donor, Japan, was reduced by about 7%, reflecting its declining contribution rate, while the second and third largest donors, India and the Republic of Korea, respectively, had a nearly 30% increase in their membership contributions. The membership contribution of Pakistan increased by about 50%. Meanwhile, in order to establish a budgetary system that did not place undue burden on the Secretariat, it was necessary to utilize the existing GBM and WSM to the extent possible. For that, we reconsidered the timing of the GBM and WSM, taking into account the cycles of key members' fiscal years. Since delegates to the WSM are directly involved in APO project contents, they are assigned two tasks: finalizing the list of APO projects for a target year and deciding an order of priority among them. As a result, once the Governing Body approves the total membership contributions, projects to

be implemented in the target year are automatically finalized in accordance with the order of priority suggested by the WSM.

39. For this new system to function, the Secretariat, utilizing its expertise and experience, must first prepare a draft list of projects and then propose an order of priority among them which is acceptable to the WSM. This exercise involves finding criteria that can be used to determine project prioritization, discussing and reviewing the draft project list and order of priority with NPOs, and taking each country's situation and requests into consideration as much as possible. As a result of these efforts, a project list and the order of priority among projects were agreed at the WSM in 2007, and a budget was finally approved at the GBM in 2008. There is certainly room for improvement in the system, but I am fairly optimistic that the new system will take root after it is practiced for four to five more years.

V. IMPROVING APO PROJECTS

40. During my first two and a half years at the APO Secretariat, I had to spend most of my time on organizational reforms and simply did not have sufficient time to examine all ongoing operational activities. I took a more serious look at APO activities from 2007, when the four-department system started operating. I would like to review them now, but since APO operations cover a wide range of activities, four activities are chosen in this section.

(1) e-Learning

41. e-Learning courses are offered through a network platform headquartered in Tokyo. For example, a course could be organized by instructors delivering presentations from the World Bank studio in Tokyo, and by course participants attending the course in a studio with a large screen projecting the presentations in Thailand. Courses can be delivered in this way to five countries simultaneously; accordingly, with 20 participants in each country about 100 participants are able to attend each e-learning course. It is also possible to transmit presentations from Malaysia, India, Washington, DC, or anywhere else as long as the facilities are available. Recently most presentations in APO e-learning courses have been delivered from sites other than Tokyo.
42. The greatest benefit of e-learning courses is that they save significant money on travel

expenses for participants, which means that we could expand APO activities without concomitant budget increases. While initially there was a slight concern that participants might lose their concentration over time when simply watching big screens, this problem has been largely overcome by developing creative methods such as assigning local coordinators who offer opportunities for country-specific discussions, making observational site visits in line with the course theme, and conducting final exams at the end of the courses.

43. As a result, although the reputation of e-learning courses was not impressive in the first few years, many have revised their views as the contents have been enriched. These courses have therefore received high ratings in project evaluation surveys conducted in recent years. The number of the courses has increased to 15 per year, and around 1,500 people in Asian-Pacific countries now benefit from APO e-learning courses annually.
44. The APO mainly uses the e-learning facilities managed by the World Bank. The bank's Tokyo e-learning center recently conducted a survey among the bank-affiliated e-learning centers in Asia on all their programs implemented. While the survey results suggested that APO courses were generally well received throughout Asia, their popularity in some locations, especially in Bangkok, far exceeded that of other similar e-learning courses. The main reason for this popularity was that the themes of the courses match the needs of enterprises in Bangkok. It was therefore easy to recruit participants, and participants themselves were earnest about gaining as much as possible from the courses due to their employers' interest in the course topics. In addition, many participants commented that they particularly appreciated the inclusion of site visits to local enterprises and country-specific discussions that made the courses more interesting and exciting.

(2) APO Productivity Databook

45. Although the APO is the sole regional international organization focusing on productivity, for a long time it did not have data on member countries which enabled us to compare productivity between the Republic of Korea and the Republic of China (or PR China) or differences in productivity between India and Pakistan. Thus, it was impossible to evaluate the effects of productivity improvement efforts by individual countries. To remedy the situation, a new research project was launched aimed at producing internationally comparable labor productivity data on APO member countries. For this purpose, the APO needed to develop methodology for measuring labor productivity

similar to that used in developed countries to ensure international comparability. Fortunately, the APO received cooperation from Professor Dale W. Jorgenson of Harvard University in the USA, and a new research project was started, basically following Professor Jorgenson's theory and in collaboration with Keio Economic Observatory of Keio University, Tokyo. In addition to the methodological issue, it was necessary for this research to obtain reliable statistical data, for which selecting reliable experts from member countries was essential. To resolve these issues, support from member countries was more important than ever, and despite a number of setbacks experienced during its preparation, the first *APO Productivity Databook* was finally published in the spring of 2008.

46. The *APO Productivity Databook* contains data on the transition of labor productivity between 1975 and 2005 in all member countries as well as data on 27 key economic indicators related to labor productivity. Although there are some lacunae due to a lack of information in some member countries, this publication is by far the most reliable and comprehensive reference on labor productivity in the Asia-Pacific.
47. The second edition was published in 2009, which included calculations of total factor productivity (TFP) in Japan, the Republic of Korea, and the Republic of China on a trial basis. TFP means a productivity increase not caused by either a labor input increase or capital input increase and could be considered as pure productivity improvement. To compute TFP, data on capital formation are essential. That is why we could produce TFP for only three member countries at this initial stage.
48. The *APO Productivity Databook* has not only been quoted in a research paper written by an economist associated with the International Monetary Fund (IMF), but also been referenced in the online resources of Princeton University Library, indicating that it has already gained international recognition. The databook also includes international comparisons analyzing the size of the economy of the APO region and those of the USA, and the EU using purchasing power parity as a variable, which attracted considerable interest among readers. In the future, we hope to devote more time to improving the quality of economic statistics in member countries rather than simply updating data and performing statistical analyses.

(3) APO Eco-products International Fair

49. The APO introduced the concept of Green Productivity (GP) in 1994 in the recognition that long-term sustainable development cannot be achieved without protecting the environment, and that only productivity improvement contributing to sustainable development is genuine improvement. Numerous projects on energy efficiency, the 3Rs, greening supply chains, organic farming, food safety, etc. have been implemented under the GP Program. In particular, the Eco-products International Fairs (EPIFs) organized first in 2004 have grown and become the flagship activity under the APO's GP Program. The Tokyo Eco-products Exhibition organized by Nikkei Shimbun Inc. has been held at Tokyo Big Sight every December since 1999. The EPIFs are the Asia-Pacific equivalent of that exhibition in Tokyo, which has recently drawn more than 160,000 visitors and raised eco-product awareness among Japanese consumers by displaying environmentally friendly eco-products. The objective of the APO's EPIFs is basically the same. If consumers in the Asia-Pacific make purchasing decisions based on environment-friendliness criteria, products and services throughout the supply chain will also be greener. The competitiveness of Asian products in Europe and the USA, where there is great public concern about environmental issues, will also be enhanced. This is the idea behind the organization of the EPIFs.
50. The Asia-Pacific region covers a vast geographic area, and using the same venue like Tokyo Big Sight for the Eco-Products Exhibition year after year would not be an ideal way for our message to reach all APO member countries. Therefore, the EPIF is hosted by a different country every year to reach the widest possible audiences. Since 2004, APO EPIFs have been held nearly annually in Kuala Lumpur, Malaysia; Bangkok, Thailand; Singapore; Hanoi, Vietnam; and Manila, the Philippines. Rotating the EPIF host city and country every year among member countries means that we must change the layout and many exhibitors every year. It also implies changes in local coorganizers, who have differing skills and capabilities in organizing a large-scale exhibition like the EPIF. Hence, EPIFs have encountered various new challenges in each new venue. However, nearly superhuman efforts by all involved as well as the enthusiasm of the host countries have managed to resolve any difficulties encountered, and the EPIF has now reached a level of maturity.
51. One problem in organizing EPIFs is attracting as many Japanese exhibitors as possible to showcase their environmental products and technologies at locations outside Japan. This task has not always been easy as Japan's economy continues to slow. Although the APO provides certain services to Japanese companies, participation in the EPIF is voluntary,

and the expense and associated responsibilities are up to each participating organization. A major corporation that plans to take a large booth at the EPIF must be prepared for a significant financial outlay. To encourage and facilitate the participation of Japanese exhibitors, the Green Productivity Advisory Committee (GPAC) was founded, supported by approximately 60 leading Japanese companies, which has contributed tremendously to the EPIFs. In particular, previous chairpersons of the GPAC, representing Panasonic Corporation, Hitachi Ltd., and Mitsubishi Electric Corporation, provided great support in leading the GPAC and in persuading Japanese companies to join the EPIFs as exhibitors.

52. Those efforts were rewarded, and the number of visitors to the EPIFs increased steadily from the original 15,000 (Malaysia), to 25,000 (Thailand) and 35,000 (Singapore). In Vietnam, the EPIF was given a boost as the number reached more than 90,000. Despite some initial worries about the effects of the global financial crisis, the EPIF in the Philippines in 2009 drew more than 80,000 visitors including Philippine President Gloria Macapagal-Arroyo. In addition, the frequency of media coverage and hits on the Internet EPIF Web site and news sites have dramatically increased, which meets our initial aim of raising environmental awareness in the host countries. The next EPIF will be held in Jakarta, Indonesia, in March 2010, and other member countries such as India, the Republic of Korea, and the Republic of China have expressed interest either officially or unofficially in hosting subsequent fairs.

(4) Support for Africa

53. Although most APO activities take place in member countries in the Asia-Pacific region, there is a unique program that focuses on Africa. It started in March 2005 with a message from the Pan African Productivity Association (PAPA) requesting a collaborative relationship with the APO. This request from the organization promoting regional cooperation in the field of productivity in Africa was also transmitted to the Government of Japan, which was headed by then-Prime Minister Junichiro Koizumi. He obviously took interest in the message and proposed using the Asian experience in promoting productivity movement in Africa in his keynote speech at the Asia-Africa Summit in Bandung, Indonesia, held in conjunction with the commemoration of the Golden Jubilee of the Asian-African Conference in 2005. The APO then sent a preliminary fact-finding team to Africa and, with special funding from the Government of Japan, launched its African Program in 2006. That year, three to six representatives each from the Republic of South Africa, Botswana, Kenya, Mauritius, Nigeria, Tanzania, and Zambia were

invited to the Roundtable Conference for the Promotion of the Productivity Movement in Africa held in Sandton, South Africa. In addition to the participation of the South African Minister of Labor, former South African President Nelson Mandela graciously sent a videotaped message to the opening of the conference. I attended the roundtable conference myself, which concluded successfully. During the conference, I received a number of interview requests from the media, indicating a great deal of interest among Africans in the conference and in the productivity promotion movement in South Africa.

54. One of the outcomes of that roundtable conference was a consensus on the need to develop key human resources for the productivity movement in Africa. Subsequently the APO proposed organizing a four-week intensive Basic Training Course for the Development of Productivity Practitioners, and it has been held in South Africa every year since then. In addition, a three-week advanced course was developed for them, to which productivity experts from Asia were dispatched. APO representatives also attended various Africa-related events including: the TICAD Ministerial Conference on Energy and Environment for Sustainable Development held in 2007 in Kenya; the TICAD IV Summit held in 2008 in Yokohama; and the African Union Workshop on Productivity and Social Dialogue held in 2009 in Ethiopia. APO activities were specifically referred to in one of the TICAD IV final outcome documents, and the APO was recognized as an international organization contributing to sustainable development in Africa.

VI. FUTURE OF THE APO

55. The e-learning courses, *APO Productivity Databook*, EPIFs, and African Program were presented in the section above. What can be anticipated for these activities in the future?

(1) e-Learning

56. In addition to the videoconference courses described above, a Web-based course for which participants log in on their own computers has also been offered. The limitations of this approach are that instructors cannot observe participants on their computer monitors, and participants can only view instructors on their own small computer monitors. Because of these technical constraints, the number of participants is also limited, and therefore this project is offered only once a year. However, the Web-based mode has the advantage that participants do not need to go to an assigned classroom but can participate in the course

from their home or office. If this advantage is exploited with skillful course development, it appears to have great potential. In addition, the APO offers a Web-based self-learning course. In the self-learning system we use, participants must pass an examination before continuing to a new module, and this whole process can be monitored by the Secretariat. The merit of this system is that participants can proceed at their own pace at the most convenient time, which is another advantage. The APO is currently offering its self-learning course on the balanced scorecard on a trial basis, and I am looking forward to the results. Overall, I believe that we can find new ways to use IT for our training purposes as the technologies are progressing more rapidly than we expected.

(2) APO Productivity Databook

57. Under the *APO Productivity Databook* project, the APO has assisted some member countries, including Indonesia, Mongolia, and Fiji, in collecting and processing data on current capital formation so that the target countries for TFP computations can be expanded. If TFP computations can be completed in all member countries, Asia will be the region with more comprehensive productivity-related data than any other region in the world.
58. Productivity is calculated by dividing the amount of production outputs by production inputs. While production inputs could be labor, capital, or other economic factors, the amount of production outputs is almost always expressed by GNI. Therefore our attention has been focused on which production inputs should be used to produce the most relevant productivity data. If we used labor as the denominator, we could reflect labor productivity, while if we used the combination of labor and capital as the denominator, we could reflect TFP. However, the APO's productivity improvement efforts have been shifting from economic development to sustainable development, as symbolized by the GP Program. Perhaps it is time to review the practice of always using GNI as numerator under these circumstances. Concerning measurement issues, we still have a long way to go in calculating agricultural productivity or measuring enterprise-level productivity. From this perspective, the *APO Productivity Databook* will not be completed simply by increasing the number of countries with TFP data. It appears that this project has many years of meaningful tasks ahead.

(3) APO EPIFs

59. The 2010 EPIF will be held in Jakarta, Indonesia, and preparations are well underway with the full support of Mr. Teisuke Kitayama, Chairman of the Board of Sumitomo Mitsui Banking Corporation, who is also Chairperson of the Preparatory Committee for the Eco-Products International Fair under the GPAC. Professor Ryoichi Yamamoto, Institute of Industrial Science, University of Tokyo, who has long supported the GP movement from a theoretical aspect, suggested that the EPIFs should also function as a forum where views may be exchanged and a consensus may be reached on environmental issues among Asian leaders from various fields. The APO has held a few international conferences in conjunction with the EPIFs and has steadily enriched their contents in terms of the number of presentations and variety of topics. It will be a major challenge to transform the EPIF into the platform suggested by Professor Yamamoto; nonetheless we would like to make the attempt if circumstances permit.

(4) Support for Africa

60. The four-week basic course under the APO African Program held in South Africa every year has been very much appreciated by Africans. The problem is that participants who receive training in productivity improvement are often offered better jobs in the private sector and thus do not continue work in their countries' NPOs. It is difficult for a sustainable productivity movement to take root in African countries unless the core bodies, i.e., the African NPOs, are strong. Therefore, methods should be devised to strengthen their NPOs in the future, in addition to simply transferring knowledge related to productivity improvement to African individuals.

(5) Other activities

61. In addition to the activities mentioned above, a host of other issues needs to be addressed by the APO. Although Agriculture Department activities are not described in detail in this paper due to space limitations, that department of the APO Secretariat manages one-third of the APO's approximately 100 annual projects and has worked to strengthen farm management, to improve the marketing and exporting of agrifood products, and to disseminate integrated community development techniques such as the One Village, One Product movement. As APO member countries are a mixture of food exporters and importers, it is not easy to identify topics of common interest to all. Fortunately, however, all of them are keenly interested in the issue of food safety. In particular, projects introducing relatively new concepts in this field, such as Good Agricultural Practices or

Hazard Analysis and Critical Control Point, have become popular among member countries. Since the establishment of the ISO22000 standard, which pursues both food quality and food safety, projects to introduce ISO22000 have been gaining popularity among member countries.

62. Another field that has attracted growing interest from member countries is public-sector productivity enhancement. Demand for more projects on service-sector innovation is also high. Responding to these varied needs and requests with limited resources is an issue that the APO must continue to tackle.

(6) Budget

63. As mentioned above, the APO budget only increased by 3.2% after four years of no increase. Yet, that involved an increase in membership contributions of around 30% for many member countries. In spite of the substantial increase in its compulsory membership contribution, the Republic of Korea offered a special grant in addition to its membership contribution. Five years ago, four member countries were in long-term arrears. However, they responded to my request to resolve unpaid membership contributions and as a result no member is currently in serious arrears. The Secretariat should appreciate the financial cooperation from member countries first before complaining the small size of the budget increase.

64. Despite generous cooperation from member countries, however, APO budget prospects do not appear to be bright. The main reason for this is that the appreciation of the yen since the global financial crisis has hit the Tokyo-based Secretariat hard and increased its administrative costs. APO membership contributions are paid in US dollars, but the majority of the Secretariat's administrative costs, including personnel expenditures, must be paid in yen. In the past five years, the Secretariat has reduced the number of departments from six to four and decreased the number of staff, including temporary ones, from 48 to 44. One-fourth of the office space was returned to the landlord, and salary increases have been reduced under the new personnel appraisal system. In addition, the number of IT-based projects has increased considerably relative to more costly face-to-face ones. Two-thirds of staff at the program officer level and above have been changed.

65. Despite all these efforts, however, it is not likely that the economic downturn and yen

appreciation will improve much in the near future. Therefore, it is necessary to ask for further support from member countries; at the same time, the Secretariat must prepare for a more comprehensive review of administrative costs, including personnel expenditures, and continue its reform efforts.

VII. CONCLUSION

66. As an international organization, it is not appropriate to assess the APO's significance and usefulness based on Japan's national interests alone. On the other hand, it also makes sense to consider its benefits to Japan since it has supported a substantial portion of the total APO budget over the past 50 years and its continued support is essential for the organization.

67. Reviewing the benefits of the APO from this viewpoint, the most obvious is its contribution to socioeconomic development in the Asia-Pacific, which has also offered Japan opportunities in terms of trade as neighboring Asian economies grew. Some Europeans pointed out that Japan is fortunate to be located in Asia where economic growth rates are high; however, this should be viewed in another way. Japan would be fortunate if other Asian countries had developed without Japanese cooperation. In actuality, however, Japan has continuously provided economic support to other Asian countries over the past 50 years, starting from the payment of war reparations to official development assistance loans that served as a driving force for development in the region. In addition to financial and technical cooperation provided by the Government of Japan, the Japanese private sector increased investments in Asia, which have also had a pump-priming effect in attracting other sources of investment. In other words, Asia is a region where economic cooperation by developed countries has been the most successful, and Japan has always been at the forefront of such activities. While the operations of the APO cannot be compared with Japan's massive aid programs, the intent and results are the same despite the difference in size. The APO is small but remains an asset to Japan because its activities focus on the Asia-Pacific region.

68. The second benefit of the APO to Japan is that it makes a unique set of Asian networks accessible. In a world of wide politicoeconomic fluctuations, it is essential to have access to a variety of multilayered networks for stability. Japan has established wide-ranging networks with Asian countries not only through diplomatic and/or macroeconomic channels but also sectoral and/or industrial channels, and the combination of actors is

infinite. The APO, with its headquarters located in Tokyo, has specific features that cannot be replicated in other networks. Within the framework of the APO, Japan, which has supported the APO financially over the last half-century, is regarded with respect by other member countries. An official of a Japanese government economic ministry once told me that he was surprised to see how cooperative a representative from a member country was at an APO meeting compared with the same person's attitude at a WTO-related meeting. When the APO changed its method of calculating membership contributions and most members were requested to shoulder a 30% or greater increase in their contributions, the representatives of those countries remained calm and none spoke of the APO in negative terms.

69. I have been fortunate to have had opportunities to meet the Prime Minister of Sri Lanka, President of the Philippines, Prime Minister of Lao PDR, and Coordinating Minister for Economy of Indonesia since the beginning of this year, proves that these countries recognize the usefulness of APO activities. The fact that Japan is regarded as the major player in an organization that is perceived to be useful by its member countries is a big boost for the country's image. (It is apparent that the APO is beneficial for Japan, and deserves even greater support from within.
70. Finally, in my personal opinion, the APO has disseminated the excellent practices and value sets of Japanese business operations in Asia and then worldwide by way of Asia. The widely admired 5S and kaizen concepts originated in Japan. Although the Malcolm Baldrige National Quality Awards were established in the USA after Americans realized that they were losing the productivity and quality competition against Japan, the US award criteria incorporate many of the best aspects of Japanese business practices and values.
71. The basic concept of the best practices of Japanese business is that only by working hard to produce good products and by providing good services can you receive recognition and contribute to society. This differs significantly from the thinking of some businesspeople in the USA and China who tend to lose their long-term perspective in favor of short-term gains.
72. Today, most believe that sustainable economic development is needed rather than mere economic development. It follows that the focus of enterprises should also be sustainable management. In Japan there are numerous companies with origins dating back many

decades or even centuries. In terms of the number of enterprises that have survived for more than 100 years, Japan would rank fairly high. However, although they may be old in years and appearance, many of them operate under surprisingly modern management. Working diligently, maintaining the traditions that are worth preserving, and changing what needs to be changed is the Japanese way. Companies cannot sustain operations and build up trust if they do not change with the times. That Japanese wisdom ensures stability while encouraging progress. Admittedly, Japanese traditional wisdom alone may not be sufficient to cope with all the economic twists and turns that characterize today's world. However, it would be beneficial for Japan if its traditional values were reassessed, modified if necessary, and spread to countries in Asia and eventually, throughout the world.