

His Excellency President Jiang Zemin
 People's Republic of China
 Beijing
 China

Dear Mr. President:

As a regional economic organization, APEC plays an important role in the economic globalization process. In the past decade, member economies have made remarkable achievements in their pursuit of open and free trade and investment. This year, however, the Asia Pacific region faces a number of new and serious challenges.

- The pronounced slowdown of the global economy in 2001 has led to further financial instability and contagion. Market confidence is seriously weakening. This is having an unfavorable impact on the globalization process. Economies of the region that depend mainly on external demand are losing momentum with their economic recovery. Financial systems are increasingly vulnerable to a new round of crisis.
- The delay in the launch of a new round of WTO talks and the lack of progress on the WTO's built-in-agenda are affecting the process of multilateral and regional economic cooperation. Commitment to building an open and non-discriminatory international economic order is the fundamental condition for securing and enhancing prosperity of each and every economy of the region.
- The deadline for realizing the commitments under the Bogor Declaration by 2010/2020 is fast approaching. APEC's credibility is at stake unless it can demonstrate political will and decisively translate commitments into concrete actions to achieve the Bogor Goals of trade and investment liberalization and facilitation (TILF).
- Economic globalization is being accompanied by a public debate on its benefits and costs. The time has come for APEC to step forward and contribute to ways of maximizing the benefits for common development and easing the costs of economic globalization, and thus lead the public debate in a constructive manner.

Key messages to Leaders

Against this background, ABAC believes that the Asia Pacific Region is at a critical juncture. From this perspective, ABAC wishes to present 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 believes that it is imperative for APEC economies to further generate public awareness and take results-orientated policy measures for sustained economic growth and shared prosperity.

Achieving the Goals of Liberalization

Market liberalization leads to economic growth, which creates greater prosperity and better living standards. Within APEC, measures taken individually and collectively by member economies to promote TILF have greatly helped reduce the costs and risks of doing business in the region, making our economies and companies more competitive globally.

APEC's liberalization agenda is founded on a unique model which encourages trade and investment liberalization, and economic and technical cooperation (ECOTECH) through commitments to the Bogor Goals and the Osaka Action Agenda, which are voluntary and non-binding but implemented by economies through the Individual Action Plans (IAPs).

In recent years, APEC economies have made efforts in enhancing transparency of trade policies, establishing dispute resolution mechanisms, simplifying and harmonizing customs procedures, reducing technical barriers to trade, and facilitating business travel. We applaud these efforts but many impediments to trade and investment have yet to be removed. More measures should be adopted to enhance economic growth and prosperity among APEC economies.

While there are extraordinary opportunities arising from economic globalization, some in developed and developing economies alike feel increasingly alienated because they lack the resources to participate effectively in the process. Whether or not we can harness the opportunities presented by globalization will be a test of our determination, capability, credibility and leadership.

Important Role of Capacity Building

Liberalization and capacity building are inter-related. To derive fully the benefits of liberalization, every economy needs to strengthen the capacity of its institutions and individuals to adjust to rapidly changing external environments.

In particular, ABAC would like to highlight three important aspects of capacity building which merit priority attention — institutional development, human resource development (HRD) and the enhancement of management capability.

The keys to institutional development are sound legal and regulatory systems, comprehensive and well-balanced policy frameworks and greater transparency. These enable companies to conduct business in a predictable and reliable environment. Involving the private sector in these capacity-building efforts in partnership with governments, such as those occurring in the financial services and other sectors, ensures initiatives achieve results in a comprehensive way and with integrity.

The priority in HRD is to enable more people to share knowledge and skills through education and training. A stronger emphasis on HRD lowers the costs of change and maximizes the benefits of market opening.

Management capabilities must be improved in both the private and public sectors. The key element of private management capability is for business to adopt global principles and best practices in corporate governance, and to follow international standards in accounting and risk management. Public sector efforts should enhance a government's capability to develop important institutional frameworks, implement policies, initiate and guide reforms, and promote economic development.

Full Participation by Business and the Community

In today's global environment, it is of great importance that both business and the community have a better understanding of APEC. APEC should therefore promote the broadest possible participation to generate greater public understanding, confidence and support for trade and investment liberalization, so that the benefits of globalization are not only for some, but for all.

Full participation must mean that the interests and concerns of economies, both developed and developing; of business, both large and small; and of stakeholders, including government, business and individuals, need to be better addressed in the decision-making process of multilateral and regional economic organizations.

For this purpose, we should focus our outreach efforts on the full participation of SMEs that make up the vast majority of business entities in the region. In this way, even individuals can go global as evidenced by the success of those SMEs that have been able to participate in the process.

For APEC, the spirit of a single Asia-Pacific community must be the vision to which we must return. It was a vision forged from a common idea of prosperity for all through the proper workings of the market. Such a vision can never be realized unless all stakeholders can and do participate willingly and ably in the APEC process.

Recommendations to Leaders

In the past year, ABAC's work has been in five areas: finance, trade and investment, action plan monitoring, technology, and small and medium enterprises (SMEs). To meet the challenges outlined above, we submit full recommendations as follows.

Finance

The pronounced slow-down in the world economy has put severe financial pressures on some economies. Financial contagion is a reality and reinforces the need for immediate financial system reform, both domestic and international. Business confidence generally is weak and capital flows to emerging markets show a marked decline. Both would be revived by fast-tracking trade and investment liberalization.

Stronger and more diverse financial sectors would encourage capital flows and lead to a greater confidence in the process of, and capture the gains from, trade and investment liberalization. Capacity building is urgently required to provide depth to and diversity in banking systems and capital markets and to facilitate the adoption of international standards in developing economies.

Accelerate Banking and Capital System Market Reforms

Banking and capital market structures in some APEC economies were seriously stressed in the Asian crisis, resulting in deficiencies in bank capital, high levels of non-performing loans and severe constraints on new lending. While some reforms have been implemented, serious financial imbalances remain and further adjustments in some economies are urgently required. An ABAC survey of finance industry associations in APEC economies shows strong support for reforms and points to the need for further urgent reforms to be undertaken across member economies.

Adoption of international financial standards set by the Financial Stability Forum, the IMF, the World Bank, and other key regulatory agencies; and engagement in the IMF's "Financial Sector Assessment Programs" (FSAPs) would contribute to financial stability, add confidence and support business activity.

To strengthen financial systems, ABAC recommends that banking and capital system market reforms be accelerated, including corporate governance, the implementation of international financial standards, the development of bankruptcy laws and legal systems and the engagement of economies in the IMF Finance Sector Assessment Programs, as a matter of priority.

From ABAC's 2000 Report to Leaders

Financial Stability Forum's Categories of Standards

Transparency in Monetary and Financial Policies
Transparency in Fiscal Policy
Data Dissemination
Insolvency Regimes
Corporate Governance
Accounting
Auditing
Payment and Settlement
Money Laundering
Banking Supervision
Securities Regulation
Insurance Supervision

Sources: International Monetary Fund's (IMF) and World Bank's Report on Observance of Standards and Codes (ROSCs) and Financial Sector Assessment Program (FSAP) processes. Alternatively, member economies should be encouraged to undertake self-reporting in line with the ROSCs and FSAP framework.

Broaden and Deepen Financial Systems

A lack of depth, diversity and transparency in banking and financial systems is seriously limiting responsiveness to shocks and affecting prospects for a speedy and sustained recovery.

There is therefore an urgent need to undertake capacity-building efforts to deepen and diversify, as well as to promote transparency in capital markets. These measures would provide vital support for risk management through derivatives and hedging mechanisms, help attract new capital, lower the cost of capital and improve domestic competitiveness.

ABAC's own survey of Second Board Markets, undertaken this year with the Pacific Economic Cooperation Council (PECC), shows some limitations in the absence of deeper financial system structures. However, ABAC encourages more work to be completed to make second board markets a viable financing option for SMEs and high-tech companies.

ABAC recommends that APEC economies should broaden and deepen individual financial systems through capacity-building efforts to achieve the following:

- Development of domestic bond markets supported by independent and credible credit rating agencies.
- Strengthening of risk management hedging mechanisms.
- Support for new international financing conventions, such as the draft Unidroit Convention on International Interests in Mobile Equipment.
- Wider use, where suitable, of second board markets.

Further Liberalize Investment and Trade in Financial Services

Constraints on cross-border investment and trade in financial services create a major impediment to economic growth. Inadequate financial reporting, as well as highly divergent accounting and credit rating practices also present obstacles to better investor information

and cross-border investment. Similarly, unstable and underdeveloped capital markets constrain economic opportunity and limit the benefits that should occur from trade and investment liberalization.

It is important therefore that trade and investment liberalization be rigorously pursued under the WTO General Agreement on Trade in Services (GATS) and in the implementation of the Bogor goals.

ABAC recommends that economies give urgency to the WTO financial services built-in agenda and to the launch of the new WTO Round and accelerate the implementation of the Bogor Goals. Economies should review financial regulatory structures to remove any regulatory impediments which could negate the benefits arising from financial services and investment liberalization. Economies should also promote adequate financial reporting and the convergence of accounting standards and credit rating practices throughout the APEC region with globally accepted standards and practices.

Promote Further Reforms to International and Regional Financial Architecture

Further reforms are needed to minimize the adverse impact of large and volatile capital flows on financial markets and exchange rate systems. Recent international work under the auspices of the IMF seeks to promote the development of financial soundness indicators which help focus on vulnerabilities of domestic financial systems to deal with macro-economic, external and capital account developments.

Given the continued vulnerability of some member economies, ABAC endorses international and regional measures to improve financial system stability and to promote business growth.

ABAC recommends that all economies participate in the financial soundness indicators program to improve international surveillance measures. All APEC member economies should participate in strengthening the international and regional financial architecture. The key objectives should be the stability and the smooth operation of capital markets, particularly in relation to the adverse impacts of volatile short-term capital flows and activities of highly-leveraged institutions. These measures should support private sector operations in those markets and minimize moral hazard.

Trade and Investment

Support the New WTO Round

As the region's economic momentum slows down, further trade and investment liberalization is needed to stimulate growth. The new WTO round must further strengthen the global trading system so that it keeps pace with a rapidly changing international environment. Launching a new WTO Round is critical to all our interests. It is important that there is a balanced and manageable agenda which should fairly reflect the interests and concerns of all members, particularly developing economies.

Some APEC members are yet to be WTO members. It is vital that China conclude its WTO accession negotiations and be admitted to WTO membership before the next Ministerial meeting in Doha in November 2001. All other outstanding APEC members seeking admission - Chinese Taipei, Russia and Vietnam- should be admitted at the earliest possible date.

Encourage Private-Public Partnerships in Trade Facilitation and Capacity Building

The Shanghai Model Port Project (SMPP) is a tangible example and a useful model of how the public and private sectors can work together to achieve APEC's objectives.¹ While the implementation of SMPP will facilitate trade by users of ports in China, it will also contribute to the implementation of the Customs Collective Action Plan (CAP). Implementation of the program will allow China and eventually other APEC member economies, to achieve early completion of the twelve performance targets specified in the APEC Customs CAP.

In this regard, we urge Leaders to recognize the benefits of the SMPP and promote other similar public and private sector partnerships.

Align Standards and Conformance

We urge Leaders to reiterate their commitment to the fundamental goal of the alignment of members' standards with international standards, according to agreed timetables. Only five APEC members have aligned all their domestic standards with international standards in the original four priority areas, namely electrical and electronic appliances, food labeling, rubber products, and machinery. ABAC will continue to monitor the number of economies and to what extent APEC economies have committed to aligning their standards. On testing and conformance, mutual recognition agreements prepared in the APEC process must be improved so that they will be consistent in their scope and the level of commitment.

We again urge APEC members to adopt mutual recognition agreements on conformance testing and to report these levels of commitment in the IAPs. At the same time, APEC members should also report the progress on implementation of WTO agreements relevant to standards, such as the Sanitary and Phytosanitary Agreement. Finally, ABAC seeks greater continuity in the work on standards and conformance in APEC, guided, for example, by a blueprint based on the model of the work in customs procedures and led by a standing committee of experts.

Implement the APEC Food System

We continue to believe an APEC Food System that is consistent with APEC's principles of comprehensiveness, flexibility, WTO-consistency and non-discrimination is necessary to ensure the long-term availability of food at affordable prices and to maximize the contribution of the food sector to sustainable growth. Accordingly, we emphasize again this year the need for implementation of the plan Leaders adopted in 1999. In addition to our recommendation that the APEC Food System be made a chapter in the Individual Action Plans, we strongly suggest APEC take specific steps to achieve the milestones ABAC recommended last year.

¹ Annex A

Action Items for the APEC Food System

Renounce the Use of Food Embargoes: The Leaders, at this year's meeting, should declare that APEC members will abolish all practices regarding the limiting of food supplies to other members for political or economic reasons and eliminate taxes and quantitative restrictions on food exports. Ensuring that trade can reliably complement domestic food production can bring a quantum increase in the region's sense of food security. We also recommend that APEC spearhead an effort to make this commitment to non-discriminatory access to food supplies a binding rule in the entire WTO.

Abolish Export Subsidies: The Leaders should declare APEC a "food export subsidy-free zone" in recognition that such agricultural export subsidies are most pernicious in their effect on developing economies struggling to implement sound agricultural development and well-functioning food markets.

Require Self-Assessments and Convene APEC's Agriculture Ministers: The APEC Food System's call for a self-assessment by each economy on all the impediments it faces, internal and external, in increasing its capacity to trade in food should be finished in 2002. Such assessments should include a strong private sector input, recognize the non-food roles of agriculture, and target technical cooperation needs, market access and non-tariff barriers. Furthermore, we recommend that APEC convene its first-ever Agricultural Ministers meeting in 2002 to discuss the self-assessments and steps to be taken to implement the APEC Food System.

Use The Individual Action Plan: Creating an IAP chapter for the APEC Food System is the best way to ensure implementation that is consistent with APEC principles of comprehensiveness, flexibility, WTO-consistency and non-discrimination.

Involve International Financial Institutions: One of the goals of the APEC Food System is the creation of significant economic opportunities in rural and non-metropolitan areas. We recommend that senior representatives of the World Bank, Asian Development Bank, and Inter-American Development Bank be invited to relevant APEC meetings in order to ensure their participation in this element of the APEC Food System.

Increase Food MRA Participation: We recommend a goal of increasing the number of economies participating in the APEC Food Mutual Recognition Agreement (MRA) to at least fifteen by the end of 2002.

Expand the APEC Business Travel Card Program

ABAC encourages member economies to again report in their IAP's the adoption and promotion of the APEC Business Travel Card (ABTC). Currently, eleven economies are participants of the ABTC. APEC should continue to increase the total number of participants.

Support Further Air Services Liberalization

ABAC applauds the continuing work in APEC on the implementation of the eight steps for more competitive air services. We call for continued progress. We also applaud the adoption of a multilateral agreement by Brunei Darussalam, Chile, New Zealand, Singapore, and the United States for the purpose of broadly liberalizing aviation services amongst themselves.

Action Plan Monitoring

Strengthen the IAP Process

ABAC places great importance on the comprehensiveness and accuracy of the information contained in the Individual Action Plans (IAPs) since they constitute critical roadmaps for APEC economies in arriving at the Bogor Goals of free trade and investment by 2010 for developed economies and 2020 for developing economies. ABAC reiterates its call for continuous improvement in the quality and specificity of the information contained within the IAPs. ABAC also encourages APEC to take steps to improve the accessibility of the IAPs through the e-IAP website.

Improve the e-IAP Website

The comprehensiveness of the e-IAP website is key to its usefulness to business. ABAC therefore urges all member economies to use the e-IAP format in submitting their 2001 Individual Action Plans (IAPs).

Equally important is the need to improve awareness of the e-IAPs and their relevance to the APEC business community. As part of its communication and outreach activities related to the e-IAP website, ABAC encourages APEC to consider taking the following steps:

- Provide links from major regional business sites as well as business groups within each APEC member economy to the e-IAP website.
- Register a more user-friendly domain name for the e-IAP website to enable easy location by internet search engines.
- Provide a mechanism for business feedback on the e-IAP website, enabling visitors to comment on information contained in the IAPs.
- Provide links to government websites in APEC economies for more access to information on policies, legislation and steps taken to achieve the Bogor Goals.

These steps will enable the region's business community to more fully participate in the IAP process and to track APEC's progress toward the Bogor Goals.

Develop Two New Reporting Areas within the IAPs for e-Commerce Readiness and the APEC Food System

ABAC encourages APEC to take steps to continuously improve the comprehensiveness of the information contained within the IAPs. Last year, ABAC requested APEC to report progress in the areas of e-Commerce Readiness and the APEC Food System within their Individual Action Plans. This year, ABAC has developed a nominal template based on the APEC e-Commerce Readiness Guide.² The composition of the APEC Food System approved by Leaders in 1999 lays out what should be in the IAP. ABAC reiterates last year's recommendation and strongly urges that concrete action be taken on this issue this year.

² Annex B

Tackle Impediments to Trade and Investment in Two Priority Areas

ABAC welcomes the substantial progress that APEC member economies have made in reducing tariffs across a range of sectors, although a number of tariff peaks remain. As tariffs continue to come down, it becomes increasingly important for APEC to tackle other impediments to trade and investment in the region.

ABAC would like to highlight two policy areas covered within the IAPs where impediments are a growing concern to the region's business community: namely, intellectual property rights and foreign direct investment.

Strengthen the Enforcement of Intellectual Property Rights

Inappropriate and insufficient protection of intellectual property (IP) can distort free trade. As the volume of trade in goods and services involving "Intellectual Property" has increased greatly in recent years, the importance of protecting IP rights for the world economy has grown enormously.

In the Asia-Pacific region, widespread infringement of IP rights has largely been in the form of unlicensed production and distribution of counterfeit trademark goods, design imitation goods and pirated copyright goods. Damage to the IP right holder is not just a monetary issue because of lost sales; inferior counterfeit goods often irreparably harm the reputation of the right holder.

The IAPs allow APEC member economies to report steps taken to strengthen and enforce IP rights. However, even when APEC members report these measures in their IAPs, it is still difficult for businesses in the region to assess if IPR is being adequately enforced. To address this problem, ABAC calls upon APEC to develop "Guiding Principles for IPR Enforcement". Such principles should include practical remedies for court-enforced injunctions, compensation for damages, orders relating to the destruction of counterfeit products, provisional seizure of infringing products and securing of evidence, border measures by customs authorities, the availability of criminal enforcement and sanctions.

ABAC also urges APEC to take steps to further strengthen cooperation among IPR administrators, IP policy makers and enforcement agencies including customs authorities, and to strengthen capacity building measures, such as the education of enforcement officials and the public about the importance of intellectual property protection.

Finally, APEC economies should report on specific steps taken to strengthen the enforcement of IPR protection within their IAPs.

Remove Impediments to Foreign Direct Investment

Foreign Direct investment (FDI) has played an important role not only in promoting economic development in FDI-recipient economies but also in facilitating industrial adjustment in FDI-supplying economies. Indeed, liberalization of FDI and trade in the pre-crisis period contributed to remarkable economic growth in the region.

ABAC notes that the Individual Action Plans have reported considerable improvements in the investment area, particularly in market access and facilitation measures such as investor protection. However, an ABAC survey of businesses around the region undertaken this year with PECC suggests that various impediments to FDI still exist.

ABAC found that the most serious barriers included performance requirements, restrictions in market access, restrictions related to entry and stay of personnel, and lack of transparency in investment regimes. Performance requirements and restrictions of market access mainly exist in APEC developing economies, while restrictions of entry and stay of personnel are found in both developed and developing economies.

ABAC urges APEC to eliminate impediments to FDI that distort or limit the expansion of trade and investment and sustainable economic growth. ABAC suggests that economies adopt policies within the Menu of Options developed by the APEC Investment Experts Group. The expansion of FDI is crucial because it will transfer not only financial resources for investment but also technology and managerial know-how that are in short supply in developing economies.

Technology

The expanded use of technology provides great opportunity to achieve productivity gains and contribute to sustained economic growth in the region. To achieve this requires a consistent legal and regulatory framework that is technology-neutral, based on international norms, benefits from an interoperable infrastructure and is supported by appropriate trade policies. Technology itself can facilitate human resource development and capacity building and governments themselves can lead in spreading the benefits of technology through e-government.

Adopt Policies to Enable e-Learning and Reduce the Digital Divide

A key priority is for each economy to use information technology effectively to develop quickly and efficiently the skills required to meet today's competitive challenges. Concerns about a digital divide have triggered many multilateral and regional initiatives to address it. ABAC has benefited from the work of the Asia Pacific e-Learning Alliance, a consortium of companies collaborating on a project to examine the policies and practices that enable APEC economies to maximize education resources and reduce the digital divide.

Policies that encourage healthy competition and deregulation of the telecommunications industry are key to expanding e-learning opportunities. E-learning can particularly aid SMEs by providing easily accessible and flexible training opportunities and helping to facilitate informal "learning communities".

Expand e-Government by Putting More Information and Services Online

Government leadership in using technology by putting more government information and services online benefits governments by reducing costs and assists SMEs by creating opportunities through facilitating access to government procurement. Drawing on their cooperation agreement, ABAC and the Global Business Dialogue on Electronic Commerce (GBDe) are cooperating to advance e-government. Actions economies can take to enable

ABAC Recommendations Based on the Work of Asia Pacific e-Learning Alliance:

- 1 Leveraging public-private partnerships.
- 2 Promoting the use of digital/Internet technologies among educators and trainers.
- 3 Establishing public-private think tanks and advisory boards to provide policy guidance to governments on how to implement e-learning strategies at local and regional levels.
- 4 Developing competitive and flexible telecommunications pricing policies that encourage carriers to offer alternative rate structures, e.g., "flat rate" pricing or "unmetered" calling plans, that remove economic disincentives to a broad adoption of the Internet's social and economic benefits.
- 5 Supporting open standards and protocols on which the Internet is built.
- 6 Investing in infrastructure to allow greater Internet accessibility to all citizens, especially for the purpose of e-learning.
- 7 Promoting affordable access to technology by lowering tariffs on the high tech goods that are critical for building the networks over which digital content is produced and delivered.
- 8 Committing to an open regime for services delivered over the Internet to ensure continued open access to the broader digital economy.
- 9 Providing intellectual property protection for digital content.

progress include articulating a vision and implementation plan for a comprehensive framework for e-government initiatives, developing one-stop and seamless services to reduce duplication, instituting required legal and institutional changes to maximize benefits, and developing appropriate methods for dispute resolution.

ABAC encourages governments to publicize online services to encourage greater usage. In partnership with the private sector, governments can develop an effective roadmap of e-government projects to expand activities.

Remove Inhibitors to e-Commerce Readiness

ABAC commends those economies that have completed assessments under the e-Commerce Readiness Assessment Initiative. ABAC urges public-private sector collaboration in addressing and removing inhibitors to rapid growth in e-commerce identified in these assessments and sees the new e-commerce chapter in the IAPs mentioned earlier in this report as an effective means to mark progress.

Develop Trade Policies to Support e-Commerce and the Digital Economy

ABAC supports APEC efforts to develop trade policies in line with the Action Agenda for the New Economy agreed by Leaders in November 2000. Such policies should provide the least trade restrictive, non-discriminatory treatment for e-commerce, including the application of WTO provisions such as the Information Technology Agreement and progress toward these goals should be reflected in economies' IAPs. Policies should facilitate coherent regulatory regimes on e-commerce, including digital signatures, secure transac-

tions, information security, and penalties for unauthorized access to information and interference with computer networks. Liberalization of the broad range of services that form the infrastructure that enables the new economy could include advertising, distribution services (including distribution of digital content), computer and related services, basic and value added telecommunications, express delivery, and financial services critical to online payments. Facilitating trade and reducing or eliminating tariffs and non-tariff measures for high-tech goods lower the cost of the inputs needed to build networks and the devices required to access the networks used for e-commerce. Economies should also implement fair and effective intellectual property rights protection through adherence to and enforcement of WTO Trade-Related Aspects of Intellectual Property Rights (TRIPs) commitments and ratification/implementation of World Intellectual Property Organization (WIPO) Conventions on Copyright and Performances and Phonograms in a manner which takes into account the interests of the affected parties and adopt measures to ensure that government agencies use only legitimately licensed software.

Develop a Science-Based Approach to Biotechnology

Responsibly used, the benefits of biotechnology are enormous. Innovations range from medical science to new technologies to mitigate environmental degradation. ABAC continues to believe that the development of a science-based approach to biotechnology and improving public awareness and understanding are critical and encourages governments to work closely with the private sector in these areas. For APEC economies to achieve economically and environmentally sustainable food security, they must adopt new food technologies now available. ABAC applauds APEC's creation this year of a network of food technology "domestic champions" in eleven economies to identify and disseminate new technologies. It recommends that more economies join this network.

Small and Medium Enterprises (SMEs)

Small and medium enterprises (SMEs) form the backbone of all APEC economies, creating jobs, fostering innovation and developing new products and services. The full participation of SMEs in the APEC process is therefore essential. It is critical that every APEC economy take steps to support its small business community, enabling these 'business champions' to realize the benefits of trade and investment liberalization and facilitation. By supporting the efforts of SMEs to 'go global', APEC will underscore the fact that globalization benefits small business and individuals, not just large corporations.

ABAC recommends that economies assist these 'business champions' in obtaining the necessary tools to do the job, through better access to financing, technology and new market opportunities.

Promote One-Window Access to SME Programs and Services

ABAC encourages APEC to take steps to provide one-window access to the programs and services available to small companies through the development of an APEC SME Portal. An APEC SME Portal could provide information in each APEC economy on sources of financing, skills training, management tools, e-business diagnostics, information on market opportuni-

ties, and other services specifically designed to small businesses. One-window access would not only assist SMEs, but would also facilitate the sharing of best practice information amongst APEC governments in the structure and delivery of SME programs and services.

Such an SME Portal should be closely integrated with APEC's current website for business, BizAPEC.com. ABAC encourages APEC SME officials to identify a focal point individual or organization that will take responsibility for continuously updating and maintaining the links within this SME Portal.

Promote Access to Technological Innovation

Access to the Internet is a critical tool for SME growth in the APEC region, opening new doors to information, services, financing and market opportunities. ABAC supports the development of an on-line diagnostic tool to assist small companies in determining their e-business preparedness. ABAC also encourages APEC member economies to share their best practices in the design and delivery of on-line training for small business.

Technology centers of various kinds exist in many APEC economies, including business incubators, R&D centers, productivity councils, and government and university research institutes. These institutions provide a critical mechanism for technological innovation, assisting entrepreneurs and small start-up companies in developing and commercializing their products and services. ABAC encourages APEC to consider ways of enhancing linkages amongst technology centers throughout the APEC region as a means of sharing best practices in assisting growth-oriented 'technology SMEs'.

Promote Access to Financing for SMEs

Access to financing remains a key challenge for most SME's in the APEC region. This challenge is particularly acute in developing APEC member economies and in remote regions. The threat of economic slowdown only exacerbates this challenge.

ABAC notes that innovative approaches to SME financing have been developed in a number of APEC economies. ABAC encourages APEC to share best practices in the establishment and management of SME financing tools and programs. An APEC SME Portal would provide a useful platform to share this information.

Adopt Policies that are "Small Business-Friendly"

ABAC believes that one of the most important steps that APEC economies can take to support small business is to create a policy environment that is "small business-friendly". This includes efforts to reduce compliance costs, simplify legal and regulatory systems, strengthen basic infrastructure, and promote access to information.

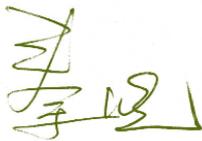
To assist APEC members in creating a favorable business climate for small business, ABAC supports the development of a Scorecard for the Entrepreneurial Environment. Such a scorecard could offer a profile of the small business environment in APEC member economies, covering such factors as legal and regulatory environments, government business relations, financing, market entry and exit provisions, access to information, knowledge and training, and supporting infrastructure.

A Scorecard for the Entrepreneurial Environment could serve as an assessment tool for APEC SME Ministers as they seek to review their own policies and identify weaknesses in their domestic business environments. It could also suggest future policy reform directions to foster entrepreneurship and improve the operating climate for SMEs.

Conclusion

Since its inception, ABAC has prepared five reports to Leaders. As the official channel through which Leaders can have dialogue with business of the region, ABAC plays a special role. We are fully aware that globalization presents both opportunities and challenges. We believe that by staying on track with both TILF and ECOTECH and by supporting a healthy multilateral trading system underpinned by WTO, APEC could indeed benefit from globalization and serve as an example for the rest of the world.

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