

# **ABAC 2001 - Report to APEC Economic Leaders**

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## **COMMON DEVELOPMENT THROUGH MARKET OPENING, CAPACITY BUILDING AND FULL PARTICIPATION**

### **Executive Summary**

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

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

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

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

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

## Letter to His Excellency President Jiang Zemin

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

**Dear Mr. President:**

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

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

## **Key Messages to Leaders**

Against this background, ABAC believes that the Asia Pacific Region is at a critical juncture. From this perspective, ABAC wishes to present the following four key messages to Leaders:

- **APEC economies must accelerate progress towards trade and investment liberalization as stated in the Bogor Goals. We encourage Leaders to instill the necessary sense of urgency and commitment to fully liberalize trade and investment in accordance with the Bogor Goals and we respectfully urge Leaders to instruct Ministers and Officials to achieve these.**
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- **A balanced approach to globalization that combines market opening, capacity-building and full participation is essential because these three elements reinforce one another. Should any of the three be neglected, the globalization process would lose balance and the goal of common development could not be realized. Therefore, all three elements should develop hand-in-hand as an integral part of the APEC process.**

To support these messages, ABAC believes that it is imperative for APEC economies to further generate public awareness and take results-oriented policy measures for sustained economic growth and shared prosperity.

## **Achieving the Goals of Liberalization**

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

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

In recent years, APEC economies have made efforts in enhancing transparency of trade policies, establishing dispute resolution mechanisms, simplifying and harmonizing customs procedures,

reducing technical barriers to trade, and facilitating business travel. We applaud these efforts but many impediments to trade and investment have yet to be removed. More measures should be adopted to enhance economic growth and prosperity among APEC economies.

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

## **Important Role of Capacity Building**

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

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

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

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

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

## **Full Participation by Business and the Community**

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

Full participation must mean that the interests and concerns of economies, both developed and developing; of business, both large and small; and of stakeholders, including government, business

and individuals, need to be better addressed in the decision-making process of multilateral and regional economic organizations.

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

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

## **Recommendation to Leaders**

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

### **Finance**

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

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

### **Accelerate Banking and Capital System Market Reforms**

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

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

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

#### **From ABAC's 2000 Report to Leaders**

##### **Financial Stability Forum's Categories of Standards**

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

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

#### **Broaden and Deepen Financial Systems**

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

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

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

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

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

### **Further Liberalize Investment and Trade in Financial Services**

Constraints on cross-border investment and trade in financial services create a major impediment to economic growth. Inadequate financial reporting, as well as highly divergent accounting and credit rating practices also present obstacles to better investor information and cross-border investment. Similarly, unstable and underdeveloped capital markets constrain economic opportunity and limit the benefits that should occur from trade and investment liberalization.

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

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

### **Promote Further Reforms to International and Regional Financial Architecture**

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

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

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

## **Trade and Investment**

### **Support the New WTO Round**

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

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

### **Encourage Private-Public Partnerships in Trade Facilitation and Capacity Building**

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

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

### **Align Standards and Conformance**

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

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

<sup>1</sup> Annex A

## Implement the APEC Food System

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

### Action Items for the APEC Food System

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

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

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

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

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

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

## **Expand the APEC Business Travel Card Program**

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

## **Support Further Air Services Liberalization**

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

## **Action Plan Monitoring**

### **Strengthen the IAP Process**

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

### **Improve the e-IAP Website**

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

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

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

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

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

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

### **Tackle Impediments to Trade and Investment in Two Priority Areas**

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

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

### **Strengthen the Enforcement of Intellectual Property Rights**

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

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

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

<sup>2</sup> Annex B

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

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

### **Remove Impediments to Foreign Direct Investment**

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

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

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

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

### **Technology**

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

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

A key priority is for each economy to use information technology effectively to develop quickly and efficiently the skills required to meet today's competitive challenges. Concerns about a digital divide have triggered many multilateral and regional initiatives to address it. ABAC has benefitted from the

work of the Asia Pacific e-Learning Alliance, a consortium of companies collaborating on a project to examine the policies and practices that enable APEC economies to maximize education resources and reduce the digital divide.

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

### **Expand e-Government by Putting More Information and Services Online**

Government leadership in using technology by putting more government information and services online benefits governments by reducing costs and assists SMEs by creating opportunities through facilitating access to government procurement. Drawing on their cooperation agreement, ABAC and the Global Business Dialogue on Electronic Commerce (GBDe) are cooperating to advance e-government. Actions economies can take to enable progress include articulating a vision and implementation plan for a comprehensive framework for e-government initiatives, developing one-stop and seamless services to reduce duplication, instituting required legal and institutional changes to maximize benefits, and developing appropriate methods for dispute resolution.

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

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

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

8. Committing to an open regime for services delivered over the Internet to ensure continued open success to the broader digital economy.
9. Providing intellectual property protection for digital content.

### **Remove Inhibitors to e-Commerce Readiness**

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

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

ABAC supports APEC efforts to develop trade policies in line with the Action Agenda for the New Economy agreed by Leaders in November 2000. Such policies should provide the least trade restrictive, non-discriminatory treatment for e-commerce, including the application of WTO provisions such as the Information Technology Agreement and progress toward these goals should be reflected in economies' IAPs. Policies should facilitate coherent regulatory regimes on e-commerce, including digital signatures, secure transactions, information security, and penalties for unauthorized access to information and interference with computer networks. Liberalization of the broad range of services that form the infrastructure that enables the new economy could include advertising, distribution services (including distribution of digital content), computer and related services, basic and value added telecommunications, express delivery, and financial services critical to online payments. Facilitating trade and reducing or eliminating tariffs and non-tariff measures for high-tech goods lower the cost of the inputs needed to build networks and the devices required to access the networks used for e-commerce. Economies should also implement fair and effective intellectual property rights protection through adherence to and enforcement of WTO Trade-Related Aspects of Intellectual Property Rights (TRIPs) commitments and ratification/implementation of World Intellectual Property Organization (WIPO) Conventions on Copyright and Performances and Phonograms in a manner which takes into account the interests of the affected parties and adopt measures to ensure that government agencies use only legitimately licensed software.

### **Develop a Science-Based Approach to Biotechnology**

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

this year of a network of food technology “domestic champions” in eleven economies to identify and disseminate new technologies. It recommends that more economies join this network.

## **Small and Medium Enterprises (SMEs)**

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

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

### **Promote One-Window Access to SME Programs and Services**

ABAC encourages APEC to take steps to provide one-window access to the programs and services available to small companies through the development of an APEC SME Portal. An APEC SME Portal could provide information in each APEC economy on sources of financing skills training, management tools, e-business diagnostics, information on market opportunities, and other services specifically designed to small businesses. One-window access would not only assist SMEs, but would also facilitate the sharing of best practice information amongst APEC governments in the structure and delivery of SME programs and services.

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

### **Promote Access to Technological Innovation**

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

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

## **Promote Access to Financing for SMEs**

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

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

## **Adopt Policies that are “Small Business-Friendly”**

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

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

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

## **Conclusion**

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

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**APEC BUSINESS ADVISORY COUNCIL  
Program of Work, 2001**

**Founding and Structure of ABAC**

The APEC Business Advisory Council, created in November 1995 by the Economic Leaders, is mandated to provide advice on the implementation of the Osaka Action Agenda and other specific business sector proposals, and to respond to various APEC for a requesting information about business-related issues or to provide a business perspective on specific areas of cooperation.

Leaders of each economy appoint up to three members from the private sector who represent the 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 ABAC International Secretariat based in Manila, Philippines since the creation of the Council serves all members and all economies and maintains a website. Funding is provided through dues which are structured to reflect the size of each economy following the APEC formula.

**Work Program in 2001**

In 2001, China assumed the chairmanship of the Council with Brunei Darussalam and Mexico serving as co-chairs following the APEC order. Co-chairs represent the immediate past chair and the incoming chair, respectively.

In Brunei Darussalam in November 2000, ABAC China outlined its priorities for the year under the theme “Common Development through Market Opening, Capacity Building and Full Participation.” The approved program of work was organized into five working groups: Finance Task Force, Trade and Investment Task Force, Technology Task Force, Action Plan Monitoring Committee and the SME Caucus.

Four Council meetings were held in 2001: Scottsdale, Arizona (February); Moscow, Russia (May); Singapore (August) and Shanghai, China (October). Over the course of the year, the Chair, Co-Chair and Members of the Council interacted with various APEC fora and meetings: Senior Officials

Meeting I (Beijing), SOM II (Shenzhen) and SOM III (Dalian). Trade Ministers Meeting (Shanghai), SME Ministers Meeting (Shanghai), and Finance Ministers Meeting (Suzhou). Members of the Council were also involved in the APEC High Level Meeting on Human Capacity Building (Beijing), a conference jointly chaired by China and Brunei Darussalam, and the APEC Young Leaders and Entrepreneurs Forum (Shanghai), a forum jointly sponsored by China and Canada.

## **Studies and Related Work**

In support of its deliberations, the Council undertook or commissioned research and studied various position papers prepared by different member-economies. These and other research studies and papers can be accessed from the ABAC website ([www.abaconline.org](http://www.abaconline.org)).

- APEC Food System Action Plan
- APEC Proposal on Trade Policies for the New Economy
- International Financial Architecture and Crisis Prevention
- Financial System Reforms: A Survey of Financial Sector Industry Associations in APEC Economies (Banking, Life Insurance and Securities)
- Joint ABAC/PECC Financial Markets Development Study of Second Board Markets
- Promoting Best Practices for Credit Rating Agencies in the APEC Region
- Joint ABAC/PECC Study on Impediments to Foreign Direct Investment

In addition, the Council benefitted from work undertaken by other organizations: Asia Pacific e-Learning Alliance, Pacific Economic Cooperation Council (Towards Corporate Governance Reforms), Global Business Dialogue on e-Commerce (GBDe Digital Bridges Effort; GBDe Government On-line). Specific documents may be accessed through these organizations' websites.

## **Future Work**

ABAC continues to be committed to providing advise to APEC Leaders as the only mandated private organization that dialogues with them at the annual APEC Meeting. The final report to Leaders reflects the priorities of the Council and the recommendations in pursuit of a business environment focused on the APEC priorities of trade and investment liberalization and facilitation, and capacity-building. Over the years, a number of continuing concerns have dominated the agenda and will continue to do so from the perspective of working towards long-term stability, growth and participation in the APEC region. Among these areas have been finance (from crisis to architecture to systems), small and medium enterprises, and technology. Capacity-building has been recognized by the Council as an important foundation of each economy with emphasis on creating capacities among local institutions to operate in the world that places increasing pressure on world-class systems and global standards.

## **Glossary of Terms**

### *Bogor Goals*

The Bogor Goals revolve around the commitment to achieve free and open trade and investment in the Asia-Pacific no later than the year 2020 for developing economies and 2010 for developed economies. The pace of implementation takes into account the differing levels of economic development among APEC economies.

### *Capacity Building*

Capacity Building is derived from the original goal of economic and technical cooperation in which institutional, individual and system capacities are enhanced and/or developed in order for economies and organizations within economies to better participate in growth from a position of relative competitiveness. The APEC framework for economic cooperation and development highlights six priority areas: human capital, safe and efficient capital markets, economic infrastructure, technologies of the future, environmentally sustainable development, and growth of small and medium enterprises.

### *Individual Action Plans*

Individual Action Plans (IAP) contain the trade and investment liberalization and facilitation measures to be carried out over the immediate, medium and longer term in fifteen specific areas and issues. In developing these plans, member economies adhere to principles of comprehensiveness, WTO-consistency, comparability, non-discrimination, transparency, standstill, simultaneous start, continuous process and differentiated timetables, flexibility and cooperation. IAPs are voluntary submissions by member-economies. (Manila Action Plan for APEC)

### *Osaka Action Agenda*

The Osaka Action Agenda (OAA) followed the declaration of Bogor Goals by outlining the specific areas to be covered by the APEC process. The OAA is formed around the components of (a) trade and investment liberalization, (b) trade and investment facilitation, and (c) economic and technical cooperation. The specific areas covered include: Human Resources Development, Industrial Science and Technology, Small and Medium Enterprises, Energy, Transportation, Telecommunication and Information, Tourism, Trade and Investment Data, Trade Promotion, Marine Resource Conservation, Fisheries, and Agricultural Technology.

## Shanghai Model Port Project

China Customs, together with US Customs and a coalition of private sector companies with significant business interests in the APEC economies, formed a public-private partnership in 1999 with the goal of making Shanghai a model modern customs entry point by the time of the 2001 APEC Leaders meeting in Shanghai. China Customs, US Customs and the US National Center for APEC signed a letter of intent to conduct the project. American President Lines, Applied Materials, Compaq, DHL, FedEx, Ford, General Electric, General Motors, Hewlett-Packard, JBC International, Mattel, Microsoft, Oracle, Procter and Gamble, TNT and UPS are the participating private companies.

China Customs declared that the overall objective of the Project is to shift its entire mode of operations from the current system of enforcement based on supervision, control and inspection to a new approach based on forming relationships of trust with the companies which are its main clients. The project fulfils a desire on the part of the customs agencies and private sector companies to convincingly demonstrate the value of improved customs practices in the APEC region. Implementation of this program will also allow China to achieve early completion of the twelve action items in the APEC Customs Collective Action Plan.

The program has three main components:

- Training on advanced customs procedures, provided by US Customs both in China and the United States. The training component has created a core cadre of officers with advanced training within Shanghai Customs who will provide models and share the benefits of their training throughout China Customs. The training was funded by the private sector members of the Project and through a grant from the US government's Trade and Development Agency.
- A major upgrade of Shanghai Customs information technology, funded entirely by China Customs. This effort required the majority of the financial resources devoted to the Project. In addition to upgrading its current system, the hardware/software provided as part of the SMPP will allow China Customs to implement seven new applications designed to automate various customs processes and implement China's WTO obligations.
- A new express package facility at Shanghai's Pudong Airport, paid for by China, which became operational in July 2001. China Customs has significantly upgraded its express package clearance procedures and shippers enjoy one of the world's most advanced operating environments.

## E-Commerce Individual Action Plan

**Objective:** Use the six categories of the APEC E-Commerce Readiness Guide to ensure capability to fully participate in the digital economy.

**Guideline:** Each economy will carry out actions in the following six areas:

**Basic Infrastructure and Technology:** Establish an open and competitive telecommunications service market and an open market for information technology and telecommunications products.

- Eliminate barriers to market entry.
- Establish a regulatory authority for telecommunications that is independent of any market participants and will ensure competition.
- Establish fair and equitable interconnection rules aligned to the APEC interconnection agreement.
- Ensure equal regulatory treatment.
- Remove subsidies to market participants.
- Eliminate foreign investment restrictions in telecommunications infrastructure and related services.
- Eliminate tariffs on information technology and telecommunications products.

**Access to Necessary Services:** Electronic commerce requires a number of support services such as access to basic infrastructure, content hosting and publishing, efficient transport, express delivery services, efficient customs, and capable banking and payment systems.

- Facilitate the creation of Internet Service and content providers (ISPs and ICPs) by removing unnecessary burdens such as licensing requirements.
- Ensure the ISP market is subject to general competition rules.
- Ensure that ISPs have competitive terms and access as ISPs run by incumbent telecommunication operators, and in an unbundled manner.
- Ensure that customers have the freedom to choose their ISP, service package and pricing policy.
- Minimize content restrictions and promote self-regulatory and user-empowering solutions for the control of harmful content.
- Liberalize express delivery and airfreight markets.
- Encourage customs pre-clearance, as well as twenty-four hour, paperless operations.
- Create legislation for banking and payment systems that provides for credit card usage and international electronic settlements.

**E-Government:** Success in generating E-Commerce readiness will allow governments to generate e-government.

- Develop and implement an e-government strategy to provide government information, services and transactions online, including e-procurement from SMEs.

- Use e-business technologies to transform and streamline government.

**Promotion and Facilitation Activities:** Both the public and businesses need to be informed of the benefits of electronic commerce and how to use it.

- Disseminate to businesses, especially SMEs, best practices in the use of the Internet in the improvement of their businesses.
- Provide education to the public with regard to use of the Internet, the availability of self-regulatory options, screening and filtering technologies, and dispute resolution mechanisms.
- Foster interoperability between networks and services by adopting open, international, market-driven standards.

**Skills and Human Resources:** Developing high quality skills at all levels of education – schools, job training and adult education – will be important to maximize participation in e-commerce.

- Ensure all schools have Internet access and the use of information technology (IT) is integrated into the curriculum.
- Integrate the Internet and information technology into subjects in the normal curriculum.
- Develop close relationships between educational institutions and business in developing IT curriculum.
- Design worker retraining programs to integrate it.
- Facilitate worker mobility by mutual recognition of diplomas and certificates.
- Remove barriers to the provision of services across borders.

**Positioning for the Digital Economy:** A transparent and predictable regulatory framework will be essential to give users, consumers and businesses alike the confidence to use electronic commerce.

- Participate in and support the work of APEC, WIPO, OECD and UNCITRAL.
- Ensure tax regimes are transparent and simple, do not discriminate against e-commerce, and complement global rules.
- Support making the WTO custom duty moratorium on e-transmissions permanent and binding.
- Provide a legal framework for electronic signatures that has the same legal effect as handwritten signatures and seals; apply existing laws to deter fraud and misconduct.
- Eliminate legal restrictions on the use of and trade in encryption products and services; permit law enforcement authorities to access plain text only with the consent of the key owner or by court order.
- Ensure strong copyright protection for works made available over digital networks, while promoting the lawful use of such works by consumers; enforcement of WIPO treaties and WIPO TRIPS standards.
- Address liability issues by striking a careful balance between the legitimate business interests of different stakeholders, including content providers, service providers and end-users; refrain from imposing on service providers a general requirement that they monitor the information they transmit or store.

- Protect freedom of expression in the online environment to the same extent that it is protected in the offline environment to the same extent that it is protected in the offline environment. Allow content-related issues to be addressed through self-regulation and market-based solutions.
- Do not use market access barriers to electronic commerce to protect or promote national cultural heritage or identity issues.
- Cooperate with business to develop self-regulatory mechanisms for data protection that are internationally recognized and provide for both business and consumer confidence. Create transparency in the market for independent agencies or companies that make evaluations of products and services.
- Make alternative dispute resolution and/or mediation mechanisms available for resolving complaints.
- Promote freedom of contract to enable businesses and consumers to agree on terms that are mutually acceptable to them.