

The Second APEC STAR Conference Viña del Mar, Chile 5 - 6 March 2004

General Coordinator's Summary Conclusions

The Second APEC STAR Conference was convened at the Conference Town Hotel in the city of Viña del Mar, Chile, on 5 - 6 March 2004.

Aimed to build upon the positive results obtained through the dynamic public/private dialogue that APEC was able to achieve during the realization of the First APEC STAR Conference, held in Bangkok, Thailand, on 23 - 25 February 2003, as well as those directives which stemmed from the Eleventh APEC Economic Leaders' Meeting and the Fifteenth APEC Ministerial Meeting, the conference was organized to address key trade and security related issues which are today, vital to the overall welfare of our region's communities.

The Agenda was divided into four panels: Maritime Security; Air Transportation Security; Mobility of People and the gradual establishment of Financial Intelligence Units (FIUs) in APEC Member Economies.

The above mentioned issues were thoroughly discussed in several sessions chaired by experts as well representatives from the public and private sector, as further described in the Agenda attached to these Summary Conclusions.

The main outcomes and recommendations of each session have been compiled and presented to Chile's APEC Senior Official, Mr. Mario Matus, so that he may proceed to forward it to the APEC 2004 SOM Chair, Mr. Ricardo A. Lagos for distribution and further consideration by APEC Senior Officials as well as by the APEC Counter Terrorism Task Force, CTTF.

The Second APEC STAR Conference's General Coordinator was Mr. Julio Fiol of Chile (jfiol@minrel.gov.cl).

The Program of the Second APEC STAR Conference has been attached as Annex A, while the Key Note Speech of Ms. Michelle Bachelet, Minister of National Defense of Chile has been attached to this document as Annex B.

Working Group on Maritime Security

Experts and representatives who attended the session titled ***Needs of APEC Economies***, agreed that implementing the new code on International Ship and Port Facility Security (ISPS) represents an opportunity for modernization and cooperation amongst APEC Member Economies.

Different levels of concern were raised about the actual measures that economies are taking in order to meet ISPS code requirements by the time it comes into implementation (1st July 2004).

Particular challenges faced by some Member Economies include how to apply the code to sensitive cargos like natural gas, chemicals and petrochemicals, as well as to the movement of recreational vessels and other small crafts, and in economies with a large number of small ports and in ports with a high volume of traffic.

Representatives from the public and private sectors discussed the potential of using information technology to address these challenges. They also noted the importance of continuous capacity building, and stressed the role of the public sector in implementing the ISPS code, by way of passing and enforcing laws and regulations.

The question of the costs of implementing the ISPS Code was also raised during the session and it was pointed out that broad consultation within all levels of government have taken place as part of the ISPS implementation process.

It was agreed that improvements made to meet the ISPS code requirements can both enhance security and facilitate trade. It was indicated that the private sector is willing to help governments identify solutions that may simultaneously advance its objectives.

Broad interest was expressed towards the proposal from a private sector company that suggested the use of a financial clearinghouse mechanism as a vehicle for both increasing security as well as supply chain visibility.

It was agreed that an experiment, as proposed by the organizers of the Global Cargo Information Clearinghouse (GCIC) on APEC trade lines could supply a useful proof-of-concept, the results of which could be reported at the upcoming APEC Economic Leaders' Meeting, to be held in Santiago on 20 - 21st November 2004.

Another point raised during this session was that an international approach towards the full implementation of the ISPS code is vital. Economies can be at their best security and competitive situation if all of them proceed to implement these new international standards.

It was deemed that it is in economies' own interest to see that their neighbours and trading partners also proceed to meet the ISPS Code requirements. After the Code enters into force, International Maritime Organization members will be required to deny entry to ships coming from or which have transited ports that do not comply with the ISPS code.

The Working Group concluded that the time to act is now and definite actions for the Code's implementation are needed in the APEC Region. The experiences of panel members' economies in implementing the Code may prove useful for other economies in the APEC region.

Other specific suggestions that arose for APEC action included the possible use of video conferencing as well as long distance learning systems in order to expand opportunities for dialogue and capacity building. Another idea proposed was to identify ways in order to support the improvement of security of fishing vessels which operate in the Asia Pacific Region.

The session on ***International Technical Assistance Regarding Maritime Safety and Security Matters*** dealt upon the issue of technical cooperation amongst APEC member economies for maritime safety.

The discussions dealt upon capacities developed and the programs implemented to date by international organizations such as the International Maritime Organization, IMO and IACS, as well as by national organizations like the Chilean Maritime Authority, DIRECTEMAR and the US Coast Guard, areas dealing with maritime safety and security.

A Canadian representative presented the view of the private port sector of his economy, and described the investments that are being undertaken in order to fulfill the requirements of ISPS Code implementation as well as the costs associated.

The current situation of Chile's VIII Region ports was presented and broadly discussed. On this topic, projects aimed to transform these facilities into logistic platforms for Chilean as well as for neighbouring countries to develop foreign trade with a special view towards the Asia Pacific Rim, were also addressed.

The United States Coast Guard representative made a complete presentation on the International Port Security Programme whose responsibility for implementation lies on that Agency. It was stated that this program will demand a coordinated work with port authorities from countries that have a commercial relationship with the United States, so as to share and harmonize the practices of maritime security.

It was agreed that it is necessary to underline the efforts and achievements made by International Maritime Organization, IMO, as well as for all relevant actors in

the maritime trade area to understand the high priority that has been placed on international technical cooperation, specifically on matters of maritime safety and security, as well as its Integrated Program.

The IMO delegate who attended the Second APEC STAR Conference called upon APEC member economies to support and take advantage from these cooperation programs, which can facilitate international technical assistance.

The Geographic Information System (Grafimar) developed in Chile by the Navy's Maritime Authority, was also analyzed during this session. It was agreed that the system - with its wide capabilities - constitutes a valuable tool for maritime safety and security in Chile. The Chilean Maritime Authority offered APEC member economies access to information on Grafimar. The meeting agreed that the system could be implemented by APEC member economies in order for them to improve maritime security.

Finally, this Group concluded that there is a great deal of capacity building activity and programs available for APEC Member Economies, from which some benefits may be obtained in terms of technical cooperation within the maritime safety and security scope in the region.

It was suggested that APEC Member Economies should continue to exchange information and experiences, as well as take advantage of technical cooperation systems already being implemented. This will allow APEC Member Economies to be able to comply with the ISPS Code in a prompt way, and at the same time, to increase the maritime safety and security within the APEC region.

It was also recommended that those ports that have developed models to implement the Code should share them with other APEC member economies.

Working Group on Air Transportation Security

The session on ***Threats to Civil Aviation and Security Measures*** agreed to the following points during their presentations as well as deliberations:

1. An effective approach to air transportation security calls for training of personnel, in order for them to be able to monitor suspicious activities and report incidents.
2. There is a need to strengthen: cargo security programs for shipper legitimacy, air cargo data validation system, and identification of high-risk cargos by means of effective canine detection services.
3. Security systems require risk assessment methodology, risk mitigation strategies, law enforcement, domestic regulation, incident reporting, monitoring and continuous surveillance systems.
4. Programs that were set up in compliance with ATSA standards require the verification of known shipper legitimacy via the known shipper database and then follow up with random inspection of shipments.

5. The use of air marshals is an effective tool for preventing international terrorism.
6. Human resources to improve security systems to fly safely, well-trained police officers, and canine detection of explosives are also needed.
7. Performance of precautionary measures on cargo handling, storage and verification, subject to constant surveillance.
8. Airlines have implemented measures to protect passengers, personnel, and passenger's belongings, having established a close cooperation with IATA, OIE, WHO, and FAO.
9. Issues that represent challenges and need further development were – among others-, the state sovereignty, jurisdiction, the role of aircraft commander, reciprocal agreements, air marshal credentials, legal protection of air marshals.

The experts and participants who attended this session agreed upon the following recommendations:

1. Develop a comprehensive plan for an air cargo security system based on ICAO standards that balance security and trade facilitation and that do not impose additional burden on the regulators.
2. Increase collaboration among the public and private sector as well as by all stakeholders.
3. Consider adopting air cargo security measures, such as surveillance and monitoring, strengthening and hardening cockpit structure, control of cargo handling, and presence of air marshal officers.

The Session on ***Threats posed by MANPADS and security measures that could be adopted: Capacities building needs of APEC economies***, agreed that the use of MANPADS by terrorists continues to be a real threat to international commercial aviation.

As risks of MANPADS cannot be eliminated, they should be adequately dealt with. The Meeting agreed that it is necessary to intensify the efforts in prevention, mainly through non-proliferation measures (import, export policies), counter terrorism measures, which should be proportionate to the level of threat, as well as Intensify exports control.

Furthermore, the session agreed that:

1. Measures must be effective and efficient. IRCM technologies are not appropriate for commercial aviation applications.
2. Preventive and effective regulations exist to reduce or neutralize this threat. Conditions may vary according to the internal situation of each country.
3. Regional and international cooperation remains a key issue, particularly for the exchange of information amongst APEC member economies on MANPADS threats.

The Session on ***Transportation of Dangerous Goods and how to improve Air Cargo Screening*** indicated that there is a consensus on the need to support and increase security measures in the air industry. It was also pointed out that costs derived from security measures should be addressed, at least partly, by the appropriate authorities in each Member Economy and that those costs should not hinder air transport as it is a major component of trade and development in the region.

The Session recommended that :

1. Economies should adopt and apply all relevant regulations, particularly those approved by the International Civil Aviation Organization (ICAO);
2. Security teams should be established to consider intelligence information collection, detection and prevention of incidents as well as protection of the components of the air industry; and
3. Coordinated action not only within air companies but among them and civil aviation authorities is essential to succeed in this endeavour.

Mobility of People:

The Session on ***Biometrics*** considered the system being implemented by Chile in Santiago's Main Air Terminal, which is based upon three security rings. This Session included two presentations: one on technical solutions by the private firm Unysis and the other by Multimedia Glory companies.

The Session also considered the experience of Australia on biometric technology as well as the limitations for the implementation of this technology and the standards necessary to overcome these hindrances.

It was concluded that for Biometrics technology to be successful, capacity building is crucial. It was also agreed that a secure document must always be checked against the person who is holding it, using facial, fingerprint or iris identification features.

The session on ***APP and API*** included presentations by Mexico and Australia on their experience with advance passenger information. A representative of the Airport Operators Committee gave the airlines view on the advantages and disadvantages of exchanging advanced information. It was pointed out that a better approach should consider a combination of API and APP within the framework of ICAO regulations.

A representative of Malaysia made a presentation on the new e-passport developed by this APEC Member Economy.

It was concluded that API and APP are useful tools which can combine control with facilitation. The Session was informed with regards to the importance of API as a Pathfinder Initiative within APEC and the relevance of the feasibility studies being conducted at this time in the region by Member Economies who are interested in becoming part of this Pathfinder.

The session on a ***Regional Movement Alert System (RMAS)*** heard a progress report by Chile on its proposal within the Informal Experts Group on Business Mobility, IEGBM, to establish such a system in the APEC Region. There was also a presentation by INTERPOL on its current work and specifically on its new I-24/7 communications system. INTERPOL expressed its willingness to cooperate with APEC as well as with Member Economies in order to share information on current or future threats to the Mobility of People in the region.

The main conclusions of this Session were:

1. A Regional Movement Alert System (RMAS) could be a useful tool for APEC economies;
2. RMAS system would have to work in coordination with an API; The system should be linked globally
3. It is essential for the system to work that economies be willing to share information.

The session on ***Regional Migration Alert System (RMAS) Exchange of Migratory information. Capacity building needs of APEC economies*** addressed the support needed for a Regional Migration Alert System to operate as well as those concrete actions that are being undertaken in order to place the system in operation.

Members underlined the need for international organizations like INTERPOL to provide access to very significant data bases on different matters that can definitively help member economies of APEC. It was also indicated that the correct use of information is crucial and that sharing information is also vital.

Working Group on the establishment of Financial Intelligence Units (FIUs):

It was remarked that the topic was introduced based on the need to enhance and facilitate cooperation among APEC economies in the area of financial security, counter terrorist financing and prevention of money laundering.

In three separate sessions participants heard several presentations by representatives of international institutions, namely GAFISUD, UN, WB, and the IMF, as well as experts from Chile, Croatia, Indonesia, Thailand and the USA.

The presentations covered relevant international instruments, technical and legal assistance and various national approaches to anti-money laundering (AML) and combating the financing of terrorism (CFT).

The discussions generated the following recommendations and conclusions:

1. APEC economies without an operational FIU, should start the process of establishing one. The set up of these agencies through the APEC region could provide for effective information sharing among APEC economies to fight terrorist financing and money laundering;
2. To that end, economies that have implemented sound AML/CFT systems and international organizations, such as the WB, UN, IMF and the Egmont Group, should, if requested, provide assistance to APEC economies seeking to establish FIUs. At the same time, a real political will of APEC economies is needed to support the creation and strengthening of FIUs in the region.
3. APEC economies should fully implement relevant international conventions and recommendations;
4. APEC economies should provide FIUs with broad access to a wide variety of financial information, including bank accounts and tax information;
5. APEC economies should consider imposing AML/CFT obligations on independent legal professionals; and
6. APEC economies should develop comprehensive national AML/CFT strategies that articulate in detail the goals of the public and private sector as partners in AML/CFT regimes and the timetable for accomplishing those goals.

Such actions, if undertaken, would support the development of effective AML/CFT regimes. It is important to bear in mind that FIUs must cooperate with other public-sector institutions and collaborate with private sector institutions on the basis of mutual trust to raise awareness in the financial and non-financial industries about AML/CFT.

Overall, the discussion highlighted the importance of promoting economic development and pursuing secure trade within the APEC region. AML/CFT regimes require collaboration among economies, thus contributing to a more stable economic environment in which progress and well being are achievable.

These recommendations, if adopted, would contribute to the accomplishment of APEC's goals of promoting trade and security within the region.

Finally, the panel on ***Strengthening Public-Private Collaboration on building capacity for Secure Trade*** pointed out that secure trade is a must and that all

the measures needed should be implemented. However, there are concerns about the impact that security measures could have on trade facilitation. The panel highlighted the role of public and private partnerships and the important involvement of international financial institutions.

Concrete actions, like the STAR BEST project, an initiative aimed to secure trade between the ports of Thailand and Seattle, Washington State, that was inaugurated by the US Secretary of State, Colin Powell, during the APEC Thailand 2003 Year, indicated that secure trade can be achieved reducing costs and increasing efficiency all together.

ANNEX A.-

PROGRAM SECOND CONFERENCE ON SECURE TRADE IN THE APEC REGION

**Conference Town Hotel – Viña del Mar
05 – 06 March 2004**

Thursday 04 March evening

19:00 – 21:30 **Welcome Reception hosted by Chile at the Conference
Town Resort Hotel**

Friday 05 March morning

07:30 - 08:30 **Registration – Coffee**

08:30 – 10:00 **Welcome by Mr. Ricardo A. Lagos, SOM Chair APEC 2004**

**Key Note Speech by Ms. Michelle Bachelet, Minister of
Defense of Chile**

Plenary Session

- Remarks by Ambassador Mario Artaza, Executive Director of APEC
- Remarks by Mr. Hiroyuki Minami Vice Chair of CTTF
- Remarks by Mr. Hernán Somerville, ABAC Chair 2004
- Remarks by Dr. Elías Bluth, Vice-Minister of Defense of Uruguay, Chair of the Inter American Committee Against Terrorism of the Organization of American States (OAS)

10:45 – 12:30 **Concurrent working groups on Maritime Security, Air
Transportation Security, Mobility of People and the
establishment of Financial Intelligence Units (FIUs).**

1. Maritime Security: Implementation of ISPS Code. Capacity building needs of APEC economies

Moderator: Ambassador Lauren Moriarty, SOM of the United States of America

Speakers:

- Mr. Louis Ranger, Deputy Minister for Transportation of Canada
- Mr. Javier Etcheberry, Minister of Public Works, Transportation and Telecommunications of Chile
- Mr. Rodolfo García Sánchez, Vice Chairman of the Chilean Chamber of Maritime Affairs and Ports
- Mr. Jon Glassman, Northrop Grumman Electronics Systems International
- Captain Muhammad Segar, Port Master of Singapore

2. Air Transportation Security: Threats to civil aviation and security measures that could be adopted.

Moderator: Mr. Horoyuki Minami Vice Chair of CTTF

Speakers:

- General Enrique Rosende, Director General for Civil Aviation, Chilean Air Force
- Mr. Tony Beard, Department of Transportation and Regional Services, Australia
- Mr. Rafael Ramos, Regional Director for Cargo Security, US TSA
- Mr. Enoch Urrutia, Technical Advisor for Cargo of LAN CHILE Airlines

3. Mobility of People : Biometrics identification

Moderator: Mr. Carlos Fernández, Public Security and Information Division, Ministry of Interior of Chile

Speakers:

- Mr. Nelson Gaete, Chilean Investigative Police Force
- Mr. Hermes Romero, representative of UNISYS
- Mr. Terry Hartmann, Manager for Information Technology, Department of Foreign Affairs and Trade, Australia

- Mr. Abdullah Sani Sulaiman, Immigration Department, Thailand

4. Establishment of Financial Intelligence Units (FIU): Survey on APEC member economies. Experiences of various economies. Capacity building needs of APEC economies.

Moderator: Mr. Yunus Husein, Head of FIU, Indonesia

Speakers:

- Mr. Igor Barac, AMLD, Egmont Group Board Member
- Mr. Halim Alamsyah, Director of Research and Policy, Ministry of Finance, Indonesia
- Mr. Ernesto Livacic, Advisor to the Ministry of Finance of Chile
- Mr. Fernando Rosado, Executive Secretary of GAFISUD

12:45 – 14:45 Lunch by invitation at “Las Salinas” Naval Country Club : Keynote Speech by a High-Level Chilean Government Official to be confirmed

Friday 05 March afternoon

15:00 – 17:00 Concurrent working groups on Maritime Security, Air Transportation Security, Mobility of People and establishment of Financial Intelligence Units (FIU)

1. Maritime Security: International technical assistance regarding maritime safety and security matters. Technical co-operation among APEC member economies for maritime safety. Capacity building needs of APEC economies

Moderator: Mr. Erick Strellow Castillo, Chairman of the National Shipowners' Association of Chile

Speakers:

- Mr. Joe Espinoza, Head of the Latin America and Caribbean Section, Technical Cooperation Division of IMO
- Vice Admiral Rodolfo Codina, Director General of the Maritime Territory and Merchant Marine, Chilean Navy

- L.C. Joseph Losciuto, Port Security Assessment Branch, Office of Port Security Planning and Readiness, USCG
- Mr. Carlos Viviani, Lead coordinator of ISPS code for Latin America. Lloyd's Register
- Mr. Gordon Chu, Advisor to the President and C.E.O., TSI Terminal Systems Inc., Canadá

2. Air Transportation Security: Transportation of dangerous goods. Improving air cargo screening.

Moderator: Mr. Pedro Villarroel, Advisor for Dangerous Goods Transportation, LAN CHILE Airlines

Speakers:

- Mr. Patricio Sepúlveda, President of IATA
- Mr. Aaron Villar, Mexican Aviation Authority
- Mr. Philip D. Somervell, DHL Express

3. Mobility of People : APP and API

Moderator: General Prefect José Castro, Chilean Investigative Police Force

Speakers:

- Mr. Patricio Carvallo Thomé, National Institute for Migration, Mexico
- Mr. Peter Job, Department for Migration and Multicultural Affairs, Australia
- Mr. Renzo Pontiggia, Representative of AOC

4. Establishment of Financial Intelligence Units (FIU): Current issues on the international agenda : terrorism financing; collaboration among economies; access to classified information (banking accounts, tax information); others.

Moderator: Mr. Igor Barac, AMLD, Egmont Group Board Member

Speakers:

- Ms. Dolgor Solongo, Crime Prevention and Criminal Justice Office, UN Office on Drugs and Crime (UNDOC)

- Ms. Bess Michael, Senior Financial Sector Specialist of the World Bank
- Mr. Yunus Husein, Head FIU, Indonesia
- Mr. John Brewer, Senior Officer of the Financial Crimes Enforcement Network (FINCEN), US Department of the Treasury

17:30 – 18:30 One on One meetings for Business Matching

Friday 05 March evening

19:30 – 21:30 Dinner by invitation : Keynote Speech delivered by Mr. Peter J. Baxter, Director Global Consultancy Operations, Jane's Information Group

Saturday 06 March morning

Concurrent working groups on Maritime Security, Air Transportation Security, Mobility of People and establishment of Financial Intelligence Units (FIU)

08:00 – 11:30 1. Maritime security: Visit to the port of Valparaíso (Mr. Harald Jaeger) and the Headquarters of Chilean Maritime Authority (DIRECTEMAR)

09:00 – 11:15 2. Air Transportation security: Threats posed by MANPADS and security measures that could be adopted. Capacity building needs of APEC economies.

Moderator: Ambassador Luis Winter, Director for Special Policy Affairs, Ministry of Foreign Affairs of Chile

Speakers:

- Mr. Marco Ospina Yepes representative of OACI
- A representative of TSA-USA
- General Alberto Alvarez Rubio, Director for Anti-Aerial Defense, Chilean Air Force

3. Mobility of People : Regional Migration Alert System (RMAS). Exchange of migratory information. Capacity building needs of APEC economies.

Moderator: Ambassador Patricio Torres, Ministry of Foreign Affairs of Chile.

Speakers:

- Mr. José Castro, General Prefect, Chilean Investigative Police Force representative to RMAS
- Mr. Stephen Schmerbeck, Director of the Specialized Crime Office, INTERPOL
- Mr. Jaime Ansieta, Senior Detective, Head of Cybercrime Unit – Chilean Investigative Police Force

4. Establishment of Financial Intelligence Units (FIU): Future work and cooperation among APEC member economies.

Moderator: Mr. Ernesto Livacic, Advisor to the Ministry of Finance of Chile

Speakers:

- Police Major General Pheeraphan Prembooti, Secretary General of the Anti-Money Laundering Office (AMLO), Thailand
- Mr. Ernesto López, Financial Sector Expert of the International Monetary Fund
- Mr. Carlos Hamann, Executive Director, FIU, Peru
- Ms. Celina Realuyo, Office of the Coordinator for Counterterrorism, Department of State, USA

5. Strengthening Public-Private Collaboration on Building Capacity for Secure Trade

Moderator: Geoff Jackson, US Trade and Development Agency

Speakers:

- Mr. Tom Wilson, STAR-BEST project
- Mr. Chavali Nimla-or, Federation of Thai Industries
- Ms. Patricia Knight, IBM Corporation

11:15 - 11:30 Coffee Break

11:30 – 13:00 Plenary Session : Final reports and recommendations to be presented by working groups on Maritime Security, Air Transportation Security, Mobility of People and the establishment of Financial Intelligence Units (FIU)

Concluding remarks

ANNEX B.-

**BALANCING TRADE AND SECURITY THROUGH INCREASED
COOPERATION WITHIN THE ASIA PACIFIC REGION**

Michelle Bachelet Jeria

Minister of National Defense of the Republic of Chile

Second APEC STAR Conference

Viña del Mar, Chile

5 March 2004

VOCATIVE

- Mr. Ricardo Lagos Weber, APEC SOM Chair 2004.
- Dr. Elías Bluth, Vice Minister of Defense of Uruguay and Chair of the Inter American Committee Against Terrorism of the Organization of American States
- Ambassador Mario Artaza, Executive Director of the APEC Secretariat

- Mr. Hiroyuki Minami, Chair of APEC's Counter Terrorism Task Force
- Distinguished Moderators and Speakers; Senior Officials and representatives of member economies of the Asia Pacific Economic Cooperation.

INITIAL REMARKS

- This morning, I join our SOM Chair in welcoming all our APEC colleagues to Chile and also all our national participants to this Conference. I am honored to have the opportunity to be with you and proceed to open the Second APEC STAR Conference, a priority activity within the APEC Chile 2004 Work Plan which will endeavor to respond, in a timely and goal oriented manner, to the expectations set forth by our Ministers and Economic Leaders on the theme of Security and its relationship with Free and Open Trade within the world's most dynamic region.

APEC CONTEXT FOR STAR II

- The economies of the Asia Pacific Rim represent the driving force of the world's economic and commercial future. Through the establishment of a rich and diverse Asia Pacific community, Chile believes that APEC Member Economies

can effectively continue to achieve impressive **economic growth while lowering protectionism**.

- APEC is a **diverse community**. Our realities and characteristics are different, the **threats that we face and the measures required are also varied**. Last October in Bangkok, our Leaders gathered to combine our diverse strengths to meet the challenges facing our region. In line with APEC's theme for the Thai Year, "A World of Differences: Partnerships for the Future", it was agreed that strong **partnerships** are vital in order to achieve the goals set out in Bogor.
- To realize our APEC common vision amidst the rapidly changing international environment, our Leaders agreed to **strengthen partnerships** not only to liberalize and facilitate regional trade and investment, but also to protect our peoples and societies against threats to their security. By taking effective steps, as we will be embarking as of today through the Second APEC STAR Conference, we are fulfilling our tasks so that we may realize the APEC vision, established by Economic Leaders in 1993, of "**achieving stability, security and prosperity for our peoples**". That is our ever present goal.
- In Bangkok, our Leaders agreed that transnational terrorism and the proliferation of weapons of mass destruction pose a

direct and profound challenge to APEC's vision of free, open and prosperous economies.

- It was agreed to dedicate APEC not only to advancing the prosperity of our economies, but also to the **complementary mission** of ensuring the security of our peoples.
- The Second APEC STAR Conference is a tangible example of how APEC is contributing to the ability of its members to deliver improved access to wealth and social progress, while bearing a role for security led initiatives.
- Chile is a committed **partner** in APEC's on-going work towards confronting through effective means, the threat posed by terrorism to our communities in all their diversity. We strengthen partnerships by increasing and better coordinating our counter terrorism activities, where appropriate, through effective **collaboration, technical assistance and capacity building**.
- We are seeking to **increase cooperation** between APEC with the Counter Terrorism Action Group of the G-8; The United Nations Security Council's Counter Terrorism Committee; the Organization of American States; ASEAN, International Financial Institutions dealing with Capacity Building Programs; the International Maritime Organization;

the OECD Financial Action Task Force; and other relevant international, regional and functional organizations.

APEC CHILE 2004

- The leading theme for the APEC Chile 2004 Year is “**One community, Our Future**”. This central theme is guiding APEC’s work and is supported by a series of sub-themes which will direct the activities and outputs of APEC Working Groups and Forums.
- By “**Sharing Benefits through Better Practices**”, we are effectively protecting the regional community from the threat of terrorism. This is crucial for safeguarding sustained economic growth and stability. APEC aims to **protect its member economies without jeopardizing the efficiency of trade flows**. APEC members should continue to share information and develop capacities which will enable the region to balance economic prosperity with security.

BALANCING TRADE AND SECURITY

- APEC has historically been regarded as an **exclusively economic and trade organization**, with its primary targets focused on trade and investment liberalization and facilitation. However, at various points in APEC’s history,

questions have been raised about the organization's capability to play a constructive role within the region on a range of political and security issues.

- **Community building** in a very broad sense constitutes an important function for APEC. In the long term, the peace, stability and prosperity of the region can only be assured if we confront in a cooperative manner, the threats such as global terrorism posed upon APEC member economies. APEC today is establishing not only a community geared towards opening markets and creating opportunities for our stakeholders, but is also advancing towards the establishment of a secure region. For community building it is essential to build confidence. Chile has been making efforts in this direction especially with its neighbors in the Latin American region, and is prepared to share its capacities and experiences. Chile is currently a non-permanent member of the United Nations Security Council, and the country fully understands that under the current process of globalization, with growing and almost unlimited interdependence, one of the most compelling challenges we have is to increase international cooperation in order to find common solutions to common problems.
- In the international debate about security, there has been a long running discussion about the relationships between **economic change** and the degree of resultant **stability or**

instability in the security environment. Moreover, the **concept of security has been extended** to include ideas of economic security, environmental security, food security, as well as concerns with international crime, illegal migration and various health threats. Today the challenges we face are more complex and continue to evolve. **Security threats affect us in different ways** according to our own realities.

- However, it seems clear that the tragic events of September 11, 2001 will have a lasting economic, political and strategic resonance within the APEC region.
- Although APEC does not deal directly with political or security issues, the organization is increasingly regarded as an important source of **regional stability**. Such stability is fundamental for economic development. At this point, we clearly need to **find a balance between security concerns and open trade to achieve our common goals of prosperity**.
- A clear example is the need to balance the costs associated **to increased security** with our goals to **reduce transaction costs within the APEC Region by 5% by the year 2006**, through the APEC Trade Facilitation Action Plan. Although this efficiency improvement is anticipated to stimulate an additional increase in trade of around US\$ 280 billion, we must be able to identify if increased security measures will

allow developing economies to benefit from these reductions. Growing costs may represent a **heavy burden on smaller economies** and also could become a barrier to trade with a strong impact on SMEs.

COUNTER TERRORISM

- Although there are bright spots in many APEC economies in specific sectors, the economic outlook has been darkened by anxieties over global economic weaknesses and threats posed by terrorism as well as the SARS epidemic and, most recently, the avian flu. These challenges underline how our respective destinies are inextricably linked and how important it is that we find **collective responses to common dangers**.
- Sixteen APEC Member Economies are members of the Asian Regional Forum (ARF), a multilateral process that is building bridges across the Pacific in order to counter the threats of transnational terrorism. It may be appropriate for those ARF members to seek the consensus from the process in order for those APEC member economies who are not part of the system, to participate actively as Observers or Full Fledged members, so that a true Trans Pacific Partnership may be realized through the active participation of APEC within the ARF

- APEC has gone to great lengths to achieve tangible outcomes with regards to creating a secure business environment. We value the work undertaken by the **Counter Terrorism Task Force** and look forward to a more profound relationship between the public and the business sector, in programs designed to **build capacities** and allow **access to technology** that is essential for developing economies to be able to maintain strong economic growth as well as to create a secure environment in the region. In this direction, we need to identify and develop specific, regional initiatives and **future project directions**, which can add value to the current work being undertaken by the Task Force, considering among others, the different issues to be discussed in this Conference.
- **THEMES OF THE CONFERENCE**

After a collaborative effort of APEC economies, which started last year, we have developed an agenda for this Conference to cover four different issues:

1. **Air transportation security**: we expect to exchange views on where we are on this matter and to find a common understanding from public and private sectors on security issues and their impact on trade. We aim to build upon the work that APEC has undertaken in order to counter the emerging threat of **Man-Portable Air**

Defense Systems, MANPADS, to civil aviation. We would also like to identify possible measures regarding the **transportation of dangerous goods**.

2. **Maritime security**: We will discuss how prepared we are to implement the **ISPS Code** and try to identify areas of common concern.
3. **Mobility of people**: We hope to strengthen our cooperation on **biometrics** as well as to assess a **Regional Movement Alert System** and other forms of exchange of information to allow a speedy and secure flow of people across Asia Pacific.
4. **Financial intelligence units**: Considering this is the first time that the subject of “**assets laundry**” will be considered in APEC, we expect to start by exchanging our different points of view on this and to discuss how to collaborate under existing institutional settings.

- **PRIVATE SECTOR**

- The task before us is a complex one. It can only be sustained through the concerted efforts of various institutions within our governments, as we see today in Chile by those involved in this meeting- from members of the Chilean Air

Force and Navy to representatives of the different ministries - and in particular a private-public partnerships. APEC is a forum which recognizes the importance of **private sector** participation and certainly, this conference is an opportunity for them to express – in an open way – opinions and positions that can add value to APEC's on-going work in secure trade.

- This **open dialogue** can help us to improve future work plans. Through a positive dialogue as the one we are about to embark upon today, we can effectively support our Leaders to identify and respond to the needs of the private sector and thus help them to lead the way towards increased trade expansion and investment in the region, bearing in mind the requirements that need to put in place with regards to increased security.
- As stated by the APEC Business Advisory Council, ABAC, which will be represented by its Chair, Mr. Hernán Somerville, Trade and Security issues such as the STAR initiative, require intense regional cooperation as well as active government-business dialogue in order to minimize the costs associated to the adoption of new standards and procedures.

CHILE IN APEC

- APEC friends: Since joining APEC in 1994, Chile has embraced the organization as a true opportunity as well as a **credible partner** in meeting the challenges that are arising through globalization and economic interdependency.
- Today, **international trade in goods represents 65% of Chile's** national output – amongst the highest rates in the world.
- Chile believes in **open regionalism** and in **economic and financial openness**. We consider that as a developing economy, persistent and strong economic growth is necessary, although not a sufficient condition for attaining **social equity**. In this sense, our final goal is to be able to offer better opportunities for men, women and youth in Chile. We also believe that as a small but efficient economy, sustained and rapid economic growth requires a vigorous expansion of **trade with credible and secure partners**.

CLOSING REMARKS

- The valuable experience that we were able to attain during the Thai 2003 APEC Year, should lead us to strengthen regional capacities in order to respond to health or security related emergencies. We sincerely hope that, as **hosts of the 2004 APEC year** and of this Conference, we will be able

to make a contribution towards a safe and secure region with growing commercial interdependence.

Distinguished guests and friends, as I have stated, Chile assigns great importance to the issues of this Second STAR Conference. They are part of our today and our tomorrow within the APEC region.

I truly hope that through your proactive and forward looking discussions, you will contribute to support APEC's security related endeavors.

Thank you very much.