

**APEC ECONOMIC LEADERS DECLARATION: STRENGTHENING THE FOUNDATIONS FOR
GROWTH
KUALA LUMPUR, MALAYSIA
18 NOVEMBER 1998**

1. We, the Economic Leaders of APEC, meeting in Kuala Lumpur on 18 November 1998, renew our resolve towards creating a prosperous Asia-Pacific community where economic disparities among our peoples will be bridged by strengthening the foundations of our economies for growth, providing the environment necessary for the efficient flow of trade, investment and technology and by enhancing the capacities of our economies to participate and benefit fully from liberalisation.

2. Our meeting in Kuala Lumpur takes place at a critical time. We need to deal urgently with the financial crisis which has spread beyond the APEC region. It has resulted in far reaching social costs, with the affected economies experiencing rising unemployment and falling real incomes, setting back decades of progress achieved in eliminating poverty and increasing education opportunities, as well as access to basic health and infrastructure facilities. **We are resolved to work together to support an early and sustained recovery** in the region, to contain the risks of contagion and prevent the possibility of a global recession.

3. **We reaffirm our confidence in the strong economic fundamentals and prospects for recovery for the economies of the Asia Pacific.** We believe our emphasis on prudent, growth-oriented macroeconomic policies, strengthened financial institutions and markets, trade and investment liberalisation, and capacity building are cornerstones for renewed and sustainable growth. In particular, **our emphasis on "Capacity Building"** across the broad range of APEC activities this year is particularly relevant in addressing the challenges confronting the region during this time. APEC's emphasis on human resources development, including skills development, technological upgrading, infrastructure improvements and wider outreach to SMEs will strengthen our resilience and capability in overcoming these challenges and restoring stability and confidence to the region.

APEC – KEY CHALLENGES

Challenges of the Financial Crisis

4. Since we met in Vancouver in November last year, the outlook for the global economy has weakened considerably. The regional financial crisis has had economic and social aftershocks more severe than earlier anticipated and similar problems have appeared in other parts of the world.

Nevertheless, there have been several encouraging developments in our economies and in the international financial system in recent months. The progress made by Indonesia, Korea, Philippines and Thailand in the implementation of strong reform programmes, backed by an unprecedented degree of financial cooperation and support from the international community, has resulted in a substantial degree of financial stability, thereby laying the foundation for recovery in the APEC economies most directly affected by the crisis. In these economies:

- Exchange rates have remained relatively stable, and have strengthened in many of these economies over the past several months. This has permitted substantial reductions in nominal interest rates to levels which, in some cases, are below those prevailing before the crisis.
- Fiscal policies have been adjusted with support from the IFIs to allow increased spending to support demand and employment.
- The initial acceleration in inflation that accompanied devaluation has been contained to moderate levels in most emerging Asian economies, and the rate of inflation is now decelerating across the region.
- Short-term external debt burdens have been reduced and reserves have begun to be replenished in many economies.
- Current account balances have moved into surplus, although most of the adjustments have come from reduced imports.

- Output declines have been more extensive than many had anticipated, but are now moderating.
- Several other economies including Indonesia, Korea, and Thailand, have made impressive efforts to strengthen and restructure their respective corporate and financial sectors.

5. In China, interest rates have been eased and an expansionary fiscal package is being implemented to further stimulate economic growth. Maintenance of the renminbi exchange rate has provided an important anchor to help secure regional financial stability.

6. In recent weeks, these developments have been reinforced by :

- the reduction of short-term interest rates in a number of industrialised economies;
- Japan's commitment of substantial public resources to strengthen its financial system. The authorities have made clear their intention that the essential swift and effective action in the banking sector, including the recapitalisation of banks, with appropriate conditions, will be taken as a matter of urgency. This action, together with a sustained boost to domestic demand is key to the restoration of market confidence and growth not just in Japan but in the whole Asian region;
- the progress made towards providing additional resources to the IMF; and
- the G-7's agreement to support the establishment of a new IMF facility to deal with contagion by providing a precautionary line of credit for economies with sound policies supported by the IMF.

7. But important challenges remain. To meet these challenges, **we are committed to pursuing a cooperative growth strategy** with the following dimensions:

- Growth-oriented prudent macroeconomic policies, appropriate to the specific requirements of each of our economies;
- Expanded financial assistance from the international community to generate employment and to build and strengthen social safety nets to protect the poor and vulnerable;
- A comprehensive programme of support for efforts to strengthen financial systems, restore trade finance, and accelerate corporate sector restructuring;
- New approaches to catalyse the return of stable and sustainable private capital flows into the region;
- A renewed commitment to the Bogor goals of achieving free and open trade and investment within APEC; and
- Looking toward the longer-term, urgent work among ourselves and with other economies and institutions to develop and implement measures to strengthen the international financial system.

In this context, we welcome Japan's proposed financial package of US\$30 billion to support economic recovery efforts in Asia. We also welcome the multilateral initiative to revitalise private sector growth announced this week by Japan and the US in conjunction with the Asian Development Bank and the World Bank. We believe these initiatives will significantly aid our joint efforts to promote recovery and growth in the region and we look forward to their early implementation.

Growth-oriented Macro Policies

8. Each APEC economy has a role to play in accelerating recovery in the region by directing policies with the objective of maintaining or achieving robust growth, contributing to a supportive external environment, and keeping markets open.

- The major industrialised economies need to **create or sustain conditions for strong domestic demand-led growth**.
- For the APEC economies most directly affected by the crisis, it is important to continue and accelerate structural reforms within **a framework of prudent, growth-oriented macroeconomic policies**.
- Other economies in the region where growth may be moderate or slowing also need to continue efforts to implement appropriately stimulative macroeconomic policies which maintain financial stability and sound levels of domestic savings, while also working to **address financial sector reforms in ways that build investor confidence**.

International Support for Employment and Social Safety Nets

9. We note that the financial crisis has resulted in far reaching social costs. In addition to rising unemployment, and falling real incomes, the financial crisis could lead to a substantial increase in poverty in the most seriously affected economies. We therefore endorse the greater flexibility of IMF programmes, and welcome efforts by the World Bank to triple and the ADB to double their social sector lending.

Financial and Corporate Sector Restructuring

10. Revitalising the private sector by helping to recapitalise financial institutions, addressing companies' heavy debt burdens, and restoring their access to trade and working capital financing are critical to achieving renewed economic growth in the economies most severely affected by the crisis.

In this regard, we will encourage financial and corporate sector restructuring through mechanisms to:

- **mobilise additional assistance** to support implementation of accelerated financial and corporate sector restructuring, including through use of multilateral development bank guarantees and other innovative mechanisms;
- **increase the availability of working capital and trade finance**, including through cooperative efforts between export credit and insurance agencies and between such bilateral institutions and the multilateral development banks;
- support efforts to **mobilise significant private sector equity capital and investment** to help distressed companies and financial institutions in the APEC region successfully restructure both their finances and their operations; and
- review and, in line with the respective circumstances, remove regulatory and legal impediments to the ability of private financial institutions to participate constructively in the restructuring of the debts of private sector borrowers, while encouraging **export credit and insurance agencies to play a more catalytic role** in encouraging such restructuring.

Catalysing Private Capital Flows

11. In order for the region to fully recover from the crisis, we must be able to attract growth-enhancing, stable capital flows into the region. The increased risk aversion by investors as well as by major private financial institutions has led to a sharp reduction in the flow of capital into East Asian and other emerging market economies without respect to the diversity of prospects among the economies and their long-term growth potential. In response to this challenge, we support **efforts by the multilateral development banks to use innovative financial instruments to help catalyse and leverage private sector capital flows**.

In light of the concerns expressed about the role of the recent performance of the international credit rating agencies, we call for a review of their practices to promote greater effectiveness and to contribute to sustainable capital flows.

In particular, we also need to strengthen the preparedness of our own domestic financial systems to withstand the potentially destabilising impact of short-term flows and to ensure the allocation of long-term capital to productive uses.

Strengthening the International Financial Architecture

12. While our immediate priority must be to mitigate the adverse social impacts of the crisis and to restore financial stability and economic growth, we must **strengthen the international financial architecture** so as to better prevent future financial instability and to resolve crises more effectively when they occur. We agree that now is the time to effect changes aimed at strengthening the international financial system, so as to capture the full benefits of international capital flows and global markets, while minimising the risk of destructive disruptions. We fully agree that strengthened global arrangements are important to enable us to benefit from increased globalisation while avoiding the difficulties many of our members are currently facing.

In particular, we welcome and support the establishment of the new IMF facility for a precautionary line of credit for economies with sound policies supported by the IMF that are threatened by contagion.

The close collaboration and participation of the industrialised economies and the emerging market economies is vital to the success of these efforts to strengthen the international financial system. APEC has already played a major role in this regard notably in promoting improvements in the international community's ability to respond to crises, through instruments such as the IMF's Supplemental Reserve Facility. We pledge to continue such collaboration.

Challenges to Trade and Investment Liberalisation and Facilitation

13. The expansion of trade and investment remain essential elements of our economic recovery and we reiterate the need for liberal and open markets and an enabling environment for investment. We consider it particularly important that in the current circumstances, early progress be made on broad-based multilateral negotiations in the WTO, achieving an overall balance of interests of all members.

We reaffirm our commitment to uphold and strengthen the multilateral trading system to ensure fair rules and benefits for all. We urge the prompt accession to the WTO of applicants in accordance with WTO rules, with a view towards achieving the universality of WTO membership .

Challenges to Economic and Technical Cooperation

14. Given APEC's diversity and differing levels of development, globalisation and liberalisation must be complemented by initiatives that build confidence and increase capacity to benefit fully from these processes in order to narrow the disparities in income and wealth. Such initiatives will not only strengthen systemic capacities but will also support APEC's liberalisation and facilitation efforts. The challenge will be to continue to achieve a balance in all three pillars of APEC cooperation to ensure sustained economic growth and development. Economic and technical cooperation has acquired added urgency in the wake of the financial crisis.

KEY ACHIEVEMENTS IN 1998

15. We in APEC have continually given emphasis to result and outcome-oriented individual and cooperative efforts through the APEC approach. As we move into the third year of implementation after Subic and Vancouver, we note the substantial achievements made in advancing APEC cooperation in our trade and investment liberalisation and facilitation agenda as well as progress in capacity building efforts on economic and technical cooperation.

16. We have reflected on the progress and the results achieved throughout the year as reported to us by our Ministers and we express satisfaction in fulfilling the tasks we set for ourselves when we last met in Vancouver. We welcome the outcomes of the various sectoral Ministerial Meetings held throughout the year and direct APEC fora to follow up on the recommendations.

17. Towards realising the goal of free trade and investment in the region in accordance with the principles of the Osaka Action Agenda, **we pledge to continue improvements and implementation of our Individual Action Plans (IAPs).**

18. We commend the work of our Ministers to facilitate the flow of goods, resources, capital and technology amongst our economies. We will improve the facilitation process to promote efficiency and cost reduction through strengthening members' capacities, including adopting policies to harness the potential of new technologies.

19. **We welcome the progress achieved on the EVSL package of nine sectors.** We instruct Ministers of participating economies to implement the agreement reached on these sectors and further advance work on the remaining six sectors, demonstrating our commitment to the liberalisation process amidst the financial crisis in the region.

20. We affirm that progressing all three pillars of cooperation in APEC will strengthen the foundations for further growth. We commend progress in the priority areas of human resources development and harnessing technologies of the future. We note the improvements in the management of the economic and technical cooperation process including the work underway in infrastructure and sustainable development. **We instruct Ministers to give further focus to strengthen coordination in ECOTECH activities and intensify work in the priority areas.** We believe the contribution of the business/private sector in ECOTECH activities will enhance and strengthen our efforts to advance the economic and technical cooperation agenda and welcome ABAC's commitment in this area through the Partnership for Equitable Growth (PEG).

21. As the APEC community enters into its tenth year of cooperation, we recognise the need to review its activities, structure and mechanisms in order to ensure that APEC delivers focused and outcome-oriented results in the most effective and efficient manner. We observe the proliferation of APEC fora and meetings and endorse work to further streamline the APEC management process. **We instruct Ministers to complete the review of the APEC process by 1999 and for implementation of measures in 2000.**

22. We recognise that the involvement of the business/private sector is an important feature of APEC work and endorse its broader participation in APEC activities. We direct Ministers to enhance business/private involvement, within existing guidelines, in relevant APEC activities. We welcome efforts to improve business mobility through the APEC Business Travel Card scheme and the collective commitment to expand the availability of multiple entry visas or permits to business travellers. We also welcome the recommendations by ABAC and instruct our Ministers to study ABAC's proposals, including the APEC Food System.

STRENGTHENING THE FOUNDATIONS FOR SUSTAINED GROWTH INTO THE 21ST CENTURY

23. We are firmly resolved to strengthen social safety nets, financial systems individually and globally, trade and investment flows, the scientific and technological base, human resources development, economic infrastructure, and business and commercial links so as to provide the base and set the pace for sustained growth into the 21st century.

Strengthening Social Safety Nets

24. Given the ramifications of the crisis and the importance of addressing social vulnerabilities, we agree that as a matter of high priority, APEC should intensify efforts to address the social impacts of the crisis. In particular, we direct our Ministers to work with the World Bank, the ADB, the Inter-American Development Bank and, where appropriate, public and private institutions to formulate **strategies of concrete actions aimed at strengthening social safety nets.** We look forward to receiving a report at our next meeting.

Strengthening Financial Systems Individually and Globally

25. We recognise that the development and strengthening of the financial system is fundamental to the realisation of APEC's goal of free and open trade and investment by the year 2010/2020.

We welcome the work undertaken in several fora to strengthen the international financial system and in particular take note of the proposals made to improve transparency and accountability; to strengthen national financial systems and market infrastructure; and to improve co-ordination and involvement of the private sector in the prevention and orderly resolution of international financial crises. We believe that there would be considerable value in continuing this work in a process involving both industrialised and emerging markets economies. We agree that a forum such as an expanded G22 would be appropriate for this purpose. **We also call on our Finance Ministers to develop, on an expedited basis, measures to implement these proposals.** We ask for a report at our next meeting on the outcomes of such deliberations within APEC and elsewhere.

We attach special urgency to examine the scope for strengthened prudential regulation of financial institutions in industrialised economies to promote safe and sustainable capital flows, to encourage sound analysis and better risk assessment; to examine the questions of appropriate transparency and disclosure standards for private sector financial institutions involved in international capital flows, such as investment banks, hedge funds and other institutional investors; and to examine the implications of operations of highly leveraged and off-shore institutions. We call for the early establishment of a taskforce including the systemically significant economies to develop practical proposals in these areas. We also call for work to proceed immediately in an appropriately constituted international working group on improved crisis management including orderly debt workout arrangements with the private sector. These proposals can be discussed in the forum for endorsement at the leaders' level and subsequent implementation.

26. The financial instability in Asia underscores the importance of developing strong, resilient and well-regulated domestic financial markets within the framework of a stable international financial system. We therefore call for the adoption by member economies of internationally recognised principles for enhancing supervision of banking systems and securities markets. Among these are the Basle Principles on Effective Banking Supervision and those of the International Organisation of Securities Commissions. In this connection, we welcome work by our Finance Ministers and Central Bank Governors to explore ways to assess the adequacy of and to help reinforce efforts to strengthen financial supervisory regimes in member economies, including by identifying ways to record in APEC their progress in adopting international standards/codes/best practices. We look forward to a report at our next meeting on both these directives.

We also **direct our Finance Ministers** to look for **innovative ways to promote the recovery of capital flows into the region**, including through partnerships among member economies, the private sector and collaborative efforts with the World Bank, the ADB and other multilateral institutions. We look forward to concrete results at our next meeting.

27. We record our satisfaction with the progress made by our Finance Ministers in promoting the Cebu collaborative initiatives to develop strong, resilient and stable financial and capital markets in our region and we look forward to regular updates on the implementation of these initiatives at the individual and regional level. We endorse the move by our Finance Ministers to address the need for freer and stable capital flows into the region and in this regard direct our Finance Ministers to incorporate the useful lessons of the past 18 months as they endeavour to develop a pragmatic Voluntary Action Plan as well as formulate appropriate guidelines for monitoring capital flows, including short-term flows.

28. We commend increased efforts to assist crisis-affected regional economies develop sufficient capacity to rebuild their economies and overcome current difficulties. We welcome the Australian **initiative on Economic Governance Capacity Building** and the areas proposed for enhanced capacity building joint activities. We also welcome the Singapore initiative which will provide technical assistance programmes at the IMF-Singapore Regional Training Institute and in collaboration with other interested partners and institutions. We encourage economies to pursue such capacity building initiatives.

29. We are agreed on the importance of improving economic transparency and predictability at the national and international levels. Therefore, **we welcome a new collaborative initiative** agreed by Finance Ministers at Kananaskis to examine ways of **strengthening corporate governance** in the region. We also welcome a new initiative on the development of domestic bond markets. We applaud the initiative of the Financiers Group to create private sector training and education programme for financiers across the APEC region, which we believe, will complement the effort of the member economies in this area. We direct our Finance Ministers to focus efforts on advancing progress on all these initiatives and look forward to a report on concrete outcomes at our next meeting.

Strengthening Trade And Investment Flows

30. We welcome further efforts to strengthen trade and investment flows in the region. These include work on competition policy and regulatory reforms as well as rapid implementation of measures to further enhance an environment conducive for trade and investment flows. In this regard we welcome the adoption of the menu of options and measures on investment and Korea's initiative to host an APEC FDI Mart in Seoul in June 1999.

We note that knowledge-based industries and tourism have considerable potential to contribute to growth and development in the next century. We recognise the need for efforts to maximise the contribution of these sectors to the prosperity of APEC economies.

Strengthening The Science And Technological Base

31. We endorse the [1998 APEC Agenda for Science and Technology Industry Cooperation into the 21st century](#) which will facilitate our vision of enhancing APEC's ability to harness technologies for the future and catalyse the development of strong sustainable regional science and technology networks and partnership. We take note of the principles, mechanisms and areas for joint actions set out therein and instruct Ministers to undertake due efforts to implement the agenda. We welcome the establishment of the China APEC Science and Technology Industry Cooperation Fund.

Strengthening Human Resources Development

32. We reiterate our common belief that human resources development is a key and integral factor to the realisation of all efforts towards a capacity for sustained growth in the economies of the Asia-Pacific into the 21st century. We have made a commitment to a framework to advance human resources development across the entire spectrum of our work plan. **We therefore endorse the attached [1998 Kuala Lumpur Action Programme on Skills Development in APEC](#)** as a significant inroad into public-business collaborative partnership in skills development. This programme recognises the value of the contribution of the business sector and underscores APEC's continued broadening of its outreach to the business community. We welcome the initiatives of member economies and further instruct Ministers to undertake concerted efforts towards the implementation of this Action Programme. In this regard, we welcome Singapore's technical assistance for the training of healthcare professionals in the region.

We support continued efforts to further the role of women in the APEC process. To this end, we instruct Ministers to develop a **Framework for the Integration of Women in APEC**.

Strengthening the Economic Infrastructure

33. We reaffirm that strengthening the capacity of our economic infrastructure is an essential component towards the realisation of our goals of sustainable and equitable growth and development throughout the APEC community. We commend in particular commitment given throughout 1998 to further strengthen and develop economic infrastructure. We welcome the Natural Gas Initiative approved by the Energy Ministers at Okinawa. We acknowledge the progress that is ongoing in the implementation of the Vancouver Framework For Enhanced Public-Private Partnerships in Infrastructure Development. We welcome progress being made in advancing the initiative of creating the Asia-Pacific Information Society and endorse work to further advance the development of the Asia-Pacific Information Infrastructure (APII).

We reiterate our commitment to advance sustainable development across the entire spectrum of our workplan including cleaner production, protection of the marine environment and sustainable cities. **We endorse the joint actions to be launched in the areas of food, energy and the environment** in relation to the economic and population growth of the APEC community. We instruct that Ministers undertake efforts to develop the implementation of these joint actions. We commend the initiative of Ministers in establishing the **APEC Framework for Capacity Building Initiatives on Emergency Preparedness**, which seeks to foster cooperation in longer-term capacity building in preventive and responsive measures for unexpected natural emergency disasters.

Strengthening Business and Commercial Links

34. SMEs are a major stakeholder in APEC comprising over 95 percent of all enterprises, employing up to 80 percent of the work force and contribute 30 to 60 percent of the GNP of APEC economies. We stress the importance of harnessing and increasing the potential for SMEs to contribute to growth and development in the region. We commend Ministers for producing the **Integrated Plan of Action for SME Development (SPAN)** that sets out the blueprint of strategic directions for both enterprise and entrepreneur development through individual and collective actions. We instruct Ministers to focus on further developing and strengthening the dynamism of SMEs and to give priority to the implementation of joint actions of the SPAN and encourage economies to adopt individual actions to

strengthen the development of SMEs. We look forward to receiving more concrete outcomes at our next meeting.

35. We commend Ministers for formulating the [APEC Blueprint For Action On Electronic Commerce](#) containing broad themes and cooperative activities for the promotion and development of electronic commerce in the region. We recognise that the Y2K problem has the potential to cause significant economic, trade and financial disruption. We agree that all economies need to enhance awareness and implement necessary measures to resolve this problem on an accelerated basis.

We are confident that APEC, bound together by our commitment to our goals and our resolve to strengthen the foundations for growth, will meet the challenges of the 21st century.

KUALA LUMPUR ACTION PROGRAMME ON SKILLS DEVELOPMENT

(Attachment to the APEC Economic Leaders' Declaration, 18 November 1998)

Background

1. Human resources development is one of the key factors to ensure sustained economic growth. Recognising this, APEC Economic Leaders in Seattle envisioned building a community where improved education and training would provide the skills for improving the well-being of its people.
2. In 1994, Ministers adopted the Human Resources Development Framework which reaffirmed the principles of the Seoul Declaration, namely:
 - affirm that issues of human resources development and the development of economic growth, employment, and quality of life should be addressed in an integrated and coordinated manner;
 - affirm the value of, and need for, concerted development of human resources by member economies, the region's business/private sector enterprises, and research, education and training institutions; and
 - affirm the important role of the public sector in giving guidance to human resources development in both the public and business/private sector.
3. The meeting of APEC Human Resources Development Ministers in 1997 also emphasised the importance of skills development as one of the instruments for adjusting to the changes in the labour market and economic environment. The strive for sustained growth demands an emphasis on productivity, the emphasis on a skilled workforce would enable the restructuring of industry towards higher technological capability and value-added as well as enhancing the absorptive capacity for technological improvements.
4. In the face of the current economic crisis, APEC has agreed that there is a need to address the social impact of the crisis. Retraining of displaced workers can contribute towards alleviating the social impact on those affected as well as strengthening the spirit of community in APEC.

Objective

5. As APEC progresses towards a decade of regional cooperation, efforts towards achieving the vision of stability, security and prosperity for our peoples will be further strengthened through an APEC action programme on skills development. The objective of the programme is to contribute towards sustainable growth and equitable development while reducing economic disparities and improving the social well-being of the people, through skills upgrading/improvement.
6. The action programme seeks to encourage greater participation of the private/business sector in skills development in APEC. The programme also emphasises projects which can be conducted on an on-going basis taking into account the principles of mutual respect and equality, mutual benefit and assistance, constructive and genuine partnership, and consensus building. APEC economies will participate in the implementation of the programme on voluntary basis.

Strategic Focus

7. The action programme will bring to focus and encourage concerted efforts in activities that contribute directly towards a more rapid building up of the skills base of the region's workforce in four specific areas:
 - (a) Upgrading the industrial skills base: Upgrading the skills base across APEC economies will contribute towards greater efficiency, enhanced technology flow and increased productivity, resulting in more efficient and effective utilisation of resources.

- (b) Spawning new entrepreneurs: Small and medium enterprises form the backbone of our economies. A thriving SME sector is crucial for the successful adjustment to the rapidly changing business environment. As such entrepreneurial skills should be encouraged and their growth promoted.
- (c) Technology skills for the new millennium: The workforce must be equipped with new skills to match the rapid pace of transformation from an industrial economy to an economy that is characterised by greater use of new technologies such as information technology, biotechnology and composite/advanced materials.
- (d) Strengthening institutional infrastructure to facilitate trade and investment liberalisation: The promotion of trade and investment liberalisation must be supported by corresponding efforts to strengthen the institutional capacity required to enable effective response to market demands. This includes the capacity for more effective implementation of facilitation and supervisory measures.

Approach

- 8. To intensify skills development efforts, APEC should encourage implementation of the projects on an on-going basis. Such efforts should be intensified through voluntary sponsorship/joint sponsorship from APEC economies. The Partners for Progress (PFP) approach could be adopted.
- 9. Funding of projects on a sustained basis is a critical issue. Economies could seek the participation of the business sector, where possible, to undertake such projects. As principal beneficiaries of TILF activities, the private/business sector should be encouraged to contribute to APEC's longer term capacity building measures such as skills development. Businesses with interests spread across the region are well-placed to contribute towards such efforts.
- 10. Another approach is to encourage public-business 'smart partnership' in skills development. The provision of technical skills undertaken by the public sector faces increasing constraints in terms of funds, expertise and equipment. The result is a mismatch between training and the real work environment. A more effective approach is to encourage a market-driven approach to skills training emphasising greater business participation. While the public sector is able to provide training for more generic skills, business involvement is necessary to ensure that the output matches market demand.
- 11. An APEC network of skills development centres will enable cooperation resulting in benefits in areas such as programme development, exchange of training modules/instructors and sourcing of instructors/equipment. This will also complement other APEC initiatives on human resources development such as mutual recognition of skills training qualifications.

Conclusion

- 12. The Action Programme on Skills Development, by drawing out sustained and concerted efforts on skills development with direct impact on the beneficiaries, will contribute towards maximising the potential for economic growth and improving the well-being of the people of the region.

APEC AGENDA FOR SCIENCE AND TECHNOLOGY INDUSTRY COOPERATION INTO THE 21ST CENTURY

**(This document was adopted at the Leaders' Meeting
at Kuala Lumpur, Malaysia in November 1998)**

INTRODUCTION

One of APEC's specific objectives is to enhance cooperation and thereby reduce the disparities among member economies and enhance the positive gains within the region and the world economy that result from economic interdependence by encouraging the flow of goods, services, capital and technology. APEC's ability to harness technologies for the future and develop the human resources needed for innovation will support sustainable economic growth and complement efforts to facilitate increased investment and trade in the region.

Recognising the growing role of science, engineering and technology in promoting economic growth and their close linkages to trade and investment, the APEC Agenda for Science and Technology Industry Cooperation into the 21st Century will facilitate and further strengthen the economic and technological cooperation needed to achieve the APEC Vision.

II. VISION

APEC's vision for the 21st Century is of a dynamic and prosperous Asia-Pacific region built on the development and application of industrial science and technology which supports economic growth and improves quality of life while safeguarding the environment and the natural resources necessary for economic sustainability.

The successful development, application and commercialisation of industrial science and technology will depend upon the ability of APEC economies to create strong open innovation systems and to work cooperatively to catalyze the development of strong sustainable regional Science and Technology (S&T) networks and partnership.

III. PRINCIPLES

Collaboration and joint research activities should be undertaken in accordance with the following principles:

1. Open Access

- All economies should have the opportunity to participate and contribute to regional multilateral S&T collaborative activities, including R&D programmes, on an equal and voluntary basis in accordance with their respective capacities.
- Collaborative activities should be encouraged throughout the full innovation and application cycle from basic research to pre-competitive industrial R&D, and should seek to enhance technology adoption, adaptation and commercialisation.
- Effective collaboration should be based on smart partnerships and mutual benefit, and be built on respect, trust, transparency and fairness.
- Technology exchange and industrial development on the one hand and trade and investment liberalisation on the other, should be mutually supportive.

2. Balanced Benefits

- Joint activities and dialogue should support APEC's goals of common prosperity and narrowing the gap in stages of development and support the vision laid out in section II.

- Contributions to and benefits from collaboration should be equitable, balanced and in accordance with each partner's level of contribution with appropriate consideration given to the needs of developing member economies.
- Collaborative projects should have industrial relevance and contribute to sustainable economic growth that would benefit all APEC's people, including women and youth.
- Initiatives should include an appropriate balance between the development of new and high-tech industries and the application of appropriate technology to traditional enterprises and between long-term goals and pragmatic needs.

3. Private Sector/Business Participation

- Projects should encourage complementary and collaborative public and private/business sector investments in the development and the diffusion of technologies and related knowledge to industry that will provide the basis for economic growth, accelerate beneficial change, and build international partnerships and networks.
- Collaborative activities should ensure, whenever possible, the active participation of private-sector companies, especially SMEs, and other institutions as partners in order to ensure the activities reflect technology trends and business needs.
- Economies should seek to create a favorable and conducive business environment for international private-sector technology cooperation and international technology-based joint ventures, and accelerate appropriate technology exchange that fosters economic cooperation and industrial development.
- Enterprises should take the lead role whenever possible, in cooperation with universities, non-governmental organisations and public research institutions, in establishing goals, planning and structuring collaborative projects in science and technology.
- Projects should promote efficient, cross-sectoral and flexible cooperation among industrial enterprises, academia and public sector organisations.

4. Supportive Regulatory Framework

- Consistent and transparent approaches should be adopted to standards and standard setting activities, in order to facilitate technological exchange and flows.
- Economies and their standards organisations should, whenever possible, apply international standards to facilitate compatibility and market openness while not restraining innovation.
- Partners in collaborative activities should come to an understanding on the protection of intellectual property rights, as well as fair and equitable contributions to and commercial benefits from projects, dissemination of information and access to and the use of the results of collaboration.

IV. MECHANISMS

Information flow, human resources development and an appropriate business climate are key to building regional innovative capacity and harnessing the technologies of the future. Environmentally and economically sustainable practices, enhancement of the human capital that integrates women and youth, also are essential if we are to maintain long-term economic growth and extend the benefits of higher living standards and better health to all within the region.

The facilitation of networks and partnerships is the principal vehicle through which the Asia-Pacific region can successfully find and implement solutions based on S&T cooperation to the challenges posed by our rapidly changing economies. APEC organisations should initiate industrial science and

technology activities that build on these mechanisms to facilitate the creation of networks and partnerships and should seek to avoid duplication and complement existing activities wherever possible.

1. Improved Availability and Access to Information

The availability and access to information is critical for creating sustainable regional S&T networks and partnerships and facilitating technology flows and cooperation. It is particularly important for APEC to work to ensure that scientific and technological information provides direct and tangible benefits to all sectors, especially SMEs. Systems to support effective networks and partnerships will facilitate information access and communication among APEC fora and all sectors of APEC member economies, including SMEs and relevant business and non-governmental organisations. Existing collaborative activities such as the ASTWeb provide a good foundation to continue to build such systems.

In order to enhance easy access to technological information, it is essential APEC member economies maintain a constant exchange of views and analysis on S&T policies and practices. It is also important that APEC member economies collaborate and commit to collecting, standardising and openly disseminating the statistics and information necessary for policy makers and the private sector to support dialogue and make informed decisions. Collaboration is essential to ensure the interoperability of information exchanged through networks. The continued development of research and factual data needed to create S&T databases and information on technology management practices is important to stimulate technology commercialisation and economic growth.

2. Improved Human Resource Development

In the knowledge-based economy, human resources are the key element of growth. Creative scientific and technical men and women are indispensable not only to fuel innovation but to underpin sustainable industrial productivity and to improve the quality of life. Technological and industrial innovation will not occur at the regional, member economy or firm level if the full human capacity of the workforce, management, engineering and research sectors is not geared to the needs of a changing industrial and economic context. In conjunction with human resource development, it is important to maintain and improve the capabilities of such organisations as public research institutions, private R&D organisations, and technology training institutes for SMEs.

The Human Resource Development Working Group in coordination and consultation with other relevant APEC fora should continue to optimise the use of existing APEC activities such as the APEC Vocational Training Programme and APEC Regional Education Hubs. It is also critical to develop the full spectrum of human resources relevant to industrial science, engineering and technology including management, research and development, and users. APEC should facilitate the regular exchange of scientists, engineers and technologists among APEC economies, including strengthening efforts on the mutual recognition of professional qualifications. It also recognises the central role private companies play in developing and implementing activities that enhance the human resources of small and medium-sized enterprises, and the importance of long-term industry-wide and multi-firm innovation linkages.

3. Improved Business Climate

Member economies should work to ensure an open business climate, a consistent, transparent and timely legal framework, affecting flows of technology and expertise. Improvements in this area are critical to building innovative capacity in the region, enhancing technology cooperation, accelerating technology commercialisation and developing regional S&T networks and partnerships. Areas important to an improved business climate include, but are not limited to: intellectual property rights; standards and metrology; safety assurance; investment and financing including development of venture capital markets; joint venture operations; environmental protection; and researcher mobility.

APEC recognises the importance of providing effective intellectual property rights protection as a means of encouraging confidence and facilitating the exchange of information. Member economies should encourage dialogues on the development of intellectual property protection regimes that promote and support the development, diffusion and application of industrial science and technology.

All APEC fora, including the Sub-Committee on Standards and Conformance and the Intellectual Property Experts Group have an important contribution in enhancing the business climate for science and technology industry cooperation.

4. Enhanced Policy Dialogue and Review

There are major benefits to be gained by sharing information on the efficiency and effectiveness of alternative policy and programme approaches. Member economies are encouraged to develop policies by sharing knowledge and experience in these areas, possibly through the use of foresight methodologies and other techniques. Regular policy dialogues among Ministers and among APEC officials and private sector entities concerned with strengthening science and technology industry cooperation, including ABAC and the scientific community, is an important source of guidance to APEC fora in carrying out its work programme.

Regular policy dialogues and reviews among all levels of officials concerned with industrial science and technology provide an opportunity to discuss common concerns, and possible benefits from standardising or rationalising regulations related to the flow of technology. These policy dialogues are also useful for individual member economies as they consider appropriate industrial science and technology policies and activities to enhance their economic growth and will help foster public understanding and acceptance of science, engineering and technology.

5. Facilitation of Networks and Partnership

The accelerated pace of change and increased costs and complexity of science and technology require new approaches in the region to joint research and development, and to other types of collaborative activities which underlie the innovation process. The Industrial Science and Technology Working Group and other appropriate APEC fora should review existing initiatives and processes and establish new ones as needed to catalyze the creation of regional S&T networks and partnerships and to encourage cooperative R&D projects.

By creating a supportive environment for joint R&D activities based on the principles set out in section III, APEC can encourage synergistic and complementary flows of technology among partnerships and networks of private companies, non-governmental entities and the public sector. A number of existing activities such as the APEC Network of S&T Industrial Parks and the APEC R&D Leaders Network provide potential models. APEC member economies, in conjunction with the business sector should continue to develop new initiatives including common use of large-scale facilities.

V. TECHNOLOGY AREAS

While each APEC economy has its own particular interests and priorities, APEC initiatives should focus on areas of widespread interest and mutual benefit. Areas for joint activities could include but are not limited to:

- Biotechnology
- Environmental and Cleaner Production Technologies
- Communication
- Information Technologies/Electronics
- Advanced Materials
- Mechatronics
- Transportation
- Resource Management Technology
- Energy
- Sustainable Agriculture
- Emergency Preparedness and Climate Prediction
- Exploitation of natural resources

VI. IMPLEMENTATION

All APEC fora, particularly the Industrial Science and Technology Working Group, should develop and take responsibility for designing and implementing within a reasonable timeframe specific initiatives and activities that support the vision and principles under this Agenda.

APEC member economies are encouraged to announce and implement, on a voluntary basis and in accordance with their capacity, initiatives to strengthen industrial science and technology cooperation. APEC member economies may submit specific proposals that support implementation of this Agenda.

The SOM Sub-Committee on Economic and Technical Cooperation will oversee the implementation and follow-up work on this Agenda. Annual progress in the implementation of the Agenda shall be reported to Ministers with the initial report to be presented at the 11th Ministerial Meeting in 1999.

APEC BLUEPRINT FOR ACTION ON ELECTRONIC COMMERCE

APEC Ministers,

- Recognising the enormous potential of electronic commerce to expand business opportunities, reduce costs, increase of efficiency, improve the quality life, and facilitate the greater participation of small business in global commerce.
- Taking into account the different stages of development of member economies, the diverse regulatory, social, economic and cultural frameworks in the region; and
- Taking into account that enhancing capability in electronic commerce among APEC economies, including through economic and technical cooperation (ECOTECH activities), is needed to enable all APEC economies to reap the benefits of electronic commerce;

Agreed to the following :

1. The business sector plays a leading role in developing electronic commerce technology, applications, practices and services,
2. The role of governments is to promote and facilitate the development and uptake of electronic commerce by :
 - Providing a favourable environment, including the legal and regulatory aspects, which is predictable, transparent and consistent
 - Providing an environment which promotes trust and confidence among electronic commerce participants
 - Promoting the efficient functioning of electronic commerce internationally by aiming, wherever possible, to develop domestic frameworks which are compatible with evolving international norms and practices, and
 - Becoming a leading-edge user in order to catalyse and encourage greater use of electronic means
3. For electronic commerce to flourish, business and government should cooperate wherever possible to ensure the development of affordable, accessible and interoperable communication and information infrastructure.
4. While recognising that some degree of government regulation may be necessary, technology-neutral, competitive market-based solutions which can be safeguarded by competition policy, and effective industry self-regulation, should be favoured.
5. Government and business should co-operate to develop and implement technologies and policies, which build trust and confidence in safe, secure and reliable communication, information and delivery systems, and which address issues including privacy, authentication and consumer protection.

WORK PROGRAM

6. In order to benefit fully from electronic commerce, APEC economies should endeavour to work together to build trust and confidence; enhance government use; intensify community outreach; promote technical cooperation and experience exchange; where appropriate, work towards eliminating impediments to its uptake; and develop seamless legal, technical, operating and trading environments to facilitate the growth and development of electronic commerce.

To this end APEC Ministers agreed to a **Work Program** which builds on APEC's existing electronic commerce work, including:

- Expanding and drawing lessons from the Task Force collection of case studies in order to facilitate and support electronic commerce activities by small and medium enterprises (SMEs), government, and business/public sector partnerships.
- Understanding work to develop measures and indicators on the uptake, use and flows of electronic commerce
- Identifying the economic costs that inhibit increased uptake of electronic commerce, including those imposed by regulatory and market environments.

- Welcoming Finance Ministers' continuing work on financial aspects of electronic commerce, a priority agreed jointly with ABAC, including by involving the business sector, given the important role financial institutions play in the processes necessary for uptake and operation of electronic commerce.
 - Exploring further economic and technical cooperation (ECOTECH activities) to facilitate the uptake, use and maximisation of benefits of electronic commerce in APEC member economies.
 - Tasking authentication experts, which includes business sector experts, to study the range of business models for electronic authentication, including the role of possible mechanisms such as cross-certification and the use of a root certification authority, to promote inter-operability and trust and to facilitate cross-border electronic commerce.
 - Welcoming OECD's continuing on taxation, consumer protection, privacy and authentication issues, and agreed to monitor progress in discussion in these areas, and for experts to participate at a joint meeting of APEC/OECD officials in 1999 to discuss emerging technologies and business models for authentication.
 - Working with UNCITRAL and other international fora in moving forward work on legal foundations, where appropriate, for a seamless system of cross-border electronic commerce.
7. Given the fast developing and changing nature of electronic commerce, APEC Ministers endorsed the development of a **"Virtual" Electronic Commerce/Multimedia Resource Network** to provide a reference base to continue raising awareness and exchanging information, including on economies' electronic commerce development strategies, government use of electronic commerce as a means to conduct business, and human resource development, education and training, and tasked officials to implement it taking into account the proposals of member economies, the proposed PECC Edupact stocktake of electronic commerce resources in member economies, and elsewhere.
 8. Taking into account diverse legal and regulatory frameworks in the region, APEC Ministers agreed that member economies should endeavour to reduce or eliminate the requirement for paper documents needed for customs and other cross-border trade administration and other documents and messages relevant to international sea, air and land transport i.e. **"Paperless Trading"** (for trade in goods), where possible, by 2005 for developed and 2010 for developing economies, or as soon as possible thereafter. To this end, relevant APEC sub-fora should examine specific initiatives.
 9. APEC Ministers acknowledged the crucial importance to economic development, cross-border trade, international communications, transport and financial systems and electronic commerce, of urgently addressing the issue of the Year 2000 (**Y2K**) computer problem. To this end they agreed that APEC economies would continue to cooperate on Year 2000 preparation and would mount a regional contingency planning experts' conference in early 1999.
 10. APEC Ministers recognised that the task force approach had been an efficient and effective mechanism for providing coordination, greater focus and broad direction of the cross-cutting issue of electronic commerce. In line with the move to rationalise work management structures in APEC, the Electronic Commerce Task Force would conclude with delivery of its report through Senior Officials and Ministers to Leaders. To ensure continued co-ordination and pursuit of the **Blueprint for Action**, a Steering Group comprising representatives from member economies would be established involving relevant working groups and sub-fora as well as business sector experts in accordance with APEC guidelines on business participation. The Steering Group would conduct discussion virtually, but would also meet physically as necessary, and would prepare a report to the SOM once a year on progress in electronic commerce work in APEC. Ministers noted that potential for the model of a short-term task force drawing in business sector participation, to be used for dealing with other cross-cutting issues from time to time in APEC.