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APEC ECONOMIC LEADERS' DECLARATION

**Vancouver, Canada
25 November 1997**

CONNECTING THE APEC COMMUNITY

1. We, APEC's Economic Leaders, met today in Vancouver, Canada, to reaffirm our commitment to work together to meet the challenge of sustaining regional prosperity and stability. Certain of the dynamism and resilience of the region, we underline our resolve to achieve sustainable growth and equitable development and to unlock the full potential of the people who live here. We agree that the prospects for economic growth in the region are strong, and that the Asia-Pacific will continue to play a leading role in the global economy. The goals we have set, including the achievement of free and open trade and investment in the region by the dates set out in the Bogor Declaration, are ambitious and unequivocal.

2. We take note of the rapid expansion of APEC's activities in recent years, and the increasing leadership role it plays in global economic affairs. Flowing from commitments embodied in the *Osaka Action Agenda* and the *Manila Action Plan for APEC*, we welcome the designation of 1997 as *APEC's Year of Action*. We have reflected on the concrete *results* that APEC cooperation has generated throughout the year, and set out a *vision* of how we may build upon these achievements in the years ahead. As the year draws to a close, we note with satisfaction that we have met and surpassed all the tasks we set for ourselves at our last meeting in Subic.

3. ***APEC – Addressing shared challenges:*** We have had a thorough discussion of recent financial developments in the region. Our economies and the international community as a whole have a strong interest in seeing a quick and enduring restoration of financial stability and healthy and sustainable growth. These events reflect new challenges in the international financial system that require new responses. The global dimensions of these problems suggest the need for a global response, with regional initiatives to complement and support these efforts. We are resolved to work together to address these shared challenges.

There is no doubt that the fundamentals for long-term growth and prospects for the region are exceptionally strong. We remain convinced that open markets bring significant benefits and we will continue to pursue trade and investment liberalization that fosters further growth. Prudent and transparent policies, particularly sound macroeconomic and structural policies, human resource development strategies, and effective financial sector regulation are key to restoring financial stability and realizing this growth potential.

But we need to go further. We believe it is critically important that we move quickly to enhance the capacity of the international system to prevent or, if necessary, to respond to financial crises of this kind. On a global level, the role of the International Monetary Fund (IMF) remains central. Therefore, we welcome and strongly endorse the framework agreed to in Manila as a constructive step to enhance cooperation to promote financial stability: enhanced regional surveillance; intensified economic and technical cooperation to improve domestic financial systems and regulatory capacities; adoption of new IMF mechanisms on appropriate terms in support of strong adjustment programs; and a cooperative financing arrangement to supplement, when necessary, IMF resources. We urge

rapid implementation of the Manila Framework. We also look forward to the conclusions of the IMF study already underway on the role of market participants in the recent crises.

We recognize that as the region's most comprehensive economic forum, APEC is particularly well-suited to play a pivotal role in fostering this kind of dialogue and cooperation on a range of policies and develop initiatives to support and supplement these efforts. We ask our Finance Ministers, working closely with their Central Bank colleagues, to accelerate their work launched in Cebu in April on the collaborative initiatives to promote the development of our financial and capital markets, and to support freer and stable capital flows in the region. APEC can play a particularly valuable role in exploring ways, in cooperation with the World Bank, the IMF, and the Asian Development Bank, of intensifying its economic and technical cooperation, giving priority to upgrading financial systems, enhancing cooperation among market regulators and supervisors and other measures to help improve the integrity and functioning of financial markets. A good example of private-public partnership in these areas is the recently-announced Toronto Centre for Executive Development of Financial Sector Supervisors.

We look to our Finance Ministers to report on progress on all of these initiatives early in the new year and to concrete outcomes at their next meeting.

4. APEC must play an increasing role in addressing such challenges. We are resolved to work together to achieve concrete results through dialogue and problem-solving. Recognizing the diverse interests and circumstances of its membership, APEC has given rise to entirely new approaches to international economic cooperation. Based on three mutually supportive pillars – trade and investment liberalization, business facilitation, and economic and technical cooperation – the APEC approach addresses regional challenges and opportunities in an integrated fashion so that all members develop the capacity to participate fully in and benefit from this cooperation. By connecting the community APEC has helped us to build relationships and share knowledge to improve the well-being of our citizens. These partnerships enhance our prosperity and progress, enrich our lives and foster the spirit of the APEC community.

A YEAR OF ACTION – KEY RESULTS

5. We welcome the concrete results achieved this year in implementing the trade and investment liberalization commitments we set out at Subic Bay. We recognize efforts made by members to improve the commitments in their Individual Action Plans (IAPs). APEC's collective achievement in enhancing the comparability and transparency of these plans is important in ensuring that our undertakings are well understood in the marketplace. The views of the private sector are critical to ensuring that APEC's efforts remain focused and on target. In this regard, we welcome the review of the Manila Action Plan for APEC which was carried out by the APEC Business Advisory Council (ABAC), and instruct our Ministers to take ABAC's views into consideration in the preparation of future plans. As IAPs remain the core mechanism for APEC's trade and investment liberalization activity, we reaffirm our commitment to their annual improvement.

6. APEC's liberalization proceeds on a voluntary basis, propelled by commitments taken at the highest level. In this regard, we welcome the action taken to accelerate by two years the timetable for the identification of sectors for early voluntary liberalization, a decision that underlines our determination to advance the pace of liberalization in the region and globally. We endorse the agreement of our Ministers that action should be taken with respect to early voluntary liberalization in 15 sectors, with nine to be advanced throughout 1998 with a view to implementation beginning in 1999. We find this package to be mutually beneficial and to represent a balance of interests. We instruct Ministers responsible for trade to finalize detailed targets and timelines by their next meeting

in June 1998. To sustain this momentum, we further instruct that the additional sectors nominated by members this year be brought forward for consideration of additional action next year. We underline our commitment to comprehensive liberalization, as stated in the Osaka Action Agenda.

7. Among multilateral and regional fora, APEC is a pioneer in the area of trade and investment facilitation. Our business community tells us that this is the area of APEC activity of most immediate relevance to them. Lowering costs, eliminating red-tape and delay, promoting regulatory reform, developing mutual recognition arrangements on standards and conformance, and increasing predictability are clear benefits, especially to operators of small and medium-sized enterprises (SMEs). *The Blueprint for APEC Customs Modernization*, which puts forward a comprehensive program to harmonize and simplify customs clearances by the year 2000, provides a model. We urge the acceleration of trade and investment facilitation through APEC's Collective Action Plans and direct Ministers to use APEC's economic and technical cooperation activities to build capacity, adapt procedures and incorporate new technologies.

8. On the eve of the 50th anniversary of the General Agreement on Tariffs and Trade (GATT) we reflected on the rich legacy it has conferred through the encouragement of open trade regimes. We reaffirm the primacy of the open, rules-based multilateral trading system under the World Trade Organization (WTO) and reiterate our commitment to APEC's activity proceeding on the basis of open regionalism. We invite trading partners outside APEC to follow suit.

Full and active participation in and support of the WTO by all APEC economies is key to our ability to continue to strengthen the global trading system. We encourage the acceleration of substantive negotiations on protocol issues and market access with a view to achieving universality of WTO membership. We reaffirm our undertaking to implement fully all existing WTO commitments and the built-in agenda of the WTO according to agreed timetables. We also challenge the WTO to build on APEC's efforts towards further broad-based multilateral liberalization. We note with pleasure the leadership that APEC has demonstrated in advancing in the WTO the conclusion of Agreements on Information Technology and Basic Telecommunications. We undertake to work in a determined fashion to achieve a successful conclusion to WTO negotiations on financial services by the agreed deadline of 12 December 1997. As agreed by our Finance and Trade Ministers, a successful conclusion would include a Most Favoured Nation (MFN) agreement based on significantly improved commitments. This result will enhance competition within our financial systems, foster development of regional capital markets, promote financial integration, improve the regional capacity for intermediate savings and strengthen our economies' resilience in the face of external shocks.

9. We are pleased with the progress that has been made in implementing the 1996 Framework for Strengthening Economic Cooperation and Development in APEC, and call on Ministers and officials to focus on addressing the key challenges identified therein. We direct Ministers to give all elements of the Framework equal weight and attention, and to be mindful of its indivisibility as an integrated set of objectives requiring coordination and communication across the APEC agenda. We applaud the effort in 1997 to apply this Framework approach to APEC's work on two key challenges in the region – infrastructure and sustainable development. We direct Ministers to focus further efforts on capacity-building in 1998 through work on developing human resources and harnessing technologies of the future to enable all members of the APEC community to benefit more fully from trade liberalization.

10. Meetings of Ministers responsible for finance and trade provided early impetus for APEC's work in 1997. We commend their activities as a direct contribution to our goal for sustainable growth and equitable development. We are also gratified by the substantial contributions that Ministers responsible for environment, transportation, energy, small and medium-sized enterprises, and human

resources development have made in 1997 to APEC's work. We welcome the progress of APEC fora in involving business, academics and other experts, women and youth in 1997 activities, and encourage them to continue these efforts.

11. APEC members share a belief in the contribution of free markets to achieving our growth and employment objectives. While they have a clear role in managing the impacts of economic transition, governments alone cannot solve the complex questions posed by our interconnected world. We are pleased to note a leap in business involvement in all levels of APEC activity this year. As Leaders, we have profited from our dialogue with the APEC Business Advisory Council. We commend their initiative in increasing their exchanges with Ministers and Senior Officials. We will reflect on recommendations set out in ABAC's 1997 *Call to Action*. We also welcome ABAC's intention to establish a Partnership for Equitable Growth, and express appreciation for recommendations on diverse and important issues such as standards, business mobility and capital market development. We stress the need for APEC to broaden its outreach to a wider segment of the business community.

Noteworthy in 1997 has been the wealth of APEC activities and initiatives in support of SMEs. Although ours is a region of traders, many SMEs encounter obstacles to their full participation. We stress the importance of strengthening our SME sectors, to allow them to take advantage of linkages into regional trade and investment opportunities by promoting a business environment that stimulates the creation of new enterprises. We commend the fact that many specialized APEC fora have developed programs to address the needs of SMEs. We take note of the priorities and approaches set out in APEC's 1997 *Framework for SMEs*, and instruct Ministers to ensure they are applied.

A Vision for the 21st Century

12. ***Connecting APEC's instruments:*** Intense growth in the economies of the Asia-Pacific over the past decade has had far reaching impacts on our societies. Growth and employment, as well as improved incomes and quality of life, are welcome benefits. In all of our societies these positive outcomes have been accompanied by structural and environmental pressures. Globalization has emerged as a reality. Rapid urbanization and advances in information technology are transforming our cityscapes, as well as the way in which we interact. Our ability to adapt to new developments will determine our success in achieving sustainable and equitable development among and within societies in the region. We applaud the efforts made this year to integrate APEC's instruments – liberalization, facilitation and economic and technical cooperation – in addressing emerging challenges.

13. ***Connecting with our constituents:*** We stress our common belief that ongoing and ambitious trade and investment liberalization remains indispensable to the health of our economies. To underpin our efforts, support among the people of the region for continuing trade and investment liberalization is essential. We welcome the decision by Ministers to develop an APEC-wide work program to assess the full impact of trade liberalization, including its positive effects on growth and employment, and to assist members in managing associated adjustments.

14. ***Connecting our economies:*** Our discussions today have focused on regional infrastructure requirements in support of economic and social development. We endorse the work that has been carried out this year on infrastructure applications to make city life more sustainable, in particular the *Sustainable Cities Program of Action*. The rapid growth of urban centres poses daunting challenges such as bottlenecks, supply constraints, as well as health and environmental concerns. Governments must strive to ensure adequate access to infrastructure for people in all walks of life,

urban or rural. Capacity-building through economic and technical cooperation is essential to ensure the ability of all economies to address these critical challenges.

Infrastructure is inextricably linked to the questions of financial stability that we have addressed. In addressing regional infrastructure decisions, governments and business must work together to ensure that long-term financial sustainability is adequately considered. Cooperation with business and international financial institutions and development banks can be critical to achieving optimal project planning. We endorse the attached *Vancouver Framework for Enhanced Public-Private Partnerships for Infrastructure Development*. We also are pleased by the agreement to enhance cooperation among Export Credit Agencies and Export Financing Institutions in support of regional infrastructure development, as well as agreement to undertake a feasibility study on a Network of Infrastructure Facilitation Centres to encourage information sharing and transparency. Recognizing the importance of telecommunications and information technology for building an Asia-Pacific information society, we agree that the Asia-Pacific Information Infrastructure is an essential basis for ensuring the competitiveness of the region in the 21st century.

15. **Connecting electronically:** We agree that electronic commerce is one of the most important technological breakthroughs of this decade. We direct Ministers to undertake a work program on electronic commerce in the region, taking into account relevant activities of other international fora, and to report to us in Kuala Lumpur. This initiative should recognize the leading role of the business sector and promote a predictable and consistent legal and regulatory environment that enables all APEC economies to reap the benefits of electronic commerce.

16. **Connecting science and technology:** In view of the growing role of science and technology in promoting economic growth and its close linkages to trade and investment flows, we direct Ministers to formulate an APEC Agenda for Science and Technology Industry Cooperation into the 21st Century, and present it to us in Kuala Lumpur. We also welcome other regional networks to strengthen science and technology linkages, including the Association of Pacific Rim Universities (APRU).

17. **Connecting the issues:** Achieving sustainable development remains at the heart of APEC's mandate. Equity, poverty alleviation and quality of life are central considerations, and must be addressed as an integral part of sustainable development. We have made a commitment to advance sustainable development across the entire scope of our workplan. We welcome the results of the multi-sectoral symposium on relationships among food and energy and the environment under the pressures of rapid economic and population growth, as well as the interim report we have received. We look forward to presentation of a more detailed and action-oriented report in 1998.

18. **Connecting efforts on climate change:** We recognize the importance of accelerating action on a global level to deal with emissions of greenhouse gases. We affirm that this issue is of vital significance, and that it requires cooperative efforts by the international community, in accordance with the principle of common but differentiated responsibilities. We emphasize our strong support for a successful outcome to the Third Conference of the Parties in furthering the objectives of the UN Framework Convention on Climate Change (UN-FCCC). We note that all APEC members can make important contributions to this effort. We also agree that the enhancement of energy efficiency plays an important role in addressing climate change. We affirm the importance of flexible and cost-effective cooperative approaches to reducing greenhouse gas emissions, including by promoting the development and diffusion of beneficial technologies. We recognize the legitimate needs of developing economies to promote their sustainable development in furthering the objectives of the UN-FCCC and, in this respect, the importance of enhancing the availability of beneficial technologies.

19. ***Connecting emergency response:*** We recognize that unexpected disasters which affect one of us can affect all of us, and that we can benefit from sharing expertise and collaborating on emergency preparedness and response. We welcome the initiative of Ministers in this regard.

20. ***Connecting the people of the Asia-Pacific:*** Continued prosperity in the region will depend heavily on our willingness and our ability to vest the next generation of leaders of the region with the skills and knowledge they require. We applaud the initiative to involve youth throughout APEC's 1997 activities. Education and skill-building remain key objectives for long-term employment of our youth, and we call on Ministers to work with young people, academics, workers and business to share approaches on successful transitions from the learning environment to the work force. We welcome the Electronic Source Book on work, study and exchange opportunities in the region, the establishment and development of the APEC Education Foundation, and the APEC Youth Skills Camp and the APEC Youth Science and Technology Festival, both to be held in 1998 in Seoul. We appreciate the offer by Singapore to establish an APEC Education Hub, which includes the granting of scholarships to APEC students. We welcome the holding of a Ministerial Conference on Education in 1999 in Singapore to explore the possibility of expanding this initiative, offering quality programmes to students in the region.

We believe APEC should take specific steps to reinforce the important role of women in economic development. We welcome the offer of the Philippines to host a Ministerial Meeting on Women in 1998 in Manila, to take stock of progress to date in involving women in APEC's agenda and to determine the next steps to integrate women into the mainstream of APEC's activities.

21. Spanning twelve time zones from St. John's to Sumatra, APEC bridges both distance and diversity. Through a combination of concrete results and renewed vision, the spirit of community which unites us has been strengthened and broadened this year. The people of the region remain its greatest asset. As Leaders, we are accountable for safeguarding and improving their economic and social well-being. Our people are the foundation on which the APEC community is built. We commit ourselves to ensuring that APEC remains responsive to their concerns.

THE VANCOUVER FRAMEWORK For Enhanced Public-Private Partnerships in Infrastructure Development

(attachment to APEC Leaders' Declaration, 25 November 1997)

Strengthened partnerships between the public and private sectors are needed to put in place and manage the infrastructure required by the APEC region to meet its economic, environmental and social goals. To this end, we declare the following:

VOLUNTARY PRINCIPLES

We reaffirm the Voluntary Principles for Facilitating Private Sector Participation in Infrastructure developed by Finance Ministers, namely:

- i. To establish and maintain a sound macroeconomic environment.
- ii. To establish stable and transparent legal frameworks and regulatory systems to provide a high level of investor protection.
- iii. To adopt sectoral policies that promote, where applicable, competitive and efficient provision of infrastructure services.
- iv. To increase the availability of long-term capital required for infrastructure investments by accelerating efforts to broaden and deepen domestic financial and capital markets.

Financing and Investment

- v. We reaffirm the Finance Ministers' call on multilateral financial institutions to catalyze and support member economies' own efforts in infrastructure development, including by promoting sound framework policies through technical assistance, facilitating flows of private capital while continuing to provide direct financial support for infrastructure development, and developing innovative financing mechanisms to address the long-term financing requirements of infrastructure projects.
- vi. We encourage the Finance Ministers to continue to implement the specific initiatives launched in Cebu to facilitate, in collaboration with multilateral financial institutions and the private sector, the development of domestic financial and capital markets. In this regard, we ask them to continue to work with private sector financiers and providers of risk coverage and investment ratings to promote the development of robust and liquid domestic bond markets, including markets for asset-backed securities which, as noted by ABAC, will enhance private investment in large-scale infrastructure projects.
- vii. We welcome the mutual cooperation Protocol signed by participating Export Credit Agencies and Export Financing Institutions to enhance, on a project-by-project basis, the attractiveness of infrastructure investment for private sector participants.

Improving Capacities

Improving capacities is key to accelerating the development of economically viable infrastructure projects that the private sector can support. To this end, we affirm the need for action in the following areas:

- viii. To promote the application of state-of-the-art practices in each phase of the infrastructure planning, development, management, use and retirement cycle.
- ix. To develop domestic capacities so that public officials involved in infrastructure development in agencies dealing with private investors have appropriate expertise and an understanding of commercial approaches to infrastructure investment, and by promoting technological cooperation, including through private-private and public-private partnerships.
- x. To promote the application of state-of-the-art practices in risk mitigation and management, including by promoting the most effective use of private and public sector capacities.
- xi. To promote transparent, predictable and accountable procedures, including for bidding and selection processes, and to encourage the use of international competitive tendering.
- xii. To ensure that infrastructure supports the achievement of economic, environmental and social goals by incorporating sustainable and equitable development principles in the design and operation of infrastructure facilities.

Information and Consultation

We recognize the importance of information in supporting the participation of the private sector, especially small and medium-sized enterprises, in infrastructure projects and commit to engaging the broad public in building on the outcomes achieved in key sectors such as information infrastructure, intelligent and integrated transportation systems, economically and environmentally sustainable energy infrastructure, sustainable cities, and infrastructure to support rural integration and diversification.

To these ends, we call on Ministers:

- xiii. To improve the availability of information to support participation in infrastructure investment by the widest possible range of companies, including by small and medium-sized enterprises, both on a solicited and unsolicited basis.
- xiv. To foster effective consultations to ensure that planned infrastructure meets our communities' needs.

We direct the relevant Ministers to take the necessary measures to make good these declarations of intent with the express purpose of substantially and measurably increasing the participation of the private sector in infrastructure development in the APEC region and promoting infrastructure development in support of overall economic growth and development goals.

NINTH APEC MINISTERIAL MEETING

**Vancouver, Canada
21-22 November 1997**

JOINT STATEMENT

1. Ministers from Australia; Brunei Darussalam; Canada; Chile; the People's Republic of China; Hong Kong, China; Indonesia; Japan; the Republic of Korea; Malaysia; Mexico; New Zealand; Papua New Guinea; the Republic of the Philippines; Singapore; Chinese Taipei; Thailand; and the United States of America participated in the Ninth Asia-Pacific Economic Cooperation (APEC) Ministerial Meeting convened in Vancouver, Canada on 21-22 November 1997. Members of the APEC Secretariat were also present. The Association of Southeast Asian Nations (ASEAN) Secretariat, the Pacific Economic Cooperation Council (PECC), and the South Pacific Forum attended as observers. The meeting was co-chaired by the Honourable Lloyd Axworthy, Minister of Foreign Affairs of Canada and the Honourable Sergio Marchi, Minister for International Trade for Canada. Ministers welcomed the first *APEC Results Report* which highlights the achievements of all APEC fora in 1997.

2. In reviewing these results and achievements, Ministers underscored the value of cooperation in strengthening economic growth and prospects for the region. They reaffirmed their commitment to pursue trade and investment liberalization, facilitation initiatives, and economic and technical cooperation. They agreed that the recent financial turbulence in the region reinforced the importance for APEC economies to lay the foundation to realize their longer-term growth potential which remains exceptionally strong. To this end, Ministers strongly endorsed a forward-looking approach to ensure that the benefits of open economies are fully realized.

Trade and Investment Liberalization and Facilitation

3. Ministers welcomed progress made in continuing the liberalization momentum through a mix of individual and collective actions as well as through identification of sectors for early voluntary liberalization.

Individual Action Plans: Ministers reaffirmed that Individual Action Plans (IAPs) are key to the implementation of APEC's trade agenda for free and open trade and investment in the Asia-Pacific region by the year 2010 for developed economies and 2020 for developing economies.

- Ministers endorsed the individual and collective initiatives completed by member economies in 1997, the first year of implementation of the Manila Action Plan for APEC;
- Ministers welcomed the improvements in 1997 shown in members' IAPs, and reaffirmed their commitment to progressive and continuous improvements to their IAPs with due consideration to the views of the broad business community in order to reach the Bogor goals.

Ministers welcomed and encouraged the ongoing process of bilateral consultations to exchange views on areas of interest and possible improvements in IAPs. Ministers also commended and encouraged

the continuation of voluntary peer reviews in 1997 as an additional opportunity for members to demonstrate their commitment to advancing their IAPs.

Ministers commended the Committee on Trade and Investment (CTI) for improving the format of the IAPs which will contribute to greater transparency, facilitate review and assessment, and enhance their usefulness to the business community. Ministers agreed to adhere to the improved format guidelines in preparing economies' revised IAPs.

Ministers welcomed the recommendations of the APEC Business Advisory Council (ABAC) on how future plans could more effectively meet the needs of business in terms of value-added to commitments made elsewhere, transparency, specificity, and commitment to action. Ministers agreed to take account of the recommendations in revising their IAPs and Collective Action Plans (CAPs) in 1998 and future years, and directed officials to report to them in this regard by the June 1998 Meeting of Ministers responsible for trade.

4. **Early Voluntary Sectoral Liberalization:** Ministers recalled the instructions of the Leaders in Subic to identify sectors for early voluntary liberalization, and welcomed progress made by Ministers responsible for trade in May 1997 to accelerate this process. Ministers agreed to pursue initiatives for early voluntary sectoral liberalization in accordance with the attached statement, and welcomed the fact that many of the proposals include measures that will promote facilitation as well as economic and technical cooperation, illustrating again the integrated nature of APEC's work. Ministers also agreed that other actions should be taken so that the process remains consistent with, and promotes, further broad-based multilateral liberalization. Ministers underscored the importance of progressing toward the Bogor goals, and in demonstrating APEC's leadership in liberalizing global trade.

5. **Trade and Investment Facilitation:** Ministers welcomed the achievements under the Collective Action Plans (CAPs), which will significantly lower costs and reduce barriers to the movement of goods and services, capital, and business people. Ministers endorsed work in these areas, including:

- development of the Blueprint for Customs Modernization and other initiatives on customs cooperation;
- establishment of APEC Internet sites for business information and assistance;
- progress on alignment with international standards;
- increased transparency for acquiring and using intellectual property rights;
- development of a menu of options to enhance the environment for investment that members can voluntarily choose to include in their IAPs;
- the development of model mutual recognition arrangements;
- principles to guide work on dispute mediation;
- improved mobility for business people, including through expanded participation in the APEC Business Travel Card;
- non-binding elements of transparency in government procurement;
- work to make the Asia-Pacific Information Society a reality;
- completion of APEC guidelines for the preparation, adoption and review of technical regulations;
- providing public accessibility through the Internet to the applied tariffs of APEC member economies;
- action plans to create integrated and intelligent transportation systems;
- market and trade information for fishing industries;

- development of guidelines for streamlining and making more transparent the tendering, approval, and regulatory processes for independent power producers; and
- initiatives in the Trade Promotion and Trade and Investment Data Review Working Groups.

Ministers welcomed the annual report of the Committee on Trade and Investment (CTI), and commended APEC fora both for their implementation and improvement of CAPs, and for the comprehensive range of short-term deliverables contained in the report. They called for renewed efforts on trade facilitation in the CTI and relevant Working Groups through 1998, having particular regard to the priorities of the business sector. Ministers called for intensified work on the simplification and harmonization of customs procedures; standardized approaches to reduce and simplify documentary requirements (both print and electronic) for businesses, particularly small and medium-sized enterprises; and encouraged participation by additional members in the Asia-Pacific Laboratory Accreditation Conference Mutual Recognition Arrangement recently signed between accreditation bodies in five APEC economies. Ministers also called for implementation by member economies of the mutual recognition arrangement developed by the Telecommunications Working Group for certification of telecommunications equipment.

6. ***Contribution to the World Trade Organization Process:*** Ministers discussed the continuing contribution of APEC to supporting the multilateral trading system, and noted in particular the dynamic and catalytic role that APEC plays by virtue of its broad membership, embracing both developed and developing economies, and its continuing commitment to liberalization. Ministers agreed to work to ensure that regional and multilateral trade and investment initiatives complement and support each other. Ministers reaffirmed the primacy of an open, rules-based multilateral trading system under the World Trade Organization (WTO), and reiterated their support for the prompt accession to the WTO of applicants in accordance with WTO rules and based on effective market access commitments, with a view to achieving universality of WTO membership.

Ministers reiterated the importance of implementing fully all existing WTO commitments as a foundation for further multilateral trade liberalization, particularly through fulfilment of the built-in agenda of the WTO according to agreed timetables. Ministers accordingly welcomed the successful conclusion of the WTO Agreement on Basic Telecommunications. Ministers of economies committed to participating in the Information Technology Agreement (ITA) agreed to work together to achieve broader participation and expanded product coverage in the next phase of the ITA negotiations. Ministers agreed that the second WTO Ministerial Conference, to be held in May 1998, provides a timely opportunity to take stock of progress in the implementation of existing commitments and on the built-in agenda and to provide instructions to WTO bodies on the work necessary to prepare a substantive agenda for the WTO Ministerial Conference to be held in late 1999, with a view to pursuing further broad-based multilateral market access and other liberalization.

Ministers endorsed the efforts of negotiators from many APEC economies to reach a successful conclusion to the negotiations on financial services underway in the World Trade Organization by the deadline of 12 December 1997. As agreed by Finance and Trade Ministers, a successful conclusion would encompass an MFN agreement based on significantly improved commitments. Such an outcome would enhance competition within financial systems, foster development of regional capital markets, promote financial integration, improve the regional capacity for intermediate savings and strengthen the global trading system.

To maintain and strengthen APEC's leadership in multilateral trade liberalization and facilitation, Ministers reaffirmed their intention to continue to pursue APEC initiatives that support work in the WTO, including with respect to competition policy, trade facilitation, transparency in government

procurement and dispute mediation. They agreed that the 50th anniversary of the multilateral trading system in May 1998 provides a unique opportunity to highlight the benefits that the system has provided during its first half-century. Building on this record, Ministers agreed to continue to work together to identify and pursue all areas where APEC can complement and support the multilateral trading system.

7. **Impact of Trade Liberalization:** Ministers reaffirmed their strong belief that continued trade and investment liberalization and facilitation is essential to economic growth and equitable development in the region. They noted that studies undertaken within APEC's Economic Committee confirm that timely implementation of commitments made by member economies under the Manila Action Plan for APEC will significantly increase trade and output in the APEC region and in the world more generally. Ministers acknowledged the need to expand the assessment of the impact of liberalization and facilitation, in order to promote a broad-based and balanced understanding of this issue within domestic communities. Ministers requested that further work be undertaken, and asked for a report on progress at the meeting of APEC Ministers responsible for trade in June 1998.

Economic and Technical Cooperation

8. Ministers committed to further strengthen economic and technical cooperation by fully implementing the *Framework for Strengthening Economic Cooperation and Development* which was agreed to in 1996. Ministers also reaffirmed the importance of economic and technical cooperation activities to strengthen economic fundamentals and welcomed the efforts made this year in this regard. Ministers endorsed the establishment of a Senior Officials' Meeting (SOM) Subcommittee on Economic and Technical Cooperation.

Ministers emphasized that progress on all six priority areas (developing human resources; developing sound, safe and efficient capital markets; strengthening economic infrastructure; harnessing technologies for the future; safeguarding the quality of life through environmentally sound growth; and strengthening the dynamism of small and medium enterprises) is essential to reduce economic disparity among APEC economies, to improve the economic and social well-being of people, and to achieve sustainable growth and equitable development in the Asia-Pacific region.

They welcomed the particular emphasis given through 1997 on two priority areas: strengthening economic infrastructure and promoting environmentally sustainable growth, which served to accelerate progress in meeting the challenges in these two areas.

Ministers commended APEC fora for engaging the private sector and other experts in the implementation of the *Framework for Strengthening Economic Cooperation and Development*, including through the convening of public/private dialogue sessions, business workshops and expositions in 1997, and the Symposium on the Impact of Expanding Population and Economic Growth on Food, Energy, and the Environment (FEEEP) which brought together government, academic, non-government and business experts.

The following summarizes progress in 1997 on the six priorities of the Framework:

- i. **Economic Infrastructure:** Improved infrastructure is a pressing need in the region. Ministers noted that public funds alone cannot meet the enormous infrastructure needs of the region, and reaffirmed the need for greater private/business sector involvement to meet the infrastructure requirements in the region. Ministers endorsed the development of the *Vancouver Framework for Enhanced Public-Private Partnerships in Infrastructure Development* and recommended it to Leaders for their consideration. Ministers

commended the work of APEC Working Groups, the Economic Committee's Infrastructure Workshop and its associated public/private dialogue process, in contributing to the implementation of the Framework. Ministers also recognized that infrastructure is a cross-cutting issue and acknowledged the contribution to the implementation of the Framework by several sectoral Ministerial processes. Ministers supported the proposal for a feasibility study on an APEC network of infrastructure facilitation centres as a focal point for infrastructure development. Ministers welcomed the mutual cooperation protocol signed by participating Export Credit Agencies and Export Financing Institutions to enhance, on a project by project basis, the attractiveness of infrastructure investment for private sector participants. Ministers called on all APEC fora to continue to participate actively in addressing the infrastructure development needs in the region including:

- **Creating an Asia-Pacific Information Society:** Ministers recognized that telecommunications and information technology is transforming societies and economies, and that the Asia-Pacific Information Infrastructure (APII) is an essential foundation to ensure the competitiveness of the Asia-Pacific region for the new era. Ministers called on APEC economies, as well as the Telecommunications Working Group to implement actions necessary to make the Asia-Pacific Information Society a reality. Ministers welcomed Singapore's offer to host a Telecommunications and Information Industry Ministerial Meeting in 1998.
- **Creating an Integrated Asia-Pacific Transportation System:** An efficient, safe, and integrated regional transportation system is critical to support growth. Ministers welcomed the results from the APEC Transportation Ministerial Meeting held in Victoria, June 1997, including the Declaration of Principles affirming commitment to harmonization of Civil Aviation Safety Rules. Ministers encouraged the implementation of these principles in support of civil aviation safety and efficiency. Ministers welcomed the completion of the Transport Congestion Points Study and the establishment of an Intermodal Task Force to develop an integrated transport system in the region.
- **Energy Infrastructure:** Ministers noted that energy infrastructure is key to the region's development needs and acknowledged that planned future work will create an institutional and regulatory framework conducive to business and investment, and promote environmentally responsible practices. Ministers noted the results from the APEC Energy Ministerial Meeting held in Edmonton, August 1997, and congratulated their colleagues on producing a Manual of Best Practice Principles for Independent Power Producers which focuses on promoting a predictable, transparent framework for tendering, bidding, evaluation and approval processes. Ministers welcomed initiatives to promote environmentally sound regulatory practices, the development of natural gas infrastructure, and the multilateral recognition of energy efficiency testing facilities, methods, and results. Ministers welcomed Japan's offer to host the next Energy Ministerial in Okinawa, October 1998, which will discuss wide-ranging energy challenges and policies.
- **Infrastructure for Sustainable Cities:** Ministers welcomed progress made in 1997 in developing a greater understanding of the role that infrastructure plays in the development of cities that are economically viable, environmentally sustainable, and socially healthy. In particular, Ministers noted the Public/Private Dialogue in Los Cabos, June 1997, the Seminar on Environment and Economic Policies towards Sustainable Cities in Beijing, September 1997, and the upcoming workshop on the use of Economic Instruments towards Sustainable Cities in Taipei, December 1997.

- Infrastructure for rural diversification and integration: Ministers noted that improving infrastructure in rural communities, including roads, telecommunications, power generation, and capacity building, is critical to the region's development and cannot be overlooked. Ministers directed APEC fora to work with the private sector and include in their efforts infrastructure initiatives for promoting integration and diversification of rural communities.

- ii. ***Environmentally Sustainable Growth:*** Ministers recalled the decision to address sustainable development across all of APEC work programs and applauded the APEC Cleaner Production Strategy, the Strategy for the Sustainability of the Marine Environment, and the Sustainable Cities Program of Action as examples of coordinated approaches to integrate economic, social, and environmental considerations into work programs. Ministers noted that specific action items were identified for implementation during the APEC Environment Ministerial Meeting on Sustainable Development in Toronto, June 1997, and instructed all APEC fora to rapidly implement these initiatives. Ministers also recognized the challenge to sustainable growth posed by emerging infectious diseases, and concurred on the need for further collaboration.

Ministers endorsed the pledge by Environment Ministers that APEC economies must do their part to implement global commitments, with full consideration of domestic priorities and conditions. In this context, Ministers recognized the importance of effective action to deal with global emissions of greenhouse gases, and emphasized their strong support for constructive dialogue and successful results at the Third Conference of the Parties (COP 3) to the United Nations Framework Convention on Climate Change (UN-FCCC) as an important step towards meeting the objectives of the Convention. Ministers also shared the recognition of Energy Ministers that enhancing energy efficiency is key to addressing climate change.

- ***FEEEP:*** Ministers commended the work of the Economic Committee and its Task Force on Food, in collaboration with the Energy Working Group, Senior Environment/Economic Officials, and other APEC fora in addressing sustainability through examining the impact of a fast-expanding population and rapid economic growth on food, energy, and the environment (FEEEP). Ministers welcomed the results of the FEEEP Symposium held in September 1997 in Saskatoon, Canada which analyzed linkages among the elements of sustainability and cross-cutting themes. Ministers welcomed the Interim FEEEP Report to Leaders and agreed that the ability to adapt to changing technological conditions and economic constraints along with building partnerships and capacity building are key factors for success in the new millennium. Ministers called for further work in 1998 to lay the foundation for discussion by Leaders of possible joint actions.

- ***Managing resources:*** In their 1993 Statement, APEC Leaders envisioned a community which could provide for a more secure future by protecting the quality of air, water and green spaces. Ministers commended the Tourism, Fisheries, Marine Resource Conservation, Human Resources Development, Industrial Science and Technology, Transportation, and Energy Working Groups for fostering technical cooperation, and promoting sustainable practices which facilitate investment and promote environmental protection. Ministers welcomed the establishment of the APEC Environmental Protection Centre in China. Ministers also noted the coordination of work in respect of the marine environment by a group of networks, including the Ocean Research Network for the Pacific, the Sustainable Development Training and Information Network, the Ocean Model and Information System for the APEC Region, the APEC Virtual Centre for Environmental Technology Exchange, and the Education-

Network (Edu-Net) under the APEC Study Centres Consortium. Ministers applauded this coordination and called on other APEC fora to adopt similar inclusive approaches.

- *Emergency preparedness for disasters:* Ministers noted that APEC should define its value-added role in formulating emergency preparedness and disaster recovery measures. Ministers called for strengthening cooperative efforts to ensure an effective and integrated approach to deal with this key issue. Ministers tasked Senior Officials to explore measures for joint action, taking into account the programs of other regional and international bodies, and to provide an inter-sessional report by June 1, 1998.
- iii. ***Small and Medium Sized Enterprises (SMEs):*** Ministers welcomed the results of the APEC Small and Medium Sized Enterprises (SMEs) Ministerial Meeting in Ottawa, September 1997, and applauded the commitment of SME Ministers to make changes at the domestic and APEC level to create business environments that will address the special needs of SMEs and encourage the creation of enterprises. Ministers also welcomed the Framework and Guide for APEC SME Activities which will help ensure that APEC is attuned to SME needs and will keep SMEs abreast of measures and activities undertaken across APEC fora to improve access to markets, technology, human resources, financing, and information. Ministers asked that all APEC fora integrate the Framework for APEC SME Activities into their programs. Ministers welcomed Malaysia's offer to host the next SME Ministerial Meeting in 1998.
- iv. ***Developing Human Resources:*** Ministers welcomed the results of the Human Resources Development Ministerial Meeting in Seoul, September 1997, which emphasized that life-long learning and school-to-work transition are essential to creating an adaptable workforce as well as providing individuals with relevant skills; that skills development is one of the most important instruments for adjusting to the changes in the labour market and economic environment; and that the roles and contributions of labour and management in attaining APEC's objectives of promoting sustainable growth and the overall well-being of the people in the region are important. Ministers noted the United States proposal to host the next HRD Ministerial Meeting by the year 2000. Ministers invited officials to place special emphasis on human resource development in 1998.
- v. ***Harnessing Technologies for the Future:*** Ministers noted the many initiatives to promote technological modernization of APEC member economies. In particular they welcomed:
- the inaugural meeting for an APEC Science and Technology Parks Network held in the People's Republic of China in September 1997;
 - the APEC Symposium on Technology Foresight held in Thailand in June 1997;
 - the work of the Industrial Science and Technology Working Group to increase mobility of researchers, and improved flows of technological information and technology as well as the Cleaner Production Strategy sector-based projects in the electronics and computer sector, textiles dyeing and finishing sector, and food industry sector; and
 - the initiatives of the Transportation, Energy, and Telecommunications Working Groups to ensure that APEC continues to adopt new technologies into the new millennium.

Ministers agreed that electronic commerce is an important technological breakthrough. Recognizing the opportunities it presents as a tool for economic and social growth, Ministers called for a workplan to study a wide range of issues on electronic commerce, with a view to developing a predictable and consistent environment that enables all APEC economies to reap the benefits and foster growth of electronic commerce. Ministers recognized that the private

sector should take the lead role as innovators and developers of this important medium. The workplan should be reviewed at the June 1998 Meeting of Ministers responsible for trade to consider further steps.

Recognizing the vital contribution that biotechnology can make toward expanding agricultural and food production, Ministers encouraged the Agricultural Technical Cooperation Experts Group to intensify science-based approaches to the introduction and use of bio-technology products.

Ministers welcomed Mexico's offer to host the third Science and Technology Ministerial in October 1998. Ministers directed officials to place special emphasis on this theme in 1998.

- vi. ***Developing Capital Markets:*** Ministers acknowledged the continuing work of the APEC Finance Ministers on the critical importance of sound macroeconomic policies for financial market stability and sustained growth. Ministers welcomed the Finance Ministers' work to develop voluntary principles to guide financial and capital market development and their collaborative initiatives to deepen and broaden domestic financial and capital markets.

Recognizing the impact that recent currency and financial market instability has had on the economies of the region, the Ministers welcomed the results of the 18-19 November 1997 meeting in Manila of Finance and Central Bank Deputies from several APEC member economies that discussed a *New Framework for Enhanced Asian Regional Cooperation to Promote Financial Stability*. They welcomed the collective efforts to address the problems caused by the region's currency turbulence. The Ministers noted that similar meetings, involving ASEAN, several Asian economies, and G-15 member countries will be convened in Kuala Lumpur in early December 1997.

In view of the prevailing currency volatility, the Ministers agreed to recommend to Leaders that they consider the timing of the next meeting of APEC Finance Ministers in order to adopt mechanisms for the enhancement of financial stability in the region.

Deepening the spirit of community

9. Ministers recalled that deepening the spirit of community in accordance with the APEC approach is critical in exercising a positive influence in the region and in the world. This vision of community requires that all sectors of society develop a stake in the success of APEC.

APEC Business Advisory Council (ABAC) Report: Ministers discussed the importance of public/private dialogue and increased interaction of ABAC in the overall process, including sectoral Ministerial Meetings. Ministers welcomed the evidence on how APEC is responding to the recommendations made in ABAC's 1996 report. Ministers directed that all APEC fora continue efforts to work in refining recommendations, defining priorities, and implementing the necessary actions.

10. ***Input from the Business/Private Sector:*** Understanding concerns of businesses operating in the region is central to APEC's work. In this regard, Ministers noted that sectoral Ministerial Meetings in 1997 on Finance, Trade, Sustainable Development, Transportation, Energy, and Small and Medium-sized Enterprises all included dialogue sessions with business. Ministers also recognized that initiatives by APEC fora, such as the business symposia on customs and investment organized by subgroups of the Committee on Trade and Investment, the Economic Committee's Infrastructure Workshop Public/Private Dialogue and the FEEEP Symposium, the Energy Working Group's Ad

Hoc Business Forum, and the APEC-PECC dialogue involving the Telecommunications Working Group, were innovative ways to obtain input from the private sector. To ensure APEC activities benefit business in a practical way, Ministers commended the involvement of the private sector to date in Working Group activities and encouraged APEC fora to continue to broaden engagement of the private sector, including young entrepreneurs and women leaders.

11. **Youth:** Ministers applauded the involvement of youth in APEC activities throughout 1997 and noted that sectoral Ministerial Meetings on Trade, Sustainable Development, Transportation, Energy, and SMEs had provided fora for meaningful dialogue with youth. Ministers welcomed the initiatives recognized by the Human Resources Development Ministerial Meeting which commended youth delegations for creating an Electronic Sourcebook on work, study, and exchange opportunities in the APEC region, and the proposal to inaugurate an APEC Youth Skills Camp. Ministers encouraged member economies to support these initiatives.

12. **Women:** Ministers noted the attention paid to gender issues in APEC fora, including in the Industrial Science and Technology, Human Resources Development, Tourism, and Transportation Working Groups, as well as the Policy Level Group on SMEs and Senior Environment Officials. Ministers welcomed the offer of the Philippines to host a Ministerial Meeting on Women in 1998 in Manila, focusing on women and economic development and integrating women into the mainstream of APEC activities.

13. **People-to-People Linkages:** Ministers noted that involving all sectors of society, particularly those in education and business is important in policy-making to promote sustainable growth and equitable development. In this regard, they welcomed the accomplishments in 1997 including the participation of such stakeholders at a number of APEC fora meetings, the opening of the APEC Education Foundation's Grants and Program Secretariat in Seoul, Korea and its administrative office in Monterey, USA. Ministers also noted the 1997 contributions of the APEC Study Centers to APEC's work program, including the Consortium Meeting which helped focus analysis more closely on issues important to APEC.

Ministers discussed the question of APEC's engagement with broader sectors of society that are affected by impacts of economic growth and liberalization. Ministers agreed in general that economic adjustment and growth can be most effectively addressed when governments and concerned sectors of society work together in harmony. Ministers noted related activities underway in the Human Resources Development (HRD) Working Group as endorsed by the recent HRD Ministerial Meeting, and called on the Working Group to continue its work in addressing these issues.

Organizational and Budget Issues

14. Ministers endorsed:

- i. the 1997 annual report of the Committee on Trade and Investment and agreed with its recommendations. Ministers commended the Committee and its sub-groups for their comprehensive work in advancing the trade and investment liberalization and facilitation agenda;
- ii. the 1997 annual report of the Economic Committee and commended the work of the Committee and its sub-groups on the Economic Outlook, the Trade and Investment Liberalization and Facilitation related studies, and progress on examining the impact of expanding population and economic growth on food, energy, and environment and the contributions to the infrastructure initiative;

- iii. the 1997 annual report of the Budget and Administrative Committee and commended the committee for its work during the year in evaluating project proposals, streamlining procedures, and enhancing operation and administrative efficiency and effectiveness, including the de-classification of APEC documents for public access.

Ministers also noted the results of 1997 work from the ten APEC Working Groups and other APEC fora, namely the Energy, Fisheries, Human Resources Development, Industrial Science and Technology, Marine Resource Conservation, Telecommunications, Tourism, Trade and Investment Data Review, Trade Promotion, and Transportation Working Groups; as well as the Policy Level Group of Small and Medium-sized Enterprises, Agricultural Technical Cooperation Experts Group, and Senior Environment/Economic Officials, and directed these fora to continue the implementation of the Framework for Strengthening Economic Cooperation and Development through coordinated initiatives.

15. Ministers endorsed the SOM Chair's Report on Organizational Issues and instructed officials to implement the recommendations contained in the report and supporting documents. Ministers approved the 1998 budget of \$7,551,139. Ministers also approved the 1998 contribution of member economies of US\$3,864,000.

16. Report of the APEC Secretariat: Ministers expressed appreciation for the work done by the Executive Director, Ambassador Jack Whittleton, and staff of the APEC Secretariat in supporting the various APEC Committees and Working Groups and the APEC process as a whole.

Membership and Participation Issues

17. **Membership:** Ministers endorsed the Guidelines on APEC Membership and undertook to consider them in future deliberations on this matter. A variety of views were expressed on the number of new members to be included and the timing. However, the final decision on this matter was left to Leaders.

18. **Non-member Participation in APEC Fora:** Ministers noted the increased non-member participation in Working Group activities following the adoption of the Consolidated Guidelines on Non-member Participation in Working Group Activities last November. Ministers further endorsed the SOM decisions on application of the Consolidated Guidelines.

Other Matters

19. **Future Meetings:** Ministers thanked Malaysia for the valuable briefing on the preparations for the Tenth APEC Ministerial Meeting, and look forward to their next meeting in Kuala Lumpur in 1998. Ministers also thanked New Zealand and Brunei Darussalam for their updates on plans for the Eleventh and Twelfth Annual Meetings, which will be held in their respective economies. Ministers welcomed the announcement that the People's Republic of China will host the Thirteenth Meeting in the year 2001.

EARLY VOLUNTARY SECTORAL LIBERALIZATION

ANNEX TO THE MINISTERS' JOINT STATEMENT

In Montreal, the APEC Ministers responsible for trade affirmed that APEC should continue to act as a catalyst for promoting trade and investment liberalization globally. Recalling the leadership role that APEC played in ensuring the successful conclusion of the Information Technology Agreement, they also reaffirmed their determination to continue APEC's leadership and credibility in trade liberalization in accordance with the general principles set out in the Osaka Action Agenda.

They therefore agreed to identify in 1997 potential sectors for early voluntary liberalization, responding to the challenge presented by APEC Economic Leaders in Subic "to identify sectors where early voluntary liberalization would have a positive impact on trade, investment, and economic growth in the individual APEC economies as well as in the region, and submit recommendations to us on how this can be achieved".

They directed officials to examine the merits of pursuing liberalization in sectors, including those that support enhanced infrastructure and sustainable development, having regard to:

- encompassing, to the extent possible, tariff and non-tariff dimensions and elements of facilitation and economic and technical cooperation;
- the fullest possible private sector input, consultation and support, including through the APEC Business Advisory Council (ABAC); and
- critical mass, by developing initiatives supported by significant groups of APEC members, taking into account the different levels of economic development and diverse circumstances of APEC member economies and, where appropriate, for incorporation to the WTO.

This initiative complements the Individual Action Plan (IAP) process, which they agreed in Montreal is key to the implementation of APEC's trade and investment agenda. The launch of this process signals APEC members' clear commitment to promote economic growth based on a substantial program of trade liberalization in the region. Ministers agreed that other actions should be taken so that the process remains consistent with, and promotes, further broad-based multilateral liberalization.

In response to the instructions of Ministers responsible for trade, 41 sectors were proposed for our review and consideration. The breadth of participation by APEC members and the diverse range of sectors nominated is indicative of the high level of support in the region for further trade liberalization. We have closely examined the merits of these proposals and have given full consideration to the levels of support for, the economic significance of, and the internal balance that has been developed within, specific proposals. Fifteen proposals have been identified as enjoying the most support among member economies. They are:

- | | |
|------------------------------------|-------------------------------------|
| – environmental goods and services | – energy sector |
| – fish and fish products | – food sector |
| – toys | – natural and synthetic rubber |
| – forest products | – fertilizers |
| – gems and jewellery | – automotive |
| – oilseeds and oilseed products | – medical equipment and instruments |

- chemicals
- telecommunications mutual recognition arrangement (MRA)
- civil aircraft

We agree to pursue an ongoing program of voluntary liberalization with respect to these sectors. We affirm our commitment to continue developing liberalization initiatives among APEC members, and to build on APEC's early voluntary liberalization in these sectors as a basis for extending participation beyond our region and, where appropriate, for incorporation into the WTO.

Recognizing the need for a balanced and mutually beneficial package, and recalling that the process of early liberalization is conducted on the basis of the APEC principle of voluntarism, whereby each economy remains free to determine the sectoral initiatives in which it will participate, we therefore call for the development of appropriate agreements or arrangements for market-opening and facilitation and economic and technical cooperation measures, based on existing proposals in the following sectors:

- environmental goods and services
- fish and fish products
- forest products
- medical equipment and instruments
- telecommunications mutual recognition arrangement (MRA)
- energy sector
- toys
- gems and jewellery
- chemicals

We recommend that Leaders endorse members beginning immediately to complete the work on these proposals through finalizing the scope of coverage, flexible phasing, measures covered and implementation schedule, including choice of measures and instruments for implementation based on the existing proposals, for each of these sectors. We would like this work to be concluded in the first half of 1998 with a view to commencing implementation wherever possible in 1999. We will maintain under review our progress, and will use all appropriate opportunities to do so throughout the first half of 1998, including at the meeting of Ministers responsible for trade in Kuching, Malaysia, in June 1998.

We note that there is broad interest among APEC members in the remaining six sectors. Liberalization initiatives in these sectors would also produce economic benefits for member economies, and contribute to a balanced and mutually beneficial outcome, but they require further preparatory work. We therefore direct Senior Officials to further develop proposals from these remaining candidates for our assessment and review next June, and possible recommendation to Leaders next November. We also remain open to considering other sectors for early voluntary liberalization as opportunities arise.

We welcome the initiatives of some members to substantially reduce all tariffs or to eliminate "nuisance tariffs" (of less than two percent). We recommend to Leaders that members be encouraged to commit in their IAP to review options for undertaking such initiatives.

We also note the significant support and interest of a number of member economies in advancing work relating to a number of horizontal or cross-cutting issues, such as competition policy, government procurement, intellectual property rights and investment. We therefore direct Senior Officials to entrust the appropriate existing APEC fora to discuss these proposals for possible inclusion in their work programs.

APEC MINISTERIAL STATEMENT ON MEMBERSHIP

November 1997

Asia-Pacific Economic Cooperation (APEC) is an Asia-Pacific regional forum. It is an open forum in terms of its membership and guest participation.

Since its formation in 1989 APEC has:

- expanded its original membership of 12 by 50 percent to 18;
- undertaken to admit a limited number of new members not later than 1999;
- approved an arrangement by which non-members can be granted guest status in APEC Working Groups; and
- approved over 30 applications for guest status by non-members.

In addition, under its information policies, APEC publishes, or makes publicly available, all key documents, decisions, and statements.

While APEC has not set a permanent ceiling on the number of members, it will remain limited in size both on account of its Asia-Pacific regional character and because of the need for the group to remain manageable and effective.

Within the overriding considerations of open regionalism and of remaining manageable and effective in size, APEC has adopted the following guidelines to assist in considering the admission of additional members:

- an applicant economy should be located in the Asia-Pacific region;
- an applicant economy should have substantial and broad-based economic linkages with the existing APEC members; in particular, the value of the applicant's trade with APEC members, as a percentage of its international trade, should be relatively high;
- an applicant economy should be pursuing externally oriented, market-driven economic policies;
- an applicant economy will need to accept the basic objectives and principles set out in the various APEC declarations, especially those from the Economic Leaders' meetings;
- a successful applicant will be required to produce an Individual Action Plan (IAP) for implementation and to commence participation in the Collective Action Plans across the APEC work program from the time of its joining APEC.

Decisions on the admission of additional members to APEC require a consensus of all existing members.

FOURTH APEC FINANCE MINISTERS MEETING

**Cebu, Republic of the Philippines
5-6 April 1997**

JOINT MINISTERIAL STATEMENT

1. We, the Finance Ministers of the Asia-Pacific Economic Cooperation (APEC) forum met in Cebu, the Philippines to discuss the economic opportunities and challenges facing an increasingly integrated world and how these could be appropriately addressed by APEC member economies at the individual and regional levels. As with the three previous meetings, our discussions were conducted in the spirit of cooperation, consensus-building and collegiality.

2. The President of the Republic of the Philippines, His Excellency Fidel V. Ramos opened the meeting by welcoming us and emphasizing the importance of the Finance Ministers' agenda in fulfilling the vision of the APEC Economic Leaders as expressed in the Subic Declaration of November 1996. He stressed that the continued rapid development of the region required freer movement of capital, the development of domestic capital markets and the increased private provision of infrastructure. He further pointed out that infrastructure development when carried out on a broad front helps reduce poverty and promotes equitable development.

3. We exchanged views on three key and closely intertwined challenges facing the APEC economies: supporting freer and stable flows of capital; facilitating private sector participation in infrastructure development; and promoting the development of financial and capital markets. The Managing Director of the International Monetary Fund (IMF) joined our discussion on macroeconomic issues and policies for supporting the freer flow of capital while the President of the Asian Development Bank (ADB) joined our discussion on private sector financing of infrastructure and capital markets development. We also had a constructive exchange of views with the APEC Financiers Group and key representatives of the APEC Business Advisory Council (ABAC) and the Pacific Economic Cooperation Council (PECC).

Current Macroeconomic Issues and Policies for Supporting the Freer Flow of Capital

4. The APEC region continued to expand more rapidly than the rest of the world in 1996, notwithstanding the slowing of growth in some member economies. In assessing the economic outlook of the region, we agreed that the slowdown in these economies does not hamper the positive outlook for sustained growth, given that overheating pressures in these economies have abated. This growth is also supported by increased private capital flows to many member economies, which in some cases reached new records in 1996. The increase reflects the strong growth prospects and continued prudent policies in APEC economies, the general trend towards deeper financial integration and increased portfolio diversification in international capital markets, and lower interest rates in industrial economies.

5. Indeed the significant increase in private capital flows over the past decade has widened employment and investment opportunities, increased the ability of governments to meet social needs and contributed significantly to overall regional economic growth. We must continue our efforts to ensure that the region's economic growth is sustained and more importantly, translated into increasingly improved standards of living for our peoples. At the same time, private capital flows

have also posed challenges to macroeconomic management. In this context, we renewed our common recognition of the importance of macroeconomic stability and sustainable growth-oriented policies in sustaining capital flows to the region and making our economies more resilient to external shocks. Timely policy adjustment is also important since delay can cause market corrections to become more costly. While the primary burden of such adjustment falls on our respective economies' domestic policies, increasing economic interdependence makes it important for us to take advantage of opportunities for enhanced policy cooperation, where appropriate. In some cases, such cooperation is useful in addressing potentially adverse spillover effects on others.

6. We welcome the adoption of the Special Data Dissemination Standard (SDDS) by the IMF. This standard can enhance market confidence by facilitating the prompt dissemination of macroeconomic and financial data through a standard bulletin board on the Internet. Since pledging support for this last year, 13 APEC member economies have already subscribed to the SDDS. We shall work towards a wider application of this standard within APEC.

7. We also welcome the approval of the New Arrangements to Borrow (NAB) by the Executive Board of the IMF which enhances the IMF's ability to safeguard the international monetary system. We reiterate the importance of the eleventh review of IMF quotas, including adjustments which take into account the relative position of member economies, to ensure that the IMF has sufficient ordinary resources for future operations.

8. We also discussed the need to strengthen domestic financial institutions and markets in order to mobilize savings more effectively and expand the array of investment options available to domestic and foreign investors. Our discussions concluded that market development and integration must proceed hand in hand with steps to strengthen prudential regulation and supervision of financial markets.

9. In discussing developments in exchange and financial markets, we noted that the major misalignments in the exchange markets that existed in the spring of 1995 have been corrected. We discussed the effects of this development on the economic performance of member economies, especially those whose currencies are closely linked. We emphasized that the most important foundation for exchange market stability is the consistent application of sound macroeconomic policies aimed at achieving non-inflationary growth and sustainable balance of payment positions.

10. Lastly, we discussed international efforts to promote financial stability. We noted the ongoing work of the Basle Committee, the International Organization of Securities Commissions (IOSCO) and the International Association of Insurance Supervisors (IAIS) to strengthen supervision and regulation of internationally-active financial institutions and to increase cooperation among regulators in order to reduce systemic risks in global financial markets. We also noted the efforts of the Working Party on Financial Stability in Emerging Economies, in which a number of APEC economies are participating. We look forward to receiving their conclusions and recommendations with a view to considering how we might apply them.

Facilitating Private Sector Participation in Infrastructure Development and Promoting Financial and Capital Market Development: Voluntary Principles and Collaborative Initiatives

11. In response to the APEC Economic Leaders' call to us in Subic to develop concrete and practical measures to accelerate the development of financial and capital markets in the region and to stimulate private sector participation in infrastructure development, we agreed on a set of voluntary principles and collaborative initiatives to further these objectives. These principles were developed

based on extensive studies by the ADB and build on our findings in Kyoto. We agreed to adopt them on a voluntary basis with due respect for our diversity and different levels of development. They would guide us in pursuing our individual and collaborative efforts in both areas. These principles are set forth in Annexes 1 and 2.

12. The collaborative initiatives can provide effective mechanisms for joint training and funding, the exchange of expertise, experiences, information and best practices among us. They can also promote harmonization of approaches and standards, consistent with the voluntary principles. We believe that these initiatives are valuable undertakings that will help our economies and region to respond to the challenges of globalization and technological innovation. Individual economies may choose to participate in these collaborative initiatives based on their needs and interests. We agreed to give due regard to ongoing efforts in other APEC, regional, and international fora in promoting these initiatives.

Implementation of Initiatives Agreed in Kyoto

13. *Computerized Information Network.* We welcome the launching of the Computerized Information Network among APEC Finance Ministries that we endorsed in Kyoto. This network will facilitate information sharing among the economic and financial authorities of APEC member economies about overall economic developments in the region. It will also facilitate the dissemination of macroeconomic and financial information to the public via bulletin boards on the Internet. We greatly appreciate the efforts of the core group chaired by Japan and the offer of Singapore to maintain the APEC Finance Ministries homepage.

14. *Joint APEC/OECD Symposium on International Business Taxation.* We discussed the Australian report on the Joint APEC/OECD (Organization of Economic Cooperation and Development) Symposium on International Business Taxation held in Sydney in November 1996, which reviewed emerging tax issues in a globalized economy. We acknowledged that developments in emerging electronic payments systems which permit transactions in cyberspace, as well as rapid financial innovation, could have fiscal implications which need to be addressed. We call on our tax authorities, in coordination with appropriate international and regional multilateral organizations such as the OECD and the ADB, to continue working on these issues. In this regard, we look forward to the holding of another Joint APEC/OECD Symposium next year and to receiving a report for discussion at our next meeting.

Initiatives Agreed in Cebu

15. To facilitate increased private sector participation in infrastructure, promote the development of our financial and capital markets, and support the freer flow of capital, we agreed to the collaborative initiatives outlined below.

16. *Enhanced Cooperation Among Export Financing Institutions.* Export financing institutions can play a catalytic role in attracting private funds and in helping shape the region's economic climate to reduce risks while providing an adequate return on investment. We agreed that interested member economies may conduct dialogues, seminars, and institution-building programs, maintaining consistency with international arrangements. In this context, economies in the region may seek technical expertise and cooperation from more experienced economies and relevant international bodies.

17. ***Strengthening Financial Market Supervision.*** We recognize that our regulatory and supervisory capabilities have to keep up with the rapid changes in international financial markets. Regional and international expert bodies as well as national regulatory and supervisory authorities already provide a significant range of technical assistance and expertise. We ask for the cooperation of such expert bodies to consult with interested APEC economies to identify important gaps in available training resources. We call on our Deputies to formulate a strategy for addressing these gaps.

18. ***Strengthening Clearing and Settlement Infrastructure.*** Well-developed clearing and settlement systems are indispensable to the development of capital markets. Member economies with relevant experience in strengthening clearing and settlement infrastructure will share these with interested economies and provide technical support with the assistance of the appropriate international and regional multilateral institutions.

19. ***Supporting Development of Rating Agencies and Strengthening Information Disclosure Standards.*** Independent rating agencies play an important role in developing the region's capital markets and attracting cross-border capital flows. We will examine current experiences with credit rating agencies within the region relative to international best practices. We will encourage the adoption of best practices as well as full information disclosure by issuers.

20. ***Regional Forum on Pension Fund Reform.*** We welcome the consideration of issues related to pension reform in APEC member economies, including those issues related to sustainability, the relative roles of the private and public sectors in pension fund management, implications for domestic savings and capital market development and the prudential regulation of pension fund investments. We will examine the benefits and costs associated with alternative approaches, and their implications for national budgets and income distribution. A symposium on this issue will be held in 1997, to report to our next meeting.

21. ***Regional Forum on Securitization.*** We recognize that securitization can be a viable form of financing economic growth. However, some member economies may be faced with structural, regulatory, fiscal, and other constraints that inhibit its development. Interested economies will participate in a forum to be hosted by Malaysia in 1997 to assess the level of securitization activities within each participating economy, identify impediments to their growth and development, and identify measures to remove such impediments. The findings of the forum may be embodied in a voluntary action plan.

22. ***Voluntary Action Plan for Supporting the Freer and Stable Flow of Capital.*** We recognize the importance of a freer and stable flow of capital to economic development in the region. Accordingly, we ask our Deputies to prepare a voluntary action plan, for reducing barriers to capital flows in the region.

Other Issues

23. ***Customs.*** We welcome the substantial achievements of the Sub-committee on Customs Procedures towards trade facilitation, including technical assistance programs in harmonization and simplification of customs procedures. In this regard, we invite the Sub-committee to begin exploring new areas of cooperation such as risk management, common data elements for cargo clearance, and express consignments. As many of us have responsibility for customs matters, we recognize the scope for enhancing mutual cooperation in the region not only in the area of trade facilitation and technical cooperation, but also in combating commercial fraud and the illicit trade of drugs and

firearms. Trade facilitation and enforcement must be coordinated to establish and maintain a truly liberalized environment. We therefore encourage customs authorities in the region to explore ways of further strengthening cooperation in this field.

24. **World Trade Organization Financial Services Negotiations.** Recognizing that lower barriers among financial markets will contribute to the freer flow of capital and accelerate capital market development, we express support for the resumption this month of financial services negotiations in the World Trade Organization (WTO). We urge all WTO members to look forward to full most favoured nation (MFN) agreements based on improved market access commitments and national treatment. Accordingly, they will aim to achieve significantly improved market access commitments with a broader level of participation in the agreed time-frame.

25. **Anti-money-laundering.** Money-laundering remains a priority concern because of the threat it can pose to the integrity of legitimate financial institutions. We welcome the establishment of the Asia-Pacific Group on Money-laundering of which several APEC economies are members. We point out however that money-laundering is a global phenomenon and, we encourage all other economies to join in a determined global effort to effectively address it. We ask the assistance of the relevant international organizations to integrate support for anti-money-laundering activities in their operations to strengthen the integrity of financial systems.

Future Meetings and Other Matters

26. We believe our agreement on the voluntary principles and collaborative initiatives in Cebu has further advanced our objectives. We look forward to meeting again next year in Canada to discuss progress in these areas as we continue to pursue concrete and practical measures. We call on our Deputies to work actively with the designated economies to further refine work in their respective collaborative initiatives and to report back to us in our next meeting.

27. We appreciate the significant contributions the ADB and the IMF made to this meeting. We would like them to continue their efforts as we prepare for next year's meeting. In this context, we welcome the role played by the ADB in documenting best practices for private financing of infrastructure projects, disseminating information among member economies, and acting as a catalyst in mobilizing private sector funds for infrastructure. Moreover, in light of increased private sector participation in infrastructure, the role of public sector entities is increasingly being transformed from direct provider of infrastructure services to that of regulators. ADB should seriously consider providing technical and other appropriate assistance to public sector entities to effectively discharge this role. We believe that MFIs can play a vital role in helping member economies implement the various collaborative initiatives to be undertaken.

28. We affirm the important role of the APEC Financiers Group in the APEC Finance Ministers process not only as advisors but also as active partners in achieving our common objectives. We welcome the participation for the first time of key representatives of the APEC Business Advisory Council (ABAC) and the Pacific Economic Cooperation Council (PECC) in our consultation process. We noted their recommendations which included developing a regional database on infrastructure projects, harmonizing disclosure of investment information, and the formulation and adoption of voluntary investment principles. We look forward to continuing close cooperation with them in our future meetings.

29. We express our appreciation to H.E. President Fidel V. Ramos and the Filipino people for their warm hospitality and excellent arrangements during the meeting. We also thank the Chairman of the

APEC Finance Ministers Meeting, Secretary Roberto F. de Ocampo, for his valuable contribution to the success of this meeting.

30. Finally, we will report to the APEC Economic Leaders again, on the activities of the APEC Finance Ministers' Meeting, on the occasion of their next meeting this year in Canada.

FOURTH APEC FINANCE MINISTERS MEETING

Cebu, Philippines
5-6 April 1997

ANNEX 1: VOLUNTARY PRINCIPLES FOR FACILITATING PRIVATE SECTOR PARTICIPATION IN INFRASTRUCTURE

Voluntary Principles to Attain Core Conditions.

To facilitate private sector participation in infrastructure, we agreed that the most important contribution that member economies can make towards this end is to establish four core conditions, namely: (a) a sound macroeconomic environment; (b) stable and transparent legal framework and regulatory systems providing a high level of investor protection; (c) sectoral policies that promote competition; and (d) availability of long term capital. To help achieve the core conditions, we agreed to adopt the following voluntary principles:

Sound Macroeconomic Environment

1. *Steady and sustained growth based on sound macroeconomic fundamentals is key to attracting private sector investments in infrastructure. Member economies will continue to pursue and maintain prudent monetary, fiscal and exchange rate policies.*

Stable and Transparent Legal Framework and Regulatory Systems

2. *A stable and transparent legal framework is a prerequisite for attracting private investors and safeguarding their interests. Member economies will therefore introduce necessary steps, where appropriate, to put in place a framework to provide a high level of investor protection, including the establishment of mechanisms for fair, credible and effective dispute settlement and enforcement of commercial contracts.*
3. *Where applicable, member economies shall seek to put in place the appropriate regulatory framework and to enhance the capability of regulatory agencies.*

Sectoral Policies that Promote Competition

4. *In undertaking planning of infrastructure requirements, economies will provide a conducive environment for effective allocation of scarce public resources among competing needs. Economies may, where appropriate, identify priority projects for private sector participation and disseminate the relevant information with respect to these projects extensively.*
5. *Where applicable, member economies shall unbundle existing monopolies in infrastructure to promote increased private sector participation, competition, and consumer welfare.*
6. *Pricing of infrastructure services should encourage efficiency from both users and providers while allowing the private sector to realize reasonable returns. Member economies will allow prices to reflect the economic cost of delivering the*

services. Where subsidies are needed to attain socio-economic objectives, these must be properly targeted and transparent.

- 7. Where applicable, member economies are encouraged to streamline procedures for the approval and processing of private sector infrastructure projects. To promote transparency and fair market entry, member economies are encouraged to use international competitive tendering or where applicable, internationally recognized procurement guidelines for goods and services.*

Availability of Long-term Capital

- 8. Well-developed domestic financial and capital markets play a crucial role in mobilizing savings and making available longer-term capital for infrastructure investments. In this regard, member economies will accelerate efforts to broaden and deepen these markets.*

Catalytic Role of MFIs in Attaining Core Conditions.

We also recognized the catalytic role of MFIs in assisting APEC member economies in achieving the core conditions. We call on MFIs, and in particular the ADB, to assist concerned economies in the following areas.

- 1. Facilitating information-sharing among economies with regard to best practices in the provision of private infrastructure and strengthening public-private partnerships for infrastructure development.*
- 2. Promoting policy dialogue and technical assistance aimed at creating an enabling environment for private sector participation in infrastructure while continuing to provide direct financial support for infrastructure development.*
- 3. Where applicable, assisting member economies in reducing transaction costs associated with competitive tendering by providing technical and financial assistance in the preparation of sectoral frameworks and templates, both of which promote transparency and fair market entry while lowering price and improving the quality of service.*
- 4. Developing innovative financing mechanisms to address the long-term financing requirements of infrastructure projects.*

Voluntary Principles on Risk-sharing Mechanisms.

We also recognized that while steps are being taken to achieve the core conditions, or where these might not be sufficient in the short-run, economies may need to consider adopting transition mechanisms for managing risks. In doing so, we agreed to adopt the following set of voluntary principles.

- 1. Where government guarantees are to be provided, a system for charging the appropriate guarantee fee shall be put in place.*
- 2. Risks should be borne by the party best able to manage them. Any warranted government support shall be confined to specific needs to enhance sector/project viability. Such support shall also be time-bound and disclosed transparently in government accounts.*

3. *Where applicable and consistent with international arrangements, MFIs and Export Credit Agencies (ECAs) may provide guarantees and other credit enhancements.*

FOURTH APEC FINANCE MINISTERS MEETING

**Cebu, Philippines
5-6 April 1997**

ANNEX 2: VOLUNTARY PRINCIPLES IN PROMOTING FINANCIAL AND CAPITAL MARKET DEVELOPMENT

Voluntary Principles to Attain Core Conditions.

We recognized that the task of achieving efficient savings and investment intermediation is not easy. It calls for major efforts by economies, in close collaboration with market participants in the private sector, to strive towards achieving certain core conditions as follows: (i) a sound macroeconomic environment; (ii) stable and transparent legal and regulatory systems; (iii) well-developed market infrastructure; (iv) efficient financial and capital markets institutions; and (v) an array of available financial instruments to meet the region's diverse financing and investment needs.

Recognizing the importance of promoting financial and capital market development in sustaining the growth momentum of the APEC region and in mobilizing longer-term capital for infrastructure investment, we agreed to the following voluntary principles designed to help the APEC member economies in achieving the core conditions.

Sound Macroeconomic Environment

- 1. The pursuit of sound macroeconomic policies is an essential element in maintaining strong banking systems and a prerequisite to the development of capital markets, including long-term debt markets. Member economies shall aim to create and maintain a sound macroeconomic environment through prudent monetary, fiscal and exchange rate policies.*

Stable and Transparent Legal and Regulatory Systems

- 2. The legal and regulatory systems of economies may involve features that inadvertently inhibit capital market development. It is desirable that member economies consider efforts to make their legal and regulatory systems consistent with capital market development.*
- 3. Sound financial regulation and supervision is critical to capital market development. Where applicable, member economies shall develop a professional cadre of regulators and supervisors with the appropriate competence and training.*
- 4. Financial regulators and capital market supervisors shall strengthen and expand existing linkages with each other to promote the soundness of the financial system and the protection of investors, so as to reap the benefits and address the challenges of expanding cross-border capital flows.*

Well-developed Market Infrastructure

- 5. High quality, transparent and comparable reporting and disclosure on the financial positions of businesses promote investor interest in capital markets.
Member*

economies shall encourage the adoption of high standards in information disclosure and accounting, and ensure that the information is available in a timely manner.

6. *A well-organized, up-to-date and easily accessible database for macroeconomic information can assist investors to make well-informed business decisions. Member economies shall make available such information to all investors.*
7. *Effective, credible and independent credit rating agencies are important in developing domestic bond markets, particularly because of the assurance they offer investors that certain credit risks can be properly assessed. Member economies will encourage the development of effective, credible and independent rating agencies and, as appropriate, promote the greater use of ratings.*
8. *Well-developed and efficient clearing and settlement systems are indispensable to the development of capital markets. In this context, member economies shall take the appropriate steps to facilitate the development of modern clearing and settlement systems to minimize transaction costs and settlement risks.*

Financial and Capital Market Instruments

9. *Market-based benchmark rates for medium- to long-term securities facilitate more accurate pricing and encourage the development and deepening of the bond market, including that for municipal bonds. Member economies will consider the costs and benefits of issuing government bonds or of encouraging the issuance of other securities to establish such reference rates.*

APEC FINANCIERS GROUP MEETING

**Mactan Island, Republic of the Philippines
3-5 April 1997**

AGREEMENTS AND RECOMMENDATIONS

I INFRASTRUCTURE FINANCING

1. Regional Information Center

The potential benefits of an information center that would act as a clearing house of information on infrastructure-related financing were acceptable to the APEC Financiers' Group (AFG) in principle. Such benefits could still be captured even if information centers were put in each interested APEC economy instead of a singular regional information center.

For the APEC economies which are interested in attracting cross-border flows for the purpose of financing infrastructure-related projects, these economies are strongly encouraged to develop a local website which will provide adequate information to potential investors.

It is recommended that the data provided in the website be consistent with the needs of market players, providing at the minimum: (1) project descriptions and details, and (2) contact persons.

In economies where such a website is to be created, it is requested that Finance Ministers designate a government and a private institution to maintain the website to address the need for data integrity. to ensure further action. AFG members agreed to be responsible for prodding their respective governments.

The Philippines has volunteered to submit to the body of a technical report on the requirements for establishing an information center for infrastructure-related projects within the next two months for the body's consideration.

Progress reports on the status of the local websites as well as general recommendations regarding improvement of the information centers are requested to be presented at next year's meeting in Canada.

2. Development of Domestic Bond Markets

The development of domestic bond markets is viewed as essential enough to be addressed on its own and not necessarily viewed only within the context of infrastructure finance.

In view of its urgency, this voluntary initiative must be treated as a priority over the medium-term rather than over the long-term as originally classified. This does not imply, however, that absolute standards will be imposed upon APEC economies to give recognition of the fact that the development is strictly voluntary and that APEC economies are at different stages of market development.

To provide the AFG members with a broader perspective, a survey is needed to evaluate the current status of bond markets within each of the APEC economies. The survey design will specifically take full advantage of the results outlined in the paper prepared by the IBSA (Australia) relating to the factors that either stimulate or hinder bond market development, specifically :

- existence of market-makers;
- liquidity benchmarks;
- registry, clearing & settlements infrastructure;
- factors stifling secondary market trading; and
- linkages across markets of different instruments.

After the resolution of the relevant technical, legal, and other impediments, a benchmark sovereign issue will be taken to be a signal of progress towards bond market development.

3. Access to Equity Markets

To create a venue for the discussion of professional developments and the exchange of “best practice” experiences, merchant bank associations and capital market institutes among the APEC economies are strongly encouraged to establish a regular dialogue.

In order to stimulate increased access to equity markets, the easing—if not outright waiving—of profitability record requirements for listing of infrastructure companies and projects should be studied further. In conjunction with such an effort, the feasibility of adopting 144a instruments among APEC economies may also be explored.

The adoption of less restrictive listing requirements and/or issuance of 144a instruments ought to be balanced by a sound investors’ protection system.

II. FINANCIAL SYSTEM AND CAPITAL MARKET DEVELOPMENT

1. Information Disclosure and Standardization of Accounting Framework

The AFG endorses the need for uniformity of accounting principles and disclosure requirements across member economies. It is specifically emphasized that the current practice of reconciling divergent accounting systems is costly and otherwise avoidable if uniformity is achieved.

There is a consensus to make this a priority initiative and to hasten the move towards full and comparable disclosure. As an initial step, minimum standards may be adopted, subsequently graduating to the full stringent standard over a period of time.

The FAS-30 standard used by the banking community is suggested as a model which non-financial industries may wish to consider as an initial and minimum standard.

It is clear that the burden of information disclosure is upon issuers and global participants as a matter of general premise.

2. Credit and Bond Rating system

The existence of a strong and credible rating agency within each economy is strongly encouraged. It is further suggested that such agencies be established as a medium-term priority as a matter of recourse.

It is recommended that APEC rating agencies establish a venue that would allow for the continuous systematic exchange of best practices among such institutions.

3. Human Resources Development and Specialized Training Facility

The Philippines, as a Chair of the Education Committee of the ASEAN Banking Council volunteered to periodically provide an inventory of training offered within APEC and to disseminate such information to the member economies. This would allow APEC economies to share professional know-how in their specific areas of expertise without the need to establish a permanent training center.

It was emphasized that such training offerings be extended to market players, regulators, and even to university students where applicable, in an effort to create an environment of cooperation where the best practices and the latest developments are understood and appreciated.

There is a need to address the freer flow of intellectual capital.

4. Linkages of Domestic Clearing and Settlements

A recommendation will be made to the Finance Ministers to hasten the move towards Real-time Gross Settlements (RTGS) and scripless registration of bonds and securities. This will enable the introduction of Delivery Versus Payment (DVP) systems. Eventually, all economies are enjoined to move towards International Organization of Securities Commissions (IOSCO) standards in DVP, BES and central depository.

It is also requested that reports on the status of the clearing system of each economy be included in the meeting next year in Canada.

There is a need for an institutional set-up for coordination between regulatory authorities and the private sector.

III. FREER FLOW OF CAPITAL AND DATA DISSEMINATION

1. Cross-listing of Securities

Cross-listing is presently available in some markets. It has been observed, however, that the primary constraint in listing is the strict requirement on disclosure and accounting. Dialogue between regulator and issuers is thus encouraged.

In markets where cross-listing is already available, it is requested that a short descriptive paper be prepared identifying the features that are essential for its establishment and maintaining its sustainability. Since the equity side is the focal point, the recommendation is that stock exchanges in the various APEC economies undertake the task of preparing this paper.

2. BIS Standards

It has been noted that the current structure of the Bank for International Standards (BIS) Capital Adequacy Standards reflects a discriminatory treatment against non-OECD economies with respect to the assignment of risk weights.

This uneven treatment impacts negatively upon the cost and availability of capital across national borders, a consequence that is totally avoidable if an even treatment is provided.

It was noted specifically that this matter was brought up in the Tokyo meeting but has not been accorded the necessary further action it deserves.

3. Data Dissemination

We recognize the importance of well-organized basic macro and micro statistical data, and the keeping of up-to-date information available to public sector investors. We also recommend that multilateral agencies and source economies contribute necessary funding and know-how in host economies' efforts to offer better statistical services, if such assistance is sought.

To facilitate access to date, the AFG endorses the subscription to the IMF Bulletin Board System.

APEC MEETING OF MINISTERS RESPONSIBLE FOR TRADE

**Montreal, Canada
8-10 May 1997**

STATEMENT OF THE CHAIR

We, the Ministers responsible for trade of APEC economies, met in Montreal from 8-10 May 1997 to review progress in APEC work programs and to identify new initiatives to fulfil directives given by our Leaders in Subic on liberalization and facilitation of trade and investment, and with a view to preparing for the meetings of Leaders and Ministers in Vancouver in November. We also reviewed developments in international trade with a focus on defining how APEC could best continue to support the multilateral trading system under the World Trade Organization (WTO).

APEC's Agenda for Trade and Investment Liberalization and Facilitation, and Economic and Technical Cooperation

Individual Action Plans

Ministers agreed that the Individual Action Plans (IAPs) are key to the implementation of APEC's trade agenda. The plans should define the state-of-play of the access regimes for individual members, and describe commitments and intentions for moving to liberalize restrictions, facilitate trade and establish business-friendly policy regimes. They should describe in a transparent manner future directions that can guide business and investment decisions.

At Subic, our Leaders committed to improving Individual Action Plans. Ministers agreed on the importance of this commitment, reaffirming the general principles enunciated in the *Osaka Action Agenda*, and ongoing review and assessment of these plans. Ministers welcomed the engagement of the private sector, particularly through the APEC Business Advisory Council (ABAC) in this process. To this end, Ministers agreed on the following course of action:

- Ministers agreed to provide reports, by the target date of 15 August, on actions taken to implement commitments for 1997 set out in Individual Action Plans, and directed officials to compile a report for our November meeting.
- Ministers agreed to adhere in 1997 to the format guidelines for Individual Action Plans to enhance their transparency and comparability, and endorsed the ongoing work of officials to improve the guidelines.
- Ministers agreed to commit to the importance of taking Individual Action Plans forward progressively and continuously, with effective means to assess and review them over time. Ministers further agreed to provide information on improvements to Individual Action Plans by the target date of August 15, and directed officials to compile a report for our November meeting.

Promoting Liberalization of Trade and Investment

Ministers affirmed that APEC can and should continue to act as a catalyst for promoting trade and investment liberalization globally. They recalled that at Subic Bay, Leaders instructed them to:

"... identify sectors where early voluntary liberalization would have a positive impact on trade, investment, and economic growth in the individual APEC economies as well as in the region, and submit recommendations to us on how this can be achieved."

Acting on this instruction, Ministers reviewed ways in which early voluntary liberalization, complemented by trade facilitation measures and economic and technical cooperation, in APEC could achieve these objectives, and contribute to multilateral liberalization of trade and investment in a manner consistent with and complementary to the WTO. Ministers confirmed their willingness to consider favourably opportunities for voluntary liberalization through Individual Action Plans.

Ministers acknowledged the importance of a stable and transparent financial infrastructure to ensure the availability of long-term capital. Accordingly, they supported fully the commitment of the APEC Finance Ministers at Cebu, Philippines to urge all WTO members to work together towards a full most favoured nation (MFN) financial services agreement in the WTO with significantly improved market access and national treatment commitments from a broad number of participants by December 1997. Ministers encouraged offers to be tabled in the negotiations by the July date established in Geneva. It was recognized that under certain circumstances phase-in commitments for liberalization within a reasonable time-frame may be needed.

Ministers recalled APEC's leadership that led to the successful conclusion of an Information Technology Agreement (ITA) and the WTO Agreement on Basic Telecommunications Services last year. Participants in the ITA agreed to work together to broaden participation in the agreement and in expanding product coverage at this fall's ¹ review ("ITA II").

Ministers reaffirmed their determination to continue APEC's leadership and credibility in trade liberalization in accordance with the general principles set out in the *Osaka Action Agenda* and in that regard discussed a number of sectors that might be candidates for early voluntary liberalization. Ministers agreed to direct officials to examine the merits of pursuing comprehensive liberalization in such sectors having regard to defining scope and coverage, including those that support enhanced infrastructure and sustainable development.

Accordingly, Ministers instructed officials to complete their study by the end of August and to report to us on their findings in sufficient time so that Ministers would be in a position to make recommendations on specific liberalization initiatives to Leaders in Vancouver in November. Ministers instructed officials, in undertaking this work, to have full regard to:

- encompassing, to the extent possible, tariff and non-tariff dimensions and elements of facilitation and economic and technical cooperation;
- the fullest possible private sector input, consultation and support, including through ABAC; and
- critical mass, by developing initiatives supported by significant groups of APEC members, taking into account the different levels of economic development and diverse circumstances

¹ Last part of 1997

of APEC member economies and where appropriate, providing a foundation for participation beyond our region and, where appropriate, for incorporation into the WTO.

On receipt of the report, Ministers will work to ensure mutually beneficial and balanced recommendations for early voluntary liberalization.

Trade Facilitation: Lowering the Cost of Doing Business

Ministers reviewed a range of key APEC activities designed to facilitate trade and lower the cost of doing business. This is important for all exporters but particularly benefits small and medium-sized enterprises. Recalling that at Subic, Leaders instructed Ministers to "...intensify work in 1997 on simplification of customs clearance procedures, effective implementation of intellectual property rights commitments, harmonization of customs valuation, facilitation of comprehensive trade in services, and enhancing the environment for investment," and agreed to "... align our national standards with international standards and to recognize each others' national standards," Ministers endorsed current APEC activities and work programs, and emphasized the importance of intensifying efforts, in these priority areas.

Recognizing that simplification and harmonization of customs procedures can make a major contribution to trade facilitation, Ministers particularly welcomed and support fully the recommendations from the APEC Customs-Industry Symposium held 7-9 May in Montreal. They affirmed their commitment to close collaboration with their Customs colleagues and the business sector in pursuing the agreed work program. Ministers noted the importance attached by the Symposium to finding technological solutions to expedite frequent traveller clearance, incorporating the best practices of business and government. They also noted the announcement by Hong Kong and Chile of their intention to participate in the project for an APEC Business Travel Card.

Ministers reviewed a preliminary list of outcomes related to trade facilitation this year and agreed that it should be made publicly available, noting that work on trade facilitation engages almost all APEC fora. Ministers instructed officials to compile a specific set of deliverables, actions, and recommendations on trade facilitation for their consideration in November. Ministers received proposals from Japan and Mexico to enhance APEC investment work and from the Republic of Korea to establish an APEC Centre for Conformity Assessment. Ministers directed relevant APEC fora to consider the proposals.

Engaging Business and the Broader Community

Ministers reaffirmed the central role of the business sector in the APEC process, and expressed their determination to encourage greater business sector participation in liberalization and facilitation of trade and in economic and technical cooperation. The results of our meeting as set out above reflect this commitment. Ministers also received reports from representatives of the Pacific Economic Cooperation Council (PECC) and the South Pacific Forum (SPF).

Ministers were unanimous in their view that continuing trade and investment liberalization and facilitation is essential to economic growth and employment in our economies, and acknowledged their responsibility for helping to promote a better understanding of these benefits. To this end, Ministers reviewed the experience and plans of various member economies in conducting economic research, outreach, and liaison with academic, business and other sectors. With a view to enhancing communication and dialogue with domestic constituencies, Ministers agreed to continue to share their experience, to exchange information, and to identify opportunities for cooperation and collaboration

between institutions and entities engaged in these activities in their respective economies. Senior officials were asked to carry this work forward.

Ministers confirmed their firm intention to continue to work closely with ABAC on an ongoing basis. They conducted an extensive exchange of views with representatives of ABAC on their plans and priorities for 1997.

- We welcome business views on APEC's work, and thus asked ABAC to provide to us by mid-year an analysis of the responsiveness of Individual Action Plans to business priorities, and to continue their monitoring role on an ongoing basis.
- Ministers confirmed their willingness to respond constructively to the recommendations contained in ABAC's 1996 Report to Leaders, and their desire to work closely with ABAC respecting in particular their recommendations on facilitating the movement of business people; enhancing investment flows; strengthening investment protection through transparency, predictability, arbitration and enforcement of contracts; aligning professional standards in the region; involving the private sector in infrastructure planning; the development of policies supportive of small and medium-sized enterprises; and encouraging greater business sector participation in economic and technical cooperation.

Supporting the Multilateral Trading System

In the company of the Director General of the WTO, Renato Ruggiero, we had a useful exchange of views on how APEC can best support the multilateral trading system. Ministers affirmed their strong support for a rules-based international trading system of universal membership, and confirmed their support for the early accession of applicants in accordance with WTO rules and based on effective market access commitments. Ministers reaffirmed the primacy of an open, multilateral trading system under the WTO. Ministers acknowledged that regional trade agreements complementary to the WTO and consistent with its rules can promote further liberalization of trade and investment.

Ministers confirmed their intention to implement fully existing WTO commitments, and reviewed the WTO's built-in agenda for further negotiations and reviews in accordance with agreed timeframes. APEC economies that are WTO members affirmed their commitment to engage in the necessary analysis and exchange of information to allow members to better understand the issues involved and identify their interests. In our view APEC's work programs on investment, competition policy, government procurement, and trade facilitation including on customs matters demonstrate our continued leadership respecting the multilateral trade agenda and can contribute positively to the WTO's work in these areas. Ministers endorsed the efforts arising from the Singapore Ministerial Declaration to integrate the least developed countries into the global trading system, to consider favourably enhancing their market access on an autonomous basis, and to improve their capacity to take advantage of the opportunities such integration creates.

Ministers expressed their optimism that APEC would continue to provide leadership to further concrete improvements in the environment for conducting world trade. The WTO work program offers important opportunities for this APEC leadership. Ministers instructed their officials to consider these possibilities and to report to them prior to their Vancouver meeting, and undertook to encourage officials in Geneva to meet regularly to ensure that APEC perspectives are brought to bear on the WTO's work program.

Both APEC and the WTO, by promoting liberalization and facilitation of trade and investment and economic and technical cooperation, foster jobs and economic growth in our economies. Ministers

therefore affirmed their commitment to political engagement in both organizations on an ongoing basis. We look forward to commemorating the 50th anniversary of the multilateral trading system in the first half of 1998, and at that time to continue an exchange of views on developments and directions in the international trading system.

APEC ENVIRONMENT MINISTERIAL MEETING ON SUSTAINABLE DEVELOPMENT

**Toronto, Canada
9-11 June 1997**

JOINT STATEMENT

Across borders we have managed to build a common vision on sustainable development. The time for action is now. We want to help you build our future.

APEC Environmental Youth Caucus, June 1997

... Sustainable cities of the 21st century will be built on partnerships between governments, the voluntary sector and private enterprise.

APEC Business Leaders/Local Authorities Forum, June 1997

We, the Ministers responsible for Environment and Sustainable Development from the Asia-Pacific Economic Cooperation (APEC) region commit to sustainable development as a fundamental objective to achieve human prosperity and a healthy environment. Specifically, we:

- **take up...** the APEC Leaders' call for a work program for sustainable development in APEC that includes the themes of the sustainability of the marine environment, cleaner production, and sustainable cities;
- **highlight...** our determination to make cities in the region more sustainable, and commend our Program of Action to Leaders;
- **challenge...** all orders of government, the private sector, local communities, and individuals to join with us in transforming sustainable development principles into meaningful practices and visible results;
- **commit...** to improving integration of sustainable development considerations into all activities and decision-making within APEC; and
- **agree...** that APEC economies must do their part to implement regional and global commitments with full consideration of domestic priorities and conditions.

Governments do not have all the answers. To ensure balanced policy development and results, governments must engage broader society as partners.

From young people, we have heard a call for empowerment, inclusion and a recognized role in APEC. We have also heard their willingness and enthusiasm to help us develop and implement solutions for sustainable development. We are committed to drawing on the creativity and energy of the future leaders of our region.

From the private sector and local authorities, we have heard about opportunities for collaboration and areas where we must do more to spur economic and technical cooperation. We recognize that

delivery on our agenda for sustainable development requires the ingenuity and capability of the private sector and local authorities.

From other APEC fora, we have heard testimony of their strong resolve to address environment considerations as an integral and mutually reinforcing component of their activities. Sustainable development in APEC requires a multi-disciplinary approach that emphasizes the need to care for people and the environment. To this end, we commend the results of our discussions to our colleagues participating in other APEC Ministerial meetings, in preparation for the Leaders' meeting in November.

Sustainable Cities

Sustainable development in the APEC region is fundamentally linked to the sustainability of cities. Given that the proportion of people in the region living in cities is expected to increase by 20 percent between now and 2015, addressing the environmental impact of urban activities is a major objective for overall quality of life and well-being. All aspects of urban planning and development must therefore be people-centered and take into account environmental protection and economic and social considerations. Special emphasis should be placed on pollution prevention and control, and environmentally sustainable infrastructure development, addressing the needs of urban-poor settlements, and promoting their economic well-being.

To improve the quality of urban environments while promoting sustainable growth, we are implementing a Program of Action on Sustainable Cities which identifies specific measures to:

- bridge the knowledge gap;
- encourage investment;
- integrate the agendas of the public and private sectors;
- engage stakeholders and draw on their creativity and knowledge especially at the community level; and
- enhance human well-being and quality of life.

In this respect, we commit to working with others to double by the year 2003 the current number of 170 APEC communities with Local Agenda 21 plans.

We will also continue to share APEC best practices for sustainable urbanization through a compendium of member economies' examples of success.

Sustainability of the Marine Environment

The health of the marine environment is crucial to the economic and social well-being of people in the region. Our oceans and seas link APEC economies to one another and to the world. We commit to take action to protect this collective resource as we pursue our commitment to make dramatic progress toward clean oceans and seas in the APEC region. APEC action can contribute to the 1998 Global Year of the Oceans Agenda.

APEC has established goals and performance measures, in collaboration with the private sector and other fora within and outside APEC, to achieve three objectives. These are:

- integrated approaches to coastal management
- prevention, reduction and control of marine pollution
- sustainable management of marine resources

We congratulate the Marine Resource Conservation Working Group for completing in May the Action Plan for Sustainability of the Marine Environment in the APEC region. We endorse this action plan, and commend it to Leaders.

Cleaner Production

New investment in industrial capacity in the Asia-Pacific region offers an opportunity to incorporate flexible and cost-effective environmental management techniques to achieve more sustainable industrial development. APEC will promote cleaner production in industrial sectors, by identifying and expanding best practices and establishing a cooperative agenda for technology diffusion with particular attention to the needs of small and medium-sized enterprises. We have identified the agricultural sector as an area of importance for implementation and invite relevant fora to adapt the Cleaner Production Strategy for this sector. APEC will promote the broader adoption of cross-cutting policies and methods for cleaner production through institutional, professional, and public and private sector partnerships.

To encourage the application of technologies, policies and practices that are environmentally sustainable and economically efficient, APEC has agreed to encourage:

- development and use of tools to facilitate cleaner production;
- involvement and enhancement of science, technology and research networks;
- development of capacity and mechanisms for sharing technical and policy information, in areas such as application of environmentally sound management systems including ISO 14000;
- development of industrial environmental performance indicators;
- wider dissemination of information electronically including through the APEC Virtual Centre for Environmental Technology Exchange, and through the APEC Center for Technology Exchange and Training for Small and Medium-sized Enterprises;
- accelerated flow of technology within the APEC region; and
- promotion of demonstration projects in specific sectors.

We congratulate the Industrial Science and Technology Working Group for completing the Cleaner Production Strategy in April. We will report to Leaders in Vancouver that the challenge now is to implement the strategy successfully over the next two years so that significant environmental progress can be achieved across all APEC member economies.

Towards Environmentally Sustainable Growth

We call for improved coordination to link and integrate the many sustainable development initiatives within APEC. This should be done by building on the existing structure, linking APEC fora, minimizing incremental administrative burdens, and maximizing the effectiveness and efficiency with which APEC initiatives are implemented. We direct our officials to work with other APEC fora to develop appropriate means of furthering such cooperation.

In recognition of the priority attached by Leaders to examine the interrelated issues of food, energy, environment, economic growth and population (FEEEEP), we urge that environmental considerations continue to be addressed as an important cross-cutting element of this initiative. We direct our officials to continue to be actively involved in the FEEEEP process.

We recognize that 1997 is an eventful year for the advancement of the global sustainable development. Recognizing the responsibility of APEC members to do their part in the implementation of global environmental commitments, we emphasize our strong support for the success of the United Nations General Assembly Special Session (UNGASS) on Environment and Development, which will be held in New York later this month. We call on UNGASS to reaffirm the commitments made at the Rio Earth Summit in 1992 and to endorse a meaningful program of work to bring us closer to our common objectives for sustainable development.

Ministers recognize the adverse impact of climate change on APEC economies. We therefore stress the importance of the Third Conference of the Parties for the Framework Convention on Climate Change which will be held in Kyoto, Japan in December. All APEC economies agree to take steps to meaningfully address the adverse impact of climate change. We recommend that our Leaders send a strong message of support to ensure the success of the Conference of the Parties and achieve the objectives of the Framework Convention on Climate Change.

We agree to meet again to review and ensure meaningful progress and further the cooperation within APEC.

APEC ENVIRONMENT MINISTERIAL MEETING ON SUSTAINABLE DEVELOPMENT

**Toronto, Canada
9-11 June 1997**

APEC SUSTAINABLE CITIES PROGRAM OF ACTION

Promoting rapid economic growth that ensures a healthy environment and improves the quality of life of our citizens is a fundamental challenge.

*APEC Economic Leaders' Declaration: From Vision to Action
Subic Bay, Philippines; November 1996*

The 21st century will be the first urban century, with the majority of the APEC region's population living in cities. The impacts of this transition challenge all segments of society. According to the World Bank, the costs of negative health and environmental impacts in growing cities around the world is measured in billions of dollars. At the same time, the vast majority of economic activity is generated in cities. The crucial question, then, is how to move beyond reactive coping strategies to preserve and enhance the quality of life and economic productivity of major cities.

With strengths such as its growing spirit of community and the combined efforts of the public and private sectors, APEC is well positioned to employ the necessary resources, knowledge, technologies and political will that are required to address the sustainability of cities throughout the region. APEC will build upon and complement international efforts on sustainable urbanization. Partnerships among governments, communities and key stakeholders, and the active participation of citizens, the private sector, and local authorities is crucial to success.

The environment is not a backdrop for human growth and economic development. Envisioning sustainable cities asks that we address urban development in an integrated manner, balancing economic, social and environmental considerations. While numerous global, regional, and local activities are underway to address the complex, interrelated issues of sustainable urbanization, significant barriers still stand in the way of progress. Five key barriers have been initially selected as focal points for action.

APEC economies have agreed on a cooperative APEC effort to address these barriers, within the context of the social and political realities of each economy. This Program of Action is a set of proactive initiatives to forward the cause of making APEC cities more sustainable. Ministers agreed to have progress on these actions reported to APEC Leaders.

While the following Program of Action gives an excellent indication of the broad scope of the Sustainable Cities initiatives, full information regarding the context and detailed description of each action item can be found in the *Sustainable Cities Detailed Program of Action*.

<p>FIRST BARRIER: Knowledge is not being effectively utilized. Current efforts to make cities sustainable seldom take advantage of all available knowledge.</p>
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RESPONSE — BRIDGE THE KNOWLEDGE GAP:

1. Use the practical experiences of APEC member economies to develop a non-prescriptive set of APEC principles/guidelines for sustainable development of infrastructure. Disseminate widely to trainers and practitioners across the APEC region. Promote and monitor pilot projects as successful applications which draw on the spirit of these principles. **Canada, in cooperation with Malaysia**
2. Convene an APEC symposium on environmental education for sustainable urbanization to raise awareness and understanding in member economies. **Japan, in cooperation with relevant APEC fora**
3. Establish an APEC Urban Capacity Building Network, which would help professional staff of public and private sector and civil society institutions acquire new skills, knowledge and attitudes. **Canada to coordinate with the APEC Sustainable Development Training and Information Network**
4. Share APEC best practices for sustainable urbanization through a compendium of member economies' examples of success. **Canada, in cooperation with other APEC fora**
5. Promote better coordination and exchange of technical and policy information and expertise to promote best practice in freshwater management for sustainable cities in the Asia-Pacific region. **Australia, in cooperation with appropriate APEC Fora**

SECOND BARRIER: There is a perception that *disincentives to investment* hinder public and private support for the environmentally sound infrastructure expenditures and community-based projects required to sustain APEC's growing cities.

RESPONSE — ENCOURAGE INVESTMENT:

1. Examine and disseminate innovative approaches to the financing of initiatives such as sustainable infrastructure and building planning, design, construction and operation. **Hong Kong, with the cooperation of the Committee on Trade and Investment (CTI) and the Infrastructure Workshop of the Economic Committee**
2. Examine economic instruments as tools for enhancing the sustainability of APEC cities. **Chinese Taipei, in cooperation with the Economic Committee (EC)**
3. Examine existing knowledge on barriers to the exchange of environmental technologies and services contributing to sustainable development, and the sustainability of cities particularly. Ministers responsible for the Environment to ask their Trade counterparts to consider the desirability of voluntary accelerated efforts towards trade and investment liberalization and facilitation for environmental technologies and/or services needed for sustainable urbanization. **Senior Environment/Economic Officials' Chair in cooperation with Chair of the Committee on Trade and Investment**

4. Establish an APEC Environmental Business Information System and Network to facilitate private sector access to environmental regulations and administrative procedures. **United States, to coordinate efforts with the APEC Sustainable Development Training and Information Network**

THIRD BARRIER: A *separation of agendas* often arises between public and private sectors, and among various levels of government. Also, a sectoral focus too often excludes other relevant expertise.

RESPONSE — INTEGRATE THE AGENDAS:

1. Create an APEC “Clean Cities” Internet web site to facilitate information exchange on practical solutions to urban environmental problems. **Canada in cooperation with the APEC Secretariat and the Telecommunications Working Group**
2. Explore options for environmental and economic policies designed to further enhance the sustainability of APEC cities. **The People’s Republic of China, with support from Canada**
3. APEC Senior Environment/Economic Officials will continue to coordinate with the Industrial Science and Technology (IST) Working Group and the Marine Resource Conservation MRC Working Group to capture the sustainable cities theme in the APEC initiatives of Cleaner Production/Clean Technology and Sustainability of the Marine Environment.
4. Urban issues will also be explored in the APEC Leaders’ initiative on the Impact of Expanding Population and Economic Growth on Food, Energy and the Environment (FEEEP).

FOURTH BARRIER: The *involvement of individuals remains untapped*, and yet it is a crucial component for progress towards sustainable APEC cities. Meaningful involvement of community voices and those most affected by environmental policies and practices has been difficult to achieve.

RESPONSE — LEARN FROM INDIVIDUALS:

1. More effectively engage the stakeholders involved in efforts to ensure the sustainability of APEC cities. **Indonesia and Canada in cooperation with the Human Resource Development (HRD) Working Group**
2. Double the number of APEC Local Agenda 21 Cities by the Year 2003. Local Agenda 21 planning presents a practical framework for engaging stakeholders in community issues, while protecting local, regional and global ecosystems. **Each economy, in cooperation with the International Council on Local Environmental Initiatives (ICLEI)**

FIFTH BARRIER: The *needs of the poorest and most disadvantaged sectors of the population are not adequately addressed* in current efforts to achieve the sustainability of our cities.

RESPONSE — ENHANCE HUMAN WELLBEING:

1. Incorporate the poorest and most disadvantaged sectors of the urban population into productive processes. A seminar will be convened to share ideas and experiences on APEC member economy programs and initiatives that promote social and economic development for the poorest and most disadvantaged sectors in the urban setting. **Mexico and Canada, in cooperation with the HRD Working Group**

2. Promote cooperation to reduce lead and other vehicular emissions in the APEC region. **United States, in cooperation with the Transportation Working Group**

ACTION PLAN FOR SUSTAINABILITY OF THE MARINE ENVIRONMENT

May 1997

**(Endorsed by APEC Ministerial Meeting on Sustainable Development
9-11 June 1997, Toronto, Canada)**

1. APEC AND SUSTAINABILITY OF THE MARINE ENVIRONMENT

1.1 Vision

APEC Ministers responsible for sustainable development, meeting in July 1996 in the Philippines, identified three principal themes to take action on: sustainable cities, cleaner production and sustainability of the marine environment. The Ministers have underscored that their economies are united by their oceans and seas, and that the health of the marine environment is critical to their continuing economic well-being. At their meeting at Subic Bay in 1996, APEC Leaders committed to achieve dramatic progress towards clean oceans and seas in the APEC region.

The Marine Resource Conservation (MRC) Working Group was invited by Ministers to take leadership in this sector and subsequently developed a Strategy to Address Sustainability of the Marine Environment in APEC. The Strategy responds to the Ministers' challenge, identifying the elements essential to the long term health of APEC's oceans and seas. It also recognises that sustainability of the marine environment is a cross-cutting theme that touches on the interests of many APEC fora together with the private sector, and identifies a process for coordination and collaboration.

1.2 The Action Plan

The *Action Plan for Sustainability of the Marine Environment* was designed to respond to the Leaders' vision of clean oceans and seas, and to provide guidance in setting future direction in achieving this vision in the activities of APEC. This action plan elaborates on the goals and activities necessary for APEC to meet its strategic objectives. It establishes mechanisms for coordination, periodic review and updating, and links with other multilateral organizations and institutions, and domestic agencies concerned with sustainability of the marine environment within the region. Finally, it outlines an approach to measuring its success in meeting its objectives by establishing performance standards.

The action plan is an evolving guide that will be reviewed on an ongoing basis, to take stock of APEC's accomplishments and the progressive results of other international initiatives. Activities in progress or planned are described, as well as new endeavours APEC fora should contemplate if member economies are to meet their Leaders' vision. It is a complex task to flesh out a broad regional program that takes into account the roles, responsibilities and programs of APEC fora, and other international organizations and institutions. This task necessarily involves the other APEC fora, in close cooperation with the private sector, and is identified as one of the first actions to be undertaken.

The action plan recognises that it fits within an existing framework of international initiatives and

programmes. These offer opportunities for collaborative or complementary action that provides new strength in meeting mutual objectives. It is increasingly recognised that global action is best achieved through regional implementation. APEC provides an excellent vehicle to carry out or support such regional programmes, and should actively pursue and promote links with activities in other regional organizations and programs that support or guide its work. APEC can add value to these efforts and make a special contribution through integrating environmental and economic goals in domestic and regional planning; supporting APEC economies in their implementation of treaties and commitments for protection of the marine environment; and engaging the private sector in developing innovative partnerships to address these issues which go beyond traditional governmental and regulatory activities.

The action plan recognises the need to ensure consistency with commitments established under the *Osaka Action Agenda*. It seeks to build links that foster greater collaboration among APEC fora while recognising their distinct responsibilities, and also to build stronger coordination between implementation of the action plan and other APEC priority areas for action in the area of sustainable development, including sustainable cities (especially coastal cities), and cleaner technologies, for example wastewater disposal.

This action plan is an evolving document that will further elaborate on medium-term and long-term objectives, and the role and rationale for APEC in addressing these. The action plan plays a role in establishing a regional framework for overall achievement of sustainability of the marine environment. The details on setting medium- and long-term priorities, defining with greater clarity the role of APEC, and addressing the role of the private sector in meeting APEC's objectives of marine environmental sustainability will be addressed over the next two years.

2. OBJECTIVES

2.1. Objectives and Tools

The *Strategy to Address Sustainability of the Marine Environment within APEC* identifies three key objectives:

- ***Integrated approaches to coastal management***
- ***Prevention, reduction and control of marine pollution***
- ***Sustainable management of marine resources***

The Strategy also identifies three central tools that provide the means to achieve these objectives:

- ***Research, exchange of information, technology and expertise***
- ***Capacity building, training and education***
- ***Public and private sector participation and partnership***

The action plan focuses on strengthening intra-regional cooperation and collaboration, in order to facilitate the development and implementation of regional programs of action.

2.2 Meeting the Objectives

2.2.a. Integrated approaches to coastal management.

Goals:

1. Implement effective domestic and regional integrated coastal management strategies throughout APEC, incorporating the objectives of the *Global Plan of Action for the Protection of the Marine Environment from Land-Based Activities*
2. Incorporate integrated coastal management goals in domestic and regional economic strategies, as an element of improved commitment to sustainable development at the highest levels
3. Facilitate and catalyse private sector action to contribute to effective management of coastal resources
4. Develop a special focus on the relationship between coastal cities, communities and their marine environment that complements APEC's concern with sustainable cities
5. Consider fully activities in upland areas inasmuch as these affect the coastal environment and planning
6. Promote the application of environmental impact assessment procedures in assessing options

Performance measures:

- Effective integrated coastal management practices incorporated in APEC economies' domestic environmental management programs
- Coastal environmental and economic goals integrated in domestic and regional planning strategies;
- Successful collaborative ventures addressing problems pertaining to shared waters

2.2.b. Prevention, reduction and control of marine pollution

Goal: Prevent, reduce and control marine pollution from land-based sources, vessel-based sources, and offshore sources to achieve clean oceans and seas

Performance measures:

- Measurable improvement in the quality of the coastal waters of APEC economies, as a result of a comprehensive approach to prevention, reduction and control of pollution
- APEC economies able to meet obligations or spirit of international agreements and instruments to prevent, reduce and control marine pollution

2.2.c. Sustainable management of marine resources

Goals:

1. Substantially reduce marine habitat degradation in order to insure the sustainability of marine resources through effective management and protection of the marine environment
2. Improve assessment, management and exploitation practices to conserve and sustain marine living and non-living resources

Performance measures:

- Enhanced sustainable use and conservation of marine living resources throughout the region
- Enhanced protection for critical habitats, biological diversity and normal ecosystem function, on which sustainability of commercially-important marine resources depend
- Improved regional cooperation in addressing resource management conflicts in shared waters
- Reduced adverse impacts of energy, transportation and tourism industries on marine resources

2.3 Applying the Tools

2.3.a. Research, exchange of information, technology and expertise

Goals:

1. Foster individual and collaborative research that supports integrated coastal management; refines knowledge of the sources, impacts and fate of marine pollutants; increases understanding of sensitive and critical habitats in the region; and improves marine resource assessment and management practices
2. Share knowledge and information residing in APEC member economies to support APEC's objectives in sustainability of the marine environment by developing linked networks that address specific research, coastal and resource management practices, and policy issues
3. Develop practical measures to expand the base of appropriate technology that supports sustainable management of the region's marine resources
4. Promote the development and application of innovative economic instruments for generating necessary revenue and financing in combination with effective monitoring and enforcement of resource and environmental regulations
5. Recognise, support, enhance and share regional expertise as it pertains to sustainability of the marine environment

Performance measures:

- The rich store among the APEC economies of scientific and technical expertise, and community and traditional knowledge, mobilised to address collaboratively regional problems related to sustainability of the marine environment
- Regional access to pertinent information to assist in domestic and sub-regional planning and decision-making
- Broadened application of technology to support sustainable development of the marine environment

2.3.b. Capacity building, education and training

Goals:

1. Strengthen the human capability of the region, towards a better management of the marine environment
2. Strengthen institutions responsible for marine affairs by defining responsibilities, mandates and improving coordination

3. Identify existing and potential capabilities, facilities and needs for human resources development and scientific and technical infrastructure
4. Develop and apply tools to translate technical and scientific issues for the use of policy makers in decision making
5. Develop and provide tools to engender effective participation in planning and management by local communities and governments, non-governmental organizations, and the business sector

Performance measures:

- Strengthened regional human and institutional capability;
- New approaches developed to both improve decision making at the highest levels
- Broaden participation at all levels in integrated coastal and marine management

2.3.c. Public and private sector participation and partnership

Goals:

1. Facilitate and catalyse private sector action to contribute to the effective protection and management of the marine environment, while ensuring the sustained economic contribution of marine resources to the region's economic growth and development
2. Consistently include in components of the *APEC Action Plan for Sustainability of the Marine Environment* provisions to involve stakeholders, in particular local authorities and communities and relevant social and economic sectors, both public and private; and encourage member economies to strengthen in particular the participation of communities in coastal planning and management
3. Encourage the recognition of the basic linkages between sustainable management of coastal and marine resources, poverty alleviation and protection of the marine environment
4. Encourage community-based participatory approaches in coastal planning and management planning, and in conservation of critical habitats, and develop an integrated policy and decision-making process including all sectors, to promote compatibility and a balance of uses

Performance measures:

- Communities, business and governments involved collaboratively in action to assure the sustainability of the marine environment
- More equitable participation within communities in coastal and marine planning and management

3. COORDINATION — MAKING IT WORK

3.1 Coordination within APEC

Sustainability of the marine environment is a cross-cutting issue that involves the majority of APEC working groups and committees. Implementation of the action plan requires formal coordination mechanisms to ensure that APEC interests on this issue are adequately addressed, that there is not

duplication of effort and that, where appropriate, collaborative efforts among APEC fora are undertaken.

In order to implement the Leader's directive in pursuing sustainable development in APEC, the MRC WG will undertake to coordinate activities on sustainability of the marine environment in collaboration with initiatives in cleaner production and sustainable cities.

The MRC WG will undertake to bring to the attention of the Lead Shepherds of APEC fora and the SOM issues of ongoing coordination of the overall APEC work program on marine environmental issues and work with them in recommending priorities and updating the action plan to reflect the commitments and priorities of each forum. In response to the invitation of the Environment Ministers to the MRC WG to address the overall issue, the MRC WG requests that they describe a mechanism for formal coordination of APEC's activity of implementation of issues of sustainable development. The MRC WG also requests the SOM and Senior Environment Officials' Meeting (SEOM) to ensure that the mechanism proposed will provide adequate attention to marine issues.

The MRC WG will also seek effective approaches to strengthening the coordination between action on sustainability of the marine environment and the other APEC priority areas including sustainable cities, especially coastal cities, and cleaner production. The role of the Lead Shepherds in coordinating and implementing the action plan is absolutely critical in ensuring its success.

3.2 Links with other International Organizations and Institutions

It is critical for the success of APEC action on sustainability of the marine environment for APEC to actively promote and pursue links with activities being undertaken in other regional organizations and programs which support, or guide, the work of APEC. As an example, the Regional Seas Programmes of United Nations Environment Programme (UNEP), such as the Coordinating Body on the Seas of East Asia (COBSEA) and the South Pacific Regional Environment Programme (SPREP), have been designated as the regional implementation mechanism for the GPA and the International Coral Reef Initiative (ICRI). These offer areas of collaboration that could improve the efficiency of all these programs, including APEC, in meeting their objectives. With this diversity of efforts, APEC offers the opportunity to institutionalise regional collaboration and cooperation without duplication.

A designated official (the Lead or designated Shepherd of the MRC WG) will be responsible for establishing and maintaining links with other multilateral organizations and institutions concerned with sustainability of the marine environment in the Asia-Pacific region, to ensure that international efforts are coordinated and mutually supportive, and reporting on progress to the MRC WG and to Senior Environment and Economic Officials. Specific approaches will vary depending on the organisation involved, but could include exchanging information, participating in meetings as guests, holding periodic meetings of principal officials of organizations and institutions (as recommended by the MRC WG *ad hoc* meeting on intra-regional Pacific marine affairs cooperation in October 1995), and identifying opportunities for APEC in the development of joint projects. In developing relationships with other organizations the guidelines and policies of APEC in this regard will be followed.

4. PERFORMANCE REVIEW

At the July 1996 Sustainable Development Ministerial Meeting, Ministers directed Senior Officials to annually review sustainable development activities in APEC. The APEC Secretariat is also tasked to prepare an annual report on those activities, and the Senior Environmental and Economic Officials and Lead Shepherds can provide additional coordination and guidance.

The Marine Resource Conservation Working Group should be actively involved in the deliberations on Sustainability of the Marine Environment that take place in the Senior Official Meetings and Senior Environmental and Economic Officials Meetings. The MRC WG, in consultation with the other relevant APEC fora, will undertake to evaluate progress towards achieving sustainability of the marine environment. The working group will also report regularly on APEC's performance on this issue, its progress, and the coordination among APEC fora, to the Senior Officials and Senior Environmental and Economic Officials for their action.

5. NEXT STEPS

To effectively implement the objectives of the action plan and achieve sustainability of the marine environment in the APEC region, the following next steps should be undertaken:

- Define, strengthen and refine, on the basis of outcomes of the Sustainable Development Ministerial Meeting, coordination mechanisms between SOM, SEOM and Sustainable Development Ministers, in particular those related to marine issues
- Develop, strengthen and refine coordination mechanisms between Working Groups
- Update current and planned projects outlined in Appendix 1 of the action plan to incorporate all relevant activities and projects of all APEC Working Groups
- Define and set priorities on the specific actions needed to achieve the objectives of the Action Plan, including among others, who does what, by when, and with what resources
- Secure high level commitment from economies to carry out actions, through both endorsement of the activities and provision of resources
- Establish and maintain linkages with the existing activities of other fora outside APEC to integrate effort in order to collectively and collaboratively achieve the objectives of sustainability of the marine environment.

APPENDIX 1:

SUMMARY OF ACTION PLAN FOR SUSTAINABILITY OF THE MARINE ENVIRONMENT: OBJECTIVES AND TOOLS: PERFORMANCE MEASURES, PROJECTS AND INDICATIVE ACTIONS

Indicative actions are further activities that APEC should consider to fully meet its objectives for sustainability of the marine environment in the region. Implementation will require the commitment from appropriate APEC fora. The current and planned projects identify activities from which deliverables will flow.

INTEGRATED APPROACHES TO COASTAL MANAGEMENT

PERFORMANCE MEASURES :	CURRENT AND PLANNED PROJECTS (MAY 1997):	INDICATIVE ACTIONS :
<ul style="list-style-type: none"> • Measurable improvement in the quality of the coastal waters of APEC economies, as a result of a comprehensive approach to prevention, reduction and control of pollution • APEC economies able to meet obligations or spirit of international agreements and instruments to prevent, reduce and control marine pollution 	<ol style="list-style-type: none"> 1. Review of integrated coastal zone management strategies in selected APEC economies (MRC WG, Dec. 1997) 2. Consolidation of output from APEC projects on coastal zone management (MRC WG, Dec. 1998) 3. EduNet Integrated Coastal Planning project (APEC Study Centres, 2000) 4. Ocean Research Network for the Pacific (ORNEP) Project Clean Seas and Coasts component (MRC WG, 2000) 5. Working together: Workshop on preventing maritime accidents and ship-based pollution (MRC WG, 1998) 	<ol style="list-style-type: none"> 1. Institute pilot demonstration programs and projects in integrated coastal and marine management 2. Exchange information on the abandonment, or reinforcement of the structural integrity of offshore structures, and potential new uses for such structures 3. Promote tourism planning and development efforts that are consistent with integrated coastal management objectives, including the development of best practices guidelines 4. Address the agricultural, population and energy impacts on the marine environment, particularly runoff and non-point sources, focusing on solutions 5. Develop solutions on the marine and environmental impacts of infrastructure projects, through public/private partnerships 6. Share experience of coastal cities in foreshore management and protection

PREVENTION, CONTROL AND REDUCTION OF MARINE POLLUTION

<p>PERFORMANCE MEASURES :</p> <ul style="list-style-type: none">• Measurable improvement in the quality of the coastal waters of APEC economies, as a result of a comprehensive approach to prevention, reduction and control of pollution• APEC economies able to meet obligations or spirit of international agreements and instruments to prevent, reduce and control marine pollution	<p>CURRENT AND PROPOSED PROJECTS (MAY 1997):</p> <ol style="list-style-type: none">1. Inventory of ocean industries in the APEC region phase 1: management and control of pollution (MRC WG, May 1997)2. Regional cooperation on oil spills preparedness and response arrangements (TPT WG)3. Workshop on regional implementation of Global Plan of Action (MRC WG, 1998)4. Workshop on alternate use or removal of disused offshore structures (MRC WG, 1998)5. ORNEP Project Global Climate component (MRC WG, 2000)6. Working together: Workshop on preventing maritime accidents and ship-based pollution (MRC WG, 1998)	<p>INDICATIVE ACTIONS:</p> <ol style="list-style-type: none">1. Review the impediments to ratification and implementation of existing international and regional instruments concerning marine pollution in each economy2. Develop an inventory of discharge standards of APEC economies for land-based sources and convene a forum on appropriate science-based standards3. Encourage the marine transportation industry in member economies to utilize private sector fund established at the International Maritime Organization (IMO) for training to meet recently upgraded flag state obligations
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SUSTAINABLE MANAGEMENT OF MARINE RESOURCES

PERFORMANCE MEASURES :	CURRENT AND PROPOSED PROJECTS (MAY 1997):	INDICATIVE ACTIONS :
<ul style="list-style-type: none">• Enhanced sustainable use and conservation of marine living resources throughout the region• Enhanced protection for critical habitats, biological diversity and normal ecosystem function, on which sustainability of commercially-important marine resources depend• Improved regional cooperation in addressing resource management conflicts in shared waters• Reduced impact of energy, transportation and tourism industries on marine resources	<ol style="list-style-type: none">1. Workshop on destructive fishing techniques, with a focus on cyanide fishing (FWG, June 1997) and strategy development on dangerous fishing practices, particularly dynamiting and cyaniding coral reefs (FWG, more than 12 months)2. Workshop on Impact of Destructive Fishing Practices on the Marine Environment (MRC WG, December 1997)3. Management of Red Tides and Harmful Algal Blooms in the APEC Region - phase 2 (MRCWG, 2000)4. Symposium on Food, Energy, Environment and Economics (FEEEP, September 1997)5. APEC Joint Research on the Marine Environment (ISTWG) - develop and provide reliable information to support resource management decisions involving toxic contamination of marine and coastal environments (more than 12 months)6. ORNEP Project Oceanic Seafood Security component (MRC WG, 2000)	<ol style="list-style-type: none">1. Develop a catalogue of sensitive habitats in APEC member economies and management approaches2. Establish an APEC network of marine protected areas.3. Encourage APEC members to meet international obligations regarding highly migratory fish stocks

RESEARCH, EXCHANGE OF INFORMATION, TECHNOLOGY AND EXPERTISE

PERFORMANCE MEASURES :	CURRENT AND PROPOSED PROJECTS (MAY 1997):	INDICATIVE ACTIONS :
<ul style="list-style-type: none">• The rich store among the APEC economies of scientific and technical expertise, and community and traditional knowledge, mobilized to address collaboratively regional problems related to sustainability of the marine environment• Regional access to pertinent information to assist in domestic and sub-regional planning and decision-making• Broadened application of technology to support sustainable development of the marine environment	<ol style="list-style-type: none">1. Ocean Model and Information System for the APEC Region (MRCWG)2. APEC Sustainable Development Training and Information Network - marine information component (HRD WG)3. Virtual centre for APEC environmental technology exchange (ISTWG)4. Network of Centres of Excellence for Marine Policy, Management, Research and Technology (ORNEP) (MRC WG, 2000)5. ORNEP Project Technology component (MRC WG, 2000)6. Regional cooperation on oil spills preparedness and response arrangements (TPTWG, Inventory within 6 months)7. APEC Science and Technology on the Internet (ISTWG, ongoing)8. EduNet Integrated Coastal Planning project (APEC Study Centres, 2000)9. Workshop on alternate use or removal of disused offshore structures (MRC WG, 1998)	<ol style="list-style-type: none">1. Exchange information on the abandonment, or reinforcement of the structural integrity of offshore structures, and potential new uses for such structures2. Develop an inventory of discharge standards of APEC economies for land-based sources and convene a forum on appropriate science-based standards3. Develop solutions on the marine and environmental impacts of infrastructure projects, through public/private partnerships4. Share experience of coastal cities in foreshore management and protection5. Develop a catalogue of sensitive habitats in APEC member economies and management approaches

CAPACITY BUILDING, EDUCATION AND TRAINING

PERFORMANCE MEASURES :	CURRENT AND PROPOSED PROJECTS (MAY 1997):	INDICATIVE ACTIONS:
<ul style="list-style-type: none">• Strengthened regional human and institutional capability• New approaches developed to both improve decision-making at the highest levelsbroaden participation at all levels in integrated coastal and marine management	<ol style="list-style-type: none">1. APEC Sustainable Development Training and Information Network - marine training component (HRD WG)2. HRD Human Resources for Sustainable Development (HRD WG)3. EduNet Integrated Coastal Planning project (APEC Study Centres, 2000)4 Inventory of Training Needs and Capacities in Marine Resource Conservation for the APEC Region (HRD WG)	<ol style="list-style-type: none">1. Develop, in partnership with the private sector, training programs in the application of environmental technologies, for the prevention and control of marine pollution from urban and industrial sources2. Develop training programs to enhance the capacity of coastal communities to participate in coastal and resource use decision-making

PUBLIC AND PRIVATE SECTOR PARTICIPATION AND PARTNERSHIP

PERFORMANCE MEASURES :	CURRENT AND PROPOSED PROJECTS (MAY 1997):	INDICATIVE ACTIONS:
<ul style="list-style-type: none">• Communities, business and governments involved collaboratively in action to assure the sustainability of the marine environment• More equitable participation within communities in coastal and marine planning and management	<ol style="list-style-type: none">1. Inventory of ocean industries in the APEC region phase 1: management and control of pollution (MRC WG, May 1997)2. Workshop on destructive fishing techniques, with a focus on cyanide fishing (FWG, March 1997) and strategy development on dangerous fishing practices, particularly dynamiting and cyaniding coral reefs (FWG, more than 12 months)3. Technical workshop on sustainable shrimp culture with emphasis on health and disease control (FWG, March 1997)4. Regional cooperation on oil spills preparedness and response arrangements (TPT WG)5. APEC Sustainable Development Training and Information Network - marine information component (HRD WG)6. Virtual Centre for APEC Environmental Technology Exchange (ISTWG)7. EduNet Integrated Coastal Planning project (APEC Study Centres, 2000)8. Workshop on alternate use or removal of disused offshore structures (MRC WG, 1998)9. Working together: Workshop on preventing maritime accidents and ship-based pollution (MRC WG, 1998)	<ol style="list-style-type: none">1. Develop solutions to the marine and environmental impacts of infrastructure projects, through public/private partnerships2. Develop, in partnership with the private sector, training programs in the application of environmental technologies, for the prevention and control of marine pollution from urban and industrial sources3. Develop training programs to enhance the capacity of coastal communities to participate in coastal and resource use decision-making4. Share experience of coastal cities in foreshore management and protection

1997 ENVIRONMENT MINISTERIAL MEETING ON SUSTAINABLE DEVELOPMENT

**Toronto, Canada
9-11 June 1997**

APEC CLEANER PRODUCTION STRATEGY

VISION

The magnitude of new investment in industrial capacity in the Asia-Pacific region, combined with greater use of more flexible and cost-effective environmental management techniques, creates an opportunity to achieve cleaner production and thus more sustainable industrial development in the Asia-Pacific region. APEC has a unique role to play in promoting cleaner production, by helping to identify best practices and establishing a strategic agenda for technical cooperation in partnership with the private sector.

To address the burgeoning impact of human activities on the natural environment, greater emphasis is required in the application of cleaner production techniques and clean technologies. The global vision of sustainable development can only be attained through implementation of comprehensive strategies and application of innovative processes and technologies.

I. BACKGROUND

Sustainable Development Ministers, meeting in Manila, Philippines, on 11-12 July 1996, called for an APEC Cleaner Production Strategy and invited the Industrial Science and Technology Working Group (ISTWG) to lead this effort. The Ministerial Action Programme that followed was endorsed by Senior Officials at SOM III and reemphasized at SOM IV.

The ISTWG meeting in Canberra on 24-26 September 1996, accepted the challenge posed by Sustainable Development Ministers to develop an APEC Cleaner Production Strategy, with the United States, Chinese Taipei, Australia and the Philippines taking the lead in co-sponsoring this effort. ISTWG also agreed to establish a Cleaner Production Task Force (Task Force) for the purpose of developing the strategy. Science and Technology Ministers subsequently expressed their support for this work in the Ministerial Communique issued at the Science and Technology (S&T) Ministerial Meeting held on 13-14 November 1996, in Seoul, Korea. This work was also recognized by Leaders in the Manila Leaders' Declaration. The 12th ISTWG, meeting in Vancouver, 5-6 March 1997, approved the Terms of Reference for the task force.

II. DEFINITION OF "CLEANER PRODUCTION"

Recognizing that clean technologies are an integral element of cleaner production, the task force agreed to call this strategy the "Cleaner Production Strategy". To understand the goals of the APEC Cleaner Production Strategy, it is important to define the term "cleaner production". For the purposes of this strategy, the following definition, which was established by the United Nations Environment Programme (UNEP), will apply:

- Cleaner production means the continuous application of an integrated preventive environmental strategy to processes, products and services to increase efficiency and reduce risks to humans and the environment.
- For production processes: cleaner production includes conserving raw materials and energy, eliminating toxic raw materials, and reducing the quantity and toxicity of all emissions and wastes before they leave a process.
- For products: the strategy focuses on reducing impacts along the entire life cycle of the product, from raw materials extraction to ultimate disposal of the products.
- For services: cleaner production reduces the environmental impact of the service provided over the entire life cycle, from system design and use to the entire consumption of resources required to provide the services.
- Cleaner production requires applying know-how, improving technology, and changing attitudes.
- Many preventive terms – such as eco-efficiency, pollution prevention, waste minimization, resource reduction – are in use today. At UNEP, the term "cleaner production" was chosen to encompass a comprehensive approach to production. Thus cleaner production covers both processes, products and services and impacts of all, including their design, utilization and usage of raw materials and energy. It covers all wastes – hazardous/toxic or not – whether emitted into the air, water or onto the land. The term acknowledges that cleaner production requires not only improving efficiency and material substitution using tools such as technology and know-how – but new managerial skills and policies as well. It also acknowledges the importance of design and use of products as well as services.

III. GOALS AND OBJECTIVES

The following two goals will serve as the basis for the APEC Cleaner Production Strategy:

Goal 1: Strive to achieve dramatic progress in reducing environmental impacts in various industry sectors through promotion of appropriate cleaner production technologies, policies and practices.

The first objective under Goal 1 is to spur widespread application within industry sectors of technologies, policies and practices that are both environmentally and economically efficient. The second objective is to forge partnerships between government and industry sectors that will stimulate sustained application of environmentally and economically sound solutions. In pursuit of these objectives, it is anticipated that participating economies will identify sectors of primary relevance to them and will work with other interested economies to develop and advance a cooperation agenda through such methodologies as those listed below.

Goal 2: Strive to achieve broader adoption of cross-cutting policies and methods for cleaner production through institutional, professional and private sector partnerships.

The first objective under Goal 2 is to spur widespread adoption of innovative policies and methods that provide the necessary framework and tools to enable the application of environmentally and economically efficient practices across all industry sectors. The second objective is to initiate partnerships among and between government, industry, and public and private institutions that will

develop the capacity to ensure sustainable economic growth. These objectives may be achieved through such methodologies as those listed below.

IV. METHODOLOGY

There is a wide variety of ways in which member economies may achieve the goals and objectives of the strategy. The following list is a framework within which specific initiatives may be developed.

Goal 1: Sector-based Approaches

- encourage member economies to develop and use tools such as training modules, manuals, and guidelines to enable industry to implement cleaner production
- develop capacity and mechanisms for sharing information on cleaner production within industry sectors and among member economies, for example: workshops; electronic means; study tours; and fellowships
- facilitate cleaner production demonstration projects with wide application in member economies
- encourage the involvement of established science, technology, and research networks in the assessment and development of cleaner production technologies
- promote management systems that facilitate the implementation of cleaner production, such as the ISO 14000 series
- establish mechanisms to diffuse appropriate best practices throughout industry sectors and member economies, for example: public-private partnerships; involvement of industry and professional associations, including small- and medium-sized enterprises
- promote the development and application of environmental performance indicators

Goal 2: Cross-cutting Approaches

- encourage member economies to develop a policy framework that would facilitate the implementation of cleaner production within industry, for example: policies to encourage investment in cleaner production; and activities to promote adoption of management systems such as the ISO 14000 series
- develop capacity and mechanisms for sharing technical and policy information on cleaner production across sectors and among member economies, for example: workshops; electronic means; study tours; and fellowships
- facilitate cleaner production demonstration projects with wide application across industry sectors and member economies
- encourage the involvement of established science and technology networks in the assessment and development of cleaner production technologies with wide application across industry sectors and member economies

- promote institutional cooperation that strengthens the capacity of the public sector at all levels to promote cleaner production and to provide the tools needed to help achieve cleaner production in industry
- establish mechanisms to diffuse appropriate best practices across industry sectors and member economies, for example: public-private partnerships; involvement of industry and professional associations, including small and medium-sized enterprises.

V. COORDINATION AND PARTICIPATION

Implementation of the Cleaner Production Strategy will require participation by various APEC bodies in addition to the ISTWG. As noted by Sustainable Development Ministers in the *July 1996 Action Programme*, it will be important to work with the Human Resources Development Working Group (HRDWG), the Energy Working Group (EWG) and other working groups as appropriate in implementing the Strategy.

Implementation of the APEC Cleaner Production Strategy should take into account the important work already underway in other international organizations and institutions, such as the UNEP Cleaner Production Centre and the World Bank Clean Technology Initiative for Asia, and APEC Cleaner Production activities should complement such initiatives. Private sector expertise is an essential component in the implementation of the strategy and the design of the action agenda. The Strategy will be implemented in part through liaison with experts in cleaner production and existing cleaner production agencies in member economies to build upon their networks and experience.

SECOND APEC TRANSPORTATION MINISTERS' MEETING

**Victoria, Canada
22-24 June 1997**

JOINT MINISTERIAL STATEMENT

1. We, the APEC Ministers responsible for transportation, met today to discuss transportation issues within the APEC region and to establish the priorities that will form the basis of future work in the transportation sector. In determining these priorities, we stressed the importance of the objectives and general principles contained in the *Bogor Declaration*, the *Osaka Action Agenda*, and the initial implementation steps contained in the *Manila Action Plan for APEC*. It is our intention that APEC transportation work reinforce the shared vision, articulated by Economic Leaders at Subic, that the efforts of APEC will tangibly improve the lives of all our citizens, as we move toward our common goals built through trade and investment liberalization and facilitation, as well as economic and technical cooperation.

ACCOMPLISHMENTS TO DATE

2. At the first meeting of APEC Ministers responsible for transportation in Washington in 1995, Ministers established guiding principles for transportation policies and directed that specific projects be undertaken in the areas of safety and security, infrastructure, urban transport, air services, research and education, and the exchange of technical expertise. Today, in Victoria, we reaffirm those guiding principles and note with satisfaction the impressive accomplishments of the Transportation (TPT) Working Group with respect to those projects, including:

- The work of the Group of Experts on Aviation Safety and Assistance in addressing aviation safety issues
- The efforts of the Project Team in identifying cooperative actions to facilitate the implementation of satellite navigation and communications systems for the aviation and maritime sectors
- The first APEC Urban Transport Forum in Seoul, Korea which looked at the development of energy efficient and environment-friendly transportation systems that reduce congestion, and focused attention on the value of mass transit in achieving these objectives
- An Options Paper on more competitive air services with fair and equitable opportunity for all members

3. We also commend the Transportation Working Group for its completed and ongoing work to support regional economic growth by promoting an effective and integrated region-wide transportation system. Of particular note are the "Best Practices" manuals to assist economies in improving or eliminating transportation congestion points; the *Inventory of Oil Spills Preparedness and Response Arrangements in the APEC Region*; the Road Transport Harmonization Project and the development of a Model Mutual Recognition Arrangement (MRA) for Automotive Products; and, the survey of aviation personnel and air traffic controller licensing requirements to facilitate the supply of skilled personnel.

4. Taken together, we believe that these tangible achievements are of practical use to member economies in the transportation sector, represent solid progress in support of APEC overall goals and, constitute a sound basis for future work.

THE WAY AHEAD — PRIORITIES FOR FUTURE ACTION

5. Looking ahead to the turn of the century, and committed to attaining a safe, efficient, integrated and environmentally sustainable transportation system for the region, we agreed to a number of initiatives to build on the valuable accomplishments to date and set new directions for future cooperation and action. These new directions will require the Transportation Working Group to work cooperatively with other APEC fora to coordinate and integrate their work on cross-cutting issues as emphasized by the Framework for Economic and Technical Cooperation endorsed by Leaders. We agreed that priority areas for future action should include safe and environment-friendly transportation systems, trade facilitation, promotion of a more competitive transportation operating environment, infrastructure development, human resources development and new transportation technologies.

6. In developing the necessary action plans to move forward on these priorities, we attach great importance to the organizing themes and priorities enunciated at Subic:

- developing human capital
- fostering safe and efficient capital markets
- strengthening economic infrastructure
- promoting environmentally sustainable development
- encouraging greater involvement of small and medium-sized enterprises
- harnessing new technologies

7. We recognize the important role of the private sector, as a full partner, in ensuring prosperity for APEC citizens. Accordingly, we direct the Transportation Working Group to increase private sector participation as well as to fully involve the APEC Business Advisory Council and the Pacific Economic Cooperation Council in its work and to give careful consideration to their recommendations put forward on transportation issues.

FUTURE ACTION

Safe and Environment-Friendly Transportation Systems

8. We reaffirm that transportation safety and security in the region must remain one of the highest priorities of the Transportation Working Group and also recognize the importance of environmentally sustainable transportation to improving the quality of life for APEC citizens.

9. We recognize the urgency of addressing urban congestion-related issues and the need to develop more efficient urban transportation systems in the APEC region, including the development of a "Best Practices" manual based on findings arising from Urban Transport Forum meetings (Second Forum in Chinese Taipei, September 1997).

10. We direct the Transportation Working Group to establish an Experts Group on Maritime Safety to address maritime safety concerns in the region. We urge member economies to work closely with international organizations having competence in this field, such as the International Maritime Organization (IMO), to develop programs and mechanisms to promote the implementation of, and compliance with, existing international rules and standards adopted by these organizations. Recognizing the key role of ship surveyors and inspectors in the elimination of sub-standard shipping and the protection of the marine environment, we support the consideration by the Transportation Working Group of the establishment of an informal consultative forum with classification societies to

improve their effectiveness in promoting compliance with international maritime standards in the Region.

11. Following the completion of the *Inventory of Existing Regional Cooperation Arrangements with Respect to Oil Spill Preparedness and Response*, we encourage member economies to undertake the development and maintenance of sub-regional cooperative quick response contingency plans.

12. Recognizing the significance of road transportation safety to an integrated transportation system, we endorse the establishment of a group of experts as a first step in enhancing road safety programs in the region.

13. Conscious of the unprecedented growth, in and globalization of, air transportation in the Asia-Pacific region and the associated civil aviation safety issues to which it will undoubtedly give rise, we endorse the objective of developing strong Civil Aviation Authorities within each economy. We accept the Report of the Group of Experts on Aviation Safety and Assistance and its important civil aviation safety recommendations relating to: safety oversight; harmonization of safety rules; prevention of air traffic conflict; the lease, charter and interchange of aircraft; and, accident and incident reporting. We therefore direct the Transportation Working Group to review and bring forward for Ministers consideration, as a matter of priority by year end, appropriate mechanisms to implement these recommendations including a mechanism for advising Civil Aviation Authorities and for administering relevant resources. In our Declaration of Principles made today, we affirmed our commitment to the principle of harmonizing Civil Aviation Safety Rules on ICAO standards across the region. We also support additional training of nationals of APEC developing economies and encourage greater international and regional cooperation, including programs such as the APEC Technical Transportation Exchange Program.

Trade facilitation

14. We recognize the benefits of reducing impediments to trade and investment in the Region and direct the Transportation Working Group to further its efforts to improve transportation systems to liberalize trade and investment in the region, and to liberalize trade in services in the transportation sector itself. We direct the Transportation Working Group to work with other international fora to this end. In addition, we support the goal of further facilitation and liberalization of the multi-lateral trading system.

15. We urge APEC economies to fully participate in the ongoing work of the Road Transport Harmonization Project to implement a harmonized system of technical regulations for road vehicle safety and emissions. In that task, we encourage dialogue with the UN/ECE in connection with its proposal to establish a global agreement on road vehicle regulations.

16. We endorse the Model Mutual Recognition Arrangement for Automotive Products developed by the Transportation Working Group for use as a reference to facilitate trade in the region and expect and encourage members to pursue opportunities, where appropriate, to enter into arrangements using this model. We note that the model could have other potential applications in the transportation sector.

17. We direct the Transportation Working Group to give consideration, across its activities, to measures that would promote transparency in regulations, resolve differences in conformity assessment and facilitate the mobility of transportation personnel by encouraging mutual recognition of professional qualifications.

More Competitive Transportation Operating Environment

18. Recognizing the mutually complementary and supportive relationships between liberalization, facilitation, and economic and technical cooperation, and noting the importance of promoting a more competitive transportation operating environment on the basis of fair, reciprocal and equitable access to markets and opportunity for all member economies:

- We endorse the Options Paper prepared by the Group on More Competitive Air Services with Fair and Equitable Opportunity (the Air Services Group). Further, we instruct the Transportation Working Group to reconvene the Air Services Group to analyze and prioritize the eight options and prepare, on a consensus basis, a recommendation on the options to be developed and how they will be implemented. We direct the Transportation Working Group to submit for our consideration by mid-1998 a comprehensive final report including recommendations on options to be implemented by each member economy as developed on a consensus basis by the Transportation Working Group.
- We direct the Transportation Working Group to develop a maritime initiative aimed at promoting an efficient, safe and competitive operating environment for maritime transport with as a first step the elaboration of a Mission Statement which is to be finalized by the 13th meeting of the Transportation Working Group.

Infrastructure Development

19. We encourage economies to utilize and build on the results of the *Transportation Congestion Points Study*, particularly the "Best Practices Manuals" and direct the Transportation Working Group to monitor its implementation. We reaffirm our commitment to an efficient, integrated regional transportation system and direct that an Intermodal Task Force be established to provide guidelines, standards, and provisional options associated with an integrated transport system.

20. In addition, we support the creation of an experts group to identify "best practices" and methodologies for privatization or corporatization of transportation infrastructure projects. Special attention is to be given to project transparency and the development of opportunities for the participation of small and medium-sized enterprises.

21. We direct the Transportation Working Group to work in cooperation with other APEC fora, such as the Infrastructure Workshop under the APEC Economic Committee and the Senior Environment Officials, in undertaking priority joint infrastructure-related initiatives.

22. We support the Port Experts Group in its efforts to identify common issues and formulate actions for the improvement of port capacity and efficiency in the APEC region.

Human Resources Development

23. We believe that improving and strengthening transportation education and training through a comprehensive approach is key to the successful development of human resources in the transportation sector. We agree that a study be conducted to ascertain the existing standards of training facilities, instructors, examiners and curriculum for seafarers throughout the APEC region.

We also recognize the important role for a network of institutions which together would constitute a virtual center of transportation research, development and education to access, harness and adopt new technologies for transportation. We ask that the working group monitor closely emerging skill needs in the transportation sector, particularly in the developing APEC economies, and consider appropriate responses.

24. We underline our commitment to women and youth by directing the Transportation Working Group to identify training and development initiatives to ensure that these groups are well-prepared for career opportunities in the transportation sector and are available for APEC members to draw upon to meet the challenge of maintaining safe, environmentally sustainable, and competitive transportation systems within the APEC region.

New Transportation Technologies

25. We recognize that the ability to access and harness new technologies such as Electronic Data Interchange, Intelligent Transportation Systems and Global Positioning Systems, and others as they emerge, will be essential to the improvement of the transportation system of the region and we urge member economies to cooperate in research and development of new technologies and their application. We also note that congestion can be exacerbated both by delays in applying new technologies as well as the inappropriate use of these technologies. We request that the Transportation Working Group expand its current work to include new developments in infrastructure technology and to develop a framework of standards for the initial application of Intelligent Transportation Systems to vehicle identification, safety, location, and tolling. The Group is to report to us by the end of 1998.

26. We note the emerging technologies in cargo, container and small package tracking systems that would enhance the speed and lower the costs of intermodal cargo processing and port clearance, and direct the Transportation Working Group to coordinate closely with the Telecommunications Working Group and the CTI Sub-Committee on Customs Procedures to determine best practices for APEC members as these technologies reach the stage of practical and economical application.

27. We endorse the Joint Policy Statement on Satellite Navigation and Communications Systems as recommended by the Transportation Working Group which calls for a series of cooperative actions to facilitate implementation of satellite-based navigation and communications systems in the APEC region consistent with ICAO and IMO guidelines, and the establishment of an advisory committee to monitor these cooperative actions.

SECOND MEETING OF APEC ENERGY MINISTERS

“ENERGY: INFRASTRUCTURE FOR SUSTAINABLE DEVELOPMENT”

**Edmonton, Canada
26-27 August 1997**

DECLARATION

The second meeting of APEC Energy Ministers was held on 26-27 August 1997 in Edmonton, Alberta, Canada. Ministers and their representatives from Australia; Brunei Darussalam; Canada; Chile; the People’s Republic of China; Hong Kong, China; Indonesia; Japan; the Republic of Korea; Malaysia; Mexico; New Zealand; Papua New Guinea; the Republic of the Philippines; Singapore; Chinese Taipei; Thailand; and the United States of America attended. Also present were representatives from the APEC Secretariat, the Energy Working Group Secretariat, and observers from the Pacific Economic Cooperation Council.

Ministers welcomed the progress of the APEC Energy Working Group (EWG) in advancing the issues discussed at the inaugural meeting of APEC Energy Ministers in Sydney, Australia on 28-29 August 1996. Ministers reiterated their general commitment to work together to ensure that the Asia-Pacific region’s future energy needs are met in a manner consistent with their respective environmental and social objectives.

Ministers noted that the Asia-Pacific region will continue to be a driver of world economic growth and that the region’s population is expected to continue to expand into the next century. Ministers further noted that economic growth in APEC is forecast to average 3.3% *per annum* over the period to 2010, compared to 2.5% *per annum* for the Organization for Economic and Cooperation and Development (OECD). As a result of this growth, energy consumption in APEC is expected to grow by an average 2.2% *per annum* over the period to 2010, compared to 1.0% *per annum* for the OECD as a whole.

Ministers agreed that the development of energy resources in an environmentally and socially responsible manner is integral to the sustainable development of the Asia-Pacific region. Sustainable development is necessary to meeting the region’s economic growth potential and achieving the quality of life benefits flowing from the availability of clean, affordable energy. Ministers further agreed that the concerted efforts of the region’s governments, in partnership with business and civil communities, are needed to facilitate the development of efficient and environmentally sound energy infrastructure.

Ministers’ discussions focused on the pursuit of the simultaneous objectives of meeting the region’s aspirations for economic growth and social development; enhancing energy security; and mitigating the impact of energy on the environment. Ministers agreed that:

- a) the economic and social benefits of the region’s energy supply and use will be maximised through efforts to enhance the efficiency and openness of regional energy markets;

- b) the sustainable development of the region would best be achieved through improved energy efficiency and conservation, and the development of the region's indigenous energy sources, including renewable sources of energy;
- c) the facilitation of business investment in the power sector is an important element in meeting the energy requirements of the region; and
- d) the economic, social and environmental aspirations of the region will be enhanced over time through the development and application by each member economy of consistent, transparent, and predictable environmental practices as energy infrastructure is developed.

Ministers noted the importance the private sector places on the openness, transparency, and predictability of investment rules and trading regimes as key requisites for increased flows of private capital into the energy sector. They instructed the Energy Working Group to actively pursue work on those aspects of the Osaka Action Agenda that would address these concerns.

Major Challenges for Sustainable Infrastructure Development

International Energy Business Symposium

Ministers expressed their appreciation to the participants of the Energy Business Symposium for their report commenting on the initiatives being taken by member economies to facilitate investment in energy infrastructure and trade in energy goods and services. Ministers also welcomed the recommendations of youth representatives on potential opportunities for youth within the region's energy sector. Ministers commended both reports to the Energy Working Group for further consideration. Ministers thanked the business and youth representatives for their efforts and expressed their support for future similar exchanges.

Ministers also recognised the valuable contribution that the business sector was making to the activities of the Energy Working Group. Accordingly, Ministers instructed the Energy Working Group to look at appropriate mechanisms to improve and sustain the interface between the Group and the business sector, and to report to Ministers at their next meeting.

Energy Policy Principles

Ministers agreed that substantial progress has been made in implementing the Energy Policy Principles adopted at the first meeting of Energy Ministers in Sydney, and pledged to continue their efforts to incorporate them into their domestic policy deliberations. Ministers asked the Energy Working Group to exchange information on a regular basis on members' progress in incorporating the 14 non-binding policy principles into their domestic deliberations.

Ministers discussed an initiative presented by the United States, as well as proposals from Indonesia and Papua New Guinea, on natural gas and requested that the APEC Energy Working Group, in close co-operation with business, prepare recommendations for the next APEC Energy Ministers' Meeting in Okinawa concerning the acceleration of investment in natural gas supplies, infrastructure and trading networks as appropriate in the APEC region. Ministers asked the APEC Energy Working Group to report to them next year on opportunities, issues and options for APEC actions in this area.

Ministers also recognised the importance of accelerating action to deal with global emissions of greenhouse gases. Ministers noted that this important issue was being addressed in the Third Conference of the Parties (COP-3) under the United Nations Framework Convention on Climate

Change (UN-FCCC) in Kyoto. Ministers agreed on the importance of the efficient use of energy and confirmed that enhancing energy efficiency is a key element in addressing climate change. Ministers also noted the importance of the development of market opportunities related to the reduction of greenhouse gas emissions.

Power Infrastructure

As a result of expected continued economic growth, electricity demand in the APEC region is expected to increase by between 50 percent and 80 percent over the period to 2010, and will require some US\$1.6 trillion in investment capital. In Sydney, Ministers had agreed that such capital could not be furnished by APEC governments and multilateral financing institutions alone, and that business sector participation was essential.

Ministers re-emphasised that power sector reform was an important element in meeting the region's growing power needs, and noted the important benefits of business sector participation in power infrastructure development.

In order to attract private capital, Ministers agreed that a predictable, transparent institutional and regulatory framework was required. Ministers endorsed the non-binding principles contained in the *Manual of Best Practice Principles for Independent Power Producers*. The principles cover institutional and regulatory structures; tender/bid processes and evaluation criteria; power purchase agreements and associated tariff structures; and financing and its implications.

Ministers expressed their appreciation for the efforts and advice of the Energy Working Group, the business sector and regulatory officials in developing the manual, and encouraged members to consider the non-binding principles, in line with their own domestic policies. Ministers noted that these principles, when applicable, would contribute to the reduction of business costs, facilitate private sector investment and create conditions for the efficient allocation of capital to the power infrastructure sector.

Environmentally Sound Infrastructure

Ministers discussed both the environmental challenges and the environmental opportunities provided by economic growth and development in their economies.

Ministers noted that the rapid increase in power infrastructure, which will be necessary to meet the economic and social aspirations of the region, will have impacts on the environment, and that these impacts can be of a local, regional, or global nature. Ministers further noted that the challenge facing the region was to attract investment in power infrastructure, while at the same time ensuring that such infrastructure was established and operated in an environmentally sensitive way.

Ministers exchanged views on what characterises good policy practice to promote investment in environmentally sound infrastructure, including the principles identified in the report *Environmentally Sound Infrastructure in APEC Electricity Sectors* commissioned by Canada on behalf of the Energy Working Group. Ministers welcomed the report and its recommendations and referred it to the Energy Working Group for further consultation (including with the business community) and the development of a work program to advance the recommendations. Ministers also agreed that the regular exchange of information on current, efficient and clean technologies would assist member economies to meet their environmental goals.

Ministers considered and endorsed a set of non-binding principles promoting the incorporation of good environmental practices into the development of power projects, and agreed to consider incorporating them flexibly within their domestic policy deliberations. Ministers agreed that the application by each member economy of these practices would provide the business sector with transparency, predictability and consistency in the application of environmental policies, which would also facilitate investment in the power sector. Ministers noted that the principles could be applied according to the varying institutional arrangements in their respective economies, and would also have relevance to other areas of the energy sector.

Reducing Environmental and Business Costs through Cooperation on Energy Standards

Ministers recognised that the use of energy efficiency standards and energy efficiency product labelling will encourage greater energy efficiency and improved environmental performance. Ministers agreed care should be taken to ensure that these instruments are not used in such a way as to impair trade. Ministers further recognised that the development of common or comparable energy performance test standards and the development of a common framework for the recognition of laboratory test results can enhance trade in energy-using products and reduce business costs.

Ministers agreed to pursue a multilateral approach for the acceptance of results from accredited energy efficiency testing facilities for all APEC economies. They also agreed to consider, in the first instance, when new programs requiring the use of energy efficiency test procedures are introduced, employing test standards already in use. In the event of the adoption of a new standard within their economy that varies from those already in use, they agreed to notify other economies and make the standard available to them. Ministers asked the Energy Working Group to develop proposals for their consideration at their next meeting in Okinawa.

Ministers noted that the Energy Working Group had developed a work program to establish the basis for greater co-operation in energy standards, as requested at the first meeting of Energy Ministers. This included:

- a) investigating the utilisation of the Asia-Pacific Laboratory Accreditation Cooperation, and similar international entities, as a possible delivery mechanism for a regional mutual recognition framework;
- b) determining the degree of alignment of energy efficiency test procedures currently in use in the APEC region and developing a process by which a consensus is promoted among APEC economies to reduce divergence where practicable; and
- c) outlining a mechanism for the development, communication and advocacy of APEC regional requirements for energy efficiency test methods to international standards-making bodies so that international standards reflect the specific needs of APEC economies.

Food, Energy, Environment, Economic Growth and Population (FEEEP)

Ministers discussed the implications of economic growth and expanding population for meeting the energy demands of the region, bearing in mind the concerns expressed by APEC Economic Leaders at Osaka in November 1995 that the Asia-Pacific region's fast expanding population and rapid economic growth are forecast to sharply increase the demand for food and energy and the pressures on the environment.

Ministers highlighted the work of the Group in facilitating power infrastructure development; mitigating the environmental impacts of energy production and use; and improving energy security, particularly through the comprehensive energy outlook being produced by the Asia Pacific Energy Research Center (APERC), as being integral to the addressing by APEC of the integrated issues embodied in the FEEEP initiative.

Ministers also emphasised the importance of sustainable energy development to the region's longer term welfare and prosperity and agreed that the Energy Working Group was well advanced in responding to Economic Leaders' concerns. Ministers thanked Canada for its efforts in organising a symposium to examine the interlinkages among these important issues and their implications, and noted the Energy Working Group's presentation to the symposium.

Energy Working Group Activities

Ministers agreed that the continued information sharing and technology cooperation is essential to maximising the energy sector's contribution to the economic and social well being of the region. Over the longer term, the objective is to ensure that energy does not become an impediment to the region's sustainable growth and prosperity. In this context, Ministers noted the progress made by the Energy Working Group in fostering dialogue and cooperation within the region on energy matters, and agreed regional cooperation was the key to understanding and meeting the challenges facing the region.

Ministers welcomed two proposals from Japan and the Republic of Korea on establishing guidelines for energy efficiency and asked that the Energy Working Group consider these ideas in developing an expanded work program. Based on the work by the Energy Working Group, Ministers expect to consider the possibilities of a voluntary 'pledge and review' system for improving energy efficiency in the next Ministerial Meeting. Ministers also endorsed the Energy Working Group's efforts in encouraging the economic use of new and renewable energy sources, promoting the clean use of fossil fuels and related technologies, and actively pursuing the development of open, efficient markets for energy in the APEC region.

Ministers also noted that meeting the mineral needs of the region will be an important aspect of ensuring its continued economic and social prosperity. Ministers welcomed the progress the Energy Working Group was making in developing and fostering cooperative activities aimed at increasing transparency and energy efficiency within the region's mining industry.

Ministers instructed the Energy Working Group to continue to pursue economic and technical co-operation in the region, and actively promote multilateral co-operation in the region aimed at enhancing energy efficiency.

Asia Pacific Energy Research Center

Ministers welcomed the significant progress of the Asia Pacific Energy Research Center (APERC), which was launched at their first meeting in Sydney, in the development of its regional energy outlook planned for publication at the end of 1997.

Ministers emphasised the importance of APERC's ongoing work and agreed that their next meeting will allow them the opportunity to assess the results of APERC's regional energy supply and demand outlook, as well as its other research projects.

Next Meeting

Ministers agreed on the importance of their discussions in helping achieve their common regional energy, economic and environmental goals, and welcomed Japan's offer to host the next meeting of Ministers in Okinawa, Japan in October 1998. Ministers expect to discuss wide-ranging energy challenges and policies.

FOURTH APEC MINISTERS' MEETING ON SMALL AND MEDIUM ENTERPRISES

Ottawa, Canada
18-19 September 1997

JOINT STATEMENT

I. INTRODUCTION

1. The Fourth APEC Ministers' Meeting on Small and Medium Enterprises (SMEs) was held in Ottawa, Canada, 18-19 September, 1997. In conjunction with the conference, a Business Forum and Exposition, hosted by Industry Canada and the Canadian Chamber of Commerce, took place on 17-18 September.

2. **Ministers applauded the Leaders' call for incorporating SME priorities throughout the APEC agenda.** Leaders have recognized the prominence of SMEs in all APEC economies and their need for greater support in making the transition to an open trade environment. Building on the foundation laid at previous Ministers' meetings on improving economic conditions to facilitate the growth of SMEs, **Ministers committed to strengthen the SME Agenda and to provide policies and activities that will provide meaningful results to SMEs.**

3. **Ministers underlined the strong contribution of SMEs to economic activity within the APEC region, and their impact on intra-regional trade and investment.** SMEs comprise over 90 percent of all enterprises in the region; contribute between 30 and 60 percent of GDP of APEC economies; generate about 35 percent of the region's exports; and account for between 32 and 84 percent of employment in APEC economies.

4. **Ministers emphasized the importance of policies and programs to support SMEs at both the domestic and international levels.** They view APEC initiatives on trade and investment liberalization, trade facilitation, and economic and technical cooperation as essential complements to their domestic efforts in helping SMEs penetrate new markets and develop the necessary skills and technology to improve their competitiveness.

5. Ministers agreed with the APEC Business Advisory Council (ABAC) on areas in which APEC is best suited to help SMEs: reducing barriers to trade and investment; helping SMEs take advantage of new opportunities; building a better business environment; and, improving and upgrading government capacity to serve SMEs. Ministers reported a number of accomplishments to address SME needs in these areas.

II. ACCOMPLISHMENTS

6. **Ministers endorsed the SME Framework developed by the APEC Policy Level Group on SMEs (PLGSME) to provide a horizontal SME focus across APEC.** They agreed with the Framework's guidelines to: direct APEC activities to respond to needs expressed by the SME community; benefit and involve SMEs directly; and, respond to real needs of the marketplace.

7. **Ministers complimented the PLGSME for the publication of the APEC report, *Helping Your Business Grow: Guide for Small and Medium Enterprises in the Asia-Pacific Region*. The report communicates to SMEs APEC's concrete and positive measures to address SME priorities. At a time when profound changes are transforming national and regional economies around the world, concerted action on the part of APEC helps create an open, efficient trading regime and address the special needs and priorities of SMEs. They recommended that the report be updated regularly to measure the effectiveness of APEC in supporting the growth of small business throughout the region.**

8. **Ministers agreed to recommend to APEC Leaders that the APEC SME Framework be considered by all APEC working groups in designing and implementing SME-related activities. Ministers noted that many APEC fora, including the PLGSME, APEC committees, and working groups had activities underway that could benefit SMEs. The framework will assist them in this context.**

9. **Ministers also welcomed the progress on the 13 initiatives undertaken by the PLGSME in the past year.** They noted that these projects will help the public and private sectors better serve their clients and improve the dissemination of information to SMEs in a number of fields.

10. The Chair highlighted the importance to SMEs of the Trade Liberalization and Facilitation Agenda. **Ministers agreed that the harmonization and streamlining of customs procedures will facilitate the conduct of business and reduce transaction costs for SMEs. They gave their support to the Sub-committee on Customs Procedures Collective Action Plan and agreed to convey to APEC Ministers and Leaders its importance in improving the trade and investment environment for SMEs.**

III. KEY THEMES OF MINISTERS' DISCUSSION

11. Fostering an environment conducive to SME growth, including dynamic young enterprises, is a key to job creation and economic prosperity. Ministers recognized that SMEs experience obstacles at their critical growing stage. They emphasized the need to address such difficulties as: entering global markets; adopting existing innovative technologies; recruiting and developing necessary human resources; obtaining financing including risk capital; and accessing information.

Ministers wish to convey to Leaders that it is critical to provide a business environment adapted to SME needs and which encourages the creation of enterprises. They are committed to make the changes at the domestic and APEC levels to create an environment that will facilitate the development and growth of SMEs.

They stressed the importance for policy makers to learn about best practices from examples across APEC economies, and consider how to apply these lessons to reduce barriers to growth, improve infrastructure for SMEs, and foster a tax system consistent with SME development needs.

The Ottawa Meeting considered issues of importance to SMEs in five key areas of access to: markets, technology, human resources, financing, and information. **Ministers emphasized that by addressing these issues in all fora, APEC will move significantly towards the Leaders' objective of incorporating the needs of SMEs in its agenda.**

Access to Markets

Ministers recognized that SMEs face special problems related to their size and that, in the context of rapid trade liberalization, SMEs need to develop capacities to take advantage of the opportunities of a more open regional trading system. They noted that SMEs have specific challenges in finding partners or agents for joint ventures. They acknowledged the detrimental effects on SMEs of the lack of international harmonization of standards and professional qualifications, including investment laws and taxation procedures. They also pointed out the lack of adequate, cost-efficient, and competitive transportation systems outside the sub-regional arrangements, especially across the Pacific Ocean. They encouraged the Transport Ministers to look at measures to ensure adequate and competitive transport arrangements. They noted the potential of the Internet as a marketing tool, and noted the efforts of the Telecommunications Working Group to develop a framework for electronic commerce transactions. **Ministers welcomed the progress made in reducing tariff and non-tariff barriers to trade, and encouraged action on harmonization of customs procedures, better protection for intellectual property, and improvement of the investment environment. They encouraged the work undertaken to establish best practices studies and seminars on market development.**

Access to Technology

Ministers observed that in a knowledge-based economy, applications of information and communications technology can be a great equalizer for SMEs; however, when SMEs have limited access or understanding of these technologies, their prospects are reduced. Ministers welcomed technology-related initiatives such as the APEC Technomart II, the Study of Best Practices in the Management of Technological Extension Programs, and the Cross-Border Inter-Firm Linkages project, which will facilitate technology transfer from industrialized to developing economies.

Access to Human Resources

Ministers discussed the implications of an emerging knowledge-based economy on the need for constant training and skills upgrading for SMEs in both developed and developing economies. **Ministers recognized that Human Resources Development (HRD) for SMEs needs a comprehensive approach including: social structures and systems such as educational reforms or nourishing entrepreneurship in the society; a labour market mechanism and self-help by each enterprise; and governmental support. They emphasized that APEC, and its member economies, should involve SME support groups in strengthening and deepening their activities related to HRD to foster human resources of SMEs in the region. They welcomed the numerous initiatives that will be launched in 1997, including: an APEC Centre for Entrepreneurship; a study on women entrepreneurs; a benchmarking database; a workshop to promote diagnosis and guidance skills; and, a distance learning program and certification standards for small business counsellors.**

Access to Financing

Ministers reviewed the results of a recent consultation of APEC business associations which revealed that many SMEs lack awareness of financing resources and programs available from commercial banks and other private sector and government sources, and that they have difficulty defining and articulating their financing needs. The report stressed the need for the financial institutions to be responsive to the needs of SMEs, and for continuing simplification of trade

documentation. Ministers also welcomed the initiatives being taken by business associations to increase the competitiveness of their SME members.

Ministers congratulated the export credit agencies (ECAs) for taking the lead in exploring measures to support SME exporters such as: surveying the export and import financing needs of APEC SMEs; producing a report on the best practices of APEC ECAs to address the key issues of importance to SME exporters; actively seeking ways to increase awareness of and access to APEC ECAs services through innovations like Internet websites on ECA services; seeking ways to involve commercial lenders more fully in trade finance; working on areas of common concern to most APEC ECAs including support for SME service exporters and the benefits of Credit Scoring foreign buyers; and, developing a Protocol of Understanding among APEC ECAs to be signed at the Heads of APEC ECAs' meeting in November in Vancouver.

Ministers recognized the importance of providing cost savings to SME exporters through policy actions such as: encouraging APEC economies to eliminate withholding taxes on any export financing provided by commercial lenders supported by ECAs; and discussing with the appropriate authorities the possibility of reducing or eliminating the risk weighted capital requirements on financial institutions backed by ECAs for export and import transactions involving SMEs. **Ministers recommended that these issues be referred to the APEC Finance Minister process for consideration as part of their action plan for 1998.**

Access to Information

Ministers agreed that access to accurate and timely information is crucial for SMEs to compete and grow in a global market environment. They recognized the important role that governments play in providing information to SMEs and believed that APEC may make the greatest near-term contribution towards information access. The Ministers acknowledged that to benefit SMEs, government information must be relevant, timely, and effectively and efficiently transmitted. It must not impose unnecessary compliance costs on SMEs. Ministers highlighted projects undertaken in several economies and by various APEC fora focusing on ways to provide accurate and timely data, benchmarks, essential information, intelligence, and knowledge, such as one-stop shops, electronic information systems and integrated delivery systems. They also highlighted ongoing initiatives to disseminate information on regional infrastructure development projects. **They urged the PLGSME to intensify its work, in concert with other APEC bodies, to gather and disseminate information that will be useful to SMEs and policy makers in the region.**

The Ministers noted that business associations are placing a strong emphasis on information gathering and dissemination and welcomed their proposals to share information among themselves across APEC economies.

IV. ADOPTION OF THE 1997 APEC SME ACTION PLAN

12. **In recognition of the need to further the significance of SME-related activities throughout APEC, Ministers endorsed the 1997 APEC SME Action Plan.** They congratulated the PLGSME for developing infrastructures that will provide lasting benefits for APEC economies, in particular: the Network of Institutes for Small Business Counsellors, the APEC Centre for Entrepreneurship, and the Benchmarking Database. They also welcomed initiatives to reduce wastage of resources, time and cost in accessing information and new markets, and they appreciated the latest project undertaken by China. The achievements of this project will provide basis for China to create progressively, a more open operational environment for SMEs in China.

13. Ministers welcomed Japan's initiatives to foster SME diagnosis and guidance skills in the APEC region. This project emerged from the discussion and agreement at the last Ministerial meeting in Cebu to encourage involvement of SME support groups in developing tangible outcomes that will directly benefit SMEs. Ministers also welcomed Korea's initiative to conduct a study on women entrepreneurs, owners and managers of SMEs in the APEC economies.

14. Ministers noted the improvement in information sharing and coordination of activities among APEC working groups, and the efforts of each group to address Leaders' priorities. **Ministers encouraged PLGSME members to continue working closely with their counterpart working groups as well as the private sector and support organizations to ensure initiatives that will bring real benefits to SMEs.**

15. **Ministers welcomed the views of the APEC Business Advisory Council (ABAC) and urged PLGSME members to work closely with them in developing policies supportive of SMEs. They recognized the efforts and progress made during the year in taking action on ABAC 1996 SME recommendations to Leaders: APEC Network of Networks; SME Finance Round Tables; and SME Statistical Indicators.** They welcomed the Philippines' and Japan's initiative in linking APEC economies' websites and creating an SME business homepage to provide easy access to information.

16. They also appreciated the significance for trade acceleration, and of measures to facilitate financing for SME exporters and importers. They commended the United States for its survey of SME Trade Financing issues and Canada's leadership in consulting business associations and export credit agencies to explore measures to address these issues. Ministers recognized the importance of APEC measuring progress at the firm level, and believed that the Philippines' work on statistical indicators will be key in helping APEC groups assess their performance.

V. PRESENTATIONS BY THE BUSINESS SECTOR

17. Ministers congratulated the Asia-Pacific Business Network (APB-Net) on the success of the Business Forum, the quality of speakers and the relevance of information and tools provided under the four themes of the forum: market access and partnership strategies, financing strategies, business skills development, and technological innovation and commercialization.

As an overall recommendation, the Business Forum urged APEC SME Ministers to establish a results-based business plan targeted to SMEs, complete with timelines, deliverables, objectives and priorities. Key action items among the recommendations were: upgrade the APEC Economy Home Pages on the Internet, with linkages to major private sector Internet sites in the respective economies; implement APEC Multiple Entry Business Visas providing stays of 90 days in order to improve access by business persons to APEC economies; expand SME Finance Roundtables; address SME concerns on financing and in particular export financing; ensure information is provided to SMEs in a form which meets their needs; and reduce the documentation burden imposed on SMEs from a wide variety of sources.

18. **Ministers recognized the significance of the business sector recommendations to ensure SMEs have a growing role in trade liberalization and investment. They directed PLGSME members to use these recommendations in developing the 1998 Action Plan.**

19. Ministers also heard from young entrepreneurs who actively participated in the Business Forum. **Ministers welcomed the recommendations from the young entrepreneurs at their "Business Leaders of Tomorrow" meeting. The Ministers supported their objectives of**

promoting a culture of entrepreneurial spirit, economic growth and encouraging greater cross-cultural understanding among youth to meet the needs of a globally competitive economy. Ministers directed the PLGSME to assist the young entrepreneur associations to achieve their objectives. Ministers noted that several of the key initiatives being undertaken in the next year would actively promote the growth and development of young entrepreneurs in Asia-Pacific.

20. The Women Leaders' Network called on the SME Ministers to recognize gender as a concern that cuts across many issues, and to integrate a gender perspective at all levels of SME work. They called on them also to ensure the full participation of women through equitable representation at all levels of APEC fora with a target of at least 30 percent women participants at senior levels by the year 2000. **Ministers agreed to promote gender-sensitive policies and measures related to the development of SMEs to empower women in technical, managerial, and entrepreneurial fields. They directed PLGSME members to consider actions recommended by the Women Leaders' Network to support the development and growth of women entrepreneurs.**

21. Ministers complimented the Alliance of Manufacturers & Exporters Canada for its initiative in convening the first meeting of business associations throughout APEC to develop an action plan to assist their SME members. **They called on the business sector and business organizations to lead in facilitating greater participation by SMEs in APEC trade and investment opportunities and encouraged the PLGSME to partner them in creating a better business environment for SMEs.**

VI. NEXT MINISTERS' CONFERENCE

22. **Ministers welcomed the offer by Malaysia to host the Fifth APEC SME Ministers' Meeting in Kuala Lumpur on 10 and 11 September, 1998. They expressed their support for Malaysia's decision to provide fora for delegations representing businesses, business associations, export credit agencies, young entrepreneurs and women leaders, in conjunction with the Ministerial meeting.**

23. Ministers thanked Canada for its guidance in chairing the meeting, and the people of Ottawa for their hospitality in welcoming the government and business delegations.

SECOND MEETING OF APEC HUMAN RESOURCES DEVELOPMENT MINISTERS

**Seoul, Republic of Korea
26 September 1997**

JOINT STATEMENT

We, the Ministers responsible for human resources development from Australia; Brunei Darussalam; Canada; Chile; the People's Republic of China; Hong Kong, China; Indonesia; Japan; the Republic of Korea; Malaysia; Mexico; New Zealand; Papua New Guinea; the Republic of the Philippines; Singapore; Chinese Taipei; Thailand; and the United States of America, met in Seoul on 25-26 September 1997 for the Second APEC Ministerial Meeting on Human Resources Development (HRD). The APEC Secretariat was also present.

Our meeting, the second among human resources development Ministers, was convened in response to an invitation made by the Labour Minister of the Republic of Korea during the First Ministerial Meeting on Human Resources Development (HRD) in Manila on 10-11 January 1996. It builds on the Jakarta Framework for Human Resources Development, the Bogor Declaration, the Osaka Action Agenda and the Leaders' Meeting in Subic. The meeting was convened with the goal of reviewing current activities and setting the future direction and strategies for human resources development in the Asia-Pacific Region.

We are honored that His Excellency, President Kim Young Sam of the Republic of Korea opened the conference and extended the warmest welcome to all the participating delegates. We support his view that exchanges and cooperation among the APEC member economies in the area of human resources development are becoming a vital force for expanding the growth potential of our economies and improving the quality of life of our citizens. We are reminded of his proposal to launch an APEC Industrial and Technical Training Program for human resources development. We note his call to study the establishment of an APEC HRD university from a long-term point of view. We welcome the President's proposal to inaugurate the APEC Youth Skills Camp in view of our interest in youth education and training.

We commend the members of the HRD Working Group for their progress in the five areas highlighted for accelerated action at the first HRD Ministerial Meeting, and for their achievements in joint activities under the eight medium-term priorities overall. We also welcome the efforts of the HRD Working Group to focus and strengthen management capacity for their activities.

We note the report of the representative of the APEC Business Advisory Council (ABAC) outlining its concerns and perspectives on human resources development activities. We acknowledge ABAC's recommendation that greater private sector participation is needed in designing human resources development programs, to raise efficiency as well as to foster the linkages between learning and work.

We commend the youth delegates for their success in creating the electronic sourcebook on work, study, and exchange opportunities in the APEC region. We note that this product has attracted the interest of other APEC Ministers and working groups, and we encourage the members of the HRD Working Group to consider maintaining it as a useful approach for fostering cooperation in the APEC region.

We discussed a broad range of issues relating to human resources development under the main theme, “The Strategy for Developing Human Resources under a New Environment and Challenges”, and three sub-themes.

FOSTERING THE LINKAGES BETWEEN LEARNING AND WORK

We agree that lifelong learning and school-to-work transition are essential to creating an adaptable workforce as well as providing individuals with relevant skills. These strategies can enable all the member economies to improve the quality of life for individuals, enhance continuing employability, improve economic growth and development, improve labor market efficiency and build a quality workforce for the 21st century.

We acknowledge the importance of ensuring a positive initial experience within an educational environment. A solid academic foundation, incorporating high levels of literacy, numeracy, other basic skills and proper values and attitudes towards life and work, is the basis of all future learning.

We agree that the HRD Working Group should, through its networks, strengthen its efforts to:

- improve access to quality education and training opportunities, including through the use of new technologies;
- ensure access to labor market information to help people make informed choices about careers, employment, and education and training;
- ensure that the collaboration of all relevant parties, such as students, employers, workers, teachers, parents/guardians and all levels of government, should be an underlying principle of these strategies. The cooperation of stakeholders allows for agreement on the skills and competencies to be acquired whether in school or the workplace, and what each partner is responsible for providing;
- make effective connections between learning, training, and work experience to ensure the quality and relevance of the skills and knowledge acquired. A well-integrated approach to learning, training and work experience will enhance labor market efficiency by providing a pool of qualified workers with strong basic skills; and
- explore a variety of pathways to acquiring skills and knowledge, such as youth internships and mentoring, in the transition from school to work and lifelong learning.

We direct the HRD Working Group to conduct best practice workshops for the purpose of examining these issues.

IMPROVING SKILLS DEVELOPMENT THROUGH COOPERATION AND PARTICIPATION

We recognize that skills development is one of the most important instruments for adjusting to the changes in the labor market and economic environment. Additionally, skills development could contribute significantly to overall economic well-being and human welfare through its impact on economic growth and development.

In response to the Leaders’ Meeting in Subic, we agree on the need for skills development for youth

in the Asia-Pacific region. We realize that a better educated and trained workforce is vital to improving productivity and rapidly adapting to a changing economic environment. We note that many member economies are reassessing their training systems as they prepare for the 21st century. In this light, we note the proposal for the establishment of education hubs.

We encourage the HRD Working Group to:

- find effective training methods for new workforce entrants and improve the skills of those already in work;
- collect and share information and experiences in skills development;
- Continue to enhance the participation of the private sector in skills development;
- develop methods to retrain instructors, teachers, and administrators; and
- develop effective means of catering to the skills development needs of people with disabilities.

More specifically, we direct the HRD WG to:

- Enhance the curriculum development capabilities of member economies; and
- Undertake collaborative research on lifelong learning systems.

In addition, we urge member economies to place a strong emphasis on vocational education and training and to accelerate joint efforts. We welcome and support the creation of closer links between skills development institutions within APEC economies. This should take into account the related work of other international organizations.

ENHANCING LABOR AND MANAGEMENT PARTICIPATION IN HUMAN RESOURCES DEVELOPMENT

We share the view that the roles and contributions of labor and management in attaining APEC's objectives of promoting sustainable economic growth and the overall well-being of the people in the Asia-Pacific region are important.

We recognize that human resources development should be a concern not only for governments, but will be most effectively achieved when labor and management participate in this process, and when all sectors of society work together.

We direct the HRD Working Group, under the existing networks, to develop a project in which representatives of labor, management, and government from member economies can exchange views on best practices on training, skills development, the use of technology, and other human resources development related issues in the workplace, avoiding duplication of work undertaken in other fora.

The HRD Working Group, in undertaking this task, should acknowledge and respect the diversity of economic situations, practices and arrangements in individual member economies.

PARTICIPATION OF WOMEN AND YOUTH

As Ministers responsible for human resources development, we are mindful of the Leaders' call for an emphasis on the participation of women and youth.

Given the importance of issues relating to women's participation raised in discussions of this meeting, we call on the HRD Working Group to cooperate, to the extent possible, with the organizers of the proposed APEC Ministerial Meeting on Women's Concerns to be held in Manila in 1998.

Bearing in mind that "today's youth are APEC's future," we commend the HRD Working Group for facilitating the involvement of youth. We encourage the continued involvement of youth in human resources development activities.

CLOSING

We welcome the generous offer of the United States to host the Third APEC HRD Ministerial Meeting by the year 2000.

We express our thanks to His Excellency the President, and the people of the Republic of Korea for hosting this meeting and providing a valued opportunity for us to come together to discuss the important issues on human resources development in the 21st century.

APEC BUSINESS ADVISORY COUNCIL: REPORT TO THE ECONOMIC LEADERS 1997

APEC Means Business: ABAC's Call to Action

EXECUTIVE SUMMARY

Responding to our first report, the Economic Leaders at their November 1996 meeting in Subic, Philippines asked their Ministers to examine how our recommendations could be implemented, and invited us to provide comments and views that would help improve APEC's action plans. Consequently, we agreed to focus this year on three main tasks. The first was to evaluate the *Manila Action Plan for APEC* (MAPA) from a business perspective. The second was to discuss with Ministers and Senior Officials how our recommendations could be implemented. The third was to develop further our previous recommendations and propose a limited number of new initiatives for APEC.

REVIEW OF THE MANILA ACTION PLAN FOR APEC

MAPA is a significant document that outlines APEC economies' intentions to liberalize trade and investment and promote economic and technical cooperation within a common framework. In assessing MAPA from a business perspective and how future action plans can more effectively meet the needs of business, we identified four key issues: value-added, transparency, specificity and commitment to action.

- We examined MAPA's value-added to liberalization processes already taking place in other multilateral fora. Most economies did not go significantly beyond their Uruguay Round commitments. Some progress is evident in the area of tariffs, but is difficult to discern in the case of non-tariff measures (NTMs), and is still to be made in the area of services.
- A higher level of transparency remains to be achieved, especially in terms of clearly expressed plans and milestones that can be used to measure progress and assess the impact of commitments.
- The action plans need to be more specific, especially with regard to APEC economies' intended path to reaching the Bogor goals. These data are important to business enterprises in planning for the near- to mid-term future. A common format, clearly defining each intended step and its benefits to business, would be useful.
- There is need for greater commitment to action in the Individual Action Plans (IAPs) with specific timetables, especially in the case of trade facilitation measures.

To address these issues, we make the following recommendations in relation to key areas of MAPA:

Tariffs

IAPs should specify final average tariff levels by 2010/2020, how current tariff levels are intended to move towards these targets, especially in the next five years and in terms of specific industries and sectors.

Non-Tariff Measures

IAPs should specify what member economies are doing to remove NTMs, and how they will be reduced or eliminated with a timetable for at least the next five years. An inventory of NTMs would be useful, especially if it also covers services and investment. IAPs should list NTMs consistent with the World Trade Organization (WTO), such as anti-dumping measures, to ensure faithful implementation. APEC economies should further reduce NTMs beyond their Uruguay Round commitments.

Services

IAPs should adopt a uniform format addressing liberalization in this sector, including its sub-sectors, and include a comprehensive list of impediments to trade and investment. APEC should lead the way in making the WTO financial services talks a success.

Investment

IAPs should contain timeframes for adoption of the Non-binding Investment Principles (NBIP), even with a temporary carve-out for national treatment, if needed, as well as commitments and targets in the area of capital market development. Economies that cannot yet commit to adopt the NBIP should specify interim investment liberalization measures in their IAPs.

Economic and Technical Cooperation (ECOTECH)

The proposals in this report's ECOTECH section need to be endorsed and implemented. Issues of concern to small and medium enterprises (SMEs) should be clearly addressed in IAPs.

RECOMMENDATIONS TO THE APEC ECONOMIC LEADERS

While action is being taken on our 1996 recommendations, much more work is needed to fully implement them. We include in this report some carefully chosen recommendations on measures and initiatives that APEC should take to help expand regional trade and investment. Most of these build on recommendations contained in our previous report, based on our assessment of progress achieved in implementing these proposals. Others touch on completely new areas, reflecting business priorities. We present these recommendations for the Economic Leaders to consider and endorse in their meeting in Vancouver.

Promoting cross-border flows

We submit specific proposals on implementing several recommendations we made last year in the area of cross-border flows; recommend action in two additional areas (government procurement and competition policy); and ask APEC to consider early action to expand trade and investment opportunities in several sectors.

We looked at progress in the implementation of the six recommendations we submitted last year in the area of cross-border flows. Our key messages are as follows:

- Business mobility issues remain critically important to enterprises. We propose a flexible approach to achieving more efficient visa arrangements and ask APEC economies to

commit to one of the options we have recommended (visa-free entry, the APEC Business Travel Card, or five-year multiple-entry visas) by 1998.

- We highlight the need for education and robust enforcement mechanisms to achieve adequate intellectual property protection.
- Recognizing the work being undertaken in the area of standards and conformance, we call for greater business input in identifying the factors that add most to the cost of international trade and in establishing work priorities and commitments to their implementation.
- Recognizing the need for progress in the harmonization of professional standards and the mutual recognition of professional credentials, we call for a private-public sector conference to advance this issue.
- We commend APEC for its work in the area of customs harmonization.
- Last year, we urged APEC to adhere to 100% implementation of the Bogor liberalization goals, keeping in mind ABAC's aspirations to accelerate the process. APEC's general progress towards these goals has been reviewed in this report's chapter dealing with MAPA. Additionally, we call for greater attention to liberalization and facilitation measures in the area of services.

This year, we comment on two other areas of APEC's work: competition policy and government procurement. We believe that the WTO Agreement on Government Procurement (WTOAGP) provides a sound basis for unilateral liberalization that can help APEC avoid a lengthy debate on government procurement principles. In order to promote progress in competition policy and deregulation, there is a need to prioritize certain sectors where we can expand trade and investment opportunities, as well as harmonize standards and testing methods.

To facilitate the APEC process, ABAC believes that prioritization of certain sectors is necessary to test the applicability of APEC's objectives and principles. Examples of priority sectors could include the following industries and subcomponents thereof: chemicals, environmental products and services, food, oilseeds, pharmaceuticals, pulp and wood products, toys, transport and automotive products.

Enhancing private investment in infrastructure and access to capital

Investment, finance and infrastructure are intertwined and critical to economic progress in APEC. In 1996, we submitted recommendations addressing barriers to foreign direct investment and to the financing of infrastructure projects. We aim to advance these recommendations this year, while improving upon and sharpening their focus. Recognizing that more must be done, we are also recommending additional measures to broaden and strengthen the region's financial markets and enhance efficient access to capital.

Considering further what has been achieved regarding our recommendations in these areas, we convey the following key messages:

- There is a very urgent need to enhance private investment in large-scale infrastructure projects in the region. For APEC to respond effectively to this need, we recommend a sectoral approach to investment liberalization for infrastructure, through an Infrastructure Investment Initiative (III), which applies enhanced investment protection on a sectoral basis to infrastructure projects. This builds on our proposal last year for APEC to consider the APEC Voluntary Investment Project (AVIP) scheme as a project-based approach to investment liberalization.
- Recalling our proposal last year to hold Finance Roundtables for the specific benefit of SMEs, we submit a list of key issues that such roundtables should address. In addition, we

urge APEC to prioritize liberalization of financial services trade in the context of assistance to SMEs.

- Currency instability threatens progress towards APEC's goals of regional liberalization and is a threat to all APEC economies. We recommend cooperative measures by APEC economies to address the issue of currency instability.

We also highlight in this report the importance of capital markets in emerging economies. We identified the critical elements needed to promote the efficiency and liquidity of capital markets. Measures we propose to achieve this objective, together with addressing currency instability, include: promoting prudent regulation and transparency, establishing modern clearing and settlement systems, developing understandable and harmonized accounting standards and disclosure, broadening the local investor base, and liberalizing rules for foreign financial services firms. Related to this, we wish to draw attention to the advantages of asset-backed securitization to finance large infrastructure projects and the needs of SMEs and consumers, and encourage the development of markets for asset-backed securities in the region.

Underlining the important role of stock exchanges in the growth of equity markets, we propose some ideas for cooperation and for promotion of trading in SME equities.

Lastly, we recommend the conclusion of bilateral tax treaties among APEC economies to address the issue of double taxation and withholding and professional services taxes, and the incorporation of these efforts in the IAPs.

Implementing economic and technical cooperation

APEC took an important step forward last year when the Economic Leaders endorsed a new economic and technical cooperation (ECOTECH) framework. The challenge now lies in its implementation, and we identify two key areas where APEC must focus in order to meet this challenge: mobilizing the business/private sector; and developing complementarity between ECOTECH and trade and investment liberalization and facilitation (TILF). We submit two proposals to address these issues:

- ***The Partnership for Equitable Growth (PEG)***: The new framework encourages greater business/private sector participation in ECOTECH activities. The business/private sector can add value to ECOTECH by undertaking projects in areas where neither the market nor government currently meets the need. Building on our recommendation last year for the establishment of the APEC Network for Economic and Technical Cooperation, we propose the establishment of PEG as a catalyst for private sector participation in APEC ECOTECH initiatives.
- ***The APEC Information Technology Education Initiative***: The benefits of trade and investment liberalization and facilitation can only be fully realized if complementary initiatives in TILF and ECOTECH are undertaken. Information technology is a key sector where this can be done, given its economic importance and APEC member economies' strengths in this area. To complement the Information Technology Agreement (ITA), we propose the launching of an APEC IT Education Initiative.

Initiatives for Small and Medium Enterprises

SMEs, which are crucial to the continued prosperity and growth of the Asia-Pacific region, face particular challenges due to resource constraints and a lack of market power. We submitted several proposals last year to address these concerns. We continue to pursue one of our key objectives, the development of an APEC SME Network of Networks, and to identify further measures to enhance its usefulness to SMEs. We specifically ask APEC to support the development and maintenance within each economy of relevant SME-related content that can be accessed through the network. For this purpose, a coordinator for each economy should be identified to act as an information gateway to and from other APEC economies. Further, the Economic Leaders should call on the appropriate ministers to ensure easy and cost-efficient access of SMEs to the Internet, so that they can utilize the APEC SME Network of Networks.

Several of our recommendations this year are also particularly important in addressing specific SME concerns. These are recommendations pertaining to entry of business travelers for short-term visits, mutual recognition of professional credentials, and SME Finance Roundtables.

LOOKING AHEAD

We offer these views and recommendations as our contribution to more rapid progress in the attainment of APEC's goals. Looking ahead to the future, we commit ourselves to continue monitoring APEC's progress with regard to its action plans and to advise the Economic Leaders and the various APEC fora from a business perspective with each step forward. We are prepared to provide our views on other initiatives being undertaken parallel to current efforts at implementing and continuously improving APEC's action plans, such as early voluntary sectoral liberalization. We also intend to continue proposing issues for inclusion in APEC's agenda in the coming years, while keeping in mind the need to focus on a few key result areas and the priority that must be placed in implementing current plans.

Lastly, we affirm our commitment to implementation. We have worked closely with ministers and officials this year to help them determine how previous recommendations we have made can be translated into concrete policies and action plans. We intend to continue these efforts next year, and in the years to come. We will do so to ensure that what we have proposed on behalf of the region's business community is taken up and, eventually, translated into tangible and practical reality, knowing that the time for action is now.