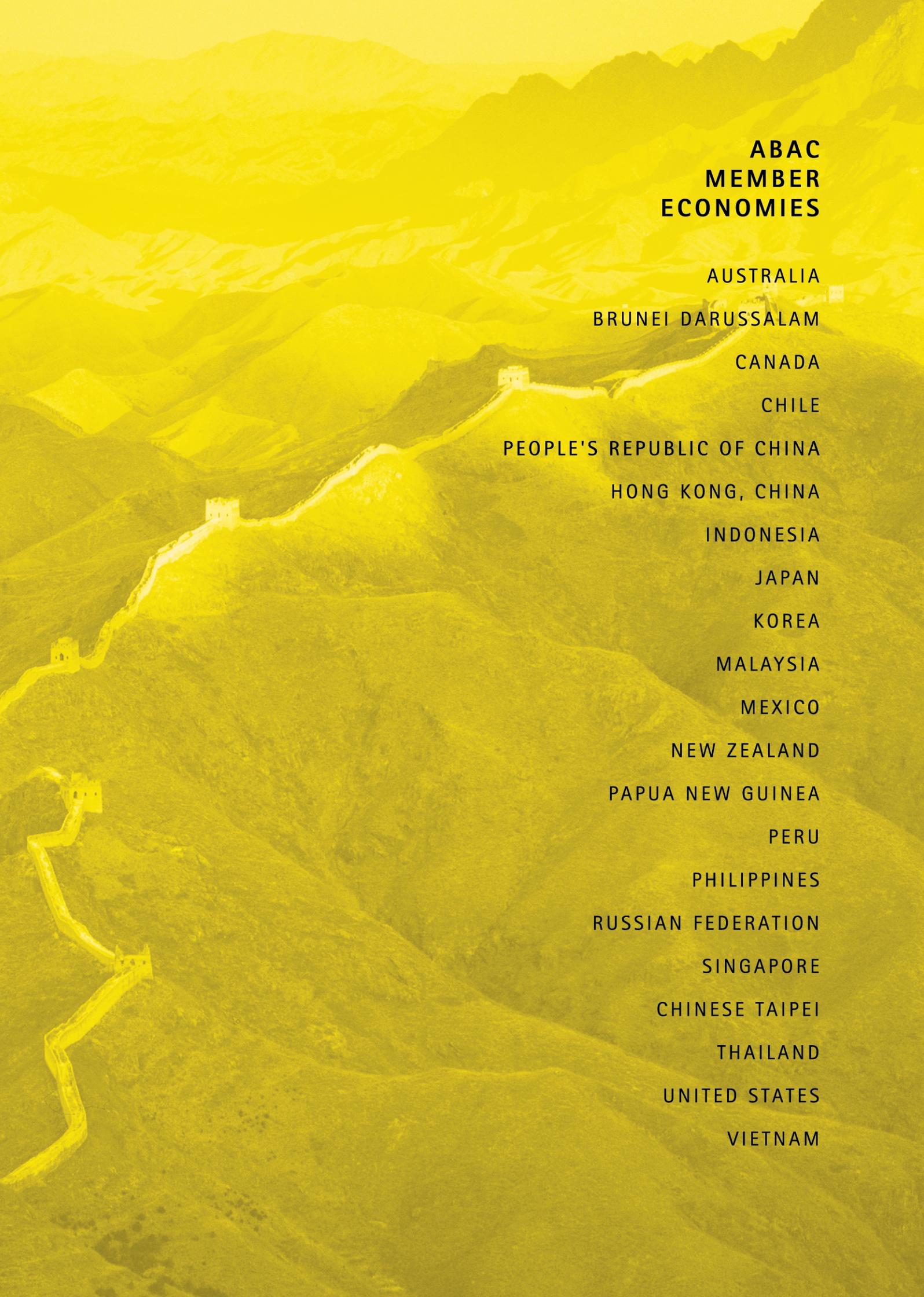


APEC Business Advisory Council

Report to APEC Economic Leaders
Shanghai, China
2001



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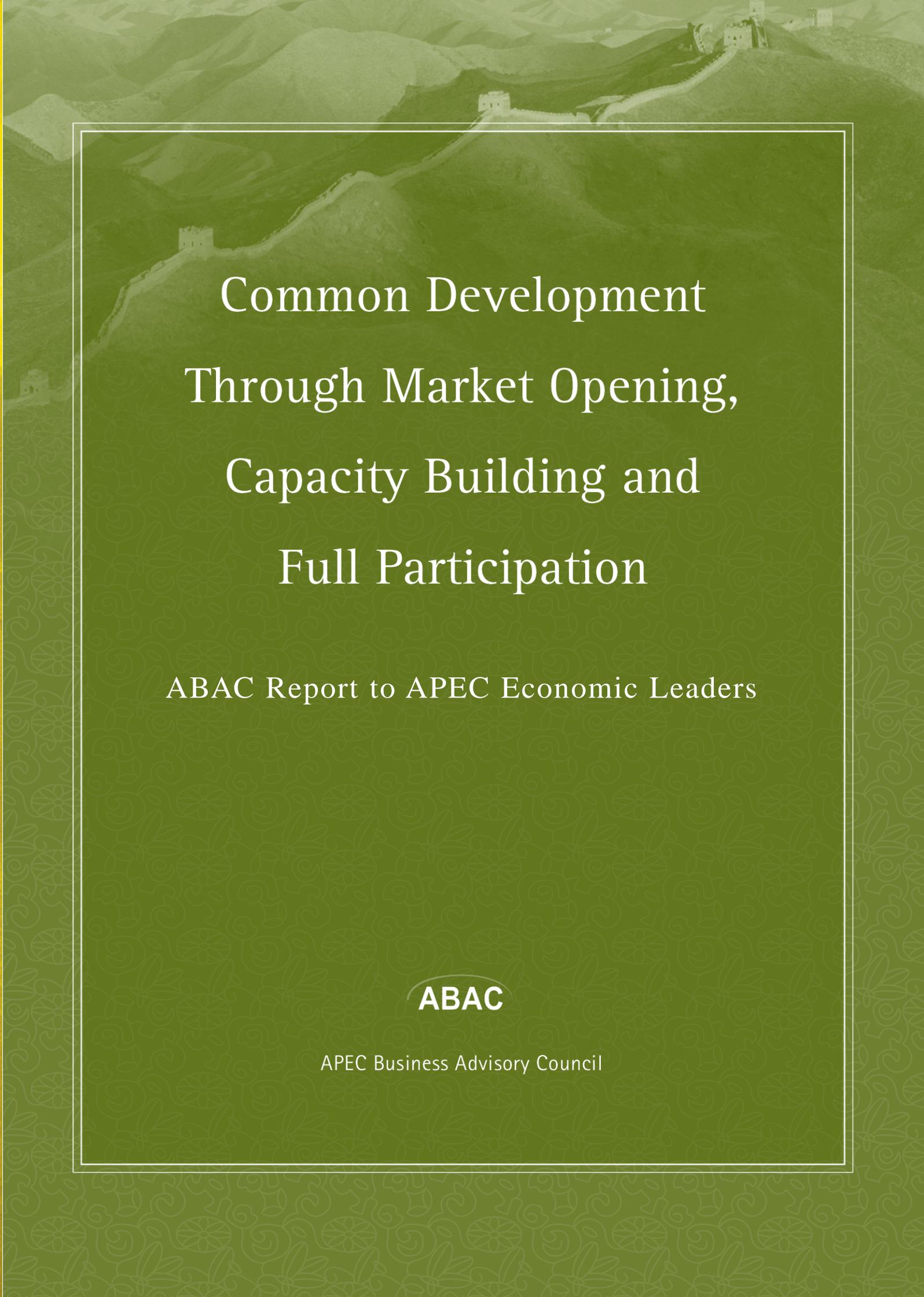
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Common Development Through Market Opening, Capacity Building and Full Participation

ABAC Report to APEC Economic Leaders

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APEC Business Advisory Council

COMMON DEVELOPMENT THROUGH MARKET OPENING, CAPACITY BUILDING AND FULL PARTICIPATION

Executive Summary

In light of the APEC vision and the theme of the work program for the year 2001, ABAC presents the following four key messages to Leaders:

- ▶ APEC economies must accelerate progress towards trade and investment liberalization as stated in the Bogor Goals. We encourage Leaders to instill the necessary sense of urgency and commitment to fully liberalize trade and investment in accordance with the Bogor Goals and we respectfully urge Leaders to instruct Ministers and Officials to achieve these.
- ▶ ABAC strongly advocates that APEC demonstrate its support for the launch of a new WTO Round at the WTO Ministerial Conference in Doha in November.
- ▶ ABAC alerts Leaders to the impending threat of financial contagion. APEC should counter the current economic uncertainty with decisive measures to stimulate economic growth and accelerate financial reforms. Economies need to ensure that international and regional financial architecture mechanisms are in place to deal with contagion. These should include key indicators recommended by the IMF aimed at providing early warning signals and improved policy coordination.
- ▶ A balanced approach to globalization that combines market opening, capacity-building and full participation is essential because these three elements reinforce one another. Should any of the three be neglected, the globalization process would lose balance and the goal of common development could not be realized. Therefore, all three elements should develop hand-in-hand as an integral part of the APEC process.

To support these messages, ABAC calls upon Leaders to consider the following agenda for which full recommendations have been prepared:

- Accelerate banking and capital market reforms to align with international financial standards, improve corporate governance, and further liberalize investment and trade in financial services.
- Intensify capacity-building to promote financial system reforms to deepen markets through the development of domestic bond markets and credible credit rating agencies, strengthen risk management hedging mechanisms, and when viable, wider use of second board markets.

- Strengthen international and regional financial architecture by participating in:
 - Financial soundness indicators programs to improve surveillance measures.
 - Efforts to mitigate the adverse impacts of short-term capital flows, activities of highly-leveraged institutions and moral hazard.
- Encourage regional private-public partnerships in trade facilitation and capacity building as shown by the Shanghai Model Port Project.
- Encourage Leaders to take the opportunity of the Shanghai meeting to renounce the use of food embargoes and to urge their officials to adopt the other action items proposed by ABAC to assist in the implementation of the APEC Food System.
- Align standards and conformance through mutual recognition agreements and the adoption of international standards.
- Strengthen the accessibility and comprehensiveness of the Individual Action Plans (IAPs) to make them an essential means of measuring APEC's progress and tools business can use to make strategic decisions.
- Address impediments to trade with emphasis on strengthening the enforcement of intellectual property rights (IPR) and removing barriers to foreign direct investment (FDI).
- Adopt policies that enable the widespread use of e-learning as a tool to develop skills and reduce the digital divide.
- Put more information and services of governments online to improve efficiency and access, and encourage private sector investment in information and communication technology (ICT).
- Facilitate one-window access to SME programs and services through the development of an APEC SME Portal, to provide information on financing, technology and new market opportunities.
- Adopt policies that are "small business-friendly", with the assistance of a proposed Scorecard for Entrepreneurial Environment.