

ABAC

APEC Business Advisory Council
Report to APEC Economic Leaders



Harmony in Diversity:
Achieving Balanced
and Equitable Growth

BANGKOK
THAILAND
2003

Harmony in Diversity:
Achieving Balanced and Equitable Growth



Bangkok, Thailand • October 2003



His Excellency Thaksin Shinawatra
Prime Minister of Thailand
Chair, Asia-Pacific Economic Cooperation
Thailand

Your Excellency:

The year 2003 has been an extremely difficult year for the economies and businesses of the Asia Pacific.

Although there are bright spots in certain APEC economies and in specific sectors, the economic outlook has been darkened by anxieties over global economic weakness and threats from terrorism and the SARS epidemic. These challenges underline how our respective destinies are inextricably linked and how important it is that we in APEC find **collective responses** to common dangers.

As we approach the end of 2003, we the official voice of business in APEC call on APEC Leaders to focus on what APEC can do to contribute to sustainable economic recovery and a brighter year ahead.

In the report we submit to you, entitled “**Harmony in Diversity: Achieving Balanced and Equitable Growth**” we set out five key areas in which we believe APEC can make a vital difference to the prosperity of the region.

Firstly, we reiterate our call on APEC to **take the lead in advancing the Doha Development Agenda** and in resolving issues that stand in the way. Long standing issues such as anti-dumping, impediments to trade in services and agriculture, and reductions of tariff and non-tariff barriers need to be decisively tackled. For APEC’s leadership to be credible, we would urge each APEC economy to strive to lead by example.

Secondly, we call on APEC to **implement initiatives aimed at enhancing secure and efficient trade and finance**. In our report, we highlight actions required to strengthen security in financial systems and in trade while ensuring that APEC continues to make progress towards its goal of reducing transaction costs by 5% by 2006.

Thirdly, we call on APEC to **undertake comprehensive measures for capacity building** because we believe capacity building is a vital element in achieving sustainable, balanced and equitable growth. We propose a range of initiatives for capacity building at the institutional, organizational and human levels. In our work this year, we also call for greater public-private sector partnership in strengthening financial systems.

Fourthly, we emphasize the importance of good governance and transparency in the building of trust and credibility in each APEC economy. We reiterate our call for the implementation of the APEC Transparency Standards and for public-private sector partnership in **strengthening good governance and transparency** in the region.

Fifthly, we urge you to **ensure that APEC and its work remain accessible to business input and participation in the widest possible way**. In this report, we suggest some ways for facilitating business input in the Individual Action Plans. Further, we recommend that the peer review program should be continued after its current end date of 2005, and should cover all member economies.

Finally, our experience with the sudden disruptions from the threat of terrorism and from SARS in the last year has underlined the importance of strengthening the ability of APEC economies to deal with the unexpected in a timely and coordinated manner. In this regard, we call on APEC to **undertake measures aimed at identifying and implementing more effective ways of responding to future crises**.

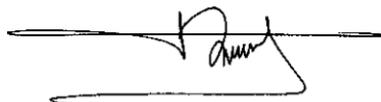
Excellency, we believe that times of great challenge are also times of opportunity. Although the threats to our common prosperity are real, they also present us, through the actions we take, with the opportunity to demonstrate APEC's relevance and the spirit of community within the region.

We in ABAC urge you to act decisively in the priority areas we have identified in our report. We are committed to working with you towards securing the prosperity of our region. We look forward to our annual dialogue with you in Bangkok in October.

Yours truly,



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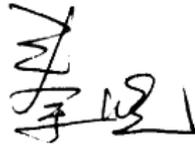


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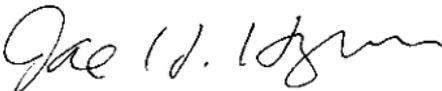
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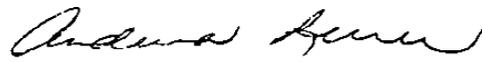
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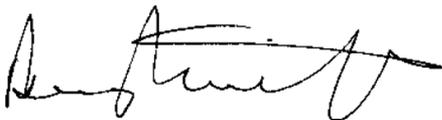
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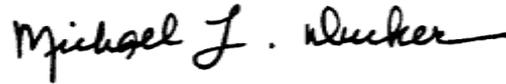
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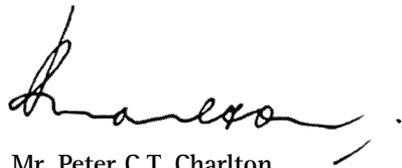


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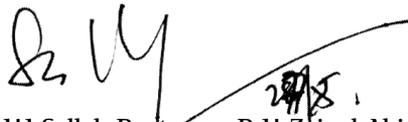
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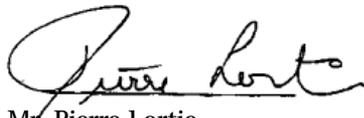
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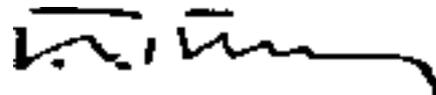
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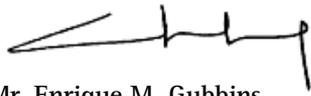
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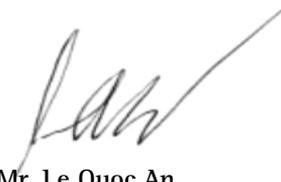
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Executive Summary

As Leaders will be only too well aware, significant uncertainties remain about the global economic outlook. This year APEC economies have witnessed military conflict, deflation, the SARS epidemic and currently face serious threats to regional instability in the Korean peninsula. Most recent global economic forecasts have been lowered. Although there is some expectation of improving economic growth during the second half of the year and projecting into 2004, downside risks remain. Monetary policies in all the major economies are already relatively accommodating and the large developed economies have limited room for fiscal stimulus. Activity is mainly reliant on continuing consumer spending, although in Japan this is not occurring and it may be softening in the US. There is no convincing evidence of a pick up in investment in the major economies.

A matter of concern over the period ahead relates to major currency relationships. While the long forecast decline in the US currency is working its way through those relationships, the bulk of the adjustment so far has been through the Euro. The Asian economies must review their currency arrangements to provide real opportunities for the global economy to benefit from the decline in the US dollar. The business sector believes this adjustment is vital to promote global stability and long-term growth.

There is a range of actions open to governments in the period ahead which are focused on in this report. They are all aimed at promoting business confidence – which is seen as the single largest economic challenge at this time. APEC can play a significant role in signaling its preparedness to take real measures in the WTO Doha Development Round to promote trade and investment liberalization. In a separate mid-term assessment of APEC's progress it has been concluded that the Bogor Goals remain relevant and achievable. This assessment will be consolidated in a report for issue later in the year.

In this 2003 Report to APEC Economic Leaders, ABAC reaffirms the view that the Bogor Goals are entirely relevant and vital. APEC Leaders should continue to act decisively to deliver on their commitments. Specific recommendations are put forward which, if fully implemented, would go a long way to providing global leadership by APEC and which would give impetus to the WTO Doha Round. Taken in full, ABAC recommendations will contribute importantly to restoring business confidence. They will facilitate business activity, strengthen regional security arrangements and financial systems. ABAC firmly believes that APEC should adhere to the three pillars – liberalization, facilitation and capacity building – all of which must be pursued with vigor to ensure full participation. Participation is best and realistically recognized through enhanced and focused capacity building.

For these reasons, ABAC has chosen as its theme for 2003 “HARMONY IN DIVERSITY: ACHIEVING BALANCED AND EQUITABLE GROWTH”. The ABAC Report to APEC Economic Leaders contains five key messages, namely:

- During these times of economic slowdown and uncertainty, APEC economies must not abandon their commitment to advancing free, open and transparent trade. It is imperative that they reaffirm their commitment to the Bogor Goals and to take the lead in advancing the Doha Development Agenda.
- Trade facilitation ensures that the benefits from greater market liberalization are fully realized. APEC economies must therefore take resolute steps to achieve the goal of reducing transaction costs by 5% by 2006. And while security is a new reality which must be dealt with, measures to achieve it must

be undertaken which do not hinder legitimate commerce but provide an opportunity to facilitate trade through improved transparency and efficiency.

- Capacity building is the key to achieving balanced, equitable and sustainable growth and in restoring public confidence and support for APEC's trade and investment liberalization and facilitation agenda. APEC must therefore ensure that tangible progress is made in capacity building at the institutional, organizational and human levels.
- Restoring trust in markets is imperative to enable APEC economies to better withstand future financial shocks and support global capital market liberalization. APEC must therefore continue to work with the private sector to facilitate adoption of good corporate governance and transparency at the international, regional and domestic levels.
- The business community is often in the best position to gauge whether the achievements of APEC are being translated into real improvements in the business operating environment. APEC must therefore ensure that APEC and its work remain accessible to business input and participation in the widest possible way.

To give substance to these messages, ABAC calls on APEC Leaders to:

- Take the lead in advancing the Doha Development Agenda and to take actions that are consistent with the objectives of Bogor Goals and the strengthening of the multilateral trading system. APEC members must commit to an APEC action plan to negotiate in the WTO in key areas of interest. Agricultural trade policy issues, which include high tariffs, domestic support and export subsidies must be resolved as soon as possible. Revisions to clarify and improve anti-dumping rules to prevent their misuse must be made. Progress in the liberalization of trade in services is especially relevant, as is the development of multilateral investment rules. Services offers should be placed in the public domain. In addition, APEC is also in a good position to liberalize air transportation particularly on cargo. APEC also needs to ensure that bilateral trading arrangements contribute to broader trade liberalization and facilitation rather than hindering it.
- Support the accession of all APEC economies to the WTO so that they may share the benefits of multilateral trade liberalization and the rules-based multilateral trading system. Taking into account the anticipated gains for both the acceding economies and the current parties to the WTO, ABAC looks forward to the successful outcome of accession negotiations for Vietnam and the Russia and to working with them on appropriate capacity building measures.
- Facilitate trade, investment and movement of business persons while meeting security concerns through the application of new technology and information systems to improve risk management even while recognizing the requirements for capacity building in developing member economies. Implementing paperless trading, adopting advanced risk management technology and improved transparency of customs and trade related laws are detailed in the ABAC recommendations. Deeper and extensive regional co-

operation is required to promote business standards and conformance. Protection of intellectual property rights and economic legal infrastructure needs to be strengthened.

- Expand participation in the APEC Business Travel Card – encouraging more participants and urging those who have indicated that they would participate to implement it at the soonest possible time.
- Strengthen security in financial systems by increasing coordination between public agencies and financial institutions, particularly in the identification of terrorist suspects. Measures should be compatible with the maintenance of transaction efficiencies and protection of bona fide customers. The capital base of the global reinsurance sector has to be replenished to secure business activity. Market pricing is the most effective way to do this and governments should encourage the process.
- Adopt a structured approach to capacity building and across the three levels of institutional, organizational and human skills building. Specific actions relating to capacity building in the attainment of various recommendations in this report include: strengthening financial systems in risk management and pricing; implementation of the pathfinder initiative on corporate governance; supporting SME and micro-enterprise development through improving management skills and facilitating access to financing, information and communications technology; and development of regional infrastructure including expanding broadband access, training in infrastructure development and promoting a recycling-based economy.
- Promote corporate governance standards in a sustained region-wide way to restore business confidence, involving public-private sector cooperation. The OECD development of the pathfinder initiative is commended. The Asian Roundtable has developed a corporate governance framework. It can serve as an excellent guide to APEC economies in developing governance frameworks.
- Strengthen regional financial systems through the improvement of risk management in banking to prepare for the implementation of Basel 2; establishing region-wide public-private fora to promulgate regional financial arrangements and policies; reforming insolvency laws and legal protection of creditor rights; and promoting the development of securitization, credit guarantee, and venture capital markets. Priority should be given to the development of capital markets, in particular, bond markets.
- Facilitate business input to the APEC process through a strengthened feedback mechanism for ABAC recommendations and through private sector participation in the review of the IAPs – the formal APEC review process and independent reviews by business schools.

APEC faces great challenges at this time that call for decisive and vigorous responses to ensure the continued relevance of APEC and the prosperity of the region. ABAC values the privilege of speaking to Leaders on behalf of the APEC business community and hopes that the recommendations contained in this report will contribute to the realization of the goals of shared prosperity and peace in the region.

Outline of Recommendations

Remain Committed to Free and Open Trade, and Achieving the Bogor Goals

- I. Doha Development Agenda
- II. Preferential Trading Arrangements within APEC
- III. Expanding the Multilateral Agreement on Liberalization of International Air Transportation
- IV. APEC Food System

Address Security ... while Facilitating Trade and Investment

- V. Trade Facilitation, Security, Transparency, and the Movement of Goods and Business People
 - A. Trade Facilitation Action Plan
 - B. Movement of Business People
- VI. Strengthening Security in Financial Systems
 - A. Eliminating the Flow of Terrorist Funds through Financial Systems
 - B. Recapitalizing the Global Reinsurance Market and Reducing Uncertainty in Non-Life Insurance Markets
- VII. Launch of Multilateral Trade Facilitation Negotiations
- VIII. Strengthening Intellectual Property Protection
- IX. Strengthening Economic Legal Infrastructure

Capacity Building is Key to Achieving Balanced and Equitable Growth

- X. Capacity Building to Reinforce ABAC Recommendations
 - A. Strengthening Financial Systems
 1. Strengthening Risk Management in Banking Systems
 2. Reform of Insolvency Laws and Legal Protection of Creditor Rights
 3. Promoting the Development of Securitization and Credit Guarantee Markets
 4. Promoting Domestic and Regional Bond Market Development
 5. Regional Cooperation to Maintain Financial Stability
 6. Promoting the Development of Venture Capital for Small and Medium Enterprises
 - B. Measures Relating to Standards and Conformance
- XI. Other Capacity Building Priorities
 - A. SME and Micro-enterprises
 1. Promoting Management Skills Training for SMEs and Microfinance Institutions
 2. Facilitating Access to Information and Communications Technology for SMEs and Micro-enterprises
 - B. Infrastructure Development
 1. Expanding Broadband Access in the APEC Region
 2. Training to Support Critical Infrastructure in the APEC Region
 3. Promoting a Recycling-based Economy

Address Corporate Governance and Improve Transparency

- XII. Promoting Good Corporate Governance
- XIII. Establishing an APEC-wide Benchmark for Strengthening Corporate Governance and Transparency
- XIV. Strengthening Governance and Transparency in Highly-Leveraged Institutions and International Financial Institutions and Domestic Regulatory Agencies

Facilitate Business Input to APEC

- XV. IAP Peer Reviews
- XVI. Business School Reviews of IAPs
- XVII. APEC Responses to ABAC Recommendations

Conclusion

Annexes

- A. The APEC Business Advisory Council
- B. Glossary of Terms

Main Report

Remain Committed to Free and Open Trade, and Achieving the Bogor Goals

During periods of economic slowdown and uncertainty, APEC economies must not abandon their commitment to advancing free, open and transparent trading systems. It is imperative that APEC economies reaffirm their commitment to achieving the Bogor Goals, with the deadline for developed economies fast approaching.

In a number of respects the multilateral trading system is under threat. There have been set backs in the area of non-tariff barriers and anti-dumping measures. Some economies, in the absence of more broadly based multilateral arrangements, are choosing to focus on bilateral or sub-regional trade agreements as a means of advancing their trading interests. Free trade agreements of this kind can advance the wider interest if they are fully comprehensive, and are consistent with WTO rules and disciplines and APEC goals and principles. If they are discriminatory, do not cover all products and services, and lead to trade diversion rather than creation, the outcomes are inimical to APEC goals and contrary to WTO rules. Equally, the result of WTO negotiations must be carefully measured to ensure that exceptions and special rules do not limit or detract from the goal of liberalization of trade in goods and services on a multilateral basis.

APEC's cooperative advantage – including capacity building to underpin liberalization – can be leveraged to make progress in the WTO, especially in sensitive areas that would give a much-needed boost to trade discussions. In this regard, the APEC Food System is a worthwhile initiative that must be aggressively pursued.

Efficient air transportation systems in the region are critical to stimulating economic growth and enhancing the global competitiveness of the

region. In this regard, APEC Leaders in 1999 supported implementation of the eight steps for liberalization of air services in accordance with the Bogor Goals. APEC is in a position to achieve progress on liberalization in this area.

1. Doha Development Agenda

APEC members have made extensive progress on liberalization. APEC's pledge to trade and investment liberalization is essential to development and growth. However, liberalization goals are being threatened and need to be reinforced by APEC members who now have an opportunity to work cohesively in the WTO on the Doha Development Agenda to endorse trade and liberalization goals. APEC needs to ensure protectionist barriers are eliminated and high tariff levels are reduced in the WTO process. APEC members need to take action consistent with the objectives of the Bogor Goals and WTO. Any form of contradiction will weaken APEC's credibility and hinder the opportunity for success in the Doha Development Agenda. APEC needs to consider joint action to eliminate barriers to trade and advance liberalization.

In previous reports, ABAC has identified issues relating to international trade in agricultural products as among the most pressing concerns facing the global economy. The problems affect all economies – large and small; developed and developing. Fair and equitable solutions will bring significant benefits to farmers and consumers throughout the world. The current context for attempting to reach solution is the negotiations taking place in the Doha Development Round. The objective is to establish a fair and market oriented trading system encompassing strengthened rules and specific commitments on support and protection, in

order to correct and prevent restrictions and distortions in world agricultural markets.

High tariffs still apply to agricultural products in many markets. Where these are applied by APEC member economies – and there are numerous examples – their continued existence place in jeopardy the achievement of the Bogor Goals. Because of the linkages established between the various sectors covered by the Doha Round negotiations, and the narrowing timetables for completion, it will require urgent and substantial initiatives to bring the negotiations to successful conclusion.

Box 1 – Trade in Agricultural Products

Agricultural product*	Percent (%)
Wheat	53 – 366
Coarse grains	65 – 339
Sugar	181 – 463
Rice	53 – 778
Beef	41 – 474
Butter	92 – 659
Cheese	65 – 246
Soybeans	44 – 503

*Examples of high applied general tariffs on agricultural products in international trade

Despite substantial empirical evidence of the benefits of liberalized trade in services, many economies still restrict access to local services market and hinder foreign participation in the market through burdensome and non-transparent regulatory provisions. Services account for an increasing percentage of jobs and economic growth in developed and developing economies. Many services sectors such as telecommunications, finance, distribution, and express delivery provide the infrastructure critical to the future growth of SMEs. In January 2000, the WTO initiated a new round of services negotiations aimed at gaining meaningful

commitments by members to actively liberalize services sectors. These were included in the broader trade round launched in Doha.

All services sectors are seeking access to markets and the ability to operate in the form that would best allow companies to compete. At the same time, foreign operators want to be treated the same as local operators under the laws so that they are not facing competitive disadvantages that limit their contributions to local economic growth and development. Under the terms of the Doha agreement, member economies were asked to table services requests by 30 June 2002. Only a limited numbers of economies have met this deadline.

ABAC recognizes that as tariffs come down, it is increasingly important for APEC to tackle other impediments to trade. The number of anti-dumping investigations is growing and is attributed to the misuse of Anti-Dumping rules as means of protecting domestic industries. The proliferation of anti-dumping measures, which has become a handy tool for protectionism, brings back trade barriers that have been eliminated through many years of grueling negotiations. Most of the anti-dumping measures that have been subject to WTO dispute settlement have been found to be inconsistent with the WTO rules.

With the growth of globalization, we have seen significant increases in cross-border investment. However, the lack of comprehensive investment rules has limited foreign capital due to perceived risks and unprotected investments. To improve the predictability, stability and transparency required for foreign investment, it is imperative that international investment rules are developed as an institutional framework that provides investment protection, liberalization and dispute settlement procedures.

APEC ACTIONS REQUIRED:

APEC needs to strongly support the Doha Development Agenda. Furthermore, APEC members need to take actions that are consistent with the objectives of the Bogor Goals and the WTO. Any negative signals by APEC will weaken its credibility and could set back the chance for success in the Doha negotiations. APEC needs to make joint and concerted efforts to drive out barriers to trade and to advance liberalization.

ABAC recommends all APEC economies to:

1. Commit themselves to working together to solve the critical issues in the negotiations affecting trade in agricultural products – achieving significant reductions in high tariffs and improvements in market access; elimination of export subsidies; and continuing reductions in domestic farm production support programs.
2. Encourage those APEC members that have not submitted services offers to do so as soon as possible, even though the 31 March deadline has passed.
3. Urge the WTO to push forward on services liberalization negotiations with particular focus on the issues of market access, national treatment, pro-competitive regulatory disciplines, transparency, cross-border trade, the classification of “new” services sectors (i.e. energy and express delivery services), and movement of natural persons.
4. Support the ongoing GATS work on the assessment of services liberalization.
5. Coordinate capacity building programs that would ensure participation in services negotiations by less developed economies.
6. Lodge their financial services offers as early as practicable, if they have not already done so. That all offers including those already lodged, be placed in the public domain so businesses and other stakeholders will be better informed and therefore better placed to assess capacity building needs. This will also enable them to actively support the successful conclusion of negotiations, providing real improvement in market access and new opportunities for economic growth and development.
7. Note that ABAC will establish a small working group to identify, in the public offers, areas in the finance and other sectors which are most likely to yield gains consistent with APEC objectives and form the basis of a joint ABAC approach to Leaders that would advance the successful conclusion of the services negotiations.
8. Support revisions in the WTO Doha Round to clarify and improve anti-dumping rules that prevent the misuse of these measures. ABAC believes that these would not only prevent burdensome investigations but also enhance the transparency, predictability and fairness of anti-dumping proceedings.
9. Support the negotiation of investment rules in the WTO. WTO members including developing economies will need to participate in multilateral investment rule-making, commencing with rules on transparency and liberalization. The WTO investment rules should include:
 - a. definition of investment and the scope of application;
 - b. transparency;
 - c. investment protection (expropriation, compensation and unrestricted remittance);

- d. liberalization (most-favored-nation (MFN) treatment, national treatment, market access);
 - e. exceptions;
 - f. development provisions;
 - g. dispute settlement procedures; and
 - h. an explanation of the relation to Bilateral Investment Treaties.
10. Support the accession of all APEC economies to the WTO noting that two APEC members, Vietnam and Russia, are in the process of accession.

II. Preferential Trading Arrangements (PTAs) within APEC

APEC members have made considerable progress on liberalization and policy changes have had substantial positive effects. However, creeping protectionism conflicts with the achievement of the Bogor Goals. Unless complementary to the WTO process and in accordance with the rules of the WTO, the proliferation of bilateral and regional trade agreements (RTAs) has the potential to increase the cost of doing business and to add to unpredictability in business relations, interfering with the multilateral trading system.

Valuable analyses of preferential trading arrangements in the APEC region (PTAs and RTAs) have been undertaken by PECC over the past two years. A paper on their implications for the achievement of the Bogor Goals was presented to APEC officials in May 2003.¹

This paper pointed out “that while PTAs can potentially act as ‘building blocks’ for APEC-wide and global free trade, they cannot

be relied upon to perform this role of their own accord. Strong leadership and enlightened policy choices on RTA issues will be needed if the ‘building block’ potential of RTAs is to prevail.” ABAC strongly endorses that perspective.

PECC intends to develop a set of “Principles” or “Basis for a Common Understanding” on RTAs in the APEC region for publication later in 2003. ABAC supports the thrust of the work to date and intends to review the results from a business perspective and provide comments to Leaders in 2004.

APEC ACTION REQUIRED:

ABAC recommends that APEC provide, in the 2004 work program, for comprehensive consideration of the PECC studies on preferential trading arrangements within APEC, and other relevant material, at all official levels, in consultation with other interested parties.

III. Expanding the Multilateral Agreement on Liberalization of International Air Transportation (MALIAT)

In 1999, ABAC recommended that Leaders implement the eight steps for more competitive air services, and identify and implement further steps towards liberalization of air services in line with Bogor Goals. APEC Leaders agreed to support the Council’s recommendations in their Auckland declaration in 1999.

APEC Ministers from the US, Brunei, Chile, Singapore, and New Zealand signed the first ever multilateral transport agreement based on

¹ “Asia-Pacific RTAs as Avenues to Achieving the Bogor Goals: Analysis and Way Forward”, PECC paper presented at SOM II, Khon Kaen, May 2003.

US open skies principles in May 2001 and committed to working together to expand the MALIAT's membership. The signatory Ministers indicated their intent to convene a ministerial-level meeting in two years to review the implementation of the Agreement and to consider further steps to liberalize international aviation. In the meantime, Peru signed on the MALIAT in 2002.

ABAC supports the continuing work of each economy in implementing the eight steps, including air cargo services liberalization for more competitive air services by the means most appropriate to individual circumstances. APEC economies should extend the benefits of open skies to other APEC member economies by allowing them to sign on the Agreement on an all-cargo only basis.

APEC ACTIONS REQUIRED:

APEC economies should review the present agreement with a view to encouraging a voluntary phase-in over time of additional APEC economies in the MALIAT on an all-cargo basis. ABAC also urges APEC economies to further support implementation of the eight steps.

IV. APEC Food System

ABAC continues to monitor implementation of the APEC Food System (AFS), adopted by Leaders in 1999. It is to be hoped that the reporting in the new chapter in the Individual Action Plans from this year, will indicate an increase in efforts being made in member economies to make progress on the policies and practices that the AFS is designed to achieve.

ABAC has noted a proposal put forward within APEC for self-assessments of member economies' impediments to trade in foods, and for a meeting of APEC Ministers of Agriculture to, inter alia, discuss the self-assessments. These proposals are similar to previous recommendations by ABAC and remain appropriate objectives.

APEC ACTION REQUIRED:

ABAC urges member economies to adopt the proposals before the APEC Senior Officials' Meeting (SOM) and make progress in implementing the AFS.

Address Security ... while Facilitating Trade and Investment

Adjusting to a new security environment is a reality for all businesses. To assist companies in responding to these new imperatives, ABAC urges APEC Ministers and Leaders to undertake a coordinated strategy to advance counter terrorism measures, featuring significantly enhanced cooperation on policy-making at the regional level and in the exchange of information and intelligence. This should be done in a manner that does not hinder legitimate commerce, but provides an opportunity to facilitate trade through improved transparency and efficiency.

V. Trade Facilitation, Security, Transparency and the Movement of Goods and Business People

A. Trade Facilitation Action Plan

In Shanghai in October 2001, the Leaders instructed Ministers to identify concrete actions and measures to implement the APEC Trade Facilitation Principles in close partnership with the private sector. The objective is to realize a significant reduction in transaction costs by 5% across the APEC region by 2006.

In Los Cabos in October 2002, the Leaders endorsed the APEC Trade Facilitation Action Plan which includes a menu of concrete actions and measures to reduce the costs of international trade transactions. Member economies were expected to select actions or measures from the list by SOM I in 2003. The Leaders also endorsed a number of pathfinder initiatives relating to the movement of goods, standards and business mobility.

In addition, the Leaders identified the enhancing of Secure Trade in the APEC Region (STAR), that includes a security regime for maritime and air cargoes, as a goal of the Shanghai Counter-Terrorism Statement.

ABAC applauds the fact that all member economies have now submitted their trade facilitation action plans. However, ABAC has found that the formats of the action plans are quite varied and in many cases the contents are neither clear nor concrete. ABAC further notes that quite a few developing economies clearly state their capacity building needs in their action plans.

The United States has just proposed a set of rules on cargo security for all modes of transport (vessel, air, truck, and rail) and plans to implement a new regime covering all US imports and exports. There are growing concerns in the business community that increasing security may impede the facilitation of trade and increase business costs as companies spend more to comply with the new system.

APEC ACTIONS REQUIRED:

ABAC recommends that:

1. Member economies steadily implement the action plans submitted, and if requested by the private sector, implement extra actions and measures selected from the menu of options.
2. Member economies clearly state the actions they intend to implement in the relevant sections of the Individual Action Plans (IAPs) using a common format in order to facilitate monitoring of the implementation of the action plans.
3. APEC build trade facilitation action plans into the IAP Peer Review Process.
4. Developing member economies indicate specific capacity building needs indispensable to the implementation of trade facilitation action plans.

5. APEC identify action plans to be implemented collectively.
6. APEC member economies participate in the pathfinder initiatives as promptly as possible.
7. APEC member economies collectively implement the following actions in order to achieve the dual goals of trade facilitation and security. Such actions would also contribute to improving the business environment for SMEs:
 - Implement paperless trading through the development of a single-window system that covers all import and port-related procedures. All government and private information systems in the region should be linked. The development of a single-window system is crucial to paperless trading.
 - Develop and adopt advanced risk management methodology in order to control high-risk goods, facilitate the movement of low-risk shipments, and minimize physical inspection. ABAC recommends that APEC adopt the concept of “authorized operator” which, based on a certain risk management criteria, would allow expeditious clearance of goods by customs authorities.
 - Publicize updated trade-related procedures, laws and regulations (including customs clearance and quarantine) to improve transparency, reduce business costs, and expand trade.

B. Movement of Business People

ABAC has repeatedly requested the APEC member economies to participate in the APEC Business Travel Card scheme in order to facilitate cross border movement of business people.

Papua New Guinea and Vietnam have announced their participation in the APEC Business Travel Card (ABTC) scheme at SOM II held in Khon Kaen, Thailand in May 2003. This brings to sixteen the number of APEC member economies committed to join the ABTC scheme. ABAC is aware of the great benefits of the scheme. However, there are only ten economies that have implemented the scheme and the number of cards issued is not sufficient to facilitate business mobility in the region. ABAC also found the card to be of limited use due to restrictive regulations and the lack of awareness of the scheme even among immigration officials.

ABAC also recognizes that there is a risk that the introduction of incompatible procedures and technologies designed to enhance efficiency of border control and security by the member economies may actually impede streamlined movement of business people and raise business costs.

APEC ACTIONS REQUIRED:

1. APEC member economies should participate in and implement the APEC Business Travel Card scheme expeditiously.
2. APEC member economies should make concerted efforts to identify and solve operational problems and identify capacity building needs for its smooth implementation.

3. APEC should review and standardize regulations regarding the ABTC scheme to improve its user-friendliness.
4. APEC should enhance efforts to disseminate information on the benefits and the operation of the ABTC scheme in order to encourage business people in the region to use it.
5. APEC should promote compatibility between the ABTC scheme and electronic travel card schemes implemented in North America.
6. APEC member economies should cooperate on the development of border control systems so that procedures and standards will be interoperable throughout the region.

VI. Strengthening Security in Financial Systems

Increased coordination between public and private sectors is required to ensure effective implementation of measures to prevent terrorist groups from using financial systems in the transmission of funds, as well as to eliminate money laundering. It is also important to ensure the effectiveness of measures both domestically and across borders, through collaboration between the Financial Action Task Force (FATF) and other global and regional public bodies with private groups such as the Wolfsberg group. Consultations at domestic levels between relevant agencies and financial institutions need to be strengthened in certain economies. From a business perspective, it is important to ensure that in carrying out specific measures, efficiencies of financial transactions are maintained and rights of bona fide customers, especially privacy rights, respected. Measures must also be taken to help recapitalize the

reinsurance sector in the wake of recent major terrorist attacks, and to reduce the heightened uncertainty in non-life insurance markets.

APEC ACTIONS REQUIRED:

A. Eliminating the Flow of Terrorist Funds through Financial Systems

1. There should be increased cooperation between the public and private sectors to strengthen security in financial systems and ensure that measures maintain efficiencies and effectiveness in the delivery of financial services. Specifically, ABAC calls on governments to provide meaningful data on the identity of known and suspected terrorists and related parties to enable financial institutions to understand with whom they are doing business and the nature of the relationships that customers are maintaining, thereby partnering effectively with governments to identify suspect transactions.
2. Economies should review the Wolfsberg principles to ensure that any new measures reflect sound commercial principles, the interests of private sector institutions and those of their bona fide customers. APEC economies should closely watch the FATF and IMF evaluations of the adequacy of anti-money laundering and anti-terrorist financing regimes (reporting, transparency and information sharing) and economies with systems found wanting should enact measures to strengthen their regimes as a matter of priority.
3. ABAC's work should be linked with that of the APEC Counter-Terrorism Task Force on capacity building measures to strengthen the monitoring and reporting of financial transactions across all APEC economies.

B. Recapitalizing the Global Reinsurance Market and Reducing Uncertainty in Non-Life Insurance Markets

1. APEC members should support the recapitalization of the reinsurance sector by:
 - (a) encouraging market-based pricing and competition in markets, eliminating excessive taxation and duties that impact on the primary and reinsurance sectors and permitting insurers to put pretax profits into reserves with withdrawals being taxable and only accessible in the case of losses;
 - (b) developing government assisted backstop arrangements to provide cover against terrorism, and which should be fully priced, provide exit strategies and include measures to encourage the involvement of private sector insurers; and
 - (c) reforming legal processes in relevant jurisdictions aimed at limiting excessive and unpredictable claims in public liability cases.

2. APEC economies should help reduce uncertainty in the insurance sector by:
 - (a) supporting the development of commercially viable ways to strengthen security in areas of social and economic activity most vulnerable to terrorist attacks;
 - (b) encouraging the IAIS in its efforts to develop international standards for supervising the global reinsurance sector;
 - (c) giving support to and participating in the OECD scheme to strengthen reporting between national agencies on matters relating to the activities and solvency of reinsurers;
 - (d) ensuring appropriate capital and regulatory standards are applied to new entrants to the insurance and reinsurance markets; and
 - (e) facilitating the development of capital markets capable of providing financial instruments, supporting the need for insurers and reinsurers to adequately match assets to long-term liabilities.

VII. Launch of Multilateral Trade Facilitation Negotiations

Trade facilitation is mainly directed to procedures and associated information flows that control the international movement of goods and means of payment. ABAC believes that trade facilitation, which it considers an absolutely essential ingredient of the new WTO negotiations, should be focused on the simplification and harmonization of Customs procedures and practices – a key item on APEC's menu of options.

ABAC supports negotiations on trade facilitation as a critical component of ensuring that the benefits from greater market liberalization are fully realized. Measures adopted pursuant to these negotiations should relate to the relevant GATT Articles supporting the cardinal facilitation principles of simplicity, standardization, transparency, predictability and equity.

APEC ACTIONS REQUIRED:

ABAC urges member economies to undertake the following:

1. Confirm the critical importance of trade facilitation to improving the efficiency of trade flows and ensuring that the benefits of trade are shared among least-developed, developing and developed countries;
2. Make commitments to provide meaningful technical assistance and capacity building such that all Members recognize and can take advantage of improvements in trade facilitation;
3. Conduct a comprehensive review of trade facilitation needs and priorities in order to establish a solid foundation for negotiations.

4. Make commitments to adopt appropriate measures to ensure efficient and fair customs procedures including:
 - Use reasonable selectivity criteria to identify shipments subject to physical examination thereby minimizing the percentage of physical examinations;
 - Accept data electronically in lieu of paper as early as possible; and
 - Expand regular working hours to correspond to ascertained commercial needs and operational requirements.

VIII. Strengthening Intellectual Property Protection

Proper protection of intellectual property rights is vital to ensure vibrant, innovative societies. Economic growth is underpinned by creation, protection, exploitation, and development of intellectual property. Failure to protect intellectual property rights has negative consequences both for the economy that produces IPRs, and the economy that violates IPRs.

Effective protection of intellectual property rights will promote an inflow of foreign direct investment and result in increased local production by foreign companies, thus facilitating the development of the local economy. Stringent IPR protection would also result in greater technology transfer throughout the Asia-Pacific region.

Since its inception, ABAC has submitted a number of recommendations on intellectual property rights protection to the APEC Economic Leaders. ABAC recognizes that the protection of intellectual property rights is still insufficient in the APEC region; particularly, enforcement is weak.

ABAC welcomes the decision to establish the IPR Service Center in each member economy made by the APEC Ministers Responsible for Trade at the meeting in Khon Kaen, Thailand in June 2003. However, much more work needs to be done. The protection of IPRs lags behind the high pace of technological developments in industry and the globalization of the world economy.

APEC ACTIONS REQUIRED:

APEC needs to commit resources to the establishment and enforcement of appropriate legal infrastructure to ensure that the lack of IPR protection does not hinder future economic development in the Asia-Pacific region.

In forging IPR controls, APEC member economies are requested to take into consideration the balance between the rights of the owners of intellectual property, and the well-being of society as a whole. The legal protection of intellectual property should not be used in such a way as to disadvantage the underprivileged sections of society and create a structural gap between the developed and developing economies.

ABAC urges APEC Economic Leaders to take the following actions to enhance intellectual property protection and cooperation in the region to achieve the goals:

1. Implement effective and expeditious remedies to combat infringement to prevent and deter infringements. Adequate remedies should include court enforced injunctions for infringement, compensation for damages, orders to destroy infringing products, provisional measures to seize infringing products and secure evidence, border measures by customs authorities, and availability of criminal enforcement and sanctions.

2. Adopt and ratify the WIPO Digital Treaties. Where widespread pirated optical media production exists, enact strong laws and enforcement mechanism to control optical media production to complement civil and criminal measures.
3. Establish IPR Service Center in each economy by the end of 2004. APEC needs to define the role and operations of the Center so that it would be really efficient and helpful to companies, the IPRs of which have been infringed. Moreover, APEC is required to review the operation of the Center periodically even after its establishment.
4. Promote public awareness of IPR by educating nationals on the importance of IP protection. Capacity building programs need to be better designed to adapt to the circumstances of member economies.
5. Reinforce capacity building efforts for officials of enforcement agencies and judicial professionals in order to enhance the legal infrastructure relating to intellectual property rights.
6. Develop an APEC IP Toolkit that promotes awareness of IPR and sharing of illustrative practices of industrial property rights enforcement.
7. Develop "Comprehensive Strategy on IP Protection in APEC" in order to ensure adequate and effective protection and enhance public awareness activities.

IX. Strengthening Economic Legal Infrastructure

Last year, ABAC recommended that APEC Economic Leaders endorse the development of a model judicial training program for judges and magistrates in substantive areas such as competition policy, consumer protection, and international contracts, as well as in non-substantive areas including alternative dispute resolution and codes of ethics, in order to improve the business environment.

In Los Cabos, APEC Economic Leaders endorsed the broadening of the Osaka Action Agenda (OAA) to reflect the strong commitment to the achievement of the Bogor Goals while responding to fundamental changes in the global and regional economy, including strengthening the functioning of markets. A new chapter on Strengthening Economic Legal Infrastructure was incorporated into the Osaka Action Agenda.

ABAC applauds the fact that under the strong initiative of the Strengthening Economic Legal Infrastructure Coordinating Group of APEC, such projects as Intensive Training in Commercial Laws and the APEC Training Program on Competition Policy had been carried out.

This year, a new survey project "Debt Collection Litigation/Arbitration and International Instruments Useful for the APEC Region" is underway. The survey found that the private sector in the region is faced with the following challenges in terms of debt collection:

- Underdeveloped legal infrastructure which lacks related laws and regulations;
- Limited transparency, predictability, and expeditiousness in litigation and arbitration procedures;
- Limited predictability and objectivity of implementation and enforcement of debt collection rules;
- Inadequate collateral system; and
- Difficulty in access to the legal information, including precedents.

APEC ACTIONS REQUIRED:

ABAC reiterates that a legal system that effectively resolves conflicts in accordance with established legal norms and within the culturally defined notions of fairness in each economy is a vital element for business facilitation. The strong functioning of markets with strong economic legal infrastructures attracts foreign investments which promote sustained economic growth.

ABAC urges APEC member economies to take the following steps to strengthen economic legal infrastructure:

1. Enhance predictability, transparency, and objectivity of litigation procedures, especially avoid delays without a rational reason;
2. Secure expeditious enforcement of debt collection based on a judgment of definite liabilities;
3. Develop procedures involved in a legal action to enforce debt collection;
4. Reinforce mechanisms for alternative dispute resolution (ADR);
5. Improve public access to legal precedent; and
6. Clarify capacity building needs to implement above measures.

Capacity Building is Key to Achieving Balanced and Equitable Growth

ABAC recognizes that the benefits of liberalization and facilitation cannot be fully realized without building capacity for sustainable development. ABAC has stressed to APEC Economic Leaders the need for a balanced and equitable approach to globalization – one that combines market opening, capacity building and full participation. Capacity building is critical to restoring public confidence and support for APEC’s trade and investment liberalization and facilitation agenda and in achieving the Bogor Goals.

In taking up this challenge, ABAC believes there is a need for a much clearer definition of capacity building – and a framework for identifying gaps and prioritizing capacity building initiatives. “Capacity” can be understood as the ability of institutions, organizations and individuals to perform functions, solve problems and define and achieve their objectives effectively, efficiently and in a sustainable manner. ABAC proposes a three-level framework when approaching capacity building in the APEC region – one that addresses the need for institutional capacity building, organizational capacity building and human capacity building.

X. Capacity Building to Reinforce ABAC Recommendations

Given the broad range of areas where capacity building could enhance the business climate in the APEC region, ABAC has chosen to focus on a number of specific measures that will serve to achieve and reinforce ABAC’s key recommendations to APEC Economic Leaders this year in the areas of financial stability, trade and business facilitation, and trade and investment liberalization, standards and conformance, SMEs and micro-enterprises and infrastructure development.

A. Strengthening Financial Systems

Weaknesses in core elements of various economies’ financial systems need to be addressed. These essentially include improving risk management and practices in banking systems, deepening capital markets to ensure that economies are better served by diversified and innovative financial products, improved legal and institutional frameworks to support a vibrant financial system and enhanced regional financial architecture to promote cooperation in regional financial activities. Tackling these issues simultaneously, involving supportive capacity building initiatives, will significantly enhance the region’s economic and financial prospects and help improve living standards for all communities in APEC.

APEC ACTIONS REQUIRED:

1. **Strengthening Risk Management in Banking Systems**
 - a. APEC Finance Ministers should endorse active participation by their officials in the Public-Private Sector Advisory Group for Financial Sector Capacity-Building, being promoted by the ABAC and PECC, in cooperation with the ADB.
 - b. Existing capacity-building programs for life insurance and pensions should be expanded to include banks, in addition to general insurance and securities. More APEC economies should provide resources and facilities for additional training programs in risk management.
 - c. Capacity-building efforts should focus on the areas of credit and operational risk, and should be directed toward developing human resources and technology, as well as toward addressing problems related to data availability.

2. Reform of Insolvency Laws and Legal Protection of Creditor Rights

Economies should develop capacity-building programs based on key principles governing enforcement systems, legal frameworks for creditor rights, secured lending, corporate insolvency, as well as frameworks for informal corporate workouts.

3. Promoting the Development of Securitization and Credit Guarantee Markets

a. Developing member economies should establish their own consultative committees on asset securitization, involving relevant authorities, financial institutions and key market players.

b. APEC should convene a securitization forum in the region, where representatives of relevant authorities and market players could exchange views and discuss regional cooperation.

c. These fora should focus on developing a set of principles and best practices for creating these instruments and markets, clear legal and tax frameworks, reforming current regulations, supporting efforts by market participants in developing the market, stimulating market development at its early stages and ensuring benefits for SMEs.

4. Promoting Domestic and Regional Bond Market Development

a. APEC should implement key recommendations previously made by ABAC, including the establishment of coordinating bodies in each economy to facilitate bond market development and capacity-building measures to promote robust legal and regulatory frameworks, market infrastructure and

credible and independent credit rating agencies to facilitate cross-border investment in bonds.

b. APEC should ensure that efforts to develop domestic and regional bond markets are based on the following principles and practices:

- avoidance of measures that distort the proper pricing of risk and the allocation of long-term funds;
- regularity in the operation of the market that is based on open auction;
- standardized products that are graded in ways recognized and accepted by the market;
- a fair number of authorized sellers and buyers (brokers) to ensure active trading in a disciplined market where the rules are known to the players;
- a strong appetite for the product;
- an efficient clearing and settlement system;
- a high quality secondary market;
- high quality and efficient futures, repurchase and short-term money markets;
- a tax, regulatory and policy environment that does not discriminate against bonds in favor of other financial instruments, products and services;
- a reliable yield curve of longer maturity; and
- a reliable credit rating system.

In developing a regional market, in which bonds are designated in one agreed currency or an agreed basket of currencies, the following key factors and principles, additional to those outlined above, are of high commercial relevance and importance to success:

- harmonized standards for defining the instruments and the way in which

- they would be traded, as well as accounting and auditing standards;
- an open and inclusionary approach to participation by all interested economies;
- the absence of withholding tax on interest paid to non-resident bond holders;
- the absence of exchange impediments to settlement and coupon and redemption payments;
- the encouragement of savers and borrowers from all economies as participants in the market, under common and transparent rules and processes based on internationally accepted standards; and
- the participation of interested firms from all economies as market players and with a presence in the market, under transparent regulatory approval processes that provide national treatment for foreign participants.

APEC should encourage the active involvement and participation of relevant private sector groups and all interested member economies in efforts to develop the market infrastructure for bonds in the region, to expand the institutional investor base, and to accelerate market development through such initiatives as the Asian Bond Markets Initiative and the Asian Bond Fund.

5. Regional Cooperation to Maintain Financial Stability

- a. APEC economies should ensure that regional and sub-regional financial and economic mechanisms not only contribute to financial system stability but also to efficiencies in business transactions and to economic growth in the region.

- b. APEC should welcome the ASEAN Plus Three's review of the Chiang Mai Invitation (CMI), encouraging progress toward greater transparency, efficiency and effectiveness in terms of membership and mechanisms, and the development of regional arrangements that effectively complement global institutions such as the IMF, as well as other regional institutions elsewhere.
- c. APEC should implement ABAC's previous recommendation to establish an IMF/private sector financial consultative group to deepen and improve understanding of emerging financial developments in the region, as well as the establishment of a policy forum including specialists from the public and private sectors to develop and to promote enhanced regional financial and economic cooperation.

6. Promoting the Development of Venture Capital for Small and Medium Enterprises

- a. The APEC Finance Ministers should initiate a policy dialogue in cooperation with international institutions such as the ADB, the IADB, and the World Bank, as well as ABAC and PECC, and with the participation of experts, policy makers, regulators and market players in venture capital industries from both developed and developing economies to identify best practices related to institutions, policies and regulations for the industry.
- b. This policy dialogue should focus, among others, on designing policies and regulations that avoid distorting economic incentives for investment and enable SME finance to evolve in free markets.

B. Measures Relating to Standards and Conformance

The lack of harmonization of standards continues to be one of the most significant constraints to the growth of regional trade flows. The main reason for the lack of progress is the very uneven development of the standards and conformance infrastructure across the region. The result is that relatively few APEC members are adequately equipped to participate in the work of the international standards setting bodies or to work towards the development of regional mutual recognition agreements.

Capacity building is essential if technical competence is to be built up sufficiently across the region to the point where regulators have the confidence to interact internationally on a more extensive basis.

APEC Ministers have recognized the need for capacity building in this area. In 2002, they endorsed a number of pathfinder initiatives which included mutual recognition arrangements. They directed relevant APEC fora to review progress in these initiatives to encourage broad participation by APEC members, including through the provision of capacity building.

APEC ACTIONS REQUIRED:

ABAC urges APEC to take further steps to build the capacity of developing member economies to participate in international standards setting bodies. These include building technical competence to enable regulators to cooperate actively in the international standards-setting process, allowing governments to move toward mutual recognition agreements (MRAs) and towards the objective of “one standard, one test, accepted everywhere”, which are based on market forces not government mandate.

Capacity building should focus at the voluntary level in cooperative activities within the Specialist Regional Bodies on Standards, Laboratory Testing, Certification and Accreditation, Measurement and Legal Metrology. Efforts should also be made to ensure that SMEs do not face disproportionate costs associated with standards compliance.

XI. Other Capacity Building Priorities

Capacity building is crucial to support the development of SMEs and micro-enterprises. These constitute the majority of businesses in the APEC region. Entrepreneurship development is human capacity building – whether through management skills training or promoting greater access to information and communication technology.

A. SMEs and Micro-enterprises

1. Promoting Management Skills Training for SMEs and Microfinance Institutions

Acquiring and upgrading management skills is one of the most important challenges for building capacity within small and medium enterprises and microfinance institutions. SME managers need ongoing training on a full range of business functions, including marketing, finance, human resource development and operations. Establishing and implementing ISO 9000 Quality System is also important for SME exporters seeking to operate in a globally competitive environment. Microfinance institutions (MFIs), which play a critical role in supporting micro-enterprises in many APEC economies, would also benefit from ongoing management skills training.

APEC SME Ministers, meeting in Shanghai in August 2001, approved the creation of the International Network of Institutes of Small Business Counselor (APEC IBIZ) as the APEC international training and certification program for consultants, counselors, and other professionals who assist entrepreneurs.

APEC ACTIONS REQUIRED:

ABAC recommends all APEC economies to:

- a. Recognize and promote the APEC IBIZ network of small business counselors, and expedite the professional accreditation of additional small business counselors throughout the region.
 - b. Encourage closer collaboration between the APEC SME Working Group and other APEC working groups – particularly the HRD Working Group – with regard to the development and promotion of SME management training initiatives.
 - c. Invite APEC SME Ministers to share best practices in SME skills development – including the use of on-line training and distant learning programs.
 - d. Urge APEC governments to consider further measures to enhance management skills within microfinance institutions, including improved accounting and administration training.
2. Facilitating Access to Information and Communications Technology for SMEs and Micro-enterprises

While the application of information and communications technology (ICT) continues to expand throughout the APEC region, its adoption by micro, small and medium enterprises continues to lag behind other sectors

of the economy. There remains a need to improve awareness and understanding of the benefits of ICT utilization amongst SMEs and micro-enterprises to assist them in developing ICT-literate personnel.

At their meeting in Acapulco, APEC SME Ministers acknowledged the crucial role that ICT fulfills in enabling SMEs and micro-enterprises to gain a wider global audience for their products and services. Ministers also acknowledged the need to increase the human capacity aspect for entrepreneurs to utilize technology to better conduct their businesses and improve greater ability to penetrate international markets. In addition, ICT facilitates networking among SMEs throughout the APEC region.

APEC ACTIONS REQUIRED:

ABAC recommends that:

- a. APEC SME Ministers examine new ways of accelerating the application of ICT by SMEs and micro-enterprises in their respective economies, including facilitating access to ICT information and advice; support for ICT investment; and steps to promote the adoption of e-commerce by SMEs and micro-enterprises.
- b. An APEC SME Portal be completed by October 2003 to provide one-stop access to information and services available to SMEs in their own economies.

B. Infrastructure Development

Another key challenge is promoting infrastructure development in the APEC region, including training and skills development to support critical infrastructure, promoting broadband access and building regional capacity in recycling.

1. Expanding Broadband Access in the APEC Region

Broadband deployment is a key aspect of almost all information technology systems and services, and is critical to the advancement of e-APEC and bridging the digital divide. Broadband infrastructure, properly installed in APEC economies, will make the implementation of almost any telecommunications or computer-based service easier, faster and more universally accessible.

In 2000 in Brunei, Leaders committed to ensure that, either individually or through community-based services, everyone in APEC economies would have access to the Internet by 2010. In 2001 in Shanghai, Leaders adopted the e-APEC Strategy with the goal of transforming APEC to a digital society by encouraging investment in high bandwidth networks to increase capacity and transmission speeds. In 2002 in Los Cabos, Leaders welcomed the implementation of the e-APEC Strategy and called for accelerated work to put into place policies that will stimulate investment and technology development aimed at promoting e-business and broadband networks.

APEC ACTIONS REQUIRED:

ABAC recommends that APEC economies:

- a. Recognize the importance of broadband by adopting an APEC broadband access goal which will update Leaders' regional Internet access goals.
- b. Exchange information on their domestic broadband policy strategies through the APEC Telecommunications Working Group and report annually to ABAC on broadband progress and programs within the region, beginning in 2004.

2. Training to Support Critical Infrastructure in the APEC Region

One of the major challenges facing APEC economies in achieving balanced and equitable economic growth is rapid urbanization. There is a critical need for urban infrastructure development in the APEC region, particularly in the burgeoning cities of APEC's developing economies. If not addressed in a timely and effective manner, meeting the basic needs of a rapid expanding urban population – for clean water, energy, housing, office space, education and mobility – will overwhelm the benefits to be gained in these business centers and limit the sustainability of development. Along with infrastructure investment comes a need for education and skills training for engineers and skilled technicians.

APEC initiatives have promoted the mobility of skilled labor and professionals within the APEC region – but it is equally important to promote development by the skills and training needed for infrastructure development in each APEC economy. APEC HRD Ministers have recognized that addressing the growing skills gap is a priority for APEC, through increased access to quality basic education, relevant market-driven skills training, retraining and lifelong learning.

APEC ACTIONS REQUIRED:

ABAC recommends that APEC member economies:

- a. Redouble their efforts to develop educational programs and associated facilities to build indigenous capacity in engineering skills and technology and in other infrastructure-related services.
- b. Recognize the need for training of government officials at the national, state/provincial, and local level to manage infrastructure needs and

projects in the growing cities of the APEC region, particularly in developing economies.

- c. Examine ways of maximizing existing training resources within APEC economies, in partnership with educational institutions, governments and the private/business sector, and keep ABAC informed of the progress through the participation of a representative of the APEC HRD Working Group.

3. Promoting a Recycling-Based Economy

Globalization has brought about dramatic structural changes in manufacturing and production. As manufacturers continue to shift their assembly plants offshore, the cross-border movement of finished products and components is increasing. At the same time, APEC economies are facing growing environmental challenges, including increased waste disposal and depletion of natural resources. In order to promote sustainable development in the APEC region, it is essential for APEC economies to significantly advance the adoption of the 3Rs of environmental protection, namely reduce, reuse, and recycle.

By taking steps to promote a recycling-based economy, ABAC believes that APEC economies can facilitate cross border trade, attract foreign direct investment, create new jobs, facilitate technology transfers, and develop new industries in the APEC region.

While ABAC recognizes that some APEC economies are already working toward building a recycling-based economy, more concerted efforts at the regional level are needed to effectively cope with growing cross-border

economic activities. This may include steps to develop common regional understandings of recycling priorities, sharing of information on recycling policies and regulations, and the promotion of technical cooperation to implement recycling programs.

With APEC, ABAC notes the progress made by the Capacity Building Network of the HRD Working Group in the development of a project to promote a recycling-based economy in the APEC region.

APEC ACTIONS REQUIRED:

In developing an APEC project to establish a Recycling-based Economy System, ABAC encourages APEC to cooperate with the private sector to achieve the following objectives:

- a. Identify issues and challenges associated with the implementation of recycling programs within APEC member economies;
- b. Share best practices of industry in implementing recycling systems;
- c. Identify capacity building needs to advance a recycling-based economy;
- d. Design, develop, and conduct capacity building programs on a pilot basis within selected member economies; and
- e. Establish a network of experts, including from the private and business sectors, to share information on recycling.

ABAC also supports discussion of a regional agreement to encourage the development of a Recycling-based Economy System within the APEC region.

Address Corporate Governance and Improve Transparency

APEC must focus on promoting good corporate governance in all member economies through greater public-private sector cooperation, with emphasis on open and transparent mechanisms. APEC needs to establish a region-wide benchmark for strengthening corporate governance and transparency, for example drawing on the work done by the OECD Asia Roundtable. These efforts must also encompass the promotion of good governance and transparency in the corporate sector, particularly in highly leveraged institutions, as well as in international financial institutions that play key roles in the management of the global financial system and in major public sector bodies in APEC economies, including regulatory agencies and government enterprises.

APEC ACTIONS REQUIRED:

XII. Promoting Good Corporate Governance

1. Economies should implement the pathfinder initiative on corporate governance under the APEC Finance Ministers' process and encourage broader participation.
2. APEC economies should facilitate the creation of institutes of corporate governance or equivalent bodies where they have not yet been established, and encourage these organizations to work with regional bodies to provide insight into best corporate and regulatory practices in the region, as well as business associations in individual economies to include corporate governance training in their work programs.

3. APEC should broaden its outreach and message delivery by encouraging participation in regional fora addressing corporate governance, and to this end establish a running calendar on its website of these events.
4. APEC economies should ensure that open market mechanisms and global trade and capital market liberalization serve as guiding principles for any new measures on corporate governance.
5. Economies should implement the APEC Leaders 2002 Statement on Transparency as a matter of priority.
6. Economies should facilitate efforts by the private sector to ensure that corporate restructuring reflect the principles of good corporate governance and to address flaws in the fundamental governance structures of failing companies.

XIII. Establishing an APEC-wide Benchmark for Strengthening Corporate Governance and Transparency

1. APEC should draw on the framework formulated by the OECD Asia Roundtable in July 2003² in developing the benchmark for strengthening corporate governance and transparency in the region.
2. APEC should adopt the six priority areas as outlined in the OECD Asia Roundtable White Paper as a basis for the focus of measures to strengthen corporate governance and transparency arrangements in the region.

² Corporate Governance in Asia: OECD Asia Roundtable White Paper, 10 June 2003

3. All APEC economies should complete the White Paper's matrix to provide a comprehensive database on which to develop capacity building initiatives to encourage the adoption of best standards and practices in the region.

XIV. Strengthening Governance and Transparency in Highly-Leveraged Institutions (HLIs) and International Financial Institutions and Domestic Regulatory Agencies

1. APEC economies should support efforts and pursue progress in improving transparency among HLIs, particularly through: (a) enhancing mandatory public disclosure for these institutions; (b) accelerating the harmonization of legal provisions being undertaken by the Global Documentation Steering Committee³; and (c) greater sharing of information on HLIs among regulators.
2. APEC economies should continue to advocate strengthened governance and transparency in the IMF, particularly by: (a) supporting internal efforts by the IMF to refocus activities on core functions, further develop its diagnostic capabilities and promote greater accountability for policy prescriptions; (b) promoting the development of a broader range of options in dealing with financial crises; and (c) encouraging reforms that enhance participation, cooperation and consultation among all member economies.
3. APEC economies should strengthen governance and transparency in domestic regulatory arrangements, in particular by participating in the IMF/World Bank Financial Sector Assessment Program (FSAP) and Reports on the Observance of Standards and Codes (ROSC).

³ Information on this body is available at <http://www.ny.frb.org/globaldoc/index.html>

Facilitate Business Input to APEC

The business community is often in the best position to gauge the progress that APEC is making in advancing trade and investment liberalization and facilitation. Through their commercial activities and investments throughout the region, business leaders can provide a reality check as to whether the achievements that APEC has made 'on paper' are being translated into real improvements in the business-operating environment.

To assist the business community in providing timely and useful input to APEC, we encourage APEC to review its mechanisms for soliciting input from the business community. The primary mechanism by which business can gauge APEC's progress is the Individual Action Plans. ABAC has highlighted several issues in order to improve their review and assessment.

XV. IAP Peer Reviews

Following the progress of the APEC member economies towards achievement of the Bogor Goals, through study of the Individual Action Plans, has always been a prime focus of ABAC. ABAC has welcomed the recent changes to the way in which APEC reviews the IAPs, and participates in the process through representation at the peer review sessions.

ABAC considers that the peer reviews as now conducted are effective and rigorous. They are regarded as of value to governments and private sector interests in all APEC economies, enhancing understanding and providing models and reference guides.

ABAC recommends that the review program should be continued after the current end date of 2005, and should cover all member economies.

In reviewing the process of the reviews held in February 2003, ABAC notes that the three economies involved (Australia, Canada and Thailand) were generally on track towards achieving their Bogor Goals. In each case, however, there are sensitive sectors where much more progress will be required for the goals to be met in those sectors. Agricultural trade issues are in the forefront of those concerns. It is noted that following decisions taken in APEC last year, the AFS will be covered in subsequent IAP reviews.

APEC ACTION REQUIRED:

ABAC requests that APEC Ministers note these comments and endorse them.

XVI. Business School Reviews of IAPs

In ABAC's view, the Individual Action Plans should be a clear representation of the plans of each APEC member economy to liberalize and facilitate trade and investment – a rolling roadmap of where they are and where they are going in fulfillment of their APEC undertakings. The IAPs should be a useful tool to business in making investment, marketing and other decisions.

APEC, in response to urging from ABAC, has standardized the format of the Action Plans, and put them online. They are now accessible to all. The next issue is how business friendly they are – do they clarify issues and answer questions, or are they difficult to understand?

To seek answers ABAC is inviting leading Business Schools in member economies to use the IAPs, and BizAPEC website as tools in MBA student exercises – collectively or as an individual field of study – and then feed back the student's experience and evaluations to

ABAC. It is intended that the information received will be prepared for inclusion in the ABAC reports to Leaders, Ministers and Officials. It is hoped that a constant stream of feedback will steadily improve the business usefulness of the websites. No remuneration is being offered to Schools participating in the exercise.

At the present time the Marshall School of Business, University of Southern California is well advanced in developing a program in response to the ABAC invitation. Students are studying the IAPs of eight APEC member economies. They will attend the ABAC meeting in Bangkok in October to present their findings to the Council.

Discussions are taking place with Business Schools in New Zealand, Canada, the Philippines, Thailand, Peru and Australia with a view to those institutions conducting projects on similar lines. Other APEC member economies are encouraged to initiate consultations with Schools in their economy.

APEC ACTION REQUIRED:

Ministers are invited to note that work is under way in reviewing the IAPs from the perspective of their usefulness to business throughout the region; and that reports on the progress of this work will be sent to them from time to time.

XVII. APEC Responses to ABAC Recommendations

ABAC welcomed the participation, at its second meeting in Tokyo, of representatives of the APEC Secretariat and the Chair of the APEC Senior Officials' Meeting, who presented detailed responses by APEC to past ABAC recommendations to APEC Leaders.

ABAC noted that many of its recommendations had been followed up in the declarations of Leaders and Ministers and in APEC bodies. In a number of cases, work on the issues concerned is still proceeding, and further reports will be received at subsequent meetings. Procedures are being evolved for an even closer working relationship between ABAC and the APEC system in the future handling of ABAC recommendations within APEC.

Conclusion

APEC is at a critical juncture of its existence as a regional organization. Its response to the current challenges facing the region may decide APEC's relevance in the years ahead.

We believe that this response must be underpinned by a commitment by APEC economies to stay true to the vision of achieving free and open trade in the region by 2010/2020. Market opening and the reduction of trade barriers combined with capacity building will ensure that all members of APEC benefit fully from such openness. In the longer term, APEC must also review and strengthen its capacity to respond quickly and effectively to regional crises.

ABAC believes that the implementation of the recommendations contained in this ABAC Report will help to instill greater confidence in the region, allowing business to expand their commitment to regional investment, trade and employment.

Annexes

A. The APEC Business Advisory Council

Founding and Structure

The APEC Business Advisory Council (ABAC) was created by the APEC Economic Leaders in November 1995 to provide advice on the implementation of the Osaka Action Agenda and on other specific business sector priorities, and to respond when the various APEC fora request information about business-related issues or to provide the business perspective on specific areas of cooperation.

ABAC comprises of up to three members of the private sector from each economy. ABAC members are appointed by their respective Leaders, and represent a range of business sectors, including small and medium enterprises. The economy determines the term of membership of each appointee as well as its own administrative arrangements and staff support. The biographies of ABAC members are available at www.abaonline.org.

The ABAC International Secretariat based in Manila, the Philippines serves all members and all economies and maintains a website. Funding is provided through a system of annual dues, which are structured to reflect the size of each economy, following the APEC formula.

ABAC in 2003

In 2003, Thailand assumed the chairmanship of the Council, with Mexico and Chile serving as co-chairs, following the APEC order. Co-chairs represent immediate past and future chairs.

ABAC adopted the theme “Harmony in Diversity: Achieving Balanced and Equitable Growth”. The work program for 2003 was focused on: (1) recommitting APEC members to the achievement of the Bogor Goals given the challenges to it posed by concerns about security, economic uncertainty and equitable access to the benefits of openness; (2) ensuring that progress towards the Bogor Goals being made between governments is presented in a business-friendly manner and translates into actual business opportunities; and, (3) advocating and undertaking capacity building in trade facilitation, financial/capital markets, corporate governance, and knowledge-based industries.

ABAC established five working groups/committee to carry forward its work during the year. These were: the Action Plan Monitoring Committee; the Trade and Investment Liberalization Working Group; the Trade and Business Facilitation Working Group; the Capacity Building Working Group; and the Financial Stability Working Group.

Four meetings were held in 2003: Lima, Peru (2-5 March); Tokyo, Japan (13-16 May); Bali, Indonesia (30 July-2 August); and Bangkok, Thailand (17-21 October). Recognizing the value of working closely with relevant APEC fora, ABAC participated in various APEC meetings: SOM I Retreat (19 February, Chiang Rai, Thailand); APEC Counter-Terrorism Task Force (26 May, Khon Kaen, Thailand); SOM Policy Dialogue on Regional Trading Arrangements (RTAs)/ Free Trade Agreements (FTAs) (27 May, Khon Kaen, Thailand); SOM II Retreat (28 May, Khon Kaen, Thailand); Meeting of APEC Ministers Responsible

for Trade (2-3 June, Khon Kaen, Thailand); APEC Health Ministerial Meeting (28 June, Bangkok, Thailand); 16th APEC Finance Ministers' Technical Working Group Meeting (10-12 July, Hua Hin, Thailand); SOM III/Retreat (21-23 August, Phuket, Thailand); SME Business Forum (4-6 August, Chiang Mai, Thailand); APEC SME Ministerial Meeting (7-8 August, Chiang Mai, Thailand); and 10th APEC Finance Ministers Meeting (4-5 September, Phuket, Thailand). The Council also participated at the IAP peer review sessions of Australia, Canada and Thailand (18-19 February, Chiang Rai, Thailand) and of Hong Kong China, New Zealand and Korea (20-21 August, Phuket, Thailand). Other events organized by ABAC members included: Seminar on SARS (13 May, Tokyo, Japan); Government of Japan/ABAC Japan Symposium on Intellectual Property Rights, Free Trade Agreements/Economic Partnership Agreements and Regional Financial Cooperation (16 May, Tokyo, Japan); and ABAC Indonesia Symposium on Capacity Building (2 August, Bali, Indonesia).

Following the lead of Mexico last year, ABAC submitted an Interim Report to the APEC Economic Leaders through the Meeting of APEC Ministers Responsible for Trade held in Khon Kaen, Thailand on 2-3 June 2003. The Interim Report outlines priority areas for which decisive action is crucial in order to restore business confidence, trade and investment in the region.

Studies and Related Work

The Council undertook a number of research studies and initiatives to support its deliberations. These included:

- Trade in Agricultural Products;
- The First Decade Since Bogor: A Business Assessment of APEC's Progress; and
- The Development of Securitization and Credit Guarantee Markets in APEC.

The Council also actively pursued a communications outreach program aimed at enhancing the Leaders' and the business communities' appreciation of the work and/or recommendations of ABAC.

Future Work

ABAC is committed to provide advice to APEC Leaders on business sector priorities and push forward the APEC agenda on trade and investment liberalization and facilitation. The Council will continue to place emphasis on capacity building, finance, business facilitation and in monitoring APEC commitments.

B. Glossary of Terms

Action Agenda on the New Economy

The Action Agenda on the New Economy outlines programs that will help APEC economies use advances in information technology to boost productivity and stimulate growth and extend services to the whole community. The Action Agenda includes ways to promote the right policy environment and to build capacity to help create a framework to strengthen markets, electronic commerce, infrastructure, knowledge and skills development and provide affordable and more efficient access to communications and the internet.

APEC Food System

The APEC Food System aims to link together food production, food processing and consumption to meet the food needs of people and achieve sustainable growth, equitable development and stability in the APEC region. It calls for action in three areas, namely: (a) rural infrastructure development; (b) promotion of trade in food products; and (c) dissemination of technological advances in food production and processing.

APEC Trade Facilitation Action Plan

The APEC Trade Facilitation Action Plan provides the framework and schedule to achieve the Trade Facilitation targets set out in the Shanghai Accord. It includes a menu of concrete actions and measures to reduce the costs of international trade transactions. The actions and measures fall under one of four categories: (a) movement of goods (to include customs, port, health and quarantine and similar procedures); standards; business mobility; and e-commerce.

APEC Vision

This relates to the vision, created by APEC Leaders in 1993, of a community of Asia-Pacific economies in which, inter-alia, the spirit of openness and partnerships deepens; dynamic economic growth continues; goods, services, capital and investment flow freely among economies; and people share the benefits of economic growth.

Bogor Goals

The Bogor Goals pertain to the commitment of APEC member economies to achieve free and open trade and investment by no later than 2020. The pace of implementation will take into account the differing levels of economic development among APEC economies, with the industrialized economies achieving the goals of free and open trade and investment by no later than 2010 and developing economies by no later than 2020.

Capacity Building

Capacity building is derived from the original goal of economic and technical cooperation in which institutional, organizational and human capacities are enhanced and/or developed in order for economies, businesses and individuals to better participate in growth from a position of relative competitiveness.

Chiang Mai Initiative

The Chiang Mai Initiative (CMI) is a regional financing arrangement among the ASEAN+3 countries established to help promote regional financial stability. It consists of two components: an expanded ASEAN Swap Arrangement and a network of bilateral swap arrangements among ASEAN countries, China, Japan and the Republic of Korea.

The ASEAN Swap Arrangement was originally set up by the five founding members of ASEAN

to provide financial support to members with balance-of payments difficulties. CMI expands this to include all the ASEAN countries. In addition, it provides for a network of bilateral swap arrangements and repurchase agreements among ASEAN countries, China, Japan and the Republic of Korea to provide temporary financing for members which may be in balance-of-payments difficulties.

Collective Action Plans

Collective Action Plans contain measures agreed upon in different APEC fora through the process of consensus. These measures focus essentially on facilitating trade and investment and on making the conduct of business in the region easier, cheaper, faster, more predictable and transparent. Collective Action Plans are carried out through the APEC Committee on Trade and Investment and its various sub-fora.

Doha Development Agenda

The Doha Development Agenda relates to the ongoing negotiations in the World Trade Organization (WTO) launched by the Fourth WTO Ministerial Conference in Doha, Qatar in November 2001. The declaration of the Ministerial Conference provides the mandate for negotiations on a range of subjects and other work, including issues concerning the implementation of present agreements. The negotiations include those on agriculture and services, which began in early 2000. A number of other issues have also been added, among others: market access for non-agricultural products; intellectual property rights; trade and investment; trade and competition

policy; transparency in government procurement; trade facilitation; anti-dumping; subsidies; regional trade agreements; dispute settlement; trade and environment; and electronic commerce. The declaration sets 1 January 2005 as the date for completing all but two of the negotiations. Negotiations on the Dispute Settlement Understanding were to end in May 2003; those on multilateral register of geographical indications for wines and spirits, by the Ministerial Conference in 2003. Progress is to be reviewed at the Fifth Ministerial Conference in Cancun, Mexico on 10-14 September 2003.

Economic and Technical Cooperation

Economic and technical cooperation (ECOTECH) relates to measures that directly support liberalization and facilitation. In 1996, APEC adopted the Declaration on an APEC Framework for Strengthening Economic Cooperation and Development to give greater coherence and direction to ECOTECH. The Framework provides for six organizing themes, namely: (a) developing human capital; (b) developing stable and efficient capital markets; (c) strengthening economic infrastructure; (d) facilitating technology flows and harnessing technologies for the future; (e) safeguarding the quality of life through environmentally sound growth; and (f) developing and strengthening the dynamism of small and medium enterprises (SMEs).

ECOTECH Action Plans

The ECOTECH Action Plans (EAPs) provide a way of tracking individual and collective efforts

in ECOTECH. They are currently focused on the theme human resources development (HRD) and based on the Common Policy Concepts (goals, basic principles and priorities in a specific area) set out in the Osaka Action Agenda. EAPs seek to move forward ECOTECH to show the progress APEC has made in this area and list the cooperative activities economies are considering to achieve HRD goals. The rationale behind the focus on individual and cooperative actions is to share best practices among APEC economies.

e-APEC Strategy

The e-APEC Strategy develops and expands the Action Agenda for the New Economy by identifying the necessary policy environment and specifying appropriate goals and actions, drawing upon the existing efforts and on-going works within APEC. It develops a forward-looking, long-term, and action-oriented plan under three pillars: (a) to create an environment for structures and institutions; (b) to facilitate an environment for infrastructure investment and technology development; and (c) to enhance human capacity building and promote entrepreneurship.

Individual Action Plans

Individual Action Plans (IAPs) are voluntary submissions by APEC member economies that record trade and investment liberalization and facilitation measures undertaken or planned by them to achieve the Bogor Goals. Aside from the fifteen trade and investment liberalization and facilitation issue areas listed below, APEC economies have also submitted IAPs on paperless trading.

Manila Framework Group

The Manila Framework Group was established in November 1997 for the overriding purpose of regional surveillance. The Group meets semi-annually and brings together deputies from the finance ministries and central banks of 14 countries, both within and outside the Asian and Pacific region. In these meetings, ADB, IMF and World Bank provide surveillance reports.

New Basel Capital Accord

The New Basel Capital Accord relates to the proposal issued by the Basel Committee on Banking Supervision that, once finalized, would replace the current 1988 Capital Accord. The proposal is based on three mutually reinforcing pillars that allow banks and supervisors to evaluate properly the various risks that banks face. The New Basel Accord focuses on: (a) minimum capital requirements, which seek to refine the measurement framework set out in the 1988 Accord; (b) supervisory review of an institution's capital adequacy and internal assessment process; and (c) market discipline through effective disclosure to encourage safe and sound banking practices. The Committee hopes to complete the New Accord by the fourth quarter of 2003, with implementation to take effect in member countries by the end of 2006.

Osaka Action Agenda

The Osaka Action Agenda is the template for achieving the Bogor goal of free and open trade and investment. It has three pillars, namely: (a) trade and investment liberalization; (b) trade

and investment facilitation; and (c) economic and technical cooperation. APEC economies are guided by a set of fundamental principles in the pursuit of liberalization and facilitation: comprehensiveness; WTO-consistency; comparability; non-discrimination; transparency; standstill; simultaneous start, continuous process, and differentiated timetables; flexibility; cooperation; and relevance, progressiveness and effectiveness. The principles of mutual respect and equality, mutual benefit and assistance, constructive and genuine partnership and consensus building govern the conduct of economic and technical cooperation.

Trade and investment liberalization and facilitation, to be pursued through individual and collective actions as well as actions related to multilateral fora, include the following issue areas: tariffs; non-tariff measures; services; investment; standards and conformance; customs procedures; intellectual property rights; competition policy; government procurement; deregulation/regulatory review and reform; implementation of WTO obligations (including rules of origin); dispute mediation; mobility of business people; information gathering and analysis; and strengthening economic legal infrastructure.

Specific areas covered under economic and technical cooperation include: agricultural technical cooperation; energy; fisheries; human resources development; industrial science and technology; infrastructure; marine resource conservation; small and medium enterprises; telecommunications and information; tourism; trade promotion; and transportation.

Pathfinder Approach

The pathfinder approach is a mechanism designed to enable economies that are ready to implement a particular cooperative arrangement to do so as long as it is in the general direction approved by all APEC member economies and/or is consistent with what APEC wants to achieve.

Shanghai Accord

The Shanghai Accord is a visionary document that spells out APEC's agenda for 2002 and beyond. It broadens the APEC vision, clarifies the roadmap to Bogor, and strengthens implementation mechanisms within APEC. Key elements include, among others: broadening the Osaka Action Agenda to reflect fundamental changes in the global economy (e.g., through implementation of the e-APEC Strategy and strengthening the functioning of markets); adopting the pathfinder approach in advancing some APEC initiatives; promoting the adoption of appropriate policies for the New Economy; follow up on the Trade Facilitation Principles (i.e., reduce transactions cost by 5% by 2006); adoption of transparency principles; and strengthening the IAP Peer Review Process.

Secure Trade in the APEC Region

The Secure Trade in the APEC Region (STAR) Initiative comprises a set of specific actions and explicit deadlines for implementation, aimed at making the flow of goods and people more

secure and efficient through measures to protect cargo, ships engaged in international voyages, international aviation and people in transit.

Statement on Transparency Standards

The Statement on Transparency Standards calls for the implementation of general transparency principles laid out in the document including, among others, the publication or otherwise making available laws, regulations, and progressively, procedures and administrative rulings of general application in respect of matters under Section C of the Osaka Action Agenda in such a manner as to enable interested persons and other economies to become acquainted with them. It also calls for the implementation of specific transparency provisions contained in various APEC documents (e.g., Non-Binding Principles on Government Procurement, APEC Principles to Enhance Competition and Regulatory Reform, and APEC Principles on Trade Facilitation). These transparency standards are to be implemented as soon as possible, and in no case later than January 2005.

Trade Facilitation

Trade facilitation generally refers to the simplification, harmonization, use of technology and other measures to address procedural and administrative impediments to trade.

WIPO Digital Treaties

The World Intellectual Property Organization (WIPO) Digital Treaties pertain to the WIPO Performances and Phonograms Treaty (WPPT) and the WIPO Copyright Treaty (WCT). WPPT is an international treaty negotiated in 1996 to protect the rights of singers, musicians, actors and other performers on the Internet. It entered into force on 20 May 2002. WCT, which protects authors' rights on the Internet, entered into force on 6 March 2002.

Wolfsberg Principles

The Wolfsberg Principles relate to the global anti-money laundering guidelines for international private banks formulated by the Wolfsberg Group, Transparency International and international experts Stanley Morris and Prof. Mark Pieth. The Wolfsberg Group consists of the following major international private banks: ABN AMRO Bank N.V.; Bank of Tokyo-Mitsubishi Ltd.; Barclays Bank; Citigroup; Credit Suisse Group; Deutsche Bank AG; Goldman Sachs; HSBC; J.P. Morgan Private Bank; Santander Central Hispano; Societe Generale; and UBS AG.

APEC Member Economies

Australia

Brunei Darussalam

Chile

Canada

China

Hong Kong, China

Indonesia

Japan

Korea

Malaysia

Mexico

New Zealand

Papua New Guinea

Peru

Philippines

Russian Federation

Singapore

Chinese Taipei

Thailand

United States

Vietnam

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