

APEC MEANS BUSINESS

ABAC'S CALL TO ACTION

APEC BUSINESS ADVISORY COUNCIL
REPORT TO THE APEC ECONOMIC LEADERS 1997

November 3, 1997

The Right Honorable Jean Chrétien
Prime Minister of Canada
Chair, Asia-Pacific Economic Cooperation
Langevin Block, 80 Wellington Street

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Prime Minister:

It is an honor for us to present to you, as Chair of the Asia-Pacific Economic Cooperation (APEC), the second report of the APEC Business Advisory Council (ABAC). We thank the Economic Leaders for supporting our 1996 recommendations in their Subic Declaration and for holding the first dialogue with us in Manila last year. The business community warmly welcomes the opportunity to have a more direct and effective involvement in the APEC process.

We have set out this year to ensure the momentum of the business sector's involvement in APEC. We have worked to help the governments of APEC economies implement the recommendations we made last year. We have briefed the various ministers and senior officials on our priorities and work program this year, and solicited their suggestions on areas where ABAC could contribute more to APEC's progress. We have also directly undertaken activities that will assist in the achievement of APEC's objectives.

In this report, we assess the Manila Action Plan for APEC (MAPA) and present our recommendations for enhancing the relevance of future action plans to the business community, further develop several ideas we recommended in our report last year, and put forward a few, carefully chosen new proposals to help APEC in addressing important business concerns. These recommendations are the ones we think would be most effective in building APEC's momentum. We sincerely hope that the Economic Leaders will endorse and give their full support to these views and proposals.

We recognize that implementing MAPA and other commitments in pursuit of APEC's success can entail considerable adjustment costs and present governments with difficult choices. The recent currency instability in Asia, which affects all of APEC, shows the seriousness of the problems that economies can encounter as they become more integrated with the global economy. We believe that these problems do not make the need for continuing liberalization less urgent, but they show that if liberalization is to proceed, APEC economies must devise cooperative measures to address issues such as currency instability. Such cooperation is essential to continuing the APEC process, a process that will contribute enormously to the welfare of the entire Asia-Pacific community over time, increasing trade and investment, building national capacities, promoting the efficient allocation of resources, and generating employment and prosperity.

ABAC sees the need for business and government to work together in building support for APEC, and affirms its full support for efforts being undertaken by governments of member economies to bring the process forward. We assure the Economic Leaders that their endorsement and adoption of our proposals will lead to stronger business sector support for their initiatives and the APEC process. We look forward to a fruitful meeting in Vancouver, and to a stronger partnership between business and government in translating APEC's vision into reality, for the benefit of all in our community.

Yours truly,

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THE ROAD TO VANCOUVER

The Central Role of Business in APEC

APEC is now moving to translate its vision and goals into reality. By adopting the Manila Action Plan for APEC (MAPA), it has further advanced the process that the Economic Leaders initiated in November 1993 with their agreement on a common vision. MAPA defines the concrete actions that APEC economies will undertake in the coming years to realize this vision. Under Canada's chairmanship, APEC has begun the tasks of overseeing MAPA's implementation and improvement, and identifying other ways to promote the early realization of APEC's goals. The Vancouver meeting of APEC Economic Leaders and Ministers will set the pace for APEC's advance from vision to action in the next few years.

During their Subic meeting in November 1996, the Economic Leaders affirmed the central role of the business sector in the APEC process. In so doing, they recognized that APEC must adapt its programs and policies to better enable the business sector to take on this role. As a body tasked to advise the Economic Leaders, ABAC is expected to identify programs and policies that will be most helpful to business in becoming a strong catalyst for increased regional trade and investment flows, and to suggest ways of implementing these policies.

ABAC's Mandate

We have defined our work according to the guidelines set by the ministers in Osaka in 1995, spelling out ABAC's two main functions. The first is to provide advice on the implementation of APEC's action agenda and on specific business sector priorities. The second is to respond to requests from various APEC fora for information on business-related issues or the business perspective on specific areas of cooperation.

Specifically, our work this year has been guided by the priorities set by the Economic Leaders and ministers during their meetings in November 1996.

- In their Declaration, the Economic Leaders asked their ministers to work closely with the business sector in 1997, examining ways to **implement our recommendations**. They also welcomed the opportunity to dialogue with the business sector through ABAC.
- In their joint statement, the ministers invited us to provide comments and views that will help **improve APEC's action plans**. The Economic Leaders welcomed this decision, and asked the ministers to convey the results to them during their meeting this year in Vancouver.

ABAC's Priorities for 1997

In accordance with our mandate, we have set the following priorities this year: ensuring MAPA's relevance to business, implementing our recommendations last year, and proposing further actions.

Ensuring MAPA's relevance to business

The Economic Leaders and the ministers have asked ABAC to assist in the review of MAPA by ministers and senior officials this year. To help us in responding, we requested the Pacific Economic Cooperation Council (PECC) Trade Policy Forum to perform a detailed review of MAPA, for which we express our thanks, and we sought advice from other groups. Based on this input and our own experiences as business leaders, we have evaluated MAPA from the business perspective, and present this evaluation and our comments in this report.

Implementing the recommendations contained in our 1996 report

In our 1996 report to the Economic Leaders, we submitted a total of fifteen recommendations – ten of which we identified as flagship issues – which reflect the priorities of business people throughout the region. In the course of this year, we have discussed with ministers and senior officials within the framework of their regular meetings how these can be implemented.

Proposing further actions

Keeping in mind our mandate to advise APEC on specific business sector priorities, we include in this report a few carefully chosen recommendations on further actions for APEC. Some of these are based on recommendations contained in our previous report, which we have further developed, while others are completely new issues. We present these recommendations for the Economic Leaders to consider and endorse in their meeting in Vancouver.

Review of the Manila Action Plan for APEC

ENHANCING MAPA'S RELEVANCE TO BUSINESS

Overall Assessment

MAPA is a significant document containing the APEC member economies' individual and collective action plans for achieving the goal of free trade and investment by 2010/2020. It represents the first time a group of economies have outlined their intentions to liberalize trade and investment and promote economic and technical cooperation using a common framework. That APEC was able to reach this level of achievement just two years after stating its fundamental goals at Bogor is strong evidence that the process of economic integration around the region is creating a stronger sense of shared values and common beliefs.

One of APEC's main achievements is the Declaration on an APEC Framework for Strengthening Economic Cooperation and Development. This policy articulates the principles and priorities that should guide APEC's work in this vital area. It is a major step towards achieving the goal of building a sense of community among our 18 diverse members. We offer recommendations below for implementing the Declaration with strong support from the private sector.

In our review of MAPA, we have identified four key issues that need to be addressed: value-added to liberalization processes in other multilateral fora, transparency, specificity and greater commitment to action in IAPs.

Value-added to liberalization processes in other multilateral fora

APEC's "value added" flows from the ability of its 18 member economies to significantly expand the scope of liberalization, both within and ahead of other multilateral and regional trade fora. The economies which did so within MAPA are the exception rather than the rule. Half of APEC's members announced tariff reductions beyond their Uruguay Round commitments. However, real progress on lowering non-tariff barriers is difficult to discern. Action plans should also contain more near-term initiatives liberalizing and facilitating trade and investment in services.

Transparency

A higher level of transparency in APEC economies' action plans would contribute to a more efficient review of their components and achievements and help in demonstrating their relevance to the APEC business community. Clear expressions of plans and milestones to measure progress towards the Bogor goals are needed for assessing the impact of their implementation.

Specificity

The commitments in MAPA appear too general. Although reviews, seminars, creation of databases and additional meetings can be seen as positive steps, actual liberalization must be given priority. To avoid putting process in place of progress, APEC economies should improve their action plans by adopting a common format, which more clearly defines the benefits to business of each intended step. Business enterprises need a high level of clarity in regard to short- and medium-term policy changes and governmental actions in order to plan effectively. APEC economies should enhance the level of clarity in the action plans by giving more detailed specifications of their intended path to reaching the Bogor goals.

Greater commitment to action in IAPs

APEC economies have made significant progress in various areas of trade facilitation, but these are not being incorporated in their IAPs with specific timetables. Neither have IAPs focused on SMEs as a cross-cutting issue within APEC. Incorporating all commitments in IAPs and turning them into business plans with clear objectives and milestones for measuring progress would increase APEC's credibility as a force for creating economic prosperity.

Our recommendations, set out below under key sections of MAPA, are designed to address these four issues in concrete terms and thus increase the relevance of future action plans to the APEC business community.

Assessment of MAPA's Key Sections

The following summary review of selected sections of MAPA highlights strengths and weaknesses. Each section includes recommendations to enhance the action plans' relevance to business.

Tariffs

Assessment

APEC has yet to reach a consensus on how free trade should be defined. Five developed and developing economies have defined this to mean zero tariffs. Nine have committed to reduce tariffs beyond their Uruguay Round targets. Several economies provide a timetable for tariff reductions and some report commitments on an industry basis – a very useful approach for business planners. However, some economies left the clear impression that the final tariff level would be higher than zero.

Tariffs are falling in all APEC economies as a result of APEC and Uruguay Round commitments. However, these reductions vary greatly in terms of product coverage and the ultimate tariff levels to be achieved. Each economy specified short-term tariff reductions in MAPA, but in some cases, reaching the final IAP goals will require proportionally steeper reductions in the latter years. Furthermore, several IAP commitments still have to address the issue of peak tariffs in sensitive sectors.

Recommendations

To improve transparency and facilitate monitoring, IAPs should specify what final average tariff level each economy intends to achieve by 2010/2020.

IAPs should contain more specific information about each member's plans to reach the Bogor goals. The IAPs should provide an opportunity to assess annually how tariffs are to be reduced or eliminated, including peak tariffs. They should also illustrate, at a minimum, intended tariff reductions over the subsequent five-year period on an industry basis and give details of sectors not covered within that timeframe, with an explanation for this and a plan for future reductions.

Non-Tariff Measures (NTMs)

Assessment

In general, the action plans need to be more specific with regard to the reduction of NTMs, and several economies still have to provide details or timetables in this area. While a few APEC members committed to reduce NTMs within a specified timeframe and beyond their WTO targets, the percentage of trade and investment thus facilitated is still relatively small. Four economies indicated that they have no NTMs inconsistent with the WTO, which is commendable but which still fails to help push the free trade envelope beyond that established under the WTO.

Moreover, the IAPs must still address some major impediments to trade, such as misuse of anti-dumping rules and misuse of Country of Origin definitions. Where NTMs are flagged, a clear and comprehensive overall plan aimed at their removal or reduction is still to be formulated. APEC's plan to produce a comprehensive database of NTMs in 1998, to be followed in 1999 with an agreed-upon priority list of sectors marked for early elimination of NTMs, provides necessary and welcome steps to move more effectively towards the Bogor goals in this area.

Recommendations

To promote transparency, IAPs should include more detail on what member economies are doing to remove non-tariff impediments. We endorse the APEC objective of creating an inventory of NTMs in member economies by 1998. This

might usefully be extended to cover impediments in the areas of services and investment as well, drawing on existing databases. In addition, IAPs should include annual assessments of how NTMs are to be reduced or eliminated with a timetable covering at least the next five years.

IAPs should include a section on WTO-consistent NTMs, such as anti-dumping measures, to ensure faithful implementation of these measures and minimize distortion or discrimination.

Where possible, IAPs should further reduce NTMs beyond Uruguay Round commitments, or eliminate them altogether.

Services

Assessment

The success of the telecommunications services talks this year confirms that the General Agreement on Trade in Services (GATS) can be an effective vehicle for liberalizing trade in services. All APEC members who are also WTO members submitted schedules in the Agreement on Basic Telecommunications. APEC now needs to encourage a similar success in the ongoing talks on financial services, scheduled for completion in December 1997. The IAPs appropriately addressed financial sector liberalization in the WTO context, and the non-WTO members of APEC also announced intentions to improve access to domestic financial services markets.

In addition to financial services, the IAPs cover an extensive range of unilateral reforms in other service industries which, by one estimate, provide over \$100 billion of potential new market opportunities. However, many of the reforms have long lead times or cover only a fraction of the industry. The IAPs could be improved to contain a structured, comprehensive approach to the removal of major impediments across the full range of service industries.

Recommendations

The APEC action plan for 1997 should establish a leadership position in support of bringing the WTO financial services talks to a successful conclusion by December 1997.

The IAPs should adopt a uniform format that addresses liberalization in all services subsectors and includes a comprehensive list of all existing impediments to trade and investment in services.

Investment

Assessment

MAPA contains few initiatives pertaining to finance and investment, and most economies need to go beyond the commitment to "review" existing investment regimes. All economies still have to post a timetable for the removal of investment barriers.

Future action plans could include in their coverage the APEC Non-Binding Investment Principles (NBIP) agreed at Bogor in 1994, which represent an important first step towards a more liberalized environment. While some APEC members already meet and exceed the NBIP standards, others could still take more aggressive, voluntary action to move towards them. It is understandable that for some developing economies, the national treatment clause of the NBIP is the most difficult to implement. As a pragmatic way forward, these exceptions could be allowed to remain temporarily provided that progress towards full national treatment is achieved over time. While business would prefer a completely open regime, it also recognizes that some national treatment impediments are likely to remain in the meantime. Business can deal with these if their nature is identified from the beginning of an investment.

In the meetings of the APEC Finance Ministers, the Investment Experts Group and several APEC Working Groups, particularly Energy, solid progress is underway on addressing impediments to stronger and more liberal investment flows in the region, but this work needs to be codified in the IAPs.

In particular, the discussions in the Finance Ministers' meetings on developing voluntary principles to promote capital markets should be translated into action plans.

Access to effective arbitration and enforcement of contracts is a central element of an open investment regime. The MAPA commitments on building an effective dispute mediation service are therefore a particularly praiseworthy aspect of APEC's work. Currently, 12 APEC members have joined the International Convention on the Settlement of Investment Disputes (ICSID) and a 13th member is in the accession process. One APEC economy is not a member but makes use of the "additional facility" of the ICSID to realize the benefits of this dispute mediation vehicle.

Recommendations

IAPs should establish timeframes for adoption of the 1994 Bogor Non-Binding Investment Principles (NBIP), with a temporary carve-out for national treatment if necessary. This could begin by codifying in the IAPs the extensive work currently underway in various APEC groups to liberalize and facilitate investment flows, with clear objectives and timetables.

Where economies are unable to commit themselves to immediate adoption of the NBIP, IAPs should specify how the individual project/sector-based concepts are to be deployed as interim investment liberalization measures.

IAPs should include commitments and targets for removing impediments to the development of domestic and regional capital markets.

Economic and Technical Cooperation (ECOTECH)

Assessment

The Manila Declaration on an Asia-Pacific Economic Cooperation Framework is a significant contribution towards advancing the second part of the Osaka Action Agenda and a solid achievement of APEC. By defining clearly the goals, guiding principles and priorities of APEC ECOTECH initiatives, the Manila Declaration meets ABAC's 1996 recommendations for strategic focus and priorities to guide these initiatives. In particular, ABAC notes the overall absence of focus in IAPs of the acknowledged importance of SMEs, including the promotion of specific groups, such as women entrepreneurs, although it is recognized that these are priorities in the Manila Declaration.

ABAC believes that effective implementation of ECOTECH initiatives can be significantly enhanced through:

- mobilizing the resources and resourcefulness of the business/private sector in support of APEC's ECOTECH objectives; and
- a strategy of developing clear complementarity between APEC ECOTECH and APEC trade and investment liberalization and facilitation (TILF) initiatives.

We do not see business/private sector initiatives in APEC ECOTECH diminishing or replacing government initiatives in the APEC Working Groups and elsewhere. Rather we see business/private sector initiatives as complementing government initiatives in the spirit of partnership envisaged in the Manila Declaration.

Recommendations

APEC Leaders in Vancouver should endorse this report's recommendations in the area of Economic and Technical Cooperation, which are:

- ***the establishment of the APEC Partnership for Equitable Growth (PEG) as a catalyst for business/private sector-led ECOTECH initiatives on a regional basis; and***
- ***the launching of an APEC Information Technology (IT) Education Initiative to complement the liberalization of trade in IT products and, in so doing, demonstrate the linkage between ECOTECH and TILF initiatives.***

IAPs should also specify initiatives and targets for working on SME issues.

Recommendations to the APEC Economic Leaders

KEY ISSUES FOR APEC PROMOTING CROSS-BORDER FLOWS

Business Mobility

In order to make progress towards business travel facilitation, ABAC in its 1996 report called for the introduction of an APEC Business Visa, the creation of dedicated immigration lanes for high-frequency business travelers, and improvement in the parameters for issuance and extension of business residency visas between 1997 and 1999. We note the following situation in this area:

- Out of the 306 potential business entry arrangements between economies in the region, 155 are visa-free. Seven economies have visa-free arrangements with 13 or more economies. ABAC continues to promote the goal of visa-free travel for business people in the region, but it recognizes that not all economies are prepared to offer such arrangements at this point in time.
- Five economies are either implementing the APEC Business Travel Card on a trial basis or have committed to join this scheme. This is accompanied by expedited border processing through dedicated immigration lanes. It is desirable for more member economies to join this scheme, since its value to business people increases exponentially with the number of participating economies.
- No progress has been made in improving the parameters governing business residency visas. Unnecessarily complex procedures in this area add significantly to the cost of international business and present a disincentive to cross-border investment.
- Within APEC, widely different systems and technologies are used in visa processing and border entry management. In some cases, technical infrastructure impediments prevent significant improvements in the short term.

Recommendations

APEC economies should collectively commit to make available to all business travelers from APEC economies one of the following visa arrangements (in order of preference) for short-term visits by the end of 1998:

- ***visa free-entry;***
- ***the APEC Business Travel Card; or***
- ***five-year multiple-entry visas.***

APEC economies should establish special immigration lanes at major ports of entry by the end of 1998 for high-frequency business travelers from the region, including holders of five-year multiple entry visas.

APEC economies should commit to the following service standards for the issuance of business residency permits by 1998:

- ***applications processed within one month of receipt of application;***
- ***extensions processed within one week of application being received; and***
- ***automatic renewal for a period of up to three years.***

The APEC Business Travel Handbook should be regularly updated and widely publicized in member economies.

APEC should expand its cooperation in visa processing and border entry management systems and technology beyond information-sharing exercises, and include

identification of world best practice systems and technologies, and should give priority to training and technical infrastructure development.

THE APEC BUSINESS TRAVEL CARD

ABAC continues to promote the goal of visa-free travel for business people in the region, but it recognizes that not all economies are prepared to offer such arrangements at this point in time. Therefore, Australia has developed the APEC Business Travel Card as an interim step which is now being implemented on a trial basis by Australia, Korea and the Philippines. The APEC Business Travel Card offers significant time and cost savings to business travelers. Its key features are:

- single application for entry to all participating economies;
- long-term (five years or life of passport) validity allowing multiple entry;
- special immigration lanes to streamline border processing; and
- economies to retain the sovereign right to exercise control over entry of individuals.

Chile and Hong Kong, China have indicated they will join the scheme upon conclusion of the trial at the end of 1997.

Intellectual Property Rights

In 1996, ABAC recommended the establishment of a central registry for trademarks and patents, a program of comprehensive cooperation on intellectual property rights (IPR), and the implementation of the Uruguay Round Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS). We note the following progress achieved in these areas:

- The APEC IPR Experts' Group has outlined a work program leading to the establishment of a central registry.
- APEC has committed to conduct various studies and information-sharing exercises related to IPR in its 1996 Collective Action Plan. Individual APEC economies have also initiated IPR training programs.
- Various APEC economies are enacting legislation to implement TRIPS, while some have already fulfilled their obligations under the agreement. It is essential that IPR legislation be supported by robust enforcement procedures.

Recommendations

The Economic Leaders should endorse the setting of deadlines for achieving the key elements of the IPR Experts' Group's work program that builds towards the creation of a Central Registry for Trademarks and Patents.

The Economic Leaders should endorse the establishment of an IPR Education Cooperation Program and a Private Sector Participation Initiative to assist all APEC economies in developing and implementing effective IPR protection regimes.

APEC economies should implement TRIPS, or equivalent obligations in the case of non-WTO signatories, in the shortest possible time before 2000, with enforcement principles based on world best practice.

The IPR Education Cooperation PROGRAM

This program would have the following goals:

- Increasing public awareness and education on IPR issues and the importance of IPR protection for long-term economic development: This could be achieved through a variety of

initiatives including seminars, fora, private-public roundtable discussions and ready availability of paper-based and electronic information.

- Human resources development: This aims to ensure that selected officials in each economy have advanced IPR expertise.
- Education of public and private sectors on all commercial aspects of IPR protection.

THE PRIVATE SECTOR PARTICIPATION INITIATIVE

Involvement of the private sector in all aspects of IPR policy making would help ensure that legislation meets the needs of key suppliers of intellectual property and remains relevant to the business community. A number of the above recommendations might best be dealt with on a government/business partnership basis. ABAC is prepared to provide regular input into APEC IPR deliberations and will establish a point of contact to this end.

In addition, APEC should develop an information system which provides information on the legal status of individual trademark and patent applications on an ongoing basis. This should be readily available to the public and private sectors.

Standards and Conformance

We recommended in last year's report that APEC economies align their standards in priority sectors with international standards and adopt mutual recognition agreements in priority areas, and propose that APEC establish an internationally-recognized testing accreditation mechanism by 1998. We note the following state of affairs in this area:

- APEC economies have made some progress in aligning their national standards with international standards, and in concluding mutual recognition agreements. Economies have also formulated individual and collective plans to address the critical areas of transparency and technical infrastructure development.
- The APEC Subcommittee on Standards and Conformance (SCSC) is considering a major conference in 1998. It would be assisted in implementing its mandate through greater private sector input into its work agenda and general deliberations. This area is of particular importance to business, which is concerned about the use of technical standards and testing methods as a non-tariff barrier to trade and is interested in the potential to reduce transaction costs. APEC, possibly through the Pacific Area Standards Congress, can invite business to be involved in setting the agenda and determining the outcomes of the conference. In particular, business can assist the Subcommittee by identifying:
 - priority areas for alignment of national with international standards and development of mutual recognition agreements;
 - standards-based technical regulations having a negative effect on trade;
 - inspection and conformity assessment procedures resulting in unnecessary barriers to trade; and
 - means of increasing the transparency of standards-related laws and regulations.

Recommendations

APEC economies should align their national standards with international standards in the priority sectors identified by APEC. APEC should establish an internationally-recognized testing accreditation mechanism by 1998.

APEC economies should adopt mutual recognition agreements in the priority areas identified by APEC within the regulated sectors by 1998.

The Economic Leaders should endorse greater involvement of the private sector in APEC's work in the area of standards and conformance.

APEC should build momentum towards greater harmonization of standards by focusing initially on specific sectors. Priority should be given to sectors where standards harmonization stands to benefit all APEC economies.

Professional Standards

In its 1996 report, ABAC called for the development within a year of a set of common professional standards for business-related service providers, for APEC-wide recognition. These are to be developed by appropriate professional accreditation bodies, and supported by necessary legislative measures. While there has been no opposition to this proposal, there has also been no noticeable progress towards its implementation. Furthermore, we take note of the following developments:

- The APEC Human Resources Development Working Group has begun a project on comparability and disparity of skills testing standards, with the goal of promoting mutual recognition. There are also efforts to harmonize standards in a small number of technical sectors, such as aviation and tourism. While being positive steps, these efforts do not reflect the priorities of the business sector, which remain focused on business-related professional services.
- Within the WTO, there has been a commitment to complete a framework for mutual recognition of accounting credentials by the end of 1997. Although a draft framework is already in circulation, no agreement has been reached on applicability to other professions, and the next steps under the GATS remain unclear.
- Within APEC, there is strong interest on the part of professional associations in finding ways to develop and test initial agreements in limited areas. Priority areas of interest include accounting, architectural, consulting engineering, and legal services.

Recommendation

The Economic Leaders should endorse the convening in 1998 of a regional conference on mutual recognition of professional credentials within APEC economies.

REGIONAL Conference on Mutual Recognition of Professional Credentials

Objective: This conference should generate a clear strategy for advancing mutual recognition of professional credentials within APEC, including agreement on priority areas for action and a workplan to ensure the delivery of planned outcomes.

Participation: To ensure appropriate input from business, the conference should include representatives of professional service associations and professional accreditation bodies, and regulators of those professions. We also recommend the inclusion of representatives from the relevant working groups within GATS and the Organization for Economic Cooperation and Development (OECD) in order to build on their experience to date.

100% Implementation of the Bogor Liberalization Goals: Focus on Services

In our 1996 report, we called on APEC economies to adhere to 100% implementation of the Bogor liberalization goals, while expressing our continued aspiration to see this process accelerated. Our views on APEC's progress in moving towards these goals are contained in the chapter of this report covering ABAC's review of the MAPA. In this report, we wish to comment on the need for greater attention to services in relation to APEC's goals, keeping in mind the following situation:

- There remains an extensive array of impediments to regional trade and investment in services. In some cases, APEC work programs have not given the importance to services that their share of global economic activity demands. In particular, greater priority needs to be given to liberalization in areas covered by the following APEC working groups:
- Investment (liberalization);
- Human Resources Development (professional standards);

- Mobility of Business People; and
- Non-Tariff Barriers (as they affect services).
- Current restrictions that service enterprises face in establishing a commercial presence in many economies and difficulties in having qualifications of staff recognized represent two major impediments to trade in services in the region.
- Impediments to border entry and residency prohibit and increase the costs of providing services across borders. As new technologies increasingly facilitate the cross-border supply of services, it is becoming more important for the work on reducing NTMs to give due consideration to barriers affecting trade in services.

ABAC believes that, for real progress to be achieved in this area, unilateral initiatives must be complemented by collective action.

Recommendation

APEC should formulate collective action plans addressing major issues concerning trade in services that apply across all service industries, such as:

- ***the relaxation of foreign ownership restrictions on service firms; and***
- ***the removal of restrictions on commercial presence of foreign service firms.***

We believe that this approach, while complementing sectoral liberalization, is far more equitable as it stands to benefit a wide range of service industries.

Government Procurement

ABAC considers the following developments in the area of government procurement:

- The work that APEC has undertaken to date in improving the transparency of its members' government procurement practices is commendable. However, member economies need to go beyond commitments in their IAPs to engage in transparency exercises and review existing regulations to begin unilateral reform of government procurement practices.
- The WTO has already done a significant amount of work in this area. The WTOAGP prescribes the necessary requirements for open and fair government procurement practices, addressing issues such as national treatment, non-discrimination, rules of origin, transparency, technical specifications, tendering procedures, negotiations and dispute settlement.
- The work of the WTO provides a basis on which APEC can build to develop its own non-binding principles for government procurement. ABAC supports the development of such non-binding principles, to the extent that they can facilitate early entry into the WTOAGP of APEC economies or, as an equally valid step, their adoption of equivalent disciplines in government procurement.

Recommendation

APEC should draw from the WTOAGP to finalize non-binding principles of government procurement by 1998.

Competition Policy and Deregulation

ABAC supports the view that government regulation of domestic commercial activity and the behavior of individual business organizations can unduly restrict competition in international trade and investment. APEC's work in the areas of competition policy and deregulation is considered critical in achieving its goals.

Divergent approaches to competition policy and deregulation within APEC are reflected in the content of the IAPs. There is a need for continued dialogue within APEC with a view to achieving a consensus of opinion on:

- the definition and scope of competition policy;
- the objectives of competition policy and deregulation;
- the relationship among competition policy, deregulation and trade policy; and
- the role and scope of competition law.

Recommendation

APEC should consider the views of business in its approach to competition policy and deregulation. In particular, ABAC will want to provide input on the following issues:

- ***the forms of private sector conduct which should be prohibited on the grounds that they work against the competitive process and have no redeeming features;***
- ***the treatment of utilities and natural monopolies;***
- ***the relationship between competition policy and anti-dumping;***
- ***the constitution of adequate and effective competition law; and***
- ***the identification of key regulatory and other barriers to effective competition.***

Sectoral Action

In order to promote progress in competition policy and deregulation, there is a need to prioritize certain sectors where we can expand trade and investment opportunities, as well as harmonize standards and testing methods.

To facilitate the APEC process, ABAC believes that prioritization of certain sectors is necessary to test the applicability of APEC's objectives and principles. Examples of priority sectors could include the following industries and subcomponents thereof: chemicals, environmental products and services, food, oilseeds, pharmaceuticals, pulp and wood products, toys, transport and automotive products.

ENHANCING PRIVATE INVESTMENT IN INFRASTRUCTURE AND ACCESS TO CAPITAL

The APEC Voluntary Investment Projects and the Infrastructure Investment Initiative

In our inaugural report, we proposed APEC Voluntary Investment Projects (AVIPs) as an approach to investment liberalization. Under this scheme, economies would encourage selected projects by voluntarily applying enhanced investment protection to them. We committed to develop a list of specific investment principles to facilitate the implementation of AVIPs. In this report, we have further developed this concept to apply to infrastructure investment, taking the following into consideration:

- The AVIP concept responds to the need for pragmatism and flexibility in accommodating the different levels of economic development among APEC economies. It also reflects the urgency of taking steps towards the goal of full investment liberalization. However, AVIP should be seen as part of a spectrum that also includes sectoral and sub-sectoral approaches, which are stepping stones towards full investment liberalization.
- In projects requiring large injections of private capital, such as infrastructure development, the absence of effective investment protection means higher financing costs, even if partly mitigated by measures such as letters of comfort. AVIP principles can enable projects to

equal or exceed the sovereign ratings ceiling. While the current environment may not be as favorable to the inflow of necessary private capital as desired, AVIP can provide a framework of principles that will have immediate and decisive effects on these investment flows.

- The urgent need for large-scale infrastructure development in the region justifies a sectoral approach to investment liberalization for infrastructure, applying principles similar to those used for AVIP on a sectoral basis.
- The advantage of this approach is that, even if participating economies are not yet in a position to commit themselves to across-the-board investment liberalization, they can pledge to provide enhanced investment protection for selected projects, subsectors, or sectors as they are able. This allows these economies the flexibility to embrace investment liberalization while taking into account their different levels of readiness. Once economies commit to AVIP/III projects, these projects will be accorded full application of the AVIP/III principles.

Recommendation

APEC economies should make possible a sectoral approach to investment liberalization for infrastructure through an Infrastructure Investment Initiative (III), which applies certain investment protection principles on a sectoral basis to infrastructure projects.

It must be emphasized that AVIP and III are designed to further ABAC's wider goal of investment liberalization. Their application needs to be consistent with this objective and with the principle of open regionalism. These schemes are not meant to benefit solely a select group of investors - whether an individual company or companies for a single economy or group of economies. Tendering should be open to all on a fair and equal basis, and award procedures should be open and transparent. Without these caveats we recognize that AVIP and III could be misused to distort investment flows rather than to facilitate them.

Infrastructure Investment Initiative (III): Investment Protection Principles

The following principles can be incorporated into future infrastructure contracts to enhance infrastructure investment in the region:

Investors (private investors, multilateral institutions and/or investor economies) shall:

- encourage the strengthening of existing export/investment insurance systems against non-commercial risks to facilitate investment flows into infrastructure;
- recognize the importance of investor behavior in facilitating the acceptance of foreign investment in infrastructure; and
- encourage the removal of regulatory and institutional barriers to capital exports for infrastructure development.

Host economies shall:

- treat foreign investors in infrastructure throughout the life of their investment in an equivalent manner to domestic infrastructure investors, except as otherwise defined before the start of project investment and financing;
- accord most-favored-nation treatment to foreign investors in infrastructure throughout the life of their investment;
- give infrastructure investors equal access to domestic markets and resources, subject to limited and specific exceptions that should be defined before the start of project investment and financing;
- not change the terms of project investment agreements without the mutual agreement of both parties;

- avoid double taxation related to foreign infrastructure investment;
- ensure the free and prompt repatriation of infrastructure investment-related funds and the convertibility of currency;
- permit the temporary entry and sojourn of key foreign technical and managerial personnel for the purpose of engaging in infrastructure development;
- not use performance requirements that distort or limit expansion of infrastructure investment;
- not require more information from an enterprise belonging to a foreign project investor than is required from locally owned enterprises;
- not expropriate foreign investment in infrastructure or take measures that have a similar effect;
- ensure prompt settlement of disputes involving infrastructure investment through consultation, negotiation, and international arbitration between the parties;
- not relax health, safety, and environmental regulations as a false incentive to encourage foreign investment in infrastructure; and
- make all laws, regulations, administrative guidelines and policies pertaining specifically to infrastructure investment in their economies publicly available in a prompt, transparent and readily accessible manner.

Model contract provisions carrying out the above items are set forth by way of example in Appendix 2.

SME Finance Roundtables

In our previous report, we proposed the holding of SME Finance Roundtables to address the growth and export financing needs of SMEs, with the recommendations from these exercises to be reinforced by government policy. We recognize the initiatives to date in convening such Roundtables, including the September APEC-wide meeting of export credit agencies in Ottawa, Canada, and submit follow-up recommendations based on the following considerations:

- Export development financing for SMEs will become even more critical as trade liberalization leads to more intense competition. Attention must therefore be focused on the needs of established SMEs that are actual or potential exporters.
- While present financing mechanisms are inadequate, there is yet no clear sense of the range of instruments and approaches needed to address existing constraints. In addition, financing fora often restrict their focus to issues surrounding start-up finance and do not address the fundamental issue of the restrictive attitude of financial institutions to SMEs.
- As reviews of present practices demonstrate, a deregulated, competitive financial services market that provides a wider range of domestic and foreign funding sources can improve the availability and cost of financing for SMEs.
- Removing barriers to finance continues to be the highest priority for SMEs, recognizing in particular the difficulties facing specific groups (for example, women and youth) and reflecting the Economic Leaders' vision of full participation of those groups.

Recommendations

APEC and its member economies should reinforce the continued holding of SME Finance Roundtables, where key issues are discussed and best practices can be identified and shared.

APEC should prioritize liberalization in financial services in the context of assistance to SMEs.

Key Issues for SME Finance Roundtables

- Access to a full range of financing options, such as:
 - operating lines of credit
 - project financing
 - export financing instruments
 - venture capital
- Comparative cost of available capital
- Development of an effective and efficient credit guarantee system
- Improvement of skills of financial institutions' staff, particularly in evaluation of SME credit applications
- Barriers to finance for SME entrepreneurs

Promoting Capital Market Development

In our 1996 Report, we indicated our intention to look at the issue of capital market development and submit recommendations on this issue. The following considerations reflect our assessment of the situation in this area:

- The APEC Finance Ministers this year emphasized the increasingly prominent role that capital markets play in emerging economies, channeling savings and investment of individuals and enterprises to their most productive use. These burgeoning capital markets are helping assess and price risk more accurately, increasing the availability of credit and lowering costs. Increasing the liquidity and efficiency of capital markets will thus be important for economic growth.
- While the specific needs for capital market development vary among economies, certain critical elements are always necessary for capital markets to facilitate growth. Among these are transparent regulations and laws, independent and technically proficient rating agencies, and modern clearing and settlement systems.
- Financial markets that are conducive to growth provide investors and businesses with a better range of financial services from insurance companies, banks, securities firms and other diversified financial companies. Limiting the range of financial services deters the flow of capital to its most productive use and stifles innovation and growth.
- APEC economies can better address the financing needs of SMEs, improve access to finance for consumers, and more effectively finance large infrastructure projects by facilitating the development of markets for asset-backed securities. Currently, there is insufficient understanding of asset-backed technologies and the impediments to their use in the APEC region.

Facilitating Economic Growth through Capital Markets: Critical Elements

1. Addressing currency instability

Currency instability can impede capital market development and the process of liberalization within APEC. Because of the growing interrelationships among APEC economies, currency instability in one economy affects all APEC economies. Therefore, the problem of currency instability should be addressed through cooperation within APEC. Such cooperation should include the following steps:

- developing transparent and timely national economic statistics to provide early warning of macroeconomic imbalances that could lead to currency instability;

- cooperation among finance ministers to comment on the macroeconomic policies of any economy that is following policies likely to lead to instability;
- cooperation in developing and enforcing rules against market manipulation; and
- cooperation in developing and administering appropriate adjustment funds and programs, together with the IMF/World Bank and other multilateral entities.

2. Promoting regulation and transparency

Efficient capital markets can only develop with a legal framework that operates on fair rules and allows all participants access to material information. In order to support growth, securities markets must meet several goals, which include:

- protecting investors;
- assuring disclosure of information by issuers;
- creating secondary markets with an efficient pricing mechanism; and
- establishing a process for introducing new products.

Without these elements, active primary and secondary markets cannot be established. In addition, the process of rulemaking should allow advance notice of rule changes and provide opportunity for comment by interested parties, whether domestic or foreign. A corporate and commercial legal system (including bankruptcy law) that establishes the rights of creditors and shareholders, and thus offers predictability and stability, should be given high priority. The enforcement of commercial contracts is also an important area for improvement.

The globalization of markets has prompted a movement towards regulatory harmonization among economies. The design of such a regulatory structure requires input from among those already working in this area. Several groups, including the International Organization of Securities Commissions (IOSCO) and the Council of Securities Regulators of the Americas, are already working on regulatory cooperation and the sharing of information. These efforts will assist in incorporating into local law best practices which have proven their worth in other markets.

3. Establishing modern clearing and settlement systems

A modern clearing and settlement system with a centralized depository is a key component of developing a secondary market for securities. More specifically, a secondary market encourages initial investment and capital formation and provides the critical pricing mechanism for new securities offerings. Systems that involve physical delivery or create extensive delays increase risk in the system, deter investor participation, and reduce market liquidity. Although economies have developed systems based on their own history and practices, the recommendations of the Group of Thirty on common standards and practices for clearing and settlement form the basis for systems which will lower risk and reduce costs. These recommendations should thus be a guide to the development of enhanced regional clearance and settlement systems.

4. Developing understandable and harmonized accounting standards and disclosure

Information is a crucial ingredient for investor confidence and participation. Building long-term investor participation depends on transparent financial information based on clear accounting rules and full disclosure of material information. Lax accounting and disclosure standards impede capital formation by damaging the credibility of an economy's capital market and reducing participation in it. In such a market, investors will demand a "risk premium" as the price of participation to compensate for the higher risk. Use of recognized accounting standards attracts investors and enhances the ability to tap debt and equity markets for new capital.

ABAC supports the efforts of the International Accounting Standards Committee and IOSCO to develop international accounting standards, scheduled for completion by the turn of the century. Uniform accounting standards will strengthen disclosure and enhance comparability among

companies and countries, thereby increasing the ability of companies using these standards to access foreign capital through listing in developed markets.

5. Broadening the local investor base

The development of a local institutional and retail investor base should be a key objective. A regulatory system that is perceived as fair to all investors is crucial in promoting investments in an economy's debt and equity markets. Foreign exchange convertibility, simple regulatory requirements for the introduction of new products, and the timely release of economic data must also be considered in a strategy for building a domestic investor base. Collective investment vehicles, such as mutual funds, offer investors professional management, and may be a useful tool in expanding the individual investor's presence in the market. A national retirement savings system, depending on its design, can be a powerful mechanism for broadening the base of domestic investment.

6. Liberalizing rules for foreign financial services firms

Emerging economies in the region have taken steps, although at an uneven pace, to reduce barriers to foreign financial services firms. As economies increasingly turn to the global securities markets to meet a portion of their capital needs, foreign financial services firms are helping to channel both foreign and domestic savings to these markets.

Non-resident financial services firms face many barriers, which include:

- prohibitions and limitations on establishing and licensing of commercial presence;
- restrictions on foreign exchange transactions;
- investment limitations on stock purchases;
- lengthy and difficult approval for new products; and
- arbitrary and non-transparent promulgation of new rules.

Considering the significant contribution of foreign financial services firms to the development of emerging markets, APEC should address these barriers. ABAC is ready to assist the Finance Ministers in accomplishing financial services liberalization on a priority basis.

Recommendations

The Economic Leaders should endorse the adoption by APEC of steps that will help capital markets facilitate economic growth, specifically, addressing currency instability, promoting regulation and transparency, establishing modern clearing and settlement systems, developing understandable and harmonized accounting standards and disclosure, broadening the local investor base, and liberalizing foreign access.

The Economic Leaders should endorse public-private sector cooperation to facilitate the development of markets for asset-backed securities in the region.

ABAC in action: The Asset-Backed Securities Roadshow

In 1997, ABAC provided leadership in public-private cooperation to examine innovative financial technologies, by organizing a roadshow in several developing economies to discuss asset-backed securities with government and private sector representatives. The audience included finance ministry officials, bankers, prospective issuers, potential users of asset backed financing, and prospective investors in asset-backed securities in the APEC economies. ABAC undertook, as part of the roadshow, an examination of the legal and regulatory structure in each economy, with a view to developing the market for asset-backed securities.

ABAC intends to submit to the Economic Leaders a description of the current environment for asset-backed securities in all the APEC economies, summarize the conclusions from the roadshow, and provide concrete recommendations for facilitating the development of asset-backed financing. ABAC

will also participate in the Malaysian Roundtable on asset-backed financing scheduled next year. ABAC believes that the information gathered during its roadshows will enhance the level of discussion and knowledge during the Roundtable.

Cooperation among Stock Exchanges

Stock exchanges play a very important role in the growth of equity markets in the region. For this reason, we have examined various ways to promote their development.

Recommendations

APEC Stock Exchanges should cooperate in developing rules, listing requirements and surveillance mechanisms that increase investor confidence and further the development of equity markets in the APEC region.

An APEC Roundtable of Stock Exchanges should meet with regulators and finance officials from each economy.

APEC economies should establish an APEC Association of Stock Exchanges (AASE) as a framework to accomplish cooperation.

Where practical, APEC economies' stock exchanges and regulatory authorities should be encouraged to facilitate trading in SME equities.

Taxation Issues

In our report last year, we identified taxation issues as an area of future work. We believe that the issues of double taxation and withholding and professional services taxes should be addressed in a uniform manner, and to the greatest extent possible, through bilateral tax treaties.

Recommendation

APEC should set the goal of 2010 as a target date when consistent bilateral treaties should be executed and effective between 153 pairs of APEC economies. APEC economies should announce their individual targets for arriving at bilateral tax treaties in their IAPs.

IMPLEMENTING ECONOMIC AND TECHNICAL COOPERATION

APEC took a significant step forward when the Economic Leaders endorsed the Declaration on an APEC Framework for Strengthening Economic Cooperation and Development in Subic last year. The framework includes all the priority areas recommended by ABAC last year, as well as two other areas, capital markets and sustainable development. With clearly-defined goals, guiding principles and priorities, the Manila Declaration provides APEC ECOTECH with much-needed focus.

APEC Framework for Economic Cooperation and Development: Six Priority Areas

- Human capital
- Safe and efficient capital markets
- Economic infrastructure
- Technologies of the future
- Environmentally sustainable development
- Growth of small and medium enterprises

APEC now faces the challenge of implementing this framework. As described in the recommendations below, ABAC believes that effective implementation can be significantly enhanced by:

- mobilizing the resources and resourcefulness of the business/private sector; and

- developing clear complementarity between APEC economic and technical cooperation and APEC trade and investment liberalization and facilitation (TILF) initiatives.

Mobilizing the Business/Private Sector: The Partnership for Equitable Growth

In our report last year, we highlighted the need to promote greater business/private sector participation in ECOTECH. We note the following developments in APEC:

- The Manila Declaration encourages APEC's business/private sectors to participate in and initiate ECOTECH activities in line with APEC goals.
- APEC working groups and related fora are now undertaking over 200 ECOTECH activities. These activities are largely in the form of meetings, seminars, surveys and research projects, publications, data compilation, training and the funding of small projects. Their main contribution is towards facilitating public policy dialogue and information-sharing. While many of these activities are worthwhile, they are limited in impact and are primarily led by government, with the business/private sector playing a secondary role.

The business/private sector is already playing a growing role by undertaking infrastructure projects such as telecommunications and power generation where the commercial rationale is clear. These projects are well taken care of by the market and are appropriately the domain of APEC's investment initiatives.

Even where conventional commercial criteria are not met, there is considerable scope for business/private sector and government partnership in undertaking projects in line with APEC's ECOTECH objectives.

- The business/private sector could make a substantial contribution to the APEC process by identifying projects which would be commercially viable if the public sector instituted appropriate domestic policies to provide transparent legal frameworks and regulatory systems, and to promote competition. The business/private sector would then work in partnership with the host economies to ensure that private resource flows respond to public policy changes.
- With appropriate government recognition, the business/private sector would also be encouraged to invest in the well-being of their host communities on the basis that good corporate citizenship is also good for business.

The Partnership for Equitable Growth

Effective mobilization of the resources and resourcefulness of the business/private sector in support of ECOTECH objectives on a regional basis requires a catalyst. ABAC's 1996 Report called for the establishment of the APEC Network for Economic and Technical Cooperation to facilitate regional government and business/private sector collaboration.

Recommendation

Building on ABAC's 1996 recommendation, the Economic Leaders should endorse the creation of a non-profit distributing organization which would act as a catalyst for business/private sector participation in APEC ECOTECH initiatives (a possible name is the Partnership for Equitable Growth or PEG).

Partnership for Equitable Growth: Proposals on role, criteria for project selection, and organization

Role: The PEG's role should include the following:

- It would identify and evaluate suitable ECOTECH projects which would benefit from business/private sector value-added and government-business/private sector collaboration.
- It would facilitate business/private sector participation in projects which do not meet conventional commercial criteria by securing government endorsement or imprimatur and/or through changes in public policies.

- It would facilitate project funding by coordinating with private capital, multilateral funding institutions, foundations and other funding sources, as well as through the active brokering of partnerships and joint ventures.

Criteria for Project Selection: PEG would focus on projects which meet the following criteria:

- The project should contribute to APEC's ECOTECH goals and reflect at least one of APEC's six ECOTECH priority areas.
- The project should benefit at least two APEC economies to reflect ECOTECH's primary goal of building an APEC sense of community.
- The project should be at least financially self-replenishing and business/private sector-led in execution (a condition essential to sustaining business/private sector participation).
- The project should be endorsed by the governments of the APEC economies benefiting from it to underline the central importance of partnership between government and the business/private sector.

Organization: For PEG to be effective:

- It must be clearly endorsed and supported by APEC Leaders. Without endorsement and support at the highest government level, strong business/private sector support will be difficult to obtain.
- It must be led and managed by a high-quality chief executive who is held in high regard in both the public as well as the private sectors.
- It should be lean in organization and business/private sector in orientation and direction. Government participation therefore should be advisory rather than executive.
- Its Board of Directors should comprise senior business CEOs and government ministers. One approach is a Board drawn from the business community with the trade ministers of the past, current and future APEC chair being invited to serve as ex-officio Board members.
- Funding for running PEG should be through government and business/private sector contributions on a voluntary basis. With the appropriate government endorsement, initial funding entirely by the private sector is possible. With in-kind donations of office space and other administrative resources, we envisage an organization whose annual expenses would be modest. Large grant-making foundations and corporate foundations are potential sources of initial funding.
- One model for the PEG is the APEC Education Foundation, a private, non-profit organization which receives no government funds. The concept was endorsed by the Economic Leaders at Bogor, Indonesia and the organization then was created to foster activities in support of the Leaders Education Initiative. The PEG would be a similar organization meant for supporting ECOTECH initiatives.

Linking ECOTECH and TILF: The APEC Information Technology Education Initiative

APEC's initiatives in ECOTECH and TILF are two parts of the same agenda. The benefits of liberalization and facilitation cannot be fully realized without building economic capacity for sustainable development. Nevertheless, while the nexus between APEC's ECOTECH and TILF initiatives is conceptually clear, it is often not so in practice. Initiatives in both areas are often undertaken as if they have very little to do with each other. We base our proposal to address this issue upon the following considerations:

- The importance of ECOTECH can be much better understood and supported by both government and business/private sector if clear linkages are drawn which demonstrate how ECOTECH and TILF initiatives complement and benefit each other.

- Information technology (IT) is a sector where this linkage can be fruitfully drawn. The Information Technology Agreement (ITA) was supported by APEC Leaders at Subic and concluded at the WTO Ministerial in Singapore last year. Its benefits cannot be fully realized by all APEC economies without the necessary investment in human capital, particularly in the case of less developed member economies.
- IT provides an enormous economic and social "return on investment". Jobs in this sector are growing at a rate five times that of other sectors and pay almost three times the wages. Each job in the software sub-sector alone creates almost three jobs in other sectors. There is a worldwide shortage of skilled software engineers, with only about a third of annual demand being satisfied. IT is among the top three industries in terms of value-added to most economies. Its diffusion and development raises education and skills levels, allowing rural communities access to world-class education and training facilities through the use of distance learning techniques. New technologies can cut learning time by as much as one-fourth.
- APEC as a region has substantial strengths in IT. It includes the world's top two IT innovators and producers (the United States and Japan) and the finest universities with IT programs. Several APEC economies have significant plans for IT development, already develop and manufacture significant amounts of sophisticated IT hardware, or are being increasingly used as test-beds for IT development. APEC therefore can benefit much from both liberalization and ECOTECH training and education initiatives in this sector.
- There is a need for an initiative that will enable APEC economies to obtain such benefits, utilizing the region's resources in IT to further develop its human capital. Such an initiative would provide much needed impetus to ECOTECH and demonstrate that ECOTECH and TILF are complementary and mutually reinforcing.

Recommendation

The Economic Leaders should endorse in Vancouver an APEC IT Education Initiative that would draw on the region's strengths to provide education and training in areas critical to IT development. Major IT innovators and producers should be encouraged to participate in projects designed to ensure a continuing supply of qualified IT personnel and IT development opportunities.

Initiatives for Small and Medium Enterprises

STRENGTHENING THE FOUNDATIONS OF THE REGIONAL BUSINESS COMMUNITY

Small and medium enterprises (SMEs) account for over nine-tenths of the region's business firms. They are primary creators of new employment opportunities and facilitators of wealth creation. They provide the essential business infrastructure for large enterprises, and are the basic source of entrepreneurial activity. Ensuring the viability, profitability and growth of SMEs is therefore of critical importance in strengthening the regional business community.

SMEs face particular challenges due to resource constraints and a lack of market power. APEC is committed to assisting SMEs by:

- reducing barriers to cross-border flows and finance;
- helping SMEs take advantage of new opportunities and internationalize;
- building a better business environment; and
- addressing the attitudes that constrain their growth.

We reiterate the importance of having a core set of SME statistical indicators, coupled with clear targets, in order to be able to measure progress in achieving stated objectives.

Issues of Special Concern to SMEs

Recognizing that SME concerns cut across various areas, ABAC is addressing certain of these concerns in relation to cross-border flows and finance. These recommendations are therefore spelled out in other parts of this report, rather than presented as a separate set of proposals in this chapter. This section focuses on these issues' relevance to SMEs.

Business Mobility: Visa Arrangements and Special Immigration Lanes

For SMEs with limited resources, being able to move around the region in a time-efficient manner is critical to trade expansion. This underlines the importance of border entry arrangements to business people.

Regional Conference on Mutual Recognition of Professional Credentials

Most of the firms affected by restrictions related to recognition of professional credentials are SMEs that lack the time and resources to pursue recognition on an individual basis. The 1996 ABAC Report proposed the identification of common standards for professional services that can facilitate APEC-wide recognition. While there was support in principle for this recommendation, little actual progress was made towards its implementation in 1997 due to uncertainty about the next steps forward. A regional conference would provide a mechanism for moving ahead.

SME Finance Roundtables

Growth financing for SMEs has been a challenge in all of the APEC economies. A supportive financing environment needs to have the following characteristics:

- time- and cost-efficient access by SMEs to a full range of financing options;
- provision of both debt and equity financing mechanisms;
- a sufficiently competitive environment that allows SMEs to have some leverage in selecting financing options; and
- a regulatory environment in which financing SMEs is attractive to the providers of capital.

The continued holding of SME Finance Roundtables, coupled with the sharing of best practices that emerge from these activities, would contribute to the development of such an environment.

The APEC SME Network of Networks

Access to current information on the regional trading environment and on resources available to SMEs is a critical factor in their competitiveness and growth. ABAC commends the progress made by the APEC Center for Technology Exchange and Training for Small and Medium Enterprises (ACTETSME, <http://www.actetsme.org>) and Japan's modifications to the G-7 Global Information Network (GIN, <http://www.gin.ipa.go.jp>) to establish the basic structure for the APEC Network of Networks for SMEs, into which additional linkages can be made. Its usefulness to SMEs will now depend on:

- identification of a coordinator for each economy to act as a gateway to and from other APEC economies;
- the development and maintenance within each economy of relevant content; and
- cost-effective access to the Network by SMEs in each economy.

Recommendation

We ask the Economic Leaders to facilitate and reinforce the use of the APEC Network of Networks for SMEs (through the ACTETSME and GIN). The Economic Leaders should call on their respective SME Ministers and private sector business and trade associations to ensure relevant, adequate and up-to-date content and maintenance of the respective homepages to facilitate growth and export opportunities of SMEs. Further, Economic Leaders should call on the appropriate Ministers to ensure easy, cost-efficient access to the Internet for SMEs so that they can utilize the APEC Network of Networks for SMEs.

LOOKING AHEAD

We have offered our views and recommendations in this report, confident that these, if acted upon, will contribute to more rapid progress towards the attainment of APEC's goals. Much work remains to be done in terms of implementing and refining action plans, and of seeking other areas where APEC could decisively move forward. ABAC will help the Economic Leaders ensure that these future steps will be the practical, innovative and effective actions that will lead to the growth of regional trade and investment, greater public-private sector cooperation and enhanced living standards in our community.

Building on MAPA

ABAC is firmly committed to the complete and timely achievement of the Bogor liberalization and facilitation goals, and aspires to see APEC economies decide to move more rapidly along this path. We therefore place great importance on the implementation and continued improvement of action plans as a dynamic process that lies at the heart of APEC's concerns. Having made our initial evaluation of MAPA, we will continue to monitor APEC's progress and contribute a business perspective with each step forward.

Supporting Efforts towards Early Voluntary Sectoral Liberalization

ABAC welcomes initiatives, such as voluntary sectoral liberalization, that are being undertaken parallel to current efforts at implementing and continuously improving APEC's action plans. We believe that the involvement of business is important for such initiatives to succeed. The identification and prioritization of sectors where voluntary liberalization should be accelerated and the implementation of this process require careful and focused consideration by government and business together. ABAC is prepared to provide the business sector view to APEC ministers and officials in this task.

Defining Issues for APEC's Future Agenda

We recognize that APEC can make progress in new areas as it moves ahead, gaining momentum and advancing more rapidly towards our common vision. In our previous report, we have enumerated several issues for possible future consideration, and we have reflected on and made recommendations regarding a number of them this year. We intend to continue proposing such issues for inclusion in APEC's agenda in the next few years, while keeping in mind the need to focus on a few key result areas and the priority that must be placed on implementing current plans.

Fulfilling a Commitment to Action

Lastly, we affirm our commitment to implementation. We support the agreements reached in the Uruguay Round and look forward to the implementation of initiatives in new areas like services. We have worked closely with ministers and officials this year to help them determine how previous recommendations we have made can be translated into concrete policies and action plans. We intend to continue these efforts next year, and in the years to come. We will do so to ensure that what we have proposed on behalf of the region's business community is taken up and, eventually, translated into tangible and practical reality, knowing that the time for action is now.

APPENDIX 1**TIMELINES**

| REVIEW OF THE MANILA ACTION PLAN FOR APEC (MAPA) | |
|---|---------|
| APEC to lead WTO financial services talks to successful conclusion | 12/1997 |
| Each economy to specify in IAP final average tariff level by 2010/2020 | 1998 |
| Each economy to provide an opportunity in its IAP to assess annually how tariffs will be reduced and a timetable for the next five years on an industry basis | 1998 |
| APEC to create an inventory of NTMs in member economies | 1998 |
| Each economy to include in IAP annual assessment of how NTMs will be reduced and a timetable for at least the next five years | 1998 |
| Each economy to include in IAP a section on WTO-consistent NTMs | 1998 |
| Each economy to include in its IAP plans to eliminate/reduce NTMs beyond UR commitments | 1998 |
| APEC to adopt uniform format for IAPs in liberalization of services, with a comprehensive list of all existing impediments | 1998 |
| APEC to codify in IAPs the work underway to liberalize and facilitate investment flows, with clear objectives and timetables | 1998 |
| Economies unable to commit to NBIP adoption to specify in IAP how individual project/sector-based concepts are to be deployed as interim investment liberalization measures | 1998 |
| Each economy to include in IAP commitments and targets for removing impediments to domestic/regional capital market development | 1998 |
| APEC to establish mechanism for subjecting new ECOTECH projects to public review and involving private sector in design and implementation of the project | 1998 |
| IAPs to specify initiatives and targets for working on SME issues. | 1998 |
| CROSS-BORDER FLOWS | |
| APEC to regularly update and widely publicize the APEC Business Travel Handbook | Ongoing |
| Economic Leaders to endorse greater involvement of the private sector in the area of standards and conformance | 1997 |
| APEC to set deadlines for the elements of the work program building towards the creation of a Central Registry for Trademarks and Patents | 1998 |
| APEC to establish an IPR Education Cooperation Program | 1998 |
| APEC to establish a Private Sector Participation Initiative | 1998 |

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| Each economy to align standards with international standards | 1998 |
| APEC to establish an internationally-recognized testing accreditation mechanism | 1998 |
| APEC economies to adopt mutual recognition agreements in priority areas | 1998 |
| APEC to formulate CAPs addressing major barriers to trade in services applying across all services sectors | 1998 |
| APEC to finalize Non-Binding Principles on Government Procurement | 1998 |
| APEC to consider ABAC's inputs on issues related to competition policy and deregulation | 1998 |
| APEC, to test its objectives and principles, should prioritize sectors. Examples could include: chemicals, environmental products and services, food, oilseeds, pharmaceuticals, pulp and wood products, toys, transport and automotive products. | 1998 |
| Each economy to make available to business travelers more efficient visa arrangements, together with special immigration lanes and adoption of service standards for issue/extension of business residency visas | 12/1998 |
| APEC to convene an APEC conference on mutual recognition of professional credentials within the region | 1999 |
| Each economy to implement TRIPS, or equivalent obligations in the case of non-WTO signatories, with enforcement principles based on world best practice | 2000 |
| APEC to focus on specific sectors in relation to harmonization of testing and standards | 2000 |
| INVESTMENT, FINANCE AND INFRASTRUCTURE | |
| APEC economies to continue holding SME Finance Roundtables | Ongoing |
| APEC economies to adopt steps towards building capital markets, such as measures to address currency instability, transparent regulations, modern clearing and settlement systems, harmonized accounting standards and disclosure, expansion of local investor base and reduction of barriers to foreign financial services firms | Ongoing |
| APEC to adopt the Infrastructure Investment Initiative (III) within the framework of AVIP | 11/1997 |
| Economic Leaders to endorse public-private sector cooperation to facilitate the development of markets for asset-backed securities | 11/1997 |
| APEC to prioritize liberalization in financial services trade | 12/1997 |
| APEC economies' stock exchanges to establish cooperation in developing rules, listing requirements and surveillance mechanisms | 11/1998 |
| APEC economies' stock exchanges to hold a roundtable | 11/1998 |

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| APEC economies to establish an APEC Association of Stock Exchanges | 11/1998 |
| APEC economies' stock exchanges and regulatory authorities to facilitate trading in SME equities | 11/2000 |
| APEC economies to progressively announce in their IAPs target dates for concluding bilateral tax treaties | 1998-2005 |
| APEC economies to conclude bilateral tax treaties | 2010 |
| ECONOMIC AND TECHNICAL COOPERATION | |
| Economic Leaders to endorse the establishment of the APEC Partnership for Equitable Growth | 11/1997 |
| Economic Leaders to endorse an APEC IT Education Initiative | 11/1997 |
| SMALL AND MEDIUM ENTERPRISES | |
| APEC to ensure relevant, adequate and up-to-date content and maintenance of information in the four key areas identified by ABAC in 1996 (human resource development, technology, credit and capital, and market opportunities) | Ongoing |
| APEC economies to continue holding SME Finance Roundtables | Ongoing |
| APEC to prioritize liberalization of financial services trade in the context of assistance to SMEs | 12/1997 |
| APEC Economic Leaders, in order to facilitate networking, to identify a coordinator in each economy to act as an information gateway to and from APEC economies | 1998 |
| APEC to ensure easy and cost-efficient access to the Internet for SMEs | 1999 |
| APEC economies' stock exchanges and regulatory authorities to facilitate trading in SME equities | 11/2000 |

APPENDIX 2

MODEL CONTRACT PROVISIONS FOR PROJECTS UNDER THE APEC VOLUNTARY INVESTMENT PROJECT (AVIP) SCHEME AND THE INFRASTRUCTURE INVESTMENT INITIATIVE (III)

ARTICLE 1

Definitions

" *Effective Date* " means [date of signature of this Agreement][date upon which all conditions precedent to the effectiveness of this Agreement have been fulfilled.]

" *Employee* " or " *Employees* " means the employee or employees of [the Investor][the local entity established by the Investor to implement the Investment].

" *Host Economy* " means the economy of (economy in which the Investment is made).

" *Host Government* " means the government of (the economy in which the Investment is made).

" *Investment* " means (the investment) as set forth in the Investment Agreement.

" *Investment Agreement* " means the agreement between the Investor and [name of other parties] for the purpose of carrying out the Investment.

" *Investor* " means (the investor) as set forth in the Investment Agreement.

" *Territory* " means (territory of economy in which the Investment is made).

ARTICLE 2

National Treatment and Most-Favored-Nation Treatment

1. The Investor and Investment shall at all times be accorded treatment no less favorable than that accorded, in like circumstances, to national investors with respect to, but not limited to, the establishment, acquisition, expansion, financing, management, conduct, operation, and sale or other disposition of the investment.
2. The Investor and Investment shall at all times be accorded treatment no less favorable than that accorded, in like circumstances, to investors from and investments of any other State with respect to, but not limited to, the establishment, acquisition, expansion, financing, management, conduct, operation, and sale or other disposition of the Investment.

ARTICLE 3

Access to Domestic Markets and Resources

1. Equal access to domestic markets and resources as accorded to national investors and investments shall at all times be accorded to the Investor and the Investment in all respects.
2. Equal access to domestic markets and resources as accorded to foreign investors and investments shall at all times be accorded to the Investor and the Investment in all respects.
3. Only those express exceptions to paragraphs 3.1 and 3.2, otherwise agreed to and specified elsewhere in the Investment Agreement shall be valid and permitted.

ARTICLE 4

Changes in the Terms of the Investment Agreement

1. Changes in the terms of the Investment Agreement shall be made only in writing upon the mutual agreement of the Parties.
2. Any unilateral action by the Host Government that would have the effect of altering any fundamental term of the Investment Agreement shall be valid and permitted only if the action is equally applicable to all national and foreign investors in like circumstances and does not discriminate against foreign investors in any way.

ARTICLE 5

Taxes

The Investors, Investments and Employees shall not be subject to any taxation or other government levy that is any less favorable than such taxes and levies on comparable national enterprises or their employees.

ARTICLE 6

Transfers

1. The Investors shall be guaranteed the right to transfer any and all funds relating to the Investment freely and without delay into and outside of the Territory in accordance with applicable law.
2. Transfers subject to the guarantee in paragraph 6.1 include, but are not limited to:
 - a. initial investment into and financing of the Investment;
 - b. dividends derived from operations of the Investment, interest on offshore loans and proceeds from liquidation of the Investment, whether by sale or dissolution;
 - c. funds repatriated from abroad and infusion of additional financial resources after the initial investment has been made; and
 - d. reasonable license and royalty fees owed outside the Host Economy.
3. Transfers shall be permitted in a currency of the Investor's choice at the market rate of exchange prevailing on the date of transfer.

ARTICLE 7

Appointment of Senior Management

1. Neither the Host Government nor any agency or instrumentality thereof shall interfere with an Investor's right to select and employ persons to serve as senior management, regardless of nationality.
2. Neither the Host Government nor any agency or instrumentality thereof shall interfere with an Investor's right to seek and obtain permission for entry into and exit from the Territory of its personnel on a temporary basis.

ARTICLE 8

Performance Requirements

No aspect of the Investment shall be subject to any performance requirement, including, but not limited to, requirements regarding local content and export quotas, unless any such performance requirements are otherwise expressly agreed upon and specified herein.

ARTICLE 9

Information

The Investor, and the entity through which the Investment is carried out on the Territory, shall not be required to disclose any more information to the Host Government than that required from national investors.

ARTICLE 10

Expropriation

1. Neither the Investor nor any of its assets may be subjected either directly or indirectly to expropriation, nationalization, or any other type of dispossession by either the Host Government or any agency or instrumentality thereof, and no measures tantamount to nationalization or expropriation shall be taken with regard to the Investment, except as provided otherwise in paragraph 10.2.
2. In addition to the protections set forth in the Constitution of the Territory, expropriation, nationalization, or any other types of dispossession and measures tantamount thereto shall only be permitted under the following conditions:
 - a. in accordance with international legal standards;
 - b. for a public purpose;
 - c. on a nondiscriminatory basis;
 - d. subject to due process of law;
 - e. after legislative confirmation; and
 - f. accompanied by prompt, adequate and effective compensation
3. "Adequate" compensation shall be interpreted to mean compensation no less favorable than the fair market value of the expropriated investment immediately before the expropriating action was taken or became known, and shall include interest at the prevailing market rate for the external debt of the Host Government from the date of expropriation until the date of payment of said compensation.
4. Compensation shall be paid as set forth herein without delay and be fully realizable and freely transferable.
5. An Investor with a dispute concerning expropriation or compensation therefrom shall have the right to choose the forum for resolving the dispute, either inside the Territory or pursuant to international arbitration as set forth in Article 11 hereof.

ARTICLE 11

International Arbitration

1. The Investor shall first attempt to settle any Investment dispute on an amicable basis with the Host Government, or any other Host Government entities.
2. In the event that an Investment dispute cannot be resolved amicably, the Investor shall have the right to submit any Investment dispute with the Host Government, or with other Host Government entities, to international arbitration under procedures specified elsewhere in this Agreement. The Investor may select any international arbitration forum including, but not limited to, the International Center for the Settlement of Investment Disputes (ICSID).
3. Investment disputes shall include, but not be limited to, disputes concerning expropriation or compensation therefor.

APPENDIX 3

APEC'S ACTIONS ON THE 1996 ABAC REPORT *

| ABAC Recommendation | APEC's Actions |
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| Cross-Border Flows | |
| <p>General</p> <p><i>Flagship:</i> Reaffirm the spirit of the Bogor liberalization goals by fully implementing free and open trade and investment no later than 2010/2020, with each APEC economy voluntarily undertaking unilateral efforts to accelerate the process as rapidly as its structural conditions would allow.</p> | <p>The Economic Leaders approved the MAPA, which commits APEC economies to achieve the Bogor liberalization goals. Implementation began on 1 January 1997.</p> <p>Members have nominated over 60 sectors for early voluntary liberalization.</p> |
| <p>Business Mobility</p> <p><i>Flagship:</i> Introduce a minimum five-year APEC Business Visa allowing multiple entries for a minimum of 60 days per entry starting 1996.</p> <p>Introduce expedited immigration processing for APEC Business Visa holders at major ports of entry by 1996-97</p> <p>Speed the issuance and extension of business residency visas by 1997-1999.</p> | <p>Members' business visa requirements and procedures vary. Of 306 possible travel permutations, no business visa is required in 150, or 49 percent, of them. Where visas are required, multiple-entry visas are usually available upon request. Validity varies from 2 months to 10 years.</p> <p>The Economic Leaders asked the Ministers to work closely with business in 1997 to examine ways to facilitate the movement of business people.</p> <p>Australia, Korea and the Philippines started a pilot APEC Business Travel Card program involving visa-free entry and special entry lanes at airports. Chile and Hong Kong, China are to join if the pilot project is successful.</p> <p>Some individual economies have taken actions to streamline business visa procedures.</p> |
| <p>Intellectual Property Rights</p> <p><i>Flagship:</i> Endorse the establishment of an APEC Central Registry for Trademarks and Patents.</p> <p>Establish a program of comprehensive cooperation on intellectual property rights in 1996.</p> <p>Implement the Uruguay Round TRIPS agreement, or its equivalent for non-WTO members, as soon as possible.</p> | <p>Members have exchanged information on each other's trademark application systems.</p> <p>The Economic Leaders directed Ministers to intensify work on implementation of IPR commitments.</p> <p>Extensive cooperation programs are underway, including a survey of members' IPR legislation, various workshops and symposia, and exchange of information on offers and requests for technical cooperation.</p> <p>Members have exchanged information on the status of implementation of TRIPS and on revisions of legislation to comply with the agreement. Some economies have advanced the implementation of TRIPS.</p> |

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| <p>Professional Standards</p> <p><i>Flagship:</i> Endorse the establishment of a set of common professional standards for APEC-wide recognition, to be developed by appropriate professional accreditation bodies, and supported by any necessary legislative measures by 1997.</p> | <p>The Economic Leaders asked the Ministers to work closely with business in 1997 to examine ways of aligning professional standards in the region.</p> <p>HRD Ministers have instructed the HRD WG to accelerate and expand project initiatives on mutual recognition of skills qualifications.</p> |
| <p>Customs Harmonization</p> <p>Endorse complete implementation by 2000 of all customs facilitation, harmonization and standardization measures, including the following milestones:</p> <p>Adhere to the Harmonized System (HS) and the WTO Customs Valuation Agreement, by end-1997.</p> <p>Standardize and simplify customs documents and procedures, by 1997.</p> <p>Implement fully an APEC-wide electronic customs processing system by 2000.</p> <p>Provide technical training to economies that require assistance, ensuring that adequate resources are devoted to such programs.</p> | <p>The Economic Leaders directed the Ministers to intensify their work in 1997 on harmonization of customs valuation.</p> <p>The Economic Leaders agreed that members will accede to, or simplify customs clearance procedures based on the Kyoto Convention by 1998.</p> <p>Currently, all APEC economies are using the HS as their method of classification.</p> <p>A program has been designed to develop a common set of customs clearance procedures and simplified and harmonized data applicable to international trade among member economies.</p> <p>A technical assistance program is underway to help APEC economies implement the UN/EDIFACT standard by 1999. The first workshop on UN/EDIFACT was held in Singapore on 26-27 April 1997.</p> <p>A Framework on Technical Assistance and HRD was established to help members implement the work plans of the SCCP by the target dates.</p> |
| <p>Standards and Conformance</p> <p>Align each economy's standards in priority sectors with international standards by 1998.</p> <p>Adopt mutual recognition agreements in priority areas by 1998.</p> <p>Establish an internationally recognized Testing Authority.</p> | <p>The Economic Leaders agreed to align national standards with international standards in priority areas by 2000/2005 and to mutual recognition of national standards.</p> <p>Priority areas for alignment work have been identified.</p> <p>A training course was held in March 1997 in Malaysia to enhance members' understanding of standards and conformity assessment schemes.</p> <p>Seminars on Electromagnetic Compatibility were held in 1996 and on Environmental Management Systems in April 1997.</p> <p>A guidebook for alignment of members' standards with international standards has been prepared in 1996.</p> <p>The APEC Food and Food Products MRA has</p> |

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| | <p>been completed.</p> <p>The Energy Ministers directed the Energy Working Group to work on the alignment of energy product standards.</p> <p>The Mid-Term Technical Infrastructure Development Program was adopted to facilitate broad participation in MRAs.</p> |
| <p>Subregional Growth Areas</p> <p>Encourage the development of subregional growth areas among APEC economies.</p> | <p>No action has been taken in this area.</p> |
| <p>Finance and Investment</p> | |
| <p>APEC Voluntary Investment Projects</p> <p><i>Flagship:</i> Establish voluntary investment principles that can be applied by host economies on a case-by-case basis to specific projects that would benefit from investment protection.</p> | <p>The IEG has endorsed the objective of strengthening investment protection to encourage investment and reduce financing costs, while recognizing concerns that this should apply more generally across projects and industries.</p> |
| <p>Investment Policy Environment</p> <p>Reinforce the NBIP through clarification of principles referring to transparency, non-discrimination, investment incentives, performance requirements and removal of barriers to capital exports.</p> <p>Commit to either immediate implementation or a timetable for implementation of the non-binding principles by November 1996.</p> <p>Conduct self-assessments of economies' progress towards implementing the non-binding principles by August 1997.</p> <p>Endorse a standstill date after which no new measures that restrict foreign investment can be instituted.</p> <p>Accelerate the implementation of commitments under the GATS and TRIMS Agreement.</p> <p>Establish "one-stop" investment agencies based on existing regional best practices.</p> <p>Develop specific principles constituting a multilateral understanding on the elimination of double taxation and removal of other tax barriers to cross-border trade and investment.</p> <p>Limit the use of unilateral sanctions in connection with trade disputes and renounce the imposition of unilateral sanctions by an</p> | <p>The IEG has conducted dialogue on investment facilitation, cooperation and liberalization, in order to discuss the NBIP.</p> <p>Some individual economies established one-stop investment agencies.</p> <p>A new edition of the APEC Investment Guidebook was published in 1996.</p> |

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| <p>APEC member against any other member for non-trade purposes.</p> <p>Update and augment annually the CTI's <i>Guide to Investment Regimes of APEC Member Economies</i>.</p> | |
| <p>Infrastructure</p> | |
| <p>Joint Public-Private Sector Infrastructure Roundtable</p> <p><i>Flagship:</i> Hold a series of Joint Public-Private Sector Infrastructure Roundtables.</p> | <p>The first Roundtable was held in the Philippines in November 1996, generating recommendations on public-private sector cooperation.</p> |
| <p>Guidelines for facilitating business / private sector participation in infrastructure projects</p> <p>Develop a set of transparent guidelines for governments to facilitate business/private sector participation and enhance risk mitigation measures in infrastructure development projects.</p> | <p>Finance Ministers agreed in April 1997 on the Voluntary Principles for facilitating private sector participation in infrastructure and on collaborative initiatives to help member economies realize them.</p> |
| <p>Small and Medium Enterprises and Human Resources Development</p> | |
| <p>APEC Network for SMEs</p> <p><i>Flagship:</i> Establish an APEC Network for SMEs to function as a network of networks in each economy, linked electronically at the regional level through ACTETSME, with an initial action program focusing on HRD and access to technology and information, credit and capital, and market opportunities, by September 1997.</p> | <p>The Economic Leaders asked the Ministers to work closely with business on policies supportive of SMEs.</p> <p>ACTETSME and GIN have established a basic architecture for serving as part of a virtual network for SMEs. ACTETSME has made progress in identifying appropriate linkages to websites of relevance to SMEs in various economies. The ACTETSME is being developed into a high-technology hub for enhancing the competitiveness of small business in open markets with the provision of facilities and resources.</p> <p>A network of trade promotion organizations is being established by the APEC Trade Promotion Working Group to facilitate strategic alliances among SMEs, linking the APEC-Net among economies' existing home pages and databanks to the APEC Secretariat Home Page; and compiling data on trade skills and training courses for information exchange among member economies.</p> |
| <p>SME Finance Roundtables</p> <p><i>Flagship:</i> Hold Roundtables in each economy address the growth and export financing needs of SMEs, starting in 1997. Reinforce</p> | <p>Several economies have held Roundtables. The export credit agencies have held a first joint meeting to address the issue of SME export financing.</p> |

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| <p>roundtable recommendations with government policy.</p> | |
| <p>SME Statistical Indicators <i>Flagship:</i> Collect and report data on SME statistical indicators by September 1997 to create a baseline from which targets for progress can be established.</p> | <p>Ongoing projects undertaken by the PLG SME aim to identify key indicators of SME activities and to assess the feasibility of a benchmarking database of SME statistical indicators.</p> |
| <p>Economic and Technical Cooperation</p> | |
| <p>APEC Network for Economic and Technical Cooperation <i>Flagship:</i> Establish an APEC Network for Economic and Technical Cooperation, in conjunction with the launching of a new model of economic and technical cooperation based on strategic focus with four priority areas and on partnership between government and private sector.</p> | <p>The Economic Leaders instructed the Ministers to work with business on encouraging greater business participation in ECOTECH activities.</p> <p>The Ministers adopted the APEC Framework for Strengthening Economic Cooperation and Development, which identifies six priority areas (including the four proposed by ABAC) and which calls for greater private sector participation.</p> |

APPENDIX 4

THE APEC BUSINESS ADVISORY COUNCIL

The Establishment of ABAC

Heeding the business community's call for a business/private sector body to advise the Economic Leaders, the APEC Ministers established the APEC Business Advisory Council (ABAC) in November 1995. Its forerunner, the Pacific Business Forum (PBF), had proposed the establishment of a permanent body to act as an independent voice of the business community vis-à-vis the Economic Leaders; review the progress of APEC's efforts at trade and investment liberalization; and recommend future work to improve the business environment in the region.

ABAC was established during the APEC meetings in Osaka. Recognizing the role of business as the driving force for regional economic development, the Economic Leaders committed to appoint its members. The APEC Ministers agreed on a set of guidelines regarding the structure, funding and activities of ABAC. These guidelines, which were attached in an annex to the Joint Statement of the APEC Ministerial Meeting in Osaka, contains the following:

Functions: ABAC will have two main functions: "to provide advice on the implementation of the [Osaka] Action Agenda and on other specific business sector priorities;" and "to respond when various APEC fora request information about business-related issues or the business perspective on specific areas of cooperation."

Structure: Each APEC economy will appoint at most three representatives to ABAC from the business/private sector, reflecting the interests of a broad spectrum of the sector, including small and medium enterprises. ABAC was tasked to find ways of engaging other regional business and private sector organizations in APEC activities, and to determine the structure and functions of its own secretariat.

Funding: ABAC is expected to find sources of funding outside the APEC Central Fund for its activities after its initial year.

Activities: ABAC will provide reports to the Economic Leaders, as well as to the ministers through the Senior Officials' Meetings.

ABAC's First Year

The Economic Leaders appointed ABAC members from their respective economies in the Spring of 1996. At its first plenary meeting, ABAC agreed that its leadership would be entrusted to a Chair drawn from the host economy in any one year and to two Co-Chairs drawn from the immediate past and future hosts of APEC. The Philippines thus assumed the ABAC Chair, with Japan and Canada providing the Co-Chairs. To facilitate its work, ABAC established five committees corresponding to five core areas identified by ABAC for its initial work: cross-border flows; investment and finance; infrastructure; small and medium enterprises and human resources development; and economic and technical cooperation.

The Philippines-based Center for Research and Communication (CRC) was provisionally designated as the ABAC Secretariat, and was later asked to continue in this role for another year. The APEC Foundation of the Philippines funded the Secretariat in 1996, with some counterpart support from CRC. The APEC Central Fund provided additional financial assistance, while the APEC Secretariat assisted ABAC in the areas of communications, public affairs and the publication of its report.

ABAC held three plenary meetings in 1996 to produce its first report to the Economic Leaders, *APEC means business: Building prosperity for our community* (1996). This report contained several proposals, including ten flagship recommendations. On the eve of their meeting in Subic in November 1996, the Economic Leaders held their first dialogue with ABAC to discuss the report. Later on affirming "the central role of the business sector in the APEC process," the Economic Leaders instructed their ministers to work closely with business in examining ways of implementing ABAC's recommendations and in reviewing the Manila Action Plan for APEC (MAPA).

ABAC in 1997

ABAC's Chair followed the rotation of APEC's Chair to Canada in 1997, with the Philippines and Malaysia, as immediate past and future hosts, providing the Co-Chairs. Council members agreed to fund the Secretariat through their own contributions, with the distribution of delegations' shares based on the formula followed by APEC. In response to new tasks, ABAC reorganized its committee structure, retaining three regular committees covering three areas of concern: cross-border flows; investment, finance and infrastructure; and economic and technical cooperation. A special committee, composed of delegates who also form part of the other three committees, meets separately as a group to discuss specific issues concerning SMEs. An *ad hoc* steering committee was formed to help ABAC assess MAPA.

ABAC held three meetings in 1997 to plan out its activities and prepare its second report to the Economic Leaders. These were in Port Moresby, Papua New Guinea (February 22-23); Seoul, Republic of Korea (May 23-25); and Santiago, Chile (September 27-28). Coming out of its first meeting, the Council embarked on a work plan aimed at two main goals: an assessment of MAPA from the business perspective; and the implementation of priority recommendations contained in last year's report. ABAC also put forward a small number of new recommendations carefully chosen on the basis of their impact on enhancing trade and investment and on economic and technical cooperation

Responding to the Economic Leaders' call, ABAC members worked closely with ministers and senior officials to discuss their recommendations and provide inputs to the ongoing APEC process. The ABAC Chair briefed the APEC Senior Officials' Meetings in Quebec City and St. John's on the progress of ABAC's work. ABAC sent delegates to brief the various sectoral ministers' meeting and the Policy Level Working Group on SMEs about specific issues related to the implementation of its recommendations. Council members also participated actively in various business fora and organized roadshows to promote initiatives being proposed by ABAC.

APPENDIX 5

BIOGRAPHIES OF MEMBERS OF THE APEC BUSINESS ADVISORY COUNCIL

1. AUSTRALIA

Imelda Roche, AO is Chairman of Nutri-Metics International Holdings Pty Ltd, an Australian skin care company spanning 20 countries and a member of the Sara Lee Group of companies. She serves on a number of government and community boards including the Trade Policy Advisory Council (TPAC), AUSPECC, Business/Higher Education Round Table and Bond University Council. She is immediate past Chairman of the World Federation of Direct Selling Associations. In recognition of her contribution to business and commerce, women's affairs and the community, Mrs Roche was appointed an Officer in the General Division of the Order of Australia (AO) in the 1995 Australia Day Honours List. She was conferred an honorary doctorate of letters by Macquarie University Sydney.

Michael Jenkins Crouch, AM is Chairman and CEO of Zip Industries (Aust) Pty Ltd, an all Australian company which manufactures filtered drinking water equipment in Australia and South Africa with an operating subsidiary in the United Kingdom. Mr Crouch is a member of the Australian Government Trade Policy Advisory Council and the Australian Pacific Economic Cooperation Council. Awarded membership of the Order of Australia in 1988, for Services to the Community and Conservation, Mr Crouch serves on the boards of a number of companies and charitable organizations. Married with three children, he lives at Point Piper and Scone, NSW.

Malcolm Kinnaird, AO is Chairman of Kinhill Ltd, Adelaide Brighton Ltd, United Water International Pty Ltd, Perry Engineering Pty Ltd and Pope Electric Motors Pty Limited and serves on the boards of National Electricity Market Management Company Ltd and South Australia Mariculture Pty Ltd. He is Co-Chairman of the Singapore-Australia Business Alliance Forum, a member of the Australian Committee of the Pacific Economic Cooperation Council and a member of the Trade Policy Advisory Council. Mr Kinnaird was made an Officer in the General Division of the Order of Australia in 1991.

2. BRUNEI DARUSSALAM

Timothy Ong Teck Mong, SMB is Managing Director of National Insurance Company Berhad of Brunei Darussalam and a director of many other Brunei business interests. He was Chairman of the Brunei Darussalam International Chamber of Commerce and Industry in 1985 and 1986 and remains an advisor to the Chamber. He serves on a number of government appointed committees including the Council for Industrial Development and Trade chaired by the Minister of Industry and Primary Resources. Mr Ong was Brunei's representative to the APEC Eminent Persons Group. In 1995, he was bestowed the title "The Most Honourable Order of Seri Paduka Mahkota Brunei" (SMB) by His Majesty, the Sultan of Brunei.

Haji Hamdillah H A Wahab, SNB, BLNG Executive Director, is a member of management of Brunei Shell Group of Companies and Director of Brunei Shell Funds Sdn Bhd. He is a member of Government Municipal Board, National Environment Committee, HR Committee and Industrial Development and Trade Council. Since 1994, he is also a Government Advisor to Ketua Kampong of Lumut Village under the Ministry of Home Affairs, a Governor of St Margaret School Board since 1995 and Brunei PBF member in 1994-1995. He was awarded the honorary title "Most Blessed Order of Setia Negara Brunei (SNB) by His Majesty The Sultan of Brunei in 1994.

Haji Idris B H Abas, SMB is the founder and Principal of Arkitek Idris, the 1st ISO 9001 accredited firm in Brunei Darussalam for Architectural, Planning and Interior Design Services. Besides holding Directorship and partner of other business interests, he also holds numerous official positions including Government appointed committees and councils as follows: member of the University Council, Universiti Brunei Darussalam; member of Municipal Board (Bandar Seri Begawan); Council member of PUJA (B), Chairman of the Architectural Sub-Committee; Deputy Chairman of National Accreditation Committee of Technical Education; President of National Chamber of Commerce and Industry Brunei Darussalam; and Chairman of numerous business councils. In 1994, His Majesty The Sultan of Brunei bestowed him the title "Most honourable Order of the Crown of Brunei" (SMB) and the Meritorious Medal (PJK) in 1996.

3. CANADA

Paul Gobeil, FCA is Vice-Chairman of the Board of Directors of Métro-Richelieu Inc., a food company, and Co-Chair of Aérospatiale (Canada) Inc. He also sits on the boards of directors of several other organizations, including the National Bank of Canada and l'Ordre des comptables agréés du Québec. Mr Gobeil served as Québec's Minister of International Affairs, Minister responsible for administration, and Chairman of Le Conseil du Trésor. He was an executive of some of Canada's leading food retailers, including Provigo Inc, Loeb Inc. and IGA Canada Ltd. He also held a number of chairmanships in various corporations, including the Royal Trust Company, Hydro Québec International and Domtar Inc.. Mr Gobeil has also been nominated as member of the Prime Minister's Council for Asia Pacific.

Terry Hui is President and CEO of Concord Pacific Developments Corp., the company developing North American's largest master-planned community and Canada's first fibre optic neighbourhood on the 204 acre former Expo 86 site in downtown Vancouver. Mr Hui is also President of Grand Adex, the Vancouver-based residential development firm, and MultiActive Technologies Group, a new media company developing content for the on-line environment. He also owns Maximizer Technologies, a contact management software company. Mr Hui holds a number of directorships, including Husky Oil, Oxford Properties, Pacific Place Cable and Communications, B.C.'s Children's Hospital Foundation and The United Way.

Dorothy Riddle, CMC is President and CEO of Service-Growth Consultants Inc., an international management consulting firm. She is the founding Chair of the Service Exporters' Committee of the Canadian Exporters' Association, has chaired the Working Group on Exporter Competitiveness of the Canadian Government's International Trade Advisory Committee, and serves on Canada's Sectoral Advisory Group on International Trade for Business and Educational Services. Dr Riddle is also a member of Statistics Canada's Advisory Committee on Services Statistics, and the Chair of the ISO 9000 Standing Committee of the Institute of Certified Management Consultants of Canada. She is listed in the Who's Who of American Women and the International Who's Who of Professionals.

4. CHILE

Mario Andrade De Amesti is General Manager of Daewoo Electronics Chile S. A. He is also a member of the board of several Chilean corporations. Prior to his current appointment at Daewoo, Mr Andrade had served in many senior positions in the private sector, including as Managing Director of VTR Telecomunicaciones S A and General Manager and Executive Director of Megavision (Channel 9). Mr Andrade is the Chairman of PBEC-Chile and a member of the Board of S.F.F. (Chile).

Juan Salazar is presently Corporate General Manager and Senior Vice President for Regional Affairs of BHP. Holding degrees in Political Science, he was also the Chilean Representative to the Eminent Persons Group (EPG) and during the 1994-1995 Chilean SOM to APEC and Special Assistant to the President of Chile in APEC matters. Mr Salazar is author of several books on Pacific Rim Affairs, and, at present, holds several Board posts in Chilean enterprises.

Glen Trebilcock is presently President and CEO of INVERCAP S.A., holding company and major shareholder of CAP S.A. He joined CAP in 1963, relinquishing his position in 1973 and rejoining CAP in 1985. He has held various positions at CAP, including: Assistant to the Vice President of Finance and Comptroller, Advisor to the President and CEO of CAP, Vice-President of New Ventures, President of Abastecimientos CAP S.A., Corporate Executive Vice President for Development and Planning CAP S.A., and Member of the Board of Compañía Minera del Pacifico S.A. and Terranova S.A. During his absence from CAP, Mr Trebilcock held various positions in Brazil: President of Sugar and Alcohol Plants of the Othon Bezerra de Mello Group, President for the Rio de Janeiro sector of Veplan Industria Inmobiliaria S.A. (Real Estate Industry). Mr Trebilcock has likewise held teaching positions at the Universidad de Chile, Universidad de Santiago and Fundación Getulio Vargas de Rio de Janeiro.

5. PEOPLE'S REPUBLIC OF CHINA

Yao Jinrong is Executive Director and Group Vice President of China International Trust and Investment Corporation (CITIC). He is also President of China International Economic Consultants Co Ltd (CIEC), a wholly-owned subsidiary of CITIC. Before he was appointed as President of CIEC, Mr Yao had been General Director of CITIC's General Office and an Executive Secretary to Mr Rong

Yiren, the founder and Chairman of CITIC and now the Vice President of the People's Republic of China.

Lin Xizhong is the Senior Vice President, China National Metals & Minerals Import and Export Corporation (MINMETALS). Before taking this responsibility, he worked in various institutions of MINMETALS in Hong Kong for over 13 years, and he is still serving as the Vice-Chairman of the Board at the First Pacific Bank in Hong Kong in which MINMETALS has share-holding. And before that, he had many years of experience as business executive in MINMETALS import and export activities in China.

Liu Jiren is the Executive President of NEU-Software Group of China. He is also the Director of China National Software Engineering Research Center; the Vice President of Northeastern University, which is one of the most famous universities in China. Dr Liu is not only a successful manager but also a knowledgeable scholar. Many of his essays and achievements in Science have gained high opinion by people all over the world. NEU-Software group is now becoming a first-rate enterprise in China.

6. HONG KONG, CHINA

Victor Fung Kwok-king, CBE is Chairman of the Hong Kong Trade Development Council, the statutory board responsible for the promotion of Hong Kong's external trade. He is also Chairman of the Hong Kong/European Union Economic Co-operation Committee. In the private sector, Dr Fung is the Chairman of Prudential Asia Investments Ltd, the Asian investment arm of the Prudential Insurance Company of America, and of the Li & Fung Group, a leading Hong Kong based regional trading company. He is also Director of Hong Kong Telecom, Orient Overseas (International) Limited and Kerry Properties Ltd. In 1995, Dr Fung was voted Businessman of the Year in Hong Kong and in 1997, he had conferred upon him an Honourary Doctorate Degree of Laws by the University of Hong Kong.

Sir Gordon Wu Ying-Sheung, KCMG is Chairman and Managing Director of Hopewell Holdings Ltd, one of the largest property development and infrastructure groups in Hong Kong. Sir Gordon has a wealth of experience in developing infrastructure projects, including power stations in the People's Republic of China, the Philippines, Indonesia and Pakistan; highway projects in the People's Republic of China and an elevated rail and road project in Thailand. Sir Gordon is a Council Member of the Hong Kong Trade Development Council and a member of the International Finance Corporation of the World Bank Group's Business Advisory Council. He graduated from Princeton University with a bachelor's degree in civil engineering in 1958.

Victor Lo Chung-Wing, OBE, JP (Hong Kong) is Deputy Chairman of the Federation of Hong Kong Industries and Chairman of the Hong Kong Electronics Industry Council. He is also Council Member of the Hong Kong Trade Development Council, the Industry & Technology Development Council and the Hong Kong/Japan Business Cooperation Committee. He received the Young Industrialist Award in 1989 and was made an OBE in 1996. He is the Chairman and Chief Executive of the Hong Kong listed Gold Peak Group, an Asian multinational electrical and electronic manufacturing group with three subsidiaries listed in Singapore. The group has major operations in Hong Kong, China, Taiwan, Southeast Asia and Australia, including joint ventures with Philips, Toshiba, General Electric and Clipsal.

7. INDONESIA

Bustanil Arifin is President of PT PP Berdikari, a state-owned company, and also Chairman of the Board of several private companies operating in agribusiness, trading and services. Previously, he served for 20 years as Minister of Cooperatives and Head of National Foods Agency of the Republic of Indonesia. He has developed cooperatives and has been actively involved in the rice self-sufficiency and the economic stabilization programmes. Mr Arifin is the founder of the Indonesian Institute of Management Development, Indonesia's premier graduate management school. He is also the founder of the Indonesian Institute of Cooperatives, and chairman and treasurer of several social foundations. In his diplomatic career, he has served as Consul General of Indonesia in New York.

Abdul Rachman Ramly is Vice-Chairman of PT Astra International, a diversified public company with automotive, financial services and agro-industry as its core businesses. Previously, he was President

and Chief Executive Officer, Indonesian National Oil Company (PT Pertamina) and President and Chief Executive Officer, State Tin Corporation (PT Timah) and Chairman of PT Astra International. In his diplomatic career, Mr Ramly served as the Indonesian Ambassador to the United States, Consul General in New York and Hong Kong, and Deputy Chief of Mission of the Indonesian Embassy in Singapore. In his military career, prior to retiring as Major General, he served in numerous army commands.

Muchtar Mandala is President and CEO of Bank Duta, a public listed bank and one of the largest banks in Indonesia. He is also Vice President of the Indonesian Chamber of Commerce and Industry (KADIN Indonesia) in charge of Banking, Insurance, Investment and Monetary Affairs. Previously, Mr Mandala was President and CEO of the Indonesian Cooperative Bank (Bank Bukopin) and Secretary General of The Association of the Indonesian Private Banks (Perbanas). Currently, he is also Chairman of IBJ-Indonesia Bank, Vice-Chairman of Bank Bukopin, Chairman of Bank Muamalat Indonesia and Chairman of Rabo Finance Indonesia.

8. JAPAN

Minoru Murofushi is President and Chief Executive Officer of ITOCHU Corporation, one of Japan's largest general trading companies. (Prior to October 1992, ITOCHU was known outside of Japan as C Itoh & Co Ltd). He also serves as Chairman, Japan Foreign Trade Council; Special Advisor to the Chairman of the Japan Chamber of Commerce and Industry; Chairman, Policy Planning and Coordination Committee of the Japan Chamber of Commerce and Industry; Chairman, Japan-Algeria Economic Committee of the Keidanren; Chairman, Japan-Brazil Economic Committee of the Keidanren; Vice-Chairman, Japan Member Committee of the Pacific Basin Economic Committee (PBEC); Japanese Executive Member, The Trilateral Commission; Member, Foreign Investment Advisory Council (FIAC), Russian Federation; Non-Executive Director, HSBC Holdings, plc., among others.

Nobuo Tateisi is Chairman and Representative Director of Omron Corporation, a multinational manufacturer of electronic systems and components. He also serves as Vice Chairman of the Nikkeiren (Japan Federation of Employers' Associations) in addition to chairing the International Committee and ILO Committee within the Nikkeiren; Member, Sub-Committee on Administrative Reform in Japan (attached to the Prime Minister's Office); Co-Chairman, Committee on Asia and Oceania in the Keidanren (Japan Federation of Economic Organizations); Vice Chairman of the Keizai Koho Center (Japan Institute for Social and Economic Affairs); Vice Chairman, Council for Better Corporate Citizenship (CBCC); and Advisory Professor, Nankai University (Tianjin, People's Republic of China).

Kenzo Nakagawa is President of Showa Plastics Co, Ltd, a plastic moulding manufacturer of electronic and audio-visual components, as well as a Chairman of 15 subsidiary companies out of Japan. He also serves as Vice-Chairman, International Committee, OSAKA Chamber of Commerce and Industry; Vice-Chairman, Committee on Small and Medium-Size Enterprises of Kansai Keizai Doyukai (Kansai Association of Corporate Executives); International Committee of All Japan Plastic Products Industry Association and as Executive Director, Association for Rational Administration (Osaka) Incorporation.

9. REPUBLIC OF KOREA

Jae-Hyun Hyun is Chairman of Tong Yang Group, a diversified business conglomerate of Korea. With its strong foundation in the manufacturing of cement, home appliances, and confectionery goods, Tong Yang Group also provides a full line of financial services such as securities, life insurance and merchant banking. He also serves as Vice Chairman of the Federation of Korean Industries (FKI), President of the Korea Go (Oriental Chess) Association and President of the Korea Stanford Alumni Association. He is also a member of the Seoul Bar Association and the Advisory Council for the Graduate School of Business at Stanford University.

Min Hwa Lee is President and Chief Executive Officer of Medison Co., Ltd. Medison, the main business of which produces and sales of Ultrasound scanner and MRI worldwide. He is a Chairman of Korea Venture Business Association; Chairman of Supervisory Board, Kretztechnik AG., and Director of Korea Academy of Industrial Technology. Many of his papers have been presented in accredited academic journal. His major paper is on Development of Ultrasound B Scanner I-digital Scan

Converter. Dr Lee obtained his doctorate degree from the Korea Advanced Institute of Science & Technology.

Soonhoon Bae is Chairman and Chief Executive Officer of Daewoo Electronics Co, Ltd, Korea's leading consumer electronics and multi-media communications company having global manufacturing and distribution network. He also serves as member, Presidential Council on Science and Technology; Vice President of the Korean Federation of Science and Technology Societies; Vice President of Electronic Industries Association of Korea.

10. MALAYSIA

Tan Sri Nik Mohamed Yaacob is Group Chief Executive of Sime Darby Berhad, Malaysia's largest conglomerate and one of Southeast Asia's leading multinational conglomerates, currently involved in trading, manufacturing, heavy equipment and motor vehicle distribution, property development, insurance and financial services, oil and gas, and power generation. Tan Sri Nik Mohamed sits on the Boards of Sime Darby Berhad and its public listed subsidiaries, Standard and Industrial Research Institute of Malaysia (SIRIM), PNB Equity Resource Corporation Sdn Bhd and also serves as member of the National Council for Scientific Research & Development, National Coordinating Committee on Emerging Multilateral Trade Issues, and is the Chairman of the Malaysian Employers' Federation.

Tan Sri Dato' Francis Yeoh Sock Ping is Managing Director of YTL Corporation Berhad, one of the largest infrastructure development groups in Malaysia. Tan Sri Francis also serves as Council Member, Malaysia Business Council (MBC); Committee Member (Malaysia), Pacific Basin Economic Council (PBEC); Board Member, Malaysian Industry-Government Group for High Technology (MIGHT); Board Member, Commonwealth PARTNERSHIP for Technology Management (CPTM); Committee Member, Malaysian South-South Association (MASSA); Vice President, Federation of Public Listed Companies Malaysia, and International Council Member, The Asia Society.

11. MEXICO

Ernesto Rubio Del Cueto is Director of CEMEX (largest Cement Producer in America) and Senior Partner and Founder of Rubio del Cueto, Monroy, Irurita y Vez, S.C. He serves on many other Mexican and international companies' boards as well. Mr Rubio has been active in the most important Mexican Business Associations and has served as President of the Confederation of Industrial Chambers. He was a member of the APEC Pacific Business Forum in 1994 and 1995, member of the Editorial Board of several newspapers in Mexico and is the author of the book *Mexico's Foreign Trade*. He participates in the National Board of the Mexican Business Coordinating Committee and is a member of the Board of the Mexican Social Security. Mr. Rubio is also a Founder of the Quadrum Bank and the Mexican Health Foundation, as well as the National University of Mexico Foundation.

Bernardo Quintana is, since December 1994, Chairman of the Board and Chief Executive Officer of Grupo ICA, S.A. de C.V., the mayor construction company of Mexico and Latin America with regional offices in six Latin American countries, the United States, Puerto Rico, Spain and Malaysia. He is member of the Board of Directors of Grupo Carso, CEMEX, Telefonos de Mexico, Bolsa Mexicana de Valores and of the Mexico fund, among other no less important companies. Mr Quintana has been at the forefront of Mexico's participation in international financial markets and in the privatization of Mexico's banks. He serves on the boards of the more important Mexican financial groups, Banamex-Accival and Grupo Financiero Inbursa and participates in some cultural and altruistic organizations as FUNSALUD, Fundacion ICA, Claremont University Center and Graduate School (USA). He is part of the Mexican Council of Businessmen and of the Mexican private sector's working team (COECE) created to build the North American market and to assure North America's success in the global marketplace, among other business organizations.

Tomas González Sada is the Chairman of the Board and Chief Executive Officer of Grupo CYDSA, SA, a company engaged in manufacturing and marketing of Fibers and Textile Products, Chemicals and Plastics, Flexible Packaging Solutions, as well as in designing and constructing Water Treatment Plants and providing Integrated Environmental Services. Mr González-Sada also serves as the Chairman of Universidad Regiomontana, a private university; and the Mexico-Japan Business Committee within CEMAI (Mexican Business Association for International Affairs). He is a member of the International Trade Negotiations Advisory Council of the Mexican Commerce Ministry and an active board member of various corporations such as Vitro Sociedad Anónima and Regio Empresas;

financial institutions such as Grupo Financiero Serfin and Instituto ISERFIN; and community service organizations such as Fundación Martínez Sada, Cáritas de Monterrey, Museo de Arte Contemporáneo de Monterrey and Museo de Monterrey.

12. NEW ZEALAND
Rosanne Meo, OBE is Chairman of Television New Zealand and of AMP New Zealand; a Company Director of the Ports of Auckland and Mercury Energy. Mrs Meo was formerly President of the New Zealand Employers' Federation; she is a current member of the New Zealand Business Roundtable and the President of the Auckland Philharmonic Orchestra.

Kerry McDonald, is Managing Director, Comalco New Zealand Limited, Chairman of the Bank of New Zealand, past Chairman of the New Zealand Executive Committee, Australia New Zealand Business Council, Chairman of the Japan New Zealand Business Council, Deputy Chairman of the New Zealand Institute of Economic Research and Chairman of the Executive Committee, Kakapo Recovery Project.

Philip Burdon is widely respected as being one of New Zealand's most successful businessmen and distinguished politicians. As Minister for Trade Negotiations, Commerce and State-Owned Enterprises, he has played a leading role in New Zealand's remarkable economic reforms of the last decade. Specifically, he has led New Zealand's successful negotiating efforts through to the conclusion of the Uruguay Round, and has played a significant role in APEC and has been actively involved in other regional fora. He retired from politics in October 1996 to return to the private sector. He is Chairman of the Asia 2000 Foundation which aims to strengthen New Zealand's links with Asia in both the business sector and the wider New Zealand community.

13. PAPUA NEW GUINEA

Wayne Kenneth Golding, OBE is Chairman and Chief Executive Officer of Tanubada Dairy Products Pty Ltd, Hohola Soft Drinks Pty Ltd, Pacific Products Pty Ltd, Kina Securities Group of companies and Director of Canadian listed mining company Indo Pacific Resources Ltd. The group is involved in agriculture, food production, banking, sharebrokerage, and mining. Mr Golding is the Chairman (founding) of the Manufacturers Council of Papua New Guinea (formally Chamber of Manufacturers) and holds public office positions in the Food and Vegetable Advisory Board (Chairman), Fresh Produce Development Co-operation Pty Ltd (Director), and is a member of various committees, including the World Trade Organization, the National Economic Development Forum and various other Government Statutory Bodies. Mr Golding is also Commissioner in the National Capital District Provincial Government.

Henry Kila, MBE is Chairman of Kila Bowring Insurances Pty Ltd. He has been in the PNG Insurance Industry for over 25 years. He also serves as Executive Member and Past President of the Port Moresby Chamber of Commerce and Industry, Chairman of PNG National Events Council, Senior Vice President of PNG Sports Federation, and Director of PNG, Stock Exchange and Executive Member of the Business Council of PNG.

14. REPUBLIC OF THE PHILIPPINES

Roberto R Romulo is Chairman of the Philippine Long Distance Telephone Company. He is also the Chairman, Carlos P Romulo Foundation for Peace and Development; Chairman, Equitable CardNetwork, Inc; Vice-Chairman, San Miguel International; Member, F E Zuellig Supervisory Board; Chairman, Philippine-British Business Council; Chairman, Philippine-Thailand Business Council; Chairman, APEC Foundation of the Philippines; and, Chairman (1997-1999), Pacific Economic Cooperation Council. Mr Romulo was Foreign Affairs Secretary of the Republic of the Philippines from 1992 to 1995 and Ambassador to Belgium, Luxembourg and the European Communities from 1989 to 1992. He has been decorated by the governments of Belgium, France, Spain, Thailand and the Philippines.

Benigno N Ricafort is Chairman of Naturecraft Industries Corporations, Management Centre and Resource Group Inc., Furniture and Accessories Barn Inc., Wemberg International, Inc; Vice-Chairman, Rufina Development Corporation, Monetary Finance and Investment Corporation; Director, Clark Development Corporation AMERASIA Finance and Investments Corp. He is also President, Philippine Network of Small and Medium Enterprises; Vice-President-Director and National Chairman, SME Development, Philippine Chamber of Commerce and Industry and Director, Small Enterprise

Development Foundation. Mr Ricafort is the 1996 Chairman, Organizing Committee ASIA Pacific Business Network (APB-Net III).

Jose Luis U Yulo, Jr is the President/CEO of the Philippine Stock Exchange, Inc and the immediate past President/CEO of the Philippine International Trading Corporation (PITC), trading arm of the Philippine government and of the Philippine Chamber of Commerce and Industry. Concurrently, he is also Chairman of Unitrust Development Bank; Chairman of Philippine Exhibits and Themesparks Corporation; President of Centrex/Octanorm Corporation and Founding Vice President of the Asia Pacific Countertrade Association (APCA) based in Singapore; Chairman of the International Association of State Trading Organizations (ASTRO) based in Slovenia and Geneva and the Honorary Consul of the Republic of Slovenia to the Philippines.

15. SINGAPORE

Choo Chiau Beng is Chairman and Managing Director of Keppel FELS Ltd, Executive Director of Keppel Corporation as well as the Director of Keppel Bank Ltd and Keppel Land Ltd. He is also the Chairman of the Ngee Ann Polytechnic Council. Prior to joining Keppel FELS, Mr Choo was the Executive Vice President and Chief Executive Officer of Keppel Philippines Shipyard, Inc. He was previously President of the Association of Singapore Marine Industries and Society of Naval Architects and Marine Engineers, Singapore.

Alex Chan was appointed Managing Director and Chief Executive Officer of the Yeo Hiap Seng Group in March 1995. Prior to this, Mr Chan was with Hewlett Packard Singapore (Pte) Ltd for 18 years, last holding the appointment of Managing Director of Hewlett Packard South-East Asia Region from 1991 to 1995. Mr Chan is on the board of directors of several statutory boards and public organizations, including the Singapore Sports Council, the Board of Governors of the Civil Service College and the National Productivity and Quality Council as well as being the Chairman of the National Committee on Smoking Control, the Management Board of the Centre for Wireless Communications (National Science and Technology Board) and Economy Restructuring Committee of the Productivity & Standards Board.

Boey Tak Hap was appointed as President & CEO of Singapore Power (SP) in October 1995. Also serving as a Director of the SP Board, BG Boey leads the integrated utility group, one of Singapore's largest corporations and a key infrastructure provider. He started his career with the Ministry of Defence in 1971 when he was awarded the Singapore Armed Forces Overseas Scholarship. He was appointed Chief of Army in 1988. In 1990, he joined the Public Utilities Board and assumed position of Chief Executive of PUB in February 1995. He also serves as a Director on various other Boards including Keppel Finance Ltd and Wing Tai Asia.

16. CHINESE TAIPEI

Jeffrey Len-Song Koo is Chairman and Chief Executive Officer of Chinatrust Commercial Bank in Taiwan, New York, and California. Together with his uncle, Dr C. F. Koo, he is co-founder of the Koo Group, a diversified holding company whose businesses span the petrochemical, high technology, telecommunication, resort, and financial services industries. Dr Jeffrey Koo is Chairman of the Chinese Taipei Member Committee in the Pacific Economic Cooperation Council and of the Euro-Asia Trade Organization in Taiwan. Dr Koo is also Chairman of Visa International, Asia-Pacific Region and of the Chinese National Association of Industry and Commerce.

Henry C S Kao is President of I-Mei Foods Co. Ltd., and Fu Mei Co. Ltd. He also serves as Chairman of An Hsin Real-Estate Management Inc.; Board Director of Dah An Commercial Bank; Vice-Chairman of Taiwan-Australian Business Council; Director of Importers and Exporters Association of Taipei; Director of Marketing Communications Executives International; Executive Director of Taiwan Confectionery, Biscuit and Flour Food Industry Association; and Director of Taiwan Chainstore Association.

Frank T H Chen is Chairman of Northern International Development Corporation and Pershing Enterprises Co Ltd, dealing in trading and Pershing Systems Corporation, developing an integration system of pack software. Besides, he devotes to investment abroad, acting as Chairman of Shanghai Canon Garment Co, Ltd (PRC), TYPO Investment & Development Corp (HK) and Pacific Coach Lines

Ltd (Canada). Mr Chen serves as Supervisor of Importers/Exporters; Director of National Association of Small & Medium Enterprises; Organizer of International Affairs Council.

17. THAILAND

Vachara Phanchet is Executive Vice President of MMC Sittipol Co Ltd, as one of the largest automakers in ASEAN, manufacturing, distributing, and globally exporting Mitsubishi automobiles from Thailand. He also serves as Chairman and CEO in several other affiliated and related group companies, as well as Honorary Deputy Secretary-General of the Thai Chamber of Commerce.

Twatchai Yongkittikul is Secretary-General of the Thai Bankers' Association. He is also Director of the Thailand Development Research Institute, Independent Director of Capital Nomura Securities Public Company, Director of Thai Rating and Information Service Company Ltd. In the public sector, he serves as a member of the Land Traffic Management Committee, and of the Civil Service Commission. Dr Twatchai has taught at the National Institute of Development Administration, where he also served as Dean of the School of Development Economics and Vice Rector for Academic Affairs. He was a member of the Senate from 1992-1996.

Viroj Phutrakul is the Vice President of the Federation of Thai Industries. He is the Executive Chairman of Boonrawd Asia Co, Ltd, an investment holding company having stakes in several business areas including real estate development and the distribution and manufacture of non-alcoholic beverages and food products. In 1996, Mr Phutrakul received a "Marketing Hall of Fame" award from the Marketing Association of Thailand. Apart from his high ranking positions in the business field, Mr Phutrakul is a member of the Thai Senate and serves as a Chair Professor at the Chulalongkorn University.

18. UNITED STATES

Susan Corrales-Diaz is President and Chief Executive Officer of Systems Integrated, a world-wide provider of systems for automated control of electric, telecommunications and water systems. Ms Corrales-Diaz serves on the Executive Board of the Certified Development Corporation, chartered by the Small Business Administration, to provide financial support to Small and Medium Enterprises (SME's). She is a member of the President's Export Council (of which she chairs the Trade Promotion Subcommittee) and on the Board of Directors of the Southern California District Export Council. She also serves on Boards for: California Chamber of Commerce; Small Business Exporter Association; Orange County World Trade Center; and Southern California Foreign Trade Association.

Robert E Denham is the Chairman and Chief Executive Officer of Salomon Inc, the parent company of Salomon Brothers and Phibro Energy. He is a member of the Council on Foreign Relations and the OECD Business Sector Advisory Group on Corporate Governance. Mr Denham also serves on the Board of Trustees of the Natural Resources Defense Council, The Conference Board, the New School for Social Research and the Russell Sage Foundation, as well as on the Board of Directors of the United Way of New York City. He recently served as a member of the President's Bipartisan Commission on Entitlement and Tax Reform and he is a past co-chairman of the Capital Formation Subcouncil of the Competitiveness Policy Council.

John F Smith, Jr became Chairman of the General Motors Board of Directors on 01 January 1996. He is also chief executive officer and president of GM. Additionally, he is a member of the General Motors Finance Committee and he chairs GM's President's Council as well as GM's Global Strategy Board. He is on the boards of Hughes Electronics (HE) Corporation and General Motors Acceptance Corporation (GMAC). Mr Smith is a member of the board of directors and executive committee of Detroit Renaissance, the Economic Club of Detroit, the American Automobile Manufacturers Association and the Memorial Sloan-Kettering Cancer Center as well as on the board of trustees of the United Way of Southeastern Michigan. He is president of the Beta Gamma Sigma's Directors' Table. Mr Smith is also a member of The Procter & Gamble Company board of directors, and is a Co-Chairman of the Business Roundtable, The Business Council, the U.S.-Japan Business Council, and the American Society of Corporate Executives.

APPENDIX 6

ABBREVIATIONS

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| AASE | APEC Association of Stock Exchanges |
| ABAC | APEC Business Advisory Council |
| ACTETSME | APEC Center for Technology Exchange and Training for Small and Medium Enterprises |
| APEC | Asia-Pacific Economic Cooperation |
| ASEAN | Association of Southeast Asian Nations |
| AVIP | APEC Voluntary Investment Project |
| CAP | Collective Action Plan |
| CTI | Committee on Trade and Investment |
| ECOTECH | Economic and Technical Cooperation |
| G-7 | Group of Seven |
| GATS | General Agreement on Trade in Services |
| GIN | G-7 Global Information Network |
| HRD | Human Resources Development |
| IAP | Individual Action Plan |
| ICSID | International Convention on the Settlement of Investment Disputes |
| IEG | Investment Experts Group |
| III | Infrastructure Investment Initiative |
| IOSCO | International Organization of Securities Commissions |
| IPR | Intellectual Property Rights |
| IT | Information Technology |
| ITA | Information Technology Agreement |
| MAPA | Manila Action Plan for APEC |
| MFN | Most Favored Nation |
| MRA | Mutual Recognition Agreement |
| NBIP | Non-Binding Investment Principles |
| NTM | Non-Tariff Measure |
| OECD | Organization for Economic Cooperation and Development |
| PBF | Pacific Business Forum |
| PECC | Pacific Economic Cooperation Council |

| | |
|------------|---|
| PEG | Partnership for Equitable Growth |
| PLG SME | Policy Level Group on Small and Medium Enterprises |
| SCSC | Subcommittee on Standards and Conformance |
| SCCP | Subcommittee on Customs Procedures |
| SME | Small and Medium Enterprise |
| SOM | Senior Officials' Meeting |
| TILF | Trade and Investment Liberalization and Facilitation |
| TRIPS | Agreement on Trade-Related Aspects of Intellectual Property Rights |
| UN/EDIFACT | United Nations Rules for Electronic Data Interchange for Administration, Commerce and Transport |
| WG | Working Group |
| WTO | World Trade Organization |
| WTOAGP | World Trade Organization Agreement on Government Procurement |

APPENDIX 7

THE APEC BUSINESS ADVISORY COUNCIL SECRETARIAT

The ABAC Secretariat

Dr Julius Caesar Parreñas
ABAC Executive Secretary
Executive Director, Center for Research and Communication (Manila, Philippines)

Ms Carla Marie Griño

Ms Mary Beatrice Parcon

Mr John Avila

The Canadian Secretariat in Montreal

Mr Paul Gobeil
ABAC Chair

Ms Sheila-Marie Cook
Senior Advisor, Communications and Media Relations

Ms Lynda Dumais
Executive Assistant

With Assistance from the APEC Secretariat in Singapore

Ambassador Jack Whittleton
Executive Director

Mr Tom Engle
ABAC Coordinator and Director, Programs

Ms Eva Low