

Asia-Pacific Economic Cooperation

**APEC Means Business: Restoring
Confidence, Regenerating Growth**

APEC Business Advisory Council (ABAC)

1998

**Letter from the APEC Business Advisory Council
to the Economic Leaders**
The 1998 ABAC Report to the Economic Leaders

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APEC Chair 1998

Prime Minister of Malaysia

Yab Dato' Seri,

As the business advisory council of APEC, our mandate is to provide timely and relevant recommendations towards the achievement of APEC goals taking full account of the current crisis which challenges the very foundation of society, business and free enterprise in several APEC member economies.

To address this crisis, ABAC believes that it is crucial to be innovative in thinking, frank in assessing the realities, and bold in prescribing alternative and flexible solutions. Notwithstanding the contagion, ABAC continues to believe that free trade in the region by the year 2010 for developed economies and 2020 for developing economies should remain the goal of APEC. Although the liberalization of trade in goods and services has led to significant wealth creation, the ramifications of speculative currency trading are not clear. Premature liberalization of capital markets in some economies has led to unintended costs and outcomes. As a result of the severe impact associated with these outcomes, some member economies have had to introduce measures to insulate themselves from this contagion. APEC must re-emphasize the importance of the collective responsibility of member economies to ensure that our broader APEC objectives and sense of community are not lost.

ABAC believes that the Economic Leaders must act decisively and collectively to contain the severe difficulties faced by the private sector and its constituencies. This crisis will clearly test the resolve of APEC to find solutions.

Our key recommendations are targeted at restoring investors' confidence, promoting currency stability and bringing about the return of foreign direct investments and other long-term capital. These recommendations are focused on the following areas: the severe crisis in Asia, early voluntary sectoral liberalization, economic and technical cooperation, small and medium enterprises, electronic commerce, and food systems.

On the financial crisis, we urge immediate actions by the APEC economies both individually and collectively to avert its escalation into a global crisis.

Beyond the regional and national initiatives outlined below, we urge the Economic

Leaders to acknowledge the growing concerns within APEC as to the volatility associated with current financial flows.

Our proposals are aimed at providing rapid amelioration to the crisis by encouraging inflows of foreign capital, restoring liquidity in the affected economies, reforming and reinvigorating the financial process and cushioning the impact of currency volatility. We wish to emphasize that a stable financial environment is necessary for trade and investment to flourish and that without financial stability the benefits of trade liberalization cannot be fully realized.

We propose the following regional initiatives:

1. Establish a mechanism to enhance the credit of government bonds denominated in hard currencies and issued by affected economies through guarantees, exchangeable government bonds or collateralized bond obligations.
2. Develop mechanisms to cushion the impact of currency instability on the private sector, including multilateral currency swap structures where coordination of policies permit.
3. Re-emphasize that the IMF broaden its approaches to take into account the social implications of its programmes.
4. Convene an ongoing regional forum to promote and coordinate cooperative responses to the financial crisis.

In addition to these initiatives, we also strongly urge Economic Leaders to strengthen their domestic economies by taking the following initiatives:

5. Enhance domestic capital market infrastructure
 - Restructure bank balance sheets through loan sales and financing structures.
 - Encourage foreign direct investment in domestic financial institutions to strengthen the capital bases of domestic banks and enhance their global competitiveness.
 - Undertake legal reforms to facilitate financial reorganization.
 - Improve domestic capital markets through the development of liquid bond and asset-backed securities markets.
6. Alleviate corporate debt
 - Establish a mechanism for restructuring corporate debt through debt-equity swaps.
 - Develop a special exchange-rate mechanism to assist qualified companies in managing currency volatility.
7. Facilitate exports
 - Encourage the use of securitization structures of trade receivables for trade finance.
 - Enhance the role of export credit agencies to match the financing needs of export companies.

On early voluntary sectoral liberalization (EVSL), the Economic Leaders, in Vancouver, identified 15 sectors for early voluntary sectoral liberalization (EVSL), of which nine were slated for immediate action. In spite of the severe economic downturn in Asia, ABAC reaffirms its commitment to liberalize goods and services markets through the elimination of

tariff and non-tariff measures, as the most effective path to sustained growth and economic recovery in the region. EVSL is a vital part of this process. ABAC also reaffirms its support of the ECOTECH component of EVSL as a means of capacity-building in the region to ensure that all economies benefit from EVSL to the greatest extent possible.

APEC Economic Leaders committed to EVSL and economic growth in the region have a collective obligation to see the initiative succeed. This requires economies to demonstrate a willingness to end protection of the targeted sectors, even though most economies will face stiff challenges in some sectors.

ABAC continues to believe that:

- The EVSL initiative should be inclusive with sectors moving through the process together so that there is a spreading of benefits among APEC economies.
- The EVSL initiative should be comprehensive. ABAC strongly recommends that coverage be as broad as possible.
- The EVSL initiative should be credible, ideally with all APEC member economies endorsing each of the work plans.

ABAC also believes that where concessions and flexibility are needed, then the principle of tariff staging should be considered rather than an opting out of sectors or product coverage.

On Economic and Technical Cooperation (ECOTECH), we conclude our work in this area with the proposal to establish the *Partnership for Equitable Growth (PEG)*, a nucleus corporation which acts as a catalyst and engages governments in a business/private sector-driven approach to capacity-building required to push forward the liberalization agenda of APEC. In Vancouver 1997, the Leaders welcomed ABAC's intention to set up the PEG mechanism to support ECOTECH initiatives in the region. In Kuala Lumpur 1998, ABAC presents the Leaders with the imminent establishment of PEG, which carries its own distinct legal and independent personality as a non-government and market-driven vehicle.

In particular, PEG can commence work in the following priority ECOTECH areas where a clear need exists for its role as a catalyst to bring in business/private sector participation. ABAC has identified early PEG flagship projects which it believes would benefit APEC economies:

- The *Asian Gas Grid (AGG) Project* builds on the initiative of the APEC Energy Working Group which calls for removal of impediments through policy changes within APEC economies to foster a favorable investment environment. The AGG takes this further through the setting up of the APEC Resource Corporation to coordinate the development of an Asia-Pacific gas network. This network would link existing and proposed gas networks in Indonesia, Malaysia and Thailand with major demand centers in the People's Republic of China (PRC) with possible expansion to Chinese Taipei, Japan and South Korea.
- The *APEC IT Education Initiative* was first recommended in the 1997 ABAC Report and aims at drawing on the region's strengths to provide education and training in areas critical to IT development. Specifically,

in keeping with the APEC vision of an Asia Pacific Information Society (APIS), ABAC believes that PEG can provide a valuable start by supporting two essential projects (i) to assist SMEs in reaping potential benefits from E-Commerce and (ii) to develop IT technicians critical to the region.

With these issues in mind, ABAC strongly recommends to the Leaders that immediate action be taken to encourage all member economies to invest through ECOTECH initiatives to prevent a further breakdown in our global economic system. In so doing, APEC would help preserve the platform upon which we do business and set in motion a capacity-building effort towards a more level and sustainable playing field.

On Small and Medium Enterprises, ABAC recognizes the key role SMEs play in member economies where they provide the bulk of employment. There, they now face a grave situation where thousands of small businesses have already collapsed and many more are threatened. In the process, scores of workers and family members are becoming unemployed. The problem is extremely serious in a number of member economies. Immediate action is needed to ensure the short-term survival and ultimate long-term health of SMEs.

ABAC's recommendations are divided into two general categories: the financial climate needed to support SMEs, and the setting up of employment and business conditions critical for SMEs to grow. Among the initiatives that would provide a more favorable financial environment for SMEs are:

- Creation of financial institutions to support SMEs.
- Development of performance-based lending practices for SMEs.
- Encouragement of banks to allow for loan restructuring.
- Provision of credit on an equal and open basis.
- Provision of micro-lending.
- Allocation of funds from the IMF's Structural Adjustment Loans (SAL) to provide low-interest loans to SMEs.
- Provision of short-term tax relief options for SMEs.

A more favorable climate for employment and business opportunities for SMEs can be achieved by:

- Encouraging large corporations to use SMEs through sub-contracting arrangements.
- Requiring governments to utilize SMEs when purchasing goods and services.
- Accelerating infrastructure project implementation using SMEs.
- Requiring the evaluation of government infrastructure project awards to include a loading for SME set aside.
- Unbundling of components of infrastructure projects to allow greater opportunities for SME participation.
- Centralizing sales opportunities through electronic networking.
- Encouraging microbusiness development by enhancing consumer protection regulations.

On E-Commerce, ABAC believes that the private sector should lead in the development

of E-Commerce while relying on Government to lay the framework that would include cross-border consumer protection. Governments should avoid introducing new laws where existing laws can be applied and ensure the development of electronic infrastructure to provide economic and equitable access throughout the region. In this regard, public-private partnerships will be vital in realizing the full benefits of E-Commerce especially where trust and confidence need to be established in the area of electronic payment systems.

One area in which E-Commerce may be promoted in government is through maximum usage of technology in government operations, such as on-line tax payment and procurement. In like manner, E-Commerce provides great opportunities for SMEs, mindful that the need for educational and training programs will be paramount.

We also urge Government to address squarely the Y2K issue which through the very process of globalization has made the problems faced by smaller member economies systemically linked to more developed member economies. Given the interconnectedness of the present global economy, even if 20% of all systems are not Y2K-compliant, the danger to all APEC economies will be great. Output will be severely compromised and essential services and life-saving medical process will be disrupted. The cost to fix the shocks and associated problems will be tremendous. Therefore, we should focus our efforts in several priority areas such as the financial, transportation, utilities and medical services sectors.

On an APEC Food System, ABAC calls on our Economic Leaders for action in the food sector as a step vital to achieving sustainable growth and development in the region. ABAC recognizes the complexities of the food sector and the associated sensitivities. We believe a new framework is needed to achieve APEC's goals in this sector. This will be a long-term project and action must proceed according to APEC principles and objectives.

ABAC proposes an APEC Food System as a comprehensive and equitable approach to action in the food sector. The APEC Food System is a vision of a far more robust regional food system which efficiently links together food producers, processors and consumers. A regional food system which harnesses the resources of the region to more securely meet consumers' food needs will maximize the contribution of the food sector to the wealth and prosperity of all economies. The APEC Food System calls for cooperative action (in parallel) in the following areas: rural infrastructure development, dissemination of technological advances and promotion of trade in food products.

On Action Plan Monitoring, ABAC feels that, under the current economic difficulties, it is of utmost importance to encourage and facilitate the flow of capital, especially long-term capital, back into the region. We recommend, as we did in 1997, that the Economic Leaders again endorse the rapid implementation of the 1994 Non-Binding Investment Principles as the best way to achieve this. For economies who feel ready, we would also urge them to move beyond these principles. In addition, to the extent that economies are able, ABAC recommends that financial services should continue to be a priority sector for liberalization. This would greatly help in the establishment of sound domestic financial markets and provide the depth and sophistication needed for stable long-term economic growth.

In our analysis of the individual action plans, we note the following. Improvement has been made in transparency though the plans remain difficult for business people, in general, to access. However, more specific detail is needed to enable business to benefit from the action plans. The plans have likewise shown a greater commitment to action and the adoption of EVSL indicates a willingness to go beyond agreements made in other multilateral fora. With this in mind, APEC should now consider an active outreach program to the wider business community to ensure that plans are clearly and effectively disseminated. The status of APEC's work on ABAC's Flagship Recommendations from its 1996 and 1997 Reports to Economic Leaders also needs to be reflected in the Individual Action Plans.

ABAC, given the plight of SMEs and their importance to the region, strongly urges Economic Leaders to direct that Action Plans show a clear commitment to action which will contribute to the recovery of the SME sector. In more specific areas, ABAC proposes recommendations in the areas of tariffs, non-tariff measures, services and investments. The list of recommendations are appended.

In moving ahead, ABAC points to the compelling need for capacity-building to sow the seeds for future growth. The ECOTECH agenda becomes even more crucial in preserving our sense of community upon which greater openness and liberalization will depend. By working to reduce disparities among member economies, ABAC's ECOTECH recommendations will help strengthen the conditions needed to safeguard APEC and its liberalization agenda. It is thus imperative that we work on immediate confidence-building measures and enabling capabilities to build a positive contagion to overcome the current crisis. In the process, however, we should not put aside the work needed to realize the longer-term goals of APEC.

We close by advising our leaders to reflect on three thoughts: *First*, we need to maintain flexibility in the liberalization agenda to avoid losing support for it amid this crisis. *Second*, immediate capacity and community-building will speak loudly to our economies that APEC has its priorities in the right order in this crisis. *Third*, we need to address squarely the issue of governance in international financial markets to put in place the requisite order for free markets to operate effectively.

ABAC continues to believe that APEC can and should be a powerful forum. Difficult times such as these test the capability and credibility of APEC and its leadership. Our collective responsibility to the region is to provide an urgent considered response with tangible results.

ABAC looks forward to its dialogue with the Leaders.

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ABAC Meeting in Kuala Lumpur, November 1998 - Summary of ABAC Recommendations, 1998

I. Financial Crisis

A. Regional Initiatives

1. Establishment of a mechanism to enhance the credit of government bonds denominated in hard currencies and issued by affected economies through guarantees, exchangeable government bonds or collateralized bond obligations.
2. Development of mechanisms to cushion the impact of currency instability on the private sector, including multilateral currency swap structures where coordination of policies permit.
3. Emphasis on the IMF to broaden its approaches to include the social implications of its programmes.
4. Creation of an ongoing regional forum to promote and coordinate cooperative responses to the financial crisis.

B. Individual Economy Initiatives

1. Enhance domestic capital market infrastructure

- Restructure bank balance sheets through loan sales and financing structures.
- Encourage foreign direct investment in domestic financial institutions to strengthen the capital bases of domestic banks and enhance their global competitiveness.
- Undertake legal reforms to facilitate financial reorganization.
- Improve domestic capital markets through the development of liquid bond and asset-backed securities markets.

2. Alleviate corporate debt

- Establish a mechanism for restructuring corporate debt through debt-equity swaps.
- Develop a special exchange-rate mechanism to assist qualified companies in managing currency volatility.

3. Facilitate exports

- Encourage the use of securitization structures of trade receivables for trade finance.
- Enhance the role of export credit agencies to match the financing needs of export companies.

II. Economic and Technical Cooperation

A. Establishment of the Partnership for Equitable Growth as an independent nucleus corporation.

B. Flagship Projects ÿ Asian Gas Grid Project ÿ APEC Information Technology Education Initiative

III. Small and Medium Enterprises

A. Initiatives to create a favorable financial environment

1. Creation of financial institutions to support SMEs.

2. Development of performance-based lending practices for SMEs
3. Encouragement of banks to allow for loan restructuring.
4. Provision of credit on an equal and open basis.
5. Provision of micro-lending.
6. Allocation of funds from the IMF's Structural Adjustment Loans (SAL) to provide low-interest loans to SMEs.
7. Provision of short-term tax relief options for SMEs.

B. Initiatives to stimulate business and employment opportunities

1. Encouragement of sub-contracting arrangements for SMEs.
2. Governments utilize SMEs in procurement of goods and services.
3. Accelerate infrastructure project implementation using SMEs.
4. Require the evaluation of government infrastructure project awards to include a loading for SME set aside.
5. Unbundling of components of infrastructure projects to allow greater opportunities for SME participation.
6. Centralizing sales opportunities through electronic networking.
7. Encourage micro-business development by enhancing consumer protection regulations.

IV. Electronic Commerce

A. Maximum usage of technology in government operations, including tax payment and procurement.

B. Programs to ensure Y2K compliance, especially among SMEs.

V. Action Plan Monitoring

A. Tariffs

1. Economies to specify final average tariff levels targeted by 2010 to 2020.
2. Action Plans be more specific on member economy plans to reach Bogor goals.

B. Non-Tariff Measures

1. Publication of an APEC NTM inventory, including investment and services.
2. Reduction or elimination of NTMs beyond WTO commitments.

C. Services

1. Financial services be identified as a priority sector for liberalization.
2. Five year specific plan for the reduction of barriers and more broadly based medium and long-term plans for services, including principles and guidelines to liberalize trade and investments in services.

D. Investment

1. Adoption of the 1994 Non-Binding Investment Principles.

2. Action Plans to include commitments and targets for removing impediments to the development of domestic and regional capital markets

E. Small and Medium Enterprises

1. Action Plans to show how commitments made can contribute to the recovery of SMEs, including action taken on previous ABAC recommendations on SMEs.

ABAC's 1998 Recommendations and APEC Actions

Financial Crisis

Regional Initiatives

ABAC RECOMMENDATION	WHAT APEC HAS ALREADY DONE	WHAT APEC PLANS TO DO
<p>Establish a mechanism to enhance the credit of government bonds denominated in hard currencies and issued by affected economies through guarantees, exchangeable government bonds or collateralized bond obligations.</p>	<p>According to Leaders instructions (1998) Finance Ministers are working on an initiative to develop domestic bond markets to promote more efficient financial intermediation within APEC economies and the global financial system. In May 1998 Finance Ministers highlighted the need for further work, to be conducted in conjunction with the private sector.</p>	<p>Hong Kong-China leads a Finance Ministers initiative looking at the development of domestic bond markets (Workshop hosted by Hong Kong in 1998). Members to draft a compendium of sound practice and a website to serve as a resource centre and to facilitate information sharing. A further workshop will be held in 1999 to follow up on the implementation of the projects.</p>
<p>Develop mechanisms to cushion the impact of currency instability on the private sector, including multilateral currency swap structures where coordination of policies permits.</p>		
<p>Encourage the IMF to broaden its approaches to include the social implications of its programs.</p>	<p>Finance Ministers have supported the World Bank's work on principles and good practice in social policy. They called for strengthened collaboration between the IMF and World Bank on public expenditure work that analyses the impact of fiscal choices.</p>	
<p>Establish an ongoing regional forum to promote and coordinate cooperative responses to the financial crisis.</p>	<p>In 1998 HRDWG set up a Task Force on the Human Resource & Social Impacts of the Financial Crisis. A Symposium was held in Taipei in June 1998 and a report was published in November 1998 outlining preliminary recommendations of the Task Force.</p> <p>Chief Human Resources Officer Network (Phase III) met in Bangkok in March 1999 to discuss practical steps to mitigate the impact of the current economic crisis and recovery plan.</p>	<p>In 1999 the Task Force will survey the impacts on labor markets in affected economies for delivery to Leaders and Ministers in September.</p> <p>The Economic Committee has launched a two-year research project on "APEC economies beyond the Asian crisis" focusing on the challenges of restoring stability and growth from a long-term perspective. EC will deliver a progress report to Leaders and Ministers in September 1999.</p>
		<p>(Recommendations have been forwarded to the APEC Finance Technical Working Group for advice and input. ABAC representatives met with Finance Deputies in April and with Finance Ministers in May.)</p>

Individual Economy Initiatives

ABAC RECOMMENDATION	WHAT APEC HAS ALREADY DONE	WHAT APEC PLANS TO DO
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a. Enhance domestic capital market infrastructure

Restructure bank balance sheets through loan sales and financing structures.

In recognition of the importance of adequate banking supervisory regimes (Leaders, 1998) a survey was undertaken to identify gaps/shortcomings in the supervisory framework. Findings indicated a high degree of compliance with the Basic Core Principles for Effective Banking Supervision.

Updated report on progress of APEC member economies towards strengthening supervisory systems.

Encourage foreign direct investment in domestic financial institutions to strengthen the capital bases of domestic banks and enhance their global competitiveness.

Thailand leads an initiative (through the Finance Ministers) on sharing privatization experiences to build cooperation and strengthen institutions. A core group meeting was held in March 1999 and it proposed that the initiative be advanced through a Privatization Forum.

Report to Finance Ministers on outcome of Privatization Forum (to be held November 1989 in Thailand)

Undertake legal reforms to facilitate financial reorganization.

Malaysia, in collaboration with Australia, the US, the World Bank and ADB leads a strengthening corporate governance initiative (endorsed by Finance Ministers in 1999). Report "Strengthening Corporate Governance in the APEC Region" tabled at Finance Ministers in Langkawi. Australia has produced a compendium on its corporate governance training facilities that will be available to participants in the APEC region.

Economies, on a voluntary basis, to report on progress of measures to strengthen corporate governance at the next Finance Ministers meeting (2000).

Improve domestic capital markets through the development of liquid bond and asset-backed securities markets.

See bond market initiative above.

b. Alleviate corporate debt

Establish a mechanism for restructuring corporate debt through debt-equity swaps. Develop a special exchange-rate mechanism to assist qualified companies in managing currency volatility.

c. Facilitate exports

Encourage the use of securitization structures of trade receivables for trade finance. Enhance the role of export credit agencies to match the financing needs of export companies.

Note: Finance Ministers Deputies are developing a tracking approach to monitor progress on implementing plans and principles to strengthen financial systems.

The first step is a compendium of measures undertaken by member economies in adopting international standards/codes/best practices to strengthen financial systems. The IMF and World Bank, in consultation and cooperation with the relevant international organisations, are to compile an initial matrix of such key standards.

Global Assessment

ABAC RECOMMENDATION	WHAT APEC HAS ALREADY DONE	WHAT APEC PLANS TO DO
Conduct an assessment of the market framework within which international capital flows take place and evaluate the adequacy of current governance structures and management of the global financial system.	Finance Ministers Deputies have been working on initiatives aimed at strengthening the global financial system (as directed by Leaders in 1998).	Finance Ministers Deputies to report to Leaders in 1999, including the work of the Global Stability Forum (highly leveraged institutions, offshore centers, short term capital flows, and involving the private sector in crisis prevention and resolution).

Early Voluntary Sectoral Liberalization

ABAC RECOMMENDATION	WHAT APEC HAS ALREADY DONE	WHAT APEC PLANS TO DO
<p>ABAC supports conclusion of an EVSL package that is:</p> <p>Inclusive – all 15 sectors should move forward as a group;</p> <p>Comprehensive – as many products as possible should be included in each sector; and</p> <p>Credible – all member economies should endorse the trade liberalization work plans for each sector; flexibility should be in the form of staging of tariff cuts, not opting out of sectors or product coverage.</p>	<p>16 economies participated in the EVSL process and agreed on a framework for addressing tariffs (end-rates, end-dates, product coverage and flexibility provisions), facilitation and ecotech. Ministers agreed to begin implementation of facilitation, ecotech and other initiatives according to the agreed schedule in the initial 9 sectors. They also agreed to improve and build on this progress by trying to conclude a broader agreement in the WTO on the tariff elements, where informal consultations have begun, in 1999.</p> <p>Work programs have been put in place to implement the non-tariff measures, facilitation and ecotech elements of the first nine sectors. Economies have begun identifying NTMs as a basis for further action to reduce or remove them.</p> <p>APEC Telecommunications Ministers finalized agreement in one other sector, on an MRA for telecommunications equipment, in June 1998. Eight economies are beginning implementation in 1999. An implementation project is now underway with TILF funding.</p>	<p>Tariff elements in six other sectors referred to WTO by APEC Trade Ministers in June. Non-tariff facilitation and ecotech programmes to be developed.</p>

Economic and Technical Cooperation (Partnership for Equitable Growth)

ABAC RECOMMENDATION	WHAT APEC HAS ALREADY DONE	WHAT APEC PLANS TO DO
<p>Troika of APEC Trade Ministers should serve as ex officio members of PEG's Board of Directors to represent all APEC economies.</p> <p>Some Economic Leaders should serve on PEG's Council of Advisors.</p>		

Small and Medium Enterprises

Initiatives to create a favorable financial environment

ABAC RECOMMENDATION	WHAT APEC HAS ALREADY DONE	WHAT APEC PLANS TO DO
<p>Create financial institutions to support SME's.</p> <p>Develop performance-based lending practices for SME's</p> <p>Encourage banks to allow loan restructuring.</p> <p>Provide credit on an equal and open basis.</p> <p>Provide micro-lending.</p> <p>Provide export credit.</p> <p>Allocate funds from IMF Structural Adjustment Loans to provide low-interest loans to SME's.</p> <p>Examine the options for short-term tax relief for SME's.</p>		<p>(Recommendations have been forwarded to the APEC Finance Technical Working Group for advice and input.)</p> <p>The Economic Committee is examining, as part of its "APEC economies beyond the Asian crisis" project, a section on the conditions for the healthy, sustainable development of SME's for delivery in September 1999.</p> <p>The SME Ministers is to raise with APEC Finance Ministers the urgency of removing barriers to competitive provision of financial services to SME's, especially with respect to the marshalling of capital and the creation of venture capital funds.</p>

Initiatives to stimulate business and employment opportunities

ABAC RECOMMENDATION	WHAT APEC HAS ALREADY DONE	WHAT APEC PLANS TO DO
<p>Encourage large corporations to consider sub-contracting to SME's.</p> <p>Use SME's in governments' procurement of goods and services.</p> <p>Accelerate infrastructure project implementation using SME's.</p> <p>Unbundle components of infrastructure projects to allow greater opportunities for SME participation.</p> <p>Centralize sales opportunities through electronic networking.</p> <p>Encourage micro business development by enhancing consumer protection regulations.</p>	<p>A project that links up leading companies from developed economies with SME's of APEC developing economies for production and supply of parts, technological collaboration and joint R&D is underway and will be completed by December 1999.</p> <p>The APEC SME Network of Networks and APECNet business-matching service are fully operational.</p> <p>A seminar to promote SME's' understanding on future directions of markets in the APEC region, including how to secure government procurement contracts, was held in November 1997.</p>	<p>Ministers will identify, in consultation with SME's, the major barriers and compliance costs to SME's. Ministers agreed to report back directly on progress on these issues next year for later voluntary inclusion in IAP's.</p>

Electronic Commerce and Y2K

ABAC RECOMMENDATION	WHAT APEC HAS ALREADY DONE	WHAT APEC PLANS TO DO
<p>The private sector should lead in development of e-commerce.</p>	<p>APEC Ministers have endorsed this principle.</p>	
<p>Training in e-commerce should be provided to SMEs.</p>	<p>HRD WG has conducted a project on Internet and Electronic Commerce: Training on Java-based Technology. Website now operational: www.edu.au/commerce.apec</p> <p>TEL WG survey of the uptake of electronic commerce by SMEs underway. Final report to be delivered in mid-year 1999.</p>	<p>A study on the impact of e-commerce on SMEs and how they can benefit from it will be conducted 1999-2000.</p>
	<p>TEL WG survey of legal and regulatory barriers to conducting Electronic Commerce completed and posted to the internet, with regular updates planned.</p>	<p>The TPT WG will conduct a training program to provide a sound base of knowledge and skills in e-commerce to enable firms to install e-commerce systems and prepare them for the trialing of messages.</p>
<p>New laws should not be introduced if existing laws can apply.</p>	<p>TEL WG E-commerce Awareness Seminars will be held to help SMEs understand the benefits of doing business electronically. As directed by Ministers, the APEC Secretariat is compiling a list of e-commerce hub and network service providers available in the economies.</p>	<p>TPT-WG 15 will seek approval for a pilot project to provide electronic commerce training in maritime transport. TEL WG plans to hold further E-commerce Awareness Seminars in 1999 in Singapore, Thailand and Vietnam.</p>
<p>Laws and regulation should not commit business to specific technology and standards.</p>	<p>Transport WG (TPT) held an E-commerce Seminar in April 1999 in Santiago, focusing on practical applications for transport and trade.</p>	<p>The SCCP project will be completed by December 1999.</p>
<p>Policies and regulation should be compatible with existing multilateral agreements, such as in the WTO and ITU.</p>	<p>Transport WG and SCCP have conducted separate EDI Commerce Messages projects to identify, through pilot projects, the processes and preparation required to enable business involved in international trade, transport and customs to trial and use harmonized EDIFACT messages in the trading chain between organizations in APEC economies.</p>	
<p>Governments should deregulate the telecommunications sector, promote technical standards to ensure interoperability, ensure that regulation is transparent and flexible, and involve financial institutions in resolving payment and credit documentation issues.</p>	<p>APEC Ministers responsible for Telecommunications and Information Industries adopted a Framework for Action on Electronic Commerce consistent with these points in June 1998 and directed TELWG to implement.</p>	
<p>Governments should lead by example by maximizing use of e-commerce in, for example, government procurement.</p>	<p>TEL WG participated in an OECD-business workshop on Electronic Authentication in June 1999</p>	
<p>Responsibility for e-commerce in each economy should be placed in one central agency.</p>	<p>GP Experts Group held a seminar in February 1999 partly on the topic of electronic tendering in government procurement. The GPEG Home Page is linked to 11 members' electronic GP sites.</p>	
<p>Public-private partnerships will be vital to realizing the potential benefits of e-commerce.</p>		

A mechanism should be established to ensure consumer protection across borders.

Private and public sectors must make efforts to build confidence in electronic payment systems.

Governments should conduct programs to ensure Y2K compliance, with priority on the financial, transportation, utilities and medical services sectors.

APEC economies cooperated in a major symposium in April in Singapore on Y2K cross-border impacts and contingency planning, focused on the telecomms, energy, customs, transportation and financial services sectors, and with special focus on SMEs' preparedness. It was part of an APEC Y2K Week of activities.

Transport WG has conducted a project to raise awareness of the Y2K problem through a survey on air traffic control and airport systems. Result: all economies are either assessing the problem or taking compliance measures.

Under direction of APEC Energy Ministers, the Energy Regulators' Forum of the EWG is surveying economies' Y2K preparedness in the energy sector. The report will include case studies of actions being undertaken that other economies could consider duplicating.

APEC Food System

ABAC RECOMMENDATION	WHAT APEC HAS ALREADY DONE	WHAT APEC PLANS TO DO
APEC should build an APEC Food System, a long-term project to achieve a more robust regional food system that efficiently links together food producers, processors and consumers and more securely meets the region's future food needs. The work program should involve close public-private collaboration and parallel cooperative action in three areas:	An ad hoc Task Force established by SOM has prepared the first draft of a study on the food system that will take up all major issues raised by ABAC. It discussed the report at the Task Force's first meeting in May in Christchurch, which an ABAC representative attended.	The Task Force aims to finalize the study and recommendations to SOM for responding to the ABAC proposals by August.

a. Rural Infrastructure Development

ABAC RECOMMENDATION	WHAT APEC HAS ALREADY DONE	WHAT APEC PLANS TO DO
<p>Improve the availability of rural education.</p> <p>Promote increased investment in physical rural infra-structure, through</p> <p>(i) ensuring sound macroeconomic and domestic regulatory environments and</p> <p>(ii) development of funding mechanisms to facilitate and reduce the cost of private sector investment in infrastructure.</p>		

b. Promotion of Trade in Food Products

ABAC RECOMMENDATION	WHAT APEC HAS ALREADY DONE	WHAT APEC PLANS TO DO
<p>Reduce the cost of trade in food products through trade facilitation measures.</p> <p>Provide technical assistance to upgrade SPS procedures where these inhibit food exports.</p> <p>Cooperate on harmonization/equivalency of regulation and control systems on consumer requirements.</p> <p>Progressively eliminate, ahead of Bogor targets, unnecessary impediments to food trade, including tariffs, WTO-inconsistent NTMs, and export subsidies.</p> <p>Pursue cooperation to assure nondiscriminatory access to food products.</p>		

c. Dissemination of Technological Advances in Food Production and Processing

ABAC RECOMMENDATION	WHAT APEC HAS ALREADY DONE	WHAT APEC PLANS TO DO
<p>Promote regional food technology transfer</p> <p>Harmonize food safety-related regulations as they apply to technology.</p>	<p>The "APEC Post Harvest Network project" has established a website at here to provide a comprehensive listing of all post harvest related products and services, people and organisations, and research activities and facilities worldwide. The site is at an early stage of development.</p>	<p>IST WG will conduct a feasibility study for developing a post-harvest network in the APEC region aimed at reducing grain, fruit and vegetable losses and increasing trade through use of appropriate technologies.</p>

Conduct research, development and marketing of food-related technology.

Ensure dissemination of new technologies is consistent with market principles and intellectual property rights.

Distribute information on environmentally sound food production and processing techniques.

HRD WG is implementing the Human Resources Management for Cleaner Production project that focuses on the food industry.

Improving Future Action Plans

a. Tariffs

ABAC RECOMMENDATION	WHAT APEC HAS ALREADY DONE	WHAT APEC PLANS TO DO
<p>Specify in IAPs the final average tariff levels targeted by 2010 to 2020.</p> <p>Be more specific on member economy plans to reach Bogor goals.</p>	<p>Seven economies so specified in their 1998 IAPs.</p>	

b. Non-Tariff Measures

ABAC RECOMMENDATION	WHAT APEC HAS ALREADY DONE	WHAT APEC PLANS TO DO
<p>Publish an APEC NTM inventory, including investment and services.</p> <p>Include more details on removing NTMs, covering also services and investment.</p>	<p>The Market Access Group (MAG) is compiling information on members' NTMs.</p>	<p>Once the information on NTMs is collected, MAG will discuss how to disseminate it, including possible electronic publication.</p>
<p>Reduce or eliminate NTMs beyond WTO commitments.</p>	<p>One economy specified plans beyond its WTO commitments in its 1998 IAP.</p>	

c. Services

ABAC RECOMMENDATION	WHAT APEC HAS ALREADY DONE	WHAT APEC PLANS TO DO
<p>Identify priority service sectors for early liberalization, in addition to financial services.</p> <p>Provide five-year specific plan to reduce barriers and more broadly based medium-and long-term plans for services</p> <p>Develop principles and guidelines on liberalization of trade and investment in services.</p>		

d. Investment

ABAC RECOMMENDATION	WHAT APEC HAS ALREADY DONE	WHAT APEC PLANS TO DO
<p>Implement the 1994 Non-Binding Investment Principles.</p>	<p>Based on the non-exhaustive "master menu" of investment-liberalizing and business-facilitating measures, members have voluntarily selected a number of options to make progress toward creating a free and open investment regime. (The menu of options is available on the APEC website.)</p>	<p>The Investment Experts Group will:</p> <p>Continue to conduct symposia and update the Investment Guidebook;</p> <p>Use the APEC FDI Mart to brief business people on economies' investment policies;</p> <p>Hold a dialogue in August 1999 on business</p>

Include commitments and targets for removing impediments to the development of domestic and regional capital markets

13 economies include such commitments in their 1998 IAPs.

facilitation and the role of investment incentives;

Encourage economies to report their progress in implementing the menu of options in their IAPs;

Seek ABAC and other business assessments of the menu approach and the implications of implementing it.

e. Small and Medium Enterprises

ABAC RECOMMENDATION	WHAT APEC HAS ALREADY DONE	WHAT APEC PLANS TO DO
Show in IAPs how commitments made can contribute to the recovery of SMEs, including action taken on previous ABAC recommendations on SMEs.	Two economies made SME-related commitments in their 1998 IAPs.	