APEC MEANS BUSINESS:

Building prosperity for our community

APEC BUSINESS ADVISORY COUNCIL
Report to the Economic Leaders 1996
October 24, 1996  
His Excellency Fidel V. Ramos  
President of the Republic of the Philippines  
Chair, Asia-Pacific Economic Cooperation  
Manila, Republic of the Philippines

Your Excellency:

It is our great honor to submit to you, as Chair and Host of the APEC meetings this year, the inaugural report of the APEC Business Advisory Council (ABAC). We wish to convey our deep appreciation to the APEC Economic Leaders for our selection to serve on this permanent advisory body. We hope that our efforts this year will provide the business/private sector insights and counsel sought by the Leaders at their meeting in Osaka, which will help move forward the APEC vision. In so doing, we stand ready to play our role in giving effect to our theme for this year: APEC means business: building prosperity for our community.

Our experiences as business people validate the benefits arising from expanded trade and investment flows and the impact of cooperation on the growth of economies and markets. In the past five years, trade within the Asia-Pacific region has expanded by 87% and the region’s developing economies have grown annually by an average of 7.6%. We feel therefore that removing the remaining barriers to cross-border business and providing more effective mechanisms for economic and technical cooperation will ensure our region’s continued advance towards prosperity.

During ABAC’s first meeting in Manila in June, we agreed to concentrate on five critical areas which will require the attention of APEC Economic Leaders. These are: cross-border flows; finance and investment; infrastructure; small and medium enterprises and human resources development; and economic and technical cooperation. In a number of these areas, we have built on the achievements of our forerunner organization, the Pacific Business Forum.

In each of these areas, ABAC has developed over the last four months practical and results-oriented recommendations which we respectfully call on the Economic Leaders to endorse. To facilitate the movement of goods, services, people and technology across borders in our region, we propose that APEC establish an APEC Business Visa, as well as APEC Business Immigration Lanes at major ports of entry; a Central Registry for Patents and Trademarks; common professional standards for business-related service providers; and that APEC economies adhere to the full implementation of the Bogor liberalization goals.

To encourage increased cross-border investment flows, we have recommended the establishment of an APEC Voluntary Investment Project (AVIP) scheme, where economies would apply enhanced levels of investment protection to qualifying projects. To address our region’s burgeoning infrastructure needs, we have called for the holding of Joint Public-Private Sector Infrastructure Roundtables in each interested APEC economy in 1997.

Responding to the needs of the region’s immensely important small and medium
enterprise (SME) sector, we recommend; the establishment of an APEC Network for SMEs, linked electronically with the APEC Center for Technology Exchange and Training for Small and Medium Enterprises; an initial action program for the Network; the holding of initial Roundtables in each economy to address the financing needs of SMEs; and the collection and reporting of data on SME statistical indicators. We also recommend the adoption of a new model of economic cooperation in our region’s development that is strategically focused, based on public-private sector partnership and the essential elements of the Osaka Action Agenda, and the establishment of the APEC Network for Economic and Technical Cooperation.

In developing our recommendations, it has become clear that for the Blake Island vision and the Bogor goals to be achieved, the trade and investment liberalization and facilitation agenda adopted at Osaka must be accompanied by concerted economic and technical cooperation. The business/private sector must work with governments to extend the reach of APEC throughout our community, demonstrating that APEC is of practical relevance to enterprises, whether small or large, to our workers, and to civil society.

In our future work, we will continue to monitor and provide recommendations on the implementation of the Osaka Action Agenda. The continuity provided by our establishment as a permanent advisory group will allow ABAC to anticipate and address new issues, and identify practical outcomes that will spread benefits throughout our region. We look forward to working with our Economic Leaders and APEC Ministers and officials to that end next year and in the years to come.
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Executive Summary

At their meeting in Osaka in November 1995, the APEC Economic Leaders agreed to appoint the members of the APEC Business Advisory Council (ABAC) to provide insights and counsel for their APEC activities. Having been appointed early this year, we responded to this call by providing this initial report. With this, we declare ABAC’s commitment to be a constructive and active player in the attainment of APEC’s vision. We commit ourselves to help the APEC Economic Leaders in their pursuit of free and open trade and investment, as well as economic and technical cooperation within our region.

To achieve this, we aim to generate specific, results-oriented recommendations to advance the APEC vision in ways most valuable to the region’s business and to the wider APEC community. We also intend to assess, beginning in 1997, from a business perspective, the progress being made in implementing the Osaka Action Agenda and the individual, collective and multilateral action plans that will emerge from the Manila and Subic meetings in November 1996.

In our inaugural year, we have examined five broad priority action areas which business considers critical to the momentum of the APEC process within the next few years. For each action area, we offer practical and achievable recommendations, which are outlined in this report. We submit these recommendations to the APEC Economic Leaders for their consideration at the November 1996 meeting in the Philippines.

Cross-border flows

Impediments to flows of people, goods, services, information and capital across borders directly affect business, although consumers bear the ultimate cost. We submit four flagship recommendations focused on movement towards a more productive “borderless” regional business community:

- **Endorse the creation of an APEC Business Visa and the establishment of APEC Business Immigration Lanes in ports of entry to facilitate business-related travel.**
- **Endorse the establishment of an APEC Central Registry for Trademarks and Patents to promote investment and technology flows.**
- **Develop and commit to adopt a set of common professional standards for business-related service providers in the region, to be developed by appropriate professional accreditation bodies, and supported by any needed legislative measures.**
- **Adhere to 100% implementation of the Bogor trade and investment liberalization goals, with ABAC’s continued aspirations to accelerate the process kept in view.**

Finance and investment

We reiterate the business community’s desire to see the scope and reach of the current APEC Non-Binding Investment Principles expand. We offer recommendations on evaluating progress
and on the accelerated implementation of member economies’ commitments under the General Agreement on Trade in Services and the Agreement on Trade-Related Investment Measures. We call for the development of a multilateral understanding on the avoidance of double taxation. In particular, we offer an interim recommendation:

• Establish APEC Voluntary Investment Projects (AVIP), under which economies can voluntarily apply a specific set of principles for enhanced investment protection to selected projects, above and beyond the protection provided for in the Non-Binding Investment Principles.

Through the AVIP concept, projects accorded higher levels of investment protection can enjoy improved access to capital. We consider that the implementation of this proposal will lead to increased investment flows within the region and demonstrate the benefits of adopting principles that protect investment.

Infrastructure

Expanded public-private sector cooperation is needed to meet the region’s urgent need to expand, coordinate and rationalize investment in major projects. Our flagship recommendation:

• Hold a series of Joint Public-Private Sector Infrastructure Roundtables in interested APEC economies to examine the infrastructure needs of the host economy, identify and recommend corrections to remove impediments to private sector involvement in developing new infrastructure, disseminate regional best practices, and establish productive linkages between entities from both sectors that are able to meet particular infrastructure needs.

Beyond this recommendation, we offer guidelines for ways in which host and investor governments and multilateral institutions can enhance their efforts to attract expanded private sector investment in the development of the region’s infrastructure.

Small and medium enterprises and human resources development

We recognize the enormous importance of small and medium enterprises in economic development and in creating employment and wealth in the Asia-Pacific region. There is no path to national development that does not involve the small and medium enterprise. SMEs provide the largest volume of productive units and the majority of employment both domestically and regionally.

The Osaka Action Agenda calls on member economies to institute policies to maintain and develop SME dynamism. To do this, frameworks of operation favorable to SMEs must be introduced to enhance their capabilities. The business environment in which they operate can also be improved through appropriate policies such as, for example, the provision of favorable
financial and fiscal support. We note the constraints facing the further development of SMEs, especially in such other areas as human resources development, access to markets, technology and information. In this regard, we ask the Economic Leaders to:

- **Endorse the establishment by September 1997 of an APEC Network for SMEs, to function as a network of networks in each economy, linked electronically at the regional level through the APEC Center for Technology Exchange and Training for Small and Medium Enterprises (ACTETSME). It shall pursue an initial action program focusing on four key areas: human resources development, access to technology and information, access to credit and capital, and access to market opportunities. We also ask the Economic Leaders to direct appropriate government agencies to undertake actions in support of the program.**

- **Endorse the holding of initial Roundtables in each economy to bring together all relevant government agencies, banks, venture capital and other credit facilities or sources, associations, and SME representatives to address the growth and export financing needs of SMEs in concrete ways, with the recommendations from the Roundtable reinforced by government policy.**

- **Endorse the collection and reporting of data on SME statistical indicators by September 1997 to create a baseline from which targets for progress can be established.**

**Economic and technical cooperation**

Economic and technical cooperation is vital to the building of a sense of community within APEC. The Economic Leaders have established this as one of the two parts of the Osaka Action Agenda alongside trade and investment liberalization and facilitation. In doing so, they have acknowledged that the development needs of APEC’s diverse economies cannot be met by trade and investment alone.

To facilitate effective and strategic implementation of economic and technical cooperation efforts, we ask the Economic Leaders to:

- **Launch APEC’s new model of economic and technical cooperation based on strategic focus in line with the “essential elements” agreed to in the Osaka Action Agenda; partnership between government and business/private sector; and the establishment of a regional network for economic and technical cooperation.**

In formulating each of these recommendations, ABAC has attempted to contribute to the major themes of this year’s APEC activities: “APEC means business” and “Building the spirit of community.” We urge our region’s Economic Leaders to act by transforming their vision of APEC into concrete and measurable actions that will effect significant and tangible improvements in the business environment and benefit the community at large.
APEC and business

The APEC process is gathering momentum. The Economic Leaders have moved beyond developing a common vision and agreed on a timetable. Since their 1995 Osaka meeting, APEC economies have been developing individual and collective action plans that detail how members will fulfill their commitments to liberalize and facilitate trade and investment and engage in economic and technical cooperation.

The comprehensiveness and credibility of the Manila Action Plan for APEC will be the test of APEC’s resolve. It must (a) reassure the business and the wider community that APEC is capable of achieving the goal of free and open trade and investment, and promoting development in the region; (b) deliver concrete and measurable improvements through steady reductions in barriers to commercial transactions; and (c) be transparent and practicable for businesses to incorporate into future corporate strategies.

Business has a crucial role to play in the achievement of APEC’s vision. It is the principal constituency in APEC’s quest for freer and more open trade and investment. It can be an important vehicle for sustainable development in partnership with government. It is also the main generator of cross-border flows of goods, services, capital and information. The freeing of these flows, and the broadening and deepening of transnational linkages in strategic sectors such as finance, transportation, telecommunications and infrastructure, will be the main gauges of APEC’s success in the “real world” of business. It is through these successes that the wider community will benefit.

There remains considerable scope for enhancing the environment for business and its engagement in development. APEC economies can further deepen and accelerate trade and investment liberalization, as well as economic and technical cooperation. They can improve and harmonize rules that now hamper the cross-border movement of the people, goods, services, capital and information that make our region prosper. They can promote human resources development and the expansion of small enterprises to broaden the base of regional business.

Business participation in the APEC process and the role of ABAC

A number of consultative groups have advised governments of APEC member economies. Important among these were the APEC Eminent Persons Group and the Pacific Business Forum (PBF). In its final report, the PBF generated a set of policy recommendations aimed at making APEC more relevant to business.

In their 1995 Osaka meeting, APEC Economic Leaders adopted most of these recommendations, including the establishment of ABAC. We anticipate that those recommendations, already adopted
by APEC, will be implemented in a timely fashion. We note, however, that APEC has yet to act on the PBF’s other important recommendations, including those on investment, infrastructure, and the APEC Business Visa. We address these issues in this report.

As the primary vehicle for business sector advice to APEC Economic Leaders, we have been tasked to identify concrete policy recommendations that will have the most significant impact on the ability of enterprises to strengthen regional economic integration. We are also expected to regularly assess APEC’s progress in addressing the concerns of the business community, and to respond to APEC’s need for information about business’ perspectives on issues and areas of cooperation. We intend to perform these tasks not only as a body appointed by the Economic Leaders, but as true representatives of the business sector, articulating its concerns.

In carrying out this mission and to achieve our vision of a regional business community, we will: (a) enlist the broadest possible participation of the Asia-Pacific business community in the realization of APEC’s vision; (b) seek business sector support for measures that promote the vision of free and open trade and investment and economic and technical cooperation; and (c) identify actions that the business sector can undertake to support the APEC process.

We also aim to contribute to the development of human resources, ensuring that our region’s people participate fully in the opportunities created by increasing trade and investment liberalization. We aim to play a role in deepening the spirit of community in the Asia-Pacific region by involving business not only in issues directly related to commercial goals, but also in matters that affect the common good of society and the wider environment within which business operates.

**ABAC’s commitment to core APEC principles**

We reiterate our commitment to the Guiding Principles for APEC’s move towards the goal of free and open trade and investment proposed in the Pacific Business Forum in its 1995 Report and underline our firm support to the following core principles of APEC:

- **A strong and open multilateral trading system.** We endorse APEC’s role as a catalyst for further global trade liberalization, and strongly oppose any dilution of commitments made in the context of multilateral trade liberalization.

- **Open regionalism.** We support the objective, as stated in the Bogor Declaration, that APEC’s liberalization should reduce barriers not only among APEC economies, but also between APEC economies and non-APEC economies.

- **Free and open trade and investment.** We fully support the Osaka Action Agenda and underscore the need for
practical measures to ensure that deadlines for liberalization are met.

- **Trade and investment facilitation.** We strongly endorse APEC's commitment to a program of trade and investment facilitation and to a set of non-binding investment principles that will facilitate the flow of capital within the region.

- **Economic and technical cooperation.** We recognize our responsibility to ensure that the programs to intensify economic and technical cooperation articulated in the Bogor Declaration are advanced as APEC progresses towards regional trade and investment liberalization.

- **Flexible consensus.** We fully endorse APEC's flexible consensus approach to its activities. We recognize that this allows those economies that are ready to advance to do so, while allowing other economies, which may not yet be ready, to join later. We expect that the mutual respect implied in this approach will not be used to justify inaction.

- **Comprehensive coverage.** We fully endorse APEC's commitment to the comprehensive nature of its trade and investment liberalization measures through the inclusion of all sectors of manufactured goods, agriculture, services, intellectual property rights, and investment, among others.

We commend to the Economic Leaders the importance of expressing their firm commitment to these core principles, and of:

- Adhering fully and unequivocally to the Most Favored Nation principle that underpins the multilateral trading system.

- Ensuring the participation of all APEC economies in the WTO.

- Urging the WTO to recognize the need for accelerating the process of multilateral liberalization in a way that matches the concerted unilateral liberalization efforts being undertaken by APEC member economies.

- Committing to a clear timetable for the removal of any extraordinary trade or tariff provisions.

- Adopting comprehensive and credible action plans that include specific implementation timetables and milestones, and contain, at a minimum, all existing WTO and unilateral liberalization commitments and specific new initiatives.

- Expediting the implementation of previously agreed upon trade and investment facilitation measures, and reporting in the Subic APEC Economic Leaders Meeting on progress made to date in this area.

- Adhering fully to the principle of open regionalism and pursuing free trade and investment in a way that will strengthen global trade and investment liberalization.
The message of the 1996 ABAC Report

In this report, we build upon the twin themes of this year’s APEC meetings: *APEC means business* and *Building the spirit of community*. We underscore the need for policy reforms to help business expand regional trade and investment activities. We emphasize the benefits of a stronger public-private sector partnership in promoting the liberalization and facilitation of trade and investment, as well as of economic and technical cooperation.

We affirm that the three pillars of APEC — liberalization, facilitation, and economic and technical cooperation — are inextricably linked to each other. We believe that the voluntary nature of APEC is one of its great strengths, and that the benefits gained by those who practice leadership by example will encourage other members to follow.

Building on these realities, we propose measures in this report that address concerns in five key areas: cross-border flows, finance and investment, infrastructure, small and medium enterprise development and human resources development, and economic and technical cooperation.

In support of APEC’s current efforts to promote cross-border flows in a number of areas, we examine ways to help create the large and dynamic regional base that APEC’s enterprises need to remain globally competitive in the coming century. We identify concrete measures to reduce and eventually eliminate border restrictions, promote human resources development and small enterprises, and create a policy environment conducive to the growth of cross-border investment.

We propose mechanisms and guidelines to help governments more effectively address the region’s growing demand for infrastructure, believing that the adoption of these proposals will improve the policy framework that governs private investment in this sector. We are convinced that their implementation will prevent infrastructure bottlenecks from becoming a major impediment to the region’s continued economic growth.

Finally, we provide recommendations on how APEC can more effectively involve business in economic and technical cooperation. We see our proposals helping APEC ensure that its vision and initiatives gain the support of the wider community in each member economy. We believe that the translation of these proposals into policies will help us build the community of Asia-Pacific economies, to which our Economic Leaders committed themselves in Seattle, Bogor and Osaka.
Facilitating Cross-Border Flows: The True Measure of Liberalization

The issues at stake

For business in the Asia-Pacific region, the promise of reduced border restrictions represents the biggest benefit of APEC in the short term. Such restrictions continue to impede the conduct of business, limiting the movement of people, goods, services, information, and capital. These restrictions go well beyond tariffs and quotas, encompassing a range of non-transparent and complex customs, immigration, and other cross-border procedures that can, and do, lead to inefficiencies, increased business costs, and a loss of community welfare.

To facilitate cross-border flows, we have identified four flagship recommendations, which draw together components of the APEC trade and investment liberalization and facilitation process. We consider the creation of the APEC Business Visa and the establishment of APEC Business Immigration Lanes as priority measures that should be prompt deliverables upon endorsement by the Economic Leaders at their November 1996 Subic meeting.

Recommendations

APEC Business Visa and APEC Business Immigration Lanes

Travel within the region has increased substantially in recent years. Economic growth has generated a significant increase in business opportunities, and advances in transportation have reduced the cost and time of traveling. Despite these advances, many unnecessary impediments to business travel remain. To address these problems, we ask the Economic Leaders to:

- Introduce, starting in 1996, a minimum five-year APEC Business Visa allowing multiple entries for a minimum of 60 days per entry, and APEC Business Immigration Lanes in ports of entry.
- Introduce by 1996/97 expedited immigration processing for APEC Business Visa holders at major ports of entry.

We call on the Economic Leaders to endorse the principle of expedited entry and exit of business travelers in recognition of the very real economic costs entailed in unnecessary delays.

Flagship Recommendations:

- Endorse the creation of an APEC Business Visa and the establishment of APEC Business Immigration Lanes in ports of entry to facilitate business-related travel.
- Endorse the establishment of an APEC Central Registry for Trademarks and Patents to promote investment and technology flows.
- Develop and commit to adopt a set of common professional standards for business-related service providers in the region, to be developed by appropriate professional accreditation bodies, and supported by any needed legislative measures.
- Adhere to 100% implementation of the Bogor trade and investment liberalization goals, with ABAC’s continued aspirations to accelerate the process kept in view.
The APEC Business Visa could be implemented using one of several mechanisms currently under consideration. One such mechanism is the APEC Business Card currently being developed by Australia, which contains the following elements:

- Single application within own economy for eligible, bona-fide business people.
- Eligibility determined by business associations, together with government.
- Authorized entry into every participating economy.
- Multiple entry for 90 days per entry over a five-year period valid for all participating economies.
- Expedited processing on arrival through special APEC lanes.
- Each economy retains the sovereign right to exercise control over entry and exit of individuals.

An APEC Business Visa system: major concerns and potential solutions
Following the examples of (a) the ASEAN Visa-Free Travel scheme, (b) the U.S. 10-year B1-B2 concept, (c) the Australian Computerized System for U.S. and Singaporean travelers, (d) the U.S. Visa Waiver and INSPASS system; and (e) the Schengen system in Europe, APEC could adopt a Business Visa system that addresses important concerns:

- **Start-up Pilot Project**
  APEC economies can adopt a machine-readable APEC Business Visa or a similar technology as a pilot project, and establish APEC Business Immigration Lanes in ports of entry. The pilot project should ideally involve all APEC economies. Alternatively, economies willing to join the scheme could immediately do so.

- **Sovereignty Issues**
  The APEC Business Visa shall be issued only with the approval of each of the participating economies’ governments. Final entry remains subject to the normal immigration rules and regulations at each port of entry.

- **Containment**
  During the pilot trial phase, the APEC Business Visa could be issued only to a reasonable number of business people in each economy. This will enable APEC to calibrate and perfect the system based on experience.

- **Qualification**
  The APEC Business Visa should be given to top executives and managers of firms including professionals and technicians who need greater mobility within APEC. The initial number of such visa holders should be spread out proportionately among small and large enterprises.

- **Selection Process**
  Business associations in APEC economies could undertake jointly with appropriate government bodies the pre-screening of the initial number of APEC Business Visa holders and develop the screening qualifications and processes.
- **Improve between 1997 and the year 1999 the parameters for the issuance and extension of business residency visas.**

Delays that occur in the approval of business residency permits and in the extension of their validity constitute another barrier to time-efficient business operations. We call on the Economic Leaders to endorse the adoption of standards of service to ensure that applications for new business residency permits are processed within one month, and extensions of business residency visas are processed within one week, with automatic renewal for a period of up to three years.

### Timelines

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**ASEAN: Visa-Free Travel**

This arrangement, for all ASEAN citizens, has been in use for some years now. It consists of waiving visa requirements for travel within ASEAN. In some special ports of entry, such as the Bangkok International Airport, special lanes have been set up for ASEAN passport holders. Some countries outside ASEAN, such as Laos, are extending the same privilege to ASEAN citizens.

**Australia: Computerized Visas**

Computerized visas have been introduced for U.S. and Singapore citizens traveling by air from Singapore to Australia. Upon acquiring the air ticket from a travel agent in Singapore, the passenger’s name is introduced into the system. Once the passenger arrives in Australia, he or she is cleared for entry without requiring a stamp on the passport. Within the next two years, Australia intends to introduce this system for passengers coming from Japan, the United States, Great Britain and Germany.

**United States: Visa Waiver Program and Speedy Entry System**

Five APEC member economies are already participants in the U.S. Visa Waiver Program (Canada, Brunei Darussalam, Japan, New Zealand and Australia), whose nationals do not need non-immigrant visas to enter the U.S. Non-immigrants from other APEC member economies are eligible to receive 10-year, multiple entry visas and visitors can stay in the U.S. for up to six months during each entry. The visa is renewable without leaving the country. The U.S. implements the INSPASS system at selected airports to expedite entry. Frequent business travelers who already hold U.S. visas can apply for machine-readable INSPASS cards that allow them to bypass congested lines.
APEC Central Registry for Trademarks and Patents
Inadequate protection of intellectual property rights hinders technology transfer, the development of high-technology industries, and investment. We call on the Economic Leaders to establish and implement mechanisms and procedures to ensure that these rights are adequately protected. Specifically, we ask them to:

• Endorse the establishment of an APEC Central Registry for Trademarks and Patents.
  Such a Registry would be a mark of APEC’s commitment to promote respect for the integrity of proprietary information. It would serve as a practical resource for businesses and governments throughout the region. It would enable governments to ensure that the use of intellectual property is being carried out in full compliance with the obligations due to registered holders of patents, trademarks and other forms of intellectual property.

• Establish a program of comprehensive cooperation on intellectual property rights.
  This program should include the following components: (a) regular exchanges of information on border enforcement and on internal measures to combat the sale and distribution of violative material; (b) identification of member economies’ resource needs to fully implement the Uruguay Round Agreement on Trade-Related Intellectual Property Rights (TRIPs) or equivalent obligations; and (c) the provision of technical assistance and training where necessary.

• Implement the Uruguay Round TRIPs agreement — or equivalent obligations in the case of non-WTO signatories — in the shortest possible time.
  This should also be accompanied by credible enforcement and the conduct of public education and awareness campaigns.

Common Professional Standards for Business-Related Service Providers
Trade in business-related professional services is an integral element of international business. The facilitation of such trade is needed for our enterprises to remain globally competitive. We perceive that the main barrier to trade in professional services is the lack of mutual recognition of professional credentials among member economies. To address this problem, we call on the Economic Leaders to:

• Endorse the establishment in 1997 of a set of common professional

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standards for APEC-wide recognition, to be developed by appropriate professional accreditation bodies, and supported by any necessary legislative measures.
A work program in common accounting standards already exists under the General Agreement on Trade in Services. However, the growth of APEC economies requires rapid movement towards common standards for business-related professions. We call on the Economic Leaders to support initiatives by professional associations to agree on mutual recognition and harmonization criteria and to commit to making needed policy changes. We urge the Economic Leaders to identify in 1997 a set of common standards for business-related professional services that can attain immediate APEC-wide recognition.

Adherence to 100% implementation of the Bogor liberalization goals
APEC governments have already committed themselves to realizing free and open trade and investment in the region no later than 2010 for industrialized economies and 2020 for developing economies, through a concerted voluntary process. APEC should devise a strategy in which governments acknowledge that each of their economies would benefit from cooperation to reduce impediments to international economic transactions; and devise effective ways to help each other overcome impediments. Continued concerted unilateral decisions by APEC governments to reduce trade barriers will in due course help others act correspondingly. We therefore ask the Economic Leaders to:

- Reaffirm the spirit of the Bogor liberalization goals by fully implementing free and open trade and investment no later than 2010/2020, with each APEC economy voluntarily undertaking unilateral efforts to accelerate the process as rapidly as its structural conditions would allow.

Customs Harmonization
The simplification and harmonization of customs procedures constitute a key priority area. The rapid growth of cross-border trade has placed tremendous pressure on outmoded customs practices. While business people must pay for fair and due customs clearance, they are confronted with inefficiencies that add unreasonable costs to their operations. Customs procedures vary across

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economies. Rules of origin are emerging as major technical barriers to trade.

We welcome the substantial progress made in addressing these problems by the Customs Procedures Subcommittee of the APEC Committee on Trade and Investment, but see room for further improvement. Technology, as in the case of the electronic processing of entry documents, can be harnessed to overcome problems. Governments can move more quickly towards simplification and harmonization of customs procedures. APEC economies can accelerate the adoption of a common APEC customs code. They can participate actively in the General Agreement on Tariffs and Trade 1994 three-year program for the harmonization of non-preferential rules of origin.

In order to maintain APEC’s momentum, we recommend that Economic Leaders endorse the complete implementation of all customs facilitation, harmonization and standardization measures by the year 2000, and establish the following intermediate milestones:

- Adhere to the Harmonized System and the World Trade Organization Customs Valuation Agreement by the end of 1997.
- Standardize and simplify customs documents and procedures by 1997.
- Implement fully an APEC-wide electronic customs processing system by 2000.
- Provide technical training to economies that require assistance, ensuring that adequate resources are devoted to such programs.

Standards and Conformance

Product standards differ widely among APEC member economies, creating barriers to the free flow of goods. These variations also increase business costs as product runs need to be adjusted to meet the requirements of many individual economies. While legitimate reasons exist for economies to have differing requirements, there remains considerable potential for progress in harmonizing international product standards. To realize this potential, we call on Economic Leaders to:

- Align each member economy’s standards in priority sectors with international standards by 1998.
- Establish an internationally recognized Testing Authority.

What it takes to effect an average international trade transaction today

- 27-30 different parties
- 40 documents
- 200 data elements (30 of which are repeated at least 30 times)
- re-keying of 60-70% of all data at least once
Promotion of Subregional Growth Areas

Subregional growth areas have been established to maximize cross-border movements of goods, services, investment and human resources, and to exploit comparative advantages of geographical areas divided by political boundaries. In several of these areas, the business/private sector has established business councils to link business entities and other involved economic organizations, and to make representations to governments. Recognizing the important contribution of such arrangements to the expansion of cross-border flows, we call on the Economic Leaders to:

• Encourage the development of subregional growth areas among APEC member economies.

Subregional growth areas: demonstrating the benefits of freer cross-border flows

There are several subregional growth areas in the Asia-Pacific region. As a result of these arrangements, cross-border business has expanded in what were once economically isolated provinces.

• Indonesia-Malaysia-Thailand Growth Triangle (IMT-GT):
  A total of more than 100 investment projects have been identified. Among the joint ventures agreed upon are: the development by four consortia of the land bridge linking Penang and Songkhla on the South Thailand coast; a Malaysian-Indonesian joint venture for the production of motorcycles in Ipoh; and a consortium of Malaysian, Indonesian and Thai companies to set up the IMT-GT regional television service.

• Brunei-Indonesia-Malaysia-Philippines East ASEAN Growth Area (BIMP-EAGA):
  Among the joint venture projects recently formed were: a Malaysian-Philippine tuna canning and furniture-making project in Sabah; and a ferry service linking Zamboanga and Sandakan, which will also later be serving Tawau and Lahad Datu. Other projects being discussed for implementation are joint tourism development, expansion of maritime transport services, expansion of air linkages and a fisheries cooperation project.

• Pacific Northwest Economic Region (PNWER):
  Also known as Cascadia, the PNWER reflects a dynamic trading and cooperative relationship, which has developed along the Pacific Northwest corridor between Canada and the United States.

• South China/Macau/Hong Kong growth triangle:
  Cross-border growth areas can also evolve naturally without explicit government recognition or promotion in response to shifting comparative advantage within a subregion, an example being the South China/Macau/Hong Kong growth triangle.
Finance and Investment: Enhancing Foreign Investment Flows within APEC

The issues at stake

In our inaugural year, we have chosen to focus on a number of issues pivotal to business activity within the region, the principal item in the financial services and foreign investment area being barriers to foreign direct investment. However, we intend to broaden this focus in the future to encompass other aspects of the region’s financial markets and practices.

Private investment — whether domestic or foreign — occurs when investors are assured of a stable economic and political environment, a clearly articulated and objectively enforced legal framework, and transparent and prudent regulation and supervision of investment activities. The successful pursuit of investment capital requires a careful balance between the avoidance of market-distorting or discriminatory restrictions on investment and the concerns of host economies over infringement of their sovereign rights. Such rights cover the control of macroeconomic policies, the definition and implementation of industry policies, and the development or promotion of indigenous competencies in chosen business or manufacturing activities.

Recommendations

APEC Voluntary Investment Projects (AVIP)

APEC economies are in a position to take advantage of the fact that financial markets reward strong investment protection regimes with lower financing costs. When such strong investment protection regimes are not made generally applicable by an economy, they may nevertheless be applied to particular projects or programs. Recognizing this, we call on the Economic Leaders to:

• Establish voluntary investment principles that can be applied by host economies on a case-by-case basis to specific projects they believe will benefit from investment protection. Such projects would be known as APEC Voluntary Investment Projects (AVIP).

In a manner consistent with their domestic laws, World Trade Organization obligations and the principle of open regionalism, governments could declare particular projects or categories of projects as subject to these investment principles. This would constitute a significant encouragement to inflows of foreign investment. While subjecting a project to these principles would be entirely

Flagship Recommendation:

Establish APEC Voluntary Investment Projects (AVIP), under which economies can voluntarily apply a specific set of principles for enhanced investment protection to selected projects above and beyond the protection provided for in the APEC Non-Binding Investment Principles.
voluntary, the market can provide a significant incentive for such action by making financing available to AVIPs on substantially more advantageous terms than for non-AVIPs. A 50-basis point saving on financing costs (well within the range of the savings that might be expected from AVIP status) translates into US$50 million savings on a US$1 billion project financed for 10 years.

To help refine the exact provisions for these investment protection principles, we, through a task force, are willing to consult with rating agencies, multilateral development banks and global financial institutions to specify: (a) a list of investment principles to be included, and (b) other matters related to implementation. By November 1997, APEC economies should be able to

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**Minimum requirements for AVIP investment protection principles**

We believe that investment protection principles applicable to AVIPs should contain the following elements as minimum requirements for effectiveness:

- **The better of national treatment or most-favored-nation treatment** should apply to project investors throughout the life of their investment.
- The project should enjoy equal access to domestic markets and resources, subject to limited and specific exceptions that should be defined before the start of project investment and financing.
- *Changes in the terms* of project investment agreements should only be made upon mutual agreement between the parties, not by the unilateral act of the host government.
- *Taxes* on project investors and employees should not be less favorable than those levied on domestic enterprises and their employees.
- The *right to transfer project-related funds into and out of the country*, without delay and at market rates of exchange, should be guaranteed. This covers all transfers related to a project investment, including initial investment and financing, dividends, interest, proceeds from liquidation, repatriated profits and infusion of additional financial resources after the initial investment has been made, as well as license and royalty fees owed outside the host economy.
- Project sponsors should enjoy the *right to engage senior management of their choice*, regardless of nationality, as well as the right to obtain permission for entry and sojourn of other key technical and managerial personnel on a temporary basis.
- *Performance requirements*, such as local content or export quotas, should be prohibited except to the extent specified prior to the start of project investment and financing.
- The host government will not require more *information* from an enterprise belonging to a foreign project investor than is required from locally owned enterprises.
- *Expropriation* should not occur, except in accordance with international legal standards; for a public purpose; in a nondiscriminatory manner; with due process of law; and accompanied by prompt, adequate and effective compensation.
- Project investors should have the right to submit to *international arbitration* investment disputes with the host government or with other host economy counterparts, including those concerning expropriation or compensation therefor, with no requirement to use the host government’s domestic courts.
Identify initial AVIPs as demonstration projects, which should be reviewed in November 1998.

Improving the policy environment for cross-border investment flows

APEC economies have recently taken various measures to facilitate investment flows within the region. Some have been unilateral, others bilateral (such as investment protection and promotion agreements). In addition, most APEC economies are bound by commitments embodied in current multilateral agreements concerning trade in services and trade-related investment measures.

The agreement by APEC Economic Leaders at their 1994 Bogor meeting on a set of Non-Binding Investment Principles marked an important step forward for investment liberalization in the region. However, the implementation of these principles is hindered by the fact that the various APEC economies are at different stages of development and preparedness. Moreover, the principles still fall short of the needs of foreign investors in a number of areas, where host economies’ concerns regarding sovereignty over macroeconomic management and industrial policy persist.

While recognizing these legitimate concerns, we feel that it is important to continue monitoring the implementation of the Non-Binding Investment Principles and to identify how further consensus-building in regard to them can be promoted in the future. We also see the need to identify ways of improving the general policy environment for cross-border investment flows.

- We suggest the reinforcement of the APEC Non-Binding Investment Principles through the clarification of those principles referring to transparency, non-discrimination, investment incentives, performance requirements, and removal of barriers to capital exports.

- We hope that all APEC economies will feel able to commit to either the immediate implementation, or a timetable for implementation, of the Non-Binding Investment Principles as part of their economies’ investment regimes, and to make a declaration to that effect during the Economic Leaders’ meeting in Subic.

In recognition of the different stages of development and preparedness of the various APEC economies, we believe that a variety of routes should be offered to attain the goal of an improved environment for foreign investment flows. We wish to see the

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1 The APEC Non-Binding Investment Principles are attached as Appendix 4.
implementation by all APEC economies of the Non-Binding Investment Principles in Subic. Where some economies may face particular difficulties in the implementation of certain principles, we look to them to provide a definitive timetable for the implementation of these principles over time.

In the case of those who opt not to implement the principles, or have registered exceptions in terms of binding multilateral commitments following the Uruguay Round, we make ourselves available as a forum for APEC economies to articulate the reasons for their reservations. Through us, governments can help prospective foreign investors understand the basis for such exceptions, and enable affected parties to consider ways of accommodating legitimate concerns.

- We recommend that APEC economies conduct a self-assessment of their progress towards implementing the Non-Binding Investment Principles. This self-assessment should identify limits, exceptions and reservations observed in the application of these principles. APEC economies should report on the results of this self-assessment at least three months prior to the 1997 APEC meeting in Canada.

- We urge the Economic Leaders to endorse a standstill date for investment measures. APEC economies should establish a date beyond which they will not expand or add to measures that treat foreign investors differently from domestic investors in like situations (exceptions could be provided for domestic laws, regulations and policies in effect on a certain date, e.g., January 1, 1997).

- We recommend that APEC economies accelerate the implementation of their specific commitments under the General Agreement on Trade in Services and the Agreement on Trade-Related Investment Measures, with due allowance for the conditions of development and preparedness of their individual economies.

- We call on APEC economies to establish “one-stop” investment agencies based on existing regional best practices to facilitate foreign investment. These agencies could perform functions such as information provision and support for investment and business development by foreign companies (market entry service), database services, and a clarification and mediation service that could minimize the scope for investment-related disputes.

- We urge APEC to develop a set of specific principles constituting a multilateral understanding on the elimination of double taxation and removal of other tax barriers to cross-border trade and investment. The prevalence of double taxation and withholding taxes is a major deterrent to investment flows. Existing tax treaties do not adequately resolve conflict of
source and residence rules. APEC economies should start an initiative to develop principles addressing this problem. These principles should be sufficiently specific to constitute a binding cross-border tax regime.

We also seek progress in harmonizing tax and audit procedures (introducing uniform accounting standards and practices) across different tax domains and endorse the “arms-length” principle in intra-company transactions.

- We call on APEC economies to limit the use of unilateral sanctions in connection with trade disputes, and to renounce the imposition of unilateral sanctions by an APEC member economy against any other member economy for non-trade purposes. Unilateral sanctions constitute a serious departure from the final APEC Non-binding Investment Principle, which states: “Member economies accept that regulatory and institutional barriers to the outflow of investment will be minimized.” The use of such sanctions has the potential for restricting and distorting investment flows within APEC.

- We commend the APEC Committee on Trade and Investment for its work in providing the Guide to Investment Regimes of the APEC Member Economies, and ask that it be updated and augmented on an annual basis. We also suggest the construction of a data base and an information retrieval system harnessing electronic networks for this publication.

An Investors’ Charter
While we call on governments to improve the policy environment for investments,

The Investors’ Charter
Cross-border investment forges close ties between investor and recipient economies. It is widely recognized that such investment improves the welfare and the convenience of everyday life through the transfer of technology, the nurturing and development of industry, the creation and expansion of employment, and the supply of goods and services. On the other hand, cross-border investment also contains the possibility of introducing both new tensions and frictions through the varied influence it has on the politics, economy and culture of the host society.

We recognize the need to balance the requests and recommendations put to APEC Economic Leaders with a commitment on the part of investors to act as good corporate citizens of their host economies by:

- Observance of laws and rules
  Companies should observe and uphold both domestic and international laws. In
addition, they should refrain from undertaking any action that, although technically legal, is contrary to societal discipline, safety and good sense.

• **Cooperation and contribution to society**
  Companies should make every effort to act as good corporate citizens, to respect local culture and customs, and to cooperate and harmonize with their host society. Companies are in essence organs of society and as such bear responsibilities. Therefore, they should seek to benefit society through the actual conduct of business activities as well as through tangible and intangible contributions to the development of all aspects of the host society.

• **Expansion of employment and human resources development**
  While they should be free to select senior management of their choice and to import expertise when necessary, companies should, where possible, actively follow a policy of employing local appropriately-trained workers to create and expand employment opportunities. In addition, they should work to prevent discrimination on the grounds of sex, age, race and religion, and strive for equality of treatment and opportunity. Training programs which enable workers to develop their abilities should be promoted, and individuals who show promise should be given the opportunity to advance.

• **Protection of the environment**
  Companies should do their utmost to protect and improve the state of the environment. They should undertake policies which prevent the wasteful use of natural resources in order to make sustainable economic development possible.

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**Reinforcing the APEC Non-Binding Investment Principles**

**Stability and transparency**

Although the non-binding principles do not refer specifically to stability of investment regimes, concerns about certainty as a key prerequisite for sound judgments on investment need to be addressed. In stable and transparent investment regimes, changes are minimized and conveyed in good time to existing and potential investors should they become necessary.

*Continued on next page*
We propose the prompt disclosure of relevant information upon establishment or revision of laws, regulations, administrative procedures and standards, with efficient notification of all concerned parties.

- **Non-discrimination**
  The principle states: “Member economies will extend to investors from any economy treatment in relation to the establishment, expansion and operation of their investments that is no less favorable than that accorded to investors from any other economy in like situations, without prejudice to relevant international obligations and principles.” The value of this principle is qualified by the final phrase. In so far as this implies that regional arrangements, such as the North American Free Trade Agreement, preclude Most-Favored Nation treatment, the principle of non-discrimination is compromised.
  *We recommend clarification of the wording of this principle.*

- **Investment incentives**
  The principle states: “Member economies will not relax health, safety and environmental regulations as an incentive to encourage foreign investment.”
  *We consider a ban on investment incentives that rely on the relaxation of health, safety or environmental standards as an important and helpful first step.*

- **Performance requirements**
  The principle states: “Member economies will minimize the use of performance requirements that distort or limit expansion of trade and investment.”
  *We note that the word “minimize” is not defined by any specific criteria, and that its use in this principle is inconsistent with World Trade Organization obligations on local content and trade-balancing requirements, which are banned under the Agreement on Trade-Related Investment Measures.*

- **Removal of barriers to capital exports**
  The principle states: “Member economies accept that regulatory and institutional barriers to the outflow of investment will be minimized.”
  *We note that the word “minimized” lacks specificity, and propose the addition of precise criteria setting out the extent to which regulatory and institutional barriers are to be minimized.*
we also recognize the obligation of investors to always act as good corporate citizens of their host economies, and to take cognizance of sovereignty considerations and of specific national and social goals of host economies in the conduct of their business activities.

**Priority issues for future consideration**

We have prioritized the following four issues for consideration in 1997:

- **Capital markets**
  We should examine the extent to which the region’s capital markets meet the needs of companies doing business in the region. A study could identify institutional and regulatory obstacles faced by companies in meeting their financial needs. The further development of regional bond markets and over-the-counter equity markets could be areas of particular relevance. We should also examine how the role of credit rating agencies in the region might be enhanced. The role of corporate governance in developing transparent and liquid capital markets should also be considered.

- **Exchange of training and information in the banking sector**
  We should examine how the exchange and training of bank employees and the dissemination of information among banks in the region can be facilitated, taking into account the need to protect confidential business information.

- **Standards for financial and economic disclosure**
  New IMF disclosure standards for prompt public release of economic and financial data would, if adopted in full by APEC economies, help private market participants assess underlying financial conditions of economies, thus reducing the risk of financial crises. The developed APEC economies could assist in this process through technology transfer and skills training for the benefit of less developed member economies.

- **Taxation**
  We should address taxation issues of concern to companies in the region that are operating across borders. ABAC could, in particular, assist in the process of drawing up principles covering double taxation issues, identifying problems within the existing structure of double taxation treaties, and identifying the key issues in this area which the business community wishes to see addressed. We could also examine problems linked with transfer pricing.
Infrastructure: The Lifeline of Regional Integration

The issues at stake

Rapid economic growth and urbanization have dramatically increased the demands on the region’s already inadequate infrastructure. In 1995, the World Bank estimated that the demand for new infrastructure spending in East Asia between 1997 and 2004 could reach US$1.5 trillion. It is thus becoming increasingly clear that the public sector alone cannot bear the burden of supplying the infrastructure to meet the region’s growing demand, and that private capital, technology and management know-how are needed.

However, large infrastructure projects involve huge commercial and financial risks. A more secure environment for private sector participation in public infrastructure development would require both the public and private sectors to work together. It would also involve concerted, strategic interaction between economies most in need of infrastructure and those best equipped to supply the private investment capital to meet these needs.

Clearly, the region will only be able to achieve its potential and sustain its growth through major changes in current approaches to infrastructure planning, financing and construction. In addition, all economies benefit from the rational use of existing resources and coordinated regional planning of infrastructure enhancements. In this light, we have identified crucial areas that APEC should address: the identification of the region’s overall infrastructure needs, guidelines to facilitate private sector participation in infrastructure, and the role of multilateral lending agencies and bilateral aid in infrastructure development.

Recommendations

**Flagship Recommendation:**
Hold a series of Joint Public-Private Sector Infrastructure Roundtables in interested APEC economies to examine the infrastructure needs of the host economy, identify and recommend corrections to remove impediments to private sector involvement in developing new infrastructure, disseminate regional best practices, and establish productive linkages between entities from both sectors that are able to meet particular infrastructure needs.

**Joint Public-Private Sector Infrastructure Roundtables**
Cooperation between the public and private sectors is essential for economies to meet their infrastructure requirements, and the holding of roundtables has been very useful in promoting such cooperation. Towards this end, we propose that each APEC economy wishing to attract foreign investment in infrastructure organize a Joint Infrastructure Roundtable in 1997 to identify opportunities where the business/private sector could assist in meeting some of the host economy’s infrastructure needs.

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The Joint Public-Private Sector Infrastructure Roundtables

- **Organization and participation**
  Each interested APEC economy would host one Roundtable. Participants would include relevant senior government officials from the host economy and business/private sector representatives from APEC economies with experience in infrastructure development and project financing. Business/private sector participants would vary from one Roundtable to another, depending on their knowledge of the particular host country’s needs and their interest in investing in the host economy. APEC Ministers or ABAC members could be asked to suggest interested business/private sector representatives from each economy.

  The host economy could also invite other interested parties to maximize the synergy among the business/private sector, multilateral lending agencies such as the World Bank, the Asian Development Bank and the Inter-American Development Bank, and the existing infrastructure-related institutions within APEC, such as the APEC working groups.

- **Tasks**
  The goal of the Roundtable would be to review the infrastructure needs of the economy that may require private capital in the region between 1997 and 2010, and to identify opportunities where the business/private sector could participate on a Build-Operate-Transfer (BOT) or Build-Operate-Own (BOO) basis.

  The Roundtable would review the status of the host economy’s infrastructure sectors, possibly visit some existing infrastructure project sites, identify areas of major demand, and address the issue of sustainable development.

  The Roundtable would identify current impediments to private investment in infrastructure, discuss steps that the host economy could take to improve this situation, and suggest possible improvements in policy areas such as investment protection guidelines.

  The results of each Roundtable would be published and disseminated to the participants for further comment. The business/private sector participants would be encouraged to submit comments for consideration by the host economy.

- **Funding**
  The host economy will finance the cost of hosting the Roundtable. Participants would cover their own costs or be sponsored by their respective home economies.
Recommended discussion agenda for the Roundtables

1. Developing guidelines for facilitating private sector participation in infrastructure development

We see the need for a set of transparent guidelines for governments to facilitate private sector participation and enhance risk mitigation measures in infrastructure development projects. We recommend the following guidelines and risk mitigation measures for consideration by APEC economies, export credit agencies from each economy, as well as multilateral lending agencies, such as the World Bank, the Asian Development Bank and the Inter-American Development Bank:

For investor economies:
- Intensify coordination between APEC economies and between export credit agencies of each economy to help finance infrastructure projects. Member economies should consider ways to promote coordination of their export and investment insurance policies.

- Cooperate with multilateral institutions to further enhance risk mitigation.

- Provide export and investment insurance adapted from successfully executed models used by Japan’s Ministry of International Trade and Industry and the United States’ Overseas Private Investment Corporation as the basis for a carefully structured insurance system.

For host governments:
- Maintain a stable policy and macroeconomic environment and guarantee foreign exchange convertibility. Continuity of policies even with changes in government and administrations is an important consideration for investors.

- Ensure that the project is in accordance with clearly defined domestic development plans and programs that enjoy strong administrative and political support and are underpinned by the principle of sustainable development.

- Ensure maximum flexibility in the use of public sector funds and coordination with private sector funding. An example of such coordination would be the case of an electrical power project, where the project itself is carried out under a BOT scheme while related projects such as roads and ports are built with government financing.

- Promote a competition-driven environment for private sector infrastructure projects and open and non-discriminatory access to infrastructure. An example would be access to public telecommunications networks for all information providers and users.

- Secure appropriate and responsible risk allocation between the host government and private enterprises.
Establish and harmonize domestic laws and regulations regarding private infrastructure projects to guarantee currency conversion, policy consistency in setting basic terms and conditions, and fulfillment of government obligations by pertinent authorities at all levels. The Philippines’ BOT law of 1990 provides a regulatory and legal framework for infrastructure development that facilitates the entry of private firms in infrastructure projects. In 1994, the law was amended to further improve the environment for private investors.

Establish clear policies and well-defined means of coordination between government agencies. Host governments should consider assigning a project manager responsible for interacting with the private investor on all government matters and managing all intra-governmental coordination to provide the investor with “one-stop shopping.”

 Expedite procedures for approving privately financed infrastructure projects. Examples include pre-clearance processes and time limits on government approval of infrastructure projects.

Promote business participation in APEC Voluntary Investment Projects as models for private sector participation in infrastructure projects.

For multilateral agencies:

- Provide technical and legal assistance to governments in developing fair and competitive bidding procedures.

Issues affecting investment in infrastructure: the case of a proposed trans-ASEAN gas pipeline project

In view of the anticipated growth in the demand for gas, a trans-ASEAN gas pipeline has been proposed. Given the fact that the area covering these ASEAN economies is roughly the size of Texas, it is logical for the economies in the region to achieve an efficient allocation of resources (in this case, gas) through the trans-ASEAN gas pipeline. By realizing greater energy efficiency and developing sustainable energy resources across several economies, cooperation on the allocation of natural resources can facilitate a leveling of the playing field within APEC.

Several related issues such as pricing policies, regulatory frameworks and investment incentives must, however, be resolved to provide the necessary conducive environment to attract the hefty investments needed. Such a project could therefore benefit from consideration under an AVIP scheme.
• Review contracts for fairness and transparency both for the host economy and the project sponsor.

• Provide mediation services and identify mutually satisfactory solutions to help resolve issues between host governments and investors that could lead to disputes.

2. Areas where the business/private sector could invest

We have identified areas where governments could encourage private sector investment in infrastructure during the Roundtables:

• Water, sewerage and environment
• Public housing
• Energy and power, pipelines, transmission, media and telecommunications
• Transportation, roads and mass transport

Where and how could governments encourage private sector involvement in infrastructure development?

• Water, sewerage and environment
  To improve living standards and greatly reduce health care costs in the long term, clean water and a clean environment are needed. Moreover, water supply is vital to both public health and the manufacturing sector.

  Due to the necessity of these services, governments must find ways to fund the balance when the full charge cannot be passed on to the consumers.

• Public housing
  To encourage private sector participation in public housing, governments must recognize that foreign investors require an adequate return on investment.

  Governments could encourage investment in public housing in a number of ways, for example:

  • Tax credits: In the United States, tax credits are provided to private developers of low-cost housing.

  • Land: In Hong Kong, where approximately 50 per cent of residents live in public housing, the government allocates land for community and public housing uses by grant at zero or nominal rent, thereby ensuring that the cost of public housing is from 20 to 40 percent lower than private housing.

Continued on next page
• **Rental/sales**: To ensure adequate returns, rental and sales prices must be set at market rates. However, financial assistance could be provided to families on a monthly basis and reduced over time in the case of rentals, and in the form of long-term low interest loans to promote home ownership.

• **Energy, power, pipelines, transmission, media and telecommunications**
  Generating sufficiently high income streams to support returns on foreign investment, these areas attract private sector participation. For example, by locking in long-term (typically 30 years) pre-agreed rates with the developer, the government distribution agency has the opportunity to obtain a premium as the prices to consumers increase over time.

  Electricity generation and telecommunications projects need to be coordinated with building a rational, cross-border transmission network to meet demand.

• **Transportation, roads and mass transport**
  Transportation projects require heavy up-front investment and have low income streams in the early years of operation before traffic and passenger usage grow. Where rates of return fall below the expected norm, governments must actively support the business/private sector in developing infrastructure. Examples by which governments could assist private developers are as follows:

  • acquiring the right of way and clearing land for developers (which require strong public domain laws);
  
  • offering non-discriminatory tax holidays;
  
  • granting additional land to developers at or below market price as an additional source of repayment for the project;
  
  • providing grants or low-interest long-term loans to projects; and
  
  • offering minimum traffic guarantees or shadow toll rate structures.
Small and Medium Enterprises and Human Resources Development: Wealth from the Ground Up

The issues at stake

Small and medium enterprises (SMEs) occupy an important and strategic place in APEC. They contribute significantly to the region’s wealth and employment, as intermediate and final producers as well as consumers of goods and services. They are the primary vehicles by which new entrepreneurs provide the economy a continuous supply of ideas, skills and innovation. Strong SME sectors attract and enable foreign investors to establish and expand domestic linkages. SMEs thus play a critical role in creating opportunities that make the attainment of equitable and sustainable growth possible.

Due to their size, however, SMEs suffer from constraints that lower their resiliency to risks and prevent them from attaining administrative economies of scale. These challenges are particularly significant in the areas of human resources development and access to financing, markets, technology and information.

Left on their own, many SMEs face difficulties arising from liberalization-induced adjustments. With SMEs varying widely in size, capabilities, environment (some are urban-, others rural-based) and organizational structures (in the case of cooperatives) across APEC economies, coherent region-wide strategies to address their problems have been difficult to craft. As a result, SMEs are still far from realizing their full potential.

SMEs therefore need enhanced administrative support, domestically and regionally, in order to harness the opportunities arising from the liberalization and facilitation of trade and investment.

Flagship Recommendations:

- Endorse the establishment by September 1997 of an APEC Network for SMEs, to function as a network of networks in each economy, linked electronically at the regional level through the APEC Center for Technology Exchange and Training for Small and Medium Enterprises (ACTETSME). It shall pursue an initial action program focusing on four key areas: human resources development, access to technology and information, access to credit and capital, and access to market opportunities. We ask the Economic Leaders to direct appropriate government agencies to undertake actions in support of the program.

- Endorse the holding of initial Roundtables in each economy that bring together all relevant government agencies, banks, venture capital and other credit facilities or sources, associations, and SME representatives to address the growth and export financing needs of SMEs in concrete ways, with the recommendations from the Roundtable reinforced by government policy.

- Endorse the collection and reporting of data on SME statistical indicators by September 1997 to create a baseline from which targets for progress can be established.
and in adjusting to a fast-changing business environment. APEC needs to improve and fine-tune the policies and programs designed to support SMEs, and to intensify their coordination. It must establish benchmark policies and programs that are market-driven, non-distorting, and attuned to the dynamics of a fully liberalized trade and investment regime by 2010 and 2020. Additionally, the APEC agenda on Trade and Investment Liberalization and Facilitation (TILF) should integrate possible concerns of SMEs. Building on the work of various APEC fora, we propose initiatives to address the gaps in APEC’s current policies and programs related to SMEs.

Recommendations

The APEC Network for SMEs
The task of empowering and promoting SMEs requires appropriate policies and programs and supportive institutions and organizations. With the recent advances in information technology and the progress of region-wide networking and cooperation among public and business/private sector organizations, the potential for international consortia to initiate programs and projects in pursuit of shared objectives has expanded. Such an APEC-wide network has, in fact, already been established in the field of education.

ABAC recognizes the existence of a large number of SME-oriented public and business/private organizations, institutions and agencies throughout the Asia-Pacific region with proven competence in specific areas of SME support services. We see the need for concerted action among governments and business/private institutions, on a voluntary basis, to harness the potential of these different bodies, and to test new ideas through pilot projects involving subsets of APEC member economies. We therefore call on the Economic Leaders to:

- Endorse the establishment by September 1997 of an APEC Network for SMEs, to function as a network of networks in each economy, linked electronically at the regional level through the APEC Center for Technology Exchange and Training for Small and Medium Enterprises (ACTETSME). It shall pursue an initial action program focusing on four key areas: human resources development, access to technology and information, access to credit and capital, and access to market opportunities. We also ask the Economic Leaders to direct appropriate government agencies to undertake actions in support of the program.

Initial action program of the APEC Network for SMEs
ABAC proposes an action program for the Network to help address the gaps in APEC’s current policies and programs related to SMEs. We propose three criteria for choosing initiatives to be part of this action program. First, we believe that such initiatives must be time — and cost — efficient for SMEs. Second, having region-wide impact, they must differ from, yet complement, other initiatives being undertaken by individual economies. Third, they must be launched, whenever
The APEC Center for Technology Exchange and Training for Small and Medium Enterprises (ACTETSME)

The ACTETSME is an initiative put forward by the Republic of the Philippines during the APEC Economic Leaders Meeting in Blake Island, Seattle, in 1993. It is envisioned that it will perform the role of a resource center with distinct capabilities in:

- information networking;
- mobilization of training opportunities for the absorption of technical know-how and upgrading; and
- syndicating technology transfer projects in the spirit of intra-regional cooperation and business internationalization.

The Center aims to accelerate technological transfer/exchange and development among SMEs in the Asia-Pacific region, in order to make them more productive and competitive in both the domestic and international markets.

It consists of an international network of agencies, institutions and organizations which will have the flexibility to enter into institutional agreements for information exchange, technical assistance and project collaboration with international organizations involved in SME development. The Center will use existing commercial communication infrastructure to effect the information flow and exchange of project ideas and opportunities for training and technology sharing among SMEs.

This initial action program for the Network shall focus on four key areas: human resources development, access to technology and information, access to credit and capital, and access to market opportunities. The success of this program requires the support of appropriate government agencies.

We would like to propose the following actions for the initial program:

- **Human resources development:**
  - Promotion of skills training and the Virtual SME University Project

  **a. Promotion of skills training**
  The lack of workers with technical skills is the most significant barrier to the growth of SMEs in industry and services. APEC could address this problem by encouraging SMEs to invest in the training and development of basic skills of workers and by ensuring that the credentials of these workers are recognized within the region.

  The Network shall initiate and coordinate actions that will lead to the accelerated exchange and development of skills and standards to support skills training within and across APEC economies.
b. Virtual SME University Project
The existing network of ACTETSME can serve as the foundation of an APEC-wide Virtual SME University. This virtual university, employing distance learning technology and/or the actual exchange of students and trainers, can deliver both pedagogic and actual training on technical and management skills to SMEs. This system can harness the centers of excellence and supporting organizations providing sector-specific technical, management, entrepreneurship, and financial training for SMEs, both in and outside APEC. It will thus facilitate the linking of supply and demand for training within the region. This virtual SME university should also address the training concerns of young entrepreneurs and women.

• Access to Technology and Information: The SME Page and the partnership and collaboration approach to technology transfer

a. The SME Page
SMEs need improved information access to participate more actively in the region’s economic growth. APEC presents a wealth of information that SMEs, however, have not been able to adequately take advantage of. Information networks have limited sub-regional or domestic coverage. Accompanied by technology lag in some economies, their benefits to SMEs have not yet been significant. There is thus a need to centralize data for purposes of time efficiency.

The Network should create an SME Page as part of the ACTETSME Home Page which can be “hot-linked” to domestic entry points. This SME Page will be used by the Network to tap, link and coordinate information network sources presently existing in APEC to harness information technology. It should provide information on the following:

• SME/Human Resources Development Focal Points (one in each economy): These are existing organizations or SME centers, limited in number for manageability purposes, that serve as contact points

Centers of Excellence
The Institute of the Japan Small Business Corporation. The Institute provides training programs to SMEs, SME consultants and prefectural government advisers. The courses offered cover programs on management, upgrading, engineering, electronics and communications.

The Entrepreneurship Development Program of the Department of Industrial Promotion, Thailand. The program targets existing and new entrepreneurs and persons with entrepreneurial potential. It provides investment opportunities research as well as training and follow-up service. The training program consists of five categories: successful entrepreneurship, business management, feasibility studies, business establishment and technical information.
for information on SME technical and entrepreneurship training, and sources of best on-line addresses providing information on local SMEs regarding their networking activities.

- SME/Human Resources Development Policies and Programs: These are current domestic and regional policies and programs related to SMEs and human resources development.

- SME/Human Resources Development Managerial Tools: This is a section where economies can post electronic SME managerial resources and information about non-electronic tools, including distance training materials for export development, export readiness assessment tools and managerial best practices.

- SME/Human Resources Development Best Practices: These are government programs that have demonstrated benefits for SMEs and serve as best practice models for APEC member economies.

- Non-Tariff Barriers: This is a section where SMEs can report non-tariff barriers and impediments they may encounter in any APEC economy, including those that are internal to member economies in the form of over-regulation. This can be monitored by the corresponding APEC-level policy and working groups.

- SME Credit Programs: This section should provide information about SME credit programs in each economy and the know-how for SMEs to be able to tap these programs more effectively.

- SME Electronic Match-Making. This facility will enhance and promote the match-making capabilities of the Asia Pacific Business Network and other business fora.

- Quality Management Practices. This section will contain information on the value of international quality management standards which SMEs may adopt to enhance their global competitiveness. In addition, this section will highlight best practices.

b. Partnership and collaboration approach to technology transfer
In order to improve their technical and managerial technologies, SMEs need access to practical applications in a time-efficient manner. Partnership and collaboration between large and small enterprises provide such a time-efficient approach to technology transfers. Pairing large and small companies encourages technical cooperation, secondment of administrative personnel in coaching roles, and sponsorship of smaller firms’ membership in trade and industry associations, thus benefiting SMEs. The Network should initiate and coordinate actions to promote policies that encourage such mentoring relationships between large business and SMEs. It should also initiate such projects within and across economies.
• Market access: Expansion of APEC-wide networking opportunities for SMEs

The lack of networking opportunities hamper the growth of SMEs, especially those in need of capital and a wider sales network, and for whom forming partnerships is critical to success. Face-to-face networking fora are valuable tools for facilitating business transactions of SMEs. The promotion of APEC-wide networking opportunities should enable SMEs to access regional markets through direct familiarization and contacts.

Networking opportunities bring other benefits such as promoting technology-sharing and exchanges among firms, production subcontracting and access to financing. The Network should facilitate and promote such opportunities.

SME Financing: Strengthening Credit Programs

Access to financing remains a major concern for SMEs across APEC. The problem has a supply and demand component. From the supply side, for example, exporters of goods and services face difficulties in obtaining loans against their export receivables due to banks’ perceptions of the risks entailed or their lack of experience in making such loans.

On the demand side, SMEs often lack the necessary knowledge to present their business case in a realistic and favorable light and are not able to meet requirements such as collateral.

APEC Business Networks

The APB-Net is an APEC forum for leaders of principal member economy and regional business organizations. It has the twin objective of providing a venue for exchange of views on how business and the private sector can be involved in the APEC process and, at the same time, promote business-to-business networking.

The first APB-Net congress was held in Bogor, Indonesia on August 23-25, 1994. On September 12-15, 1995, the Australian Chamber of Commerce organized the “APEC Business Opportunity for SMEs” conference in Adelaide, Australia as an interim event. This was followed by the APB-Net II which the Japanese business community organized on October 22-23 of the same year in Osaka, Japan.

On September 2-6, 1996, APB-Net III was held in Manila and Cebu, Republic of the Philippines, and hosted by the Philippine Chamber of Commerce and Industry. The congress was attended by 478 business people representing business organizations in the different APEC economies, and the Confederation of Asia-Pacific Chambers of Commerce and Industry. The discussions centered on six major areas: small and medium enterprises; human resources development; women in development; trade promotion/trade and investment data; telecommunications and information; and mobility of business people.
There is therefore a need for better information flows between providers of finance, SMEs and concerned government agencies to address this problem. In pursuit of this objective, we ask the Economic Leaders to:

- **Hold initial Roundtables in their respective economies to bring together all relevant government agencies, banks, venture capital and credit facilities, associations, and SME representatives to address the growth and export financing needs of SMEs, with the recommendations from the Roundtable reinforced by government policy.**

The Roundtable discussions would give rise to concrete actions such as a program to familiarize credit providers and concerned government officials with the financing needs of SMEs and with a more realistic appraisal of the risks associated with such lending. In addition, the Network could provide training for SMEs to enhance their ability to present a credible business case for financing.

**SME Statistical Indicators**

Policy measures geared towards promoting SME development need to be accompanied by vigorous implementation efforts. Assessing the success of these efforts depends on an ability to measure progress, which in turn requires baseline data. The collection and reporting of these data and the development of the statistical indicators are needed in 1997 for the purpose of identifying concrete targets for improvement. For this reason, we ask the Economic Leaders to:

- **Endorse the collection and reporting of data on SME statistical indicators by September 1997 to create a baseline from which targets for progress can be established.**

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Economic and Technical Cooperation

The issues at stake

APEC’s initiatives towards free and open trade and investment are significant building blocks in the development of an Asia-Pacific community. However, APEC cannot build such a community only on the basis of trade and investment.

Economic and technical cooperation is vital to the building of a sense of community within APEC. By establishing this as one of the two parts of the Osaka Action Agenda alongside trade and investment liberalization, the Economic Leaders have acknowledged that the development of APEC’s diverse economies cannot be met by trade and investment alone.

Flagship Recommendation:
Launch APEC’s new model of economic and technical cooperation based on strategic focus in line with the “essential elements” agreed to in the Osaka Action Agenda; partnership between government and business/private sector; and the establishment of an APEC Network for Economic and Technical Cooperation.

Recommendations

A new model for APEC economic and technical cooperation
ABAC believes that APEC requires a new model of economic and technical cooperation. The traditional model centered on government and was based on resource transfers between donor and recipient economies. While there is still a role for governmental development assistance in certain contexts, it is not consistent with APEC’s emphasis on voluntary cooperation and the central role of the business/private sector in the region’s dynamic growth. We recognize that economic and technical cooperation cannot be reduced to the workings of the market. Governments will continue to have a vital role in initiating and facilitating such cooperation. However, economic and technical cooperation within APEC must center on partnership between the government and the business/private sector and be based on voluntary cooperation towards shared objectives.

- Strategic focus
For APEC’s new model of economic and technical cooperation to move beyond good intentions towards implementation, efforts must be focused in a strategic way. The Osaka Action Agenda contains 13 specific areas for development cooperation: human resources development, industrial science and technology, small and medium enterprises, economic infrastructure, energy, transportation, telecommunications and information, tourism, trade and investment data, trade promotion, marine resource conservation, fisheries, and agricultural technology. There are over 200 activities proposed for consideration. This is laudable but they must be rendered manageable for effective implementation. Effective implementation requires focus, and focus requires prioritization.

We recommend that APEC focus on the following priority areas highlighted in the
1995 reports of the Eminent Persons Group and the Pacific Business Forum, as well as in this report:

- infrastructure development;
- small and medium enterprise development;
- human resources development; and
- technology cooperation.

The criteria for prioritizing activities and projects should be based on the “essential elements” for economic and technical cooperation in the Osaka Action Agenda.

**Essential elements for economic and technical cooperation in the Osaka Action Agenda**

According to these “essential elements”, APEC economic and technical cooperation should:

- support sustainable growth and equitable development in the Asia-Pacific region;
- facilitate the growth of regional trade and investment;
- be based on voluntary contributions by the APEC economies commensurate with their capabilities;
- produce broadly shared benefits;
- complement and draw strength from business/private sector initiative;
- involve wherever possible other pertinent institutions; and
- integrate environmental considerations.

To provide much needed impetus for APEC economic and technical cooperation, we further recommend that APEC in its initial initiatives focus on highly visible results that are achievable in the short term.

- Partnership between government and business/private sector
  Partnership between the government and the business/private sector requires a framework which facilitates mutual benefit and assistance towards shared objectives. Such a framework should enable the government to draw on the resources and expertise of the business/private sector. Such a framework should also provide tangible benefits to business/private sector participants. Mutual benefit is the only basis for sustaining partnership.

We believe that there is much to learn from these member economy experiences. The challenge for APEC is to draw from these experiences of individual economies to develop a regional framework for government-business/private sector partnerships in economic and technical cooperation.

- The APEC Network for Economic and Technical Cooperation
  APEC economic and technical cooperation requires a framework which facilitates government and business/private sector collaboration on a regional basis. Since all APEC projects are voluntary, this framework should be in the form of a network which promotes linkages between APEC governments and business/private sector
Promoting business/private sector participation in economic and technical cooperation

There are already many examples in various economies of successful public-private sector partnerships in education, human resources development, the development of small and medium enterprises, and technology sharing. Typically, the participating business/private sector organization is motivated by one or a combination of the following considerations:

- high-level government contacts;
- recognition by government as a good corporate citizen;
- goodwill earned by contributing to the well-being of people in an important target market;
- economic benefits — directly, in the form of tax concessions and the like, and indirectly, such as access to trained employees (through scholarship and human resources development programs) or better quality suppliers and sub-contractors (through SME support programs); and
- joint venture opportunities with governments.

We recommend that the Economic Leaders agree on the establishment of the APEC Network for Economic and Technical Cooperation with the following objectives:

- learning from the experience of successful public-private sector partnerships in economic and technical cooperation within the region and elsewhere;
- the active identification of opportunities for collaborative partnerships on a regional basis in accordance with APEC’s priorities in economic and technical cooperation; and

In line with the Osaka Action Agenda, this network should be organized along the following lines:

- Membership should be made up of government and business/private sector organizations throughout APEC.
- Financing of the Network’s maintenance and development should be through government and business/private sector contributions on a voluntary basis.
• Management should be entrusted to a board of directors made up of both government and business/private sector representatives.

The development of such a network requires active consultation between governments, business/private sector organizations, and academic institutions within APEC. To ensure effective follow-up, we recommend that the APEC Economic Leaders assign to an appropriate APEC body the responsibility of working closely with these three sectors to develop the APEC Network for Economic and Technical Cooperation.

The Commonwealth Partnership for Technology Management Ltd

The Commonwealth Partnership for Technology Management Ltd (CPTM) provides a useful example of economic and technical cooperation based on government-business/private sector partnerships. CPTM is structured as a non-profit company, limited by guarantee and without shareholding. Its present membership consists of 53 governments, a growing number of leading public and private sector corporations and about 500 senior professionals in their private capacity, called “networkers.” All categories of members are represented on the Board of Directors of the company. CPTM functions as a network which acts as catalyst and a clearing house for cooperative efforts among member governments, the business/private sector members, and the growing body of CPTM Networkers — senior professional managers in everything from basic research, technology integration and environmental management, to macroeconomic planning, venture capital and marketing. Since 1989, more than 300 projects have been undertaken by CPTM Ltd and its predecessor organizations.
Deepening the Spirit of Community within APEC

The challenge

One of the great ironies of our times is that intensifying economic relations is often accompanied by increasing discord. Conflict between APEC’s largest economies within the context of growing interdependence testifies to this. We believe that lasting economic cooperation cannot be taken for granted but must be built on the basis of a deepening spirit of community within the APEC region.

For APEC, which encompasses a region of immense cultural, social and economic diversity, this is a challenge. We believe that we must build on what we have in common: a vision articulated by the APEC leaders at their various summits. It is a vision of a community of Asia-Pacific economies, sharing a common interest and a common purpose in removing barriers to business, and in fostering economic and technical cooperation between them, for the benefit of all. We recognize that such a community is still in the making. Nevertheless, we take comfort in the fact that the very existence of APEC and the bold initiatives which APEC leaders have already taken in Blake Island, Bogor and Osaka reflect the conviction that a sense of community across APEC’s vast diversity is not only desirable but possible.

We believe that all the initiatives recommended in this report will contribute to the prosperity of the APEC region. In so doing, they provide the foundations for a sense of community within APEC. However, for this sense of community to be a reality, APEC must not only be relevant but must be seen to be relevant by the communities it aims to serve. We believe that there are three related challenges: broadening business participation, facilitating greater appreciation of the region’s cultural and social diversity, and promoting greater understanding of APEC.

- Broadening Business Participation
  Government participation in shaping the economic environment within the APEC region is already broadly based, involving Economic Leaders, Ministers, and officials at different levels. Business participation should be similarly expanded to include a broader cross-section of the business community. Special attention should be paid to involving the next generation of business leaders who are not yet, but will be, at the forefront of their respective business communities.

- Dialogue on Cultural and Social Issues
  There is a need within APEC for increased awareness of the cultural and social diversity within the region because, increasingly, economic issues are inextricably linked with cultural and social issues. Divergent views on competition policy and labor issues, for example, cannot be properly understood without reference to differences in the cultural and social context. Appreciation of APEC’s cultural and social diversity requires an awareness not only of what we have in common, but also of what divides us.

Cultural and social awareness requires dialogue. Meaningful dialogue in turn requires fora which enable the
discussion of “sensitive” issues in a non-divisive way. One way of achieving this is to encourage dialogue among younger business leaders who are less inhibited and encumbered by the burdens of high office. These younger business leaders should meet in their personal capacities and not as representatives of their respective economies.

• Promoting greater understanding of APEC

Greater understanding of APEC must be two-fold. First, awareness of the APEC vision, its initiatives and programs. Second, awareness of the diverse business conditions and practices within the APEC region. Education at both school and tertiary level can lend powerful support to promoting this broader awareness. The media should also be included in APEC’s outreach initiative, because it plays a central role in shaping awareness of APEC.

Future directions

During our initial months of activity, we have focused on clarifying for our Economic Leaders key priorities, from a business perspective, that can accelerate the development of our region. Now, as we move forward, we will develop closer consultative linkages with established APEC fora to help frame on-going business advice to the Economic Leaders. We plan to organize in a manner that will facilitate this activity.

ABAC’s agenda is an evolving one. It will be shaped by the requirements of our Economic Leaders and by changes in the regional as well as global business environment. Looking ahead, we have set for ourselves the following tasks:

First, we will review the APEC member economies’ individual, collective and multilateral action plans in the context of the Osaka Action Agenda and provide advice from the business perspective on how these can be best implemented and further enhanced.

Second, we will monitor the implementation of key action plans and measures adopted by the Economic Leaders in their Subic meeting. We will examine the obstacles to their timely implementation and suggest ways to resolve these problems.

Third, we stand ready to respond to the requests of various APEC fora for information about business-related issues or the business perspective on specific areas of cooperation.

Fourth, we will strengthen our role as the voice of the region’s business sector in APEC and as the advocate for APEC among our business constituencies. To this end, we will engage in consultations with business/private sector organizations at both the national and regional levels, as well as with outstanding business individuals in the region, with regard to our agenda for 1997.

Fifth, we will provide advice to APEC on other specific business/private sector
priorities. We will continue addressing key issues in the areas that form the focus of our report: small and medium enterprises and human resources development, finance and investment, cross-border flows, economic and technical cooperation, and infrastructure. In addition, we will also consider specific issues that have been proposed by various APEC economies for ABAC to deal with2.

In future years, we will continue identifying practical, results-oriented measures that will demonstrate that “APEC means business,” and spread the benefits of free and open trade and investment and economic and technical cooperation throughout our regional community. We will anticipate and address new issues as they arise from the region’s dynamic business environment, and continue responding to APEC’s need for information and advice. ABAC considers this report a significant reference point for its work in the years ahead.

2 Some of these specific issues are in Appendix 5.
Appendix 1

The APEC Business Advisory Council: Origins and Structure

The origins of ABAC

Responding to the business community’s call for a business/private sector body to advise the Economic Leaders, the APEC Ministers established the APEC Business Advisory Council (ABAC) in November 1995. The forerunner of ABAC, the Pacific Business Forum (PBF), first recommended the establishment of a permanent APEC Business Advisory Forum in 1994 to: act as an independent voice of the business community with direct input to Economic Leaders; review progress with regional trade and investment liberalization; and recommend future work to improve the business environment in the region.

In its 1995 report, the PBF reiterated its recommendation for a permanent advisory group, this time to be called the APEC Business Council (ABC). It was proposed that the ABC be composed of members from each APEC member economy. The ABC was to provide APEC officials “timely and sound inputs from the business community on how best to create a user-friendly business environment in the Asia-Pacific region.”

ABAC was established during the APEC meetings in Osaka. Recognizing “that business is the source of vitality for the Asia-Pacific and the driving force for regional economic development,” the APEC leaders committed to appoint the members of the APEC Business Advisory Council to provide insights and counsel for our APEC activities.” The APEC ministers agreed on a set of guidelines on the structure, funding and activities of the ABAC with a view to its early inauguration.

They noted that the guidelines would be reviewed the following year.

The Guidelines on the APEC Business Advisory Council

The guidelines on ABAC, attached in an annex to the Joint Statement of the APEC Ministerial Meeting in Osaka, contain the following:

Functions: ABAC will have two main functions: “to provide advice on the implementation of the Action Agenda and on other specific business sector priorities” and “to respond when various APEC fora request information about business-related issues or the business perspective on specific areas of cooperation.”

Structure: Each APEC economy will appoint at most three representatives to ABAC from the business/private sector. These representatives are to reflect the interests of a broad spectrum of the sector and should include representatives of small and medium enterprises. ABAC is to find ways of engaging other regional business and private sector organizations in APEC activities. It is tasked with determining the structure and function of the ABAC Secretariat.

Funding: ABAC should find sources of funding outside the APEC Central Fund. In its initial year, however, ABAC may ask for assistance from the Central Fund to cover expenses.

Activities: ABAC is asked to provide reports to the leaders, as well as to the ministers through the Senior Officials’ Meetings.
ABAC in 1996: organization and funding

ABAC members were appointed by each APEC Economic Leader in the Spring of 1996. The Council has held three plenary meetings since then to agree on organizational issues and work on its report to the APEC Economic Leaders. These meetings were held in Manila (June 15-16); Honolulu (August 17-18); and Hong Kong (September 28-29).

At the first plenary meeting in Manila, ABAC agreed that the Council’s leadership would be entrusted to a Chair drawn from the host economy in any one year and two Co-Chairs drawn from the immediate past and future hosts of APEC. To facilitate its work for the 1996 report, ABAC formed five committees, headed by committee chairs. These committees corresponded to five core areas identified by ABAC for its work in 1996: investment and finance, infrastructure, cross-border flows, small and medium enterprises and human resources development, and economic technical cooperation.

The Institute for International and Strategic Studies of the Philippines-based Center for Research and Communication was provisionally designated as the ABAC Secretariat. Its role included guiding the development of the ABAC report and coordination between ABAC and other APEC fora. The APEC Secretariat in Singapore assisted the ABAC Secretariat during its first year in the areas of communications, public affairs and the publication of the report. The Institute of Policy Studies in Singapore provided valuable advice to ABAC and its Secretariat during its organizational meeting.

Funding for the Secretariat in 1996 was provided by the APEC Foundation of the Philippines — a Foundation established in Manila to fund APEC activities for 1996 and supported by the Philippines’ private sector — with some counterpart support from the Center for Research and Communication Foundation. The APEC Central Fund provided additional financial assistance for communications, publications and APEC Secretariat support for ABAC activities.

ABAC has agreed that, beginning in 1997, members will be responsible for funding the ABAC Secretariat. ABAC members will continue to bear the costs of their travel and expenses. ABAC members hosting each ABAC meeting will cover meeting expenses.

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3 The PBF was formed by APEC Leaders at their meeting on Blake Island in November 1993 as an ad hoc group of business leaders from APEC member economies tasked with identifying issues that APEC should address “to facilitate regional trade and investment and encourage the further development of business networks throughout the region.” The PBF met through 1994 and 1995, producing a report for Economic Leaders in each of those years with substantive recommendations reflecting business priorities for APEC’s future work. (APEC Leaders Economic Vision Statement, Blake Island, November 20, 1993).


## Timelines

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Appendix 3

List of Recommendations

Cross-Border Flows

APEC Business Visa and APEC Business Immigration Lanes. ABAC recommends that the Economic Leaders endorse the introduction in 1996 of an APEC Business Visa designed to facilitate business-related travel and APEC Business Immigration Lanes in ports of entry. These will have the following features:

• The APEC Business Visa should have a minimum validity of five years and allow multiple entries of up to 60 days per entry.

• Expedited immigration processing for APEC Business Visa holders will be introduced at major ports of entry.

ABAC also recommends that the Economic Leaders endorse the improvement of the parameters for the issuance and extension of business residency visas between 1997 and 1999. Applications for new business residency permits should be processed within one month, and extensions of business residency visas within one week, with automatic renewal for a period of up to three years.

APEC Central Registry for Trademarks and Patents. ABAC asks the Economic Leaders to endorse the establishment of an APEC Central Registry for Trademarks and Patents. Additionally, ABAC recommends that the Economic Leaders endorse the following:

• APEC should establish a program of comprehensive cooperation on intellectual property rights, which includes (a) regular exchanges of information on border enforcement and on internal measures to combat the sale and distribution of violative material; (b) identification of member economies’ resource needs to fully implement the Uruguay Round Agreement on Trade-Related Intellectual Property Rights or equivalent obligations; and (c) the provision of technical assistance and training where necessary.

• APEC economies should implement the Uruguay Round Agreement on Trade-Related Intellectual Property Rights by 2000, accompanied by credible enforcement and the conduct of public education and awareness campaigns.

Common professional standards for business-related service providers. ABAC calls on the Economic Leaders to endorse the establishment by 1997 of a set of common professional standards for APEC-wide recognition, to be developed by appropriate professional accreditation bodies, and supported by any needed legislative measures. Towards this end, the Economic Leaders should identify in 1997 a set of common standards for business-related professional services that can attain immediate APEC-wide recognition.

Adherence to 100% implementation of the Bogor liberalization goals. ABAC asks the Economic Leaders to reaffirm the spirit of the Bogor liberalization goals by fully implementing free and open trade
and investment no later than 2010/2020, with each APEC economy voluntarily undertaking efforts to accelerate the process as rapidly as its structural conditions would allow.

Customs harmonization. ABAC recommends that the Economic Leaders endorse the complete implementation of all customs facilitation, harmonization and standardization measures by 2000, and establish the following intermediate milestones:

• Adherence to the Harmonized System and the World Trade Organization Customs Valuation Agreement by the end of 1997.

• Standardization and simplification of customs documents and procedures by 1997.

• Full implementation of an APEC-wide electronic customs processing system by 2000.

• Provision of technical training to economies that require assistance, ensuring that adequate resources are devoted to such programs.

Standards and conformance. ABAC calls on the Economic Leaders to endorse the alignment of each member economy’s standards in priority sectors with international standards, the adoption of mutual recognition agreements in priority areas by 1998 and the establishment of an internationally recognized Testing Authority.

Promoting subregional growth areas. ABAC asks the Economic Leaders to encourage the development of subregional growth areas among APEC member economies.

Finance and investment

APEC Voluntary Investment Projects (AVIP). ABAC recommends that the Economic Leaders establish APEC Voluntary Investment Projects (AVIP), under which economies can voluntarily apply a specific set of principles for enhanced investment protection to selected projects above and beyond the protection provided for in the Non-Binding Investment Principles. The following are the elements of this proposal:

• APEC should establish voluntary investment principles that can be applied by host economies on a case-by-case basis to specific projects they believe will benefit from investment protection.

• In a manner consistent with their domestic laws, World Trade Organization obligations and the principle of open regionalism, governments could declare particular projects or categories of projects as subject to these investment principles.

• An ABAC task force will consult with rating agencies, multilateral development banks and global financial institutions to specify: (a) a list of investment principles to be included, and (b) other matters related to
implementation. By November 1997, APEC economies should be able to identify initial AVIPs as demonstration projects, which should be reviewed in November 1998.

**Improving the policy environment for cross-border investment flows.** ABAC recommends that APEC economies consider the following to improve the general policy environment for cross-border investment flows:

- APEC should reinforce the Non-Binding Investment Principles by clarifying principles referring to transparency, non-discrimination, investment incentives, performance requirements, and removal of barriers to capital exports.

- APEC economies should endeavor to commit to either the immediate implementation, or a timetable for implementation, of the Non-Binding Investment Principles as part of their economies’ investment regimes, and to make a declaration to that effect during the Economic Leaders’ meeting in Subic.

- APEC economies should conduct a self-assessment of their progress towards implementing the Non-Binding Investment Principles and report on the results of this assessment at least three months prior to the 1997 APEC meeting in Canada.

- The Economic Leaders should endorse a standstill date for investment measures.

- APEC economies should accelerate the implementation of their commitments under the General Agreement on Trade in Services and the Agreement on Trade-Related Investment Measures, with due allowance for the conditions of development and preparedness of their individual economies.

- APEC economies should establish “one-stop” investment agencies based on existing regional best practices to facilitate foreign investment.

- APEC should develop a set of specific principles constituting a multilateral understanding on the elimination of double taxation and removal of other tax barriers to cross-border trade and investment.

- APEC economies should limit the use of unilateral sanctions in connection with trade disputes and renounce the imposition of unilateral sanctions by an APEC member economy against any other member economy for non-trade purposes.

- The APEC Committee on Trade and Investment should update and augment the Guide to Investment Regimes of the APEC Member Economies on an annual basis and develop a data base and an information retrieval system harnessing electronic networks for this publication.

**An Investors’ Charter.** ABAC calls on private investors to act as good corporate citizens of their host economies by observing the laws and rules of their host economies, cooperating with and
contributing to their host society, promoting the expansion of employment and the development of human resources, and protecting the environment.

**Infrastructure**

**Joint Public-Private Sector Infrastructure Roundtables.** ABAC proposes that each APEC economy wishing to attract foreign investment in infrastructure organize a Joint Infrastructure Roundtable in 1997 to identify and recommend corrections to remove impediments to business/private sector involvement in developing new infrastructure, disseminate regional best practices, and establish productive linkages between entities from both sectors that are able to meet particular infrastructure needs.

**Developing guidelines for facilitating business/private sector participation in infrastructure development.** ABAC proposes that the development of a set of transparent guidelines for governments to facilitate business/private sector participation and enhance risk mitigation measures in infrastructure development projects be one of the agenda items in the Roundtable. On its part, ABAC proposes the following guidelines for consideration:

Investor economies should undertake the following actions:

- Intensify coordination between APEC economies and between export credit agencies of each economy to help finance infrastructure projects. Member economies should consider ways to promote coordination of their export and investment insurance policies.
- Cooperate with multilateral institutions to further enhance risk mitigation.
- Provide export and investment insurance adapted from successfully executed models used by Japan’s Ministry of International Trade and Industry and the United States’ Overseas Private Investment Corporation as the basis for a carefully structured insurance system.

Host governments should do the following:

- Maintain a stable policy and macroeconomic environment and guarantee foreign exchange convertibility.
- Ensure that the project is in accordance with clearly defined domestic development plans and programs that enjoy strong administrative and political support and are underpinned by the principle of sustainable development.
- Ensure maximum flexibility in the use of public sector funds and coordination with private sector funding.
- Promote a competition-driven environment for private sector infrastructure projects and open and non-discriminatory access to infrastructure.
- Secure appropriate and responsible risk allocation between the host government and private enterprises.
- Establish and harmonize domestic laws and regulations regarding private
infrastructure projects to guarantee currency conversion, policy consistency in setting basic terms and conditions, and fulfillment of government obligations by pertinent authorities at all levels.

- Establish clear policies and well-defined means of coordination between government agencies.
- Expedite procedures for approving privately financed infrastructure projects.
- Promote business participation in APEC Voluntary Investment Projects as models for private sector participation in infrastructure projects.

Multilateral agencies should play the following roles:

- Provide technical and legal assistance to governments in developing fair and competitive bidding procedures.
- Review contracts for fairness and transparency both for the host economy and the project sponsor.
- Provide mediation services and identify mutually satisfactory solutions to help resolve issues between host governments and investors that could lead to disputes.

Areas where the business/private sector could invest. ABAC recommends that the Roundtables consider the following areas and possibilities for promoting private sector participation in infrastructure development:

- **Water, sewerage and environment.** Governments must find ways to fund the balance when the full charge cannot be passed on to the consumers.

- **Public housing.** Governments could provide tax credits to private developers of low-cost housing; allocate land for community and public housing uses by grant, at zero or nominal rent; provide financial assistance for rentals to families on a monthly basis, to be reduced over time, or long-term low interest loans to promote home ownership.

- **Energy, power, pipelines, transmission, media and telecommunications.** Governments can lock in long-term (typically 30 years) pre-agreed rates with the developer and, in the case of electricity generation and telecommunications, coordinate projects with the development of a rational, cross-border transmission network to meet demand.

- **Transportation, roads and mass transport.** Governments can attract private investors to these sectors by (a) acquiring the right of way and clearing land for developers (which require strong public domain laws); (b) offering non-discriminatory tax holidays; (c) granting additional land to developers at or below market price as an additional source of repayment for the project; (d) providing grants or low-interest long-term loans to projects; or (e) offering minimum traffic guarantees or shadow toll rate structures.
Small and medium enterprises and human resources development

The APEC Network for SMEs. ABAC calls on the Economic Leaders to endorse the establishment by September 1997 of an APEC Network for SMEs, to function as a network of networks in each economy, linked electronically at the regional level through the APEC Center for Technology Exchange and Training for Small and Medium Enterprises (ACTETSME), with the purpose of pursuing action programs and promoting policy initiatives in areas that are crucial to the development of SMEs at the domestic and regional levels. It shall pursue an initial action program that focuses on four key areas: human resources development, access to technology and information, access to credit and capital, and access to market opportunities. ABAC also asks the Economic Leaders to direct appropriate government agencies to undertake actions in support of the program. The following are the elements that ABAC proposes for the initial action program:

• Promotion of skills training. The Network should initiate and coordinate actions that will lead to the accelerated exchange and development of skills and standards to support skills training within and across APEC economies.

• Virtual SME University Project. The Network should use the existing network of ACTETSME to develop an APEC-wide Virtual SME University. This virtual university, employing distance learning technology and the actual exchange of students and trainers, can deliver both pedagogic and/or actual training on technical and management skills to SMEs. This system can harness the centers of excellence on SME sector-specific technical skills and management training both in and outside APEC, facilitating the linking of supply and demand for training within the region. This virtual SME university should also address the training concerns of young entrepreneurs and women.

• The SME Page. The Network should create an SME Page as part of the ACTETSME Home Page that can be “hot-linked” to domestic entry points. This SME Page will be used by the Network to tap, link and coordinate information network sources presently existing in APEC to harness information technology. It should provide SMEs information on human resources development focal points in each economy, policies and programs, managerial tools, best practices, non-tariff barriers, credit programs, quality management practices and standards, and electronic partnering opportunities for SMEs.

• Partnership and collaboration approach to technology transfer. Pairings of large companies with small companies using this approach can benefit SMEs through technical cooperation, secondment of administrative personnel in coaching roles and sponsorship of SMEs’ membership in trade and industry associations. The Network should
initiate and coordinate actions to promote policies that encourage such mentoring relationships between large business and SMEs. It should also initiate such projects within and across economies.

- **Expansion of APEC-wide networking opportunities for SMEs.** The Network should facilitate and promote networking fora among SMEs in the region.

**SME financing.** ABAC recommends that the Economic Leaders hold initial Roundtables in their respective economies to bring together all relevant government agencies, banks, venture capital and credit facilities, associations and SME representatives to address the growth and export financing needs of SMEs, with the recommendations from the Roundtables reinforced by government policy.

**SME statistical indicators.** ABAC recommends that the Economic Leaders endorse the collection and reporting of data on SME statistical indicators by September 1997 to create a baseline from which targets for progress can be established.

**Economic and technical cooperation**

**A new model of economic and technical cooperation.** ABAC recommends that the Economic Leaders launch a new model of economic and technical cooperation based on the following elements:

- **Strategic focus in line with the “essential elements” agreed to in the Osaka Action Agenda.** APEC should focus on the following four priority areas: infrastructure, small and medium enterprise development, human resources development and technology cooperation. ABAC recommends that APEC should identify initial initiatives where highly-visible results are achievable in the short term.

- **Partnership between government and the business/private sector.** ABAC recommends that APEC develop a regional framework for public-private sector partnership in economic and technical cooperation based on successful examples in individual economies. This requires a framework that attracts the business/private sector to provide resources and expertise through incentives that confer tangible benefits to business/private sector participants.

- **The APEC Network for Economic and Technical Cooperation.** ABAC recommends that the Economic Leaders agree on the establishment of the APEC Network for Economic and Technical Cooperation. This network should draw its members from government and business/private sector organizations throughout APEC. It should be managed by a board of directors from both sectors. It should finance itself through voluntary contributions from governments and the business/private sector. The Economic Leaders should assign an appropriate APEC body to work closely with governments, the business/private sector and academe to develop the network.
Appendix 4

The APEC Non-Binding Investment Principles
Jakarta, November 1994

In the spirit of APEC’s underlying approach of open regionalism,

Recognising the importance of investment to economic development, the stimulation of growth, the creation of jobs and the flow of technology in the Asia-Pacific region,

Emphasising the importance of promoting domestic environments that are conducive to attracting foreign investment, such as stable growth with low inflation, adequate infrastructure, adequately developed human resources, and protection of intellectual property rights,

Reflecting that most APEC economies are both sources and recipients of foreign investment,

Aiming to increase investment, including investment in small and medium enterprises, and to develop supporting industries,

Acknowledging the diversity in the level and pace of development of member economies as may be reflected in their investment regimes, and committed to ongoing efforts towards the improvement and further liberalisation of their investment regimes,

Without prejudice to applicable bilateral and multilateral treaties and other international instruments,

Recognising the importance of fully implementing the Uruguay Round TRIMs Agreement,

APEC members aspire to the following non-binding principles:

• Transparency
  Member economies will make all laws, regulations, administrative guidelines and policies pertaining to investment in their economies publicly available in a prompt, transparent and readily accessible manner.

• Non-discrimination between Source Economies
  Member economies will extend to investors from any economy treatment in relation to the establishment, expansion and operation of their investments that is no less favourable than that accorded to investors from any other economy in like situations, without prejudice to relevant international obligations and principles.

• National Treatment
  With exceptions as provided for in domestic laws, regulations and policies, member economies will accord to foreign investors in relation to the establishment, expansion, operation and protection of their investments, treatment no less favourable than that accorded in like situations to domestic investors.

• Investment Incentives
  Member economies will not relax health, safety, and environmental regulations as an incentive to encourage foreign investment.

• Performance Requirements
  Member economies will minimise the use of performance requirements that distort or limit expansion of trade and investment.
• **Expropriation and Compensation**
Member economies will not expropriate foreign investments or take measures that have a similar effect, except for a public purpose and on a non-discriminatory basis, in accordance with the laws of each economy and principles of international law and against the prompt payment of adequate and effective compensation.

• **Repatriation and Convertibility**
Member economies will further liberalise towards the goal of the free and prompt transfer of funds related to foreign investment, such as profits, dividends, royalties, loan payments and liquidations, in freely convertible currency.

• **Settlement of Disputes**
Member economies accept that disputes arising in connection with a foreign investment will be settled promptly through consultations and negotiations between the parties to the dispute or, failing this, through procedures for arbitration in accordance with members’ international commitments or through other arbitration procedures acceptable to both parties.

• **Entry and Sojourn of Personnel**
Member economies will permit the temporary entry and sojourn of key foreign technical and managerial personnel for the purpose of engaging in activities connected with foreign investment, subject to relevant laws and regulations.

• **Avoidance of Double Taxation**
Member economies will endeavour to avoid double taxation related to foreign investment.

• **Investor Behaviour**
Acceptance of foreign investment is facilitated when foreign investors abide by the host economy’s laws, regulations, administrative guidelines and policies, just as domestic investors should.

• **Removal of Barriers to Capital Exports**
Member economies accept that regulatory and institutional barriers to the outflow of investment will be minimised.
Issues for Possible Future Consideration

Various economies have proposed the following issues for ABAC’s consideration in the years ahead:

• **Capital markets**
  We should examine the extent to which the region’s capital markets meet the needs of companies doing business in the region. A study could identify institutional and regulatory obstacles faced by companies in meeting their financial needs. The further development of regional bond markets and over-the-counter equity markets could be areas of particular relevance. We should also examine how the role of credit rating agencies in the region might be enhanced. The role of corporate governance in developing transport and liquid capital markets should also be considered. Additionally, the development and role of pension funds should be examined.

• **Tariffs on information technology products**
  The evolving global information infrastructure provides the benefits of advanced information technology, including significant advances in realizing social, economic, and political goals. In this context, improved access to information technology products for individuals, business, governments and other institutions is becoming increasingly vital to rapid deployment and use of these products. Tariffs on such products increase costs for consumers and business institutions and delay purchasing decisions. Consequently, this leads to lower productivity, declining competitiveness, and potential widening of the performance gap between developed and developing economies. We wish to examine the possibility of an APEC agreement to eliminate tariffs on these products as a step that the economies of the region can take to prevent such widening disparities.

• **Anti-dumping rules**
  Anti-dumping rules, originally developed to defend domestic business sectors from predatory action by foreign companies seeking to reduce competition, can be misused as protectionist devices to substitute for tariff barriers reduced or removed in line with trade liberalization commitments. We will consider development of principles to govern their application of anti-dumping rules, in particular the streamlining of appeal procedures.

• **Electronic commerce**
  With increased use of the Internet for the promotion and conduct of business, there is a need for harmonization related to such issues as security, intellectual property, technical standards and electronic data interchange.

• **Harmonization of standards**
  The difference between certain economies’ standards and internationally accepted standards often poses obstacles to cross-border flow of goods. The harmonization issue, covering aspects ranging from standards, regulatory control, and certification to labeling, is one of the top concerns of transnational business people.
• **Mass transit and energy**
  The recommendations of the Infrastructure Committee are of a general nature, intended to cover the overall issue of infrastructure. The Roundtables and guidelines are meant to facilitate infusion of private capital and mitigate risks in infrastructure projects. Infrastructure is indeed a critical issue to sustain growth in the APEC region. Focus should be set on areas which are in great need of improvement, such as mass transit and energy or, more specifically, power generation.

• **Strengthening the Non-Binding Investment Principles**
  We suggest the immediate implementation and the reinforcement of the APEC Non-Binding Investment Principles, building upon this year’s recommendations and further strengthening them. In order for ABAC to go beyond what we have proposed this year and be more specific next year, we should conduct specific case studies of each economy. These specific case studies will enable us to identify challenges and business needs in this area, and come up with recommendations that could further improve the Non-Binding Investment Principles.

• **Sectoral approach to liberalization**
  Immediate liberalization can be undertaken using the sectoral approach with a balanced package of sectors of interest to APEC economies. APEC economies can subsequently follow this up with an across-the-board approach, moving closer towards achieving the Bogor goals.

• **Continuing emphasis on SME/HRD issues**
  The progress towards a liberalized trade and investment environment will necessitate a continuing emphasis on SME/HRD issues in order that they benefit and contribute to the whole process.
Biographies of Members of the APEC Business Advisory Council (ABAC)

AUSTRALIA

Imelda Roche, A.O. is Co-Chairman of Nutri-Metics International Holdings Pty Ltd, an Australian skin care company spanning 20 countries. She serves on a number of government and community boards including the Trade Policy Advisory Council (TPAC); Australian International Education Foundation Council, Business/Higher Education Round Table and Bond University Council. She served as Chairman of the World Federation of Direct Selling Associations between 1993-1996. In recognition of her contribution to business and commerce, women’s affairs and the community, Mrs Roche was appointed an Officer in the General Division of the Order of Australia (AO) in the 1995 Australia Day Honours List.

Michael Jenkins Crouch, A.M. is Chairman and CEO of Zip Industries (Aust) Pty Ltd, an all Australian company which manufactures filtered drinking water equipment in Australia and South Africa with an operating subsidiary in the United Kingdom. Mr Crouch is a member of the Australian Government Trade Policy Advisory Council and the Australian Pacific Economic Cooperation Council. Awarded membership of the Order of Australia in 1988, for Services to the Community and Conservation, Mr Crouch serves on the boards of a number of companies and charitable organizations. Married with three children, he lives at Point Piper and Scone, NSW.

Malcolm Kinnaird, A.O. is Executive Chairman of Kinhill Engineers Pty Ltd, an Australian company employing approximately 1,500 staff and maintaining over thirty offices in Australia, Asia and the Pacific. Mr Kinnaird is Co-Chairman of the Singapore Australia Business Alliance Forum (SABAF). Awarded membership of the Order of Australia in 1991 for service to engineering and the community. Mr Kinnaird has served on the boards of a number of companies and charitable organizations. Married with four children, he lives in Adelaide, South Australia.

BRUNEI DARUSSALAM

Timothy Ong Teck Mong, S.M.B. is Managing Director of National Insurance Company Berhad of Brunei Darussalam and a director of many other Brunei business interests. Mr Ong was Chairman of the Brunei Darussalam International Chamber of Commerce and Industry in 1985 and 1986 and remains an advisor to the Chamber. He serves on a number of government appointed committees including the Council for Industrial Development and Trade chaired by the Minister of Industry and Primary Resources. Mr Ong was Brunei’s representative to the APEC Eminent Persons Group.

Haji Hamdillah H. A. Wahab, S.N.B., BLNG General Manager is a member of management of Brunei Shell Group of Companies and Director of Brunei Shell Funds Sdn Bhd. He is a member of Government Municipal Board, National Environment Committee, HR Committee and Industrial Development and Trade Council. He has been a Government Advisor to Ketua Kampong of Lumut Village under the Ministry of Home Affairs (since
1994), a Governor of St Margaret School Board (since 1995), and Brunei PBF member (in 1994-1995). He was awarded the honorary title “Most Blessed Order of Setia Negara Brunei” (SNB) by His Majesty The Sultan of Brunei in 1994.

H. Idris B. H. Abas, S.M.B. is the founder and principal of Arkitek Idris, the first ISO 9001 accredited firm in Brunei Darussalam for Architectural, Planning and Interior Design Services. Besides holding directorships and partnerships of other business interests, he also holds numerous official positions: Council member of Universiti Brunei Darussalam; Municipal Board (Bandar Seri Begawan); PUJA (B); Chairman of the Architectural Sub-Committee; Deputy Chairman of National Accreditation Committee; Malay Chambers of Commerce & Industry; and Acting President of National Chambers of Industry; and Chairman of numerous business councils.

**CANADA**

Dorothy Riddle, CMC is President and CEO of Service-Growth Consultants Inc., an international management consulting firm. She is the founding Chair of the Service Exporters’ Committee of the Canadian Exporters’ Association, has chaired the Working Group on Exporter Competitiveness of the Canadian Government’s International Trade Advisory Committee, and serves on Canada’s National Sector Team for Business and Educational Services. Dr Riddle is also a member of Statistics Canada’s Advisory Committee on Services Statistics, and the Chair of the ISO 9000 Standing Committee of the Institute of Certified Management Consultants of Canada.

Terry Hui is President and CEO of Concord Pacific Developments Corp., the company developing North America’s largest master-planned community and Canada’s first fibre optic neighbourhood on the 204 acre former Expo 86 site in downtown Vancouver. Mr Hui is also President of Grand Adex, the Vancouver-based residential development firm, and MultiActive Technologies Group, a new media company developing content for the on-line environment. He also owns Maximizer Technologies, a contact management software company. Mr Hui holds a number of directorships, including Husky Oil, Oxford Properties, Pacific Place Cable and Communications, B.C.’s Children’s Hospital Foundation and The United Way.

Timothy Reid is President of the Canadian Chamber of Commerce, Canada’s largest and most representative national business association. He is also the business Co-chair of the Board of Directors of the Canadian Labour Market and Productivity Centre. Mr Reid served as Chair of the Steering Committee, Forum for International Trade Training, (Canada) Chair of the Working Party on Regional Economic Development of the OECD, and he was a Commissioner of the Canadian Government’s International Trade Advisory Committee.

**CHILE**

Roberto de Andraca is Chairman of the Board of CAP S.A. Mr Andraca is also
Chairman of the Chilean Chapter of the Chile-Japan Business Cooperation Committee, Chairman of the Board of Invercap S.A., Chairman of FUNDES Chile, and a member of the World Business Council for Sustainable Development.

Mario Andrade De Amesti is General Manager of Daewoo Electronics Chile S.A. He is also a member of the board of several Chilean corporations. Prior to his current appointment at Daewoo, Mr Andrade had served in many senior positions in the private sector, including as Managing Director of VTR Telecommunicaciones S.A. and General Manager and Executive Director of Megavision (Channel 9). Mr Andrade is the Chairman of PPEC-Chile and a member of the Board of S.F.F. (Chile).

Félix Bacigalupo Vicuña is Director and Partner of Inversiones Pathfinder Chile S.A. He is also on the Board of several companies related to the Pathfinder Group. Prior to his involvement in the Pathfinder Group 11 years ago, he worked for the Central Bank of Chile as Director of the Research Department.

PERSON’S REPUBLIC OF CHINA

Yao Jinrong is Executive Director and Group Vice-President of China International Trust and Investment Corporation (CITIC). He is also President of China International Economic Consultants Co Ltd (CIEC), a wholly-owned subsidiary of CITIC. Before he was appointed as President of CIEC, Mr Yao had been General Director of CITIC’s General Office and an Executive Secretary to Mr Rong Yiren, the founder and Chairman of CITIC and now the Vice-President of the People’s Republic of China.

Lin Xizhong is the Senior Vice-President, China National Metals & Minerals Import and Export Corporation (MINMETALS). Before taking this responsibility, he worked in various institutions of MINMETALS in Hong Kong for over 13 years, and he is still serving as the Vice-Chairman of the Board at the First Pacific Bank in Hong Kong in which MINMETALS has share-holding. Before that, he had many years of experience as a business executive in MINMETALS import and export activities in China.

Liu Jiren is the Executive President of NEU-Software Group of China. He is also the Director of China National Software Engineering Research Center; the Vice-President of Northeast University, which is one of the most famous universities in China. Dr Liu is not only a successful manager but also a knowledgeable scholar. Many of his essays and achievements in science are highly-regarded around the world. NEU-Software group is now becoming a first-rate enterprise in China.

HONG KONG

Victor K. Fung, C.B.E. is Chairman of the Hong Kong Trade Development Council, the statutory board responsible for the promotion of Hong Kong’s external trade. He is also a member of the Hong Kong Governor’s Business Council. In the private sector, Dr Fung is the Chairman of Prudential Asia Investments Ltd, the Asian...
investment and merchant banking arm of the Prudential Insurance Company of America, and of the Li & Fung Group, a leading Hong-Kong based regional trading company. He is also a Director of Hong Kong Telecom; Kerry Properties Ltd and Orient Overseas (International) Ltd.

**INDONESIA**

Bustanil Arifin is President of PT PP Berdikari, a state-owned company, and also Chairman of the Board of several private companies operating in agribusiness, trading and services. Previously, he served for 20 years as Minister of Cooperatives and Head of National Foods Agency of the Republic of Indonesia. He has developed cooperatives and has been actively involved in the rice self-sufficiency and the economic stabilization programmes. Mr Arifin is the founder of the Indonesian Institute of Management Development, Indonesia’s premier graduate management school. He is also the founder of the Indonesian Institute of Cooperatives, and chairman and treasurer of several social foundations. In his diplomatic career, he has served as Consul General of Indonesia in New York.

Abdul Rachman Ramly is Chairman of PT Astra International, a diversified public company with automotive, financial services and agro-industry as its core businesses. Previously, he was President and Chief Executive Officer, Indonesian National Oil Company (PT Pertamina) and President and Chief Executive Officer, State Tin Corporation (PT Timah). In his diplomatic career, Mr Ramly served as the Indonesian Ambassador to the United States, Consul General in New York and Hong Kong, and Deputy Chief of Mission of the Indonesian Embassy in Singapore. In his military career, prior to retiring as Major General, he served in numerous army commands.

Muchtar Mandala is President and CEO of Bank Duta, a listed bank and one of...
the largest banks in Indonesia. He is also Vice-President of the Indonesian Chamber of Commerce and Industry (KADIN Indonesia) in charge of Banking, Finance, Monetary Affairs and Investment. Previously, Mr Mandala was President and CEO of the Indonesian Cooperative Bank (Bank Bukopin). Currently he is also the Secretary General of The Association of the Indonesian Private Banks (Perbanas), Chairman of IBJ Indonesia Bank, and Chairman of AMRO Indonesia Bank.

JAPAN

Minoru Murofushi is President and Chief Executive Officer of ITOCHU Corporation, one of Japan’s largest general trading companies. He also serves as Chairman, Japan Foreign Trade Council; Chairman, Policy Planning and Coordination Committee of the Japan Chamber of Commerce and Industry; Acting Chairman, Japan-Brazil Economic Committee of the Keidanren(Japan Federation of Economic Organizations); Counselor, the Bank of Japan and Export-Import Bank of Japan; Vice-Chairman, Japan Member Committee of the Pacific Basin Economic Committee (PBEC); Member, Foreign Investment Advisory Council (FIAC), Russian Federation; Member, Executive Committee of the Trilateral Commission; Non-Executive Director, HSBC Holdings, plc., among others.

Nobuo Tateisi is Chairman and Representative Director of Omron Corporation, a multinational manufacturer of electronic systems and components. Mr Tateisi also serves as a member, Subcommittee on Administrative Reform in Japan; Co-Chairman, Committee on Asia and Oceania in the Keidanren (Japan Federation of Economic Organizations); Policy Board Member of the Nikkeiren (Japan Federation of Employers’ Association); Vice-Chairman, Committee on North America-Japan Relations, Japan Association of Corporate Executives; Vice-Chairman, Council for Better Corporate Citizenship (CBCC); and Advisory Professor, Nankai University (Tianjin, People’s Republic of China).

Kenzo Nakagawa is President of Showa Plastics Co, Ltd, a plastic moulding manufacturer of electronic and audio-visual components, as well as a Chairman of 15 subsidiary companies out of Japan. He also serves as Vice-Chairman, International Committee, OSAKA Chamber of Commerce and Industry; Vice-Chairman, Committee on Small and Medium-Size Enterprises of Kansai Keizai Doyukai (Kansai Association of Corporate Executives); International Committee of All Japan Plastic Products Industry Association and as Executive Director, Association for Rational Administration (Osaka) Incorporation.

REPUBLIC OF KOREA

Jae-Hyun Hyun is Chairman of Tong Yang Group, one of the largest business conglomerates in Korea. He also serves as Chairman of Korea Financial Futures Association, President of Korea Babuk (Oriental Chess) Association, President of Korea Stanford Alumni Association and Vice-President of the Korea Business Council for the Arts. Other memberships include the Seoul Bar Association, Korea-
U.S. Business Council, Pacific Basin Economic Council (PBEC) and the Advisory Council for the Graduate School of Business at Stanford University.

Min Hwa Lee is President and Chief Executive Officer of Medison Co., Ltd., whose main business is production and sales of Ultrasound scanners and MRI equipment worldwide. He is Chairman of Korea Venture Business Association; Chairman of Supervisory Board, Kretztechnik AG., and Director of Korea Academy of Industrial Technology. Many of his papers have been presented in accredited academic journals. His major paper is on the Development of Ultrasound B Scanner I-digital Scan Converter. Dr Lee obtained his doctorate from the Korea Advanced Institute of Science & Technology.

Soonhoon Bae is Chairman and Chief Executive Officer of Daewoo Electronics Co., Ltd., Korea’s leading consumer electronics and multi-media communications company having global manufacturing and distribution network. He also serves as member of the Presidential Council on Science and Technology; Vice-President of the Korean Federation of Science and Technology Societies and Vice-President of the Electronic Industries Association of Korea.

Malaysia

Tan Sri Yahaya Ahmad is presently the Chairman of DRB-Hicom Group of Companies, Malaysia. He has served on many government bodies, including The National Chamber of Commerce and Industry of Malaysia of which he is the President. Tan Sri Yahaya also holds the position of President of the Malay Chamber of Commerce and Industry of Malaysia. DRB-Hicom Group comprises more than 100 companies active across a wide spectrum of industries, including automotive engineering, manufacturing, transportation service, financial services, information technology, agriculture, construction and property development.

Dato’ Francis Yeoh Sock Ping is Managing Director of YTL Corporation Berhad, one of the largest infrastructure development groups in Malaysia. Dato’ Francis also serves as Council Member, Malaysia Business Council; Committee Member (Malaysia), Pacific Basin Economic Council; Board Member, Commonwealth Partnership for Technology Management; Committee Member, Malaysian South-South Association; Vice-President, Federation of Public Listed Companies Malaysia, and International Council Member, The Asia Society.

Datuk Nik Mohamed Yaacob is Group Chief Executive of Sime Darby Berhad, one of Southeast Asia’s leading multinational conglomerates, involved in manufacturing, heavy equipment and motor vehicle distribution, property development, banking, insurance and a range of financial services, general trading, oil and gas, and power generation. Datuk Nik Mohamed sits on the Boards of Sime Darby Berhad and its public listed subsidiaries, Standard and Industrial Research Institute of Malaysia (SIRIM), PNB Equity Resource Corporation Sdn Bhd and also serves as a member of the National Council for
Scientific Research & Development, and the National Coordinating Committee on Emerging Multilateral Trade Issues.

MEXICO

Ernesto Rubio Del Cueto is Director of CEMEX (largest Cement Producer in America) and Senior Partner and Founder of Rubio del Cueto, Monroy, Irurita y Vez, S.C. He serves on many other Mexican and international companies’ boards as well. Mr Rubio has been active in the most important Mexican Business Associations and has served as President of the Confederation of Industrial Chambers. He was a member of the APEC Pacific Business Forum in 1994 and 1995, member of the Editorial Board of the Reforma newspaper and is the author of Mexico’s Foreign Trade. He participates in the National Board of the Mexican Business Coordinating Committee and was recently appointed to the Board of the Mexican Social Security.

Bernardo Quintana is Chairman of the Board and C.E.O. of ICA, the most important engineering, procurement and construction company of Mexico and Latin America. He is on the boards of directors of Banamex-Accival and Grupo Financiero Inbursa, as well as Grupo Carso, CEMEX, Telefonos de Mexico, Bolsa Mexicana de Valores and the Mexico Fund. He participates in some research and educational foundations such as FUNSALUD, Fundación ICA, FIDA and Claremont University Center and Graduate School (USA). He is part of the Mexican Council of Businessmen and of the Mexican private sector’s working team (COECE) created to build the North American market.

Alfonso Pandal Graf, is Group President of Procesos Industriales Forestals, S.A. de C.V., since 1982. He has also served as President of National Confederation of Chambers of Industries of Mexico; President of National Publicity Council of Mexico, and President of National Chamber of Forestry Industries. Mr Pandal was until 27 August 1996, Chairman of the Pacific Basin Economic Council Mexico Member Committee. And he was also, until July 1996, President of the Association for Forestry Plantations of Mexico.

NEW ZEALAND

Rosanne Meo, O.B.E., is Chairman of the Forestry Corporation of New Zealand and a Company Director of the Ports of Auckland, Mercury Energy and of the New Zealand Board of the AMP Society. Mrs Meo was formerly President of the New Zealand Employers’ Federation. She is currently a member of the New Zealand Roundtable and President of the Auckland Philharmonic Orchestra.

Kerry McDonald, is Managing Director of Comalco New Zealand Limited. Mr McDonald is also Deputy Chairman of the Bank of New Zealand, Chairman of the New Zealand Executive Committee, Australia New Zealand Business Council, Chairman of the Japan New Zealand Business Council, Deputy Chairman of the New Zealand Institute of Economic Research and Chairman of the Executive Committee, Kakapo Recovery Project.
Philip Burdon is widely respected as being one of New Zealand’s most successful businessmen and distinguished politicians. As Minister for Trade Negotiations, Commerce and State-Owned Enterprises, he has played a leading role in New Zealand’s remarkable economic reforms of the last decade. Specifically, he has led New Zealand’s successful negotiating efforts through to the conclusion of the Uruguay Round, and has played a significant role in APEC and has been actively involved in other regional fora. He retires from politics in October 1996 to return to the private sector. He is Chairman of the Asia 2000 Foundation which aims to strengthen New Zealand’s links with Asia in both the business sector and the wider New Zealand community.

PAPUA NEW GUINEA

Wayne Kenneth Golding is Chairman and Chief Executive Officer of Tanubada Dairy Products Pty Ltd, Pacific Products Pty Ltd, Hohola Soft Drinks Pty Ltd, and Indo Pacific Resources Ltd. The group is involved in agriculture, food production, and mining. Mr Golding is the Chairman (founding) of the Manufacturers’ Council of Papua New Guinea; National Press Club of Papua New Guinea (Director and Founding Chairman), and holds public office positions on the Food and Vegetable Advisory Board (Chairman), the Fresh Produce Development Co-operation Pty Ltd (Deputy Chairman), and is a member of various committees, including the World Trade Organization and the National Economic Development Forum. Mr Golding was recently appointed a Commissioner in the National Capital District Provincial Government.

Henry Kila is Chairman of Kila Bowring Insurances Pty Ltd. He has been in the PNG Insurance Industry for over 25 years. He also serves as Executive Member and Past President of the Port Moresby Chamber of Commerce and Industry, Chairman of PNG National Events Council, Senior Vice-President of PNG Sports Federation, and Director of PNG, Stock Exchange and Executive Member of the Business Council of PNG.

REPUBLIC OF THE PHILIPPINES

Roberto R. Romulo is Chairman of the Philippine Long Distance Telephone Company; Chairman of the Equitable CardNetwork Inc and Vice-Chairman, San Miguel International. He also chairs the Carlos P. Romulo Foundation for Peace and Development; the APEC Foundation of the Philippines and the APEC Business Forum (ABF) which will be held in November 1996. Mr Romulo was the Philippines’ Foreign Affairs Secretary from 1992 to 1995 and Ambassador to Belgium, Luxembourg and the European Communities from 1989 to 1992. He began his professional career with IBM, retiring as President of IBM-Philippines in 1989.

Benigno N. Ricafort is Chairman of Naturecraft Industries Corporation, Management Centre and Resource Group Inc., Wemberg International, Inc; Vice-Chairman, Ricafort Development Corporation; and Director, Clark
Jose Luis U. Yulo, Jr is the President of Philippine International Trading Corporation (PITC) and immediate past President of the Philippine Chamber of Commerce and Industry (PCCI). He was also Secretary-General of the Asean Chambers of Commerce & Industry (ASEAN CCI) and Honorary Treasurer of the Confederation of Asia-Pacific Chambers of Commerce & Industry (CACCI). Concurrently, Mr Yulo is also Chairman of the International Association of Trading Organizations for a developing World (ASTRO) based in Slovenia & Geneva, Chairman of Unitrust Development Bank, Chairman of Philippine Exhibits & Themesparks Corporation and President of the Centrex Corporation.

SINGAPORE

Choo Chiau Beng is Deputy Chairman & Managing Director of Far East Levingston Shipbuilding Ltd, Executive Director of Keppel Corporation as well as the Director of Keppel Bank Ltd and Straits Steamship Land Ltd. He is also the Chairman of the Ngee Ann Polytechnic Council. Prior to joining FELS, Mr Choo was the Executive Vice President and Chief Executive Officer of Keppel Philippines Shipyard Inc. He was previously President of the Association of Singapore Marine Industries and Society of Naval Architects & Marine Engineers, Singapore.

Hong Hai is President and Chief Executive Officer of Haw Par Brothers International Ltd. He is a Board Member of Singapore Telecommunications Limited and the Institute of Molecular and Cell Biology. Dr Hong has previously served in the Singapore Parliament and was Chairman of the Government Parliamentary Committees on Communications & Information and on Health.

Lee Hsien Yang is President and Chief Executive Officer of Singapore Telecom, the dominant telecommunications and postal operator in Singapore. BG Lee joined Singapore Telecom in April 1994, as the Executive Vice President for Local Services and was promoted to President and Chief Executive Officer in May 1995. Prior to joining Singapore Telecom, he served in the Singapore Armed Forces in a variety of command and staff appointments both in the field and in the Singapore Armed Forces Headquarters. In addition to his responsibilities in Singapore Telecom, BG Lee is a director of Singapore Technologies Industrial Corporation and a member of the National Information Technology Committee.

CHINESE TAIPEI

Jeffrey Len-Song Koo is Chairman and Chief Executive Officer of Chinatrust Commercial Bank in Taiwan, New York, and California. Together with his uncle, Dr C. F. Koo, he is co-founder of the Koos Group, a diversified holding company...
whose businesses span the petrochemical, high technology, telecommunication, resort, and financial services industries. Dr Jeffrey Koo is Chairman of the Chinese Taipei Member Committee in the Pacific Economic Cooperation Council and of the Euro-Asia Trade Organization in Taiwan. Dr Koo is also Chairman of Visa International, Asia-Pacific Region and of the Chinese National Association of Industry and Commerce.

Henry C. S. Kao is President of I-Mei Foods Co. Ltd., and Fu Mei Co. Ltd. He also serves as Chairman of An Hsin Real-Estate Management Inc.; Board Director of Dah An Commercial Bank; Vice-Chairman of the Taiwan-Australian Business Council; Executive Supervisor of the Importers and Exporters Association of Taipei; Director of Marketing Communications Executives International; Executive Director of the Taiwan Confectionery, Biscuit and Flour Food Industry Association; and Executive Director of the Taiwan Chainstore Association.

Frank T. H. Chen is Chairman of the Northern International Development Corporation and Pershing Enterprises Co Ltd, dealing in trading and Pershing Systems Corporation, developing an integration system of pack software. He is also Chairman of the Shanghai Canon Garment Co, Ltd (PRC), TYPO Investment & Development Corp (HK) and Pacific Coach Lines Ltd (Canada). Mr Chen serves as Supervisor of Importers/Exporters; Director of the National Association of Small & Medium Enterprises; and Organizer of the International Affairs Council.

THAILAND

Narongchai Akrasanee is Chairman and Chief Executive Officer of General Finance and Securities Public Co Ltd Bangkok and a Director of a number of other Thai and regional companies. He is also an advisor to and member of a large number of international and regional academic and research organizations including PECC and PAFTAD. In the public sector, he serves as a senator of the Thailand Senate. He has been an advisor to several Prime Ministers in Thailand. Dr Akrasanee has held research and teaching positions in universities in Thailand, Japan and the United States and consultancies with the United Nations and other international agencies.

Vachara Phanchet is Executive Vice President of MMC Sittipol Co Ltd, as one of the largest automakers in ASEAN, manufacturing, distributing, and globally exporting Mitsubishi automobiles from Thailand. He also serves as Chairman and CEO in several other affiliated and related group companies, as well as Honorary Deputy Secretary-General of the Thai Chamber of Commerce.

Twatchai Yongkittikul is Secretary-General of The Thai Bankers’ Association. He is also Director of the Thailand Development Research Institute, Independent Director of Capital Nomura Securities Public Company, Director of the Thai Rating and Information Service Company Ltd. In the public sector, he serves as a member of the Land Traffic Management Committee, and of the Civil Service Commission. Dr Twatchai has taught at the National Institute of
Robert E. Denham is the Chairman and Chief Executive Officer of Salomon Inc, the parent company of Salomon Brothers, Phibro Energy and Basis Petroleum, Inc. He is co-chairman of the Capital Formation Subcouncil of the Competitiveness Policy Council and a member of the National Petroleum Council. Mr Denham serves on the Board of Trustees of the Natural Resources Defense Council, The Conference Board and of the New School for Social Research, as well as on the Board of Directors of the United Way of New York City and the President’s Advisory Board of California State University of Sonoma.

Frank Shrontz became Chairman of the Board of The Boeing Company in January 1988. He served as Chief Executive Officer from April 1986 until April 1996, having been elected President and a member of the Board of Directors in February 1985. Mr Shrontz is a member of The Business Council, is Vice-Chairman of the New American Schools Development Corporation, and serves on the Boards of Citicorp, Boise Cascade Corporation, Minnesota Mining and Manufacturing (3M) Company, and the Smithsonian Institution.

United States

Susan Corrales-Diaz is President and Chief Executive Officer of Systems Integrated, a world-wide provider of systems for automated control of electric, telecommunications and water systems. Ms Corrales-Diaz serves on the Executive Board of the Certified Development Corporation, chartered by the Small Business Administration, to provide financial support to Small and Medium Enterprises (SMEs). She is a member of the President’s Export Council (of which she chairs the Trade Promotion Subcommittee) and on the Board of Directors of the Southern California District Export Council. She also serves on Boards for: the California Chamber of Commerce; the Small Business Exporter Association; the Orange County World Trade Center; and the Southern California Foreign Trade Association.

Development Administration, where he also served as Dean of the School of Development Economics and Vice Rector for Academic Affairs. He was a member of the Senate from 1992 to 1996.
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