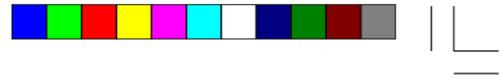
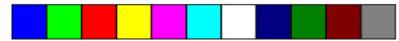




Main Report







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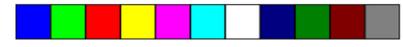
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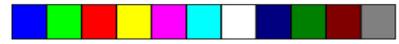




Annexes

- A Checklist on Financial Services Liberalization: Goals and Best Practices
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- C Barriers and Impediments to Foreign Direct Investment (FDI): Checklist and Recommended Policy Response
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I. Introduction

The world economy enjoyed one of its strongest years of growth last year. This robust growth is expected to continue this year - albeit at a more moderate and sustainable pace - underpinned by accommodative macroeconomic policies, improving balance sheets, supportive financial market conditions and a gradual rise in employment. There are, however, risks to this outlook which include: (1) the increasingly unbalanced nature of the expansion; (2) a significant tightening of financial market conditions which are leading to a rise in interest rates; and (3) a further sharp increase in oil prices. Major imbalances are beginning to impact on market perceptions. Spreads on riskier lending are increasing. ABAC senses that an underlying cause is concern that a global cooperative approach to dealing with major imbalances is lacking. The international economic framework is under-performing.

These risks and challenges notwithstanding, ABAC believes that current world economic conditions present APEC economies with an opportunity to undertake reforms needed to bolster medium-term economic growth prospects. In particular, ABAC believes that the successful conclusion of the WTO Doha Development Agenda (DDA), including improved market access for developing economies, will be critical to global growth.

Against this background, ABAC adopted the theme "Networking Asia-Pacific: A Pathway to Common Prosperity" which addresses the following key issues:

- Ensuring successful conclusion of the WTO Doha Development Agenda negotiations
- Keeping APEC on track to achieve the Bogor Goals
- Building a harmonious relationship between the private sector and government in the new international security environment
- Creating an environment conducive for business
- Achieving an Asia-Pacific community through cooperation and capacity building

The ABAC Report to APEC Economic Leaders addresses each of these issues and puts forward recommendations in priority areas of concern.

II. Ensuring Successful Conclusion of the WTO Doha Development Agenda Negotiations

ABAC strongly supports rule-based multilateral trade liberalization under the auspices of the WTO. ABAC agrees with APEC Ministers Responsible for Trade that "an ambitious and balanced outcome of the DDA is of major importance for the achievement of the Bogor Goals and will serve as a powerful engine for economic growth and as a means to improve the welfare of millions of our citizens". The WTO Doha Development Agenda negotiations have remained at the forefront of ABAC's concerns for the past several years. Most recently, ABAC has submitted through the Meeting of APEC Ministers Responsible for Trade (MRT) in Jeju, Korea in June 2005, specific recommendations on DDA issues, including a checklist on financial services liberalization and on investment impediments that could be used as benchmarks or "best practice" standards to aim for in the WTO.

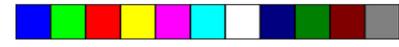
ABAC believes that the Sixth WTO Ministerial Conference to be held in Hong Kong, China in December 2005 is crucial to establishing a solid basis for the successful conclusion of the DDA negotiations in 2006 and in building confidence in the multilateral trading system. ABAC likewise believes that APEC economies have an opportunity in the lead up to the Hong Kong Ministerial to find ways to provide momentum for the core negotiating areas and that APEC Leaders must provide a final push to the negotiations prior to Hong Kong.

ABAC asks Leaders to instruct Ministers and officials to exercise flexibility and demonstrate the necessary political will to agree on all modalities by the Hong Kong Ministerial, taking into account the ABAC recommendations outlined below.

A. Agriculture

ABAC reaffirms its position that an ambitious outcome on agriculture must be a fundamental part of a successful Doha Round of negotiations. ABAC notes that since negotiations restarted in October 2004 following the "framework" accord reached in July last year, there has been much constructive dialogue and agreement on several key objectives such as:





- The total elimination of all forms of export subsidies by a credible end date;
- Economies having higher levels of domestic support will make greater reductions; and
- All economies other than the least developed will contribute to improved market access.

ABAC applauds the advances made in the past year, but is concerned that there remains a huge volume of technical work to be done in agriculture. Delay in moving forward on agricultural issues has serious potential to be a drag on progress on other DDA subjects; this would impact negatively on the outlook for the Sixth WTO Ministerial Conference.

Recommendations

ABAC notes that agreement on the methodology for converting non-ad valorem tariffs to ad valorem equivalents (AVEs) had already been reached. ABAC recommends to APEC Leaders that a heightened sense of urgency is given to substantially liberalizing trade in agricultural products and resolving outstanding differences in the three agricultural 'pillars' as follows:

Market Access

- A substantial reduction in all tariffs
- A maximum tariff cap of 50%
- Agreement on a harmonizing formula to achieve a tiered approach to tariff reductions
- The scope and treatment of 'sensitive' and 'special' products
- The formula for application of 'special and differential treatment' to developing economies, including the concepts of 'proportionality', 'special products' and 'special safeguards'
- A significant increase in minimum access obligations

Domestic Support

- Levels of reduction in all trade-distorting domestic support
- Coverage and levels of payment to apply to the 'blue' and 'amber' boxes
- The percentage level to apply to *de minimis* support

Export Competition

- Complete elimination of export subsidies within five years

- Treatment of other forms of export competition-export credits, food aid, State Trading Enterprises (STEs)

B. Non-Agricultural Market Access

ABAC commends the valuable contributions made by the APEC Ministers Responsible for Trade through their Statement on the Doha Development Agenda Negotiations in Jeju, Korea in early June, which has had a positive and immediate impact on the WTO negotiations, notably their endorsement of a Swiss formula for non-agricultural market access (NAMA) negotiations.

Recommendations

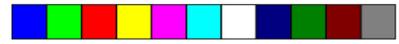
ABAC urges member economies to develop specific modalities for the negotiations concerning market access for non-agricultural products. ABAC also urges member economies to agree to the following as soon as possible:

- Apply an ambitious formula approach to eliminate or substantially reduce tariffs for all products with no *a priori* exclusions by specified dates;
- Utilize other supplemental approaches, including sectoral agreements in areas such as environmental products, information technology products, and chemicals, where they would contribute to further liberalization;
- Eliminate tariffs on information technology products and widen the coverage of the ITA;
- Substantially reduce tariff peaks, high tariffs, and tariff escalation;
- Eliminate or substantially reduce non-tariff barriers; and,
- Recognize special needs and interests of developing economies and apply the "less than full reciprocity" principle.

C. Trade in Services

ABAC is concerned over the slow progress of the services negotiations. A weak services sector hurts the competitiveness of other industries as a whole and the regional economy. Enhancing the competitiveness of service industries through progressive liberalization is a key element of development. Liberalization of key service





sectors, such as transportation, distribution, telecommunication, and computer services that supports manufacturing is indispensable for economic development. ABAC believes that significant progress is achievable in this important area of the negotiations. ABAC however notes that, while the number of WTO Members that have submitted initial and revised offers has increased, the quality of these offers generally remains very poor. ABAC urges all WTO Members to provide meaningful new liberalization in their services offers.

ABAC encourages member economies to give particular attention to the benefits from services negotiations for SMEs, which are actively involved in services trade. ABAC notes that advances in information and communications technology have enabled SMEs to play a more active role in services trade. ABAC requests member economies to take steps to enhance the environment for services SMEs through the GATS request-offer process.

Recommendations

ABAC urges APEC economies to commit to higher levels of liberalization on the broadest possible range of sectors and across all modes of services supply. In particular, it urges APEC to:

- Improve and expand “mode 1” commitments, and make permanent the current moratorium of not imposing customs duties on electronic transmissions;
- Improve and expand “mode 3” commitments by enhancing transparency and mitigating the risks involved in FDI in order to facilitate cross-border investment by SMEs;
- Improve and expand “mode 4” commitments concerning business visitors, contract service suppliers, and independent professionals;
- Promote regulatory transparency within economy schedules, by clearly making commitments that reflect the current regulatory situation, listing market access and national treatment restrictions where applicable, as a first step; and,
- Eliminate regulatory measures that unnecessarily constrain the access of service sector SMEs to international markets.

Financial Services

Much greater effort is needed to promote the comprehensive liberalization of financial services in the Round. Liberalization underpins and facilitates strong economic activity, investment and employment growth, creates greater choice for savers and investors and rewards entrepreneurship. APEC economies should make high quality offers in the WTO Doha Round that go beyond binding current practice to provide for meaningful new financial services liberalization to promote economic growth. Attached are checklists reflecting business aspirations and best practices which would help ensure effective and balanced financial services liberalization (Annex A). They are designed as a tool for economies to use in evaluating their own offers and those of others.

Where developing economies need to pursue step-by-step liberalization, transitional policies should include improving and strengthening institutional capacities in developing economies and market opening and liberalization in developed economies. Transitional policies should be transparent, publicly available, and an integral to the process.

Recommendations

- Agree to pursue robust financial services liberalization in the WTO Doha Round as a means of stimulating and sustaining economic growth and performance;
- Give priority to public/private sector capacity building initiatives aimed at strengthening institutional capacities in developing economies; and
- Adopt best practices in ABAC’s checklist for the WTO Doha negotiations and use the checklist as a central reference by APEC economies in assessing the quality of offers.

D. Trade Facilitation

ABAC is pleased that trade facilitation negotiations in the WTO have begun favorably and that APEC has paved the way for greater work on this issue within the WTO. ABAC also applauds the agreement by APEC Ministers Responsible for Trade to develop possible model measures on trade facilitation for Regional Trading Arrangements (RTAs) and Free Trade Agreements (FTAs) for endorsement by APEC Leaders in November.





While this progress is encouraging, more work is needed. The negotiation of trade facilitation disciplines in the Doha Development Agenda is crucial for businesses. APEC economies must ensure that negotiations on trade facilitation in the WTO Doha Round develop concrete rules to improve the efficiency of international commercial transactions. Comprehensive rules on trade facilitation will bring industry and business added certainty and transparency, and better information on import and export regulations, including customs procedures.

Despite the obvious benefits, prospects for achieving meaningful trade facilitation rules in the Doha Round are uncertain. Failure to agree on trade facilitation would be a setback for business, as the inefficiencies permitted by current rules would continue to hinder global trade.

Recommendations

- Advance trade facilitation in multilateral negotiations, in particular the Doha Round of WTO negotiations where the trade facilitation agenda has met resistance;
- Develop the substance of trade facilitation rules that would reduce impediments to cross-border transactions; and
- Create support for trade facilitation within a diverse range of economies through their private industries, build on the existing efforts of other organizations dedicated to trade facilitation, and coordinate with these organizations.

E. Rules

ABAC supports the Doha Declaration's negotiating mandate to clarify and improve disciplines under the WTO Agreements on Anti-dumping and Subsidies and Countervailing Measures, including fisheries, while preserving the basic concepts, principles and effectiveness of the agreements and their instruments and objectives.

Recommendations

ABAC urges APEC economies to push for progress in the negotiations on these areas. In particular, it urges APEC economies to support revisions to clarify and improve rules: (1) to prevent abusive and excessive use of anti-dumping and countervailing measures; (2) to avoid excessive

burdens on respondents; and (3) to enhance the transparency, the predictability, and fairness of the system in the WTO Doha Round.

F. Other Issues

ABAC believes that investment, competition and government procurement are inseparably linked to trade, and that rules in these areas are necessary for the WTO to keep pace with commercial realities. Clearly, the Doha Development Agenda remains a priority and, to the extent possible, ABAC will work towards a successful conclusion of those negotiations.

Recommendations

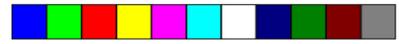
- Explore other ways to make progress in the so-called "Singapore Issues" in the WTO work program; and
- Review APEC's contribution to progress on these issues, which are critical to the region's business community.

III. Keeping APEC on Track to Achieve the Bogor Goals

A. Response to the Santiago Initiative

In their 2004 Santiago Initiative for Expanded Trade, APEC Leaders invited ABAC to provide its views on emerging trade facilitation issues as well as the benefits and challenges that arise for business from the increasing number of RTAs/FTAs in the region and ways that these can be addressed.

This year, ABAC provided APEC with its views on an ambitious trade facilitation agenda for the region, based on a set of specific commitments for customs administrations and trade officials. This agenda featured provisions related to transparency, release of goods, automation, risk management, confidentiality, express shipments, review and appeal, penalties and advance rulings. Based on this input, APEC Ministers Responsible for Trade agreed to develop possible model provisions on trade facilitation for RTAs and FTAs for endorsement by APEC Leaders this year. As a next step in the development of model provisions related to RTAs/FTAs, ABAC suggests that APEC seek to develop a common "best practice" approach to preferential rules of origin in their bilateral preferential trading arrangements (PTAs).



While welcoming the opening of markets resulting from RTAs/FTAs, ABAC is concerned that the proliferation of many separate agreements with different terms and rules could result in trade diversion and increased costs and complexity of doing business in the region. APEC member economies need to take early steps to consolidate the opening of markets arising from RTAs/FTAs – encouraging the formation of progressively larger preferential groupings – contributing to regional liberalization.

If the WTO fails to achieve a successful conclusion to the DDA next year, the focus of trade liberalization will turn in earnest to the negotiation of RTAs/FTAs. This underscores the need to ensure that these preferential agreements are WTO-consistent and have sufficient common elements to permit their possible future expansion and amalgamation. It also points to the necessity of APEC having a “Plan B” to ensure that trade and investment liberalization continues on an APEC-wide basis.

Last year, ABAC presented Leaders with two proposals related to reinvigorating APEC’s trade and investment liberalization and facilitation agenda. First, ABAC called for the launch of a Trans-Pacific Business Agenda which seeks to prioritize APEC’s efforts in the area of trade and investment facilitation through a more structured and concerted approach in these areas (see box

for further details). Second, ABAC called upon APEC Leaders to undertake a feasibility study on a Free Trade Area of the Asia-Pacific.

Recommendations

ABAC reiterates its recommendations to Leaders from last year:

- Launch the Trans-Pacific Business Agenda as a more structured and concerted approach to trade and investment facilitation within APEC;
- Establish a high level task force to examine the feasibility of a Free Trade Area of the Asia-Pacific; and
- Develop a more comprehensive work plan on bilateral and regional free trade agreements, focusing on developing model measures for a wide range of FTA chapters to encourage free and open trade and convergence across the region in the design and content of these agreements.

B. Contributing to the Reform and Development of APEC

As part of its contribution to the mid-term review of APEC’s progress towards the Bogor Goals, ABAC undertook an assessment of APEC’s



The Trans-Pacific Business Agenda (“TPBA”)

The TPBA is a proposed APEC umbrella program for accelerating trade and investment facilitation and “behind the border” reform in the region.

It would consist of an ambitious APEC **agenda** of high priority, trade and investment facilitation and “behind the border” initiatives, and a new APEC **process** for implementing them more quickly and with more certainty.

The **agenda of initiatives** would be chosen by APEC and updated from time to time. They would be priority initiatives in areas shaping the business operating environment, for example, customs processing, standards and conformance, IPR, recognition of professional qualifications, business mobility, investment, business regulation.

The new APEC **process** for achieving these goals would group diverse projects under a **high profile, single umbrella name**, to create *more momentum for reform*. It is a **more concerted action program**, with well-defined goals and timetables, stronger mechanisms to encourage economies to meet these requirements, adequate management resources and better funding.

The TPBA pursues ABAC’s vision of a business environment where goods, services, investments, business people and capital **move freely**, and firms **operate** anywhere in the region as if in their home economy.

It aims to meet business expectations for *faster reform*, through sharper prioritization and more concerted implementation. The TPBA would make aspirational goals in APEC more *achievable*, by pursuing them with greater clarity of purpose.





achievements in the areas of trade and investment liberalization and facilitation and economic and technical cooperation. The review took into account recent developments and challenges which, ABAC believes, have either drastically changed the environment in which business operates or threaten the stability of the region's economy and therefore call for a coordinated response. These include: rapid global economic integration; the dominant role of information technology; other emerging technologies; the increasing complexity of multilateral trade negotiations; the proliferation of bilateral free trade agreements; the rise in terrorism; and the challenges posed by the financial crisis, creeping protectionism, the sharp rises in oil prices, natural disasters, changing demographics, and new disease epidemics. Further progress toward liberalizing trade and investment regimes and knocking down barriers at the borders is increasingly shifting attention to behind the border measures including those to address regulatory obstacles, transparency and corruption concerns and market conditions.

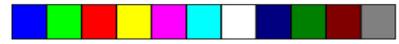
Despite these challenges, ABAC believes that the Bogor Goals remain relevant and strongly recommends that Leaders reaffirm the Bogor Goals of 'free and open trade and investment by 2010 for developed economies, and 2020 for developing economies'. ABAC interprets this to mean 'free and open trade and investment among APEC economies'. However ABAC has already advised in its Report to Leaders in 2004, that it did not believe that developed economies would reach the target of 'free and open trade and investment by 2010', unless a number of initiatives are taken by APEC.

In presenting its contribution to the mid-term review of APEC's progress, ABAC focused on what APEC must do to deliver on its Vision of "Free and Open Trade in the Asia Pacific". A copy of the paper "ABAC Contribution to the Mid-Term Review of APEC's Progress Towards the Bogor Goals" is attached to this report (Annex B).

Recommendations

In order to achieve the Bogor Goals, ABAC recommends in its contribution to the Mid-Term Review that APEC economies:

- Re-affirm their commitment to the Bogor Goals by the target dates;
- Strive to be WTO plus by going beyond WTO commitments or coverage particularly trade and investment liberalization and facilitation;
- Establish mechanisms for planning and executing economic and technical cooperation programs with the participation of the business sector and international financial institutions. For small and medium enterprise development, these programs should focus on business skills, product development, and technology uptake for small and medium enterprises;
- Take concerted steps to strengthen financial systems and develop robust capital markets, notably bond markets to ensure financial stability and to broaden the sources of financing for infrastructure and corporate expansion that underpin sustained economic growth. In so doing, APEC should:
 - Establish mechanisms for developing and implementing financial sector capacity- building programs with the participation of the business sector and international financial institutions;
 - Support measures in regional and international forums to strengthen regulatory supervisory capacity; and
 - Implement an on-going review and upgrade of financial standards according to international best practices.
- Reform the way it operates:
 - It should review whether it would make more effective progress by moving towards more binding commitments;
 - Strengthen and improve individual actions by making IAPs more transparent and accessible to business and the Peer Review processes a more robust, forward looking and policy relevant interaction that includes a greater focus on what APEC economies are doing individually and collectively to implement specific APEC commitments and priorities and achieve the Bogor Goals; and



- Accord the APEC Secretariat the authority and commensurate resources with regard to policy review, advocacy, and research and analysis.

C. Investment Liberalization and Facilitation

1. Impediments to Foreign Direct Investment in the Financial Services Sector

There is now significant evidence provided by the World Bank and others, including an ABAC commissioned report from 2004, the Dietrich Report¹, that FDI in financial services sectors helps improve competitiveness of the host economy, has positive benefits for consumers and provides capital, technology, new product lines, managerial knowledge, enhanced skills and the restructuring of inefficient enterprises. A checklist compiled by ABAC is attached (Annex C). This identifies major impediments to FDI, which, if removed, would substantially benefit the host economy and corporate investors, and provides suggested policy responses that include significant institutional capacity building recommendations.

Recommendation

- Remove impediments to FDI in the financial services sectors and work with ABAC to build institutional capacities to make the investment environment more attractive to domestic and foreign participants.

2. Improving the Broad Investment Environment

ABAC is concerned that APEC activities concerning investment liberalization and facilitation are not as effective as those on trade liberalization and facilitation. Last year, ABAC requested that APEC amend or clarify the wordings of the APEC Non-Binding Investment Principles (NBIP) with a view to improving the environment for cross-border investment. ABAC also proposed measures to promote investment facilitation. ABAC will be working with the Investment Experts Group (IEG) to strengthen APEC's commitments in these areas.

Recommendations

In the meantime, ABAC urges APEC to:

- Reaffirm ABAC's recommendations of last year and to include them in the Investment Experts' Group's agenda;
- Outline the direction necessary for addressing investment liberalization in its roadmap to the Bogor Goals;
- Take the following steps to achieve the investment liberalization and facilitation goals of APEC:
 - Review the role of APEC in achieving investment liberalization and facilitation;
 - Review member economies' implementation of the APEC Non-Binding Investment Principles and Menu of Options for Investment Liberalization and Business Facilitation; and
 - Establish a mechanism by which member economies report implementation of investment transparency standards.

3. Intellectual Property Rights

Last year, ABAC recommended that APEC strengthen the enforcement of intellectual property rights (IPRs) and take steps to further promote cooperation among enforcement agencies in the region in order to facilitate investment.

ABAC welcomes the agreement of APEC Ministers in Santiago in November 2004 to reduce piracy, trade in counterfeit goods, and online piracy, and to increase cooperation and capacity building. In addition, ABAC applauds the APEC Ministers Responsible for Trade for their adoption of the APEC Anti-Counterfeit and Piracy Initiative in Jeju, Korea in June this year and for having started the development of guidelines for the Initiative as concrete deliverables. ABAC also notes that some economies have already established IPR Service Centers, which provide information for IPR holders so as to allow them to take effective legal action against the infringement of their rights. ABAC urges APEC to take significant additional

¹ Professor J. Kimball Dietrich: *Benefits of Financial Market Liberalization*





steps this year and in the coming years to strengthen the enforcement of IPRs.

Recommendations

ABAC recommends that APEC:

- Take the following actions by the Leaders' Meeting in Busan:
 - Develop effective guidelines to reduce trade in counterfeit and pirated goods and the sale of counterfeit goods over the internet. Senior officials are expected to continue taking leadership in the Initiative, and to encourage all member economies to properly implement the agreed guidelines;
 - Take steps to reduce on-line piracy and to promote cooperation among IPR enforcement agencies in the region; and
 - Consider follow-up measures, including the reporting by all member economies of their efforts in implementing the guidelines, strengthening cooperation and on capacity building.
- Demonstrate tangible results in terms of IPR-related efforts achieved each year at the Leaders' Meeting, starting from Busan; and
- Establish IPR Service Centers and develop a system to enhance interaction among the Centers.

D. Implementing the APEC Transparency Standards

Transparent governments are key to the business community, and 2005 is a seminal year for transparency in the Asia-Pacific region. APEC Leaders agreed to implement all of the APEC Transparency Standards into their domestic legal regimes by 2005. ABAC applauds the agreement APEC Ministers and Leaders reached in Santiago last year to reflect the Transparency Standards into the APEC Individual Action Plans so that economies can report beginning this year on how they have implemented the Transparency Standards.

Recommendations

ABAC urges all APEC economies to:

- Meet Leaders' deadline by incorporating and ensuring that the commitments outlined in

the Transparency Standards are clearly reflected in their laws and other legal instruments no later than this year; and

- Faithfully complete the report this year.

At the same time, ABAC will provide APEC with concrete examples of areas in which economies can improve the transparency of their governmental, legal, regulatory and administrative functions consistent with the APEC Transparency Standards.

E. Implementing the APEC Privacy Framework

The approval of the APEC Privacy Framework by APEC Leaders at the November 2004 Leaders Summit in Santiago is an important milestone in encouraging the development of appropriate protection for personal information in the APEC region. The privacy framework, consisting of nine privacy principles and a roadmap for domestic implementation, strikes the balance of protecting individual's privacy while fostering the responsible flow of global data that is so critical to modern, networked economies.

In order for the APEC region to realize the full benefits of the framework agreement, APEC needs to complete follow-on work this year. This includes focus mechanisms that will allow responsible transfers of information across the APEC region and with APEC partners around the globe, and address procedures to foster cross-border cooperation to respond to consumer complaints and to deal with privacy infringements.

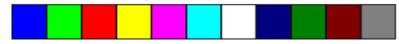
Recommendations

ABAC urges APEC economies to:

- Seize this unprecedented opportunity to work with the business community to develop a mechanism that will encourage and recognize organization's privacy codes or corporate global privacy rules; and
- Participate in continuing work on the implementation of the Privacy Framework.

F. APEC Food System

In the 1995 Leaders' Statement, food scarcity was mentioned as a possible future impediment to economic growth and promised APEC action. ABAC responded and proposed several explicit steps in its 1998 and 1999 reports designed to create an



APEC Food System that would keep food abundant and affordable. The Leaders adopted the ABAC proposal in 1999 and called again in their 2000 and 2001 Statements for vigorous implementation. However, there has been little accomplished on the APEC Food System despite the Leaders' directions and ABAC's appeal for specific actions to invigorate it.

There are three reasons ABAC again calls attention to the APEC Food System. First, visible action by APEC on the sensitive issue of food, and demonstrating that it can be approached cooperatively instead of contentiously, can very positively influence the WTO negotiations. Second, as concerns about possible tight energy supplies arise APEC should be reminded that, as the Leaders pointed out ten years ago, it needs to take early action to assure that it does not face food shortage pressures a few years hence. Growing populations with greater affluence will dramatically increase food demand; combined with environmental stresses and water shortages this could spell trouble, with an adverse reaction for every business in the region, unless addressed cooperatively. Third, as APEC takes stock of itself this year it needs to look at how it organizes to carry out assigned tasks.

Recommendation

- Make a serious study of what went wrong on the APEC Food System before the 2005 Busan meeting and decide what corrective action to take from the "lessons learned."

IV. Building a Harmonious Relationship Between the Private Sector and Government in the New International Security Environment

The new security environment has brought additional costs to businesses in the APEC region associated with the need to achieve higher levels of security in the trading system. At the same time, the adoption of new security-driven technologies and procedures may result in efficiency gains that will expedite cargo clearance at customs and contribute to the reduction of transaction costs.

A. The Impact of the New Security Environment on Trade Transactions Costs in the Region

This year, ABAC undertook a study to assess the impact of the new security environment

on trade transaction costs in the Asia-Pacific region. The study focused on three security-related initiatives, namely the Container Security Initiative (CSI) and Customs-Trade Partnership Against Terrorism (C-TPAT), both introduced by the US government, and the International Ship and Port Facility Security (ISPS) Code, implemented by the International Maritime Organization. The ABAC study undertook interviews with major ports, sea carriers and exporting manufacturers in the APEC region to determine estimates of costs – as well as perceived benefits – associated with these key initiatives in the new security environment.

Based on the information collected from these players, it appears that the costs associated with the implementation of these three security initiatives have been modest, thus representing a "light footprint" on the global supply chain. Instead, the most significant cost factor identified by manufacturers was associated with the 24-Hour Advance Manifest rule, which has increased inventory lead-time costs and costs of demurrage due to longer storage time at ports.

While transaction costs associated with these initiatives were modest, so were the perceived benefits of these programs to business. Companies indicated that they had not achieved any efficiency gains attributable to their involvement in these security initiatives, such as reductions in border wait times, pilferage, insurance costs, and safety stock costs. It would appear that more needs to be done to translate the requirements of the new security environment into benefits on productivity and the bottom-line.

Recommendations

- APEC governments should examine ways in which they can more clearly demonstrate measurable benefits to secure traders (e.g. reduced inspections, reduced customs clearance time) and communicate these benefits to the business community.
- While ports and firms in developed economies are able to adapt more easily to the requirements of the new security environment, the implementation costs to firms in developing economies and to SMEs will be substantially greater. APEC should seek to identify specific capacity building programs, including training for customs





officials and port employees in implementing and maintaining new security systems.

- Noting the significant added inventory carrying costs associated with the 24-Hour Advance Manifest rule, ABAC encourages Customs Authorities in the United States and Canada to consider requiring this information 24 hours prior to the arrival of the vessel (or anytime while the voyage is in transit) rather than 24 hours prior to the loading of the container at the port of origin.

B. Adoption of an APEC Framework for Security and Facilitation of Global Trade

Securing global trade is vital to continued prosperity in the APEC region and the world. A severe disruption to the supply chain in one part of the world can negatively impact the entire global trading system in a far-reaching way. Consequently, APEC has remained committed to securing trade flows in a way that is complementary to APEC's core business of trade and investment liberalization and facilitation.

ABAC was pleased that the APEC Sub-Committee on Customs Procedures agreed in principle to implement an "APEC Framework based on the WCO Framework of Standards to Secure and Facilitate Global Trade" ("APEC Framework") as a new Collective Action Plan in the hope of contributing to an expedited facilitation of legitimate and low-risk cargo. ABAC notes that by implementing an APEC Framework, there are

opportunities for the private sector and governments to realize benefits and reduced costs in addition to the direct benefit of improved security. ABAC encourages all APEC economies to work closely with industry to further develop and implement the APEC Framework as proposed at SOM I in Seoul, Korea and looks forward to providing APEC customs officials with detailed input.

Recommendations

ABAC recommends the following to promote participation in the Framework:

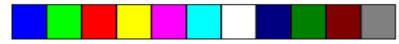
- APEC Customs administrations should expeditiously sign the WCO Letter of Intent, if they are WCO members, or the APEC Letter of Intent to declare their intention to begin the process of implementing the Framework as directed by APEC Ministers Responsible for Trade in their June statement.
- The creation of a work plan with ambitious timeframes for implementation of the APEC Framework. APEC economies not requiring capacity building assistance should take necessary steps to implement the Framework by June 2006, with the remainder of the APEC economies completing implementation by June 2007.
- Implementation of the APEC Framework should include development of:

APEC Customs Handbook

In cooperation with the customs agencies of each of the 21 APEC economies, ABAC is developing a customs and trade facilitation handbook which will provide a concise one-stop depository of customs- and trade facilitation-related information for all APEC economies. ABAC sees this as a tangible joint public-private sector project this year, serving as a useful tool for both businesses and government officials. Thus far, ABAC has received substantive feedback from roughly half of the 21 APEC economies and looks forward to receiving input from those economies that have yet to provide their inputs. The handbook will consist of:

- A compilation of contact information for the various APEC customs agencies;
- Contact information for requesting advance rulings on the applicable classification, duty rate or country of origin of good to be imported into a specific APEC economy;
- Contact and procedural information on administrative reviews of a customs agency's decision if an importer and exporter wishes to protest the decision or interpretation of a customs agency; and
- References to the relevant laws and regulations pertaining to advance rulings and administrative reviews.





- voluntary government-industry partnership programs to improve security and facilitate the movement of legitimate trade, including supply chain security best practices for Authorized Economic Operators (AEO);
- a mechanism for APEC economies and third parties to validate an AEO's adherence to security best practices and a means for mutual recognition of such assurances among economies and AEOs;
- standard requirements for providing information to customs authorities for use in targeting higher risk shipments; and
- a system to provide measurable benefits to secure traders (e.g., reduced inspections, reduced customs clearance time) and a system for reporting on these benefits to demonstrate the results after implementation of the APEC Framework related programs.

- Assistance for APEC economies in developing standards and requirements for inspection technologies and customs automation through capacity building.
- Hosting, by relevant APEC fora, of capacity building seminars and pilot projects supportive of implementing the elements of the APEC Framework.

V. Creating an Environment Conducive for Business

A. Promoting Good Business Ethics

The economic environment is changing and impacted by the removal of barriers against international competition and by various conventions related to improved business ethics. An important ingredient for long-term profitability is the voluntary acceptance by business of ethics management which ABAC intends to promote with stakeholders. APEC Leaders should support these objectives through public policy initiatives which address issues of transparency of government regulations and the enforcement procedure of laws.

Recommendations

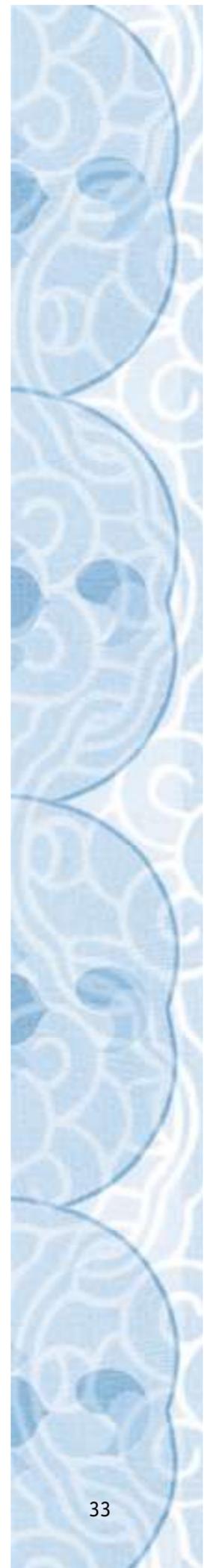
ABAC recommends that APEC economies:

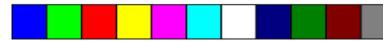
- Continue regulatory reform and enhance the clarity of laws and regulations to remove fundamental sources of corruption like discretion on the part of public officials;
- Enforce laws and regulations objectively and fairly when dealing with corporate disputes like labor-management disputes, customer-related disputes, and class action suits;
- Support measures which encourage businesses to voluntarily practice ethics in management; and
- Implement incentives to ensure compliance with laws, rules and regulations as they impact on business, including legal enforcement of contracts.

B. Eliminating Corruption in the APEC Region

Last November in Santiago, APEC Leaders took decisive action by adopting the "Santiago Commitment to Fight Corruption and Ensure Transparency" and the "APEC Course of Action on Fighting Corruption and Ensuring Transparency." Recognizing that a comprehensive approach is required, these bold initiatives apply to public and private sectors and to all manner of corrupt practices. In November 2004, ABAC also clearly demonstrated its commitment to fight corruption as every ABAC member signed the ABAC anti-corruption statement.

ABAC maintains its commitment to encourage business and governmental institutions to conduct their affairs with the highest level of integrity and ethics. Expanding on last year's initiative, this year ABAC will begin to solicit all major companies in the 21 APEC economies to sign the ABAC anti-corruption statement. ABAC notes that under the leadership of Korea, APEC will host an international symposium on anti-corruption in September in Gyeongju. ABAC will participate in this event as part of the joint effort to build public-private partnerships to combat corruption. ABAC also applauds the APEC Leaders' resolve to fight corruption at all levels.





Recommendations

ABAC urges Leaders to:

- Implement quickly their previous commitments to become signatories to the United Nations Convention Against Corruption;
- Deny safe haven to officials and private citizens engaging in corrupt practices; and
- Develop innovative and effective training programs and technical assistance for government, corporate and NGO personnel involved in combating corruption.

VI. Achieving Asia-Pacific Community through Cooperation and Capacity Building

A. Strengthening Financial Systems

APEC economies should continue to give priority to strengthening and deepening the region's financial systems and capital markets, in particular by promoting and implementing best supervisory standards and practices, by developing the region's bond markets and by comprehensively liberalizing investment in financial sectors.

ABAC is concerned that the monitoring of capital flows by multilateral institutions has waned in the wake of the recovery from the 1997 financial crisis, while some economies remain vulnerable to volatile capital movements. ABAC has commissioned a study on possible response mechanisms to ameliorate the impact of volatile capital flows and will report separately to Leaders on its recommendations.

Global convergence to an internationally agreed financial reporting standard is now occurring and this reflects the closer integration of financial services and of capital markets. APEC economies should move as a matter of priority to converge their standards to international standards if they are to benefit from capital market integration.

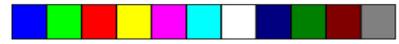
The Advisory Group established by ABAC and PECC promotes capacity building initiatives through public and private partnerships, to strengthen the institutional capacities of public and private financial agencies. ABAC requests Leaders' endorsement of its capacity building measures

to promote safer and more secure financial systems.

Many of the region's economies face budgetary and other challenges due to the demographics of ageing. Economies ought to give priority to this issue, both by developing private pension systems and health insurance and promoting sounder budgets. There is also a solid relationship between the accumulation of funds in pensions systems and the growing and massive infrastructure financing needs of the region. This relationship presents significant challenges, including importantly the development of private pensions which, under prudentially sound investment guidelines, could become a source of financing for infrastructure. Private sector financing in infrastructure must be reinvigorated, and bond markets developed to allow them to play a critical role in linking pension funds and investment in infrastructure financing.

Recommendations

- Deal with volatile capital flows and the activities of hedge funds
 - Strengthen domestic economic frameworks, require regional and international institutions to improve monitoring and surveillance and note that ABAC will provide views on mechanisms which economies might consider to ameliorate the impact of adverse flows.
- Strengthen and deepen the region's financial systems
 - Give priority to promoting and implementing international best standards and practices in financial sectors including, importantly, Basel 2 in banking, and converge to international accounting standards; and
 - Pursue measures to enable expanded domestic and cross-border private sector investment and issuance in the region's bond markets through an action plan process, and ensure consistency among all regional bond market initiatives.
- Promote capacity building initiatives to strengthen the region's financial systems and capital markets



- Endorse the role of the Advisory Group on APEC's financial sector capacity building and provide budget support for the involvement of the region's financial system regulators in capacity building initiatives; and
- Endorse proposals to broadly disseminate ways to promote good governance in public and private financial institutions, measures to encourage the flow of remittances through formal financial systems, and ABAC/APG initiatives to combat the movement of terrorist funds, money laundering and corruption.
- Pursue initiatives to promote developments in pension arrangements, including private pensions, in meeting the challenges of ageing populations
 - Promote privately funded pensions as an integral aspect of retirement and health policies under sound regulations, adopt OECD general principles for governance and supervision of pension arrangements, and measures to ensure equitable generational burden sharing of current and accruing pension obligations in public sector pensions; and
 - Endorse joint ABAC/APEC capacity building initiatives to strengthen supervisory arrangements for pension systems.
- Pursue initiatives to promote the mobilization of private savings to finance the region's infrastructure needs
 - Give priority to measures to reinvigorate private participation in infrastructure financing needs by promoting sound and equitable public/private partnerships which should encompass flexibility in responding to changing circumstances over the period of a long-term project and provide reasonable returns to private investors within a transparent and sound contractual environment, enforceable through a predictable and fair judicial system and with clear bankruptcy rules and procedures; and

- Join with ABAC in a capacity building initiative aimed at improving aspects of guidelines and modalities developed by UNCITRAL and other agencies to improve evaluation of risks in public private partnerships.

B. Enhancing the Competitiveness of Services SMEs

Services SMEs comprise over 90% of all companies in the APEC region. Yet despite the importance of these companies, many governments in the APEC region have overlooked their contribution – or have not adequately taken into account the needs of small services companies when developing their policies and programs. ABAC believes that there is a need for greater awareness in all APEC economies of the important role of SMEs in services trade – and greater capacity building efforts by governments and business associations alike to take steps to further enhance the competitiveness of services SMEs.

Last year, ABAC undertook a survey of all APEC economies to determine what governments and business associations in the region are currently doing to support SMEs in the services sector. Based on these findings, ABAC presented a number of key recommendations to APEC Ministers Responsible for SMEs. Although well received by the Ministers, APEC has not yet taken up ABAC's recommendations with regard to supporting services SMEs. Given the importance of this sector, ABAC wishes to reintroduce a number of its key recommendations from 2004, and looks forward to working closely with APEC SME officials in their implementation.

Recommendations

- Set targets for increasing services trade by SMEs, such as doubling the number of SME service exporters in each APEC economy by 2007;
- Provide technical assistance to APEC developing economies on services exporting, including analysis of services exporting capacity and identification of priority services for export promotion, training of SMEs in successful services exporting, training to business associations and trade promotion agencies on how to assist SME service exporters, regional networking of associations in support of SME service exporters, and training of government





services trade negotiators to link export capacity in negotiating strategies;

- Build regional best practice networks to support SME services trade by establishing a network of SME services exporting focal points/champions in each of the APEC economies, with the responsibility of reporting each year to the APEC SME Ministerial; and
- Give priority in both the WTO and APEC to addressing barriers to SME services exporting.

Executive Volunteers for SME Capacity Building

There are pools of experts in developed APEC economies that are available to provide professional, voluntary, short-term assistance and advice to enterprises, particularly to SMEs in developing economies. The challenge is to develop better linkages between executive volunteer organizations in developed economies and agencies coordinating business skills and training requirements in developing economies.

ABAC is currently seeking to identify and compile a list of executive volunteer service organizations throughout the region. It is hoped that this list will eventually form the basis of a regional network of organizations that can coordinate the supply and demand of executive volunteers in developing economies.

Recommendations

ABAC calls upon APEC Ministers Responsible for SMEs to:

- Survey and coordinate the skills required by their own small business communities with a view to establishing a register of SME skills development needs;
- Establish a network of organization within APEC that offer executive volunteer services in order to better coordinate private sector capacity building initiatives on a region-wide basis; and
- Look at options for funding this network – either through APEC or in partnership with international financial institutions – in order to defray travel costs for foreign experts.

C. Promoting the Community Through Capacity Building

1. Emergency Preparedness

In recent years, the APEC region has experienced a number of man-made and natural crises and disasters including terrorist attacks, the SARS outbreak, and most recently, the Indian Ocean tsunami of 26 December 2004, which resulted in enormous loss of life and economic damage. These events bring into sharp focus the need for robust early warning and response systems for future disasters of all kinds.

In responding to the tsunami disaster, ABAC has focused its attention on the challenge of effectively incorporating the region's business community in capacity building efforts for emergency preparedness. In its discussions, ABAC has considered each of the three phases associated with any natural or man-made disaster or situation, namely:

- **Resist phase** – measures aimed at defense and preparation for future event of scale;
- **Response phase** – relief efforts in the first hours and days of a crisis that can overwhelm traditional response mechanisms;
- **Recovery phase** – measures taken in the intermediate to longer term following an event of scale to rebuild including restoring "business as usual" as quickly as possible, restoring jobs and income to affected communities.

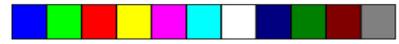
Recommendations

Based on its assessment of the current status of the regional business communities' involvement in Resist and Response phases, ABAC recommends that APEC create an '**All Hazards APEC Regional Response Network**'.

Such a network would seek to coordinate APEC's emergency preparedness efforts for future events of scale through a number of specific measures, including:

Resist Phase activities:

- Review of regional response capabilities
- Self assessments of individual economy capabilities
- Development of a mechanism to capture and disseminate 'lessons learned' (e.g. public education for emergency preparedness, early



- warning communication, etc.)
- Establishment of region-wide communication and notification protocols for events of scale, which would seek to include the private sector along with other relevant government, multilateral, and NGO actors

To capture this information, ABAC recommends that the APEC Task Force on Emergency Preparedness build upon the website framework that currently exists, in order to create a **website**.

Response Phase activities:

- Development of rapid response communications networks for use in natural disasters or in the event of a terrorist strike on national infrastructures that can be quickly deployed and made operational.
- Development of an **Airport Emergency Team** capability within the region. Such a Team would be prepared to take over ground operations at response airport locations during the critical first days of a disaster response, when relief operations cause a sudden surge in incoming cargo.

ABAC encourages APEC member economies to allocate sufficient financial resources to the establishment of the APEC Regional Response Network and the delivery of the initial projects outlined above. In the development of the All Hazards APEC Regional Response Network, ABAC would play a supporting role, working to mobilize the regional resources of the private sector.

The urgency of creating the 'All Hazards APEC Regional Response Network' is underscored by the potential of an outbreak of avian influenza. If human-to-human transmission of 'bird flu' takes place, this could easily result in a pandemic that will be the next "event of scale" in the APEC region. It is imperative that the Regional Response Network is in place to mobilize the resources of business in all phases of this possible health pandemic, from initial resist and response efforts to eventual regional recovery.

A copy of the full recommendations on emergency preparedness is attached as Annex D.

2. Logistics Infrastructure

The development of cross-border distributions systems between assembly plants and parts-producing factories is indispensable to "just-in-time" assembly systems. While the development of seaport cargo infrastructure continues to improve, bottlenecks related to land route cross-border distribution systems in many APEC regions is lagging behind. Difficulties include inconsistent customs procedures and application of tariffs at land route crossings, degradation of roads and trucks, congestion and natural hazards such as flooding.

Recommendation

ABAC encourages APEC to cooperate with the private sector in identifying capacity building priorities related to the improvement of cross-border land route logistics infrastructure in the APEC region, including upgrading of infrastructure,



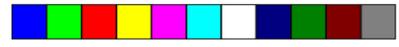
Standards

Uniformity of standards regulations is fundamental to simplification of the conduct of business in the APEC region.

ABAC has undertaken a study aimed at identifying the institutional changes that must be made to remove the standards-related barriers that hinder business. The study includes gathering comparative data on approaches to standardization in the EU and APEC regions. It makes significant recommendations for future progress and regional collaboration in this area, including a range of capacity building proposals to strengthen infrastructure.

ABAC members are gathering feedback from their respective national standards bodies, and the final report will be provided to Leaders in the near future. The study and report will be an invaluable tool for policy makers and standards bodies throughout the region, and to advance the development of greater regional consistency and collaboration on standardization for the benefit of all economies.





Recycling Based Economies

Increased efforts are needed in 3R (Reduce, Reuse, Recycle) for sustainable development in the APEC region. In order to realize 3R goals, APEC economies need to move toward standardized regimes for recycling in the region to ensure that all goods produced in one economy can be used and recycled in any other economy.

Based on the ABAC recommendation in 2003, which have the objectives of:

- Identifying issues and challenges to implementing 3R in APEC member economies;
- Sharing best practices of 3R in selected industries;
- Designing, developing and conducting Capacity Building pilot projects;
- Disseminating the resulting best practices to all APEC economies; and
- Establishing an Experts Network to facilitate implementation of RBE in APEC.

The APEC HRD Capacity Building Network held seminars in Mexico, China and Thailand. This is a successful case of APEC and ABAC collaboration. A final report, including recommendations, will be issued in November 2005.

simplification and standardization of land route customs clearance procedures, and strengthening of freight terminal functions at land borders.

D. Securing APEC's Future in a Changing Energy Environment

The global energy equation has changed. Dwindling "easy" supply combined with rapidly growing demand in the APEC region and throughout the world has increased the costs of energy. Large inflows of capital are required to meet infrastructure and power generation needs of the next twenty years.

All of APEC's critical Bogor Goals require a safe, reliable, affordable, efficient and stable supply of energy. The new energy environment requires economies to consider a variety of ways to increase energy supply, diversify sources of supply, and encourage its responsible use. Adopting this three-pronged approach can help APEC create strategic policies to prepare for the future. The rise of oil prices in recent months underscores the need for action.

APEC economies need to increase energy supplies through creating forward movement on international investment disciplines in trade agreements, encouraging international funding of sustainable energy development, enhancing transparency of the business environment, and creating legal regimes where contract terms and enforcement mechanisms instill confidence in investors. ABAC applauds the adoption of Best Practices for Financing Energy Infrastructure Projects by the Energy Ministers at their June

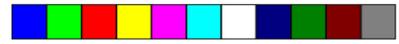
2004 meeting in Manila and the wide range of best practices identified in the APEC Energy Process over recent years. APEC's Energy Ministers and officials should focus on implementation of all these best practices in a timely and measurable manner.

Energy sources need to be conserved and diversified by capturing the potential of energy sources such as liquid natural gas, creating more regulatory certainty throughout the energy value chain, and leveling the playing field between national and foreign companies. Many APEC economies such as Japan and New Zealand are already leaders in the area of utilizing diverse and non-traditional energy sources. Further, **responsible use of energy requires** close management of commercial demand through conservation and improved efficiencies, reducing consumption with a variety of mechanisms, and sharing best practices, technologies and standards.

Recommendations

ABAC recommends that the following be considered for the APEC Energy Ministers meeting in October 2005:

- Policy and Regulatory Action focusing on conservation policy, preferential treatment of energy efficient products, support for research and development for alternative sources of energy;
- APEC Energy Planning on an APEC-wide basis and in the Individual Action Plans, including



investigation of new energy sources such as biomass and ocean energy, the application of ICT, and alternatives and transition strategies; and

- Ongoing APEC Energy Work Program, including regularization of the Energy Ministers' process, dissemination and information sharing of energy-saving technologies, and continued outreach activities on Best Practices.

E. APEC 2005 Innovation Agenda: Patent Harmonization, Technology Choice and Enhanced IPR Enforcement

In their 2004 Declaration, APEC Leaders recognized that improved protection and enforcement of intellectual property rights (IPR) promote investment, innovation and economic growth, and in their 2003 Declaration Leaders agreed to advance pathfinder initiatives including in relation to IPR and technology choice.

In 2005, under Korea's leadership, APEC can achieve significant breakthroughs by: (a) launching an APEC Initiative on Patent Cooperation and Harmonization; (b) developing technology choice principles that will maximize flexibility for end users to use technologies that best meet their needs; and (c) successfully implementing the anti-counterfeiting and piracy initiative endorsed by APEC Ministers Responsible for Trade at their June 2005 meeting in Jeju, Korea.

Recommendations

ABAC recommends the following:

Patent Cooperation and Harmonization

- Expand cooperative work among participating APEC member economy patent authorities to make efficient use of search and examination capacity; and
- Build common understanding on four prior art related issues – definition of "prior art," grace period, novelty and non-obviousness/inventive step.

Technology Choice

- Develop a set of technology choice principles to be incorporated into the APEC Pathfinder Digital Economy Statement, including the use of industry-led, voluntary,

consensus-based, international **standards** that respect IPR; merit and performance based **procurement** policies, and freedom of technology choice for **Services Providers** and consumers.

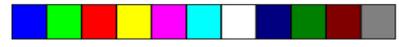
IPR enforcement

- Adoption of an APEC Member Economy Self Evaluation against APEC's Optical Disk Effective Practices;
- Expedient implementation of the anti-counterfeiting and piracy initiative endorsed by APEC Ministers Responsible for Trade at Jeju, including through:
 - The creation of an IPR Enforcement Task Force to help institutionalize and regularize cross-border enforcement cooperation, sharing of best practices, and opportunities for public-private partnership in training;
 - Endorsement of Model Principles to Control On-line Piracy (set forth below) in order to provide a blueprint as APEC economies update legislation to address IPR challenges of the digital age;
 - Establishment of regularly scheduled cybercrime and IP enforcement workshops;
 - Continued establishment of IPR Service Centers and systems to enhance interaction among new and established centers;
 - Annual reporting of concrete results of IPR related efforts achieved each year at the Leaders' Meeting, beginning in Busan; and
 - Prior to the Leaders' Meeting in Busan, develop a method for each economy to report on implementation of the guidelines developed for the APEC Anti-Counterfeiting and Piracy Initiative.

F. Information Society Vision in 2010

ABAC welcomes recognition by Telecommunications Ministers in the APEC TELMIN 6 Lima Declaration and Program of Action of important policy principles many of which have been highlighted by ABAC in previous reports





to Leaders, including the importance of the following toward fostering an inclusive APEC information economy:

- Free and open trade and competition;
- Technology neutrality;
- Innovation and intellectual property;
- Broadband development and accelerating Internet access for all;
- E-Government;
- Cybersecurity and the Convention on Cybercrime;
- Mutual Recognition Agreements and minimizing regulatory divergence;
- Efficient use of spectrum; and
- Technical cooperation and human capacity building.

ABAC welcomes and applauds the role of APEC in facilitating the sharing of best practices in each of these areas.

ABAC would like to highlight, nevertheless, the need for greater clarity in a number of areas. In particular, it urges APEC governments to recognize the importance of:

- Voluntary, open, non-discriminatory, industry-led, consensus-based technology standards that promote interoperability, respect intellectual property and that do not unnecessarily restrict trade;
- Establishing an APEC target date for deployment of broadband;
- Ensuring transparent, clear, industry-led processes in the development of NGN standards;
- Joining the Convention on Cybercrime and implementing consistent domestic legislation as soon as possible.

The “global information society”, sometimes called the “ubiquitous society”, is broadly defined as a society in which people are connected anytime, anywhere, and to anyone through a ubiquitous computing environment where every object is equipped with artificial intelligence.

APEC economies are at differing stages in moves to enable their people to participate in the global information environment, through ready access to modern communication services. Technological advance is rapid in fields such as a broadband and multi-platform access.

Complementing that technical progress among APEC economies is research on ways to enable communication service users to more easily identify their particular needs and control their communications. The need for reliable personal identification is driving work to allow access to a range of different services behind a single identifier. The internet based “ENUM” service is under trial in Australia, China, Japan, Korea, New Zealand, Singapore and USA. New Zealand is trailing a match between ENUM and the concept of a universal communications identifier (UCI) system. Personal user protection is paramount.

Inevitably there are many views on specifics on definitions, requirements, norms and standards which should underpin the global information society. There are serious issues raised by existing and expected technologies and their interface, and potential impact on commerce, personal privacy, legal frameworks and a host of other issues that are not yet defined.

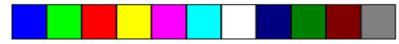
Capacity building is the core activity to reduce the digital divide and establish an advanced information society expanding to the ubiquitous society in the future.

ABAC is considering a study of the challenges APEC economies face in creating an environment where a ubiquitous society can flourish, including access to broadband convergence networks, legal, regulatory and self-regulatory frameworks to address privacy concerns, intellectual property protections and on-line piracy prevention.

With the benefit of the study, ABAC will be able to develop a list of topics for consideration at a possible symposium to further explore views on this technology, its integration into society, definitions, legal frameworks and other related issues.

Recommendations

Based on the outcomes of the study, ABAC recommends that APEC economies establish a 2010 information society strategic vision. This is one of the important steps to realize the potential benefits that more ubiquitous based computing concepts could provide to APEC economies. To be most useful and to maximize the potential benefits inherent in these strategic plans, APEC economies should ensure that:



Model Principles to Control Online Piracy

- Ratify and fully implement both WIPO Internet Treaties (WCT and WPPT).
- Ensure adequate and effective prohibitions on the circumvention of technological protection measures that protect copyright through copy and access controls, including trafficking in circumvention tools.
- Ensure that widespread, willful unauthorized distribution of copyrighted material is a criminal offence even if not undertaken for profit.
- With regard to material residing or stored on an ISP's network or system, adopt a formalized notice and takedown system, imposing the following obligations on ISPs as a condition for protection from monetary liability:
 - Require ISPs to remove or take down infringing material expeditiously upon receiving notification from rights holders.
 - Require ISPs to take action against known or obvious infringers even when no notification has been received from a copyright holder (except that an ISP should not be required to monitor its service or affirmatively seek out infringing activity).
 - Require ISPs to notify alleged infringers of notification received from rights holders.
- Establish meaningful and effective administrative or judicial procedures enabling rights holders to obtain from a service provider information in its possession identifying the alleged infringer.
- Support consumer education campaigns to promote understanding of and respect for copyright and discourage infringing behavior.



- The 2010 information society vision is geared to attaining reachable targets based on the current status of infrastructure deployment, existing technical and human capacity and resources available to each of the economies.
- Information exchange related to such plans as well as the sharing sectoral or topical expertise through the implementation of capacity building efforts take advantage of existing human resources and infrastructure.
- Economies' strategic plans address the need for a facilitating, predictable and transparent regulatory framework coupled with open and accessible markets.

G. Implement the Life Sciences Innovation Strategic Plan

ABAC welcomes the endorsement of the APEC Strategic Plan for Life Sciences Innovation as an

important tool to assist economies in developing an environment that attracts investment and supports innovation in life sciences. Investment in the life sciences industry by APEC Member economies will contribute to the longevity, wellness, and economic potential of the region and help to address critical areas of concern, including early detection, prevention, and treatment of disease.

Intellectual property protection is critical to the development of an innovative life sciences sector. In this context, ABAC welcomes the Strategic Plan's approach to IPR protection and supports its treatment of IPR as an area of priority focus for the region.

Recommendations

ABAC supports:

- **A robust implementation model** that identifies one or two outcomes in each of





the four critical areas in the life sciences value chain: research, development, manufacturing and marketing, and health services; and

- Efforts to **develop a medical biotech venture capital fund** on a regional or sub-regional basis in order to provide critical financing for innovation.

LSIF implementation is also important in the context of reaching the Bogor Goals of liberalized trade and investment in the APEC region. Different policy and regulatory environments are a hindrance to trade and investment in the life sciences sector - the Strategic Plan seeks to counter these problems by providing best practices for harmonizing regulatory standards. Additionally, the clear link between health and economic development makes improved access to innovating medicines and medical treatments critically important, as healthy people make healthy economies.

H. Technology to Improve Health Care Delivery

Technological advances are being brought to bear to improve health and health care delivery in the region. The development of information/communications technology (ICT) - supported electronic patient health systems improves the accuracy and delivery of health information, and helps safeguard the privacy and security of patient information. The ultimate aim is an Electronic Health Record (EHR) which contains GP, Specialist, Local Health Authority and Prescription records.

Trials of various IT technologies for hospitals are proving potential improvements in efficiencies and the safety of hospital patients. For instance, wireless Bed Management systems are a novel application for improving the critical task of hospital bed management.

ABAC also welcomes the launch of the Pacific Health Summit, a multi-year project that began in June 2005 in Seattle with a first-of-its-kind gathering of scientists, policy makers, health care providers and industry. The annual Pacific Health Summit will continue to bring together the most current scientific information and technology for decision-makers' discussions.

The Summit marked the launch of a major APEC-wide biomarker research project that will provide data critical to the early detection and prevention of diseases. Additionally, the Summit established a Health Information Technology Policy Group that will focus specifically on IT-related issues in health care. ABAC will engage with this group through information sharing and other cooperative efforts to develop relevant recommendations to APEC Leaders on this issue.

I. Technology to Address Environmental Concerns

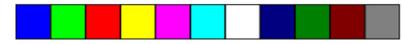
ABAC has considered a number of environmental-related technologies and initiatives including a proposal to adopt recycling-based economies, environmental monitoring, border control and biosecurity, and food traceability with greater application of Information and Communication Technologies.

1. Environmental Monitoring and Food Traceability

Research underway in several APEC economies has shown that applying Information and Communication Technologies (ICT) to environmental monitoring improves agricultural and horticultural productivity and management, animal health and food traceability. Integrating on-farm information systems with remote databases allows users, including regulatory authorities, to better monitor production and animal compliance activities. Advances of this type can lower the likely economic impact of anticipated environmental and traceability compliance regulations, which for APEC food-exporting economies could amount to technical barriers to trade.

The use of remote monitoring devices for continuous surveillance of the rural environment (fertilizer, soil, water conditions) helps to ensure environmentally sustainable practices - reducing pollutants and improving yield. Monitoring weather contributes to agricultural efficiency and security. Food traceability is becoming mandatory for compliance purposes, and will be an important element in facilitating agricultural trade and thus economic development in the APEC region as information technology becomes less expensive, more functional and energy efficient.





Recommendations

ABAC recommends that APEC Leaders consider carefully the relevance and potential benefits to their own economies of the emerging technologies outlined above, and explore the scope for capacity building measures in partnership with economies in a position to assist.

2. Border Control and Biosecurity

The risk of incursions of animal, avian and human disease, unwanted substances and contaminants is a common concern to APEC economies. Significant trans-border issues need to be addressed. Work is proceeding with ICT-supported diagnostics using image recognition technology, to provide APEC agriculture and customs authorities with a rapid method of sampling and detection. The ability to quickly upload digital pictures of organisms and match DNA samples to remotely stored databases of invasive species, will significantly improve image recognition and has potential to greatly improve biosecurity and border protection.

Recommendation

ABAC believes that the research activity described above has broad-based potential for APEC economies, and that APEC Leaders should ensure their relevant authorities are conversant with that work.

